

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

SNS Bank / MBS / Netherlands

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 31/12/2005. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Estimated Closing Date

[22 February 2006]

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PROVISIONAL (P) RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A	(P)Aaa	€ [1,424,300,000]	94.95	[Sept 2040]	[Sept 2015]
B	(P)Aa2	€ [35,200,000]	2.35	[Sept 2040]	[Sept 2015]
C	(P)A2	€ [31,500,000]	2.10	[Sept 2040]	[Sept 2015]
D	(P)A3	€ [9,000,000]	0.60	[Sept 2040]	[Sept 2015]
E	(P)Baa3	€ [27,700,000]	1.85	[Sept 2040]	[·]
Total		€ [1,527,700,000]	101.85		

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

OPINION

Strengths of the Transaction

- The protection against losses through the subordination of the more junior Notes.
- The Excess Margin of 0.45% p.a. in the transaction guaranteed via the interest rate swap provided by SNS Bank N.V.
- The availability of a Reserve Fund of 1.85% of the Class Notes balance of A,B,C and D which will be fully funded at closing and of a cash advance facility provided by SNS Bank N.V. equal to 1% of the Class Note balance of A, B, C and D at closing.

Weaknesses and Mitigants

- The substitution of new mortgages into the pool until and including the payment date falling in September 2008 mitigated by the triggers controlling the amount, the eligibility criteria and the conditions to be satisfied.
- Set-off risk on the life insurance and investment mortgages in the pool, mitigated by the investment grade rating of SNS Bank and the fact that the large majority of the life insurance policies is provided by third parties outside the SNS REAAL Group.
- A high percentage of Interest-only loans, which benefit however from combined life- and capital-insurance policies in case the loan to foreclosure value exceeds certain levels.



STRUCTURE SUMMARY *(see page 3 for more details)*

Issuer:	Holland Mortgage Backed Series (Hermes) XI B.V.
Borrowers:	Private individuals based in the Netherlands.
Seller/Originator:	SNS Bank N.V. (A2/Prime-1) ("SNS Bank")
Servicer:	SNS Bank
Interest Payments:	Quarterly on [18]th day of March, June, September and December
Principal Payments:	Principal pass-through structure after the revolving period.
Credit Enhancement/Reserves:	1.85% Class E Notes used to fund the Reserve Fund and Subordinated Classes of Notes.
Cash Advance Facility:	Provided by SNS Bank equal to 1% of the Class Note balance of A, B, C and D at closing.
Interest Rate Swap Counterparty:	SNS Bank
Principal Paying Agent:	ABN AMRO Bank N.V. (Aa3/Prime-1)
Security Trustee:	Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XI
Arrangers/Lead Managers:	Barclays Capital, Deutsche Bank

COLLATERAL SUMMARY *(Based on Preliminary Pool Selection of 31 December 2005)*

Receivables:	First ranking mortgage loans to Dutch individuals
Number of Contracts:	[17,373] loan parts
Number of Borrowers:	[9,331]
Average loan size:	Euro [188,518]; max Euro [400,000] per borrower
Geographic Diversity:	Gelderland [17.48]%, Zuid-Holland [13.72]%, Noord-Brabant [12.26]%, Limburg [10.49]%, Noord-Holland [10.16]%, Overijssel [9.84]%, Utrecht [7.73]%, Flevoland [5.78]%
Weighted Average LTV:	Current Loan to Market Value (current balance includes savings balance) [95.6]%, (current balance excludes savings balance) [92]%, Current Loan to initial Foreclosure Value [105.20] %
Seasoning:	[15] months
Delinquency Status:	No loans in portfolio were delinquent on [31 December 2005]
NHG Loans:	[0]%

NOTES

Class	Amount	Rating	Rate Type	Initial Margin Rate	Step-up Margin
A	€[1,424,300,000]	(P) Aaa	Floating	3M Euribor + [·]%	[1.00]%
B	€[35,200,000]	(P) Aa2	Floating	3M Euribor + [·]%	[1.25]%
C	€[31,500,000]	(P) A2	Floating	3M Euribor + [·]%	[1.50]%
D	€[9,000,000]	(P) A3	Floating	3M Euribor + [·]%	[2.00]%
E	€[27,700,000]	(P) Baa3	Floating	3M Euribor + [·]%	NA

OVERVIEW

Program summary: some changes in Hermes XI

Hermes XI is the 11th true sale transaction backed by mortgages originated by SNS Bank to its clients. SNS Bank comes to the market on a regular basis with series issued under the Hermes Program, for the last time in September 2005 when Hermes X was issued.

Hermes XI is using a structure very similar to the previous Hermes transactions. Similar to Hermes X, savings mortgages are included in the reference pool and a savings sub-participation is used in the structure and there is a substitution period of two and a half years. As in Hermes IX and X, two features have been added to the Hermes programme not seen in the Hermes I to VIII transactions. The first feature is the issuance of an extra class of notes. The second feature is the structure of the E Notes which has been adapted by removing the build up of the Reserve Fund and allowing the E Notes to be redeemed with Excess Margin commencing on the payment date falling in [March 2010]. A new feature in Hermes XI which was not in the previous Hermes transactions, is the application of the new Dutch law (in effect since 1st of October 2004). Under this new Dutch law the perfection of legal title may be achieved without notifying each individual borrower but through the registration of a Deed of Assignment with either a Dutch notary or the Dutch tax authorities. SNS Bank will transfer the loans using this silent assignment. However, to perfect security before a potential Bankruptcy of the Seller several notification triggers have been included in the structure, one of which relates to the event that SNS Bank is downgraded below A3.

Excess margin used to redeem Class E Notes from and including March 2010

Any Excess Margin available in the transaction after all other obligations (including replenishment of the Reserve Fund) have been met in full will be used to redeem the Class E Notes commencing on the payment date falling in March 2010.

Principal pass through structure following substitution period

During the substitution period of maximum two and half years, any repayments received under the mortgage loans will be used to purchase substitute mortgages. Afterwards, any repayments received under the mortgage loans will be used to redeem the notes on a sequential basis in order of seniority, starting with the Class A Notes.

Optional redemption as of September 2015

The Issuer may also at its option redeem all Notes (except for Class E) outstanding at the First Optional Redemption Date in September 2015 or on any payment date thereafter. An interest-rate step up mechanism is used to create an incentive for the issuer to redeem all of the notes (except for Class E). As is the case with most Dutch RMBS transactions, under such circumstances, junior Notes (in this case the Class B, C and D Notes) would be redeemed at their outstanding principal balance less any Principal Deficiency Ledger balance that was then outstanding against that Note. While reviewing this transaction, Moody's has assessed under what conditions this may occur and believes it to be consistent with ratings assigned to the respective junior Notes.

STRUCTURAL AND LEGAL ASPECTS

Issuer established as private company (B.V.) in the Netherlands

The Issuer is a special purpose vehicle incorporated under the laws of the Netherlands with limited liability as a "besloten vennootschap met beperkte aansprakelijkheid". The shares of the Issuer are owned by a foundation established under the laws of the Netherlands: Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding.

Perfection of the legal title through registration of the deed of assignment

As of the 1st of October 2004 the new perfection law came into force. While the new law allows for the perfection of legal title without notification, it still does not clarify the position with regards to Bank or Credit mortgages. These mortgages contain provisions whereby the mortgage right (i.e. right to the underlying property) may be used to secure future receivables that the borrower may have with the Originator. There is still some uncertainty among legal participants whether, in the event of assignment of the receivables, the mortgage right will follow or partly follow the mortgage receivable.

Although the registration of the Deed of Assignment eliminates the need for the notification of borrowers to perfect legal title, notification triggers have been added to the structure to minimise the potential co-mingling risk and to ensure the transfer of the payments by the borrowers to the Issuer. Notification will take place upon one of the following events:

- 1) A SNS Bank payment default is made and such default is not remedied within 10 business days;
- 2) SNS Bank fails to comply with any of its obligations under the relevant agreements and such failure is not remedied within 10 business days;
- 3) SNS Bank's long term rating falls below A3;
- 4) Suspension of payments or bankruptcy of SNS Bank; and
- 5) Moody's is of the opinion that the above mentioned notification triggers sufficiently protects the structure against a sudden bankruptcy of SNS Bank.

Security vested via a pledge structure

In order to allow the Security Trustee to collect all the payments with respect to the mortgage receivables upon the occurrence of certain notification events, a right of pledge on the mortgage receivables, beneficiary rights and collection account is given by the Issuer to the Security Trustee on the Closing Date.

Set-off risk with life insurance mortgages

Due to the tax deductibility of interest on residential mortgages and the ability to set up an independent tax efficient repayment vehicle, set off is an additional risk to Dutch RMBS transactions. This repayment vehicle usually takes the form of a savings or insurance policy.

In the event of a bankruptcy of the insurance company providing the borrower with the insurance/repayment policy, the possibility exists that the borrower is able to set off the value of his policy against the mortgage loan.

One of the requirements for set off under Dutch Law is that the mortgage contract and insurance policy are between the same parties.

In this transaction the mortgage loans with an interest-only mortgage part exceeding 75% of the foreclosure value have a life insurance policy. However, the borrowers are free to choose their repayment policy provider and mortgage loan and life insurance policy are not marketed as one product, as such there is no direct commercial connection between the mortgage loan and the repayment policy. In cases where the insurance policy is provided by a party not linked to SNS Bank, it is therefore unlikely that the court would rule in favour of the borrower and allow set off. However, in relation to a portion of the interest-only loans, the insurance policy is provided by Reaal, which is, like SNS Bank, fully owned by the SNS Reaal Group (**A3/Prime-2**). In these cases, the possibility cannot be ignored that a Dutch court will rule in favour of the Borrower and allow set off.

Set off risk has been taken in account in the ratings of the Notes by reducing the amount of credit support available to a Class of Notes with the expected loss due to set off. The expected loss is a function of (x) the severity which is the value of the insurance policy a borrower could potentially set off against the amount of the loan and (y) probability that the SNS Reaal Group will go bankrupt. The ratings of the Notes reflect the set off risk as at closing, but a deterioration of the credit quality of the SNS REAAL Group might affect certain classes of Notes.

Stichting structure for investment mortgages mitigates set off risk

Approximately [26.98]% of the initial mortgage pool is comprised of Investment Mortgage Loans. In this product the payments by the borrowers that are calculated to repay the mortgage at maturity are not held by an entity within the SNS Reaal Group, but by a Stichting which is to all extent and purposes bankruptcy remote. Because of the segregation, the set off risk with respect to this product is mitigated.

Savings participation Agreement

Approximately [6.06]% of the initial pool of mortgage loans are Savings Mortgage Loans. Set off risk is hereby mitigated through a sub-participation structure where the periodic premiums are passed through to the issuer.

Special provisions have been entered into to get regular principal cash flows from the Savings Mortgages which do not reimburse principal before the final maturity of the loan. According to these provisions the Participants will immediately transfer to the Issuer the savings premium received from the Borrower. The accumulation of these premiums plus accrued interest thereon reflects the principal amortization of an annuity mortgage of the same size. The structure is therefore receiving on each Monthly Payment Date an adequate amount of principal repayment from the Savings Mortgages. The amounts advanced to the Issuer by the Participants will allow them to build up a participation in the relevant Savings Mortgage making sure the Participants can still fulfill its obligations under the Savings Mortgage.

Substitution until and including September 2008 unless substitution criteria are not met

In the transaction, all principal receipts (which include receipts from the Savings Mortgage Participant) are reinvested in mortgages during the substitution period of two and a half years. Substitution introduces additional risks, for example the risk that new mortgage receivables replace good quality borrowers who re-mortgage. This increases the potential loss. To limit the amount of risk that is introduced, the following criteria have to be met for substitution to take place.

- 1) not more than [2.25] per cent. of the aggregate outstanding principal amount of the Mortgage Loans is in arrears for a period exceeding 60 days (i.e. two missed monthly payments);
- 2) no draw on the amount to the credit of Reserve Account has been made;
- 3) the weighted average of the aggregate proportions of the Principal Amount Outstanding of each Mortgage Loan and Substitute Mortgage Loan to the Foreclosure Value of the mortgaged property does not exceed the weighted average Loan to the Foreclosure value at closing plus 0.5 per cent;
- 4) the aggregate outstanding principal amount of the Substitute Mortgage Loans and the Mortgage Receivables purchased by the Issuer since the Annual Payment Date immediately preceding the relevant date of completion of the sale and purchase does not exceed [20] per cent of the aggregate Principal Amount Outstanding of the Notes on such Annual Payment Date;
- 5) cumulative realised losses do not exceed [0.9]% of the Principal Amount Outstanding of the Mortgage Receivables at closing;
- 6) the aggregate outstanding principal amount of all Interest only Mortgage Loans does not exceed 67.5 per cent of the aggregate outstanding principal amount of all Mortgage Loans;
- 7) no notification event has occurred.

Interest rate mismatch removed with an interest rate swap provided by SNS Bank

Most mortgage loans carry a fixed interest rate, which is reset at a specific date in the future. The Class A, B, C, D and E Notes carry a floating interest rate payable quarterly in arrears. To mitigate the interest rate risk the Issuer has entered into a swap with SNS Bank. Under this swap the Issuer will pay quarterly an amount equal to the scheduled interest receipts plus the prepayment penalties received minus an annual Excess Margin of 0.45% minus certain fees and issuer's expenses. The Issuer will receive the interest due on all the Notes, which includes the increase in margin after the first Step-Up Date in September 2015, and certain operating expenses. Like in the Hermes X transaction the notional amount under the swap will be reduced to the extent there is a debit balance on the Principal Deficiency Ledgers, which has been taken into account in the credit enhancement.

An **A2** trigger linked to the strength of swap counterparty SNS Bank in combination with the standard swap replacement language ensures that interest rate risk is mitigated over the life of the transaction.

Credit enhancement provided by Excess Margin, Reserve Fund and Subordination

The first layer of protection for investors in the Notes is the Guaranteed Excess Margin of 0.45% p.a. in the transaction. The prepayment level and the timing of losses have an impact on the value of the Excess Margin.

As mentioned above, any Excess Margin that is not used to cover losses or to replenish the Reserve Account to its target level, will be used to repay the Class E Notes starting in March 2010. Moody's assessed the credit enhancement provided by the Excess Margin over time, assuming different prepayment and loss scenarios.

Investors should be aware that the E Notes represent the first loss position in the pool. The allocation of Excess Margin to repay the E Notes commencing in March 2010 reduces the severity and thus enhances the rating. However, this does not change the frequency of default and losses early in the transaction could lead to the E Notes not being repaid in full.

The second layer of protection is the Reserve Fund with an initial size of 1.85% of the initial balance of the Class A, B, C and D Notes. A step-down mechanism will reduce the Reserve Fund's size to the lesser of 1.85% of the initial balance of the Class A, B, C and D and 1.85% of the current balance with a minimum of 0.5% of the initial balance of the A, B,C and D when certain conditions are met.

The third layer of protections is provided by the subordination of more junior Classes of Notes.

Cash advance provided by SNS Bank

In the unlikely event the amount attributable to service the interest on the Notes is insufficient at a specific date, the cash advance facility equal to 1.0% of the initial balance of the Class A, B, C and D Notes provided by SNS Bank can be used to ensure timely payment of interest on the Notes.

A **Prime-1** trigger ensures a cash advance provider of acceptable credit worthiness will be supporting the structure over the life of the transaction.

GIC account with SNS Bank

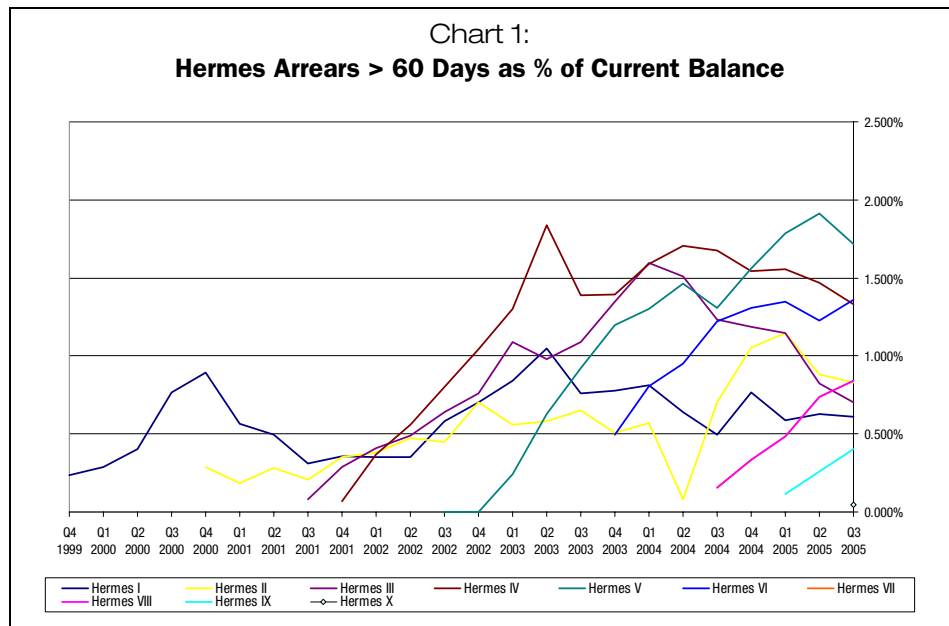
The payments from the Borrowers are due on the first day of the month and are collected by the servicer and paid to the Collection Account with SNS Bank. At the end of each month all the amounts received are transferred to the GIC Account in the name of the Issuer. This GIC Account will be held with the Floating Rate GIC Provider SNS Bank, who guarantees a minimum interest rate of Euribor minus a margin.

In the event that SNS Bank is not assigned a rating of at least **Prime-1** then a GIC Guarantor will be provided or a replacement GIC provider will be found.

COLLATERAL – REFERENCE PORTFOLIO

The notes are backed by [17,373] performing residential mortgage loan parts, which are secured by first ranking mortgages on properties of borrowers in the Netherlands. The current loan to market value for the entire portfolio is [92]% and the current loan to initial foreclosure value is [105.20]%. The portfolio is concentrated in the following provinces: Gelderland [17.48]%, Zuid-Holland [13.72]%, Noord-Brabant [12.26]%, Limburg [10.49]%, Noord-Holland [10.16]%, Overijssel [9.84]%, Utrecht [7.73]% and Flevoland [5.78]%. Of the mortgages [66.49]% are interest only, [6.06]% savings mortgages, [26.98]% investment mortgages and [0.47]% annuity mortgages or linear mortgages. A vast majority of the mortgage loans carry a fixed interest rate, All interest-only loans have the benefit of a combined risk and capital life insurance policy, as explained earlier.

Historical performance data of Hermes transactions



Some foreclosures occurred but loss on mortgage portfolio limited

As the arrears levels in above chart show, the levels have shown a rising trend recently but the performance of the previous Hermes transactions is still acceptable and in line with expectations. In the last years, some losses have been reported in the Hermes transactions following several foreclosures. These foreclosures have resulted in very limited losses which have all been covered by Excess Margin. This trend is similar to the performance of other transactions where limited losses are reported since the respective closing dates. Investors should note that the arrear levels are reported different from standard in the Dutch RMBS market; Arrears levels are calculated by using the date the first arrear appeared as a marker. Amounts received will be used for the most recent outstanding amounts while other originators will use payments to cover old outstanding amounts first. As a result, borrowers could shift to further arrears buckets even if only one payment is due.

All the loans have been originated by SNS Bank

SNS Bank originated the mortgage loans to its clients through its network of branches and via independent intermediaries.

The mortgage applications are evaluated in the origination departments based on the underwriting criteria of SNS Bank, which are not substantially different from other originators in the Netherlands.

Servicing provided by SNS Bank

All the mortgage loans will continue to be serviced by SNS Bank. SNS Bank's primary business consists of mortgage lending, domestic retail banking and small and medium sized companies. Mortgage servicing is performed from one central office. Servicing of delinquent and/or defaulted mortgages is done by locally focussed recovery departments.

Moody's has reviewed the servicing operations of SNS Bank and believes that the management and system capabilities fully comply with the required standards.

MOODY'S ANALYSIS

To determine the ratings on the Notes, Moody's has used the following methodology, which is applied to most European residential mortgage backed securities markets.

The Loss Distribution

Determination of the log normal loss distribution

The first step in the analysis is to determine a loss distribution of the pool of mortgages to be securitised. Because of the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution: the lognormal distribution.

To determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss number. These parameters are found by looking at two important data sources: historical loss data and the loan-by-loan model.

Moody's has made a comparison of SNS Bank's underwriting criteria to other mortgage originators in the Netherlands and of the performance of previous Hermes transactions compared to other securitisations in order to extrapolate expected losses for the loan pool.

Because there is relatively little historical data available for Dutch mortgage loans, this data is adjusted to incorporate Moody's view of additional risks not reflected in the data available.

To obtain the volatility under "stress" scenarios, Moody's will also take into account historical data, however, observed historical volatility may not be significant (given insufficient datapoints, or incomplete data). In addition this may not be representative for the future as it is based on the previous economic environments experienced.

The Aaa CE enhancement number is determined using a loan-by-loan analysis

Therefore, Moody's will determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with **Aaa** under highly stressed conditions. This enhancement number (the "Aaa CE" number) is produced by using a loan-by-loan model ("Dutch MILAN model"), which looks at each loan in the pool individually and based on its individual characteristics such as loan-to-value or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The weighted average benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the "Aaa CE" number. The Aaa CE number and the expected loss number are the basis of committee discussions and are used to derive the lognormal distribution of losses of the pool. The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss compliant with the idealised expected loss target of the Aaa CE number.

Cash flow model is used to assess the impact of structural features

Having obtained the loss distribution of the pool under consideration, a cash flow model is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, liquidity and the value of Excess Margin.

The expected loss is calculated for each class of Notes

The sum of the loss experience per note class weighted by the probability of such loss scenario will then determine the expected loss on each tranche and hence the rating, consistent with Moody's target losses for each rating category.

The ratings of the Class A Notes is therefore based on an analysis of:

- The characteristics of the mortgage pool backing the Notes;
- The relative roll-rate levels and arrears in this type of lending;
- Sector-wide and originator specific performance data;
- Protection provided by credit enhancement and liquidity against defaults and arrears in the mortgage pool;
- The roles and creditworthiness of various transaction counterparties; and
- The legal and structural integrity of the Issue.

The ratings of the Class B, C, D and E Notes are based on the above factors, and also on an assessment of the extent of their subordinate position within the structure.

The likelihood of each Class suffering such loss given the credit enhancement described above and the impact on the expected yield to investors are consistent with the assigned ratings.

Monitoring on ongoing basis

RATING SENSITIVITIES AND MONITORING

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk. For all questions linked to the monitoring of the operation, please contact monitor.london@moodys.com.

RELATED RESEARCH

Related Special Reports

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports

- Special Report 'Moody's Approach to Conditional Sale of Mortgage Receivables in Rating Dutch MBS', May 2001.
- Special Report 'Dutch MBS: Set off in Securitisation Transactions', September 2001.
- Special Report 'Swaps in European Term Transactions', May 2002.
- Special Report 'Liquidity Facilities in European Term Transactions', August 2002.
- Rating Methodology 'Moody's Approach to Rating Dutch RMBS' June 2004.
- Rating Methodology 'Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows)', January 2006.

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