Moody's Investors Service

Rating Action: **Moody's downgrades 14 classes of notes of Dutch NHG RMBS transactions**

Global Credit Research - 14 Aug 2009

Approximately EUR 8.7 billion downgraded

London, 14 August 2009 -- Moody's Investors Service has concluded the review of 12 Dutch RMBS transactions fully backed by NHG guaranteed mortgage loans, which had been placed on review for possible downgrade on 17 March 2009. Notes issued by the following transactions are affected (the "Affected Transactions"):

- DARTS Finance B.V. ("Darts 2004")

- DARTS Finance B.V. (Amstelhuys 2005 NHG portfolio) ("Darts 2005")

- E-MAC NL 2005-NHG II B.V. ("EMAC 2005-NHG II")

- E-MAC NL 2006-NHG I B.V. ("EMAC 2006-NHG I")

- E-MAC Program B.V. / Compartment NL 2007-NHG II ("EMAC 2007-NHG II")

- E-MAC Program B.V. / Compartment NL 2007-NHG V ("EMAC 2007-NHG V")

- PEARL Mortgage Backed Securities 1 B.V. ("Pearl 1")

- PEARL Mortgage Backed Securities 2 B.V. ("Pearl 2")

- SOLID 2005-1 B.V. ("Solid 2005-1")

- STRONG 2005 B.V. ("Strong 2005")

- STRONG 2006 B.V. ("Strong 2006")

- STRONG 2007 B.V. ("Strong 2007")

A complete list of today's rating actions can be found at the end of this press release.

For this review, "Moody's Updated Approach to NHG Mortgages in Rating Dutch RMBS" was used. As outlined in this methodology update published on 17 March 2009, the refinements to Moody's MILAN model for mortgages with a guarantee under the "Nationale Hypotheek Garantie" ("NHG") result in higher required credit enhancement levels for Dutch RMBS pools backed by NHG mortgage loans.

Today's actions are the result of the methodology update in March and are not prompted by the performance of the underlying mortgage loans, nor by recent changes in the terms and conditions of the NHG guarantee. Overall, the Affected Transactions have performed in line with Moody's expectations so far.

The Affected Transactions were flagged by Moody's and all classes of rated notes were placed on review for possible downgrade on 17 March 2009. On 26 June 2009, Moody's took action on Candide Financing 2007 NHG B.V. and on 6 July 2009, Moody's took action on Sound I B.V. and Sound II B.V, which were also placed on review for possible downgrade in March. Please refer to the press releases dated 26 of June 2009 and 6 of July 2009 for details on these actions. Today's actions conclude the detailed review of all the transactions put on review on 17 of March 2009.

MILAN AND PORTFOLIO EXPECTED LOSS

Following the methodology update, Moody's has assessed loan-by-loan information of the outstanding portfolios of the Affected Transactions to determine the increase in credit support needed for a Aaa-rated senior note and the volatility of future losses. Besides loan-by-loan information, Moody's requested loan-by-loan data on claims made to WEW under the NHG guarantee. In case the average pay-out ratio of these claims was worse than the average Moody's observes in the Dutch market, Moody's made additional adjustments for the rescission rate assumptions in the MILAN modelling. Moody's revised MILAN Aaa CE and expected loss assumptions are outlined in a list which may be found at:

http://v3.moodys.com/page/viewresearchdoc.aspx?docid=PBS_SF175802

SET-OFF

For most transactions, Moody's was provided with loan-by-loan information on insurance companies linked to mortgage loans. Based on this data, Moody's was able to construct a distribution of insurance companies. We used this distribution of insurance companies and the relating exposure information in a Monte Carlo simulation simulating the defaults of the insurance companies, resulting in losses for the transaction due to set-off. Moody's notes that losses due to set-off are not included in the realised loss definition and therefore we assumed in the cash flow modelling that set-off losses would crystallise at the end of the transaction.

Besides using the outcome of the Monte Carlo simulation in the cash flow model, Moody's also focused on the proportion of loan parts linked to unrated insurance companies in comparison to the available credit enhancement under the Class A notes. The form and amount of available credit enhancement has been an important factor in the analysis of the Affected Transactions.

DARTS TRANSACTIONS

Moody's did not receive updated loan-by-loan pool data on Darts 2004 and Darts 2005. For the MILAN analysis, we therefore used the closing pool data and applied conservative adjustments based on the most recent investor reports, reflecting changes in pool composition and arrears. Furthermore we did not receive historical data on claims made to WEW under the NHG guarantee. Therefore, Moody's used a conservative rescission rate assumption in the MILAN analysis.

According to the transaction documentation, the insurance company providing the life insurance policies for the insurance linked loans is Delta Lloyd Levensverzekering N.V. Moody's used this information in assessing the set-off risk on the life insurance mortgage loans.

Darts 2004 benefits from a 1.00% reserve fund, which does not amortise over the life of the transaction. Darts 2005 benefits from a 1.25% reserve fund, which amortises to 1.25% of the class A notes with a floor of 0.25% of the class A notes at closing. In Moody's view the amortising nature of the reserve fund in Darts 2005 makes this transaction weaker compared to Darts 2004, which is reflected in the difference between the ratings of the class A notes of Darts 2004 and Darts 2005.

EMAC TRANSACTIONS

Based on information provided by the servicer, with regards to claims made to WEW under the NHG guarantee, Moody's applied a higher rescission rate assumption in the MILAN modelling.

EMAC 2005-NHG II benefits from a non amortising reserve fund, currently 0.86% of the class A notes. 9.2% of current balance of the mortgage loan pool is linked to unrated (or unknown) insurance companies, which is high compared to the currently available credit enhancement in the form of the reserve fund. This is reflected in the rating assigned to the class A notes.

EMAC 2006-NHG I benefits from an amortising reserve fund. Starting in July 2009, the reserve fund will amortise to 0.90% of the class A notes with a floor of 0.30% of the original balance of the class A notes at closing. 7.9% of current balance is linked to unrated (or unknown) insurance companies, which is also very high compared to the available credit enhancement over time. The total exposure to insurance linked mortgage loans is however lower when compared to EMAC 2005-NHG II as is the exposure to unrated insurance companies. Overall, in Moody's opinion the credit quality of the class A notes of EMAC 2005-NHG II and EMAC 2006-NHG I are similar, but worse than in EMAC 2007-NHG II and EMAC 2007-NHG V.

EMAC 2007-NHG II also benefits from an amortising reserve fund. Starting July 2010 the reserve fund will amortise to 1.2% of the class A notes with a floor of 0.30% of the original balance of the class A notes at closing. Compared to EMAC 2005-NHG II and EMAC 2006-NHG I, the proportion of the current balance linked to unrated insurance companies (4.3%) is smaller, which is reflected in a higher rating assigned to the class A notes.

The reserve fund of EMAC 2007-NHG V starts amortising in January 2011. The floor of the reserve fund however is, compared to EMAC 2006-NHG I and EMAC 2007-NHG II, higher at 0.75% of the original balance of the class A notes at closing. The combination of the higher reserve fund floor and the proportion of the current balance linked to unrated insurance companies at 6.0% is reflected in the rating assigned to the class A notes.

PEARL TRANSACTIONS

The servicer provided Moody's with historical information on pay-out of claims made to WEW. The average pay-out ratio is worse than the average Moody's observes in the Dutch market, which resulted in a higher rescission rate assumption in the MILAN analysis.

The servicer was not able to provide loan-by-loan information on insurance companies linked to loan parts, however we were provided with aggregated data on insurance company counterparties on parts of the pool. Moody's used this data to conservatively assume a distribution of insurance companies for the purpose of the Monte Carlo simulation.

Both transactions benefit from subordination under the class A notes of 1.35% and 1.00% respectively for Pearl 1 and Pearl 2. The form and amount of the credit enhancement under the class A for Pearl 1 and Pearl 2 is reflected in the ratings assigned to the class A notes.

SOLID TRANSACTION

The servicer provided Moody's with historical information on pay-out of claims made to WEW. The average pay-out ratio is worse than the average Moody's observes in the Dutch market, which resulted in a higher rescission rate assumption in the MILAN analysis.

The servicer was also not able to provide loan-by-loan insurance company data. However, based on the business model of the originator, Moody's assumed that the majority of insurance companies linked to life insurance mortgage loans would be ASR Levensverzekering N.V. entities.

Solid 2005-1 currently has a reserve fund of EUR 18,000. The reserve fund will increase to EUR 1,000,000 (equivalent to 0.17% of the balance of the class A notes at closing) when the class A note amortises down to 20% of the class A balance at closing. This amount of credit enhancement ranks amongst the lowest of the Affected Transactions reviewed and offers very little protection in case of set-off on life insurance mortgage loans. This is the main driver for the A1 rating assigned to the class A notes.

STRONG TRANSACTIONS

The loan-by-loan data on claims made to WEW under the NHG guarantee, received from the servicer, shows a pay-out ratio, which is worse than the average Moody's observes in the Dutch market. Moody's therefore applied a higher rescission rate assumption in the MILAN analysis.

Like the Solid 2005-1, the Strong transactions have a very small reserve fund. In Strong 2005 the reserve fund will increase to EUR 1,000,000 (equivalent to 0.10% of the balance of the class A notes at closing) when the outstanding amount of the class A notes reaches 20% of the closing balance. In Strong 2006 and Strong 2007 reserve fund build-up (to a similar level) is also triggered when the transaction reaches the first optional redemption date (December 2016 and November 2017 for Strong 2006 and Strong 2007 respectively). This amount of credit enhancement is the lowest of the Affected Transactions reviewed.

The combination of the very low level of credit enhancement and the proportion of the current balance linked to unrated insurance companies in Strong 2005, Strong 2006 and Strong 2007 of respectively 3.5%, 2.8% and 3.8%, is reflected in the rating assigned to the class A notes of these transactions.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes. Moody's ratings address only the credit risks associated with the transaction. Other risks have not been addressed, but may have a significant effect on yield to investors.

Moody's monitors these transactions using the rating methodology as described in the Rating Methodology reports: "Moody's Updated Approach to NHG Mortgages in Rating Dutch RMBS", published on 17 March 2009, "MILAN methodology for Rating Dutch RMBS", published on 17 March 2009, and "Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model", published in January 2006, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating these transactions can also be found in the Credit Policy & Methodologies directory. For more information on these transactions, please visit Moody's website at www.moodys.com or contact our Client Service Desk in London (+44-20-7772 5454).

Issuer: DARTS Finance B.V.

- Class A, Downgraded to Aa2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

Issuer: DARTS Finance B.V. (Amstelhuys 2005 NHG portfolio)

- Class A, Downgraded to Aa1; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

Issuer: E-MAC NL 2005-NHG II B.V.

- Class A, Downgraded to A1; previously on 10 July 2008 Aaa Placed Under Review for Possible Downgrade.

Issuer: E-MAC NL 2006-NHG I B.V.

- Class A, Downgraded to A1; previously on 10 July 2008 Aaa Placed Under Review for Possible Downgrade.

Issuer: E-MAC Program B.V. / Compartment NL 2007-NHG II

- Class A, Downgraded to Aa3; previously on 10 July 2008 Aaa Placed Under Review for Possible Downgrade; and

- Class B, Confirmed at Ba3; previously on 10 July 2008 Downgraded to Ba3 and Placed Under Review for Possible Downgrade.

Issuer: E-MAC Program B.V. / Compartment NL 2007-NHG V

- Class A, Downgraded to Aa3; previously on 10 July 2008 Aaa placed under review for possible downgrade; and

- Class B, Confirmed at Ba3; previously on 10 July 2008 Downgraded to Ba3 and placed under review for possible downgrade.

Issuer: PEARL Mortgage Backed Securities 1 B.V.

- Class A, Downgraded to Aa2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade; and

- Class B, Downgraded to Ba2; previously on 17 March 2009 Baa2 Placed Under Review for Possible Downgrade.

Issuer: PEARL Mortgage Backed Securities 2 B.V.

- Class A, Downgraded to Aa2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade; and

- Class B, Downgraded to Ba2; previously on 17 March 2009 Baa2 Placed Under Review for Possible Downgrade.

Issuer: SOLID 2005-1 B.V.

- Class A, Downgraded to A1; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

Issuer: STRONG 2005 B.V.

- Class A, Downgraded to A2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

Issuer: STRONG 2006 B.V.

- Class A, Downgraded to A2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

Issuer: STRONG 2007 B.V.

- Class A, Downgraded to A2; previously on 17 March 2009 Aaa Placed Under Review for Possible Downgrade.

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