S&P Global Ratings

Research

New Issue: London Bridge Mortgages 2025-1 PLC

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New Issue: London Bridge Mortgages 2025-1 PLC

Ratings Detail

Transaction profile	
Issuer	London Bridge Mortgages 2025-1 PLC
Collateral type	RMBS buy-to-let and owner-occupied
Domicile of assets	U.K.
Seller	Vida Bank Ltd.
Mortgage administrator	Vida Bank Ltd.
Counterparties	The Bank of New York Mellon, London branch, Crédit Agricole Corporate and Investment Bank, and Barclays Bank PLC

Capital structure

Class	Rating*	Amount (mil. £)	Credit enhancement (%)	Coupon (%)	Step-up coupon (%)	Step-up date	Legal final maturity
A	AAA (sf)	215.000	14.00	Compounded daily SONIA + 0.780	Compounded daily SONIA + 1.170	April 2030	March 2067
B-Dfrd	AA (sf)	16.250	7.50	Compounded daily SONIA + 1.050	Compounded daily SONIA + 1.575	April 2030	March 2067
C-Dfrd	A (sf)	8.750	4.00	Compounded daily SONIA + 1.400	Compounded daily SONIA + 2.100	April 2030	March 2067
D-Dfrd	BBB+ (sf)	3.750	2.50	Compounded daily SONIA + 1.810	Compounded daily SONIA + 2.715	April 2030	March 2067
E-Dfrd	BB+ (sf)	3.750	1.00	Compounded daily SONIA + 3.320	Compounded daily SONIA + 4.320	April 2030	March 2067
F-Dfrd	B+ (sf)	2.500	0.00	Compounded daily SONIA + 4.380	Compounded daily SONIA + 5.380	April 2030	March 2067
X-Dfrd	B- (sf)	7.500	N/A	Compounded daily SONIA + 4.250	Compounded daily SONIA + 4.250	April 2030	March 2067
RC1 Residual Certificates	NR	N/A	N/A	N/A	N/A	N/A	March 2067
RC2 Residual Certificates	NR	N/A	N/A	N/A	N/A	N/A	March 2067

*Our ratings address timely payment of interest and ultimate repayment of principal for the class A notes, and the ultimate payment of interest and principal on the other rated notes. Our ratings also address the timely payment of interest on the rated notes (other than the class X-Dfrd notes) when they become most senior outstanding. Any deferred interest is due immediately when the class becomes the most senior class outstanding. SONIA--Sterling Overnight Index Average. NR--Not rated. N/A--Not applicable.

The Credit Story

The pool for London Bridge Mortgages 2025-1 PLC contains £250 million first-lien buy-to-let (BTL) and owner-occupied residential mortgage loans located in the U.K. Vida Bank Ltd. (VBL) originated the loans in the pool. The pool comprises 68.9% BTL loans and 31.1% owner-occupied properties.

This is VBL's (previously Belmont Green Finance Ltd.; BGFL) first securitization since receiving Prudential Regulation

Authority (PRA) and Financial Conduct Authority (FCA) authorization and becoming a fully licensed bank in November 2024.

The transaction is similar to Tower Bridge Funding 2024-3 PLC however some differences are listed below:

- There is no non-amortizing general reserve fund.
- There is no prefunding in this transaction.
- Product switches are not permitted, and any product switches will trigger a repurchase obligation on the seller.
- The pool's weighted-average indexed current and original loan-to-value (LTV) ratios are higher at 72.9% and 75.3%, respectively, compared with 68.6% and 73.2% in Tower Bridge Funding 2024-3.
- Loan-level arrears greater than or equal to one month stand at 0.5%, compared with 1.7% in Tower Bridge Funding 2024-3.

Credit strengths

Key factor	Description
Specialist bank lender since November 2024	We view favorably the lender's transition to becoming a fully licensed bank from a nonbank specialist lender as BGFL, and becoming specifically bound by the PRA's underwriting guidance on lending. The robust governance and risk management structure developed over the last few years has aided the transition.
Strong historical performance	Total arrears across first-lien BTL mortgages on the lender's mortgage book have remained below 2.9% as of February 2025. To date, we have not lowered any of our ratings on VBL's RMBS transactions.
Senior management team and servicer experience	VBL has a seasoned management team with significant experience in the sector, operating a clear, customer-focused strategy with an established market position. The lender has an effective governance framework, and the board approves all policies. Manual underwriting and independent risk oversight occurs if exceptions arise to mandates and credit policies. Homeloan Management Ltd. (HML) acts as servicer of the transaction. We believe HML team is experienced and has well-established and fully integrated servicing systems and policies. We reviewed the servicing and default management processes, and we believe the servicer can perform its functions in the transaction.
Turbo feature and positive excess spread	If the notes are not redeemed on the optional redemption date, all revenue proceeds after paying class F-Dfrd interest will be diverted to repay the principal on the notes, providing greater protection to the senior tranches.There is positive excess spread in the transaction at closing. After the step-up date, we estimate that once the fixed-rate loans revert to floating, the reversion margin and reduction in swap cost will add considerable excess spread to the transaction.
Liquidity reserve fund	The class A and B-Dfrd notes benefit from liquidity provided by a liquidity reserve fund, and principal can be used to pay senior fees and interest on the rated notes, subject to various conditions.

Credit concerns

Key factor	Description	Mitigant
Lack of general reserve fund	Unlike Tower Bridge Funding 2024-3, there is no dedicated reserve fund supporting the timely payment of interest and full immediate repayment of previously deferred interest. These B-Dfrd to F-Dfrd notes rely on principal borrowing to make these payments if there are insufficient interest collections. If collections decrease when the deferrable notes become the most senior class outstanding, timely payment of interest and full immediate payment of previously deferred interest might not be made.	We have considered this risk in our cash flow analysis by checking liquidity and running scenarios where there is a 30% reduction in collections when the deferrable notes become the most senior outstanding. The assigned ratings remain robust to this potential lack of liquidity.
Borrower characteristics	The borrowers in the pool are generally those who "high street" banks do not provide mortgages to. Typically, this may be because they have less-than-perfect credit, are self-employed, have complex income streams that require more prudent analysis during underwriting, or they may be first-time landlords.11.8% have had prior county court judgments (CCJs), 5.2% of the owner-occupied loans have been advanced to self-employed borrowers, and 17.7% are to first-time buyers.	Loans with these borrower characteristics are more likely to exhibit a higher default probability than otherwise similar loans. We have addressed these features accordingly in our credit analysis through our originator and loan-level adjustments.

Credit concerns (cont.)		
Key factor	**Description**	**Mitigant**
HMOs/MUBs	The transaction is exposed to houses in multiple occupation (HMOs; 14.8% of the pool) and multi-unit blocks (MUBs; 4.4% of the pool).	VBL's valuation process for these assets is appropriate, in our view, and all HMO valuations are performed on a "brick-and-mortar" basis rather than on an investment-valuation basis, which we believe to be more conservative. At the same time, the exposure to HMOs that have more than five rooms, or MUBs that have more than five units, is limited to 6.9% of the pool.
Loan purpose	In the pool, 48.9% of the loans are classified as cash-out remortgages for equity release purposes. We consider these loans as riskier than loans to purchase property or a remortgage without additional borrowing.	This is reflected in our analysis via a loan purpose adjustment of 1.2x for cash-out loans.
Payment shock	100% of the loans in the pool are fixed and will revert to higher reversionary rates. Therefore, borrowers who are not able to refinance might be exposed to a payment shock.	We believe the short-term fixed-rate owner-occupied and BTL loans (less than five years) in this portfolio will be less affected by a payment shock, as they were underwritten using a stressed rate. For these loans, we applied a lower payment shock adjustment of 1.1x, while loans with terms greater than five years, received a 1.2x payment shock adjustment.

Origination And Servicing

Originator

VBL is a bank in the U.K., which was initially set up in 2015 as BGFL, a nonbank specialist lender. It launched its lending business later in 2016, through its brand Vida Homeloans. On Nov. 20, 2024, VBL received PRA and FCA authorization to become a fully licensed bank.

The business was initiated via private equity funding to target owner-occupied and BTL customers who may not meet high street banks' lending criteria.

Securitisation remains an important source of funding and VBL has issued 13 publicly placed transactions in the Tower Bridge Funding series. London Bridge Mortgages 2025-1 is its first securitization since becoming a fully licensed bank.

VBL's current product offerings focus on borrowers with credit or income complexity such as self-employed, contractors, and first-time buyers. VBL's business is fully intermediated via mortgage brokers in line with peers, and the brokers' performance is reviewed regularly.

For owner-occupied loans, VBL targets complex income borrowers with no recent adverse credit to borrowers who have had limited adverse credit events in the past year. For BTL loans, VBL focuses on individuals and limited companies (with personal guarantees). It also has specific products for professional landlords focusing on HMOs or MUBs.

VBL uses an underwriting application scorecard developed by Experian, and reviews performance and stability metrics monthly. Manual checks also supplement the underwriting process. All underwriters are suitably mandated, and a clear mandate structure exists for the approval of complicated cases.

The underwriter fully verifies income and could consider up to 100% of a regular bonus in the affordability assessment. For self-employed borrowers, VBL assesses income based on a minimum 12-month trading history.

The lender inspects all valuations, and they are full internal inspections. For BTL cases, the valuer validates rental income.

Lending policy exceptions may occur, although these are limited and need to be appropriately approved. The type of exception that can be agreed is tailored with the mandate level i.e. only more experienced/senior underwriters can agree to higher risk exceptions.

Overall, we consider the control framework of the origination process to be appropriate, with appropriate relevant experience at key stages of the process. In addition, the origination process is subject to regular post-completion scrutiny, checking, and oversight.

Table 1

Key originator considerations

Description	Consideration
Collateral type	BTL: VBL originates prime BTL collateral with limited tolerance to prior adverse credit. Considering VBL's transition to a bank and its adherence to the PRA's underwriting guidance on BTL loans, we have reduced our overall originator adjustment applied from the previous Tower Bridge Funding 2024-3 transaction.Owner-occupied: VBL's residential loans vary from complex income borrowers with no recent adverse credit to borrowers who have had limited adverse credit events.
Lending policy versus peers and market standards	The borrowers in the pool are typically those to whom "high street" banks do not provide mortgages. We consider the tolerance to prior adverse credit versus peers and market standards and have applied an additional adjustment accordingly.
Track record and experience	This transaction is the lender's 14th public term securitization. Compared to key peers in the BTL and owner-occupied segments, the lender has a longer track record and has executed more public term securitizations.
Historical performance	The historical performance of the lender's BTL mortgage book has proven relatively strong to date, with lower arrears than our U.K. BTL index. VBL's owner-occupied book and arrears are also lower than our post-2014 U.K. non-conforming index.
Qualitative factors not captured above	The bank has only recently begun originating loans as a regulated banking entity, and we have not yet observed a full year of originations since its transition from a nonbank lender. We have taken this limited operating history as a fully licensed bank into account in our overall adjustment.

Servicer

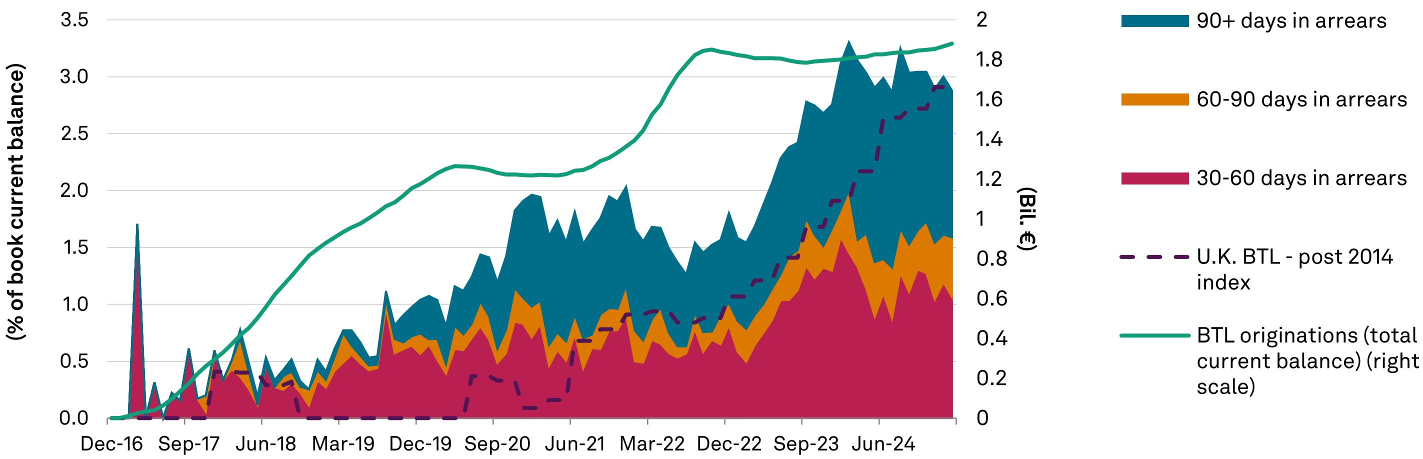
VBL is the administrator in the transaction. However, the servicing is delegated to HML, part of the Computershare Group. Since Computershare also provides third-party servicing, it has well-established and fully integrated servicing systems and policies. VBL oversees servicing and ensure servicing practices are in line with its policies. Servicing is very proactive, with early identification for vulnerable borrowers.

We reviewed Computershare's servicing and default management processes and determined that it can perform its functions in this transaction. We do not cap the maximum achievable rating on the transaction under our operational risk framework (see "Related Criteria").

Historical performance

Chart 1

BTL historical performance across VBL's BTL book

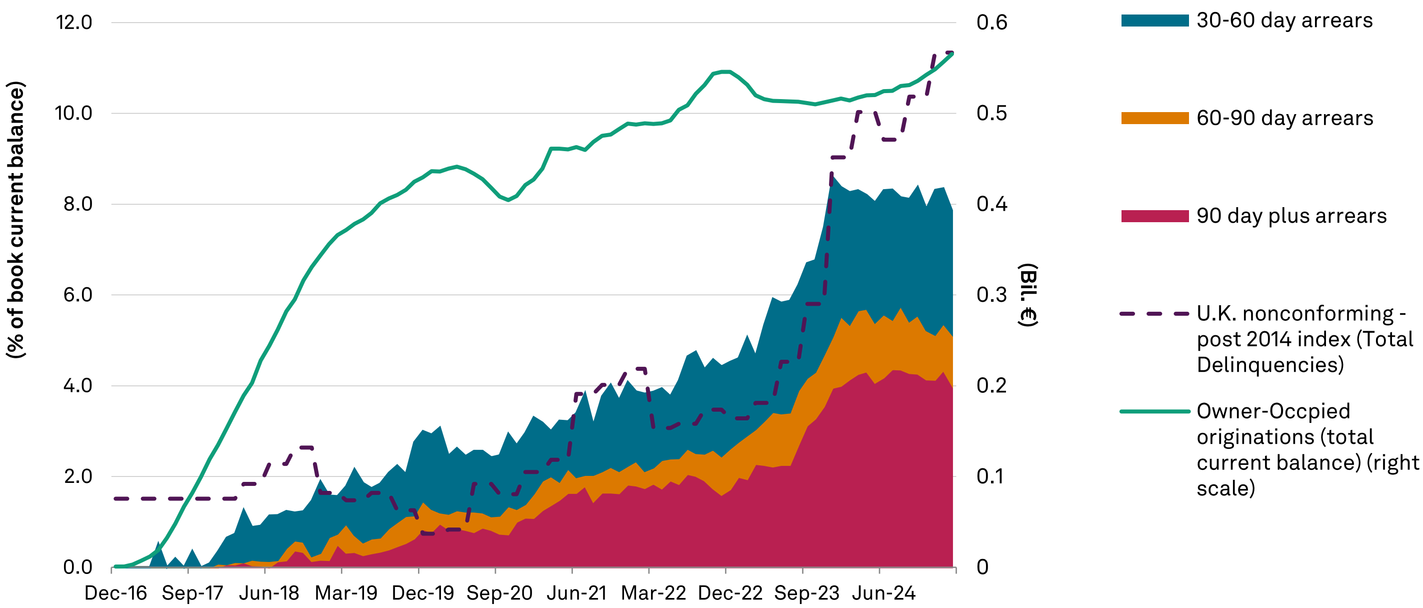


VBL--Vida Bank Ltd. BTL--Buy to let.

The slight pick-up in BTL arrears over the last two years was partly driven by limited growth and originations for the book. The BTL arrears are currently below our index for February 2025 and this trend should continue and reduce with further lending activity.

Chart 2

Owner-occupied historical performance across VBL's owner-occupied book



Collateral Characteristics And Peer Comparisons

We have received loan-level data as of March 31, 2025, and we have also received historical performance data for the first-lien portfolios since December 2016. The quality of data provided is in line with our standards.

We received a 99/1 pool audit report and did not apply any adjustment to our weighted-average foreclosure frequency (WAFF) assumptions. Although there were some findings in the report, there are no material errors to warrant an adjustment.

As of the March 31, 2025, pool cutoff date, the pool comprised 1,257 loans secured on properties located in the U.K. (mainly in the South East and Greater London). The transaction comprises loans originated between 2017 and 2025, with around 24% of the collateral being previously securitized in prior Tower Bridge transactions that we rated. The loans were acquired from the respective transactions by the seller either as part of a call option being exercised or where loans were repurchased because product switch limits were reached in the transactions.

The transaction comprises a U.K. pool of first-ranking BTL (68.9%) and owner-occupied (31.1%) residential mortgage loans.

Most of the BTL loans in the portfolio are interest-only mortgage loans. Given that interest-only is a standard product in the U.K. BTL market, we do not consider this to pose additional credit risk. Of the owner-occupied loans in the portfolio, 97.1% are repayment loans and the rest are interest-only loans. We reviewed the underwriting process for interest-only loans and first-lien owner-occupied loans and are satisfied with the underwriting process.

Based on our methodology, the assets are primarily concentrated in Greater London (29.1%) and the South East (13.2%). Pools from peer originators shown similar propensity towards these two regions, which is a common feature in U.K. BTL transactions. However, given that the concentration in Greater London exceeds the threshold defined in our criteria (26.0%), we applied an adjustment to the excess (3.1%) in our WAFF calculation.

The collateral comprises loans to complex income borrowers with limited credit impairments, and there is a high exposure to self-employed borrowers (24.7%) and first-time buyers (23.9%).

Table 2

Collateral characteristics and peer comparisons*

	London Bridge Mortgages 2025-1 PLC	Braccan Mortgage Funding 2025-1 PLC	Elstree 2025-1 1ST PLC	Mortimer 2024-Mix PLC
Jurisdiction	U.K.	U.K.	U.K.	U.K.
Originator	Vida Bank Ltd.	Foundation Home Loans (Paratus AMC Ltd.)	Enra Specialist Finance Ltd.	LendInvest Mortgages
Collateral characteristics				
Pool cutoff date	March 2025	February 2025	February 2023	Sept. 30, 2024
Principal outstanding of the pool (mil. £)	250.0	440.2	318	285.5
Number of loans	1,257	1,995	1,382	1,181
Initial WA interest rate (%)	5.9	6.4	5.2	5.9
Average loan balance (£)	198,886	225,171	230,093	241,753
WA indexed current LTV ratio (%)	72.89	68.55	69.6	71.2
WA original LTV ratio (%)	75.25	69.83	69.3	71.7
WA seasoning (months)	17	13	23	8
First-time buyers (of owner-occupied property) (%)	17.7	28.14	7.9	7.9
One or more CCJ (primary and secondary borrowers) (%)	11.8	3.30	8.8	3.4
Interest only part-and-part (%)	66.0	77.08	64.6	74.3
Jumbo valuations (%)	1.83	12.88	14.0	11.8
Current arrears greater than or equal to one month (%)	0.47	0.38	0.6	0
Geographic concentration (by balance)				
First	Greater London (29.1%)	Greater London (36.7%)	Greater London (39.1%)	Greater London (41.3%)
Second	South East (13.2%)	East Anglia (11.3%)	South East (18.9%)	South East (13.6%)
Third	East Anglia (11.3%)	South East (11.1%)	East Anglia (10.8%)	East Anglia (9.1%)
Credit assumptions				
Portfolio WAFF (%)				
AAA	28.18	22.95	24.52	24.8
AA	18.93	15.44	16.55	16.54

Table 2

Collateral characteristics and peer comparisons* (cont.)				
A	14.23	11.65	12.53	12.41
BBB	9.49	7.86	8.47	8.27
BB	4.75	4.07	4.4	4.14
B	3.56	3.12	3.39	3.1
Portfolio WALS (%)				
AAA	42.52	40.54	46.54	50.08
AA	36.81	34.36	39.11	42.8
A	26.97	24.00	27.25	31.34
BBB	21.11	18.07	20.03	24.26
BB	16.88	13.93	14.8	19.13
B	13.09	10.27	10.24	14.5
Credit coverage (%)				
AAA	11.98	9.31	11.41	12.42
AA	6.97	5.31	6.47	7.08
A	3.84	2.8	3.42	3.89
BBB	2.00	1.42	1.7	2.01
BB	0.80	0.57	0.65	0.79
B	0.47	0.32	0.35	0.45

*Calculations are according to S&P Global Ratings' methodology. LTV--Loan-to-value. CCJ--County court judgment. WA--Weighted-average. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

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	28.18	42.52	11.98
AA	18.93	36.81	6.97
A	14.23	26.97	3.84
BBB	9.49	21.11	2.00
BB	4.75	16.88	0.80
B	3.56	13.09	0.47

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

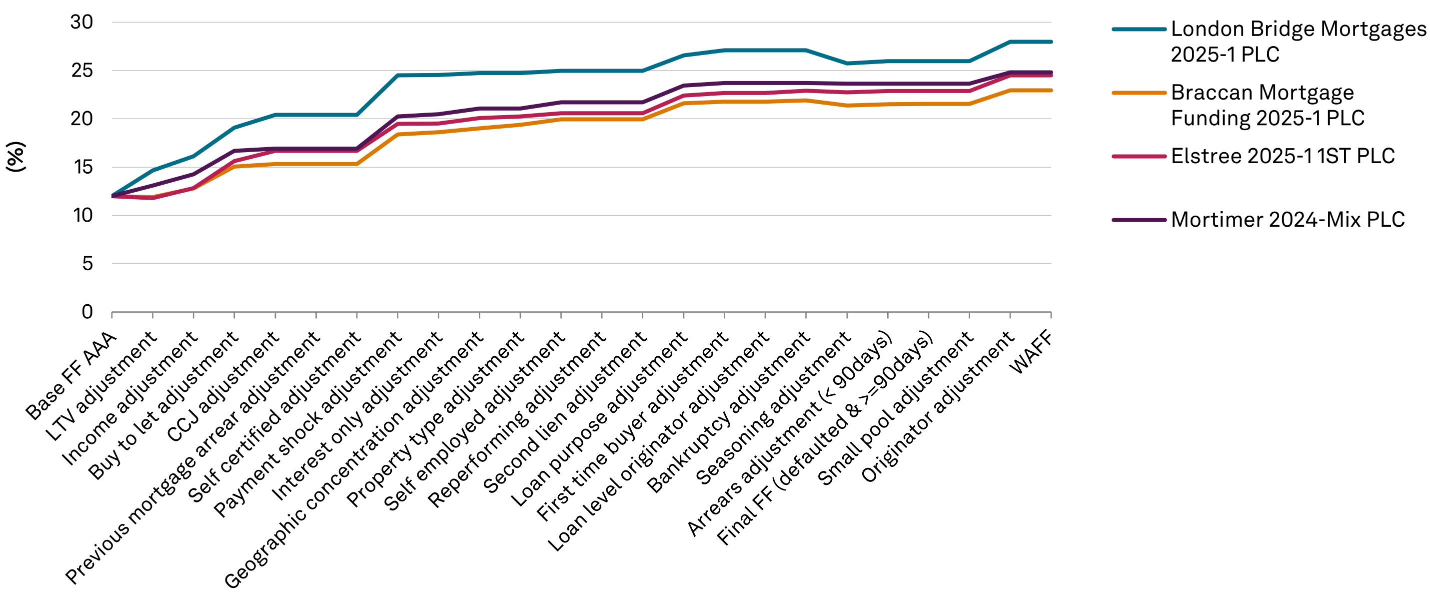
Foreclosure frequency

Our current 'B' foreclosure frequency assumption for the U.K. archetypal pool is 1.50% and our base 'AAA' foreclosure frequency assumption is 12.0% (see "Sector And Industry Variables Updated For Europe Supplement Of Global RMBS

Criteria," published May 17, 2024). Chart 3 and table 4 summarize how the base 'AAA' foreclosure frequency has been adjusted to account for the characteristics of the securitized portfolio.

Chart 3

'AAA' cumulative WAFF distribution



WAFF--Weighted-average foreclosure frequency. FF-Floreclosure frequency. LTV--Loan-to-value. CCJ--County court judgment. .Previous mortgage arrear adjustment. Geographic concentration adjustment.Loan level originator adjustment. Arrears adjustment (< 90days). Final FF (defaulted & >=90days)

Table 4

WAFF adjustments

Factor	Description	Adjustment	Cumulative WAFF (%)
Base WAFF	Archetypical pool.	N/A	12.0
LTV ratio	The weighted-average original LTV ratio was 75.3% and the weighted-average current indexed LTV is 72.9% (see chart 4).	1.23x	14.72
Income	There is a high proportion of borrowers with a high loan-to-income (87.2% with a multiple above 3.25x). We do not apply the adjustment for BTL loans.	1.08x	16.21
Buy-to-let	Approximately 68.9% of the pool comprises BTL loans and the remaining 31.1% are owner-occupier loans (see chart 5).	1.22x	19.15
CCJ	Of the portfolio, 11.8% have had prior CCJs. We have reflected this in our analysis by applying an adjustment to the foreclosure frequency.	1.07x	20.55
Payment shock	100%of fixed-rate loans revert to higher reversionary rates. Therefore, the borrowers who are not able to refinance might be exposed to a payment shock. We have adjusted our foreclosure frequency assumptions accordingly.	1.20x	24.66

Table 4

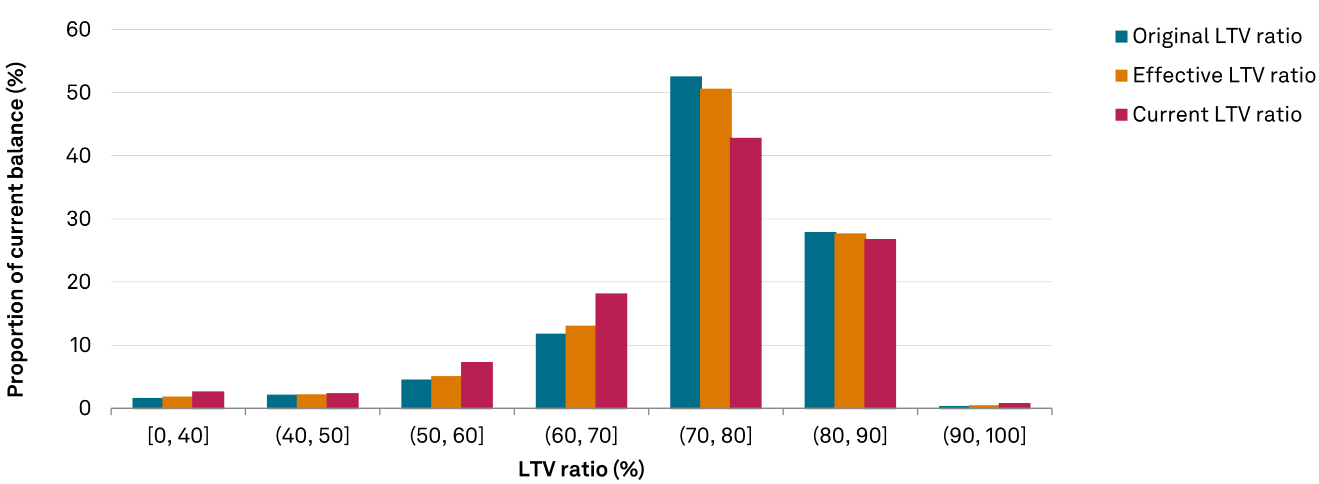
WAFF adjustments (cont.)

Factor	Description	Adjustment	Cumulative WAFF (%)
Interest-only	Of the portfolio, 34.0% comprises repayment mortgage loans, and 66.0% comprises interest-only or part-and part loans (see chart 6). All BTL loans have an interest-only repayment method. Given that interest-only loans are standard mortgage products in the BTL market, we do not consider this concentration a credit risk. For owner-occupied interest-only, an interest-only adjustment has been applied.100% of loans in the pool pay interest based on a fixed rate, but all will revert to a floating interest rate (see table 5).	1.00x	24.71
Geographic concentration	There is some concentration in Greater London (29.1%) and the South East (13.2%) given the exposure to BTL loans (see table 6). We applied adjustments for regions exceeding the thresholds defined in our criteria.	1.01x	24.84
Self-employed	We applied an adjustment for self-employed borrowers in the pool.	1.01x	25.08
Loan purpose	We applied an adjustment for those cases where the borrower increased the size of the loan when remortgaging (38.9%). The additional leverage might increase the risk of default when compared to a refinance in which no further funds are drawn.	1.08x	26.68
First-time buyer	We applied an adjustment to loans in the pool to first-time buyers with seasoning less than 18 months. This adjustment is not applied to BTL loans.	1.01x	27.21
Seasoning	The transaction comprises loans originated between 2017 and 2025, with a weighted-average seasoning of 17 months (see chart 7).	0.96x	26.00
Arrears (<90 days)	The pool comprises 0.47% loans greater than or equal to one month in arrears, but less than three months in arrears.	1.01x	26.17
Originator adjustment	We have applied a pool-level adjustment to the portfolio. Our adjustment of 0.075x considers that VBL is a PRA-regulated bank and therefore compelled to follow its lending rules (See Key Originator Considerations section). The originator adjustment also includes a product-specific adjustment for help-to-buy loans.	1.077x	28.18
'AAA' WAFF	Actual collateral pool.	N/A	28.18

WAFF--Weighted-average foreclosure frequency. N/A--Not applicable. LTV--Loan-to-value. DSCR--Debt service coverage ratio. CCJ--County court judgment.

Chart 4

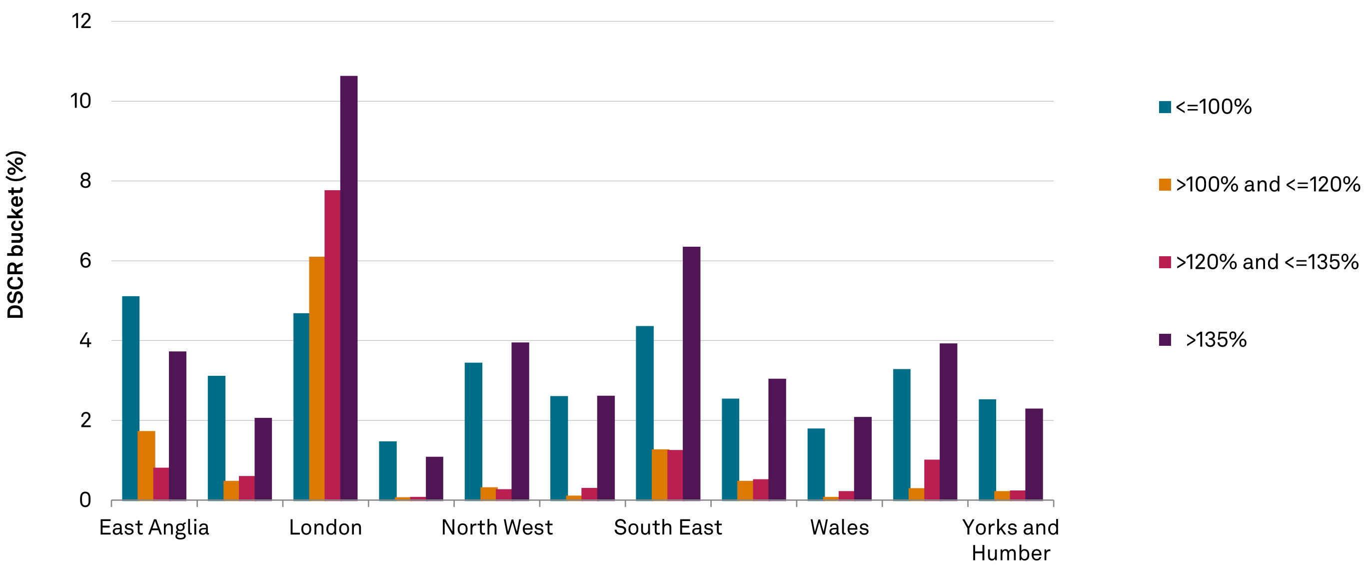
Original, effective, and current LTV ratio distribution



LTV--Loan-to-value.

Chart 5

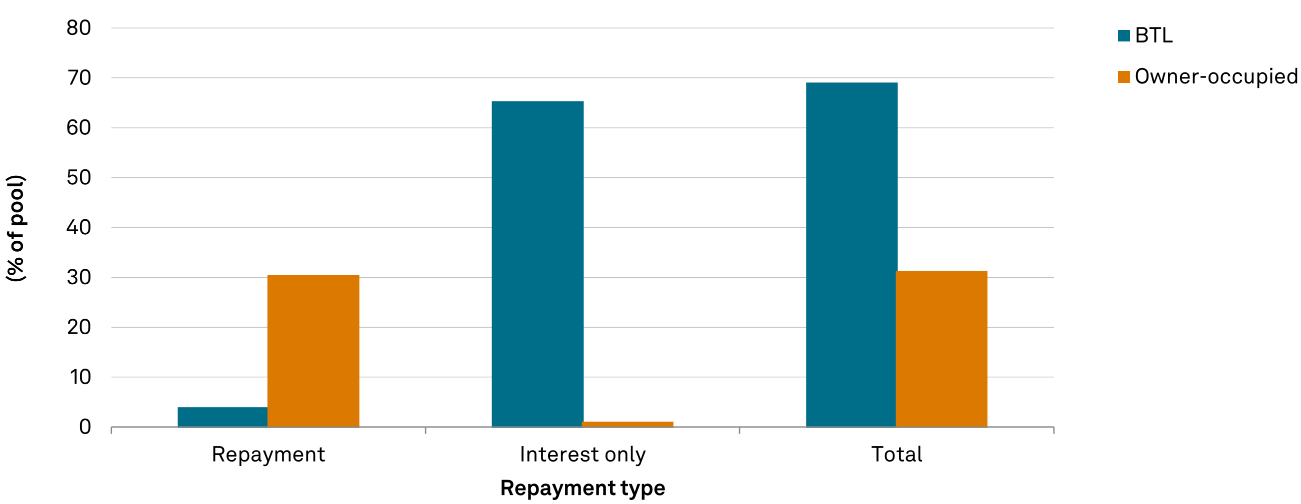
DSCR distribution per region



Note: As a percentage of the balance in each region. DSCR--Debt service coverage ratio.

Chart 6

Repayment type distribution



BTL--Buy-to-let.

Table 5

Loans by fixed-rate reversion year

Loans by fixed-rate reversion year	As a proportion of all fixed-rate loans by current balance (%)
2026	0.46
2027	8.77
2028	3.36
2029	54.52
2030	31.26
2031	1.22
2032	0.42

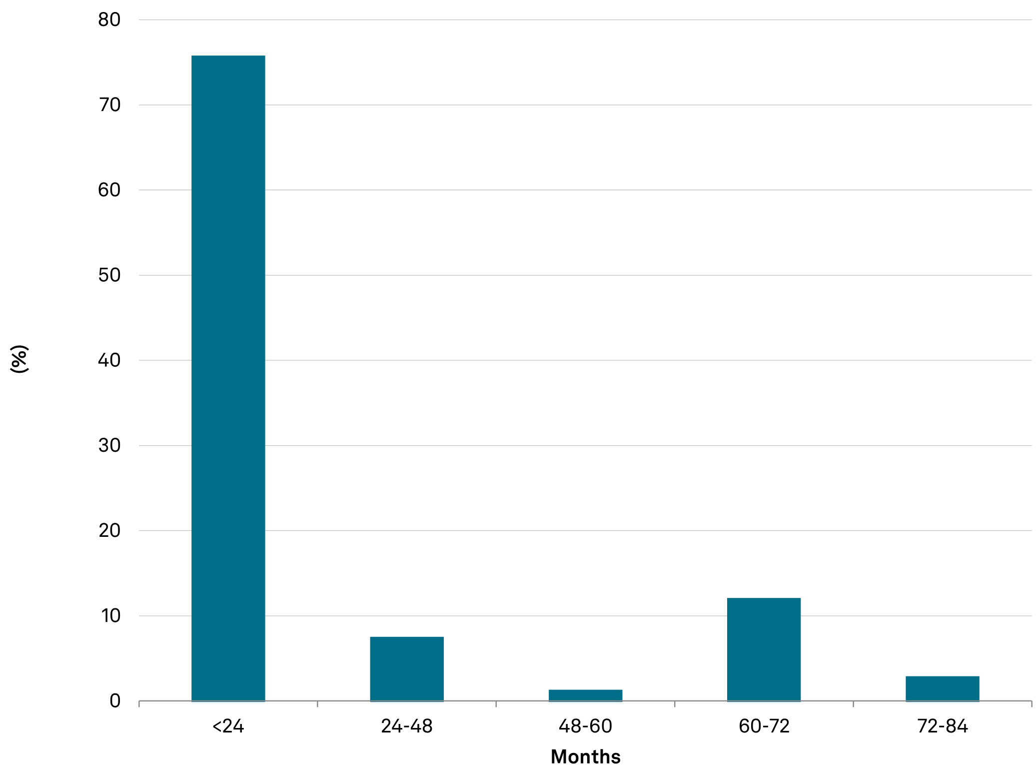
Table 6

Geographic distribution

Region	Percentage of the pool (%)
East Anglia (18%)	11.3
East Midlands (14%)	6.2
Greater London (26%)	29.1
North (9%)	2.6
North West (23%)	7.9
Northern Ireland (6%)	0.0
Scotland (17%)	5.5
South East (26%)	13.1
South West (17%)	6.5
Wales (10%)	4.1
West Midlands (18%)	8.4
Yorks and Humber (17%)	5.2

Chart 7

Seasoning 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 April 4, 2024). Table 7 provides details used in the derivation of the stressed repossession MVD (RMVD).

tab7

Table 7

Repossession market value decline (RMVD) adjustments

Rating category	Base fixed MVD (%)	Over/undervaluation (%) §	Forced sale discount (%)	Weighted average pre-jumbo valuation RMVD	Weighted-average jumbo valuation MVD adjustment (x)	Weighted average post-jumbo RMVD (%) *
AAA	40.00	11.00	10.00	55.90	1.001	55.97
AA	36.00	9.46	11.00	51.46	1.002	51.53
A	28.00	7.92	12.00	43.63	1.002	43.68
BBB	23.00	6.60	13.00	38.75	1.002	38.83
BB	19.00	5.50	14.00	35.07	1.002	35.15

Table 7

Repossession market value decline (RMVD) adjustments (cont.)

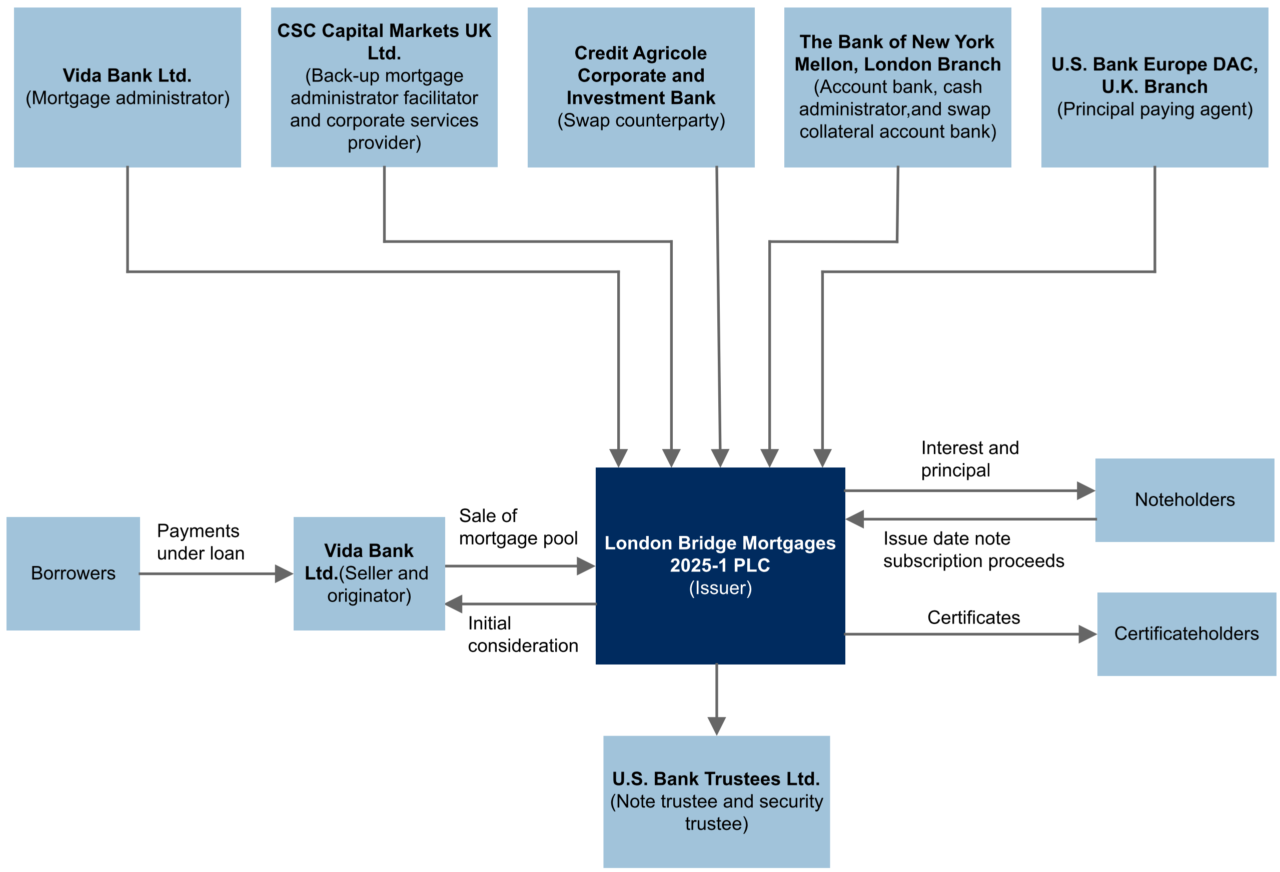
Rating category	Base fixed MVD (%)	Over/undervaluation (%) §	Forced sale discount (%)	Weighted average pre-jumbo valuation RMVD	Weighted-average jumbo valuation MVD adjustment (x)	Weighted average post-jumbo RMVD (%) *
B	15.00	4.40	15.00	31.49	1.002	31.57

*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 8

Transaction structure



The issuer is an English special-purpose entity (SPE), which we consider to be bankruptcy remote. We analyzed its corporate structure in line with our legal criteria.

We received legal opinions that provide comfort that the sale of the receivables would survive the seller's insolvency. We also received tax opinions that set out the issuer's tax liabilities under current tax legislation.

Payment Structure And Cash Flow Mechanics

Collections

All borrowers are instructed to pay directly into the collection account, currently provided by Barclays Bank PLC. Any funds deposited in the collection account will be transferred to the issuer's account with The Bank of New York Mellon, London branch. Amounts deposited to the issuer's account will be distributed monthly according to the applicable priority of payments. No downgrade language applies to the collection account, so we assume a loss stress on collections in our cash flow analysis and whether the structure can withstand this event (see "Commingling Risk").

Available revenue funds

The issuer's available revenue funds primarily comprise interest collections, amounts received under the swap, recoveries of interest on defaulted loans, the liquidity reserve fund, and, if necessary, principal reallocated to cover any interest shortfalls.

Available principal funds

The issuer's available principal funds primarily comprise principal collections, recoveries of principal on defaulted loans, amounts applied to credit principal deficiency ledgers (PDLs) in the interest waterfall, and after the optional redemption date any available revenue funds applied as available principal funds (turbo amortization)

Pre-enforcement priority of payments

There are separate waterfalls for interest (revenue) and principal collections. On each monthly payment date, the issuer will apply the available revenue and principal funds in the priority shown in table 8.

Table 8

Priority of payments

Revenue priority of payments	Principal priority of payments
Senior expenses	Before the liquidity reserve initial funding date, fund the liquidity reserve fund to the liquidity reserve fund required amount
Issuer profit amount	Subject to the PDL condition, principal additional amounts to cover further revenue shortfalls
Senior swap payments	Class A principal in full
Class A interest	Class B-Dfrd principal in full
Class A PDL	Class C-Dfrd principal in full
Class B-Dfrd interest	Class D-Dfrd principal in full
Top up the liquidity reserve fund to target, after the liquidity reserve initial funding date	Class E-Dfrd principal in full
Class B-Dfrd PDL	Class F-Dfrd principal in full
Class C-Dfrd interest	Any excess amounts to be applied as available revenue receipts
Class C-Dfrd PDL	
Class D-Dfrd interest	
Class D-Dfrd PDL	
Class E-Dfrd interest	
Class E-Dfrd PDL	
Class F-Dfrd interest	
Class F-Dfrd PDL	

Table 8

Priority of payments (cont.)

Revenue priority of payments	Principal priority of payments
"Turbo" of rated notes following the optional redemption date	
Class X-Dfrd interest	
Class X-Dfrd principal	
Subordinated swap payments	
Excess to residual certificates	

PDL--Principal deficiency ledger.

Table 9

Payment structure details

Note terms	
Payment frequency	Monthly
First interest payment date	July 2025
Interest rate	Compounded daily SONIA plus a class-specific margin.
Optional call	A 10% clean-up call option that is applicable for the class A, B-Dfrd, C-Dfrd, D-Dfrd, E-Dfrd, and F-Dfrd notes. The optional call date is on or after the step-up date.
Step-up date	April 2030
Legal final maturity date	March 2067
Liquidity reserve fund	
Initial amount	The liquidity reserve fund will be partially funded at closing and has an initial size of 0.5% of the class A and B-Dfrd notes' closing balance.
Required amount	On and after the first interest payment date (IPD), 1.00% of class A and B-Dfrd notes' outstanding principal balance.
Amortizing	Yes
Amortizing conditions	Reduces in line with the class A and B-Dfrd notes' principal amount outstanding balance.
Available for	Senior fees and the interest on the class A and B-Dfrd notes, to the extent there is a shortfall after applying the interest collections.
Additional details	The liquidity reserve fund will be funded: (i) at closing, initially from the class X-Dfrd notes' issuance proceeds; (ii) from available principal funds prior to the liquidity reserve initial funding date, in accordance with the pre-enforcement principal priority of payments; and (iii) following the liquidity reserve initial funding date, from available revenue funds in accordance with the pre-enforcement revenue priority of payments.The liquidity reserve initial funding date is when the cumulative amounts previously transferred to the liquidity reserve fund (excluding any drawings but including the amount at closing) equals the liquidity reserve fund required amount on that IPD. Excess amounts are released to available principal receipts. The liquidity reserve fund can only be used to pay class B-Dfrd interest due, provided that the debit balance on the class B-Dfrd notes' PDL does not exceed 25% of the tranche's outstanding balance, or if the tranche is the most senior class outstanding.
Principal deficiency ledgers	
Number of ledgers	Six - one for each class of the mortgage-backed notes.
PDL amounts to be recorded	Any losses from the portfolio, or if the transaction uses principal as available revenue receipts.

PDL--Principal deficiency ledger.

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 and interest on the class A notes. It can also use these to pay interest on the class B-Dfrd to F-Dfrd notes as long as the respective tranche is the most senior. The use of principal to pay interest would result in the registering of a 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 most senior notes outstanding or on principal when due. Deferring interest on the class B-Dfrd to F-Dfrd notes when they are the not the most senior outstanding will not result in an event of default before the legal final maturity date.

Deferrable notes

Under the transaction documents, interest payments on all classes of rated notes, except for the class A notes, can be deferred until maturity. However, once the notes become the most senior class of notes outstanding (except the class X-Dfrd notes), timely interest must be paid, and all previously deferred interest is due immediately. Deferred interest also accrues interest at the same rate as that of the notes.

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. Our ratings also address timely receipt of interest and full immediate repayment of previously deferred interest on the class B–Dfrd to F-Dfrd notes when they become the most senior class of notes outstanding.

Cash Flow Modeling Assumptions

We stress the transaction's cash flows to test the credit and liquidity support that the assets, subordinated tranches, and reserves provide.

Our ratings address timely payment of interest and ultimate payment of principal on the class A notes, and the ultimate payment of interest and principal on all other rated notes.

Our standard cash flow analysis indicates that the available credit enhancement for the class D-Dfrd, E-Dfrd, and F-Dfrd notes is commensurate with higher ratings than those currently assigned. However, the ratings on these notes also reflect their ability to withstand the potential repercussions of the cost of living crisis, including higher defaults, longer foreclosure timing stresses as well as sensitivity to reductions in excess spread caused by prepayments.

The class X-Dfrd notes does not pass at the 'B' stress level, however it does attain a rating in a steady state scenario with actual fees and lower prepayment. Therefore, we have assigned rating of 'B- (sf)' to this class of notes as it does not rely on favorable economic and financial conditions to service its debt obligations and remain current.

Interest rate risk

Interest on the notes is equal to compounded daily SONIA plus class-specific margins that step up following the optional redemption date. The underlying collateral is entirely (100%) on a fixed rate until it reverts to a floating rate at varying times (predominantly in 2029 and 2030).

To address the interest mismatch between the mortgage loans and the rated notes, the transaction features a fixed-to-floating interest rate swap, where the issuer pays a fixed rate and receives SONIA to mirror the index paid on the notes.

After all loans have reverted, 100% of the pool will pay a standard "Vida Variable Rate" (VVR). VVR is a discretionary variable rate with a floor of compounded daily SONIA plus 1.50%. To account for the risk of reduction in the VVR rate, we have applied standard variable rate (SVR) haircuts in our cash flow analysis and have given credit to the SVR floor where the post-haircut assumed margin is below the floor.

Table 10

Cash flow modeling assumptions	
Spread compression	
Applied	**No**
Details	Given the VVR loans already have a high amount of spread compression through the SVR haircut at the maximum range, we have not applied any further compression.
Fees modelled	
Servicing fee	0.25% which is the higher of 1.5x of the actual fees and 0.25% of the pool balance as per our global RMBS criteria. This higher fee is applied to account for the potential increase in costs to attract a replacement servicer.
Fixed fees	£200,000 per year.
Bank account replacement costs	£100,000 one-off fee.
Commingling risk	
Details	Borrowers pay into a collection account held with Barclays Bank PLC, in the legal titleholder's name. All amounts in the collection account are swept daily to the transaction account (The Bank of New York Mellon, London branch) in the case of direct debit collections, and within three business days for non-direct debit collections. If the legal titleholder were to become insolvent, mortgage collection amounts in the collection account may become part of the legal titleholder's bankruptcy estate. To mitigate this risk, a declaration of trust is in place over the collection account. Although we believe that the declaration of trust partially mitigates against the loss of collections if there is an insolvency, given the lack of downgrade language on the collection account we have considered that collections could be lost in an insolvency. We have therefore applied a loss stress of one month of collections.
Setoff risk	
Details	No setoff risk has been modelled, as there are no employee loans in the pool and there are borrowers with deposits in the pool since VBL became a deposit-taking institution. We do not expect deposit setoff risk to be material during the life of the transaction, but we will monitor it as part of our surveillance.
Product switches	
Details	Loans in the pool may receive a product switch. However, any product switch will trigger a repurchase obligation on the seller.
Further advances	Further advances are permitted under the transaction documents until the step-up date, subject to various limitations. The cumulative further advance amount of the further advance loans in the portfolio cannot exceed 2.5% of the current balance of the portfolio's aggregate amount at closing. Any further advances that do not meet criteria will also trigger a repurchase obligation on the seller.

Table 11

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	30.0	4.0
During recession	3.0	3.0
Post-recession	30.0	4.0

WAFF--Weighted-average foreclosure frequency.

Default and recovery timings

We used the WAFF and weighted-average loss severity (WALS) derived in our credit analysis as inputs in our cash flow analysis (see table 3). At each rating level, the WAFF specifies the total balance of the mortgage loans we assume will default over the transaction's life. Defaults are applied on the outstanding balance of the assets as of the closing date. We simulate defaults following two paths (i.e., one front-loaded and one back-loaded) over a six-year period (see table 11). We assume recoveries on the defaulted assets will be received 12 months after default for BTL properties and after 18 months for owner-occupied.

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 both high and low prepayment scenarios at all rating levels (see table 11). We consider the high prepayment more than sufficient to model the refinancing risk in the deal given the distribution of the interest revision dates, loan maturities, presence of early repayment charges, and historical refinancing behavior of borrowers.

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 12).

Table 12

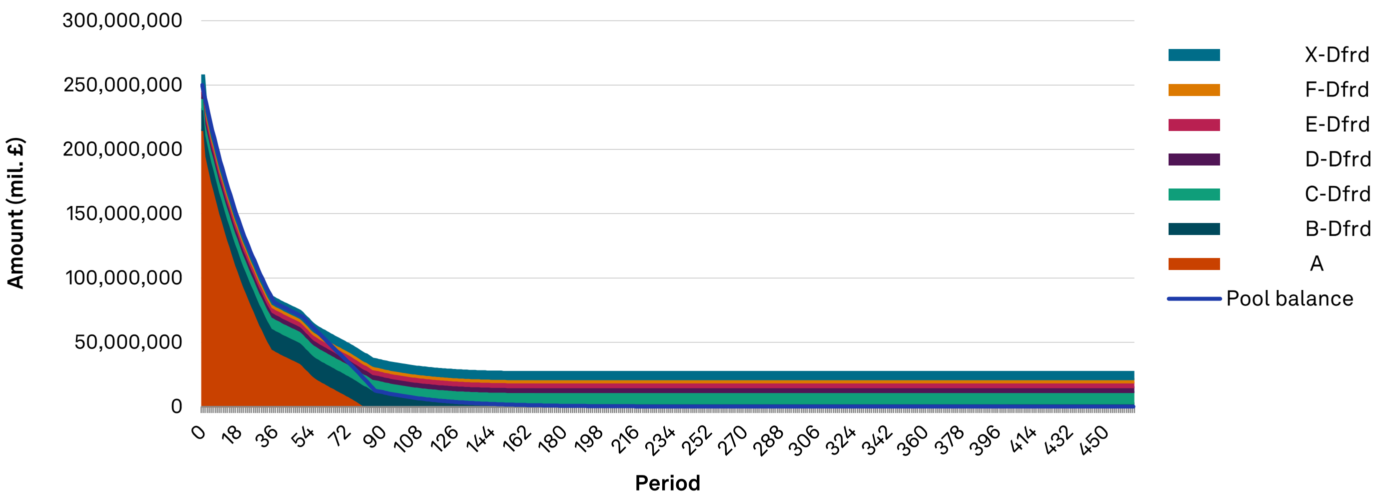
RMBS stress scenarios

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

The modeled amortization of the notes under our 'AAA' stress is shown in chart 9. The driving cash flow run for 'AAA' is the high prepayment, down interest rate, and back-loaded defaults scenario.

Chart 9

Note amortization profile



Excess spread

Excess spread is created through the difference between the asset's yield and the issuer's expenses. Table 13 outlines the initial excess spread estimate.

Table 13

Initial excess spread (estimate)

	Pool (%)
Pool yield	5.86
Stressed senior fees	0.33§
Expected fixed swap payment	3.83*
Float swap receipt	4.46*
Available for note coupons	6.17
Excess spread remaining after expected coupon payment	
A	1.66
B-Dfrd	1.30
C-Dfrd	1.10
D-Dfrd	1.00
E-Dfrd	0.88

Table 13

Initial excess spread (estimate) (cont.)	
F-Dfrd	0.80

*Based on % of fixed-rate loans on swap. Three-month SONIA of 4.46% assumed. §0.33% stressed senior servicing fee including £200,000 stressed annual fees. SONIA--Sterling Overnight Index Average.

Counterparty Risk

The documented replacement mechanisms adequately mitigate the transaction's exposure to counterparty risk for the transaction and swap collateral account and the swap counterparty in line with our current counterparty criteria. No downgrade language applies to the collection account so we assume a loss stress on collections in our cash flow analysis and whether the structure can withstand this event.

Table 14

Supporting ratings

Institution/role	Current counterparty rating	Minimum eligible counterparty rating	Remedy period (calendar days)	Maximum supported rating
Barclays Bank UK PLC as collection account provider	A+/Stable/A-1	N/A	N/A	'AAA' (commingling loss stress applied in our cash flow analysis)
The Bank of New York Mellon, London branch as transaction account provider*	AA-/Stable/A-1+	A	60 calendar days	AAA
The Bank of New York Mellon, London branch as swap collateral account provider	AA-/Stable/A-1+	A-	60 calendar days	AAA
Crédit Agricole Corporate and Investment Bank as swap counterparty	AA-/--/A-1+§	A+	90 days to find replacement	AAA

*Rating derived from the rating on the parent entity. §Resolution counterparty rating.

Hedging Features

Table 15

Details of the hedging features	
Type of hedging instrument	Fixed-to-floating interest rate swap
Collateral posting triggers	In line with counterparty criteria
Replacement triggers	In line with counterparty criteria
Issuer pays	Fixed-rate
Issuer received	SONIA in line with the index on the notes.
Notes	Fixed amortization schedule, assuming embedded prepayment assumption on the fixed-rate loans.
Modelled in our cash flow analysis	Yes

Sovereign Risk

Table 16

Details of sovereign risk	
Jurisdiction	U.K.
Long-term unsolicited sovereign credit rating	AA
Rating constrained by sovereign risk criteria	No

Scenario Analysis

In our view, the ability of the borrowers to repay their mortgage loans will be highly correlated to macroeconomic conditions, particularly the unemployment rate, consumer price inflation, and interest rates. Our ratings reflect our current macroeconomic outlook for the U.K.

Table 17

U.K. housing market statistics

	2024	2025f	2026f	2027f
Nominal house prices, % change y/y	3.5	3.3	3.1	2.9
Real GDP, % change	1.1	0.9	1.4	1.6
CPI inflation average y/y (%)	2.5	3.0	2.4	2.1
Unemployment rate	4.3	4.6	4.7	4.5

Sources: S&P Global Ratings. y/y--Year on year. CPI--Consumer price index. f--Forecast.

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.

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.

Most loans in the transaction are fixed however when the loans revert to a floating rate, we believe material interest rate increases will have a negative effect on these borrowers' ability to service their loans.

Given our current macroeconomic forecast and our forward-looking view of the U.K.'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 18.

Table 18

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	AA+	AAA	AAA	AAA	AA+	AAA	AA+
B-Dfrd	AA	AA	AA-	AA	AA	AA	AA-	AA	AA-
C-Dfrd	A	A	A-	A	A	A	A-	A	A-
D-Dfrd	A-	BBB+	BBB	A-	A-	BBB+	BBB	BBB+	BBB
E-Dfrd	BBB	BB+	BB+	BBB	BBB	BBB-	BB+	BBB-	BB+
F-Dfrd	B+	B+	B+	B+	B+	B+	B+	B+	B+
X-Dfrd	B- or lower	B- or lower	B- or lower	B- or lower	B- or lower	B- or lower	B- or lower	B- or lower	B- or lower

No change

One-notch downgrade

Two-notch downgrade

Three-notch or more downgrade

Source: S&P Global Ratings.

The results of the above sensitivity analysis indicate a deterioration of no more than one category for the notes, which is in line with the credit stability considerations 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 liquidity fund may, to a certain extent, insulate the notes against credit losses and liquidity stresses. In addition, the interest rate swap mitigates the effect on note coupon payments from rising SONIA rates they are linked to.

Upside scenario

We could raise the ratings on the class B-Dfrd to X-Dfrd notes if credit enhancement builds as the transaction deleverages, or if the credit quality of the collateral pool improves over time, such as through lower current LTV ratios. Given a large portion of the collateral pool is interest-only, we believe this would largely be due to updated indexed property valuations.

Environmental, Social, And Governance

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 as regulators are increasingly focused on ensuring fair treatment of borrowers. For RMBS, social risk is generally factored into our base-case assumptions.

We view the exposure to environmental credit factors as in line with the sector benchmark. Physical climate risks could severely damage properties and reduce their value, affecting recoveries if borrowers' default. We believe that well-diversified portfolios reduce exposure to extreme weather events.

We regard the exposure to governance credit factors as in line with the sector benchmark. There are very tight restrictions on what activities the SPE can undertake compared with 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. In addition, VBL has strong internal control frameworks with significant relevant experience at key stages of the process. Finally, the origination process is subject to regular post-completion scrutiny and checking and oversight.

Appendix

Transaction participants

Originator	**Vida Bank Ltd.**
Legal titleholder and seller	Vida Bank Ltd.
Arranger	BofA Securities
Joint lead managers	Barclays Bank PLC, BofA Securities, Macquarie Bank Ltd., London branch, and Macquarie Bank Europe DAC, Paris branch
Mortgage administrator	Vida Bank Ltd.
Note and security trustee	U.S. Bank Trustees Ltd.
Back-up mortgage administrator facilitator	CSC Capital Markets UK Ltd.
Transaction bank account and swap collateral bank account provider	The Bank of New York Mellon, London branch
Collection bank account provider	Barclays Bank PLC
Swap counterparty	Crédit Agricole Corporate and Investment Bank
Principal paying agent and agent bank	U.S. Bank Europe DAC, UK branch
Registrar	U.S. Bank Europe DAC
Cash administrator	The Bank of New York Mellon, 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
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