

Holland Euro-Denominated Mortgage-Backed Series (HERMES) I BV

NETHERLANDS

CLOSING DATE:

November 3, 1999

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TRANSACTION IN BRIEF

Class of Notes:	A1	A2	A3	B	C
Rating:	Aaa	Aaa	Aaa	A2	Baa2
Amount (€m):	170	65	173	18.5	10.5
Margin over Euribor(bp):	26	5.975%	37.5	80	150
Issuer:	Holland Euro-Denominated Mortgage-Backed Series (Hermes) I B.V.				
Interest:	Quarterly				
Principal:	Quarterly pass-through of all principal collection				
Legal Final:	July 18, 2009				
Arranger and Lead Manager:	Warburg Dillon Read				
Swap Counterparty:	UBS AG				
Put Option Provider:	Rabobank N.V.				
Paying Agent:	ABN Amro Bank N.V.				
Trustee:	Stichting Security Trustee Holland Euro-Denominated Mortgage Backed Series (HERMES) I				
Loan Pool Seller/Originator:	Six regional SNS Banks				
Assets:	First-ranking residential mortgage loans secured by properties based in The Netherlands				
Count:	4,441 loans and 5,601 loan parts, all performing				
Average Loan:	EUR 99,973	Max:	EUR 340,335		
Annual Interest rate:	Between 5.0% and 8.1% (Average 5.72%)				
Average LTV:	96% (based on foreclosure value)				
NHG Guaranteed:	0%				
Investor Properties:	0%				
Diversification:	Diversified across the Netherlands				
Single Family Homes:	94%	Apartments:	6%		
Servicer:	SNS bank Nederland N.V.				
Listing:	Amsterdam Stock Exchange				
Settlement:	CEDEL/Euroclear				



RATING OPINION

Moody's has assigned the above-mentioned ratings to the various classes of Mortgage-Backed Securities issued by Holland Euro-Denominated Mortgage-Backed Series (Hermes) I B.V.

The ratings are based on:

- a) Moody's analysis of the mortgage pool regarding the level and distribution of expected losses, estimated at 0.3% over the life of the transaction,
- b) the analysis of other types of risk, including operational risk, prepayment, interest rate, and liquidity risk, as well as legal risk (in particular set-off risk as explained below),
- c) the credit enhancement, i.e. the subordination available to the senior classes which partially offsets the above risks,
- d) the reserve fund, which will be fully funded on day one at an amount equal to 1.9%, where it will remain until August 2006, when it will step down on a conservative basis (see below),
- e) the availability of a liquidity facility of 0.5% of the initial balance of the Notes to cover interest shortfalls on delinquent loans,
- f) the existence of a principal deficiency ledger, which will book any principal shortfalls during one period and be replenished by excess spread in subsequent periods,
- g) the interest rate swap, under which UBS AG assumes the basis risk between the fixed rate of interest paid on the mortgages and the LIBOR-based interest due on the Notes.

COLLATERAL

Products

The Notes are backed by 4,441 performing residential mortgage loans secured by first mortgages on properties in the Netherlands. The average loan to foreclosure value of the loans is approximately 96%. The main product types securitized in this transaction include:

Interest Only Mortgages (90.3%)

Interest-only mortgages pay principal into a savings-scheme if their initial LTV is higher than 75% until this level is reached. Only then will they convert to true IO status.

Investment-based Mortgages (5.6%)

Instead of repaying the principal over time, monies for a bullet-redemption can be accumulated in three ways:

1. paying monthly installments into an investment fund selected by SNS Bank,
2. paying a lump sum which is invested into a share portfolio selected by SNS Bank,
3. pledging an already existing portfolio of shares to SNS Bank.

Interest payments are made either monthly or quarterly.

Annuity Mortgages (3.6%)

The periodic payment (monthly or quarterly) is calculated initially and then split into interest and principal payments. Here the required payment will stay the same until the maturity of the loan.

Linear Mortgages (0.5%)

The amount of monthly (or quarterly) principal is fixed and the payable interest added on afterwards to form the actually needed periodical payment. With this product the customer might experience changing amounts of the payments to be made over time.

In addition to these "pure" mortgages SNS Bank provides customers with the option to combine the different types to suit their personal needs, i.e. for tax efficiency.

Origination

The Mortgage loans were originated through mortgage brokers and SNS Bank's network of branches. The legal Sellers of the mortgages to the Issuer are the following six 100% subsidiaries of SNS bank Nederland N.V.:

1. SNS bank Groningen-Friesland-Drenthe N.V.
2. SNS bank Overijssel N.V.
3. SNS bank Gelderland N.V.
4. SNS bank Randstad N.V.
5. SNS bank Brabant/Rivierenland N.V.
6. SNS bank Limburg N.V.

Loan applications are passed on-line from the branch or broker to one of six operating companies, where various checks are performed automatically:

- the loan does not have an LTV (based on the foreclosure value) higher than 125% whereby the home value is discounted by a margin of 10 to 20% to account for the loss of value under a distressed sale scenario (urban properties are more likely to be discounted at 10%, given the implied liquidity of these markets)
- the property is not an investor or commercial property
- the total debt service on the mortgage may not exceed 33% of disposable monthly income
- checks on historical arrears (credit bureau information, essentially BKR): automatic refusal if borrower was previously 90+ days delinquent, unless the borrower offers a very good reason
- property appraisal by certified independent appraiser, except where the LTV < 60%, in which case the tax evaluation is sufficient
- approval ratios of mortgage applications are not tracked but are estimated to be at 80%
- document control is "centralized" at the operating companies; a separate department handles the cash disbursement

Selection Criteria for the Mortgage Pool

1. All loans are secured by first priority mortgages
2. Maximum LTV (based on the foreclosure value): 125%
3. Max balance EUR 350,000
4. Interest rate repricing between Aug 2006 and Apr 2009
5. Interest rate between 5% and 8.1%
6. Current as of September 30th, 1999
7. No bridge loan
8. No construction accounts, as these loans have unpredictable draw-downs

Servicing

The six operating companies perform the servicing as sub servicer of SNS bank Nederland N.V. Moody's performed an operational review of SNS bank Randstad in Amersfoort, NL.

The operations are characterized by a high degree of systems automation, especially supporting the loan application process. Delinquent accounts are recognized as such within one day after the scheduled payment date. Recently, the number of problem loans in SNS's portfolio has been limited. Should delinquencies increase, there may be a need to allocate more resources to the collections and risk management process. Overall, we believe that SNS is well equipped and organized to perform their servicing obligations.

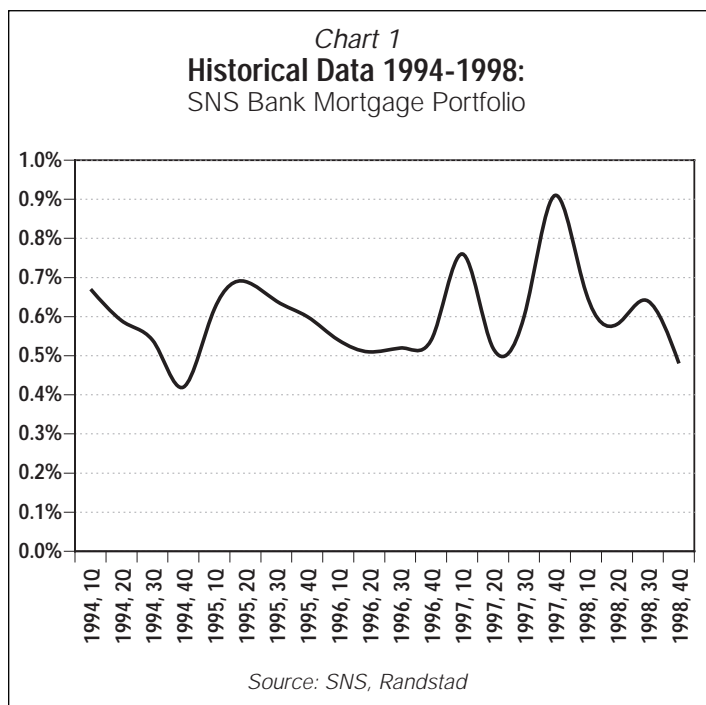
Back-up for the systems is adequate, as all branches have identical IT platforms and software, which are all connected to one central database. In case of need servicing would be transferred automatically to a backup IT centre within a few hours.

Delinquent loans are transferred to the recovery department after 40 days. At that point the borrower will have been contacted twice in writing, and typically an attempt to get some verbal explanation and commitment from the borrower will have failed. Recovery will assist the branch for another fortnight in trying to achieve payments before taking over the case completely. SNS will start foreclosure proceedings after 75 days without positive results. The recovery departments are located at the regional bank level. Note that in the past five years SNS Bank only had to foreclose on 30 properties, totalling net write-offs of NLG 1.2 million.

In summary, the servicing process is designed to capitalize on the close relationships with SNS's customers. The decentralized monitoring and collections systems have recently been complemented by an additional centralised reporting system supporting the informational needs in connection with this securitisation.

Delinquency Comparison

The graph below shows the development of delinquencies of the portfolio originated by SNS bank Randstad as an example:



Overall, delinquencies have been fairly low over the last years. Based on SNS management representations, Moody's believes that the performance at the other five operating companies is comparable, although there is no precise data to confirm this assumption. Also, we do not have delinquency or loss data covering a longer period of time. Consequently, there is some uncertainty as to the possible impact on performance of an economic downturn. Moody's used Industry data to complement its analysis of historical loss experience.

SNS Historical Credit Losses

SNS Bank's total portfolio, like the Dutch residential mortgage market in general, shows low levels of write-offs in recent years. We believe that the mortgages securitised in this transaction will perform similar to SNS Bank's overall portfolio.

Computation of Expected Loss and Credit Enhancement

Our expected loss computation is based in essence on the above historical loss data, and on a comparison of the portfolio with other Dutch mortgage pools Moody's analysed. Absent detailed and long-term historical data, our approach to establishing the portfolio's expected loss has been mostly qualitative. Our expectation is that the portfolio will generate credit losses in the region of 0.3% over the life of the transaction.

Our Aaa credit enhancement number of 8.5%, addresses the uncertainty about the prospective performance of the transaction: this includes the possibility of higher losses due to an economic downturn, set-off risk regarding the insurance premiums paid by the borrowers under investment mortgages (see below), as well as servicer risk.

Table 1

	Number of Loans	Volume NLG m
Foreclosures	30	4.638
Average Portfolio	65,000	19,038
Annual F/C Rate	0.01%	0.01%
Foreclosure Cost		0.457
Recoveries		4.425
Recovery Ratio		87%
Net Loss (4 years)		0.67
In percent annualized		0.001%

The first layer of protection is the excess spread in the transaction, which is the difference between the payments received under the mortgages and the coupon on the Notes plus the various ongoing costs. On day one, excess spread amounts to approximately 0.6%. The value of this excess spread was assessed under a variety of adverse conditions which would minimize its effectiveness, including high prepayment speed and back-ended losses. Excess spread leaves the transaction to the extent that it is not required to meet ongoing or past losses or to replenish the reserve fund.

The reserve fund is the second layer of protection. It is initially funded at 1.9% of the portfolio and will amortize. To the extent that its balance may be lower than the required balance, the reserve fund gets replenished from available excess spread. In 2006 a step-down mecha-

nism will reduce the reserve fund's size to the lesser of its original size and the greater of 3.8% of the current outstanding and €2 million.

The third layer of protection is the subordination of classes in reverse alphabetical order. Thereby, credit losses on the pool of mortgages would first be allocated to the C class and thereafter to the B class. Only after depletion of all subordinated classes from cumulative credit losses, would the holders of A1, A2 and A3 Notes suffer a pro-rata allocation of loss. The likelihood of each class suffering such a loss and the impact of such loss on the expected yield to investors are, in our view, consistent with the assigned ratings.

Set-Off Risk

Set-off risk relates to investment mortgages, which only represent about 5% of the pool. These investments are held on the Insurance companies' and SNS Bank's balance sheets. Legally, the borrower does not have a right to set-off if an Insurance Company were to default, as he or she is dealing with two separate legal entities: an insurance company and a mortgage lender, SNS Bank. However, legal counsel has advised us that there is some uncertainty as to the possibility of a borrower potentially claiming set-off especially in the event that Reaal (part of the SNS Group) were to be default. In analysing this risk, Moody's has considered SNS's and the insurance companies' financial strength. In our view, the set-off scenario is quite unlikely, given the overall risk profile of the parties involved, and the legal obstacles presented to the borrowers. In addition, we considered that in a prior recent bankruptcy of a Dutch insurer, policyholders did not suffer major loss on their investment policies and deposits. The insurance companies providing cover to SNS Bank customers are Reaal, Aegon, Amev (Fortis), National Nederland (ING), Royal Nederland (Allianz), AXA and Delta Lloyd.

STRUCTURE

Issuer

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

The Issuer will fund the purchase price of the loans by issuing the various classes of Notes. The assignment of the mortgages by the Sellers to the Issuer will not be notified to the Borrower, unless certain events occur. These include the failure of the Sellers to perform or comply with the obligations under the relevant documents and the downgrading of SNS Bank's long term rating below **A3**.

The Issuer will use the cash flow payments on the mortgage loans to pay the debt service on the Notes. The Issuer pays the Notes following a pass-through sequential payment allocation of the available cash flows.

According to this cash flow allocation interest on the Notes will be payable from the interest payments and prepayment penalties collected on the mortgage loans. Up to 0.5% of the initial balance of the Notes, SNS has agreed to provide liquidity support for any payment of interest in arrears.

Principal on the Notes will be payable from all the amounts received by the Issuer as normal payment or early prepayment of principal on the loans. Principal is allocated on a sequential basis among the class A1, A2, A3, B and C Notes. Each senior class will start to amortize once the preceding class of Notes has been fully redeemed.

In order to allow the Security Trustee to collect all payments on the receivables, a first ranking right of pledge is given by the Sellers to the Security Trustee on the closing date. A second ranking pledge over the mortgage receivables is granted by the Sellers to the Issuer in order to secure the obligation of the Sellers to transfer the legal title to the mortgage receivables to the Issuer. Another right of pledge is granted by the Issuer in favor of the Security Trustee in order to allow the Security Trustee a right of action independent from the Issuer.

Bank Mortgages

The mortgages in question can secure more than simply the mortgage receivables. Loans for items other than the property can also be secured. In order for the mortgage right to be transferred to the SPV upon an assignment notification event, the bank must relinquish its security right in respect of these non-property related advances. This process is known as partially terminating the mortgage right and must happen before the bank gets into any form of financial difficulty such as Emergency Regulations. Moody's believes that the rating trigger will ensure that this does indeed take place. However, there remains a hypothetical chance that the bank could slip straight from its current rating level into difficulties without first triggering notification and in this situation Dutch law admits the possibility of the mortgage right not transferring with the receivable to the SPV.

Under such a scenario, the Issuer and the Security Trustee may not as pledgees have the benefit of the mortgage rights securing the receivables, but this would not affect their rights on the receivables as secured creditors. Moreover, SNS would be liable for a penalty payment equivalent to the outstanding mortgages plus penalty interest. Moody's has analysed the effect of this contingency and incorporated it into the ratings assigned.

Principal Deficiency Ledger

A principal deficiency ledger (PDL) which will record any principal shortfall in any one period for each class of Notes. The PDL will be replenished in the next period by applying any excess spread to it, until its balance is reduced to zero.

Swap

In order to minimize interest rate risk UBS has provided an interest rate swap converting the fixed rate of interest on the receivables to a floating rate on the Notes.

Four years of prepayment-data were available from SNS. The data showed average prepayments of 7%. In addition, Moody's had access to other prepayment studies for the Dutch mortgage market, covering similar time periods.

Put Option/Interest Risk

In order to avoid any interest rate risk upon interest rate reset of the assets, the Issuer entered into a put option agreement with Rabobank N.V. (**Aaa, Prime-1**). Thereby, 215 days before the interest reset date of a mortgage the Issuer will either sell the mortgage to SNS, or the borrower will be notified and the vehicle will take full legal title to the asset in preparation for sale to another entity, or in the final analysis Rabobank will purchase the mortgage at the reset date.

Guaranteed Investment Contract

In order to minimize the reinvestment risk of the cash amounts available from time to time within the structure, a GIC agreement has been provided by SNS Bank. Under this agreement SNS Bank agrees to pay interest equal to its call rate minus 0.25% on the balance of the transaction account. This feature adds marginal benefit to investors, and is not required for our ratings.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including a review of all supporting ratings and periodic servicing reports.

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