

# Final CRR Assessment

In respect of the Transaction "**Finance Ireland RMBS No. 5 DAC**"  
(Finance Ireland Credit Solutions DAC)

24 October 2022



### **Authorization of SVI as third party**

STV Verification International GmbH ("SVI") has been authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin"), as the competent authority pursuant to Art 29 of the Securitisation Regulation and § 44 German Banking Act to act in all EU countries as third party pursuant to Art 28 of the Securitisation Regulation to verify compliance with the STS Criteria pursuant to Articles 19 to 26e of the Securitisation Regulation ("STS Verification"). Moreover, SVI performs additional services including the verification of compliance of securitisations with (i) Article 243 of the Capital Requirements Regulation (Regulation (EU) 2017/2401 dated 12 December 2017, amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms as amended by Regulation (EU) 2021/558 of 31 March 2021 ("CRR Assessment"), (ii) Article 270 (senior positions in STS on-balance sheet securitisations) of the CRR ("Article 270 Assessment"), (iii) Article 13 of the Delegated Regulation (EU) 2018/1620 on liquidity coverage requirement for credit institutions dated 13 July 2018, amending Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirements for Credit Institutions ("LCR") ("LCR Assessment"), and (iv) the STS Criteria, in respect of existing securitisations and potential deficiencies regarding compliance with the STS Criteria („Gap-Analysis“).

### **Mandating of SVI and verification steps**

SVI has been mandated by the Originator (Finance Ireland Credit Solutions Designated Activity Company) to verify compliance with Article 243 (2) of the CRR for the securitisation transaction "Finance Ireland RMBS No. 5 DAC" (the "Transaction").

As part of our verification work for the previous securitisation transactions, we have received an update of the due diligence presentation dated May 2022. In addition, we have discussed selected aspects of the Transaction with the Originator, the Arranger and legal counsel and



obtained additional information on the transaction structure, the underwriting and servicing procedures of Finance Ireland Credit Solutions DAC and Pepper Finance Corporation (Ireland) DAC and the underlying Transaction Documents.

For the purposes of this Final CRR Assessment, we have reviewed the following documents and other information related to the Transaction:

- Prospectus dated 20 October 2022
- Mortgage Sale Agreement
- Irish Legal Opinion
- Master Definitions and Construction Schedule
- Additional information received by e-mail, such as confirmations, comments, etc.

### Verification Methodology

The fulfilment of each verification point in this Final CRR Assessment provided to the Originator is evaluated based on the three fulfilment values (traffic light status):

Criterion is fully met	
Criterion is mostly met, but with comments or requests for missing information	
Criterion not (yet) met based on available information	



## **Disclaimer of SVI**

SVI grants a registered verification label “verified – STS VERIFICATION INTERNATIONAL” if a securitisation complies with the requirements for simple, transparent and standardised securitisation as set out in Articles 19 to 26e of the Securitisation Regulation (“STS Requirements”). The same registered verification label is used by SVI in the context of a CRR Assessment, Article 270 Assessment, LCR Assessment and Gap-Analysis. The aim of the Securitisation Regulation is to restart high-quality securitisation markets, and the intention of implementing a framework for simple, transparent and standardised transactions with corresponding STS criteria shall contribute to this. However, it should be noted that the STS verification performed by SVI does not affect the liability of an originator or special purpose vehicle in respect of their legal obligations under the Securitisation Regulation. Furthermore, the use of verification services from SVI shall not affect the obligations imposed on institutional investors as set out in Article 5 of the Securitisation Regulation or set out in the CRR, LCR and other relevant regulations, respectively. Notwithstanding confirmation by SVI, which verifies compliance of a securitisation with the STS Requirements, such verification by SVI does not ensure the compliance of a securitisation with the general requirements of the Securitisation Regulation.

SVI has carried out no other investigations or surveys in respect of the issuer or the notes concerned other than as set out in this Final CRR Assessment and disclaims any responsibility for monitoring the issuer’s continuing compliance with these standards or any other aspect of the issuer’s activities or operations. Furthermore, SVI has not provided any form of advisory, audit or equivalent service to the Originator, Issuer or Sponsor.

SVI is not a legal advisor and nothing in the Final CRR Assessment shall be regarded as legal advice in any jurisdiction.

Accordingly, the Final CRR Assessment is only an expression of opinion by SVI after application of its verification methodology and not a statement of fact. It is not a guarantee or warranty that ECB, any of the ESAs or national competent authorities, courts, investors or any other person will accept the STS status of the relevant securitisation or its status under the LCR and/or the CRR. Therefore, no person should rely on the Final CRR Assessment in determining the STS status but must perform its own analysis and reach its own conclusions.



SVI assumes due performance of the contractual obligation thereunder by each of the parties and the representations made and warranties given in each case by any persons or parties to SVI or in any of the documents are true, not misleading and complete. SVI shall have no liability for any loss of any kind suffered by any person as a result of a securitisation where the Final CRR Assessment indicated that it met, in whole or in part, the STS Requirements, certain CRR or SRT requirements being held for any reason as not so meeting the relevant requirements or not being able to have lower capital allocated against it save in the case of deliberate fraud by SVI. SVI shall also not have any liability for any action taken or action from which any person has refrained from taking as a result of the Final CRR Assessment.

## LIST OF ABBREVIATIONS/DEFINITIONS

Note: For any other term used in this Final CRR Assessment in capital spelling, please refer to Clause 1. “DEFINITIONS” of the Master Definitions and Construction Schedule.

BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BTL	Buy-to-Let
CBI	Central Bank of Ireland
CBI Implementation Notice	Implementation of Competent Authority Options and Discretions in the European Union (Capital Requirements) Regulations 2014 and Regulation (EU) No 575/2013 by the CBI dated December 2021.
CPR	Constant Prepayment Rate
CRR	Capital Requirements Regulation (Regulation (EU) 2017/2401 dated 12 December 2017, amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms), as amended by Regulation (EU) 2021/558 of 31 March 2021
Due Diligence Presentation	Due Diligence Presentation by Finance Ireland Credit Solutions DAC
EBA	European Banking Authority
EBA Guidelines	Final Report on Guidelines on the STS criteria for non-ABCP securitisation, as published by EBA on 12 December 2018
Finance Ireland	Finance Ireland Credit Solutions Designated Activity Company
Final Verification Report	Final Verification Report prepared by SVI in respect of the Transaction
Investor Presentation	Investor Presentation by Finance Ireland Credit Solutions DAC
Irish Legal Opinion	Draft of the Irish legal opinion prepared by Arthur Cox
Issuer	Finance Ireland RMBS No. 5 Designated Activity Company
LCR	Delegated Regulation (EU) 2018/1620 on liquidity coverage requirement for credit institutions dated 13 July 2018, amending Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirements for Credit Institutions
LTV	Loan-to-Value

MDCS	Master Definitions and Construction Schedule
MSA	Mortgage Sale Agreement
Originator	Finance Ireland
Pepper	Pepper Finance Corporation (Ireland) Designated Activity Company
Prospectus	Prospectus dated 20 October 2022
Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, as amended by Regulation (EU) 2021/557 of 31 March 2021
SSPE	Securitisation Special Purpose Entity or Issuer
STS Requirements	The requirements for simple, transparent and standardised securitisation in respect of a non-ABCP transaction as set out in Articles 19 to 22 of the Securitisation Regulation
Third Country	A country that is not part of the Union
Transaction	The securitisation of residential mortgage loan receivables involving Finance Ireland RMBS No. 5 Designated Activity Company as Issuer
Union	The European Union or "EU"

#	Criterion Article 243 (2)	CRR Assessment
1	Qualification of the securitisation position as <b>STS securitisation</b>	<p><u>Verification Method:</u> Legal (Prospectus) / Regulatory (STS Notification, STS Verification Report)</p> <p>The Transaction and therefore also the Securitisation Position will be notified according to Article 27 (1) of the Securitisation Regulation by the Originator to ESMA as meeting the requirements of Articles 20 – 22 of the Securitisation Regulation in respect of non-ABCP securitisations, see Section "REGULATORY DISCLOSURES", Sub-sections "Reporting Entity for the purposes of the EU Securitisation Regulation and the UK Securitisation Regulation" and "Reporting under the EU Securitisation Regulation and the UK Securitisation Regulation", Paragraph "STS - Simple, transparent and standardised securitisation" of the Prospectus. Please also refer to the Final Verification Report prepared by SVI in respect of the Transaction.</p>
#	Criterion Article 243 (2) (a)	CRR Assessment
2	<b>Granularity</b> of the securitised portfolio in terms of single obligor concentrations	<p><u>Verification Method:</u> Legal (Prospectus, Mortgage Sale Agreement)</p> <p>At the time of inclusion in the securitisation, the aggregate Loan balance of all Loans granted to a single Borrower is lower than 2.0 per cent. of the Current Balance of all Loans in the Portfolio, please refer to Section "THE LOANS", Sub-section "Characteristics of the Loans", Paragraph "Eligibility Criteria", Item (o) of the Prospectus.</p> <p>Furthermore, there are no connected or groups of connected clients within the portfolio, please refer to Section "THE LOANS", Sub-section "Characteristics of the Loans", Paragraph "Eligibility Criteria", Item (n) of the Prospectus.</p> <p>The underlying exposures for the Transaction represent standard mortgage Loan Agreements originated by Finance Ireland and Pepper in respect of retail borrowers. Residual values are not part of the securitised portfolio.</p>



#	Criterion Article 243 (2) (b)	CRR Assessment
3	<b>Maximum risk weight under the Standardised Approach</b>	<p><u>Verification Method</u>: Legal (Prospectus, Mortgage Sale Agreement), Due Diligence (explicit confirmation by Originator)</p> <p>The underlying exposures securitised in the Transaction constitute loans secured by residential mortgages, see Section "OVERVIEW OF KEY TRANSACTION DOCUMENTS", "Mortgage Sale Agreement", Paragraph "Representations and Warranties", Item 1. of the Prospectus. The Transaction does not include fully guaranteed residential loans as referred to in point (e) of Article 129 (1) of the CRR.</p> <p>Hence, the underlying exposures fall into the 'loans secured by residential mortgages' category for the purposes of Article 243 (2) (b) of the CRR.</p> <p>The risk weight for exposures secured by mortgages on immovable property in general and exposures fully and completely secured by mortgages on residential property in particular derives from the provisions laid down in Articles 123 and 125 of the CRR, respectively.</p> <p>According to Article 125 (1) (a) and (2) of the CRR, exposures fully and completely secured by mortgages on residential property which is occupied or let by the owner, shall be assigned a risk weight of 35%, if (a) the value of the property does not materially depend upon the credit quality of the borrower, (b) the risk of the borrower does not materially depend upon the performance of the underlying property, but on the underlying capacity of the borrower to repay the debt from other sources, and as a consequence, the repayment of the facility does not materially depend on any cash flow generated by the underlying property serving as collateral, (c) the requirements for immovable property collateral according to Article 208 of the CRR (which relate to the enforceability of the mortgage, the legal requirements for establishing the pledge and the legal process to realise the value of the security within a reasonable timeframe) and the valuation rules according to Article 229 (1) of the CRR (i.e. valuation of immovable property collateral by an independent valuer at or less than the market value and proper documentation of the market value by the independent valuer in a transparent and clear manner) are met, (d) unless otherwise determined under Article 124 (2) of the CRR, the LTV based on market value or mortgage lending value does not exceed 80%. Please note that, in relation to the requirement under Item (d), the CBI as competent authority has, from 2006 to November 2021, availed of the discretion under Article 124 (2) of CRR to set stricter criteria in this area. According to the CBI Implementation Notice, dated December 2021, the CBI will, as of 25 November 2021, no longer exercise this discretion and firms should refer to Articles 124-126 of the CRR for the applicable risk weights for residential and commercial real estate exposures, see Clause 4.2 of the CBI Implementation Notice.</p> <p>According to Article 124 (1) 2nd sentence of the CRR, the part of the exposure that exceeds the mortgage value of the immovable property shall be assigned a risk weight applicable to the unsecured exposures of the counterparty involved.</p> <p>The risk weight applicable to the unsecured exposures is 75% if the exposure satisfies the definition of 'retail exposures' under Article 123 of the CRR. This is the case for the Transaction as (i) the exposure is to either to a natural person or to an SME, (ii)</p>

the exposure is one of a significant number of exposures with similar characteristics, and (iii) the total amount owed by the obligor client or group of connected clients does not exceed EUR 1 million.

For those loans in the portfolio that have an LTV of more than 80% but do not qualify as 'retail exposures' (e.g. because they exceed the EUR 1 million threshold), a risk weight of 100% applies.

In relation to the Transaction, the above requirements are met as (a) the value of the property does not materially depend upon the credit quality of the borrower (Note: the property values in respect of the Transaction are determined predominantly by other factors including macro-economic factors such as the supply and demand situation on the Irish residential property market), (b) the risk of the borrower does not materially depend upon the performance of the underlying property, but on the underlying capacity of the borrower to repay the debt from other sources, and as a consequence, the repayment of the facility does not materially depend on any cash flow generated by the underlying property serving as collateral (Note: the key underwriting components for the loans securitised in the Transaction encompasses in all cases an affordability assessment that includes the applicant's net income and a review of expenditure. The Transaction also does not include BTL loans where the rented property could generate cash flows to repay the loan facility), (c) the requirements for immovable property collateral according to Article 208 of the CRR (which relate to the enforceability of the mortgage, the legal requirements for establishing the pledge and the legal process to realise the value of the security within a reasonable timeframe) and the valuation rules according to Article 229 (1) of the CRR (i.e. valuation of immovable property collateral by an independent valuer at or less than the market value and proper documentation of the market value by the independent valuer in a transparent and clear manner) are met (Note: the Irish Legal Opinion confirms the enforceability of the mortgage and related matters, the legal process for the realisation of the mortgage is well established in Ireland and for all mortgages in the portfolio a Valuation Report has been prepared by an independent valuer meeting the documentation requirements) and (d) the part of the loan to which the 35% risk weight is assigned does not exceed 80% of the market value of the relevant property (i.e. the up to 80% LTV portion of the loan).

The application of the above-described risk weight requirements as specified by Articles 123 and 125 of the CRR on the underlying exposures securitised in the Transaction results in a risk weight of below 40% on an exposure value-weighted average basis for the final pool cut dated 31 August 2022.

Hence, at the time of inclusion in the securitisation, the underlying exposures meet, in relation to the Originator, the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, the maximum risk weight of 40% (weighted average for the portfolio).

#	Criterion Article 243 (2) (c)	CRR Assessment
4	<b>Inclusion of loans secured by lower ranking security rights</b> for RMBS and CMBS	<p><u>Verification Method:</u> Legal (Prospectus, Mortgage Sale Agreement)</p> <p>Under the Mortgage Sale Agreement the Originator sells, assigns or otherwise transfers to the Issuer a portfolio of Irish residential mortgage loans each secured by a Mortgage and, where applicable, other Related Security, see Section "OVERVIEW OF KEY TRANSACTION DOCUMENTS", Sub-section "Mortgage Sale Agreement", paragraph "Portfolio" of the Prospectus.</p> <p>The Originator confirms in the Loan Warranties that each Loan is secured by a valid, subsisting and first ranking legal mortgage over the relevant Property situated in Ireland (subject only to stamping at the Revenue Commissioners, where applicable, and to any registration which may be pending at the Land Registry or Registry of Deeds) (or, in the case of multiple advances over the same property, the advances rank above all security other than the security in favour of the Originator), see Section "OVERVIEW OF KEY TRANSACTION DOCUMENTS", "Mortgage Sale Agreement", Paragraph "Representations and Warranties", Item 1. of the Prospectus</p>
#	Criterion Article 243 (2) (d)	CRR Assessment
5	<b>Maximum loan-to-value</b> for RMBS	<p><u>Verification Method:</u> Legal (Prospectus)</p> <p>The Originator represents and warrants to the Issuer and the Security Trustee on the Closing Date that no Loan in the Portfolio has a Current LTV or a Current Indexed LTV higher than 100%, see Section "THE LOANS", Sub-section "Characteristics of the Loans", Paragraph "Eligibility Criteria", Item (f) of the Prospectus.</p>

As a result of the verifications documented above, we confirm to Finance Ireland Credit Solutions DAC that the requirement pursuant to Article 243 (2) of Regulation (EU) 2017/2401 dated 12 December 2017, amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2021/558 of 31 March 2021, have been fulfilled for the transaction **Finance Ireland RMBS No. 5 DAC**".

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