MOODY'S
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# Rating Action: Moody's upgrades Class E ratings to Dutch RMBS issued by Holland Mortgage Backed Series (HERMES) XVII B.V.

Global Credit Research - 14 Jan 2011

**EUR 91 Million of Debt Securities Affected**

Johannesburg, January 14, 2011 -- Moody's Investors Service has today upgraded the credit ratings to the following subordinated notes issued by Holland Mortgage Backed Series (HERMES) XVII B.V.:

EUR91M Class E Notes, Upgraded to Ba3 (sf); previously on October 8, 2010 Assigned B1 (sf)

The transaction closed in May 2009 and was initially not rated by Moody's. Moody's first rated HERMES XVII on 8 October 2010. The notes issued at closing amounted to EUR 3.5 billion and have been downsized to EUR 2.843 billion.

The transaction represents the seventeenth securitisation of Dutch residential mortgage loans originated and serviced by SNS Bank N.V. (A3/P-2); BLG Hypotheekbank N.V (Not Rated) and SNS Regio Bank N.V.(Not Rated) under the name HERMES. SNS Regio Bank N.V is a wholly owned subsidiary of SNS Bank N.V. and benefit from a 403 guarantee from SNS REAAL (Baa1/ (P)P-2) and BLG Hypotheekbank N.V. merged with SNS Bank N.V. on the 10 October 2010. The assets supporting the notes, which currently amount to around EUR 2.843 billion, are prime mortgage loans secured on residential properties located in the Netherlands.

RATINGS RATIONALE

The rating action follows the restructuring of HERMES XVII on 15 December 2010 which comprised of the following amendments:

• Removal of the revolving period (previously to July 2014);

• Downsizing of the transaction from EUR 3.500 billion to EUR2.843 billion;

• All mortgage loans previously in arrears were repurchased by the seller at no loss to the issuer, representing 2.6% of the portfolio;

• The call date and step up date for the class E notes was changed to 18 January 2013 (previously July 2014);

• In the event the Class E notes are not called on the call date, available excess spread will be used to redeem the E notes;

• Should mortgage loans greater than 90 days arrears exceed 0.35% of the portfolio balance, excess spread will be trapped into a reserve fund (up to 0.55% of the portfolio balance) and will be released after step-up date to redeem the class E note (if not refinanced). If the class E note is fully redeemed on the call date, the excess reserve will be released through the interest waterfall; and

• The margin on the class E notes was increased to 9.5% from 2.0% and the step up margin increased to 19% from 4.0%. All note interest and step-up note interest is covered under the swap with SNS Bank N.V.

The ratings of the notes takes into account the credit quality of the underlying mortgage loan pool, from which Moody's determined the MILAN Aaa Credit Enhancement and the portfolio expected loss, as well as the transaction structure and any legal considerations as assessed in Moody's cash flow analysis.

The expected portfolio loss of 0.75% and the MILAN Aaa required Credit Enhancement of 5.3% (previously 8.00%) served as input parameters for Moody's cash flow model, which is based on a probabilistic lognormal distribution as described in the report "The Lognormal Method Applied to ABS Analysis", published in September 2000.

The key driver for the lower MILAN Aaa Credit Enhancement number following the restructure is the fact that i) the structure is no longer revolving and as a result there is no flexibility to add new mortgage loans up to the portfolio limits; ii) all mortgage loans in arrears (2.6% of the portfolio) have been removed from the portfolio; and iii) as a result of the downsizing of the portfolio from EUR3.500 billion to EUR 2.843 billion, the weighted average LTMV has reduced from 87.5% to 83.3%.

The key drivers for the portfolio expected loss are (i) the weak performance of the sellers books and precedent HERMES transactions; (ii) benchmarking with comparable transactions in the Dutch RMBS market; and iii) all mortgage loans in arrears were purchased by the seller. Given the historical performance of the Dutch RMBS market and the originator's book, Moody's believes the assumed expected loss is appropriate for this transaction. The EL is higher than other Dutch RMBS transactions.

Another key characteristic of this transaction is that approximately 27.2% of the portfolio is linked to life insurance policies (life mortgage loans), which are exposed to set-off risk in case an insurance company goes bankrupt. The seller has not provided loan-by-loan insurance company counterparty data and instead provided a partial list of counterparty names that provide life insurance policies in the pool. Based on the available data over 70% of the counterparty exposure is linked to policies provided by SNS REAAL N.V. and Fortis ASR Levensverzekeringen N.V.

The rating addresses the expected loss posed to investors by the legal final maturity of the notes. In Moody's opinion, the structure allows for timely payment of interest and principal with respect to the notes by the legal final maturity. Moody's ratings only address the credit risk associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

The V-Score for this transaction is Medium, indicating a higher rating volatility compared to the V-Score assigned for the Dutch prime RMBS sector of Low/Medium, mainly due to the fact that (i) swap counterparty does not meet Moody's first trigger rating requirements. As a consequence, under the swap documents SNS Bank is required to post collateral. However, the value of the swap as calculated by the swap provider is currently "in the money" for the swap provider resulting in no collateral required to be posted; (ii) no-loan-by loan information on insurance company counterparty data and (iii) precedent transactions underperforming the Dutch RMBS market.

V-Scores are a relative assessment of the quality of available credit information and of the degree of dependence on various assumptions used in determining the rating. High variability in key assumptions could expose a rating to more likelihood of rating changes. The V-Score has been assigned accordingly to the report "V-Scores and Parameter Sensitivities in the Major EMEA RMBS Sectors" published in April 2009.

Moody's Parameter Sensitivities: If the portfolio expected loss was increased from 0.75% of current balance to 2.3% of current balance, the model output indicates that the Class A notes would still achieve Aaa assuming that MILAN Aaa Credit Enhancement remains at 5.3% and all other factors remain equal. If the MILAN Aaa Credit Enhancement would be stressed by 1.6 times to 8.5%, the model output for the Class A notes would still be Aaa, assuming the same expected loss.

Moody's Parameter Sensitivities provide a quantitative/model-indicated calculation of the number of rating notches that a Moody's structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged and is not intended to measure how the rating of the security might migrate over time, but rather how the initial rating of the security might have differed if key rating input parameters were varied. Parameter Sensitivities for the typical EMEA RMBS transaction are calculated by stressing key variable inputs in Moody's primary rating model.

The principal methodologies used in rating HERMES XVII were Moody's Updated MILAN Methodology for Rating Dutch RMBS published in September 2009, Cash Flow Analysis in EMEA RMBS: Testing Features with the MARCO Model (Moody's Analyser of Residential Cash Flows) published in January 2006, and Moody's Updated Methodology for Set-Off in Dutch RMBS published in November 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

Moody's Investors Service received and took into account one or more third party due diligence reports on the underlying assets or financial instruments in this transaction and the due diligence reports had a negative impact on the rating.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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