

# Final LCR Assessment

In respect of the Transaction „**Finance Ireland RMBS No. 5 DAC**“

24 October 2022



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

STS 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 13 of the LCR 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 LCR Assessment, we have reviewed the following documents and other information related to the Transaction:

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

### Verification Methodology

The fulfilment of each verification point in this Final LCR 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 LCR 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 LCR Assessment shall be regarded as legal advice in any jurisdiction.

Accordingly, the Final LCR 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 LCR 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 LCR 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 LCR Assessment.

## LIST OF ABBREVIATIONS/DEFINITIONS

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

Arranger	BofA Securities Europe S.A.
Back Book Originator	Pepper
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BTL	Buy-to-Let
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
Final Verification Report	Final Verification Report prepared by SVI in respect of the Transaction
Finance Ireland	Finance Ireland Credit Solutions Designated Activity Company
Investor Presentation	Investor Presentation by Finance Ireland Credit Solutions DAC
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
Level 2B Securitisations	Asset-backed securities as referred to in Article 12(1)(a) of the LCR that fulfil the requirements of Article 13 of the LCR

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
STR	Short-Term Rate
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"
WAL	Weighted Average Life

#	Criterion Article 13, Paragraph 1 of the LCR	LCR Assessment
1	Qualification of the securitisation position as <b>STS securitisation and fulfilment of additional criteria</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” in the Prospectus. Please also refer to the Final Verification Report prepared by SVI in respect of the Transaction.</p> <p>The additional criteria laid down in paragraph 2 and paragraphs 10 to 13 of Article 13 of the LCR are met, please refer below to #2-8.</p>
#	Criterion Article 13, Paragraph 2 (a) of the LCR	LCR Assessment
2	<b>Credit Rating</b> of the securitisation position	<p><u>Verification Method:</u> Legal (Prospectus), Due Diligence (Rating report)</p> <p>The Class A Notes to be issued by the Issuer have been assigned a AAA (sf) and AAA (sf) long-term ratings by DBRS and S&amp;P, respectively. Both DBRS and S&amp;P have the status of a nominated ECAI. Hence, the Securitisation Position has been assigned a credit assessment of credit quality step 1 (AAA to AA- or equivalent) by a nominated ECAI in accordance with Article 264 of Regulation (EU) No 575/2013.</p>



#	Criterion Article 13, Paragraph 2 (b) of the LCR	LCR Assessment
3	<b>Most senior tranche of the securitisation</b>	<p><u>Verification Method:</u> Legal (Prospectus)</p> <p>The Securitisation Position is the most senior tranche issued by the Issuer under the Transaction and possesses the highest level of seniority at all times during the ongoing life of the Transaction, see Section "CASHFLOWS" of the Prospectus.</p> <p>The Class A Notes represent the most senior tranche given that, following the occurrence of an Enforcement Notice, the Class A Notes are not subordinated to other tranches (in particular the Class B Notes) of the Transaction in respect of receiving principal and interest payments, see the Post-Enforcement Priority of Payments (please refer to Section "CASHFLOWS", Sub-Section "Distributions following the service of an Enforcement Notice on the Issuer" of the Prospectus).</p>
#	Criterion Article 13, Paragraph 2 (g) of the LCR	LCR Assessment
4	<b>Homogeneity requirements</b>	<p><u>Verification Method:</u> Legal (Prospectus, Mortgage Sale Agreement), Data</p> <p>The Securitisation Position is backed by a pool of underlying exposures, which all belong to only one subcategory, namely 'residential loans secured with a first-ranking mortgage granted to individuals for the acquisition of their main residence'. The underlying exposures securitised in the Transaction fulfil these requirements as (i) 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, (ii) the Originator confirms in the Loan Warranties that each Borrower is a natural person resident in Ireland, see Section "OVERVIEW OF KEY TRANSACTION DOCUMENTS", "Mortgage Sale Agreement", Paragraph "Representations and Warranties", Item 7. of the Prospectus, and (iii) the Originator has confirmed that each property financed with a Loan securitised in the Transaction is the main residence of the respective Obligor.</p> <p>In addition, the loans in the pool meet on average the loan-to-value requirement as per Article 129 (1) (d) Point (i) of the CRR (80%) given that the weighted average Current LTV of the portfolio, based on the final pool cut as per 31 August 2022, is below 80 %.</p>

#	Criterion Article 13, Paragraph 10 of the LCR	LCR Assessment
5	Securitisation position <b>not held by the credit institution or group company that originated the underlying exposures</b>	<p><u>Verification Method:</u> Legal (Prospectus), Due Diligence (explicit confirmation by the originator)</p> <p>The underlying exposures have been either directly originated by Finance Ireland Credit Solutions DAC acting as Originator or by the Back Book Originator Pepper. For the purpose of compliance with this requirement it is assumed that the credit institution holding the Securitisation Position in its liquidity buffer is not the Originator, any of its subsidiaries, its parent undertaking, a subsidiary of its parent undertaking or any other undertaking closely linked with the Originator.</p>
#	Criterion Article 13, Paragraph 11 of the LCR	LCR Assessment
6	Requirement regarding <b>Tranche Size</b>	<p><u>Verification Method:</u> Legal (Prospectus)</p> <p>The Nominal Amount of the Class A Notes is expected to amount to approximately EUR 355 million, hence the issue size of the tranche amount is at least EUR 100 million (or the equivalent amount in domestic currency).</p>
#	Criterion Article 13, Paragraph 12 of the LCR	LCR Assessment
7	Requirements regarding <b>Weighted Average Life</b> of the securitisation position	<p><u>Verification Method:</u> Legal (Prospectus), Data (Cashflow Model)</p> <p>The Transaction features a Call Option that can be exercised on the Step-Up Date which is the Interest Payment Date falling in June 2025, see Section "TRANSACTION OVERVIEW – OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES" of the Prospectus.</p> <p>Using the lower of either the Transaction's pricing prepayment rate assumption 4% or a 20% constant prepayment rate, and assuming that the Call Option is exercised on the Step-Up Date, the remaining weighted average life of the Class A Notes is 2.94 years (for 4% CPR) or 2.10 years (for 20% CPR). This fulfils the requirement that the remaining WAL of the tranche shall be 5 years or less.</p>

#	Criterion Article 13, Paragraph 13 of the LCR	LCR Assessment
8	Requirements regarding the <b>Originator</b>	<p><u>Verification Method:</u> Legal (Prospectus), Due Diligence (explicit confirmation by originator)</p> <p>The Originator is not a credit institution as defined in Article 4 (3) of the CRR, but pursues one or more of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU, namely 'Lending including, inter alia: consumer credit, credit agreements relating to immovable property, factoring, with or without recourse, financing of commercial transactions (including forfeiting' (point 2).</p>
#	Criterion Article 37 of the LCR	LCR Assessment
9	<b>Transitional provisions for RMBS</b>	<p><u>Verification Method:</u> Legal (Prospectus)</p> <p>The exception for residential mortgages regarding loan-to-value or loan-to-income requirements set out in Article 37 (1) of the LCR for securitisations issued before 1 October 2015 does not apply as the securitisation is issued after that date.</p> <p>The exception for residential mortgages regarding loan-to-value or loan-to-income requirements set out in Article 37 (2) of the LCR for securitisations issued until 1 October 2025, where the underlying exposures include residential loans that were not subject to a national law regulating loan-to-income limits at the time they were granted and such residential loans were granted at any time prior to 1 October 2015, does not apply as the Transaction qualifies as Level 2B assets as it meets all the requirements in Article 13 of the LCR.</p>



As a result of the verifications documented above, we confirm to Finance Ireland Credit Solutions DAC that the requirements pursuant to 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, have been fulfilled for the transaction "**Finance Ireland RMBS No. 5 DAC**".

#### **SVI contact details:**

Michael Osswald  
Managing Director  
STS Verification International GmbH  
Mainzer Landstrasse 61  
60329 Frankfurt am Main  
+49 69 8740 344-10  
[michael.osswald@svi-gmbh.com](mailto:michael.osswald@svi-gmbh.com)

Marco Pause  
Director  
STS Verification International GmbH  
Mainzer Landstrasse 61  
60329 Frankfurt am Main  
+49 69 8740 344-43  
[marco.pause@svi-gmbh.com](mailto:marco.pause@svi-gmbh.com)

Salah Maklada  
Associate Director  
STS Verification International GmbH  
Mainzer Landstrasse 61  
60329 Frankfurt am Main  
+49 69 8740 344-45  
[salah.maklada@svi-gmbh.com](mailto:salah.maklada@svi-gmbh.com)

Yves Gafumbegete  
Associate  
STS Verification International GmbH  
Mainzer Landstrasse 61  
60329 Frankfurt am Main  
+49 69 8740 344-42  
[yves.gafumbegete@svi-gmbh.com](mailto:yves.gafumbegete@svi-gmbh.com)