S&P Global
Ratings

Research

New Issue: Domi 2025-1 B.V.

Primary Credit Analyst:
Sandra Fronteau, Paris (33) 1-44-20-6716; Sandra.Fronteau@spglobal.com

Secondary Contact:
Aurelien Bertrix, Paris (33) 1-4420-6791; aurelien.bertrix@spglobal.com

Table Of Contents

Table Of Contents (cont.)

New Issue: Domi 2025-1 B.V.

Ratings Detail

Transaction profile	
Issuer	Domi 2025-1 B.V.
Collateral type	RMBS buy-to-let
Domicile of assets	The Netherlands
Originator, seller, and master servicer	Domivest B.V.
Sub-servicer and stand-by primary servicer	Stater Nederland B.V.
Special servicer	Hypocasso B.V.
Counterparties	Citibank Europe PLC, Netherlands branch, ABN AMRO Bank N.V., Crédit Agricole Corporate and Investment Bank, and BNP Paribas S.A.

Capital structure

Class	Rating*	Amount (mil. €)	Class size (%)	Credit enhancement (%)§	Interest (%)	Step-up interest (%)	Step-up date	Legal final maturity
A	AAA (sf)	281.4	93.02	7.67	3M EURIBOR + 0.71%	3M EURIBOR + 1.065%	April 2030	April 2057
B-Dfrd	AA (sf)	13.6	4.50	3.18	3M EURIBOR + 1.05%	3M EURIBOR + 1.575%	April 2030	April 2057
C-Dfrd	A (sf)	4.5	1.49	1.69	3M EURIBOR + 1.35%	3M EURIBOR + 2.025%	April 2030	April 2057
D-Dfrd	BBB+ (sf)	3.0	0.99	0.70	3M EURIBOR +2.18%	3M EURIBOR + 3.18%	April 2030	April 2057
Z	NR	N/A	N/A	N/A	N/A	N/A	N/A	April 2057

*Our ratings address timely receipt of interest and ultimate repayment of principal on the class A notes, and ultimate repayment of interest and principal on the class B-Dfrd, C-Dfrd, and D-Dfrd notes. §Our calculation of credit enhancement includes subordination and the reserve fund, as amounts standing to the credit of the reserve are released to the principal waterfall on the legal maturity date to redeem the notes. EURIBOR--Euro Interbank Offered Rate. 3M--Three month.

The Credit Story

The pool for Domi 2025-1 B.V. (Domi 2025-1) contains €302.4 million prime buy-to-let (BTL) mortgage loans located in the Netherlands and originated by Domivest B.V. Domivest was established in 2017 to provide lending to Dutch professional BTL investors. Domi 2025-1 is the latest securitization originated by Domivest. The transaction structure is similar to the previous Domi transactions. However, compared to Domi 2024-1 B.V., in this transaction only class A to D notes are issued and rated.

The rating we assigned to the class D-Dfrd notes is two notches above the preliminary rating, due to the lower margin and swap cost (see "Related Research").

Credit strengths

Key factor	Description
Credit quality of the pool	All of the portfolio's mortgage loans are prime-originated, performing, BTL residential mortgages. The pool contains no loans in arrears and no borrowers with adverse credit history. The pool does not include construction or development loans.
Strong historical performance	The performance of loans originated by Domivest has been robust since the first Domi transaction was issued. There have been limited defaults and no losses have been incurred since Domivest started lending. Arrears in the existing transactions have been generally minimal.
Low loan-to-value ratios	The maximum permitted loan-to-value (LTV) ratio is 80%. In the securitized portfolio, the weighted-average original LTV ratio is 71.9% (with no LTV ratio observed above 80.0%). The pool has a low current indexed LTV ratio of 59.1%*, with older loans (from Domi 2020-1 B.V.) benefitting the most from house price growth in the Netherlands in recent years.
Property valuation	All valuations are full external and internal inspections on every property conducted by a Domivest-administered certified valuation panel. The valuation is based on a discounted cash flow analysis to determine the property value based on estimated market rent. A vacant open market valuation is also provided as an alternative, and the valuation used for the LTV ratio calculation is the lower of the two. The valuation reports include comparisons of rental income and purchase price of similar properties in the same neighborhood.
Servicing	Primary servicing is conducted by Stater Nederland B.V., and special servicing is conducted by its subsidiary, Hypocasso B.V. (trading under the name of Mender). Stater is the largest third-party mortgage servicer in the Netherlands. The Stater system is well-integrated with Domivest, and Stater provides the backbone of the systems Domivest uses to originate, underwrite, and service the portfolio.
Sequential waterfall	The capital structure is fully sequential regarding the application of principal proceeds. Therefore, credit enhancement can build up over time, starting with the senior notes, enabling the structure to withstand performance shocks.
Reserve fund	A reserve fund is available to meet shortfalls in senior fees, senior swap payments, and interest shortfalls on the class A to D-Dfrd notes. The reserve fund can only be used to meet interest shortfalls on the class B-Dfrd to D-Dfrd notes if the principal deficiency ledger (PDL) balance on the class of notes does not exceed 10% of its outstanding balance. On the maturity date, amounts standing to the credit of the reserve are released to the principal waterfall to redeem notes.
Principal borrowing mechanism	The transaction can also use principal receipts to pay for shortfalls in senior fees, senior swap payments, and interest shortfalls on the class A to D-Dfrd notes. Principal can be borrowed unconditionally to meet interest shortfalls on the class A notes. It can only be used to meet interest shortfalls on the class B-Dfrd to D-Dfrd notes if it is the most senior class of notes outstanding or if it is the second-most senior class of notes outstanding and the note's PDL balance does not exceed 10% of its outstanding balance.
No setoff risk	The seller is not a deposit-taking institution, and therefore the transaction is not exposed to deposit setoff risk.

*Calculations are according to S&P Global Ratings' methodology.

Credit concerns

Key factor	Description	Mitigant
Partially commercial-use properties	Partially commercial-use properties represent 20.2% of the pool, which is much higher than in Domi 2024-1 (3.6%).	We have applied an adjustment of 1.5x for those properties to the base foreclosure frequency, and an adjustment of 1.15x to the repossessed market-value decline. The risk is also mitigated by Domivest's lending criteria that state that the residential component must be at least 2/3 of the property's total value.
Transfer risk	The transaction's credit profile benefits from the inclusion of the Domi 2020-1 loans, accounting for around 35.7% of the portfolio, given these assets' higher seasoning and also considering recent house price growth in the Netherlands. However, if that transaction is not called, there is a risk of negative carry as one-third of the pool will not be there to generate interest.	We view this risk as remote because we consider Domi 2020-1 to be a bankruptcy-remote entity. Additionally, the receivables' legal title is automatically passed from Domi 2020-1 to the seller and then automatically transferred from the seller to Domi 2025-1 on Domi 2020-1's first optional redemption date, in April 2030. A further mitigant is that solvency checks will be performed before the receivables' true sale to Domi 2025-1.
Loan reset rate	Domivest applies risk-based pricing based on the LTV ratio. A borrower can move to a lower interest rate bucket as they amortize the loan through both scheduled payments and prepayments.	Domivest will ensure that on the relevant interest reset date, the weighted-average interest rate for all mortgage loans minus the total all-in swap rate (because of the reset) will not fall below 2.4%. This has been captured in our cash flow analysis.

Credit concerns (cont.)

Key factor	Description	Mitigant
Limited liability companies	The transaction contains some loans advanced to limited liability companies rather than directly to individuals.	Most of these loans benefit from personal guarantees and a first-ranking charge on the security property. For those that do not benefit from personal guarantees, we have applied an adjustment of 2.0x for commercial borrowers in our credit analysis.
Equity release loans	Of the remortgage loans within the portfolio, 14.2% were remortgaged or mortgaged for the first time to withdraw equity. We consider loans for this purpose, rather than to purchase a property, to be higher risk.	We applied a 1.2x adjustment to equity release loans in our credit analysis.
Interest rate mismatch/hedging	The assets pay a fixed rate of interest for a certain period and then a floating coupon based on three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. The notes pay a floating coupon based on three-month EURIBOR plus a margin. Therefore, there is interest rate mismatch risk during the assets' fixed-rate period.	There is a fixed-floating balance guaranteed swap mechanism in place to hedge interest rate mismatch risk.
Higher note margins after the optional redemption date	If the notes are not redeemed on the optional redemption date (April 2030), their weighted-average cost will increase, reducing the excess spread available.	We considered this in our cash flow analysis. This is partially offset by the fact that after the optional redemption date, all revenue amounts that would have been paid to the class Z notes are diverted to available principal funds.

Origination And Servicing

Originator

The pool comprises loans originated by Domivest B.V. Domivest is managed and majority-owned by its founder, Cervus BTL. It has also a minority shareholding from Macquarie.

Domivest was established in 2017 to provide lending to Dutch BTL prime professional landlords. Headquartered in Amsterdam, it operates on an outsourcing model for servicing and administration services, with the core areas of product design, credit policy, marketing, packaging, underwriting, monitoring, funding, capital markets activity, and regulatory policy retained within the company. With 18 full-time employees (including six underwriters), it has lent approximately €2.6 billion to date. Since 2017, eight transactions have been issued under the Domi shelf.

Key factors of the origination process include the following:

- The overall lending policy is owned by the company's credit committee, which meets frequently and is responsible for considering changes to it.
- There is limited tolerance to adverse credit. The lending criteria outline that no applicant with a negative credit record exceeding €500 in the last three years is accepted.
- An LTV ratio of up to 80% can be borrowed on an interest-only basis, which is in line with other lenders in the Dutch market. It remains below the point on our LTV ratio curve for the Netherlands where we would apply an upward weighted-average foreclosure frequency (WAFF) adjustment.
- Valuations for LTV ratios are determined by a Domivest-administered certified valuation panel. The panel uses a discounted cash flow analysis to determine the rental property's value based on estimated market rent. A vacant open market valuation is also provided as an alternative, and the lower of the two is used to determine the LTV ratio. The valuation also derives the best estimate market rental value based on direct peer comparisons. A full

valuation is required for each property. The valuation agents must be specialized in the rental market and, dependent on criteria, be located within a certain range of the property.

- The interest coverage ratio and debt service coverage ratio (DSCR) are stressed at a five-year mortgage rate or a higher rate for longer tenors. The minimum interest coverage ratio is 1.25x and must be due to the financed property's rental streams. The minimum DSCR is 1.05x for loans with a linear part.
- The lending criteria outline that a property's commercial or mixed-use portion must be no more than one-third of the secured value, with no credit given to commercial rental income.

Table 1

Key originator considerations

Description	Consideration
Collateral type	First-lien BTL mortgage loans secured on Dutch properties granted to BTL professional borrowers.
Lending policy versus peers and market standards	We consider the lending policy to be prudent, and in line with peer lenders and therefore did not apply any additional adjustments.
Track record and experience	The lender has a strong track record, which we have reflected in our credit assessment.
Historical performance	The historical performance of Domivest's mortgage book has proven strong to date, with very few arrears and no losses recorded so far.
Qualitative factors not captured above	Domivest recently diversified its activities and now lends more to large professional borrowers that have a large portfolio with many properties. They also grant more loans to large residential complex purchases, such as buildings with multiple units and tenants, student accommodation, and large multiple occupation houses. Our originator adjustment reflects risk stemming from larger borrowers and large residential complexes.

Servicer

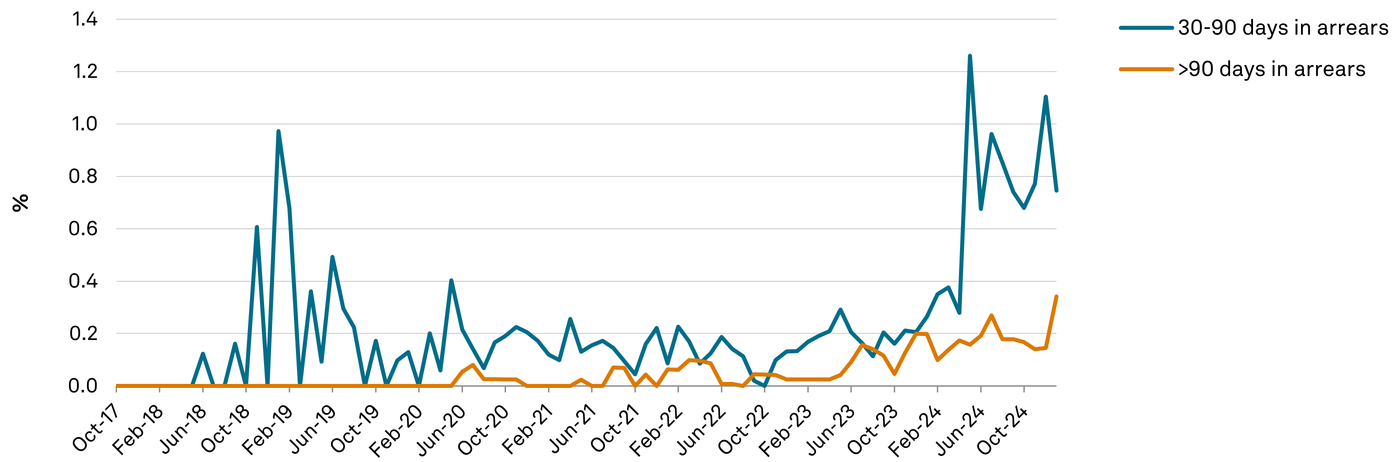
Servicing is performed by Stater (primary servicer), and its subsidiary, Hypocasso (special servicer). Servicing is proactive with early identification for vulnerable borrowers. Stater was established in 1997 and is the largest mortgage service provider in the Netherlands. We reviewed Stater's servicing and default management processes, and we believe it is capable of performing its functions in the transaction.

Historical performance

The pool does not contain loans in arrears. We have received the historical performance data on the originators' book, and the originations' performance has been positive with a very low level of arrears and no losses observed in its portfolio. In the seven Domivest transactions we rate, arrears were never above 1.42% of the then current pool balance. The recent slight deterioration of performance is attributed to larger borrowers entering into arrears.

Chart 1

Historical arrears performance



Collateral Characteristics and Peer Comparisons

We received loan-level data as of Feb. 28, 2025, and historical performance data on the originator book. The data quality is in line with our standards, and the collateral is broadly in line with other Dutch RMBS transactions. The portfolio has an outstanding principal balance of € 302,416,441.07, which comprises 881 mortgages (comprising 1,295 loan parts).

While most properties in the pool are residential, 20.2% are partially for commercial use as well as residential, which is much higher than in Domi 2024-1 (3.6%). We applied an adjustment of 1.5x to those partially commercial properties.

The top five borrowers by current balance account for 7.5%. The largest borrower represents 1.99%. Large borrowers typically have several loans linked to multiple properties, therefore, rental income is not concentrated from a single tenant. Of the pool, 30.4% comprises borrowers that have more than one property. However, tenants pay rent to the borrower who in turn pays the mortgage to the collection foundation. A mitigant factor is that the Dutch legal framework is particularly protective and gives access to rental payments as part of issuers' ancillary rights in case of borrower default. We believe that our credit and cashflow assumptions address the concentration risk in the pool.

We received a 99/1 pool audit report and did not apply any adjustment to our WAFF as the report contained no material errors.

Table 2

Collateral characteristics and peer comparisons*

	Domi 2025-1 B.V.	Domi 2024-1 B.V.	Jubilee Place 7
Jurisdiction	The Netherlands	The Netherlands	The Netherlands

Table 2

Collateral characteristics and peer comparisons* (cont.)

Originator	Domivest B.V.	Domivest B.V.	Nestr (Dutch Mortgage Services B.V.), De Nederlandse (DNL 1 B.V.), Casarion (Community Hypotheken B.V.)
Collateral characteristics			
Pool cutoff date	Feb. 28, 2025	April 30, 2024	Nov. 30, 2024
Principal outstanding of the pool (€)	302,416,441	321,734,739	299,363,812
Number of loans	881	1,290	687
Average loan balance (€)§	343,265	316,980	435,755
Weighted-average interest rate (%)	5.36	5.25	5.97
Weighted-average asset life until the next reset date (months)	42.6	45.6	N/A
Weighted-average indexed current LTV ratio (%)	59.1	62.0	63.0
Weighted-average original LTV ratio (%)	71.9	68.9	68.4
Weighted-average seasoning (months)	29.2	27.2	9.0
Interest only (%)	97.1	98.9	94.6
Partially commercial use properties	20.2	3.6	14.0 (both commercial and partially commercial)
Deposit loans (%)	0.0	0.0	0.0
Jumbo valuations (%)	39.5	47.9	46.5
Over/under valuation (%)	15.0	34.0	15.0
Weighted-average 'AAA' RMVD (pre-jumbo) (%)	52.7	61.3	58.8
NHG loans (%)	0.0	0.0	0.0
Current arrears > one month (%)	0.0	0.0	0.0
Geographic concentration (by balance)			
First	Noord-Holland (24.4%)	Noord-Holland (32.6%)	Noord-Holland (22.7%)
Second	Zuid-Holland (21.8%)	Zuid-Holland (22.7%)	Zuid-Holland (18.1%)
Third	Noord-Brabant (15.7%)	Noord-Brabant (14.8%)	Noord-Brabant (11.5%)
Credit assumptions			
Portfolio WAFF (%)			
AAA	16.73	15.54	20.46
AA	11.16	10.36	13.64
A	8.29	7.70	10.13
BBB	5.58	5.18	6.82
BB	2.71	2.52	3.31
B	1.99	1.85	2.44
Portfolio WALS (%)			
AAA	30.54	44.22	37.32
AA	26.55	36.90	31.55
A	19.73	26.02	20.98
BBB	15.82	19.94	15.01
BB	13.04	15.65	10.95
B	10.43	11.84	5.57

Table 2

Collateral characteristics and peer comparisons* (cont.)			
Credit coverage (%)			
AAA	5.11	6.87	7.64
AA	2.96	3.82	4.30
A	1.63	2.00	2.13
BBB	0.88	1.03	1.02
BB	0.35	0.39	0.36
B	0.21	0.22	0.18

*Calculations are according to S&P Global Ratings' methodology. §Total borrower exposure. §Calculation based on updated origination dates. LTV--Loan-to-value. RMVD--Repossession market value declines. WA--Weighted-average. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity. NHG--Nationale Hypotheek Garantie.

Credit Analysis And Assumptions

The credit analysis of the mortgage portfolio assesses the credit quality of the underlying assets, which determines the projected losses under conditions of stress commensurate with each rating level. The projected losses are the result of the combination of the loan-level foreclosure frequency (the probability of default) and the loss severity (measuring the loss on the foreclosure amounts).

Table 3

Portfolio WAFF and WALS

Rating level	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	16.73	30.54	5.11
AA	11.16	26.55	2.96
A	8.29	19.73	1.63
BBB	5.58	15.82	0.88
BB	2.71	13.04	0.35
B	1.99	10.43	0.21

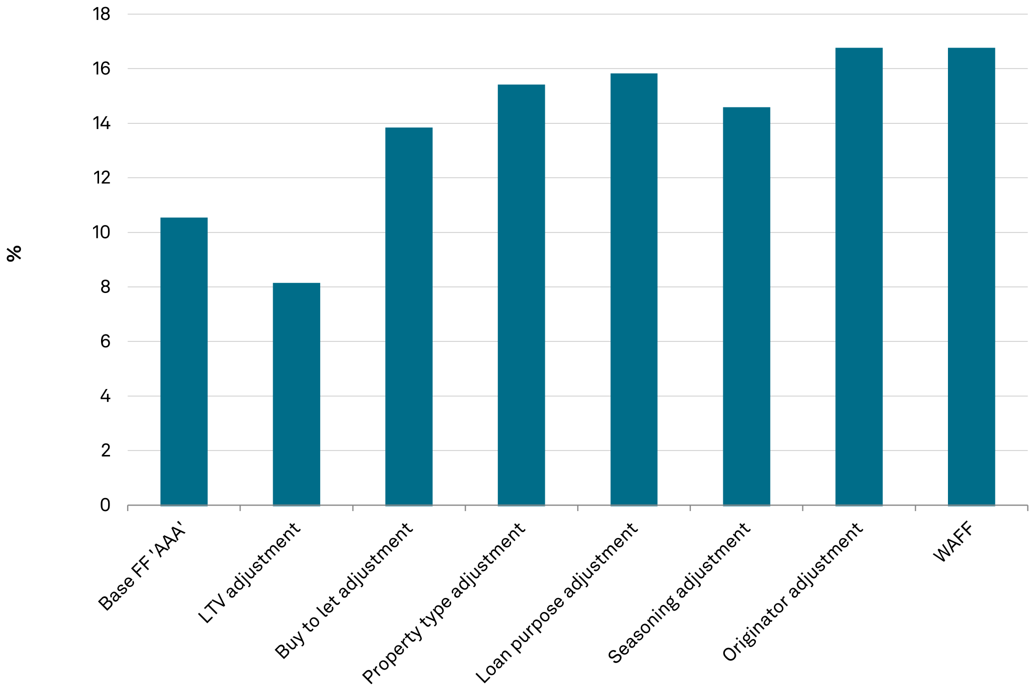
WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Foreclosure frequency

Our current 'B' foreclosure frequency assumption for the Netherlands archetypal pool is 1.25% and our base 'AAA' foreclosure frequency assumption is 10.5% (see "Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement," published on April 4, 2024). Chart 2 and table 4 summarize how the base 'AAA' foreclosure frequency has been adjusted to account for the characteristics of the securitized portfolio.

Chart 2

'AAA' cumulative WAFF distribution



LTV--Loan to value. WAFF--Weighted-average foreclosure frequency. FF--Foreclosure frequency.

Table 4

WAFF adjustments

Factor	Description	Adjustment	Cumulative WAFF (%)
Base WAFF	Archetypical pool.	N/A	10.50
LTV ratio	The weighted-average original LTV ratio is 71.9%, while the weighted-average indexed current LTV ratio is 59.1%*. We have factored in the additional purchase criteria in our analysis (see chart 3).	0.77x	8.11
Buy to let	Adjustment for BTL mortgages in the Netherlands	1.70x	13.80
Property type adjustment	Of the pool, 20.2% of the loans are secured against at least one mixed-use property. We apply an adjustment for these in our model	1.12x	13.38
Loan purpose adjustment	We applied an adjustment for remortgage loans where a portion may have been cash-out loans.	1.03x	15.79
Seasoning	Of the pool, 65.8% of the loans were originated less than five years ago (see chart 5).*	0.91x	14.55
Originator adjustment	We have applied a pool-level adjustment to the portfolio. This reflects our base originator assessment, any adjustment for audit results, and adjustments for the additional purchase criteria.	1.15x	16.73

*Calculations are according to S&P Global Ratings' methodology. WAFF--Weighted-average foreclosure frequency. N/A--Not applicable. LTV--Loan-to-value.

Table 5

Geographic distribution

Region	Percentage of the pool (%)
Drenthe	1.2
Flevoland	2.2
Friesland	2.6
Gelderland	5.4
Groningen	3.8
Limburg	8.3
Noord-Brabant	15.7
Noord-Holland	24.4
Overijssel	5.6
Utrecht	7.4
Zeeland	1.5
Zuid-Holland	21.8

Chart 3

Original, effective, and current LTV ratio distribution

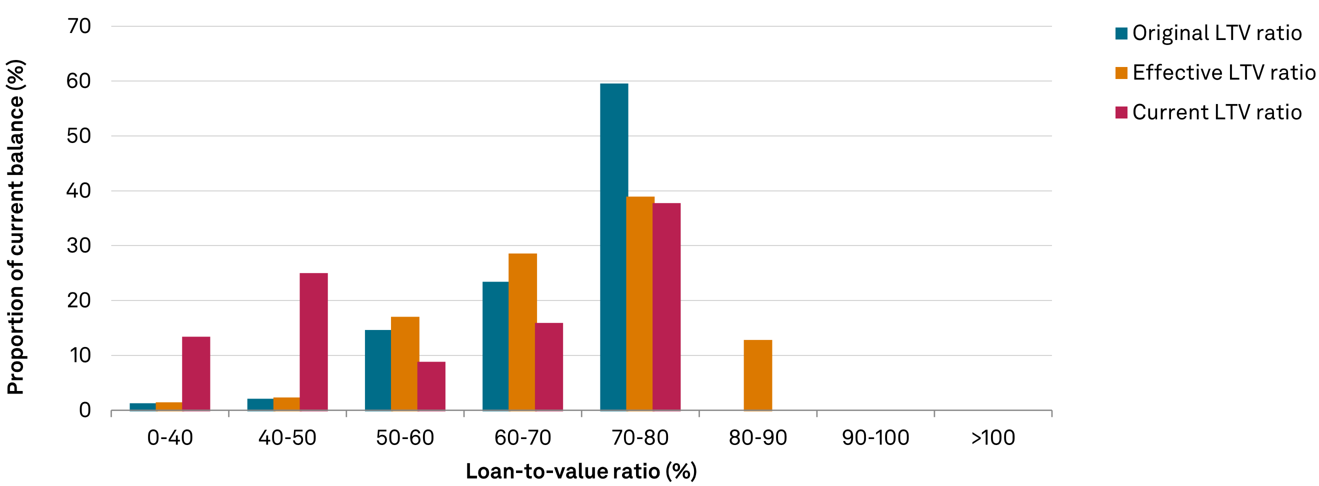


Chart 4

Seasoning distribution

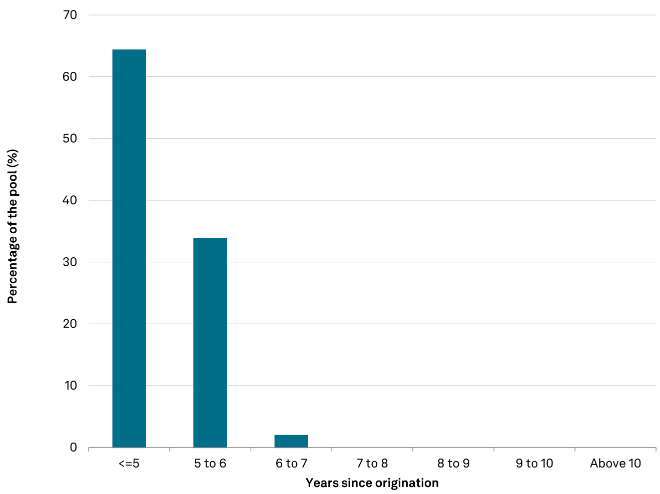
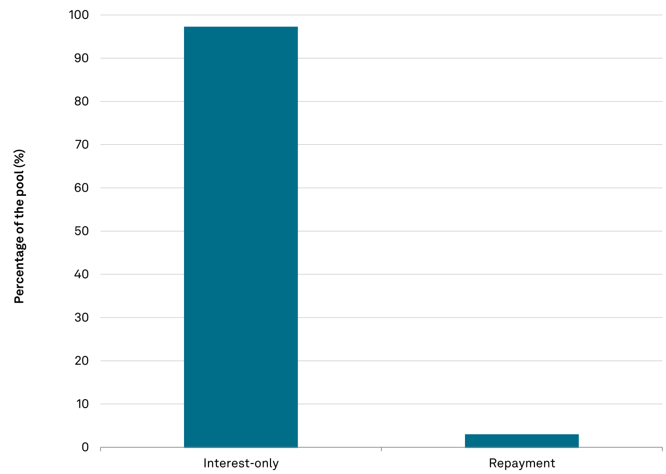


Chart 5

Repayment method distribution



Loss severity

Our base 'B' market value decline (MVD) is 15% and our base 'AAA' MVD is 40% (see "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," published on Jan. 25, 2019). Table 6 provides details used in the derivation of the stressed repossession MVD (RMVD).

Table 6

Repossession market value decline (RMVD) adjustments

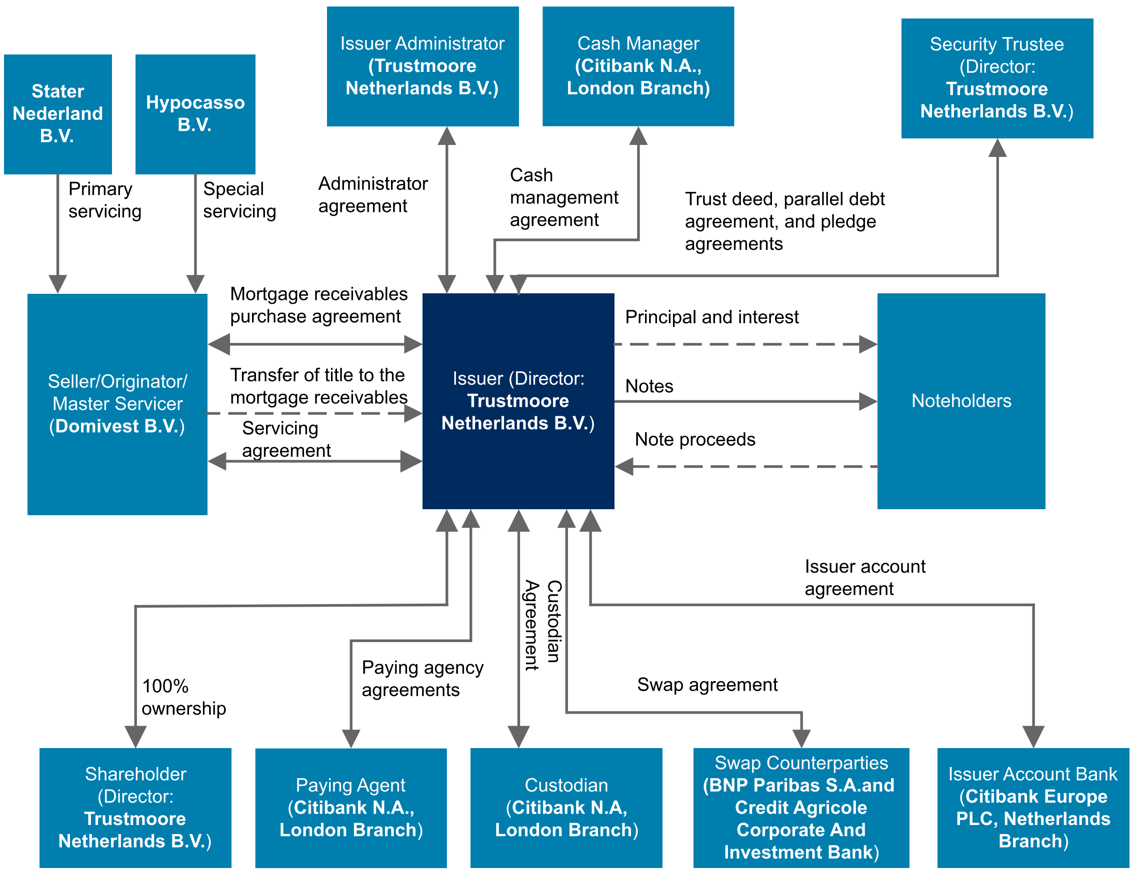
Rating category	Base fixed MVD (%)	Over/ undervaluation (%)§	Forced sale discount (%)	Jumbo valuations (x)	RMVD (%)*
AAA	40.0	7.50	10.0	1.07	58.15
AA	36.0	6.45	11.0	1.08	54.18
A	28.0	5.40	12.0	1.09	46.59
BBB	23.0	4.50	13.0	1.10	42.00
BB	19.0	3.75	14.0	1.12	38.55
B	15.0	3.00	15.0	1.13	35.19

*RMVD = 1-[1-(Fixed MVD+/-percentage of over/undervaluation x over/undervaluation)] x (1-FSD), plus any additional repossession MVD adjustment factors such as jumbo valuations. §Over/undervaluation (%) = percentage of over/undervaluation x over/undervaluation. MVD--Market value decline. RMVD--Repossession market value decline.

Transaction Structure

Chart 6

Transaction structure



The issuer is a Dutch special-purpose entity, which we consider to be bankruptcy remote.

Payment Structure And Cash Flow Mechanics

Collections

Borrowers pay into a collection foundation account held with ABN AMRO Bank N.V. On a monthly basis, collections are then swept to the transaction account with Citibank Europe PLC, Netherlands branch.

Available revenue funds

The issuer's available revenue funds primarily comprise interest collections, amounts received under the swap and issuer accounts, prepayment and interest penalties, amounts drawn under the reserve account, recoveries on defaulted loans, and amounts borrowed from the principal waterfall to repay senior fees, swap payments, interest to the class A notes, and interest to the class B-Dfrd to D-Dfrd notes, provided that it is the most senior class or that the tranche's PDL does not exceed 10% of the class outstanding balance.

Available principal funds

The issuer's available principal funds primarily comprise principal collections, amounts applied to credit PDLs in the interest waterfall and amounts standing to the credit of the reserve that are released to the principal waterfall on the legal final maturity date.

Pre-enforcement priority of payments

There are separate waterfalls for interest (revenue) and principal collections. On each quarterly payment date, the issuer will apply the available revenue and principal funds in the priority shown in table 7.

Table 7

Priority of payments

Revenue priority of payments	Principal priority of payments
Senior fees (including servicing fees)	To pay shortfalls on senior fees, the swap outflows, the class A notes' interest, and the class B-Dfrd to D-Dfrd notes' interest (see "Principal to pay interest")
Swap payments	Class A notes' principal
Class A notes' interest	Class B-Dfrd notes' principal
Reserve fund replenishment (capped at the amount previously drawn to cover senior fees, swap payments, and class A notes' interest)	Class C-Dfrd notes' principal
Class A notes' PDL	Class D-Dfrd notes' principal
Class B-Dfrd notes' interest	Excess amounts to the revenue waterfall
Class B-Dfrd notes' PDL	
Class C-Dfrd notes' interest	
Class C-Dfrd notes' PDL	
Class D-Dfrd notes' interest	
Class D-Dfrd notes' PDL	
Reserve fund replenishment	
Hedge subordinated amounts	
Excess to class Z notes prior to first optional redemption date and to available principal post first optional redemption date.	

Table 8

Payment structure details

Note terms	
Payment frequency	Quarterly
First interest payment date	July 2025
Interest rate	Three-month EURIBOR plus a class-specific margin with a further step-up in margin following the optional call date.
Step-up date	April 2030
Legal final maturity date	April 2057
Cash reserve fund	
Initial amount	0.75% of the class A notes' closing principal balance. The amount of the initial reserve fund (at closing) is withheld by the issuer from the purchase price.

Table 8

Payment structure details (cont.)	
Required amount	1.50% of the class A notes' current balance until the step-up date. From the step-up date onwards, the target becomes 1% of the rated notes' outstanding principal balance. The floor is 1% of the class A notes' closing balance until the step-up date. After the step-up date there is no floor. On the legal final maturity date, the target is zero and all amounts standing to the credit of the reserve are released to the principal priority of payment to redeem the notes.
Amortizing	Yes
Available for	Senior fees, swap payments, interest on the rated notes
Principal deficiency ledgers	
Number of ledgers	Four
PDL amounts to be recorded	The PDL will comprise four subledgers, for the class A, B-Dfrd, C-Dfrd, and D-Dfrd notes. The issuer first debits deficiencies to the class D-Dfrd notes' PDL, ending with the class A notes' PDL as long as their debit balance is lower than each tranche's respective outstanding principal.

PDL--Principal deficiency ledger. N/A--Not applicable.

Deferral of interest

Under the transaction documents, interest payments on the class B-Dfrd, C-Dfrd, and D-Dfrd notes can be deferred until maturity. Consequently, any deferral of interest on these classes would not constitute an event of default, unless when the class is the most-senior outstanding. Unpaid interest will accrue at the note-specific coupons and be due at the notes' legal final maturity.

Our ratings address the timely payment of interest and the ultimate payment of principal on the class A notes and the ultimate payment of interest and principal on the other rated notes if they are not the most senior class outstanding. Our analysis reflects our view that, at the assigned ratings, the senior fees and swap outflows, if any, will be paid on time.

Principal to pay interest

In high-delinquency scenarios, there may be liquidity stresses where the issuer would not have sufficient revenue receipts to pay senior fees or interest on the outstanding classes of notes. To mitigate this risk, the issuer can use any existing principal receipts to pay shortfalls in senior fees, interest on the class A notes, and interest on the class B-Dfrd to D-Dfrd notes (subject to the PDL condition). This is provided that the class is the most-senior class (except the class A notes) or is the second-most senior class of notes outstanding when the PDL debit balance does not exceed 10% of the principal amount outstanding on the notes. The use of principal for the most senior or the second-most senior class to pay interest would result in the registering of a debit in the PDL and may reduce the credit enhancement available to the notes.

Events of default

We view all events of default as ratings remote and therefore do not consider the post-enforcement priority of payments in our analysis. The events of default include, among others, a default in the payment of interest on the class A notes outstanding or on principal when due.

Cash Flow Modeling And Analysis

We stress the transaction's cash flows to test the credit and liquidity support that the assets, subordinated tranches, and reserves provide. We apply these stresses to the cash flows at all relevant rating levels.

Interest rate risk

All loans in the pool pay a fixed rate of interest, with periodic resets ranging from three months to 10 years, the most common being a five-year reset. The rate payable comprises a swap rate and a margin component, which is set at or around each reset date. The swap rate is hedged with the swap counterparties, and the issuer receives three-month EURIBOR. At closing, the weighted-average interest rate on the portfolio is 5.36%. Over time, as existing loans reset (on the stated loan reset date), the rate payable by borrowers may change. To preserve a minimum yield on the pool, the seller covenants that, in any month, all loans that reset will pay no less than 2.25% above the swap rate (after swap costs), and that on a pool-level weighted-average basis the margin is always above the swap rate by at least 2.40% (after swap costs). Once the swap rate is exchanged for three-month EURIBOR, this effectively ensures a rate of 2.4% over three-month EURIBOR for the pool.

Chart 7

Years until interest rate reset

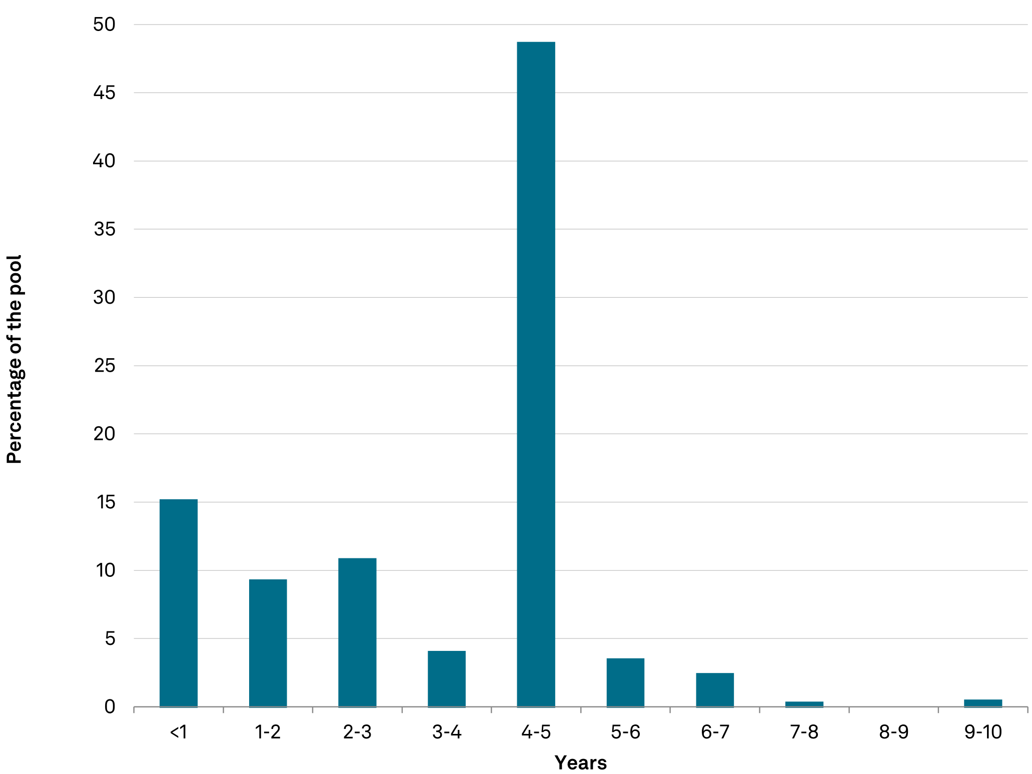


Table 9

Cash flow modeling assumptions

Spread compression	
Applied	Yes.
Details	The asset yield on the pool can decrease if higher-paying assets default or prepay. Our cash flow analysis accounts for this by assuming that the weighted-average yield on the portfolio drops by 0.19% at the 'AAA' level.
Fees modelled	
Servicing fee	Contractually, the issuer must pay periodic fees to various parties providing services to the transaction such as servicers, trustees, and cash managers, among others. We accounted for these in our analysis. In particular, we applied a stressed servicing fee of 0.36% (the higher of 1.5x actual fees and 0.25% of the pool balance) to account for the potential increase in costs to attract a replacement servicer, based on our global RMBS criteria.
Fixed fees	€150,000 as fixed fees.
Bank account replacement costs	€100,000 one-off fee.
Commingling risk	
Details	Borrowers pay into a collection foundation account (which is in the name of the collection foundation, Stichting Ontvangsten Domivest) held with ABN AMRO Bank N.V., which has downgrade language in line with our counterparty criteria. Our long-term issuer credit rating on ABN AMRO Bank is 'A' and our resolution counterparty rating on it is 'A+'. Therefore, we believe that if ABN AMRO Bank had financial difficulties, it would likely continue to operate post resolution. Collections are then swept monthly to the transaction account with Citibank Europe PLC, Netherlands branch. The collection foundation is set up as a special-purpose entity (SPE), which we believe includes characteristics supportive of the concept of bankruptcy remoteness as per our legal criteria. Because of this and the fact that the issuer is the beneficiary of that account, we consider the risk of commingling to be mitigated (see "Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology," published on March 29, 2017).
Setoff risk	
Details	The transaction has no employee loans or deposit setoff risk exposure.

Table 10

Default curves

Front-loaded and back-loaded

Year after closing	Front-loaded defaults (% of WAFF per year)	Back-loaded defaults (% of WAFF per year)
1	25.0	5.0
2	25.0	10.0
3	25.0	10.0
4	10.0	25.0
5	10.0	25.0
6	5.0	25.0

Prepayment assumptions

	High (%)	Low (%)
Pre-recession	24.0	1.0
During recession	1.0	1.0
Post-recession	24.0	1.0

WAFF--Weighted-average foreclosure frequency.

Default curves and recovery timings

We used the WAFF and weighted-average loss severity (WALS) derived under our credit analysis as inputs in our cash flow analysis. At each rating level, the WAFF specifies the total balance of the mortgage loans we assume to default over the transaction's life. We apply defaults on the outstanding balance of the assets as of closing. We simulate defaults following two paths (i.e., one front-loaded and one back-loaded) over a three-year recession (see table 10).

We assume recoveries on defaulted assets to be received 18 months after default. We estimate foreclosure costs at 3% of the repossession value plus €5,000.

We base our loss severities on loan principal and do not give any credit to the recovery of interest accrued on the loan during the foreclosure process.

Delinquencies

To simulate the effect of delinquencies on liquidity, we model a proportion of scheduled collections equal to one-third of the WAFF (in addition to assumed foreclosures reflected in the WAFF) to be delayed. We apply this in each of the first 18 months of the recession and assume a full recovery of these delinquencies will occur 36 months after they arise.

Prepayments

To assess the effect on excess spread and the absolute level of defaults in a transaction we model two prepayment scenarios: high and low (see table 11).

Interest rates

We modeled two interest rate scenarios in our analysis: up and down.

Summary

Combined, the default timings, recession timings, interest rates, and prepayment rates described above give rise to eight different scenarios at each rating level (see table 11).

Table 11

RMBS stress scenarios

Total number of scenarios	Prepayment rate	Interest rate	Default timing
8	High and low	Up and down	Front-loaded and back-loaded

The driving cash flow run for 'AAA' is high prepayments, interest rate up, and back-loaded defaults.

Counterparty Risk

The issuer is exposed to Citibank Europe PLC, Netherlands branch as the transaction account provider, ABN AMRO Bank N.V. as the servicer's collection account, and Crédit Agricole Corporate and Investment Bank and BNP Paribas S.A. as swap counterparties. The documented replacement mechanisms adequately mitigate the transaction's exposure to counterparty risk in line with our current counterparty criteria.

Table 12

Supporting ratings

Institution/role	Current counterparty rating	Minimum eligible counterparty rating	Remedy period (calendar days)	Maximum supported rating
ABN AMRO Bank N.V. as collection account provider	A/Stable/A-1	BBB/A-2	30	AAA

Table 12

Supporting ratings (cont.)				
Institution/role	**Current counterparty rating**	**Minimum eligible counterparty rating**	**Remedy period (calendar days)**	**Maximum supported rating**
Citibank Europe PLC, Netherlands branch as transaction account provider*	A+/Stable/A-1	A/A-1	30	AAA
Crédit Agricole Corporate and Investment Bank as swap counterparty	AA-/A-1+§	A-	90 calendar days to find a replacement	AAA
BNP Paribas S.A. as swap counterparty	AA-/A-1+§	A-	90 calendar days to find a replacement	AAA

ICR--Issuer credit rating. RCR--Resolution counterparty rating. *Rating derived from the rating on the parent entity. §Resolution counterparty rating.

Hedging Features

Table 13

Details of the hedging features	
Type of hedging instrument	To address the interest mismatch between the mortgage loans and the rated notes, the transaction features two balance-guaranteed fixed-to-floating interest rate swaps, where the issuer pays a fixed rate and receive three-month EURIBOR to mirror the index paid on the notes. Crédit Agricole Corporate and Investment Bank is the swap provider for the newly originated loans, while BNP Paribas S.A. is the swap provider for the loans that are currently held in Domi 2020-1 B.V.The collateral posting and replacement triggers in the swap documents are in line with our most recent counterparty criteria.The reset date for EURIBOR for the notes and for the swap is the same. Hence, there is no basis risk in this transaction.
Collateral posting triggers	In line with counterparty criteria
Replacement triggers	In line with counterparty criteria
Issuer pays	A weighted-average swap rate of 2.41%.
Issuer receives	Three-month EURIBOR.
Modelled in our cash flow analysis	Yes

Under the swap agreements, if the seller amends the terms of a loan, hedging could be partially terminated for that loan, leaving the transaction partially unhedged. Although we deem this event not to be rating-remote, we acknowledge that there are some mitigants: As per the mortgage purchase agreement, the seller would repurchase the amended loans if the change adversely affects the issuer (unless the borrower is in default). In reality, this would likely occur only if the borrower is in severe arrears or in default, therefore the loan would not be part of the swap notional, which is based on portfolio performing balance. Domivest confirmed that they never amended the terms of any loan in the past. In addition, we applied a sensitivity run in the cash flows to test the effect on ratings if this additional termination event is triggered, and the ratings are robust in that scenario.

Table 14

Sovereign risk	
Details of sovereign risk	
Jurisdiction	The Netherlands
Long-term unsolicited sovereign credit rating	AAA
Rating constrained by sovereign risk criteria	No

Scenario Analysis

We consider the transaction's resilience in case of additional stresses to some key variables, in particular defaults and loss severity, to determine our forward-looking view.

In our view, the ability of the borrowers to repay their mortgage loans will be correlated to macroeconomic conditions, particularly the unemployment rate, consumer price inflation, and interest rates. As of today, our forecast for consumer price inflation in the Netherlands and European Central Bank deposit rate are 2.8% and 2.25% in 2025, respectively. Our unemployment forecast for 2025 is 3.8%. Furthermore, a decline in house prices typically impacts the level of realized recoveries. For the Netherlands, we expect house prices to increase by 1.0% in 2025.

Downside scenario

Various factors could lead us to lower our ratings on the notes, such as increasing foreclosure rates in the underlying pool and changes in the pool composition.

Given our current macroeconomic forecast and our forward-looking view of the Netherlands's housing market, our sensitivity scenarios consider, all else being equal, the hypothetical effect on our credit ratings of different combinations of:

- An increase in WAFF (foreclosure frequency/defaults) by up to 30% at each rating level; and
- An increase in WALS (loss severity) by up to 30% at each rating level.

We therefore ran eight scenarios with increased defaults and higher loss severity, as shown in table 15.

Table 15

Sensitivity analysis

Class	WALS x 1.0	WALS x 1.1	WALS x 1.3
WAFF x 1.0	Base Case	Sensitivity 3	Sensitivity 4
WAFF x 1.1	Sensitivity 1	Sensitivity 5	Sensitivity 7
WAFF x 1.3	Sensitivity 2	Sensitivity 6	Sensitivity 8

		Sensitivity							
Class of notes	Initial rating	1	2	3	4	5	6	7	8
A	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
B-Dfrd	AA	AA	AA-	AA	AA	AA	AA-	AA	AA-
C-Dfrd	A	A	A-	A	A	A	A-	A	A-
D-Dfrd	BBB+	BBB	BBB	BBB+	BBB+	BBB	BBB	BBB	BBB

No change

One-notch downgrade

Two-notch downgrade

Three-notch or more downgrade

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.
Source: S&P Global Ratings.

The results of the above sensitivity analysis indicate no deterioration, which is in excess of what the credit stability considerations require in our rating definitions.

A general downturn of the housing market may delay recoveries. We have also run extended recovery timings to understand transactions sensitivity to liquidity risk.

The transaction embeds some strengths that may offset deteriorating collateral performance. Given its sequential amortization, credit enhancement is expected to build-up over time. The existence of a cash reserve may, to a certain extent, insulate the notes against liquidity stresses. In addition, the total return swap mitigates the effect on note coupon payments from rising three-month EURIBOR rates that they are linked to.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For RMBS, we view the exposure to environmental credit factors as average, social credit factors as above average, and governance credit factors as below average (see "ESG Industry Report Card: Residential Mortgage-Backed Securities," published on March 31, 2021).

In our view, the exposure to social credit factors is in line with the sector benchmark. Social credit factors are generally considered above average because housing is viewed as one of the most basic human needs, and conduct risk presents a direct social exposure for lenders and servicers, particularly given regulators are increasingly focused on ensuring fair treatment of borrowers. For RMBS, social risk is generally factored into our base-case assumptions.

The transaction's exposure to environmental credit factors is in line with the sector benchmark. Physical climate risks could damage properties and reduce their value, affecting recoveries if borrowers default. We believe that the geographic diversification in this transaction mitigates the exposure to extreme weather events.

In our view, the exposure to governance credit factors is in line with the sector benchmark. There are very tight restrictions on what activities the SPE can undertake compared to other entities. Given that this transaction securitizes a static pool with no reinvestment or prefunding features, the originator's role becomes less active over the transaction's life, mitigating the risk of loosening underwriting standards or potential adverse selection. Moreover, an additional audit on underwriting and post-completion loan files compared to data in the system of the originators is performed regularly by a third party, which we view as positive.

Appendix

Table 16

Transaction participants

Role	Participant
Issuer	Domi 2025-1 B.V.
Originator, seller, and master servicer	Domivest B.V.
Sub-servicer and stand-by primary servicer	Stater Nederland B.V.
Special servicer	Hypocasso B.V.
Backup servicer facilitator and issuer administrator	Trustmoore Netherlands B.V.
Arrangers	Macquarie Bank, Barclays Bank Ireland PLC, and BNP Paribas S.A.
Security trustee	Stichting Security Trustee Domi 2025-1
Collection foundation administrator	TMF Management B.V.
Paying agent	Citibank N.A., London Branch
Cash manager	Citibank N.A., London Branch

Related Criteria

- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement, April 4, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019

- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Credit FAQ: How We Rate ABS And RMBS Transactions In Non-Established Markets, Dec. 3, 2024
- Credit Conditions Europe Q1 2025: Fusion Or Fission?, Dec. 3, 2024
- Economic Outlook Eurozone Q1 2025: Next Year Will Be A Game Changer, Nov. 26, 2024
- European RMBS Index Report Q3 2024, Nov. 14, 2024
- The Netherlands, Oct. 21, 2024
- Global Credit Conditions Q4 2024: Policy Rates Easing, Conflicts Simmering, Oct. 1, 2024
- Sector And Industry Variables Updated For Europe Supplement Of Global RMBS Criteria, May 17, 2024
- ESG Industry Report Card: Residential Mortgage-Backed Securities, March 31, 2021
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016