Holland Mortgage Backed Series (Hermes) XVIII B.V.

Presale

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Capital Structure

Class	Expected Rating	Expected Outlook	Amount (EURm)	CE (%)	Interest Rate (%)	Final Maturity	TT (%)[a]	TTLM[b]
A1	AAAsf	Stable	[192.0]	8.0	3M Euribor + [TBD]	2044	92.0	86.3
A2	AAAsf	Stable	[384.0]	8.0	3M Euribor + [TBD]	2044	92.0	86.3
A3	AAAsf	Stable	[307.2]	8.0	[TBD] fixed rate	2044	92.0	86.3
B	AAsf	Stable	[28.8]	5.0	0.00	2044	3.0	2.8
C	BBB+sf	Stable	[19.2]	3.0	0.00	2044	2.0	1.9
D	BBBsf	Stable	[14.4]	1.5	0.00	2044	1.5	1.4
E	NRsf		[14.4]	0.0	0.00	2044	1.5	1.4
Total			**[960.0]**					

Expected ratings do not reflect final ratings and are based on provisional information provided by the issuer and arranger. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other material should be reviewed prior to any purchase
[a] Tranche Thickness (TT) percentage - ratio of class size to collateral balance
[b] Tranche Thickness Loss Multiple – TT % divided by Fitch's base case loss expectation. See also *Structured Finance Tranche Thickness Metrics*, dated 29 July 2011

Transaction Summary

This transaction is a true sale securitisation of mortgage loans originated in the Netherlands by SNS Bank N.V ('BBB+'/Stable/'F2') and its wholly owned subsidiary RegioBank N.V. (not rated) (together SNS Bank). SNS Bank has an established track record as a mortgage lender and issuer of securitisations in the Netherlands. This is the 18th transaction issued under the Hermes series since 1999. Fitch Ratings has assigned expected ratings to the notes of to be issued by Holland Mortgage Backed Series (Hermes) XVIII B.V. as indicated above.

Key Rating Drivers

Partial Swap: The interest rate swap will only cover the A1 and A2 notes in this transaction, a feature not frequently seen in Dutch prime RMBS transactions. To ensure the structure was resilient to all possible additional stresses that can be caused by the absence of a full interest rate swap, Fitch tested the structure under all possible mortgage interest rate type migrations as well as reductions in mortgage interest margins and interest rate scenarios.

High Proportion of NHG Guarantees: The portfolio comprises 72.5% of loans that benefit from the national mortgage guarantee scheme (Nationale Hypotheek Garantie or NHG). Fitch used historical NHG claim data to calculate a compliance ratio assumption which it applied in the analysis and resulted in an increased recovery rate. Based on the default data received the base default probabilities of NHG loans has been reduced by 25%.

Performance Adjustment: The Hermes series transactions have seen a higher than market average level of arrears. Furthermore, a significant portion of the mortgage loans (73%) are recently originated with limited historical performance data available. To account for both, Fitch applied an additional performance adjustment to the entire portfolio, resulting in an increased default probability.

SNS Bank Counterparty Exposure: SNS Bank is the seller, servicer and foundation account provider in this transaction and is rated below Fitch's eligible counterparty rating of 'A'/'F1'. For this reason, the agency accounted for 2.3% deposit set-off in the 'A−sf' and above rating scenarios. Fitch has not given credit to the notification trigger, as the trigger is set below the 'A' level (at 'BBB'). SNS Bank has implemented a collection foundation structure to mitigate the commingling risks associated with this lower trigger (see *Counterparty risks*).

Key Parties

Issuer: Holland Mortgage Backed Series (Hermes) XVIII B.V.

Originator/Seller: SNS Bank N.V. ('BBB+'/Stable/'F2'), RegioBank N.V. (not rated)

Servicer: SNS Bank, RegioBank

Special servicer: SNS Bank

GIC Account Bank: Rabobank ('AA'/Stable/'F1+')

Foundation Account Bank: SNS Bank / Rabobank

Cash Advance Faclity Provider: SNS Bank

Interest Swap Provider: Credit Suisse International ('A'/Stable/'F1')

Arranger: SNS Bank and BNP Paribas, London Branch

Related Criteria

EMEA Residential Mortgage Loss Criteria (June 2012)

EMEA RMBS Criteria Addendum – Netherlands (June 2012)

Global Structured Finance Rating Criteria (June 2012)

EMEA RMBS Master Rating Criteria (June 2012)

EMEA RMBS Cash Flow Analysis Criteria (June 2012)

EMEA Cash RMBS Structural Overview (May 2009)

Counterparty Criteria for Structured Finance Transactions (May 2012)

Counterparty Criteria for Structured Finance Transactions: Derivative Addendum (May 2012)

Criteria for Servicing Continuity Risk in Structured Finance (August 2012)

Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions (April 2012)

Structured Finance Tranche Thickness Metrics (July 2011)

Rating Sensitivity[1]

This section of the report provides an insight into the model-implied rating sensitivities to hypothetical changes in defaults and/or recoveries on the assets in a stressed environment. These increased defaults and/or recoveries on assets are relative to the WA frequency of foreclosure (WAFF) of the mortgage portfolio and the WA recovery rate (WARR) of the mortgage pool, respectively. For example, the 'AAAsf' default rate for the mortgage portfolio is 12.3% and a 30% relative increase over this default rate would result in a figure of 16.0%. Defaults are assumed to occur immediately after closing of the transaction. The model-implied rating sensitivities, based on such assumptions, are only indicative of some of the potential outcomes and do not consider other risk factors to which the transaction is exposed.

Rating Sensitivity to Default Rates

	Class A	Class B	Class C	Class D
Original rating (expected)	AAAsf	AAsf	BBB+sf	BBBsf
15% increase in WAFF	AA+sf	AA-sf	BBB+sf	BBBsf
30% increase in WAFF	AAsf	A+sf	BBB+sf	BBBsf

Source: Fitch

Rating Sensitivity to Recovery Rates

	Class A	Class B	Class C	Class D
Original rating	AAAsf	AAsf	BBB+sf	BBBsf
15% decrease in WARR	AA-sf	Asf	BBB+sf	BBBsf
30% decrease in WARR	Asf	BBB+sf	BBB+sf	BBBsf

Source: Fitch

Rating Sensitivity to Multiple Factors

	Class A	Class B	Class C	Class D
Original rating	AAAsf	AAsf	BBB+sf	BBBsf
15% increase in WAFF, 15% decrease in WARR	A+sf	A-sf	BBB+sf	BBBsf
30% increase in WAFF, 30% decrease in WARR	BBB+sf	BBB+sf	BBB+sf	BBB-sf

Source: Fitch

Model, Criteria Application and Data Adequacy

Fitch analysed the risk of obligor default using its Dutch RMBS default model criteria (please see *EMEA Residential Mortgage Loss Criteria*, dated June 2012 and *EMEA Criteria Addendum – Netherlands, Mortgage Loss and Cash Flow Assumptions*, dated June 2012).

The agency was provided with loan-by-loan information on the securitised portfolio as of 30 June 2012. Almost all of the data fields included in the pool cut were of good quality, except for employment information and borrower income, which was missing for 4.9% of the portfolio. Fitch assumed a class 3 DTI for borrowers with missing income information, as the loans were underwritten based on the Dutch code of conduct.

To gain comfort with the data adequacy, among others, Fitch conducted its own file review at the premises of SNS Bank, in December 2011. A small, targeted sample of 10 files was reviewed. The information held on file was confirmed as replicating data provided to Fitch. The files held appropriate underwriting materials such as income details, affordability calculations, valuation and underwriter rationale. Proof of identity was provided in all cases. It appeared that SNS Bank's lending policy had been adhered to in all cases. As a result, Fitch made no adjustments to its analysis with respect to the data provided.

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

In addition, the agency reviewed an Agreed Upon Procedures (AUP) report regarding the data provided by SNS Bank. An internationally recognised accounting firm conducted the report, which included a detailed review of 448 loan files with a 99% confidence interval. Fitch believes the sample size, the relevance of the tested fields, and the limited number of material error findings suggests the originator provided an acceptable quality of data.

The collateral review of the mortgage portfolio involves reviewing vintage performance data and loan-by-loan loss severity information on the originator's sold repossessions. Fitch uses this information to validate the frequency of foreclosure assumptions, quick sale adjustment (QSA) and foreclosure timing assumptions used within its analysis.

SNS Bank was able to provide cumulative default data by vintage for both NHG and non-NHG loans for its entire mortgage loan book. Based on the significantly better cumulative default data for the NHG portion of the book, Fitch applied a reduction to the base foreclosure frequency of 25% for the NHG loans. In addition SNS Bank provided arrears data for its entire loan book dating back to 2009.

Generally, the historical default data for NHG loans was found to be in line with Fitch's performance assumptions for the Dutch market, while non-NHG loans showed slightly worse performance than Fitch's assumptions. However, Fitch expects the transaction portfolio to perform more in line with the NHG loan performance data, given the high proportion of NHG loans included. The Hermes series transactions historically displayed higher arrears levels compared with the majority of Dutch RMBS transactions rated by Fitch and 90 days plus arrears currently show a weighted average of 1.4%. Although the arrears level are higher than the market average observed, the levels are still within Fitch's expectations.

A significant portion of the mortgage loans (73%) are originated in 2010 and 2011 and have limited historical data. To account for both the historical performance and the recent vintages included, Fitch applied an additional performance adjustment to the entire portfolio. This resulted in an increased default probability for the transaction.

Fitch was provided with a portfolio of 5,044 foreclosed properties, representing loans foreclosed between 2002 and September 2011, with most of them originated between 2000 and 2005. Based on the repossession data analysis, the performance was in line with Fitch's assumptions; therefore, Fitch did not adjust its QSA, market value decline (MVD) or foreclosure timing assumptions.

To complete its rating analysis, Fitch simulated transaction cash flow scenarios using its cash flow model (please see *EMEA RMBS Cash Flow Analysis Criteria*, dated June 2012). The cash flow modelling accounted for a loss due to the inability of insurance companies to meet their obligations towards the mortgage borrowers, deposit set-off and commingling risks.

Transaction and Legal Structure

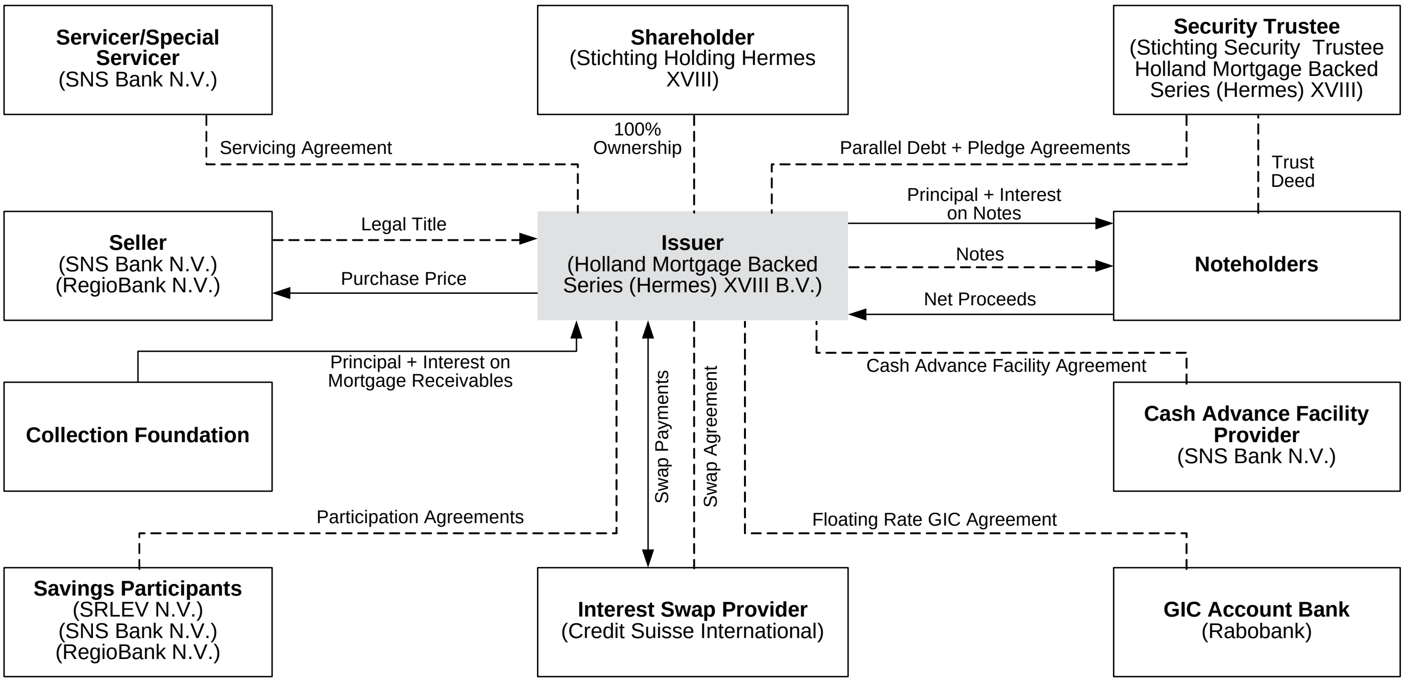
Legal Framework

Holland Mortgage Backed Series (Hermes) XVIII B.V.(the issuer) is established under the laws of the Netherlands as a private company with limited liability and registered in the Commercial Register of the Chamber of Commerce in the Netherlands. The issuer has been incorporated as a special purpose vehicle (SPV) for the purpose of purchasing the mortgage loans and issuing the notes.

SNS Bank will use the silent assignment law to transfer, on closing, the legal title of the mortgage receivables. Under the terms of the silent assignment law, the legal ownership of the receivables can be transferred by registering a deed of assignment with the relevant tax authorities, without having to notify the borrowers of the assignment. In addition, the mortgages and other rights of the issuer will be pledged to the security trustee via various pledge agreements.

Figure 1

Structure Diagram



Source: Transaction documents

All direct debit payments made by the borrowers are directed to a bank account maintained by the “Collection Foundation”, a bankruptcy remote entity (stichting) under Dutch law, rather than to the sellers directly. The Collection Foundation is obliged to forward all amounts received by it in respect of the relevant mortgage receivables to the GIC account. The Collection Foundation Accounts are held with SNS Bank and will be transferred to Rabobank (‘AA’/Stable/’F1+’) upon the downgrade of SNS Bank below ‘BBB’.

Notification Events

Assignment notification events include the following, among others:

- a seller payment default is not remedied within 10 business days of receiving notice from the issuer or trustee;
- action is taken by or against any seller for its dissolution, liquidation, demerger or bankruptcy, or entering into emergency regulations;
- any seller has given materially incorrect information;
- SNS REAAL withdraws its 403-Declaration in respect of RegioBank;
- the Fitch long term Issuer Default Rating (IDR) of SNS Bank falls below ‘BBB’; and
- the Collection Foundation has been declared bankrupt.

Taking into account that the notification trigger is set below the ‘A’ rating level, in Fitch’s opinion, it is possible that notification would not be triggered well ahead of the seller’s insolvency. For this reason, Fitch assumes that a notification event might happen before the insolvency of the seller in its analysis. This has several credit risk consequences for the transaction (see *Counterparty Risk*).

Representations and Warranties

On the closing date, in the transfer agreement, the seller will provide the issuer with specific representations and warranties (R&Ws) concerning the characteristics of the mortgages, and the general and legal circumstances of the loans in the portfolio. For more details, see the related *Holland Mortgage Backed Series (Hermes) XVIII B.V. - Appendix* which includes the R&Ws given by the relevant transaction parties. The R&Ws are substantially comparable to those typically contained in Dutch RMBS transactions, as described in Fitch's research *Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions*, dated April 2012. Hence, Fitch made no adjustments to its analysis with respect to the R&Ws.

Loan Eligibility Criteria

The mortgage loan eligibility criteria, amongst others, are as follows:

- The mortgage loans are either: interest-only, annuity, linear, investment, savings, bank savings, life or a combination of the aforementioned.
- The borrower is a resident of the Netherlands and not an employee of the relevant sellers.
- Each mortgage asset is legally owned by the borrower and is not subject to residential letting and was to be occupied by the relevant borrower at the time of the origination of the mortgage loan.
- The maximum loan-to-foreclosure value (LTFV) of each mortgage loan did not exceed 125% upon origination.
- Each non-NHG mortgage loan has an original loan balance of less than EUR500,000.
- Each NHG mortgage loan has an original loan balance of less than EUR350,000.
- Each mortgage loan is secured by a first-ranking mortgage right.
- At least one payment has been received prior to the deal closing date.

Repurchase

If, at any time, any of the representation and warranties relating to the mortgage loans proves to be untrue or incorrect, the seller shall either remedy the matter or repurchase the respective mortgage loans.

If the seller agrees with a borrower to make a further advance or new mortgage loan that is only secured by the same-ranking rights as the existing mortgage loan, then it will repurchase the respective mortgage loan from the portfolio. The seller does not have to repurchase the mortgage loan if it grants a credit to a borrower other than a mortgage loan, including personal loan, home improvement loan or current account facility, or a new mortgage loan secured by lower-ranking mortgage rights.

The seller also has to repurchase any NHG mortgage loan that no longer benefits from an NHG guarantee, as a result of the seller or servicer's actions. The seller also has to repurchase the mortgage loan if it agrees with a borrower to alter the terms of the mortgage loan and such amendments are not in accordance with the mortgage receivable purchase agreement.

Substitution and Further Advances

The purchase of further advances into the pool will not be allowed after closing. Substitution is not allowed; however, the issuer is permitted to substitute mortgage loans to ensure that transaction portfolio fulfils the following conditions:

- the weighted average margin of the floating interest mortgage loans shall be at least 1.50% above 1M Euribor;
- the weighted average interest rate of the mortgage loans shall be at least 3.75%.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

Lender Adjustment

Fitch's base default probabilities assume that origination, underwriting and servicing practices and procedures are in line with those of a standard Dutch lender, with market expertise and relevant management experience.

As part of the analysis, the agency performed an operational review to assess, among other things, the lender's origination and underwriting practise as well as its servicing capabilities. The agency recognises the importance of both the origination practices and the servicing counterparty role for the transaction in terms of the underlying loan portfolio performance. Fitch has considered several strengths and concerns in its assessment of SNS Bank. Please see *Appendix B* for further details on SNS Bank's origination and servicing standards. The main concerns are as follows:

- in spite of the overall good performance, arrears in existing transactions have generally been higher than the average for the Dutch mortgage market. It is worth noting that this does not apply to series exclusively backed by NHG mortgages; and
- based on data received by the Stichting Waarborgfonds Eigen Woning (Stichting WEW), Fitch concluded that the rejections of claims made to Stichting WEW by SNS Bank have been higher than for other Dutch originators.

In Fitch's view, strengths to consider are as follows:

- all applications at SNS Bank are processed automatically and transferred in a digital format. The underwriting system used by the underwriters performs an automatic check of credit and fraud databases, as well as a pre-screening of the mortgage files; and
- SNS Bank's servicing has been reorganised in recent years and shows signs of improvement;

Fitch believes that SNS Bank's origination, underwriting and servicing processes meet good market standards. The underwriting criteria are also in line with other Dutch lenders. Based on the bank's underwriting review no further adjustments were made to the base default probabilities. However, because of worsening performance data in the outstanding transactions and the limited performance data available for the mortgage loans originated in 2010 and 2011, Fitch applied an additional lender adjustment to account for this uncertainty in performance (see *Model, Criteria Application and Data Adequacy* for details).

Portfolio Summary

The portfolio to be securitised contains loans originated from 1999 to 2011 and about 73% were underwritten in 2010 and 2011. The NHG-guaranteed loans, 72.5% of the portfolio, have also mainly been originated in recent years. The WA seasoning of the portfolio was almost three years, as of June 2012.

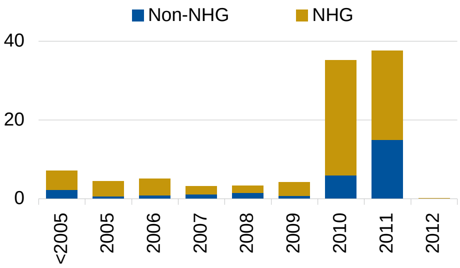
As per Fitch's loss criteria, OLTMV and DTI are the two main factors that determine the base default probability of loans. The WA OLTMV is 81.4% and the WA current LTV is 78.5%; both being on par with most Fitch-rated Dutch RMBS transactions. About 43% of the mortgage loans have an OLTMV above 100%. Due to the recent house price decline, the indexed current LTMV (83.4%) is about 5% higher than the non-indexed one.

The WA DTI of this portfolio is 26.9%, which is lower than the average DTI seen in Fitch-rated Dutch RMBS transactions. Borrower income information was missing for 4.9% of the borrowers in the portfolio. Fitch assigned the highest DTI authorized by the code of conduct for these loans, being a class 3 DTI.

Figure 2

Mortgage Loan Balance Per Origination Year

(By % current balance)

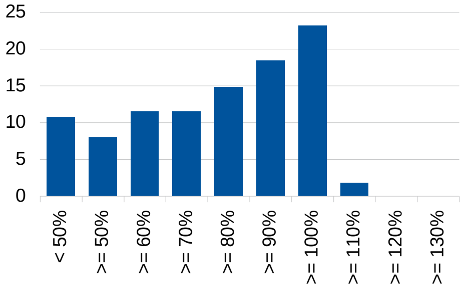


Source: Provisional pool tape (30 June 2012)

Figure 3

OLTMV Distribution

(By % current balance)

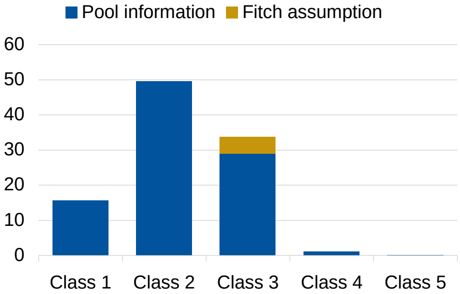


Source: Provisional pool tape (30 June 2012)

Figure 4

DTI Distribution

(By % current balance)

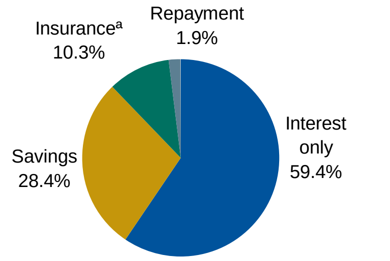


Source: Provisional pool tape (30 June 2012)

Figure 5

Mortgage Type

(By % current balance)



[a] Fitch assumptions, based on information provided by SNS

Source: Provisional pool tape (30 June 2012)

Mortgage Loan Type

The majority of the portfolio to be securitised consists of interest-only mortgage loans (59.4%). SNS Bank was not able to mark mortgage loans with insurance policies attached on a loan-by-loan basis. Based on additional information received from SNS Bank, Fitch has marked 10.3% of the loans previously marked as interest only as insurance mortgage loans. Fitch increased default probabilities for these types of mortgage loans with 20% and 10% respectively.

Bank savings and savings loans make up 28.4% of the pool, whilst the remaining 1.9% of the mortgage loans are annuity or linear mortgages. No adjustment to the default probability was applied to these loans.

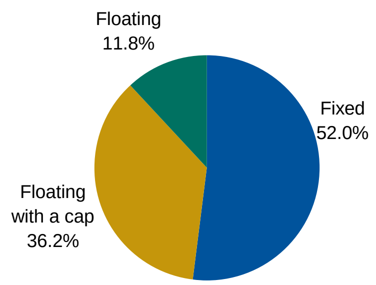
About 11.8% of the mortgage loans in the pool have a floating interest rate and another 36.2% have floating interest rate with a cap. This is a relatively high proportion for Dutch RMBS transactions. In Fitch's analysis, the default probability adjustment applied for loans with a capped interest rate loans is 25%, which is similar to the floating-rate loans, as per Fitch's loss criteria.

Borrower Profile

Information on the employment profile of the borrowers was available on a loan-by-loan basis for about 95.1% of the borrowers. The vast majority of the borrowers are employed (80.3%). The remaining portion consists of self-employed borrowers (7.8%), unemployed or temporary contract borrowers (3.2%) and borrowers with missing employment information (4.9%). 3.8% of the borrowers in the pool are pensioners. They are underwritten according to the same guidelines as normal borrowers and pension income is assessed at time of origination. Fitch increased the default probabilities for all types other than employed and pensioners by 20%, in line with the criteria.

Figure 6

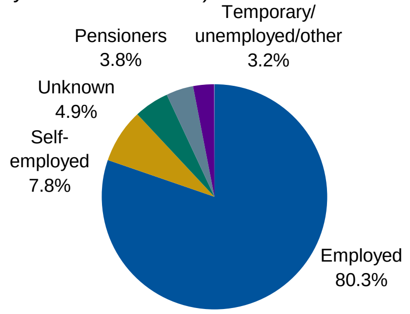
Interest Rate Type
(By % current balance)



Source: Provisional pool tape (30 June 2012)

Figure 7

Borrower Employment Profile
(By % current balance)



Source: Provisional pool tape (30 June 2012)

Property Type

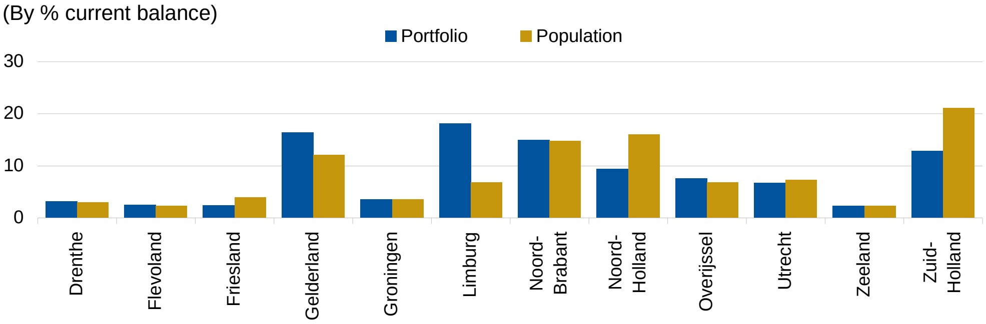
The securitised mortgage assets are residential properties used as primary residences and consist mainly of single family houses (87.5%). In Fitch's view, large or very small properties may be less liquid to trade (and to foreclose upon) than more standard ones and their price is more volatile. Only 4.4% of the mortgage loans in the portfolio are identified as being secured by illiquid properties: either the current indexed property value is below EUR100,000 (2.7%), or above EUR500,000 (1.7%). In line with Fitch criteria, the recovery rates were decreased for the illiquid properties.

Geographical Concentration

About 18% of the loans in the portfolio are secured by properties located in the province of Limburg. The province accounts for about 6.8% of the total Dutch population and 6.4% of total GDP. It is assumed that the economy of the province is less diversified and more subject to regional downturns than the Dutch economy as a whole, although this risk should not be overestimated. To address this regional concentration risk, Fitch has increased the default probability for mortgage loans secured by properties located in Limburg by 20%.

Figure 8

Geographical Distribution
(By % current balance)



Source: Provisional pool tape (30 June 2012)

Other Claims

Mortgage loans in the portfolio are bank mortgage loans, whereby the property secures not only the mortgage loan but also other debt with the seller in the form of an overdraft, consumer loan or credit card debt. The seller has a contractual obligation to the issuer that any foreclosure proceeds are allocated in priority to the redemption of the foreclosed loans held by the issuer. To further secure this arrangement, the seller is obliged to pledge to the issuer any other claims secured on the property upon a notification event, which would allow the issuer to enforce the security rights, to collect the foreclosure proceeds, and to distribute in accordance with contractual arrangements.

However, as the notification trigger is set at ‘BBB’, ie below the ‘A’ rating expected by Fitch, the agency assumes in its recovery rate analysis that insolvency will occur prior to the notification and thus the proceeds from the foreclosed properties will be allocated on a pro-rata basis between the seller and the issuer. The amounts of other claims are less than 0.06% in this transaction; furthermore, the amounts are capped as SNS Bank no longer grants loans other than mortgage loans to its borrowers. Therefore, Fitch did not size for other claims in its asset analysis.

Market Value Decline (MVD) Adjustment

Part of Fitch’s analysis of the mortgage portfolio involves the review of loan-level repossession data to validate the MVD assumptions. Based on the repossession data analysis, the performance was in line with Fitch’s assumptions; therefore, Fitch did not increase its MVD assumptions.

NHG-Guaranteed Mortgage Loans

The portfolio comprises 72.5% of loans that benefit from the NHG guarantee scheme, provided by Stichting WEW (‘AAA’/Stable/’F1+’).

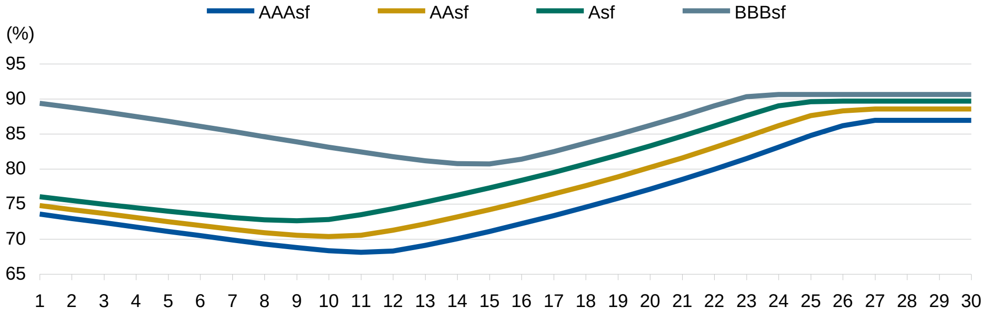
Fitch was provided with static default data by vintage, split between standard loans and loans backed by the NHG. This data showed that NHG loans significantly outperformed non-NHG loans. Consequently, Fitch applied a 25% decrease to the base default probabilities of all NHG loans. Furthermore, Stichting WEW provided Fitch with a list of claims which SNS Bank made to the WEW between 2006 and 2011. Fitch used this historical data to determine a compliance ratio for SNS Bank, which was determined to be slightly below the market average compliance ratio observed by Fitch.

In its rating analysis, Fitch has given credit to the repurchase commitment from SNS Bank to buy back non-compliant loans in the transaction by applying a 100% compliance ratio in the rating scenarios below and including ‘BBB+sf’. Hence, no credit for this repurchase commitment was given in the ‘AAAsf’ rating scenario.

Based on the established compliance ratio, the repurchase commitment and the pool characteristics of the NHG loans, a recovery vector over 30 years was derived. Due to the amortisation of the guarantee coverage, the recovery rates reduce over the first 10 years; thereafter, the capital build-up present in the repayment vehicles attached to the savings loans causes the recovery rates to increase until the end of the 30-year period.

Figure 9

30 Year Recovery Rate Vector



Source: Fitch

Default Model Output

Fitch Default Model Output table illustrates the asset analysis results across different rating scenarios. Fitch has used these WAFF and the WARR levels, including NHG benefit, when modelling the transaction cash flows.

Figure 10

Fitch Default Model Output

Rating level (%)	WAFF	$WAFF^{NHG}$	WARR	$WARR^{NHG}$	MVD
AAAsf	15.05	12.31	58.40	68.91	43.06
AAsf	12.20	9.98	61.53	71.20	40.33
Asf	9.76	7.98	64.62	73.33	37.60
BBBsf	6.91	5.65	67.66	82.90	34.88

WAFF = Weighted-average foreclosure frequency, excluding NHG guarantee benefits
$WAFF^{NHG}$ = Weighted-average foreclosure frequency, including NHG guarantee benefits
WARR = Weighted-average recovery rate, excluding NHG guarantee benefits
$WARR^{NHG}$ = Weighted-average recovery rate including NHG guarantee benefits. This is a simplified calculation to express the WARR as one figure instead of the actual WARR vector used for NHG-guaranteed mortgage loans
MVD = Market value decline
Source: Fitch

Financial Structure and Cash Flow Modelling

The capital structure consists of seven classes of mortgage-backed notes: class A1, A2, A3, B, C, D and E notes. The class E notes are not rated by Fitch. The interest on the class A1 and A2 notes will be 3M Euribor plus a margin, while the class A3 notes will pay a fixed interest rate. Class B, C, D and E will not bear any interest. The margins will step-up on the first optional redemption date in September 2017 for class A1 and A2

Notes Amortisation

Interest Priority of Payments

The available revenue funds will be split into 2 categories; the swapped notes available revenue funds and the non-swapped notes available revenue funds. The first primarily consisting of the amounts received from the swap counterparty, while the latter mainly consists of the interest received multiplied by the fraction of class A notes not benefiting from a swap to the total amount of class A notes outstanding (non-swapped class A notes fraction).

Aforementioned revenue payments will be allocated, prior to enforcement, according to the priority of payments each month in the following order:

Swapped notes available revenue funds

1. the issuer's senior fees and expenses (including those payable to the trustee, company administrator, servicer and paying agent);
2. amounts due under the cash advance facility multiplied by the class A swapped notes fraction;
3. amounts due under the swap agreement other than subordinated swap payments;
4. pro rata, interest due on the class A1 and A2 notes.

Non-swapped notes available revenue funds

1. amounts due under the cash advance facility multiplied by the class A non-swapped notes fraction;
2. interest due on the class A3 notes;
3. pro rata, all interest due but unpaid on the class A1 and A2 notes;
4. amounts to be credited to the class A principal deficiency ledger (PDL);
5. amounts to be credited to the class B PDL;

6. amounts to be credited to the class C PDL;
7. amounts to be credited to the class D PDL;
8. amounts to be credited to the class E PDL;
9. swap subordinated payments;
10. any gross up amounts to the cash advance facility provider;
11. deferred purchase price instalment to the seller.

Following an enforcement event, when the trustee will declare the notes to be due and payable, all available funds will be allocated sequentially to interest and principal payments due on the notes, after payment of certain senior third-party expenses.

Principal Priority of Payments

The notes will be redeemed in sequential order, starting with the class A1 notes, on a quarterly basis using the remaining available principal collections.

Redemption and Final Legal Maturity

On each optional redemption date, ie any quarterly payment date from September 2017, the issuer will have the right to sell all the mortgages to the seller or a third party and to use the proceeds of any such sale to redeem the outstanding notes, provided that all such notes can then be redeemed at their entire outstanding balance (irrespective of deficiencies) and not only a portion thereof. Unless previously redeemed, the legal maturity of the notes is in 2044.

Credit Enhancement

Subordination

Credit enhancement for this transaction will be provided by the subordination of junior notes. At closing, credit enhancement for the class A notes, initially totalling 8.0%, will be provided by the subordination of the class B notes (3.0%), the class C notes (2.0%), the class D notes (1.5%) and the unrated class E notes (1.5%). The notes are redeemed sequentially, which ensures that potential losses are allocated first to the junior notes.

Cash Advance Facility

At closing, the issuer will enter into a cash advance facility agreement. Under the terms of this agreement, the issuer will be able to draw on the facility to cover interest shortfalls on the class A notes. The size of the cash advance facility will be 1.70% of the outstanding balance of the class A notes, and may amortise from closing to a floor of 0.65% of the initial class A note balance at closing for as long as class A notes are outstanding.

Hedging

Interest Rate Swap

The interest rate payable by the issuer with respect to the class A1 and A2 notes is floating. The issuer will hedge this interest rate exposure on the notes by entering into a swap agreement with the swap counterparty. There is no hedge available with respect to the fixed rate of interest payable on the class A3 notes.

The aforementioned absence of an interest rate agreement to cover the interest on certain notes is a feature not frequently seen in Dutch prime RMBS transactions. To ensure the structure was resilient to all possible additional stresses that can be caused by the absence of a full interest rate swap, Fitch tested the structure under all possible mortgage interest rate type migrations as well as reductions in mortgage interest margins and interest rate scenarios.

Under the terms of the swap, the issuer will pay the swapped notes fraction multiplied by (i) the interest scheduled on the mortgages; (ii) accrued interest on the issuer transaction accounts , with the exception of the interest received with respect to a cash advance facility stand-by drawing which has been deposited on the issuer account; and (iii) prepayment penalties less (i) senior fees, which include servicing costs and cash advance facility commitment fees; and (ii) an excess spread of 0.45% per annum of the outstanding portfolio balance multiplied by the swapped notes fraction. The swap counterparty will pay the interest on the non-deficient note balance of the class A1 and A2 notes.

Scenario Testing

Fitch tested the structure under all combinations of front- and back-loaded default distributions, high/low prepayment rates, and rising/stable/decreasing interest-rate environments. In addition, Fitch accounted for losses due to commingling, deposit and insurance policy set-off, as discussed in the *Counterparty Risk* section. Assumptions utilised under individual scenarios were in accordance with Fitch's cash flow analysis criteria. In this particular case, decreasing interest rate stresses, combined with the front-loaded default curve and a low prepayment scenario, were found to be the most detrimental to the structure.

Counterparty Risk

Seller/Servicer

Fitch completed a review of the origination policies and practices of SNS Bank and conducted a file review of a sample of the provisional mortgage portfolio. These cases were chosen based on specific borrower and loan characteristics and the loan records were checked against the prevailing lending criteria at the time the mortgage application was considered. The file review provided comfort to Fitch that loans were underwritten as per SNS Bank's lending criteria. The origination aspects of SNS Bank were found to be in line with its lending policies and practices. Please also see the section *Lender Adjustment*, where a qualitative assessment of the strengths and weaknesses of the lender is given.

Commingling Risk and Payment Disruption

In December 2011, SNS Bank implemented a collection foundation structure to minimise the commingling risks due to the notification trigger being at the 'BBB' level. A notification trigger set below an 'A' level, in Fitch's view, increases the risk that the borrowers would not be notified and instructed to pay to the issuer account before insolvency; thus, the mortgage payments could become a part of the bankruptcy estate.

In March 2011, all borrowers from SNS Bank were notified that the newly created collection foundation, an SPV named Stichting Hypotheken Incasso, would now collect mortgage payments. The collection foundation will transfer payments received to the relevant issuer accounts on the same day. The issuer account is held with the GIC provider, which is Rabobank.

The bank account of the foundation is still with SNS Bank to enable partial direct debits to be performed. Upon the occurrence of a trigger event — being a downgrade of SNS Bank below 'BBB' — the account of the foundation will switch to a bank account held at Rabobank to prevent the comingling of funds. Although this trigger event is included in the documentation and has been tested, Fitch believes that in a jump-to-default scenario, some collections can still become commingled in the solvency estate of SNS Bank.

Therefore, the agency considered the risk of the loss of funds due to commingling or disruption of payments and accounted for this in the transaction by assuming a loss of one month's interest and principal in the cash flow analysis.

The payment disruption risk is limited for the following reasons: (i) the transaction benefits from a cash advance facility to cover potential interest shortfalls; and (ii) Fitch has accounted for possible commingling losses.

Set-Off Risks

Dutch mortgage transactions are especially prone to the risk of borrowers seeking to exercise set-off of amounts owed to them against amounts due from them in relation to the mortgage loan. Set-off is specifically precluded in the terms and conditions of the mortgage loans; however, a lack of legal precedent makes it uncertain whether such a set-off waiver would be enforceable if the borrower contested it in court. Fitch deems the set-off risks in this transaction to be limied, due to the structural mitigating factors in place to account for deposit set-off risks and the limited proportion of insurance mortgage loans included in the provisional portfolio.

Deposit Set-Off

SNS Bank is a deposit taking institution and borrowers in the portfolio can have various claims against SNS Bank, which they could set-off against the mortgages in case of insolvency of the seller. These claims can arise from current accounts, savings accounts and long-term deposits.

A timely notification event can reduce the set-off risk, but does not fully mitigate it. Upon notification, the set-off exposure of the borrower in respect of such other claims crystallises: the borrowers have the right to set-off amounts accrued prior to notification, but cannot exercise any set-off right in relation to claims borne after notification. Fitch considers the risk that borrowers would be able to set-off fully such claims against their mortgages once the seller becomes insolvent to be 100% in all rating scenarios above the rating of SNS Bank.

At closing, the actual deposit set-off exposure equals 1.3% of the outstanding balance of the portfolio. To address the risk of increasing exposure to set-off risk, due to claims arising from savings accounts and savings deposits, SNS Bank will collateralise any further increase above the threshold of 2.3% of the outstanding portfolio, minus, 80% of the increase in credit enhancement of the class B notes multiplied by the outstanding balance of mortgage loans.

The deposit set-off is recalculated on every monthly payment date. In Fitch's opinion, this agreement covers a potential increase in the set-off amount sufficiently and therefore Fitch has only accounted for the threshold of 2.3% deposit set-off risk in its transaction analysis in all rating scenarios above the rating of SNS Bank.

Savings and Bank Savings Set-Off

Savings and bank savings mortgage loans comprise 28.6% of the pool by current balance. Fitch believes that set-off exposure relating to bank savings mortgage loans is mitigated in this transaction by sub-participation agreements entered into between the issuing SPV and the savings and bank savings policy providers.

Insurance Policy Set-off Resulting from Seller Insolvency

As per the underwriting criteria of the seller, any mortgage loan with as LTFV above 75% for loans originated prior to 2007 and above 100% LTFV for loans originated between 2007 and August 2011, must benefit from a repayment vehicle. For mortgage loans originated after August 2011 this threshold is 50% LTMV. Where the repayment vehicle is an insurance policy, the seller has been appointed as beneficiary and has in turn committed various pledges and waivers to transfer the rights over the insurance policies to the issuer upon default. However, it is uncertain if these commitments will be effective upon insolvency of the seller.

Based on legal analysis, Fitch has taken the view that the seller's insolvency receiver would act in a "reasonable and fair way". This implies either the application of the insurance pay-outs towards redemption of the mortgages, or supporting the modification of the life insurance payment instructions. Further comfort is drawn from the fact that insurance policy providers pay directly to the foundation account. Another mitigating factor for this risk comes from the limited proportion of life loan parts backed by life insurance mortgages in the transaction, and the remote possibility that a significant insurance pay-out would occur in the time between the bankruptcy of the seller and the issuer becoming the beneficiary or payee.

Insurance Policy Set-Off Resulting from Insurance Provider Insolvency

Dutch mortgages backed by capital insurance policies are generally exposed to the risk that, upon the insolvency of the policy providers, borrowers may seek to set-off against their mortgages the claim over the insurance provider resulting from the loss of premium or damages. The risk that such set-off could be successfully exercised would essentially depend on whether the mortgage loan and the insurance policy were part of the same legal relationship.

Further to this, borrowers could seek to exercise defences following the insolvency of their insurance provider and request cancellation of parts of the loans corresponding to the lost capital, by arguing that it was the intention of all parties for the loan to be repaid by means of the proceeds from the policy.

Fitch incorporated in its analysis the risk that borrowers might exercise such defences following the failure of insurance providers. Fitch assumed the repayment schemes exposed to the default of the insurance providers to be 10.3% of the total portfolio balance based on additional data received from SNS Bank; 30% of these are provided by the related SNS REAAL.

The agency used the standard insurance set-off criteria — detailed in its criteria report entitled *EMEA RMBS Criteria Addendum – Netherlands*, dated June 2012 — to estimate the set-off exposure and accounted for this exposure in the cash flow analysis:

- the capital of these policies to build up over around 30 years at a compound rate of 8% per year;
- the combined default risk of the insurance providers using Fitch's Portfolio Credit Model (PCM) is 98%, with recovery rates of 40% in a 'AAAsf' scenario; and
- the likelihood of set-off for SNS REAAL insurance policies is 100% and 25% for the remainder with the resulting average probability of 48%.

The low prepayment scenarios are the most stressful, as the total amount built into insurance policies attached to the loans left in the portfolio would reach its highest value towards the end of the transaction.

Cash Advance Facility Provider

The cash advance facility provider is SNS Bank ('BBB+'/Stable/'F2'), which does not satisfy Fitch's minimum rating requirements for cash advance facility providers of 'A'/'F1'. As such, under the terms of the cash advance facility agreement, the issuer will draw on the closing date an amount equal to the maximum committed amount under the cash advance facility. These funds will be deposited on the cash advance facility stand-by account, which will be in the name of the issuer and held with the issuer account bank, Rabobank.

Upon the implementation of one of the below mitigants the amount drawn would no longer be required and repaid to the cash advance facility provider.

1. A suitably rated third-party guarantor is arranged.
2. The cash advance facility provider is replaced by a suitably rated counterparty.

This complies with Fitch's counterparty criteria detailed in the report entitled *Counterparty Criteria for Structured Finance Transactions*, published May 2012 and available at *www.fitchratings.com*.

Hedge Provider

At closing, the issuer will enter into an interest-rate swap agreement to hedge the mismatch between the interest earned on the mortgages (that are either fixed- or floating-rate) and the interest payable on the notes. Please see the *Financial Structure and Cash Flow Modelling* section of the report for further details on the swap.

The counterparty for the interest rate swap is Credit Suisse International ('A'/Stable/'F1'), which satisfies Fitch's minimum rating requirements for swap counterparties. Upon a downgrade of Credit Suisse below 'A' or 'F1', one of the following remedial measures must be applied by the swap counterparty.

1. It is replaced by a suitably-rated third party.
2. A suitably-rated guarantor is arranged.
3. The market value of the swaps is collateralised.
4. Any other actions required to maintain the current ratings assigned to the notes are taken.

Only actions (1) and (2) are available upon a downgrade below investment grade. Where collateral is a feasible mitigating factor — for example, where the swap provider is rated at least investment grade — posting is expected to be effected within 14 calendar days upon the downgrade of the counterparty below 'A' or 'F1'. Where collateral cannot be used as a mitigating factor, remedial action is expected to be taken within 30 calendar days upon the downgrade of the counterparty. Please refer to Fitch's criteria report *Counterparty Criteria for Structured Finance Transactions: Derivative Addendum,* dated May 2012.

Account Bank

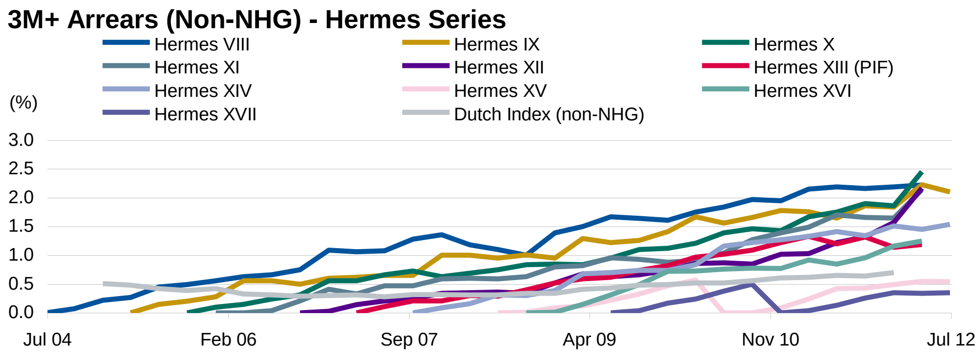
The GIC account is held with Rabobank. Upon a downgrade of Rabobank below 'A' or 'F1' the issuer will be required to either change the GIC account bank to a suitably rated bank or financial institution, or find a guarantor that would fit the criteria. This complies with Fitch's criteria on commingling risk. The eligible investment provisions in the transaction are in also line with Fitch's criteria.

Performance Analytics

SNS Bank has originated 17 Hermes and 4 Pearl RMBS transactions in the past and recently issued the Lowland transaction. None of the Hermes deals include NHG loans, compared to Pearl's 100% NHG-guaranteed mortgage pools. Hermes transactions historically displayed higher arrears levels compared with the majority of Dutch RMBS transactions rated by Fitch. Hermes XIII reached its first optional redemption date and was fully redeemed in August 2012.

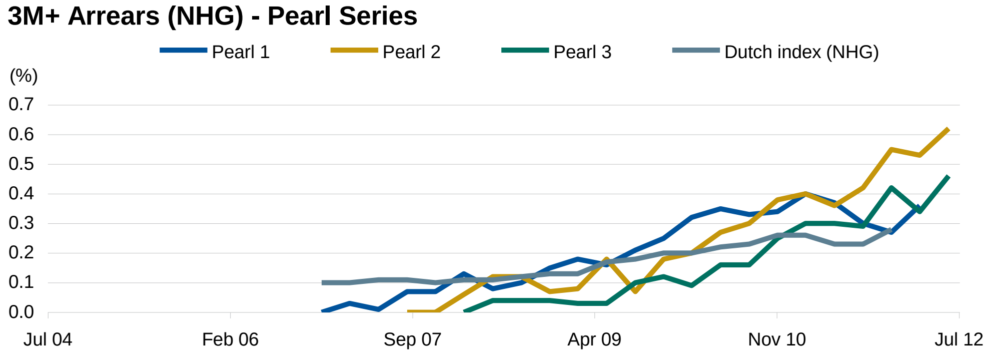
According to the latest investor reports, the 90 days plus arrears for Hermes VIII, IX, X, XI and XII are exceeding 2% of the current outstanding pool balance. The high arrears level can partly be explained by SNS Bank's definition of delinquencies, where the delinquent loans are calculated on the basis of the oldest monthly payment missed. Therefore, if a borrower misses a payment in June but makes payments in the following two months, the borrower would still be considered three months in arrears.

Figure 11



Source: Fitch, SNS

Figure 12



Source: Fitch, SNS

SNS Bank also implemented a new database system in May 2012. According to the servicer, the new system will include more borrower information and to further enhance the monitoring of the underlying mortgage pool. However, due to a slight different cut-off date compared with the previous system, a certain percentage of two to three months arrears will be moved to three months plus. Therefore, a sudden spike in three months arrears are expected in all SNS Bank serviced transactions.

Fitch monitors transactions regularly and as warranted by events. Its structured finance team ensures that the assigned ratings remain, in Fitch's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at *www.fitchratings.com*.

Appendix A

Figure 13
Comparison Table

	Hermes XVIII	Candide 2012-1	SAECURE 11	Lowland	Orange Lion 2011-6	Hermes XVII
Closing date	Sep 12	Jun 12	May 12	Jan 12	Nov 11	May 09
Originator	SNS Bank	BOS NL	AEGON	SNS Bank	ING, Postbank	SNS Bank
Transaction structure						
Total issuance (EURm)	[960.0]	848.3	754.2	3,807.0	1,326.4	3,500.0
AAAsf notes (% of total issuance)	92.0	85.1	91.5	88.0	92.5	87.0
Initial reserve (% of initial balance)	None	1.50	1.00	None	4.00	None
Target reserve (% of current balance)		3.00	Non-amortising		Non-amortising	
Liquidity facility (% of initial balance)	1.70 (Class A)	2.00	1.50 (Class A)	1.50	None	2.60
Liquidity facility floor (% of initial balance)	0.65 (Class A)	1.00	1.00 (Class A)	-		0.50
Swap excess spread	Partial swap, 45bp	No swap	50bp	No swap	50bp	35bp
Deposit set-off (% accounted for)	2.30	-	-	2.50	-	4.10
Other claims (%)	0.06	-	-	0.28	-	n.a.
WAFF (%) before/after NHG						**No NHG**
AAAsf	15.1 / 12.3	20.7 / 20.7	11.6 / n.a.	17.0 / 15.6	11.0 / 11.0	21.0
WARR (%) before/after NHG[a]						**No NHG**
AAAsf	58.4 / 68.9	53.4 / 53.4	60.2 / n.a.	59.7 / 63.5	60.5 / 61.5	56.7
MVD - AAAsf (%)		43.0	43.0	42.9	51.5	46.1
Portfolio characteristics						
Current balance, net of savings (EURm)	971,8	1,216.4	754.2	3,807.4	1,325.1	3,862.0
Savings (EURm)	27.9	0.7	33.6	72.7	41.6	37.2
Number of loan parts	11,750	12,352	7,085	42,554	12,783	43,862
Number of borrowers	5,830	6,245	3,715	21,470	6,084	23,799
Average current loan per borrower (EUR)	166,694	194,781	193,975	177,335	217,803	162,280
WA seasoning (months)	34	66	39	55	46	46
WA interest rate (%)	4.3	4.8	5.0	4.6	4.4	5.1
WA OLTMV (%)[b]	81.4	94.7	83.7	82.2	72.9	80.3
WA CLTMV (%)[b]	78.6	93.6	79.3	79.1	68.6	79.0
WA indexed CLTMV (%)[b]	83.4	94.1	82.0	79.8	69.2	74.8
WA DTI (%)	26.9	33.4	27.7	31.6	28.7	36.0 (assumed)
Missing income information	4.9	-	-	58.7	-	100.0
Mortgage type (%)						
Repayment (annuity and linear)	1.9	1.6	0.8	1.6	0.9	0.7
(Bank) savings	28.4	-	29.3	16.5	19.2	9.1
Interest only	59.43	60.2	49.9	64.5	64.8	83.3
Insurance[c]	10.3	37.7	14.2	11.0	2.8	-
Hybrid	-	-	-	-	4.5	-
Investment	-	-	5.9	6.4	3.1	6.8
Other	-	0.4	-	-	4.7	-
Other pool characteristics (%)						
NHG	72.5	6.0	45.0	34.5	16.5	-
Fixed/Floating/other interest rate types	52/12/36	83/17/ -	92/8/ -	60/17/23	82/18/-	79/11/10
Self-employed borrowers	7.9	-	6.5	20 (assumed)	15.3	6.7
Seller employee loans	-	-	-	12.1	14.3	-
Construction deposits (>EUR2,500)	-	-	7.7	5.4	6.5	3.1
Illiquid properties	4.4	5.7	6.3	12.3	26.8	12.6
Small properties	2.7	3.7	1.0	1.6	0.5	1.1
Jumbo properties	1.7	2.0	5.3	10.7	26.3	11.6
Arrears	-	2.0	-	-	-	-
<1 months	-	2.0	-	-	-	-
2-3 months	-	-	-	-	-	-
3+ months	-	-	-	-	-	-

[a] The WARR after NHG is a simplified calculation to express the WARR as one figure instead of the actual WARR vector used
[b] The figures exclude adjustments made by Fitch to account for any increase possible in relation to further advances and substitutions
[c] Hermes XVIII: Fitch assumptions, based on information provided by SNS bank
Source: Transaction documents and Fitch

Appendix B: Servicing and Origination

Origination

SNS Bank is essentially a retail bank whose target market is individuals and small businesses. SNS Bank is fully owned by SNS REAAL, a financial services group with retail banking and insurance activities in the Netherlands.

RegioBank is a fully owned subsidiary of SNS Bank, and was established in July 2007 when SNS Bank acquired ING subsidiary RegioBank and merged it with its own subsidiary, CVB. The mortgage loans are originated exclusively through the franchise network of intermediaries, no packagers are involved. RegioBank works solely with independent insurance intermediaries on the basis of a franchise agreement. These intermediaries vary from relatively small to large outlets.

SNS Bank originates loans through four separate channels, either branches, insurance and real estate agent intermediaries, internet and call centres. RegioBank's originations are through insurance intermediaries exclusively.

Underwriting

At SNS Bank both branches and intermediaries have access to a mortgage front-office system, where they carry out standard underwriting checks including consultation of the national credit register (Bureau Krediet Registratie or BKR), which shows applicants' historical arrears and on-line information concerning outstanding loans. Affordability calculations and verification of compliance with the standard underwriting criteria are completed. Quality control of the application input in the underwriting system is performed by an "acceptance desk", which acts at the same time as a support for front-office operations.

Fraud checks are also carried out at several stages, against both fraud databases and the records at SNS Bank's internal fraud department.

Front-office staff submits all applications into the underwriting system that comprises a proprietary scoring module and assigns "green", "orange" or "red" labels to each application.

The "green" files can be approved by the acceptance desk, being understood that the disbursement of the loan is subject to the provision of the relevant documentation and the consistency of such documentation with that provided by the applicant. The acceptance desk assistants have mandates to approve loans up to EUR350,000; team leaders have mandates to approve loans up to EUR750,000, while higher amounts require approval from the manager of the middle office.

The "red" files are rejected outright, while "orange" files receive extra scrutiny and are referred to the so-called "offer desk", which comprises officers of several years experience.

Key Lending Criteria

- Maximum OLTFV: 125% of the property foreclosure value.
- Affordability: based on DTI. Salary income must be documented with pay slips and a certification from the employer in the standard format recommended by the mortgage code of conduct.
- Self-employed borrower must certify their income by providing three years of audited accounts and tax returns.
- Self certification/non-verification is not allowed according to SNS Bank's criteria.
- Loan purpose: no particular criteria distinction according to the loan purpose.

Property Valuation

Properties not purchased on the primary market must be valued by an independent appraiser, registered with an official association. SNS Bank selects the appraisal firm in all instances. Properties purchased on the primary market are valued at the construction cost/purchase price.

Servicing

While partly decentralised prior to 2007, the organisation of SNS Bank's and RegioBank's mortgage servicing was centralised in Den Bosch in 2007. The collections activities are carried out between two departments, the collections department and the special services department.

SNS Bank and RegioBank currently service mortgages from separate in-house collection centres, each of which adheres to similar policies. All collections are made via direct debit.

At SNS Bank, the collection department in charge of ordinary servicing and management employs around 22 full-time equivalent (FTE) employees, while approximately 50 people work in the arrears and foreclosure management process. Around 11 people perform the same arrears and foreclosure management tasks within Regio Bank.

Since mid-2006, SNS Bank has categorised borrowers across different risk profiles, according to internal default probability and loss severity estimations (extracted from Basel II statistical models). Borrowers with a high risk profile are actively contacted in priority very early in the collection process, when their repayments are between 10 and 20 days overdue, while low and medium risk profiles are typically handled later.

Collection timelines used by SNS Bank and RegioBank for the higher risk loans are tighter than Dutch market standards. The timeline of the major milestones in the arrears management process for high and low risk category loans is described in Figure 11.

Figure 14

Collection Timelines

	Loan risk profile	
Days in delinquency	**High risk**	**Low risk**
Day 4	Telephone contact with the borrower	Send reminder letter - follow-up on payment
Day 11	Set-up payment plan, or send reminder letter if no contact has been established	Send reminder letter
Day 25 and onwards	Check that payment plan is respected and follow-up	Send reminder letter
Day 60	If payment plan is not respected, send a first injunction notice	Borrower must have been contacted by phone at this stage
Day 75	Send an ultimate injunction notice and transfer to special arrears department	
Day 120		In case of persistent arrears, transfer to special arrears department

Source: Fitch

SNS Bank and RegioBank will employ the same means as their market peers as regards the recovery of serious delinquencies. They may attempt to arrange a payment plan, assist for a private sale of the property, obtain guarantees in the form of an attachment of income from the borrowers or, as a last recourse, declare the loan foreclosed and liquidate the property at auction. SNS Bank's attempts to sell a property privately usually take place during the first six months of delinquency and the organisation and finalisation of a forced sale would then take a further two months.

Appendix C: Transaction Overview

Holland Mortgage Backed Series (Hermes) XVIII B.V. — Prime RMBS / Netherlands

Figure 15
Capital Structure

Class	Expected ratings	Size (%)	Size (EUR)	CE (%)	Index	PMT freq.	Maturity	Margin/step-up margin (%)	ISIN
A1	AAAsf	20.0	[192,000,000]	8.0	3M Euribor	Quarterly	September 2044	[TBD] / [TBD]	XS0826174269
A2	AAAsf	40.0	[384,000,000]	8.0	3M Euribor	Quarterly	September 2044	[TBD] / [TBD]	XS0826174772
A3	AAAsf	32.0	[307,200,000]	8.0	n.a.	Quarterly	September 2044	[TBD] fixed rate	XS0826176637
B	AAsf	3.0	[28,800,000]	5.0	n.a.	Quarterly	September 2044	0.00	XS0826177361
C	BBB+sf	2.0	[19,200,000]	3.0	n.a.	Quarterly	September 2044	0.00	XS0826177528
D	BBBsf	1.5	[14,400,000]	1.5	n.a.	Quarterly	September 2044	0.00	XS0826177791
E	NRsf	1.5	[14,400,000]	0	n.a.	Quarterly	September 2044	0.00	XS0826177957
Total		**100.0**	**[960,000,000]**						

Liquidity facility (at closing)	1.7	**First coupon payment date**	December 2012
Excess spread	45bp	**First optional redemption date/step-up date**	September 2017

Source: Transaction documents

Key Information

		Parties	
Expected closing date	September 2012	**Seller/originator/collection account bank**	SNS Bank
Country of assets	The Netherlands	**Servicer/special servicer**	SNS Bank
Country of SPV	The Netherlands	**GIC provider/issuer account bank**	Rabobank
Structure	Pass-through	**Cash advance facility provider**	SNS Bank
Analysts	Pierre Soens	**Swap counterparty**	Credit Suisse International
	Jord van Wingerden	**Arranger**	SNS Bank, BNP Paribas, London Branch

Source: Transaction documents

Summary

Key rating drivers

Partial Swap: The interest rate swap will only cover the A1 and A2 notes in this transaction, a feature not frequently seen in Dutch prime RMBS transactions. To ensure the structure was resilient to all possible additional stresses that can be caused by the absence of a full interest rate swap, Fitch tested the structure under all possible mortgage interest rate type migrations as well as reductions in mortgage interest margins and interest rate scenarios.

High Proportion of NHG Guarantees: The portfolio comprises 72.5% of loans that benefit from the national mortgage guarantee scheme (Nationale Hypotheek Garantie or NHG). Fitch used historical NHG claim data to calculate a compliance ratio assumption which was applied in the agency's analysis and resulted in an increased recovery rate. Based on the default data received the base default probabilities of NHG loans has been reduced by 25%.

Performance Adjustment: The Hermes series transactions have seen a higher than market average level of arrears. Furthermore, a significant portion of the mortgage loans are recently originated with limited historical data available. To account for both, Fitch applied an additional performance adjustment to the entire portfolio, resulting in an increased default probability.

SNS Bank Counterparty Exposure: SNS Bank is the seller, servicer and foundation account provider in this transaction and is rated below Fitch's eligible counterparty rating of 'A'/'F1'. For this reason, the agency accounted for 2.3% deposit set-off in the 'A-sf' and above rating scenarios. Fitch has not given credit to the notification trigger, as the trigger is set below the 'A' level (at 'BBB'). SNS Bank has implemented a collection foundation structure to mitigate the commingling risks associated with this lower trigger.

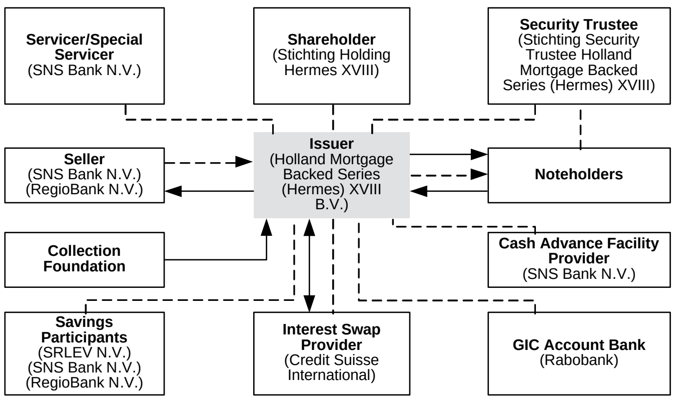
Source: Transaction documents

Fitch Default Model Output

Rating level	AAAsf	AAsf	Asf	BBBsf
WAFF (%)	15.05	12.20	9.76	6.91
WAFF (%)[NHG]	12.31	9.98	7.98	5.65
WARR (%)	58.40	61.53	64.62	67.66
WARR (%)[NHG]	68.91	71.20	73.33	82.90
MVD (%)	43.06	40.33	37.60	34.88

[NHG] Does incorporate benefits from NHG-guarantee
Source: Fitch

Simplified Structure Diagram



Source: Transaction documents

Collateral Summary

Provisional pool characteristics (as of 30 June 2012) (%)

Current principal balance, net of savings (EUR)	971,826,044	NHG	72.5
Savings (EUR)	27,949,552	Fixed interest rate	52.0
Average current loan per borrower (EUR)	166,694	Self-employment	7.9
Number of borrowers	5,830	Seller employee loans	-
Number of loan parts	11,750	Missing income information	4.9
Seasoning (months)	34		
Original LTV	81.4	Construction deposits (>EUR2,500)	-
Current LTV	78.6	Illiquid properties	4.4
WA DTI	26.9	Small properties	2.7
		Jumbo properties	1.7
Interest-only	59.4		
(Bank) savings	28.4	Payment frequency	Monthly
Insurance	10.3	Performing loans	100.0
Repayment (annuity and linear)	1.9	Ranking	First

Source: Transaction documents

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.