European Structure Finance
New Issue

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

Ratings

Mortgage-Backed Notes due 2009

EUR170,000,000 Senior
Class A-1 Notes...............................AAA
EUR65,000,000 Senior
Class A-2 Notes...............................AAA
EUR173,000,000 Senior
Class A-3 Notes...............................AAA
EUR18,500,000 Subordinated
Class B Notes ....A
EUR10,500,000 Subordinated
Class C Notes ....BBB

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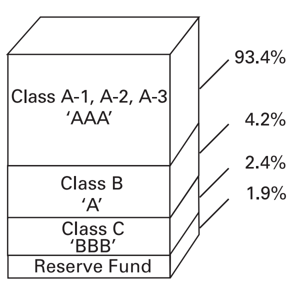
Capital Structure



■ Summary

Holland Euro-Denominated Mortgage-Backed Series (Hermes) I B.V.'s (Hermes I, the issuer) EURO 437 million mortgage-backed notes due 2009 are rated as indicated at left.

Hermes I is the first public issue of notes backed by a pool of residential mortgages originated by SNS bank Nederland N.V. (SNS; rated 'A+/F1' by Fitch IBCA), through its 100% subsidiaries: SNS bank Groningen-Friesland-Drenthe N.V., SNS bank Overijssel N.V., SNS bank Gelderland N.V., SNS bank Randstad N.V., SNS bank Brabant/Rivierenland N.V and SNS bank Limburg N.V. (the sellers). The mortgages will be serviced by SNS, a wholly owned subsidiary of SNS Reaal Groep N.V.

The issuer is a special purpose company incorporated under the laws of the Netherlands with limited liability as a "besloten venootschap met beperkte aansprakelijkheid" (B.V.) and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The shares of the issuer are owned by Stichting Euro-Denominated Mortgage-Backed Series (Hermes), established under the laws of the Netherlands as a foundation.

At closing, the issuer will acquire a portfolio of residential mortgages from the sellers, which will form the collateral for the notes. The portfolio consists of first-ranking fixed-rate mortgages secured over residential property located in the Netherlands.

The ratings are based upon the quality of the collateral, available credit enhancement and excess spread, sound legal structure, underwriting and servicing of the mortgages loans, the arrears liquidity facility and guaranteed investment contract (GIC) provided by SNS, the interest rate swaps provided by UBS AG (UBS; rated 'AAA/F1+' by Fitch IBCA), and the put option against Coöperatieve Centrale Raifeissen-Boerenleenbank B.A. (Rabobank; rated 'AAA/F1+' by Fitch IBCA). Credit enhancement for the class A-1, A-2 and A-3 notes, totalling 8.5%, is provided by the subordinated notes (6.6%) and the reserve fund (1.9%). Credit enhancement for the class B notes, totalling 4.3%, is provided by the class C notes (2.4%) and the reserve fund (1.9%). Credit enhancement for the class C notes, totalling 1.9%, is provided by the reserve fund.

In accordance with the priority of payments described in the Financial Structure section on page 4, interest and principal on the class A, B and C notes will be paid on a quarterly basis, commencing 18 January 2000. The class A-1, A-3, B and C notes, will receive interest payment

Key Information

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

Sellers: SNS Bank Groningen-Friesland-Drenthe N.V.
SNS Bank Overijssel N.V.
SNS Bank Gelderland N.V.
SNS Bank Randstad N.V.
SNS Bank Brabant/Rivierenland N.V
SNS Bank Limburg N.V.

Trustee: Stichting Security Trustee Holland Euro-Denominated Mortgage Backed Series (Hermes) I

Trustee Director: ATC Management B.V

Cut-Off Date: 31 August 1999

Servicer/Arrears Liquidity Provider/ Guaranteed Investment Contract Provider/ Subordinated Loan Provider: SNS bank Nederland N.V. (rated 'A+/F1' by Fitch IBCA)

Interest Rate Swaps Counterparty: UBS AG (rated 'AAA/F1+' by Fitch IBCA)

Put Option Provider: Coöperatieve Centrale Raifeissen-Boerenleenbank B.A. (Rabobank; rated 'AAA/F1+' by Fitch IBCA)

Paying Agent: ABN AMRO Bank N.V. (rated 'AA/F1+' by Fitch IBCA)

Interest and Principal Payments: Quarterly, commencing 18 January 2000

Legal Maturity: 18 July 2009

Collateral: First-ranking residential mortgage loans secured by property based in the Netherlands.

based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. The class A-2 notes will receive a fixed interest payment. The notes will be redeemed sequentially with the principal payments of the collateral and the provisioned principal deficiency ledger for each class of notes. Each class of noteholders will be paid once the previous class of noteholders, ranking in higher order, has been paid in full.

To determine appropriate levels of credit enhancement, Fitch IBCA analysed the collateral using a loan-by-loan mortgage default model *(see Fitch IBCA Research "Dutch Mortgage Default Model" dated 28 May 1997, available on Fitch IBCA's web site at www.fitchibca.com).* Fitch IBCA also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses, at a level corresponding to the related stress scenario, without incurring any principal loss or interest shortfall.

■ Collateral

The provisional pool forming the collateral for the notes consists of 4,441 mortgage loans with a total outstanding balance of approximately EURO 443.98 million. The mortgages are first-ranking mortgages originated by the sellers.

At the cut-off date, the average principal balance was EUR 99,973. The approximate weighted average original loan-to-value (LTV) ratio was 96.2%. The LTV is calculated using a chartered real estate agent's execution value for the property, in case of mortgages with an original LTV higher than 50%. Otherwise, the execution value is calculated employing a valuer from the sellers or SNS, or using the tax authority assessments. The execution value is the estimated value of the property at auction, and is typically around 85% of the market value or the actual open market purchase price. Therefore, the approximate weighted average LTV using original market valuations is 82%.

The loans in the portfolio have all been originated since 1995, and the weighted average origination date was 21 April 1998. All mortgages in the provisional pool are fixed-rate mortgages, with interest rate resets *(see Interest Rate Resets, page 3)*. The weighted average fixed rate as at the cut-off date was 5.72%. Of the borrowers, almost 100% pay by direct debit to accounts at the sellers. At closing no mortgages with payments in arrears for a term longer than 30 days will be included in the pool.

In terms of geographic concentration, the highest regional concentrations are Gelderland (22.23%), Limburg (16.47%), Noord-Brabant (14.21%), Noord-Holland (9.90%), Overijssel (8.13%) and Flevoland (7.97%).

■ Credit Issues

Fitch IBCA analysed the collateral for Hermes I by subjecting the mortgage loans to stresses resulting from its assessment of historical home price movements and mortgage defaults in the Netherlands *(see Fitch IBCA Research on "Dutch Mortgage Default Model").* This study shows that the borrower's LTV, by reflecting the size of the borrower's down-payment and his willingness-to-pay, and debt-to-income ratio (DTI) or income multiple, by reflecting the borrower's ability-to-pay, are the key determinants of default probability in the

Netherlands. Fitch IBCA assumes that the mortgage borrowers have approximately an average ability to pay of 30%–33% DTI ratio, based on SNS's origination guidelines.

The following are particular areas of focus and concern for Fitch IBCA on Hermes I, as well as the factors incorporated into Fitch IBCA's analysis to deal with these concerns.

Interest Rate Resets

The weighted average (by value) reset date of the current fixed interest rate loans in the pool is April 2007, with 100% of the loans in the pool due to be reset before the legal maturity of the notes. The issuer is protected from the risk of interest rate resets on the loans under the put option provided by Rabobank. Prior to an interest rate reset date, the issuer shall use its best efforts to sell the relevant mortgage loans to a third party, which may also be SNS or one of the sellers. If these mortgage loans have not been sold 95 days prior to the reset date, the issuer shall offer the loans to Rabobank, which will be obliged to purchase and accept assignment under the put option agreement among Hermes I and Rabobank. The purchase price for the mortgages shall be equal to the aggregate outstanding principal amount together with the accrued interest. For this reason, Fitch IBCA has not increased its default probability assumptions for loans with interest rate resets. In the event of a downgrade of Rabobank no replacement mechanism is contemplated for the put option provider.

Mortgage Types

In the provisional pool, approximately 86.7% (by value) of the loans are interest-only mortgages. Fitch IBCA believes that interest-only loans expose a lender to greater risk by relying on the resale value or the borrower's ability to make one lump-sum principal repayment at maturity.

Approximately 6% of the loans in the pool, are investment mortgages. These mortgages invest part of the premium in certain investment funds. Under this mortgage type, no principal is paid by the borrower prior to loan maturity, at which point, the loan is redeemed with the funds accumulated through investments. The yield on the investment premiums under the investment mortgages might fluctuate.

However, the risk of the interest-only and investment mortgages is mitigated by the following facts: (i) the interest-only mortgage loans have a loan-to-execution value ratio lower than 75% at origination (otherwise a principal repayment schedule or alternative saving mechanism is established), and (ii) the put option at the reset date which removes any remaining balloon risk.

Other types of mortgages, approximately 6.4% of the loans in the pool, are annuity mortgages. Finally, approximately 0.9% of the loans in the pool are linear mortgages, which have scheduled repayment of principal over the term of the mortgage.

■ Loss Severity

In order to estimate loss severity on mortgage loans in the Netherlands, Fitch IBCA has examined home price movements by separating the Netherlands into 12 regions. Fitch IBCA focused on the housing recession that occurred between 1978 and 1982 in Holland to estimate worst case market value declines and then generated market value declines for each rating level and by region *(see Fitch IBCA Research on "Dutch Mortgage Default Model").*

When calculating recovery value, Fitch IBCA's model reduces each property valuation by the market value decline, repossession costs and the cost to the servicer of carrying the loan from delinquency through to default.

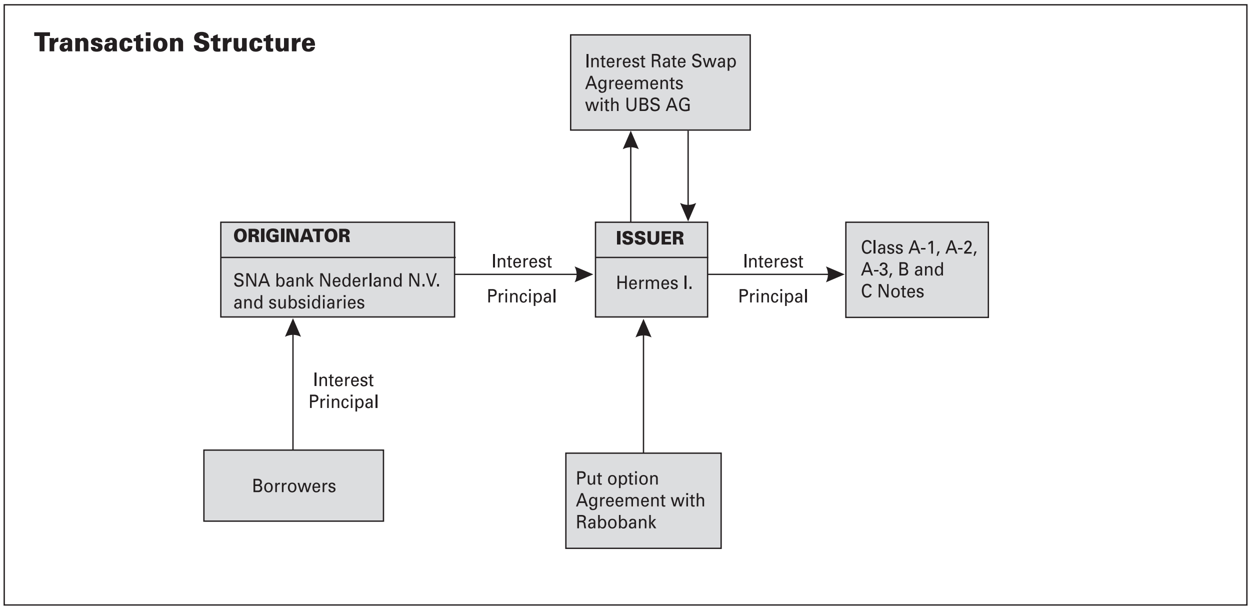
Fitch IBCA has increased market value decline assumptions for properties worth more than EURO 160,000 by 15%–25%. Higher value properties tend to have larger market value declines owing to the smaller marketplace for these properties and less precise pricing information for larger properties (owing to the less active market). Approximately 38.3% of the properties in the pool had values exceeding EURO 160,000.

On the basis of worst case information gathered from Dutch mortgage lenders, Fitch IBCA assumes repossession costs represent 5% of the loan's balance at the time of possession. To calculate carrying cost, Fitch IBCA 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 in the Hermes I pool.

■ Origination and Servicing

The mortgage receivables were originated and will be serviced by SNS.

SNS owns 7 regional banks (the sellers plus SNS bank Zeeland). SNS is part of SNS Reaal Group, which is the fifth largest financial institution in Netherland by total assets at 1999. The SNS group was formed in 1990 and merged with the Reaal Group in 1997.



In addition to the pool analysis, Fitch IBCA has reviewed and analysed SNS's origination and servicing guidelines, finding these procedures appropriate. Fitch IBCA has conducted several interviews with the respective originator and servicer managers responsible for the SNS's mortgage loan department. SNS follows a tight process of underwriting criteria based on a detailed underwriting manual.

SNS puts a strong emphasis on a borrower's ability to pay and employees perform a credit analysis in the determination of a prospective borrower's creditworthiness. The borrower's ability to pay is determined primarily by the borrower credit profile, risk profile of the property, and LTV ratio of the transaction.

SNS has 297 offices and 359 agencies, at mid-1998, offering all the retail and wholesale services of a commercial bank on a national scale.

Mortgages are distributed through the sellers and via independent agents based in the Netherlands. The underwriting decision is based on the same criteria, which are set centrally at SNS to maintain effective control and implement consistent underwriting procedures. Each underwriter also uses a mortgage analysis program for certain computations in the underwriting process. SNS analyses the borrower's ability to pay using a housing ratio, which determines the maximum mortgage a borrower could take out. The mortgage ratio depends on the household status (single/dual), the income level, and the mortgage interest rate. Checks of the national credit register — Bureau Krediet Registratie, income checks, and collateral analysis are also an integral part of the decision process.

Loan administration, collections, and arrears management is performed by the 6 sellers, following the formal procedures defined by SNS. The system will generate reminder letters on the 10th, 20th and 40th day after the payment date overdue. After 75 days without positive results the seller will start pre-foreclosure procedures.

Financial Structure

The interest on the notes will be paid quarterly, commencing 18 January 2000. The class A-1, A-3, B and C notes, will receive interest payment based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. The three-month EURIBOR for the aforementioned notes is received from the swap counterparty, under the interest rate swaps agreements *(see Interest Rate Swap Agreements, page 5)*. The class A-2 notes will receive a fixed interest payment.

An arrears liquidity facility equal to 0.5% of the original note balance will be provided by SNS to cover mortgages interest payments in arrears, for class A-1, A-2, A-3, B and C notes. The liquidity facility will be provided for a term of 364 days, and the term will be extendable at the option of the liquidity facility provider. All amounts of interest, prepayment penalties and principal payments, received the 1st business day of each month by the sellers, are passed on the 8th business day of each month to the collection account, kept in the name of

Hermes I at SNS. The amounts of money deposited in the collection account will receive, under a GIC, an interest rate equal to three-month EURIBOR less a margin.

In the event of a downgrade of SNS below ‘F1’, within 30 days, a replacement arrears liquidity provider and a replacement GIC provider, accomplishing the rating requirements, will be provided. If a replacement arrears liquidity provider is not provided, accomplishing the aforementioned conditions, or the liquidity facility is not renewed, the issuer will draw down the undraw portion of the liquidity facility.

The paying agent will be ABN AMRO Bank N.V. (ABN; rated ‘AA/F1+’ by Fitch IBCA). Quarterly payments of interest and principal will be passed through to the paying agent from the collections account and swap agreements.

The notes will be redeemed sequentially with the principal payments of the collateral and the principal deficiency ledger for each class of notes. Each class of noteholder will be paid once the previous class of noteholder, ranking in higher order, has been paid in full.

The notes are subject to provisions allowing for redemption upon the occurrence of tax and legal changes affecting the financial equilibrium of Hermes I.

On each distribution date, the priority of payments will be as follows:

1. Expenses payable by Hermes I for the trustee and management expenses.
2. Administration fee.
3. Other expenses due by Hermes I and the fee to the paying agent.
4. Amounts due to the liquidity facility provider.
5. Pro rata, interest to the class A-1, A-2, A-3 notes and amounts due under the swap agreements.
6. Class A principal deficiency ledger *(see Principal Deficiency Ledger).*
7. Interest to the class B notes.
8. Class B principal deficiency ledger.
9. Interest to the class C notes.
10. Class C principal deficiency ledger.
11. Replenishing the reserve fund to its minimum required balance *(see Credit Enhancement).*
12. Interest accrued under the subordinated loan *(see Subordinated Loan).*
13. Amortisation of the principal of the subordinated loan.
14. Deferred purchase price instalment to SNS

Principal Deficiency Ledger

The payment deficiencies under each class of notes will be registered in the corresponding principal deficiency ledger. These amounts will be debited to the lowest class of notes principal deficiency ledger available, in order to transfer the losses to the lowest ranked class notes. Excess spread will be available to cover such losses according to the priority of payments.

■ Credit Enhancement

Credit enhancement for the class A-1, A-2 and A-3 notes, totalling 8.5%, is provided by the subordinated notes (6.6%) and the reserve fund (1.9%). Credit enhancement for the class B notes, totalling 4.3%, is provided by the class C notes (2.4%) and the reserve fund (1.9%). Credit enhancement for the class C notes, totalling 1.9%, is provided by the reserve fund.

The reserve fund is initially 1.9% of the original note balance, funded by a subordinated loan provided by SNS. After 1st August 2006, the size of the reserve fund will always be equal to the lower of the initial reserve fund or 2% of the outstanding notes, with floor level of 0.5% of the original note balance.

■ Interest Rate Swap Agreements

Hermes I will enter into a “class A-1” and a “class A-3, B and C” interest swap ISDA agreements with UBS at closing. Under these agreements the issuer is obliged to pay UBS, quarterly, a fixed rate on the outstanding amount of the class A-1, A-3, B and C notes.

UBS, as swap counterparty, is obliged to make a quarterly payment equal to three-month EURIBOR due on the class A-1, A-3, B and C notes.

In the event of downgrade of UBS below ‘F1+’, within 60 days: (i) a guarantee will be provided for the obligations of UBS as swap counterparty, accomplishing the rating requirements, (ii) or the interest rate swap will be collateralised, (iii) or other actions will be put in place to avoid the downgrade of the class A-1 and A-3 notes.

Events to terminate the swap agreements will be: (i) tax changes, (ii) default of the counterparty, (iii) unlawful situation of the agreement, (iv) enforcement notice, and (v) total redemption of the notes.

■ Subordinated Loan

Additionally, SNS has granted a subordinated loan which will be used to: (i) pay constitution and initial expenses of Hermes I, and (ii) fund initially the reserve fund.

■ Legal Structure

Hermes I, the issuer, is a special purpose company incorporated under the laws of the Netherlands with limited liability as a B.V. and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The shares of the issuer are owned by Stichting Euro-Denominated Mortgage-Backed Series (Hermes), established under the laws of the Netherlands as a foundation. The assignment of the mortgages receivables to the issuer will be notified if a notification event occurs. Notification is necessary to obtain a perfected assignment and security interest in the mortgage loans. Additionally, the mortgages and other rights of the issuer are pledged to the security trustee via various pledge agreements. Notification events relate to, inter alia, breach of obligations under the documents of the sellers, or a severe economic deterioration on the part of the sellers.