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DBRS Upgrades Ratings on Bank of Ireland Mortgage Bank Mortgage Covered Securities to AA (low) and Removes from UR-D Status

Industry: Sec.--Covered Bonds

DBRS Ratings Limited (DBRS) has today upgraded to AA (low) from “A” and removed the Under Review with Developing Implications (UR-D) status on the ratings of the outstanding Mortgage Covered Securities under the Bank of Ireland Mortgage Bank Mortgage Covered Securities Programme (the Programme). Concurrently, DBRS has assigned a AA (low) rating to the Series 51 covered bonds (CB) for a nominal amount of EUR 750 million. There are EUR 9.446 billion CB outstanding under the Programme, including Series 51.

The rating action follows the finalisation of the review of the credit DBRS gives to sovereign support in its financial institution analysis, as a result of the recent developments in European regulation and legislation regarding the BRRD (Bank Recovery and Resolution Directive) on 29 September 2015, as well as the publication on 8 September 2015 of the updated “Rating European Covered Bonds” methodology. The ratings were placed UR-D since the publication of the Request for Comments for Rating European Covered Bonds methodology on 26 May 2015.

On 29 September 2015, DBRS confirmed the Issuer Rating of The Governor and Company of the Bank of Ireland (BOI) at BBB (high) with a Stable Trend. The Intrinsic Assessment was upgraded to BBB (high).

The rating actions are based on the following analytical considerations:

- A Covered Bonds Attachment Point (CBAP) of “A”. BOI is the Reference Entity for the Programme. The Programme’s issuer, Bank of Ireland Mortgage Bank, is a wholly owned subsidiary of BOI.
- A legal and structuring framework (LSF) assessment of Adequate associated with the Programme.
- A Cover Pool Credit Assessment (CPCA) of BBB (low), being the minimum CPCA given the CBAP and the rating achievable on the CB.
- An LSF-implied likelihood (LSF-L) of A (high).
- A one-notch uplift for good recovery prospect.
- A level of overcollateralisation (OC) of 21.17% that DBRS gives credit to, being the lowest observed OC level during the past 12 months (24.90%) adjusted by a scaling factor of 0.85.



-- The Issuer's capabilities with respect to origination of the cover pool (CP) and servicing of the CP.

The transaction was modelled using the DBRS European Covered Bond Cash Flow Model. The main assumptions focused on the timing of defaults, recoveries of the assets, interest rate stresses and market value spreads to calculate liquidation values on the CP.

Following a wind-down cash flow simulation aimed at covering the cost of funding under a stress scenario, which yielded good recovery prospects, DBRS granted a one-notch uplift from the LSF-L.

DBRS has assessed the LSF related to the Programme as Adequate, according to its rating methodology. For more information, please refer to DBRS commentaries "DBRS Assigns LSF Assessment to Irish Covered Bonds" and "Irish Covered Bonds: Legal and Structuring Framework Review," both available at www.dbrs.com.

Everything else being equal, a downgrade of the CBAP by one notch would lead to a downgrade of the covered bonds rating by one notch. In addition, the ratings of the Programme would be downgraded if any of the following occurred: (1) the CPCA were downgraded below BBB (low), (2) the sovereign rating of the Republic of Ireland was downgraded below the CBAP, (3) the LSF Assessment associated with the Programme were downgraded; (4) the quality and consistency of the CP were no longer sufficient to support a one-notch uplift for good recovery prospect or (5) volatility in the financial markets caused the currently estimated market value spreads to increase.

The total outstanding amount of securities under the Programme is EUR 9.446 billion. Of the Mortgage Covered Securities outstanding, 67.1% pay a fixed coupon. The interest rate mismatch in the Programme is hedged with BOI.

As of the end of September 2015, the CP included EUR 11.47 billion residential mortgages and EUR 1.316 billion substitution assets. The weighted-average (WA) current loan-to-value (LTV) of the mortgages was 57.91%, while the WA-indexed LTV was 76.37%. Buy-to-let mortgages represented 18.60% of the CP. Fixed-rate mortgages in the CP accounted for 9.93% of the balance, while tracker and variable mortgages represented 90.07% of CP balance. All CP assets and all Mortgage Covered Securities are denominated in euros. As such, investors are not currently exposed to any foreign exchange risk.

Notes:

All figures are in euros unless otherwise noted.



The principal methodology applicable is: “Rating European Covered Bonds.” This can be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>. DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

In DBRS’s opinion, the change(s) under consideration do not require the application of the entire principal methodology. Therefore, an asset analysis was not conducted. A review of the transaction’s legal documents was not conducted as the documents have remained unchanged since the most recent rating action.

Other methodologies and criteria referenced in this transaction are listed at the end of this press release. This can be found at <http://www.dbrs.com/about/methodologies>.

For a more detailed discussion of sovereign risk impact on Structured Finance ratings, please refer to DBRS’s “The Effect of Sovereign Risk on Securitisations in the Euro Area” commentary at <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>.

The sources of information used for this rating include stratification data on the CP as well as information on the economic terms of the new issuance provided by the Issuer.

DBRS does not rely upon third-party due diligence in order to conduct its analysis; DBRS was not supplied with third-party assessments; however, this did not impact the rating analysis.

DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The last rating action on this transaction took place on 23 September 2015, when DBRS confirmed the “A” rating on all series following the completion of a full review and maintained all ratings Under Review with Developing Implications.

Information regarding DBRS ratings, including definitions, policies and methodologies are available on www.dbrs.com.

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For further information on DBRS historic default rates published by the European Securities and Markets Administration (ESMA) in a central repository, see:
<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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Initial Rating Date: 18 April 2012
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The rating methodologies used in the analysis of this transaction can be found at:
<http://www.dbrs.com/about/methodologies>

- Rating European Covered Bonds
- Global Methodology for Rating Banks and Banking Organisations
- Legal Criteria for European Structured Finance Transactions
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda
- Master European Structured Finance Surveillance Methodology
- Operational Risk Assessment for European Structured Finance Servicers
- Unified Interest Rate Model Methodology for European Securitisations
- Derivative Criteria for European Structured Finance Transactions

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <http://www.dbrs.com/research/278375>.



Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 1	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 2	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 3	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 4	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 5	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 6	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 7	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Reg 8	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 16	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 19	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 20	Upgraded	AA (low)	--	Oct 19, 2015

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Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 23	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 24	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 28	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 30	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 32	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 33	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 38	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 39	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 4	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 40	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 42	Upgraded	AA (low)	--	Oct 19, 2015

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 46	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 47	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 48	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 49	Upgraded	AA (low)	--	Oct 19, 2015
Bank of Ireland Mortgage Bank €15,000,000,000 Mortgage Covered Securities Programme	Series 50	Upgraded	AA (low)	--	Oct 19, 2015

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