

## **FITCH AFFIRMS 63 DUTCH HERMES RMBS TRANCHES; 9 OUTLOOKS REVISED TO NEGATIVE**

Fitch Ratings-London-28 May 2009: Fitch Ratings has today affirmed 63 tranches of Holland Euro-Denominated Mortgage Backed Series's (Hermes) Dutch RMBS transactions and revised the Outlooks of nine tranches to Negative from Stable. The agency has simultaneously revised the Outlooks of five tranches to Stable from Positive. A full rating breakdown is provided at the end of this comment.

Although the performance of the Hermes deals remains strong, Fitch's expectation of a 15% house price decline in the Netherlands, combined with the loans' high loan-to-value ratios, has resulted in the revision of nine Outlooks to Negative from Stable for the tranches expected to be most at risk of a housing market decline. Fitch expects a 15% decline in house prices to occur over the next three years in the Netherlands, and additionally anticipates default rates will rise due to the worsening economic environment. A contraction in home values is also expected to negatively affect the willingness of borrowers to pay.

In Fitch's view the probability of an increase in losses, driven by house price declines and delinquencies, has now become higher. Losses above the excess spread generated by the transactions will lead to reserve fund (RF) draws, and this will in particular disrupt the repayment of the uncollateralised notes. This has driven the change of Outlooks of the class E un-collateralised tranches of Hermes XI and XII to Negative from Stable respectively. The uncollateralised tranches of these transactions, unlike the earlier deals in the series, are still not due to start to paying down. The Hermes XII class E tranche will be the first to start to amortise from December 2009. Hermes XI's quarterly losses are 0.06%, still below the guaranteed excess spread of 0.11% per quarter that the transactions have. The class D of Hermes IX to XII has seen credit enhancement (CE) growth, but as their RFs will amortise to the same levels as at closing, the agency has maintained a Stable Outlook for these classes.

All tranches of Hermes XIII to XVI are collateralised, but these transactions have no RFs and their quarterly guaranteed excess spread is 0.09%, lower than the previous Hermes deals of the Series. The low CE of the junior tranches, together with the higher expected losses, have driven the Negative Outlooks of selected tranches of these transactions. Hermes XIV and XV now have Negative Outlooks higher in their structures due to their relatively lower CE. In addition, Hermes XV has a revolving period until 2013 which will prevent any build up of CE and limit the seasoning of the pool.

The tranches of the earlier transactions of the Series - Hermes II to Hermes IX - have gained CE growth and their loans are more seasoned. This has driven the Positive Outlooks on selected tranches and the Stable Outlooks on the remainder.

The rating actions are as follows:

Holland Euro-Denominated Mortgage-Backed Series (Hermes) II B.V.:

Class A (ISIN XS0119563350): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0119563608): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class C (ISIN XS0119564085): affirmed at 'AA+'; Outlook Stable; Loss Severity Rating of 'LS-1'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) III B.V.:

Class A (ISIN XS0131514746): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0131515040): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class C (ISIN XS0131515719): affirmed at 'A+'; Outlook Positive; Loss Severity Rating of 'LS-1'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) IV B.V.:

Class A (ISIN XS0138211783): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0138211270): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class C (ISIN XS0138210389): affirmed at 'A+'; Outlook revised to Stable from Positive; Loss Severity Rating of 'LS-1'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) V B.V.:

Class A (ISIN XS0157783936): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0157784074): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class C (ISIN XS0157784660): affirmed at 'A+'; Outlook revised to Stable from Positive; Loss Severity Rating of 'LS-1'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) VI B.V.:

Class A2 (ISIN XS0168101425): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0168102662): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class C (ISIN XS0168103041): affirmed at 'A'; Outlook revised to Stable from Positive; Loss Severity Rating revised to 'LS-1' from 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) VII B.V.:

Class A1 (ISIN XS0177871950): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class A2 (ISIN XS0177872172): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0177872412): affirmed at 'AA-'; Outlook Positive; Loss Severity Rating of 'LS-1'  
Class C (ISIN XS0177872503): affirmed at 'BBB'; Outlook revised to Stable from Positive; Loss Severity Rating revised to 'LS-1' from 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) VIII B.V.:

Class A (ISIN XS0192997756): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0192997830): affirmed at 'A'; Outlook Positive; Loss Severity Rating of 'LS-1'  
Class C (ISIN XS0192997913): affirmed at 'BBB'; Outlook revised to Stable from Positive; Loss Severity Rating of 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) IX B.V.:

Class A (ISIN XS0212183833): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0212184567): affirmed at 'AA'; Outlook Stable; Loss Severity Rating of 'LS-3'  
Class C (ISIN XS0212185291): affirmed at 'A'; Outlook Stable; Loss Severity Rating revised to 'LS-2' from 'LS-3'  
Class D (ISIN XS0212185531): affirmed at 'BBB'; Outlook Stable; Loss Severity Rating of 'LS-3'  
Class E (ISIN XS0212186000): affirmed at 'BBB-'; Outlook Stable; Loss Severity Rating removed.

Holland Euro-Denominated Mortgage-Backed Series (Hermes) X B.V.:

Class A (ISIN XS0228806245): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0228806674): affirmed at 'AA'; Outlook Stable; Loss Severity Rating revised to 'LS-2' from 'LS-3'.  
Class C (ISIN XS0228806831): affirmed at 'A'; Outlook Stable; Loss Severity Rating revised to 'LS-2' from 'LS-3'  
Class D (ISIN XS0228806914): affirmed at 'A-'; Outlook Stable; Loss Severity Rating revised to 'LS-3' from 'LS-4'  
Class E (ISIN XS0228807300): affirmed at 'BBB'; Outlook Stable; Loss Severity Rating removed.

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XI B.V.:

Class A (ISIN XS0242423589): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0242426251): affirmed at 'AA'; Outlook Stable; Loss Severity Rating of 'LS-2'  
Class C (ISIN XS0242429602): affirmed at 'A'; Outlook Stable; Loss Severity Rating of 'LS-2'  
Class D (ISIN XS0242430790): affirmed at 'A-'; Outlook Stable; Loss Severity Rating of 'LS-3'  
Class E (ISIN XS0242432499): affirmed at 'BBB-'; Outlook revised to Negative from Stable; Loss Severity Rating removed.

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XII B.V.:

Class A (ISIN XS0271028838): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'  
Class B (ISIN XS0271029059): affirmed at 'AA'; Outlook Stable; Loss Severity Rating of 'LS-2'  
Class C (ISIN XS0271029133): affirmed at 'A'; Outlook Stable; Loss Severity Rating of 'LS-3'  
Class D (ISIN XS0271029489): affirmed at 'A-'; Outlook Stable; Loss Severity Rating of 'LS-3'  
Class E (ISIN XS0271029562): affirmed at 'BBB-'; Outlook revised to Negative from Stable; Loss Severity Rating removed.

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XIII B.V.:

Class A1 (ISIN XS0291656295): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class A2 (ISIN XS0291663820): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0291666419): affirmed at 'AA'; Outlook Stable; Loss Severity Rating of 'LS-2'

Class C (ISIN XS0291666500): affirmed at 'A'; Outlook Stable; Loss Severity Rating of 'LS-2'

Class D (ISIN XS0291667573): affirmed at 'BBB+'; Outlook Stable; Loss Severity Rating of 'LS-2'

Class E (ISIN XS0291669272): affirmed at 'BB'; Outlook revised to Negative from Stable; loss Severity Rating of 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XIV B.V.:

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

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

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

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

Class D (ISIN XS0320774804): affirmed at 'BBB+'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-3'

Class E (ISIN XS0320774986): affirmed at 'BB'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XV B.V.:

Class A (ISIN XS0367262705): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0367264230): affirmed at 'AA+'; Outlook Stable; Loss Severity Rating of 'LS-2'

Class C (ISIN XS0367267092): affirmed at 'A'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-1'

Class D (ISIN XS0367268736): affirmed at 'BBB+'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-3'

Class E (ISIN XS0367269031): affirmed at 'BB'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-2'

Holland Euro-Denominated Mortgage-Backed Series (Hermes) XVI B.V.:

Class A (ISIN XS0405709261): affirmed at 'AAA'; Outlook Stable; Loss Severity Rating of 'LS-1'

Class B (ISIN XS0405710194): affirmed at 'AA+'; Outlook Stable; Loss Severity Rating of 'LS-3'

Class C (ISIN XS0405710350): affirmed at 'A'; Outlook Stable; Loss Severity Rating of 'LS-2'

Class D (ISIN XS0405710517): affirmed at 'BBB+'; Outlook revised to Negative from Stable; Loss Severity Rating of 'LS-2'

Fitch employed its credit cover multiple methodology to assess the level of credit support available to each class of notes.

Rating Outlooks for European structured finance tranches provide forward-looking information to the market. An Outlook indicates the likely direction of any rating change over a one- to two-year period. For further information on Rating Outlooks, please see Fitch's 1 June 2007 report, entitled "Scanning the Horizon -Rating Outlooks in European Structured Finance", which is available on the agency's public website, [www.fitchratings.com](http://www.fitchratings.com). Further commentary and performance data on the transactions is also available from Fitch's subscriber site, [www.fitchresearch.com](http://www.fitchresearch.com).

For topical commentary on the European structured finance market, along with global capital markets coverage, please see [www.fitchratings.com/capitalmarkets](http://www.fitchratings.com/capitalmarkets).

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