

RMBS/Netherlands
Presale Report

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

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	500	Nov 2039	AAA	5.1
A2	1,398	Nov 2039	AAA	5.1
B	16	Nov 2039	AA+	4.3
C	54	Nov 2039	A	1.6
D	14	Nov 2039	BBB+	0.9
E	18	Nov 2039	BB	

Each rated class in this transaction is expected to have a Stable Outlook.

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* Expected Ratings do not reflect final ratings and are based on information provided by the issuer as of 31 July 2007. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold a security. The prospectus and other offering material should be reviewed prior to any purchase.

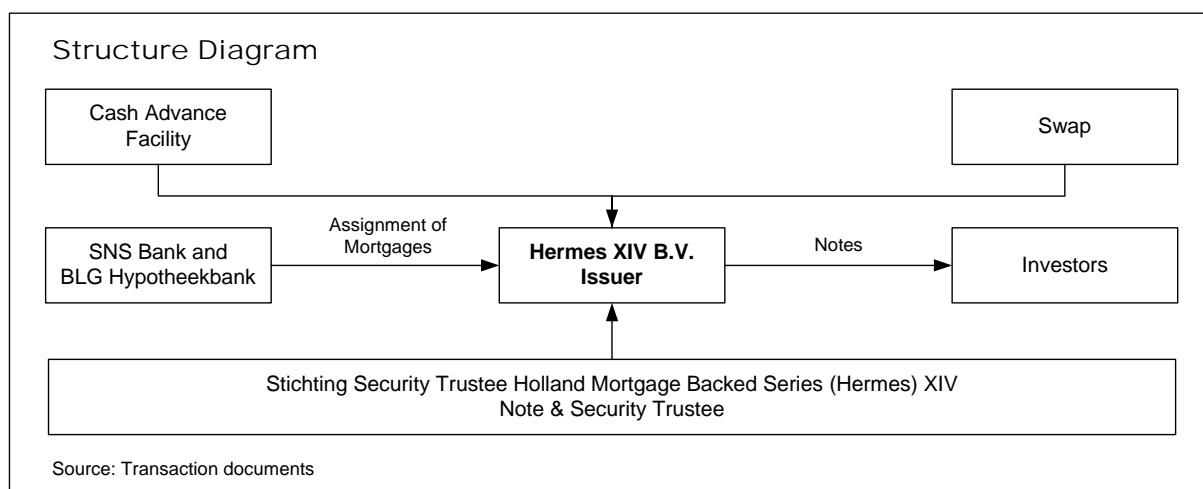
■ Summary

This EUR2bn transaction is a true sale securitisation of mortgage loans originated in the Netherlands by SNS Bank N.V. (SNS Bank, rated 'A+/F1') and its wholly-owned subsidiary BLG Hypotheekbank N.V. (BLG). Fitch Ratings has assigned expected ratings to the notes to be issued by Holland Mortgage Backed Series (Hermes) XIV B.V. (Hermes XIV or the issuer) as indicated at left. The expected ratings are based on the quality of the credit portfolio, available credit enhancement, the underwriting and servicing capabilities, as well as the sound legal and financial structure.

The expected ratings address the likelihood of investors receiving full and timely interest payments in accordance with the terms of the underlying documents: payment of interest on the class A1 and A2 notes on each payment date; payment of interest on the class B, C, D and E notes and ultimate repayment of principal on all classes of notes by legal final maturity in November 2039.

■ Credit Committee Highlights

- The Hermes XIV portfolio demonstrates sound credit quality when compared with previous Hermes transactions. This is the 14th transaction originated as part of the Hermes series. SNS Bank seeks to benefit from regulatory capital relief as well as to obtain funding through the capital markets as its loan portfolio size exceeds its deposit base by a considerable margin.
- SNS Bank is rated 'A+/F1' with Stable Outlook. The ratings reflect its strong asset quality, underpinned by low-risk Dutch mortgages, a diversified funding base and adequate capital levels. They also take into account its medium size and undiversified revenue mix, which has left it exposed to a flattening yield curve.
- Given the medium size and importance of SNS Bank in the Dutch retail banking market, Fitch considers there is a moderate probability that the Dutch authorities would provide support, in case of need, although there is no obligation on the part of the authorities to do so.
- The Hermes transactions have been performing soundly despite arrears being higher than average for Dutch RMBS transactions, as reported by Fitch's Dutch 60+ delinquency index.
- Weighted average original-loan-to-market-value (OLTMV) of the overall portfolio is 79.1%, which is rather low for mortgage portfolios originated in the Netherlands. At 17.2 months, seasoning is slightly higher than previous Hermes transactions.



- Around 43% of the mortgage loans in the pool were originated by BLG. The WAOLTV ratio of these loans (68.3%) is substantially lower than ones originated by SNS Bank (90.7%). Also, the BLG feature a higher weighted average seasoning (25 months) than the SNS ones (12 months).
- 84.4% of the portfolio is made up of interest-only mortgages, which carry balloon repayment risk. These loans also comprise mortgages backed by a life insurance policy. Approximately 4.9% of borrowers are self-employed. Fitch has considered these features, among others, in accordance with its standard credit criteria.
- Unlike most Hermes transactions, Hermes XIV does not benefit from a reserve fund to absorb potential losses on the pool. This makes the most junior tranche particularly vulnerable to late defaults. Fitch tested various default distributions to account for this. The credit enhancement for each class of notes is provided by subordination, as well as the excess spread paid under the swap. The interest rate swap guarantees an excess spread of 0.35% on the outstanding principal balance of the mortgages, after note interest, servicing fees and senior expenses.
- The structure benefits from a liquidity facility of 2.6% of the initial notes' balance to account for potential interest payment shortfalls.

■ Credit Portfolio

Characteristics and stratification figures of the provisional portfolio are detailed in *Appendix 3*.

Loan Types

Repayment Mortgages

These can be either annuity or linear mortgages. For an annuity mortgage, the borrower pays fixed monthly instalments during the life of the mortgage so that the loan is repaid on its maturity. Initial payments will primarily repay interest. Through the life of the loan, the balance will shift in favour of principal.

For a linear mortgage, the borrower pays fixed monthly amounts of principal towards the repayment of the loan. Interest is calculated on the outstanding balance of the loan.

Interest-Only Mortgages

The borrower repays in full at the maturity of the mortgage. Mortgage loans that exceed a loan-to-foreclosure-value (LTFV) of 100% have a compulsory life insurance policy covering at least the excess over this threshold.

Savings Mortgages

These mortgages consist of an interest-only loan linked to a savings policy. The premiums payable will vary so that the capital generated by the savings policy is targeted to equal the amount payable by the borrower on maturity of the mortgage loan (i.e. 100% target capital).

Some of the savings mortgages contain alternative savings mortgages, whereby the borrower has the option to switch between savings and investment alternatives at each interest reset date.

Investment Mortgages

The borrower repays the principal in full at maturity with funds that have been accumulated through investments. There are three alternatives of this type of mortgage loan. The mortgage loans sold and assigned to the issuer will be in the form of the "first

alternative”, whereby the borrower does not pay principal prior to maturity of the mortgage loan, but undertakes to invest, on an instalment basis, an agreed amount in certain investment funds selected by the borrower from a range of investment funds of SNS Beleggingsfondsen N.V.

■ Origination and Servicing

SNS Bank (A+/Stable/F1 affirmed in June 2007) is a public limited liability company established in 1990 as a result of the merger of several regional savings banks. It is the banking arm of SNS REAAL, a financial services group based in the Netherlands, which specialises in mortgages, savings and investments, pensions and life assurance. SNS REAAL comprises two entities, SNS Bank and REAAL Insurance. The group benefits from centralised operations, a single IT system and integrated sales forces.

Following an initial public offering (IPO) in May 2006, SNS REAAL gained a stock exchange listing on Euronext, after which the interest held by the foundation dropped to 55.4% from 100%. The remaining 44.6% is now widely owned on a free floating basis. Under the Dutch Civil Code, SNS REAAL is solely liable for the obligations of SNS Bank. In June 2007, SNS REAAL announced the acquisition of AXA’s Dutch insurance activities. The transaction, very recently approved by the Dutch regulatory authorities, further enhances the position of REAAL Insurance in the Dutch market.

SNS Bank is primarily a residential mortgage bank, being the fourth largest mortgage loan provider in the Netherlands (behind Rabobank, ING Bank and ABN Amro). The bank also distributes other banking, insurance and investment products. Its corporate headquarters are located in Utrecht, in the Netherlands. With approximately 146 branches and over 425 franchise branches across the Netherlands, SNS focuses solely on Dutch retail banking. The bank is broadening its means of distribution and expanding its branch network into the north and the western regions (the Randstad) from its traditional home territory in the east of the Netherlands. The western part of the country is the most heavily populated region, where traditionally SNS Bank has been under-represented. Since 2002, it has opened branches in the largest cities in the region (and closed branches in areas where it was more traditionally associated), in a bid to achieve a more balanced geographical coverage. SNS Bank serves an increasing number of clients via the internet and also sells large volumes of mortgage loans through independent intermediaries, which is often the case in the Netherlands. Its market share of new

mortgages has been quite volatile, ranging between 7.2% and 10.4% since 2000.

BLG Hypotheekbank is a wholly-owned subsidiary of SNS Bank and was acquired in 1993. It has a strong presence in the south of the country and is active in mortgage loans only, offered exclusively through intermediaries. Other subsidiaries of SNS Bank include ASN Bank (an ethical bank), CVB Bank (services to professional intermediaries) and SNS Securities (brokerage and research), all guaranteed under the Dutch Civil Code.

Origination

Fitch reviewed the underwriting and servicing departments of SNS Bank and BLG in February 2007 as far as origination, underwriting and servicing processes are concerned. For the purposes of the Hermes XIV transaction, the agency has appropriately updated the information initially received.

At SNS Bank, approximately 23% of mortgage loans are originated through SNS branches and the remaining 77% via intermediaries, such as real estate agents and insurance intermediaries.

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 with any Dutch bank; affordability calculations; and verification of compliance with the standard underwriting criteria (income verification is always required). Front offices have mandates for applications that comply with the standard conditions and pass all checks successfully. The front office can inform the client of the positive outcome of the application, subject to conditions being in place (proof of income, valuation report, insurance requirements, and so on).

Front-office functionality is based on an application scoring system. Each mortgage application is labelled either “green”, “orange” or “red” by the front-office application scorecard, before being sent to the middle-office. A “green” file meets all the criteria and is accepted; these files are then checked and accepted by the middle-office. A “red” file is rejected outright, while an “orange” file receives extra scrutiny and is then either approved or rejected by middle-office. Among the files that are eventually accepted, 17% were initially labelled “orange” and 83% were labelled “green”. Out of the “orange” files, 85% are accepted by the middle-office and the remaining 15% are rejected. The main reasons for

rejection are loan-to-income amount, missing verification data and credit issues (BKR notification).

However, the loans will be disbursed only after a satisfactory review by the middle-office, which verifies the work done by the front-office on every application (including those labelled “green”). Basically, the middle-office checks that the file contains all the required documentation and is consistent with initial information provided. Applications that do not match the standard criteria can be solely underwritten by the middle-office, which is responsible for signing-off loan approvals. The middle-office has an “acceptance desk”, consisting of team-leaders and assistants. Assistants can approve applications of loans up to EUR350,000. Team-leaders can approve applications up to EUR 750,000. Higher loan amounts need to be authorised by the manager of the middle-office. Fraud checks are also carried out at several stages, against both fraud databases and the records at SNS’s internal fraud department.

The middle-office has only been in place since September 2005 (67.4% of the pool originated thereafter). The previous department did not differentiate the type of files and only checked files on the basis of a random sample.

The main underwriting criteria and general conditions are detailed below:

- The maximum LTFV is 125%. Interest-only loans may only be taken out for an amount equivalent to a 100% LTFV; borrowers may extend the loan up to a 125% LTFV by taking out an additional portion covered by a combined life and capital insurance policy.
- The maximum debt-to-income (DTI) ratio can vary from 20%-36% depending on the borrower’s income. Income considered includes total household income, gross of taxes and net of other financial commitments recorded either at SNS Bank or the BKR database. It also excludes any income on personal savings and/or investments.
- Self-employed borrowers must present three years of audited accounts as proof of income.
- A full valuation report is required for all existing properties. Valuation is performed by a qualified assessor, who is required to be a member of an association accepted by SNS. Local tax valuations can be accepted for applications below certain LTV thresholds.
- BKR code – loans may be granted on an overrule basis and after due justification.

BLG Hypotheekbank originates mortgages through independent intermediaries exclusively. These intermediaries are able to use a front-office system designed specifically for BLG mortgages. They are able to issue a loan offer for applications below 75% LTV which fulfil all standard underwriting criteria. Non-standard applications are necessarily referred to BLG for pre-approval. BLG Hypotheekbank checks all the files upon completion once the borrower has provided the requested documentation. BLG’s underwriting criteria are very similar to those in use at SNS Bank.

Servicing

SNS Bank and BLG Hypotheekbank currently service mortgages from separate in-house collection centres, each of which adhere to similar policies. All collections are made via direct debit. Approximately 50 people, including all support staff, work in the arrears and foreclosure management process within SNS Bank. BLG employs only six people; however intermediaries also support BLG in contacting the borrower in arrears.

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 very early in the collection process, when their repayments are between 10 and 20 days overdue. On the other hand, medium and low risk profiles may be called after 20 and 55 days in arrears respectively. Moreover, a centralised credit risk department was established in Den Bosch dealing with arrears up to 90 days. Prior to that, early arrears were handled at branch level, which was deemed to be inefficient.

Collection process changes implemented in 2006 also introduced a very tight arrears management timeline, as compared with Dutch market standards. In particular:

- after 10 days overdue, a reminder letter is generated automatically and sent to the borrower;
- after 20 days overdue, a second reminder letter is generated automatically and sent to the borrower;
- after 45 days overdue, files are transferred to the administration and support department responsible for the arrangement of private sales and foreclosures, and a “last notification” is sent out;
- after 58 days overdue, delinquent borrowers are advised to sell the property privately; and

- after 65 days overdue, the foreclosure process is initiated.

BLG's timeline for arrears management differs slightly from that of SNS Bank:

- after 10 days overdue, a reminder letter is generated automatically and sent to the borrower;
- after 44 days overdue, a second reminder letter is generated automatically and sent to the borrower;
- after 75 days overdue, files are transferred to the administration and support department responsible for the arrangement of private sales and foreclosures, and a "last notification" is sent out.

If all negotiations with the borrower fail and a private sale is not achievable, BLG will initiate the foreclosure procedures.

On the basis of this information, Fitch believes that SNS Bank and BLG Hypotheekbank are sound originators and effective servicers of Dutch residential mortgages.

■ Cash Bond Administration

The cash bond administration (CBA) function for this transaction will be carried out by SNS Asset Management. SNS Asset Management has, since the first transactions, been involved in the management of the Hermes series and Provide Lowlands, among other deals.

The team in charge of the CBA function comprises four people, including the team leader. The administrators have an average of five years' experience in the securitisation industry while the team leader has seven years' experience. New joiners are trained internally through informal, on the job training programmes.

Each step in the administration process is reported and tracked through a detailed checklist. Every step in the process must be signed-off by the administrator and reviewed by the team leader. The different steps of the process are cross-referenced many times to ensure accuracy and file reviews are performed regularly to detect and locate any problems.

At closing of the transaction, closing wires will be sent containing all the details of the cash flows. SNS checks the transaction triggers within the reporting activity. Since there is no specific modelling team in place, rating triggers are input manually and the

other triggers are hard-coded in the system. IT systems are programmed so that they automatically detect and flag further advances.

In 2004, a risk self-assessment was performed for all the staff involved in securitisation transactions. KPMG performs yearly audits on the statutory account of the SPCs. The internal audit department periodically performs operational audits, the latest one occurred at the beginning of 2007.

The cash reconciliation process is currently manual; a new system to automate the process is under review, to be implemented in 2007.

Fitch is satisfied that SNS Asset Management meets the necessary requirements for providing adequate cash/bond administration services to the transaction.

■ Legal Structure

Hermes XIV, the issuer, is a special-purpose company (SPC) incorporated under the laws of the Netherlands with limited liability as a B.V. It is registered with the Commercial Register of the Chamber of Commerce of Amsterdam. Its shares are owned by Stichting Holland Euro-Dominated Mortgage-Backed Series (Hermes) Holding, established under the laws of the Netherlands as a foundation.

SNS Bank and BLG Hypotheekbank 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 are pledged to the security trustee via various pledge agreements.

The mortgage deeds related to the mortgage receivables provide that, before assignment, the mortgage rights may not only secure the loan held by the issuer, but also other liabilities that the borrowers may now, or in the future, owe to the sellers (bank mortgages).

The wording of the mortgage deeds relates to loans originated by SNS Bank before the end of 2005. All loans originated by BLG stipulate that, upon assignment, the mortgage right will follow the receivable if this is stipulated in the deed of assignment and that, in this event, the mortgage right no longer secures the other claims of the relevant seller.

The conditions applicable to mortgage loans originated by SNS Bank as of the end of 2005

(approximately 41% of the pool) provide that, upon assignment, the mortgage right will partially follow the receivable unless SNS Bank determines otherwise. It will be co-held, pro rata, by SNS Bank and the issuer. Although entitled to a pro rata share of the proceeds if foreclosure occurs, SNS Bank has agreed with the issuer that any such proceeds will be applied in priority to the outstanding balance of the foreclosed loan held by the issuer. Where the agreement is found not to be enforceable, SNS Bank has undertaken to compensate the issuer. In addition, upon occurrence of “notification events” (see below), SNS Bank is required to give the borrowers notice of partial termination of the security rights it may have against them. As a result, the mortgage right will only secure the loans held by the issuer.

Notification Events

Notification events relate to, among other things, a breach of obligations under the documents of the seller or a severe economic deterioration on the part of the seller. Notification events include where:

- a seller payment default is not remedied within 10 business days of receiving notice from the issuer or trustee;
- the seller fails to perform or comply with any of its obligations;
- the seller takes any corporate action, or steps are taken against it for dissolution, liquidation, legal demerger, emergency regulations or bankruptcy;
- SNS Bank’s rating falls below ‘A-’;
- SNS Bank ceases to hold at least 51% of the shares in BLG Hypotheekbank; or
- SNS REAAL withdraws its 403-declaration made to the benefit of BLG Hypotheekbank.

Representations and Warranties

The mortgage sale agreement contains representations and warranties given by the sellers in relation to the pool of mortgages. No search of title will be conducted by the issuer or the trustee; instead they will rely on the representations and warranties noted below. If there is a breach of any of the representations or warranties, which cannot be rectified, the seller will be required to repurchase the loan(s) in question.

Specifically, the representations and warranties include (but are not limited to) the following:

- the sellers have full right and title to, and the power to sell and assign, the mortgage receivables;
- each mortgage loan was originated by one of the sellers in accordance with its standard underwriting criteria and procedures;

- all mortgage rights and rights of pledge granted to secure the mortgage receivables constitute “*hypothekrechten*” (valid mortgage rights) and “*pandrechten*” (rights of pledge) and have been entered into the appropriate public register;
- each mortgage receivable is secured on residential property located in the Netherlands;
- each property was valued by an independent, qualified valuer. Local tax assessments may have been accepted for applications below certain LTV thresholds;
- all mortgage rights are first priority;
- each of the mortgage loans meets the mortgage loan criteria as set out in the mortgage receivables purchase agreement;
- the mortgage conditions provide that all payments by the borrower should be made without any deduction or set-off;
- each mortgage receivable and the mortgage right and the right of pledge, if any, securing that receivable constitutes a legal, valid, binding and enforceable obligation of the relevant borrower;
- each of the mortgage loans with a tenor exceeding 30 years has a combined capital and life insurance policy attached;
- mortgage conditions state that a loan becomes due and payable if an attached life and capital insurance policy pays out;
- no arrears in excess of one month exist at closing;
- the borrower has made at least one monthly payment under the mortgage loan.

Repurchase of Mortgage Receivables

Under the mortgage receivables purchase agreement, the relevant seller is required to repurchase a mortgage receivable if:

- the relevant seller agrees with a borrower to grant a further advance;
- there is a breach of any of the representations and warranties as set out above;
- under the terms of a savings plus mortgage loan, the borrower has requested that accumulated premiums from a savings insurance policy be transferred into another investment under the savings mortgage loan; or
- the relevant seller agrees with a borrower to amend the terms of a mortgage loan, which thereby ceases to meet the criteria set out in the mortgage receivables purchase and/or servicing agreements.

■ Financial Structure

The class A1, A2, B, C, D and E notes will receive floating-rate interest in arrears at a margin over three-month Euribor. The first interest payment date

will fall in November 2007. The first optional redemption date to repay the notes is February 2013. From February 2013 onwards, a step-up margin will apply if the notes are not called.

All amounts of interest, prepayment penalties and principal payments received by SNS Bank and BLG are passed monthly to the relevant collection accounts for SNS Bank and BLG, both kept at SNS Bank in the name of Hermes XIV. In the event that SNS Bank breaches its notification triggers, the relevant borrowers of both SNS Bank and BLG will be notified and will make payments directly into the collection accounts. Under a guaranteed investment contract (GIC), monies deposited in the collection account will receive interest equivalent to three-month Euribor less a margin, payable quarterly.

In the event of a downgrade of SNS Bank below 'F1', as a seller collection account provider, SNS Bank will, within 30 days, either (i) ensure that a third party rated at least 'F1' guarantees its obligations as a seller collection account provider, (ii) transfer an amount - equal to the highest single amount received since closing on the floating-rate GIC account during one mortgage calculation period - to the escrow account opened in the name of the issuer for that purpose, or (iii) any other actions agreed by Fitch.

If SNS Bank, as GIC provider, is downgraded below 'F1' it will, within 30 days, either be replaced or obtain a guarantee from a third party with a suitable rating, provide collateral to guarantee its obligations or find another appropriate solution acceptable to Fitch to maintain the then-outstanding ratings of the notes.

Interest Priority of Payments

Revenue payments, which include interest on the mortgage loans, will be allocated, prior to enforcement, in the following priority of payments:

1. the issuer's senior fees and expenses (including those payable to the trustee, company administrator, servicer and paying agent);
2. repayment of any drawings made from the cash advance facility;
3. payments due under the swap agreement;
4. interest due on the class A1 and A2 notes pro rata;
5. amounts to be credited pro-rata to the class A1 and A2 PDLs until zero;
6. interest due on the class B notes;
7. amounts to be credited to the class B PDL until zero;
8. interest due on the class C notes;
9. amounts to be credited to the class C PDL until zero;

10. interest due on the class D notes;
11. amounts to be credited to the class D PDL until zero;
12. interest due on the class E notes;
13. amounts to be credited to the class E PDL until zero;
14. after the step-up date, repayment of principal under the notes;
15. any swap counterparty default payment;
16. any gross-up or other amounts due under the cash advance facility agreement; and
17. amounts due towards the deferred purchase price instalment.

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 class A to E notes, after certain senior third-party expenses.

Principal Redemption

The class A1, A2, B, C, D, E notes will be fully redeemed sequentially on a pro rata basis.

On each optional redemption date, i.e. any quarterly payment date from February 2013, 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 all the outstanding notes, provided that all outstanding notes can then be redeemed, not only a portion thereof.

If the call is not exercised, the notes will receive three-month Euribor plus a step-up margin (increased from the level at closing).

The notes are subject to provisions that allow for redemption on the occurrence of certain tax events that affect the financial position of Hermes.

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 class A1 and A2 (pro rata), B, C, D and E notes after certain senior third-party expenses.

Interest Rate Risk

At closing, Hermes XIV will enter into an interest rate swap agreement with SNS Bank, under which it will be obliged to pay SNS Bank, quarterly, the scheduled interest income due on the mortgage loans and the GIC, less (i) a margin of 35bp of the outstanding amount of mortgages and (ii) certain senior expenses (including the servicing fee). SNS Bank, as swap counterparty, will be obliged to make scheduled interest payments on the notes insofar as they are backed by non-defaulted mortgage loans.

If SNS Bank's Long-Term rating is downgraded below 'A' and its Short-Term rating is downgraded below 'F1', it will, within 30 days, either be replaced, obtain a guarantee from a third party with a suitable rating, provide collateral to guarantee its obligations or find another appropriate solution acceptable to Fitch to maintain the then-outstanding ratings on the notes.

Cash Advance Facility

A cash advance facility equal to 2.6% of the outstanding note balance will be provided by SNS Bank to cover any shortfalls of interest due on the notes. Amounts available under the cash advance facility will be floored at 0.5% of the initial notes balance. The cash advance facility will be provided for a term of 364 days, which can be extended at the discretion of the provider. No drawing can be made under the cash advance facility if there is a positive debit balance on any of the class B, C, D or E PDLs.

In the event that SNS Bank is downgraded below 'F1', an appropriately-rated substitute cash advance provider must be provided within 30 days. If SNS Bank is not replaced within that period and the rating of the notes suffers materially adverse effects, the issuer will draw on the undrawn portion of the cash advance facility.

■ Credit Analysis

Fitch's methodology for assigning credit ratings to Dutch residential mortgage transactions is described in *Appendix 2*. The following section details the agency's particular areas of focus and concerns with regard to Hermes XIV, and outlines the factors incorporated into its analysis to address with these concerns. For more information, please see the special report "*Dutch Residential Mortgage Default Criteria*", dated 14 February 2007 and available at www.fitchratings.com.

Fitch Default Model Output

Rating Level	WAFF ¹ (%)	WARR ² (%)	WALS ³ (%)	WA MVD ⁴ (%)
AAA	14.18	65.29	39.33	37.89
AA	11.35	70.94	33.68	32.37
A	8.51	76.16	28.46	26.85
BBB	5.67	80.22	24.40	21.93
BB	2.84	84.01	20.61	17.01

Recovery time (years): interest accrued on contractual rate for one year

Foreclosure cost: fixed EUR5,000 and 6% of the value of the property after the application of indexation and MVDs

¹ Weighted-Average Foreclosure Frequency

² Weighted-Average Recovery Rate

³ Weighted-Average Loss Severity

⁴ Weighted-Average Market Value Decline

Source: Fitch

Default Probability

Affordability

Loan-by-loan income data was not available for around 44% of the pool. For these loans, Fitch assumed an affordability class 3 level (corresponding to DTI ratios between 30% and 40%). Under SNS Bank's and BLG's underwriting criteria, the maximum acceptable ratio is 36% and Fitch has been informed that no overrule can be made in that respect. According to Fitch's default probability matrix, which is determined by affordability and LTV, the default probability for the average borrower in income class 3 would range from 4.5% to 22.5% in a 'AAA' scenario depending on the LTV.

Repayment Type

Of the pool, 84.4% consists of interest-only mortgages that carry a balloon repayment risk. Loans that exceed an LTFV of 100% have a compulsory life insurance policy covering at least the excess over this threshold, thus reducing the balloon repayment risk. This threshold was previously 75% LTFV and has recently been increased. Fitch has increased the default probability for interest-only loans by 20% to account for the additional risk.

The pool also includes investment mortgage loans (13.2%), which carry a higher risk because of both residual set-off risk and the uncertainty of the yield on the underlying investment vehicle. Fitch has increased the default probability for investment loans by 10% to account for this additional risk.

Savings mortgages (1.7%) have not been penalised, as the accumulated savings will match the loan balance at maturity. Moreover, the sub-participation structure covers set-off risk for savings mortgages: amounts accumulated under a savings policy will be placed by the savings provider with the issuer (with a participation granted to the savings policy provider). This means that funds accumulated to date on the savings policy are immediately available to the issuer to repay the savings mortgage loan on maturity.

Borrower Profile

Fitch believes that self-employed borrowers have a greater probability of defaulting on their mortgage loan than employed borrowers who are paid a regular monthly salary. Around 4.9% of this pool relates to loans to self-employed borrowers. Fitch has increased the default probability on these loans to account for this risk.

Recovery Rate

Indexation

In its analysis, Fitch reappraises the original value of each property as a function of the current house price index. The agency applies a 50% indexation credit for appreciation of property values, but will discount 100% for depreciation.

Market Value Decline (MVD)

To estimate recoveries on the mortgage loans, Fitch examined house price movements in the Netherlands by province from 1993 to 2006.

After a period of steady house price growth, price increases have slowed since 2001 and higher valued properties have suffered a decline. The growth rate in house prices has picked up again since the dip caused by the recession in 2003, but remains well below the rate recorded in the 1990s. The agency considers these trends, and the inherent price volatility, in its MVD analysis.

High and Low-Value Properties

Approximately 21% (higher than previous Hermes transactions) of the reference pool is considered by Fitch to be secured on either very low value or very high value properties, which face a risk of greater MVDs owing to a perceived lack of liquidity and, therefore, volatility in their market values. Fitch increased the MVDs for these loans by between 10% and 25%, based on the indexed value of the individual property.

Recovery Rate

To determine the recovery rate, Fitch uses the lesser outcome of the following two formulae:

- the current loan balance, plus carry costs, divided by the current loan balance; or
- the indexed property value (see *Indexation* above) net of foreclosure costs is reduced by the MVD amount and divided by the current loan balance.

Cash Flow Analysis

To evaluate the contribution of structural elements such as excess spread, the cash advance facility and other factors, Fitch modelled the cash flows from the mortgages based on the WAFF and the WARR provided by the loan-by-loan collateral analysis.

The cash flow model assumes that defaults are spread over the first five years of origination immediately after closing. It also simulates the cost of carrying defaulted loans until recoveries are received after the assumed 12 months, in a high prepayment and high Euribor-index environment.

As there is no reserve fund in this transaction, the junior classes of notes might be affected by a peak in the losses. In addition, the excess spread paid by the swap, representing the sole layer of protection for these notes, decreases over time as the notes amortise. To account for this risk, Fitch tested several default distributions, including the scenario whereby defaults occur at a later stage in the transaction.

The swap, excess spread, and the cash advance facility are modelled and used to cover losses and carrying costs. The model also takes into account the PDL mechanism, which allows repayment of the senior classes with available interest and transfer of losses to the lowest-ranking class of notes.

The cash flow test showed that each class of rated notes could withstand loan losses at a level corresponding to the related stress scenario, without incurring any principal loss or interest shortfall.

■ Set-Off

In most Dutch mortgage transactions there is a risk that borrowers may seek to set off certain 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, but a lack of legal precedent makes it uncertain whether such a set-off waiver would be enforceable if the borrower were to contest it in court.

The primary set-off risk relates to insurance mortgages and stems from the possibility that, in the event of a default by the insuring entity - such that a capital sum is not received from the relevant policy when due - the borrower may seek to avoid repaying the mortgage loan. The justification for this is that the sums due from the policy were specifically earmarked to repay the loan and the borrower should not, therefore, have to pay from his or her own funds merely because the policy provider defaulted. The risk of set-off is greater for hybrid mortgage loans with a savings component than for other types of insurance mortgages because, under these hybrid mortgages loans, (part of) the premium can be invested in a savings fund that "imitates" a savings insurance policy. The risk therefore, is not mitigated by the sub-participation structure.

For set-off claims to be valid, the borrower would generally need to prove that he/she had a legal claim against the defaulting entity that existed before the provider defaulted. Where the borrower brings a policy to the table from a provider that is independent of the seller, and the mortgage product has been marketed as one where the provider and

seller are two independent entities, the claim for set-off will be weaker.

Fitch believes that the combination of legal provisions and pledge agreements in the transaction provides some comfort in addressing this risk. The likelihood of set-off succeeding is further reduced because a number of obstacles to its validity must be overcome. Any definitive rulings in this regard would be reviewed by Fitch, and its impact on the transaction assessed.

However, even if set-off were ruled invalid, the borrower would probably have limited alternative funds to repay the mortgage loan if the policy providers defaulted, thereby increasing the risk of default on the loan. Consequently, Fitch gives no credit to policies that have accrued when assessing loss severity.

For further analysis in relation to set-off matters, refer to the agency's report "*Legal Issues in Dutch RMBS*" dated 13 June 2002 and available at www.fitchratings.com.

■ Performance Analytics

This is the 14th publicly-rated residential mortgage-backed transaction originated by SNS Bank. Fitch affirmed its ratings on Hermes I (upgrading class C), Hermes II (upgrading class C), Hermes III (upgrading class C), Hermes IV (upgrading class C), Hermes V (upgrading class B) and Hermes VI (upgrading Class B), Hermes VII (upgrading class B), Hermes VIII, Hermes IX, Hermes X, Hermes XI and Hermes XII on 8 August 2007.

There has been an improvement in the performance of the Holland Euro-Denominated Mortgage Backed Series (Hermes) transactions, largely due to a tightening of the arrears management process. For the past three years, SNS Bank has been working on improving its arrears management process. Two years ago, the decision was made to centralise arrears management. It now has one centralised collection and arrears department with a focus on bringing down delinquencies. It contacts the borrower at a very early stage to determine the reason for the delinquency and to estimate whether or not the borrower will become current again or if it has to start foreclosure/private sales procedures. Three-month plus arrears currently range between

0.13% in Hermes I to 1.34% in Hermes IV. Unlike other Dutch transactions (where delinquencies are defined as three months in arrears according to the balance of unpaid amounts), for Hermes transactions, SNS Bank calculates delinquencies on the basis of the oldest monthly payment missed. Therefore, if a borrower missed a payment in June but made payments in July and August, the borrower would be considered three months delinquent, as the oldest missed payment was in June.

Annualised repayment rates for the previous Hermes transactions increased from approximately 20% in March 2005 to an average of around 25% in July 2007. This mirrors other developments in the Dutch mortgage market, a trend that Fitch attributes to the high amount of mortgage refinancing in anticipation of increasing interest rates. As rates have recently been increasing, borrowers have become less prone to refinance; as a result, prepayments have lowered.

Fitch monitors transaction regularly and as warranted by events. Fitch's 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. For more information on Dutch RMBS performance, please see the special report "*Dutch RMBS Performance Bulletin 2005*", dated 1 November 2005 and available on www.fitchratings.com.

■ Issuer Report Grade

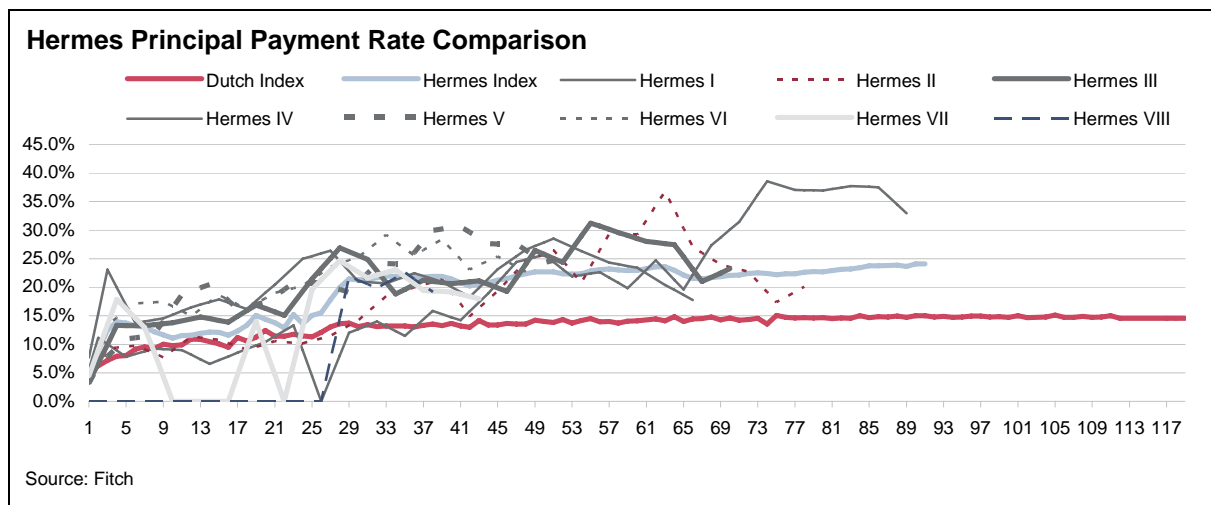
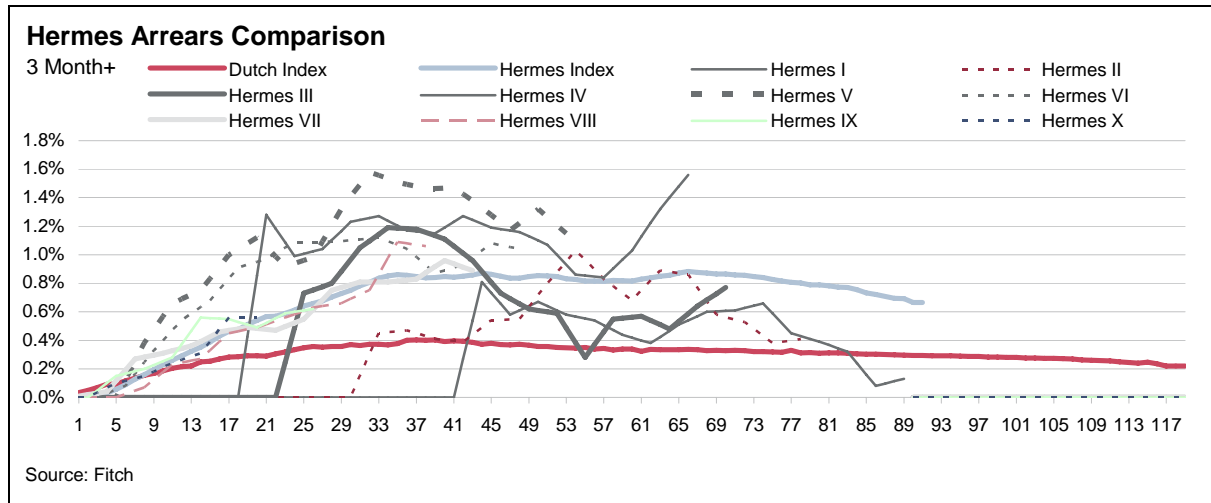
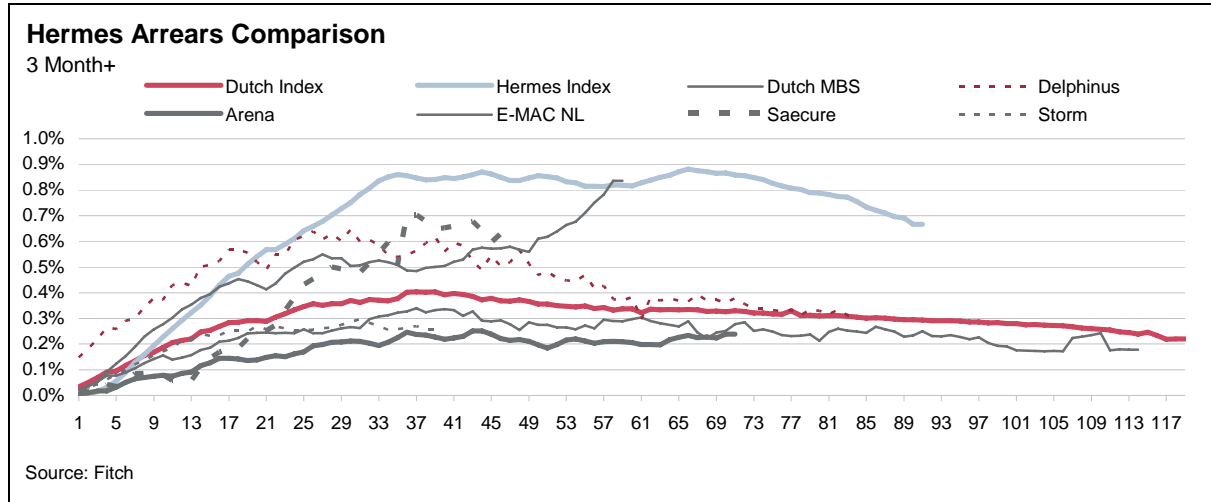
Fitch introduced Issuer Report Scores as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). The Hermes transactions were upgraded to five stars in the May 2006 update. Hermes provides very good, user-friendly reporting in all areas and meets Fitch's published reporting standards in most areas.

For further information on the agency's issuer report scores, please see the reports "*Fitch Issuer Report Grades*", dated 25 November 2004 and "*Fitch Issuer Report Grades May 2007 Update*", dated 31 May 2007, both of which are available at www.fitchratings.com.

Related Research

- “*Around the Houses – Quarterly European RMBS Performance Update Q2 2007*”, 27 July 2007
- “*Fitch Issuer Report Grades May 2007 Update*”, 31 May 2007;
- “*Dutch Residential Mortgage Default Criteria*”, 14 February 2007;
- “*European Residential Mortgage Originator Review Criteria*”, 5 February 2007;
- “*Criteria for NHG Guarantee Mortgage Loans in Dutch RMBS*”, 8 June 2006;
- “*Dutch RMBS Performance Bulletin 2005*”, 1 November 2005;
- “*Rating European Mortgage Loan Servicers – the Netherlands Market Addendum*”, 26 November 2004;
- “*Fitch Issuer Report Grades*”, 25 November 2004;
- “*A Guide to Cash Flow Analysis for RMBS in Europe*”, 20 December 2002;
- “*Legal Issues in Dutch RMBS*”, 13 June 2002.

■ Appendix 1: Performance of the Hermes Series of Transactions



■ Appendix 2: Rating Methodology

To determine the appropriate levels of credit enhancement, Fitch analyses the collateral for Dutch residential transactions using a loan-by-loan mortgage default model (see research “*Dutch Residential Mortgage Default Model Criteria*”, dated 14 February 2004, available on www.fitchratings.com). The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and mortgage defaults in the Netherlands. Fitch’s study showed a borrower’s LTV to be the key determinant of default probability in the Netherlands, reflecting the size of their down payment and their willingness to pay. The borrower’s DTI or income multiple, reflects their ability to pay.

Default Probability

Generally, the two key determinants of default probability are the borrower’s willingness and ability to make their mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch’s model assumes higher default probabilities for high LTV loans and lower default probabilities for low LTV loans. The main reason for this being that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property. However, the Netherlands is characteristically a high-LTV market due to current tax incentives for such borrowing. Fitch takes this into account and places a greater emphasis on affordability when determining default probability.

The ability to pay is usually measured by the borrower’s net income in relation to the mortgage payment. Historical data shows lower levels of default by Dutch borrowers compared to those in neighbouring countries. Base default probabilities are determined by using a matrix that considers each loan’s affordability factor and LTV. The matrix classifies affordability into five categories, the lowest of which (class 1), encompasses loans with DTIs of less than 20% and the highest of which (class 5) encompasses all loans with DTIs exceeding 50%. A loan classified as affordability class 3, for example, would be allocated a base default probability of 4.5%-22.5%, depending on LTV.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for individual loan characteristics of the collateral across all rating levels.

• **Repayment Type**

Savings Mortgages: a borrower makes interest payments on a savings mortgage, but instead of making principal payments, contributions are made to a savings account. Funds accumulated in this account are then used to redeem the mortgage at maturity. To ensure that there are sufficient funds at maturity, the savings account earns the same rate of interest charged on the loan. However, there is still a risk to the third-party savings institution in this case. The way most transaction structures mitigate such risk is to have the monthly premiums made by the borrower passed through to the issuer by the insurance company, which purchases and accepts from the issuer a partial assignment in the mortgage. As long as this is the case, Fitch does not penalise savings mortgages.

Life Insurance Mortgages: similar to the savings mortgages, a life insurance mortgage does not pay down any principal prior to loan maturity, at which point it is redeemed by the insurance policy. The yield on the policy can vary and will not necessarily equal the principal amount on the mortgage at maturity. Fitch increases default probability for life insurance mortgages, depending on how they are underwritten, the strengths of the insurer and the nature of the policy, owing to the increased market and third-party risk.

Investment Mortgages: the investment mortgage is similar to the life insurance mortgage in concept (i.e. periodic contributions are made to an investment fund) but has a different choice of investment opportunities. Fitch increases the default probability according to the rating of the investment fund and/or the nature of the investment options.

Interest-Only: Fitch generally increases the default assumptions for interest-only mortgages, to take into account the potential payment shock to the borrower and the reliance on the borrower's equity in the property. The increase is generally applied when the mortgage is secured solely by the property value and principal is repaid by the borrower in one lump sum upon loan maturity.

- **Loan Purpose**

Fitch believes that mortgage loans advanced to release equity in the home (equity refinance mortgages) are risky, as the homeowner is essentially borrowing back equity based on the property's price appreciation. Based on reviews of the issuer's appraisal process, as well as underwriting guidelines, if Fitch believes these loans have an increased likelihood of default, the base default probability will be adjusted by 10%-20%.

Fitch assumes that a financially distressed borrower is more likely to default on a second home than a primary residence, and even more so on an investment property. Accordingly, base default rates are increased by 10%-25%.

- **Borrower Profile**

Fitch increases default probability on loans to self-employed/self certified borrowers by 10%-30% to account for the absence of a fixed annual salary.

- **Arrears Status**

When rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by up to 90 days by 25%-75%, and those over 91 days in arrears (non-performing status) by 100%.

- **Underwriting Quality**

Fitch's review and analysis of the origination process determines whether it decreases default rates by up to 25% or increases them by 0%-200%.

Recoveries

To estimate loss severity on mortgage loans in the Netherlands, Fitch examined home price movements by separating the Netherlands into 12 regions. Worst-case MVDs were estimated, and then generated for each rating level and region.

As in its other European mortgage default models, Fitch increased MVDs for properties worth more than EUR500,000 and those worth less than EUR100,000 by 10%-25%. Such properties are applied larger MVDs owing to their lesser liquidity and the less precise pricing information available on these markets.

Fitch's model gives full credit for property price declines and 50% credit for property price appreciation. The agency calculates recoveries by reducing the indexed property valuation by the MVDs, repossession costs, and the costs to the servicer of carrying the loan from delinquency through to default.

On the basis of worst-case information gathered from Dutch mortgage lenders, Fitch assumes that repossession costs represent 6% of the value of the property at the time of possession, plus a fixed amount of EUR5,000. To calculate carrying cost, Fitch assumes that the borrower does not pay interest for a period of 12 months and that interest accrues during this period at the weighted-average rate of interest.

■ Appendix 3: Comparison Table for the Hermes Series

Originator	Hermes XIV B.V	Hermes XIII B.V	Hermes XII B.V.	Hermes XI B.V.
Closing Date	Sept 2007	March 2007	October 2006	February 2006
Total Issuance (EURm)	2,000	2,800	2,037	1,527
Final Ratings (%)				
AAA	94.90	94.00	95.25	94.95
AA	0.80 (AA+)	1.95	2.00	2.35
A	2.70	1.60	1.45	2.10
BBB	0.70 (BBB+)	1.15 (BBB+)	1.30 (A-)	0.60 (A-)
BB	0.90	1.30	1.85 (BBB-)	1.85 (BBB-)
Initial Reserve (% of Initial Balance)	None	None	1.85	1.85
Target Reserve (% of Current Balance)	None	None	1.85% - Triggers for Amortisation	1.85% - Triggers for Amortisation
Swap + excess spread (XS)	Interest on the Notes – PDL + 35bp XS Spread	Interest on the Notes – PDL + 35bp XS Spread	Interest on the Notes – PDL + 45bp XS Spread	Interest on the Notes – PDL + 45bp XS Spread
Cash Advance	2.6% of Initial Notes Balance	2.5% of Initial Notes Balance	1% of Initial Notes Balance	1% of Initial Notes Balance
WAFF (%)				
AAA	14.18	15.43	18.00	17.74
AA	11.35	12.35	14.40	14.19
A	8.51	9.26	10.80	10.64
BBB	5.67	6.17	7.20	7.1
BB	2.84	3.09	3.60	3.55
WARR (%)				
AAA	65.29	62.55	59.55	56.79
AA	70.94	67.92	64.75	62.28
A	76.16	73.01	69.80	67.65
BBB	80.22	77.29	74.16	73.03
BB	84.01	81.45	78.43	78.28
Portfolio				
Collateral Balance (Net of Savings) (EUR)	2,061,842,705	2,177,077,679	2,433,514,618	1,759,056,981
Pre-Funding Amount (EUR)	0	0	0	0
Savings Amount (EUR)	1,884,456	3,917,803	6,041,937	5,656,226
Number of Borrowers		11,279	12,450	9,331
Average Current Balance (EUR)	193,528	193,020	195,463	188,518
WA Seasoning (Months)	17.2	16.4	11	15.2
WA Term to Maturity (Years)	28.3	28.10	28.8	28.3
WA Interest Rate (%)	4.6	4.37	4.15	3.93
% Fixed/% Floating		78.3/21.7	75.3/24.7	44.3/55.7
WA OLTMV (%)		85.4	91.5	92.2
WA DTI (%)		32	35 (assumed)	35 (assumed)
Self Certified (%)	0	0	0	0
Self Employed (%)	4.9	6.8	7	7
Construction Deposits (%)	0	0	0	0
Arrears (%)	0	0	0	0
Mortgage Type (%)				
Interest Only	84.44	77.60	66.86	66.5
Savings	1.71	2.20	3.59	6.1
Insurance	0	0	0	0
Repayment	0.62	0.68	0.46	0.5
Investment	13.24	19.53	29.1	27
Other	0	0	0	0
WA CLTMV (%)		85.1	91.2	92.0
WA CLTMV (Indexed Values) (%)		81.9	90.6	88.4
WA MVD ('AAA') (%)	37.89	37.95	37.82	40.96
% Jumbo Properties (%)	21	13	2	2

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

RMBS/Netherlands

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	Interest Rate	PMT Freq	Maturity	ISIN/CUSIP	
A1	AAA	25.0	500	5.1	Euribor3m+ bp	Quarterly	Nov 2039		
A2	AAA	69.9	1,398	5.1	Euribor3m+ bp	Quarterly	Nov 2039		
B	AA+	0.8	16	4.3	Euribor3m+ bp	Quarterly	Nov 2039		
C	A	2.7	54	1.6	Euribor3m+ bp	Quarterly	Nov 2039		
D	BBB+	0.7	14	0.9	Euribor3m+ bp	Quarterly	Nov 2039		
E	BB	0.9	18		Euribor3m+ bp	Quarterly	Nov 2039		
		Size (%)	Size (EURm)						
Cash Reserve		None	0						
Cash Advance		2.6	52						
First Interest Payment Date		November 2 007							
Step-Up Date		February 2013							
Swap		Pays senior expenses and interest on notes minus PDLs.							
Excess Spread (Closing)		35bp							

Key Information

		Parties	
Closing Date	September 2007	Seller/Originator	SNS Bank N.V. (A+/F1), BLG
Country of Assets	The Netherlands	Servicer	SNS Bank N.V., BLG
Country of SPV	The Netherlands	Lead Managers	SNS Bank N.V.
Bloomberg	HERME 14	Trustee	Stichting Security Trustee Holland Mortgage Backed Series(Hermes) XIV
Issuance Date	September 2007	Swap Counterparty	SNS Bank N.V.
Structure	Pass-through	Cash Advance Facility Provider	SNS Bank N.V.
Settlement	Euroclear, Clearstream	Floating Rate GIC Provider	SNS Bank N.V.
Listing	Euronext Amsterdam N.V.	Paying Agent	ABN AMRO Bank N.V.
Analyst	Jaap Hoorweg jaap.hoorweg@fitchratings.com	Cash Collection Accounts Provider	SNS Bank N.V.

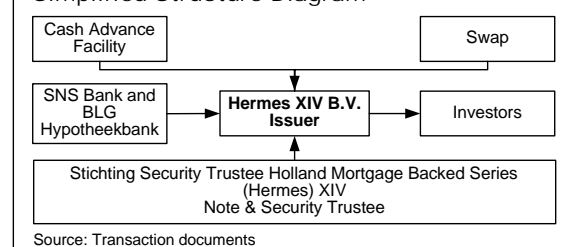
Others (Summary)

Short-term Rating Triggers (Minimum)	
Cash Advance Facility	F1
Swap Agreement	F1 and A
Transaction Account Bank	F1
Credit Enhancement	
Excess spread under the swap, subordination	
Credit Committee Highlights	
Established issuer, performance of transactions is sound	
WA OLTMV is 79.1%, seasoning 17.2 months, interest-only loans are 84.4% of the portfolio, around 4.9% are self-employed borrowers	
Swap pays servicing fees, interest on the notes minus PDLs and 35bp guaranteed excess spread, no reserve fund	
Inclusion of 43% BLG originated loans	

Fitch Default Model Output

Rating Level	AAA	AA	A	BBB	BB
WAFF (%)	14.18	11.35	8.51	5.67	2.84
WARR (%)	65.29	70.94	76.16	80.22	84.01
Loss Severity (%)	39.33	33.68	28.46	24.40	20.61
MVD	37.89	32.37	26.85	21.93	17.01

Simplified Structure Diagram



Collateral

Pool Characteristics

Original Principal Balance (EUR)		Regional Concentration (%)	
Current Principal Balance (EUR) (Net of Savings)	2,061,842,705	Zuid-Holland	13.7
Savings Balance	1,884,456	Noord-Brabant	17.7
Average Current Loan per Borrower (EUR)	193,528	Gelderland	13.1
Number of Loans	16,831	Lien Position (%)	
Seasoning (Months)	17.2	First Ranking	
Loan to Value (LTV) (%)		First & Subsequent Ranking	100
WA OLTMV	79.1	Jumbo (%)	21
WA CLTMV		Payments	
WA CLT Indexed MV		Payment Frequency	Monthly
Mortgage Characteristics (%)		Payment Method	Direct Debit
Interest Only	84.44	Performing Loans (%)	100
Savings	1.71	WA DTI (%)	
Insurance	0	Employment Status (% of Self-Employed)	4.9
Repayment	0.62		
Investment	13.24		
Floating Rate Loans	13		
Fixed Rate Loans	87		
WA Interest Margin	4.6		

Source: SNS Bank/Fitch

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