

Press Releases



Insight beyond the rating.

Date of Release: October 23, 2017

DBRS Upgrades Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages) to AAA

DBRS Ratings Limited (DBRS) upgraded to AAA from AA (high) the outstanding bonds issued under the Bank of Ireland Mortgage Bank (BOIMB or the Issuer) EUR 15,000,000,000 Mortgage Covered Securities Programme (the Programme).

BOIMB has removed EUR 3.62 billion (about 35% of the total cover pool) of tracker mortgages from the cover pool and replaced them with higher-yielding fixed-rate and standard variable rate mortgages. Because of the resulting higher excess spread, the Programme can withstand stresses at a higher rating level, leading to a Cover Pool Credit Assessment (CPCA) of A (low) compared with BBB (low) previously.

There are 40 series of covered bonds (CB) outstanding under the Programme, with a nominal amount of EUR 6.9 billion. Of these, DBRS currently rates 28 bonds publicly with an outstanding balance of EUR 6.7 billion.

The ratings are based on the following analytical considerations:

- A Covered Bonds Attachment Point (CBAP) of A (high), which is the Long Term Critical Obligations Rating of The Governor and Company of the Bank of Ireland (BoI). BoI is the Reference Entity for the Programme.
- A Legal and Structuring Framework (LSF) Assessment of Strong associated with the Programme.
- A CPCA of A (low), which is the lowest CPCA in line with the LSF-Implied Likelihood (LSF-L).
- An LSF-L of AA.
- A two-notch uplift for high recovery prospects.
- A level of overcollateralisation (OC) of 26.8% to which DBRS gives credit, which is the minimum level observed during the past 12 months adjusted by a scaling factor of 0.85.

The transaction was analysed with the DBRS European Covered Bond Cash Flow engine. The main assumptions focused on the timing of defaults and recoveries of the assets, interest rate stresses and market value spreads to calculate liquidation values on the cover pool (CP).

Everything else being equal, a one-notch downgrade of the CBAP would lead to a one-notch downgrade of the LSF L, resulting in a one-notch downgrade of the covered bonds rating.

In addition, all else unchanged, the CB ratings would be downgraded if any of the following occurred: (1) the CPCA was downgraded below A (low); (2) the LSF assessment associated with the programme was downgraded to Average or lower; (3) the quality of the CP and the level of OC were no longer sufficient to support a two-notch uplift for high recovery prospects; (4) the relative amortisation profile of the CB and CP moved adversely; or (5) volatility in the financial markets caused the currently estimated market value spreads to increase.

As of today, the total outstanding amount of CB under the Programme was EUR 6.9 billion while the aggregate balance of the CP was EUR 10.5 billion (as at September 2017, including mortgages and substitution assets). The substitution assets are held in a deposit account that is not contractualised, and the replacement trigger is not in line with DBRS's "Legal Criteria for European Structured Finance Transactions" methodology. Hence, DBRS gives 40% credit to these assets, leading to a total CP of EUR 9.9 billion, which resulted in a total OC of 42.3%.

As of September 2017, the CP included EUR 9.4 billion of first-lien residential mortgages and EUR 1.0 billion of substitution assets. The mortgage CP comprises 75,966 mortgages with a weighted-average (WA) current unindexed loan-to-value ratio of 60.5%.

The pool is 88 months seasoned and the reference rate of the underlying loans is primarily floating (56.9%). Of the CB outstanding, 68.3% pay a fixed coupon. The interest rate mismatch in the Programme is partially hedged with BoI.

The DBRS-calculated WA life of the mortgage assets is roughly 13 years based on a 0% prepayment rate, which is longer than the 4.7 years of WA life on the CB, not accounting for any maturity extension. This risk is mitigated by the Extended Maturity Date, which falls one year after the Maturity Date, and by the OC in place.

All CP assets and CB are denominated in euros. As such, investors are not currently exposed to any foreign exchange risk.

DBRS has assessed the LSF related to the Programme as Strong in accordance with its rating methodology. For more information, please refer to DBRS's commentaries "DBRS Assigns Legal and Structuring Framework Assessment to Irish Covered Bonds Programmes," "Irish Covered Bonds Legal and Structuring Framework" and "DBRS Upgrades Ratings on Bank of Ireland Mortgage Bank Covered Bonds (ACS – Mortgages) to AA (high)," which are available at www.dbrs.com.

For further information on the Programme, please refer to the rating report at www.dbrs.com.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the rating is: “Rating European Covered Bonds”.

In DBRS’s opinion, the changes under consideration do not require the application of the entire principal methodology. Therefore, DBRS focused on the asset and cash flow analysis. A review of the transaction legal documents was not conducted as the legal documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release.

These may be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>

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

The sources of data and information used for these ratings include investor reports, cover pool stratification tables and cover pool loan-by-loan data provided by the Issuer.

DBRS did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial rating DBRS was not supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

DBRS does not audit or independently verify the data or information it receives in connection with the rating process.

The last rating action on this transaction took place on 21 September 2017, when DBRS confirmed the AA (high) ratings on the BOIMB Covered Bonds.

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

For further information on DBRS historical default rates published by the European Securities and Markets Authority (“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 and US 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
- Rating European Covered Bonds Addendum: Market Value Spreads Range (Midpoints)
- Global Methodology for Rating Banks and Banking Organisations
- Legal Criteria for European Structured Finance Transactions
- Derivative Criteria for European Structured Finance Transactions
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda
- Operational Risk Assessment for European Structured Finance Originators
- Operational Risk Assessment for European Structured Finance Servicers
- Unified Interest Rate Model Methodology for European Securitisations
- The Effect of Sovereign Risk on Securitisations in the Euro Area

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>

Ratings

Issuer	Debt Rated	Rating Action	Rating Trend	Notes Published	Issued
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 1	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 2	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 3	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 4	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 5	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 6	Upgraded	AAA --	Oct 23, 2017	EU

Issuer	Debt Rated	Rating Action	Rating Trend	Notes Published	Issued
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 7	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Reg 8	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 16 - XS0450396501	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 20 - XS0457132453	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 23 - XS0464790764	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 24 - XS0491058789	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 28 - XS0595334953	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 39 - XS0907907140	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 40 - XS0975903112	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 46 - XS1046173958	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 47 - XS1170193061	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 48 - XS1195757965	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 49 - XS1228148158	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 50 - XS1283806476	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 51 - XS1308351714	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 52 - XS1329007444	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 53 - XS1332493201	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 54 - XS1333835657	Upgraded	AAA --	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 55 - XS1435406266	Upgraded	AAA --	Oct 23, 2017	EU

Issuer	Debt Rated	Rating Action	Rating Trend	Notes Published	Issued
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 56 - XS1435405961	Upgraded AAA	--	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 57 - XS1457589981	Upgraded AAA	--	Oct 23, 2017	EU
Bank of Ireland Mortgage Bank Covered Bonds (ACS - Mortgages)	Series 58 - XS1457590138	Upgraded AAA	--	Oct 23, 2017	EU

US = USA Issued, NRSRO

CA = Canada Issued, NRSRO

EU = EU Issued, NRSRO

E = [EU Endorsed](#)[Unsolicited Participating With Access](#)[Unsolicited Participating Without Access](#)[Unsolicited Non-participating](#)

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10/23/2017

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