

Final CRR Assessment

In respect of the Transaction “**Finance Ireland RMBS No. 3 DAC**”
(Finance Ireland Credit Solutions DAC)

24 June 2021





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 Article 29 of the Securitisation Regulation, to act in all EU countries as third party pursuant to Article 28 of the Securitisation Regulation to verify compliance with the STS Criteria pursuant to Articles 18-26 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 synthetic SME 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"). These additional services are carried out after notification to and agreement with BaFin.

Mandating of SVI and verification steps

On 31 March 2021, SVI has been mandated by the Originator (Finance Ireland Credit Solutions DAC) to verify compliance with Article 243 (2) of the CRR for the securitisation transaction "Finance Ireland RMBS No. 3 DAC" (the "Transaction").

As part of our verification work for the previous securitisation transactions, we have joined representatives of Finance Ireland Credit Solutions DAC and other transaction participants to attend a due diligence call on 6 August 2020 and received an update of the due diligence presentation as per March 2021. 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 documentation.

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

- Final Prospectus dated 22 June 2021
- 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 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 26 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 CRR Assessment and disclaims any responsibility for monitoring the Issuer’s continuing compliance with these requirements or any other aspect of the issuer’s activities or operations. In particular, SVI has relied on statements made in the offering circular or other legal documentation of the Transaction and based its analysis on information provided directly or indirectly by the Originator or Sponsor of the Transaction. Investors should therefore not evaluate their investment in securitisation positions based on this CRR Assessment.

SVI has not provided any form of advisory, audit or equivalent service to the Originator, Issuer or Sponsor.

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 to SVI or in any of the documents are true, not misleading and complete.

LIST OF ABBREVIATIONS/DEFINITIONS

Note: For any other term used in this Final CRR Assessment in capital spelling, please refer to the defined terms in 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 2018
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 Prospectus	Final Prospectus dated 22 June 2021
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
Irish Legal Opinion	Draft of the Irish legal opinion prepared by Arthur Cox dated 10 June 2021
Issuer	Finance Ireland RMBS No. 3 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
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
SPV	Special Purpose Vehicle or Issuer
Transaction	The securitisation of residential mortgage loan receivables involving Finance Ireland RMBS No. 3 Designated Activity Company as Issuer

#	Criterion Article 243 (2)	CRR Assessment
1	Qualification of the securitisation position as STS securitisation	<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-section “Reporting Entity for the purposes of the EU Securitisation Regulation and the UK Securitisation Regulation”, paragraph “STS - Simple, transparent and standardised securitisation” in the Final 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	Granularity of the securitised portfolio in terms of single obligor concentrations (measured on the basis of a group of connected clients)	<p><u>Verification Method:</u> Legal (Prospectus, Receivables Purchase 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”, definition of “Eligibility Criteria”, item (o) of the Final 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”, definition of “Eligibility Criteria”, item (n) of the Final 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 securitized portfolio.</p>

#	Criterion Article 243 (2) (b)	CRR Assessment
3	<p>Maximum risk weight under the Standardised Approach</p>	<p><u>Verification Method</u>: Legal (Prospectus, Receivables Purchase Agreement), Due Diligence (explicit confirmation by Originator)</p> <p>The underlying exposures securitised in the Transaction constitute loans secured by residential mortgages, see Section "SUMMARY OF KEY TRANSACTION DOCUMENTS", Sub-section "Mortgage Sale Agreement", definition of "Loan Warranties", item 1. of the Final 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 124 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%.</p> <p>The CBI as competent authority has availed of the discretion under Article 124 (2) of CRR to set stricter criteria in this area. More specifically, the CBI allows for a risk weight of 35%, but only where the LTV at market value does not exceed 75%, the residential property is owner-occupied and the other specified conditions in Article 125 of the CRR are met, see Section 4.4. of the CBI Implementation Notice. Any amount above 75% LTV or exposure to a mortgage secured by residential property not meeting the conditions of Article 125 of the CRR are assigned a risk weighting of 75%, provided that the relevant amount of the exposure does not exceed 1 million EUR in combination with all other owed amounts of exposures to the obligor or group of connected obligors (but not taking account of exposures actually treated as secured on real estate property); and (ii) that it satisfies the definition of 'retail exposure class' under Article 123 of the CRR, see Section 4.5 of the CBI Implementation Notice.</p> <p>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),</p>

(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 includes 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).

The application of the risk weight requirements as specified by the CBI 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 May 2021.

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	Inclusion of loans secured by lower ranking security rights for RMBS and CMBS	<p><u>Verification Method:</u> Legal (Prospectus, Receivables Purchase 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 "SUMMARY OF KEY TRANSACTION DOCUMENTS", Sub-section "Mortgage Sale Agreement", paragraph "Portfolio" of the Final 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 "SUMMARY OF KEY TRANSACTION DOCUMENTS", Sub-section "Mortgage Sale Agreement", definition of "Loan Warranties", item 1. of the Final Prospectus.</p>

#	Criterion Article 243 (2) (d)	CRR Assessment
5	Maximum loan-to-value for RMBS	<p><u>Verification Method:</u> Legal (Legal opinion, Receivable purchase agreement)</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", definition of "Eligibility Criteria", item (f) of the Final Prospectus.</p>

As a result of the verifications documented above, we confirm to Finance Ireland Credit Solutions DAC that the requirements 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. 3 DAC**".

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