

FITCH AFFIRMS HERMES XIV'S RMBS NOTES

Fitch Ratings-London-19 February 2010: Fitch Ratings has today affirmed the ratings of all the notes of Holland Mortgage Backed Series (Hermes) XIV B.V. (Hermes XIV). The rating action follows a restructuring of the transaction that resulted in a change of the swap provider to Rabobank Nederland ('AA+/'F1+/'Outlook Stable) from SNS Bank N.V. ('A-/'F2/'Rating Watch Negative), and a change in the margin paid on the class A2 notes.

The rating actions are as follows:

Class A1 (ISIN XS0320774473): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class A2 (ISIN XS0320774556): affirmed at 'AAA'; Outlook Stable; 'LS-1'

Class B (ISIN XS0320774630): affirmed at 'AA+'; Outlook Stable; 'LS-2'

Class C (ISIN XS0320774713): affirmed at 'A'; Outlook Stable; 'LS-1'

Class D (ISIN XS0320774804): affirmed at 'BBB+'; Outlook Negative; 'LS-3'

Class E (ISIN XS0320774986): affirmed at 'BB'; Outlook Negative; 'LS-2'

The margin paid on the class A2 notes has increased to 115bps from 38bps at closing, whilst the step-up margin has increased to 345bps from 114bps. The interest rate swap in the transaction continues to cover the increased note margin and will continue to pay an additional margin that effectively guarantees 35bps of excess spread for the transaction. As a result, the ongoing payments to be received from the swap counterparty have significantly increased and will rise further following the margin step-up in February 2013, thereby providing for a higher dependency on the swap counterparty, particularly after the step-up date.

However, in Fitch's opinion this risk is currently sufficiently mitigated to maintain the ratings of the notes due to the strong credit profile of Rabobank as the new swap counterparty. A significant deterioration in the performance of the pool, or a slow down in the level of prepayments, could change this view, and would likely result in the notes' ratings being capped at that of the swap counterparty. This would therefore result in a downgrade of class A1 and A2.

Following the recent downgrade of SNS Bank, the issuer has taken additional remedial action to mitigate the exposure to SNS Bank. This has included the transfer of the Guaranteed Investment Contract (GIC) Account to Rabobank from SNS Bank, and the draw down of the cash advance facility, which is now held in full in the GIC Account. In addition, to provide extra protection against potential commingling risk, SNS Bank has transferred cash covering the equivalent of 30 days interest and principal collections into the GIC Account. Fitch believes that these actions effectively mitigate the additional risk caused by the downgrade of SNS Bank, and therefore no negative rating action will occur as a result of the downgrade of SNS Bank.

The transaction's performance remains strong with low levels of mortgage payment arrears and losses to date. The transaction is seeing lower levels of prepayment than previous Hermes transactions, however, this is not currently a cause for concern. The Negative Outlook on the junior tranches reflects Fitch's concerns that the effects of the economic downturn could result in increased default levels in the Netherlands, and that this could affect the ratings of tranches with limited credit protection.

Applicable criteria 'EMEA RMBS Surveillance Criteria,' dated 9 April 2009 and 'Global Structured Finance Rating Criteria', dated 30 September 2009" are available at www.fitchratings.com.

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