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

SNS Bank N.V.
MBS - Netherlands

PLEASE NOTE: *This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of [November 2002]. 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* ***prospective*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

Closing Date
[November] 2002

Lead Analyst

Boudewijn Dierick
Associate Analyst
Paris
(33) 1 5330 1025
Boudewijn.Dierick@moodys.com

Backup Analysts

Annabel Schaafsma
AVP/Analyst
London
(44) 207 772 5379
Annabel.Schaafsma@moodys.com

Arjan Verbeek
VP/Senior Credit Officer
London
(44) 207 772 5524
Arjan.Verbeek@moodys.com

Client Service Desk
London: (44) 207 772 5454
csdlondon@moodys.com

Monitoring
London: (44) 20 7772 5399
monitor.london@moodys.com

Frankfurt: (49) 69 7073 0731
monitor.frankfurt@moodys.com

Paris: (33) 1 53 30 1074
monitor.paris@moodys.com

Madrid: (34) 91 702 6601
monitor.madrid@moodys.com

Milan: (39) 02 5821 5596
monitor.milan@moodys.com

WEBSITE
www.moodys.com

RATINGS

Class	Rating	Amount (million euro)	% of Total	Legal Final Maturity	Expected Maturity
A	(P)**Aaa**	€[1,020]	[92.70]	18/10/34	18/01/11
B	(P)**A1**	€[62.5]	[5.70]	18/10/34	18/01/11
C	(P)**Baa1**	€[17.5]	[1.6]	18/10/34	18/01/11
D	(P)**Baa2**	€[17.5]	[1.6]	18/10/34	18/01/11
Total		€[1,117.50]			

The ratings address the 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, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and 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 spread of [0.45]% p.a in the transaction guaranteed via the interest rate swap provided by ABN AMRO Bank N.V.
- The availability of a reserve fund of 1.60% of the Notes balance at closing building up to 2.0%.
- The availability of a liquidity facility provided by SNS bank N.V. equal to 1% of the Note balance at closing.

Weaknesses and Mitigants

- Conditional sale, the borrowers have not been notified of the sale of the mortgages to Hermes V, this is mitigated by the addition of a notification trigger. In the event SNS bank N.V. falls below A3 the borrowers will be notified.
- 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 relatively high percentage of Interest-only loans, which benefit however from combined life- and capital-insurance policies which cover at least the amount in excess of a loan to foreclosure value of 75%.

STRUCTURE SUMMARY

Issuer:	Holland Euro-Denominated Mortgage-Backed Series (Hermes) V B.V.
Structure Type:	A limited liability company established in the Netherlands
Borrower:	Private people based in the Netherlands.
Originator:	SNS bank N.V. (**A2**/**Prime-1**) ("SNS bank")
Seller:	SNS bank
Servicer:	SNS bank
Interest Payments:	Quarterly, on [18]th day of January, April, July and October
Principal Payments:	Principal pass-through structure.
Credit Enhancement/Reserves:	[1.60]% Class D Notes used to fund the Reserve Fund and Subordinated Classes of Notes.
Liquidity Facility:	Provided by SNS bank equal to 1% of the Note balance at closing.
Swap Counterparty:	ABN AMRO Bank N.V. (**Aa3**/**Prime-1**) ("ABN AMRO")
Principal Paying Agent:	SNS bank
Security Trustee:	Stichting Security Trustee Hermes V.
Lead Managers:	ABN AMRO and JPMorgan

COLLATERAL SUMMARY
(BASED ON PRELIMINARY POOL SELECTION OF 30 SEPTEMBER 2002)

Receivables:	First and sequential (in combination with first) ranking mortgage loans to Dutch individuals
Number of Contracts:	[11,000] loan parts
Number of Borrowers:	[6,645]
Average Loan size:	[Euro 165,538] max [Euro 350,000] per borrower
Geographic Diversity:	Gelderland [23.15]%, Limburg [11.72]%, Flevoland [11.13]%, Noord-Holland [10.95]%, Noord-Brabant [9.68]%, Zuid-Holland [10.31]%,
Average LTV:	[96.0]% Loan to recorded market value
Remaining Term:	No loan has a legal maturity beyond 2034
Seasoning:	[18] months
Delinquency Status:	no delinquent loans in initial portfolio
NHG Guaranteed:	0%

NOTES

Class	Amount (million Euro)	Rating	Rate type	Initial Margin/Rate	Step Up Margin
A	[1,020]	(P)**Aaa**	Floating	[•]%	[1.0]%
B	[62.5]	(P)**A1**	Floating	[•]%	[1.5]%
C	[17.5]	(P)**Baa1**	Floating	[•]%	[2.5]%
D	[17.5]	(P)**Baa2**	Floating	[•]%	-

OVERVIEW

Program summary

Hermes V is the fifth mortgage transaction backed by mortgages originated by SNS bank to its clients. SNS bank comes to the market on a regularly basis with series issued under the Hermes Program, for the last time in October 2001 when Hermes IV was issued. Hermes V is using a structure very similar to the structure used for Hermes IV.

Contrary to Hermes IV, there is only one seller in Hermes V, following the fact that the different sellers of Hermes IV, SNS bank Nederland and six wholly owned regional subsidiaries, have been merged into SNS bank N.V. in December 2001.

Conditional Sale

As has become the norm in the Netherlands, the assignment of the mortgages by the Seller to the Issuer will not initially be notified to the Borrowers, hence legal title will not pass to the Issuer on the Closing Date. To perfect security before a potential Bankruptcy of the Seller a notification trigger has been included in the structure in the event that SNS bank's rating falls below [**A3**].

Excess margin used to redeem Class D Notes

The Issuer will finance its acquisition of the Mortgage Loan Portfolio with funds to be raised through the issuance of notes. The total initial purchase price of the Mortgage Loan Receivables will be equal to the proceeds received from the issue of the rated Class A, Class B and Class C Notes. The Initial Amount of the Reserve Fund will be financed through the issuance of Class D Notes. The Reserve Fund will build up to its required level by trapping excess spread.

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 D Notes.

Principal pass through structure

Any repayments received under the mortgage loans will be used to redeem the notes in sequential order, starting with the Class A Notes on a pro-rata and pari passu basis.

Optional redemption as of January 2011

The Issuer may also at its option redeem all Notes (except for Class D) outstanding at the First Optional Redemption Date 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 D) on the optional redemption date. As is the case with most Dutch RMBS transactions, under such circumstances, junior Notes (in this case the Class B and C 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 not taken into account such redemption given the optional nature thereof.

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.

Transfer of title conditional to notification of borrowers

As has become the norm in the Netherlands, the assignment of the mortgages by the Seller to the Issuer will not initially be notified to the Borrowers, hence legal title will not pass to the Issuer on the Closing Date.

To perfect security before a potential Bankruptcy of the Seller notification will occur upon one of the following events:

1. SNS bank fails to comply with any of its obligations under the relevant agreements;
2. Any representation, warranty or statement made, proves to be untrue or incorrect;
3. Suspension of payments or Bankruptcy of SNS bank; and
4. SNS bank's rating falls below [A3].

Moody's is of the opinion that the above mentioned notification triggers sufficiently protects the structure against a sudden Bankruptcy of SNS bank which could potentially result in the loss of the mortgage rights linked to the assigned and pledged mortgage receivables.

Economic ownership transferred via a pledge structure

In order to allow the Security Trustee to collect all the payments with respect to the mortgage receivables a first ranking pledge is given by the Seller to the Security Trustee on the Closing Date.

A second ranking pledge over the mortgage receivables is granted by the Seller to the Issuer in order to secure the obligation of the Seller to transfer legal title to the mortgage receivables to the Issuer through notification. Another right of pledge is granted by the Issuer in favour of the Security Trustee in order to allow the Security Trustee to benefit from all the rights of the Hermes V vehicle.

Set-off risk with life insurance and investment 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, life insurance policies are attached to all the interest-only mortgage loans, consisting of [74.08]% of the pool. 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 Hooge Huys, 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.

Approximately [24.3]% of the initial pool of mortgage loans are Investment Mortgages. In this product the payments by the borrowers, that are calculated to repay the mortgage at maturity, are invested in funds with SNS bank. The funds are pledged to the issuer via a silent pledge, but possibility of set off still exists.

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 or investment product 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.

Interest rate mismatch removed with an interest rate swap provided by ABN AMRO

Most mortgage loans carry a fixed interest rate, which is reset at a specific date in the future. The Class A, B, C and D Notes carry a floating interest rate payable quarterly in arrears. To mitigate the interest rate risk the Issuer has entered into a swap with ABN AMRO Bank. Under this swap the Issuer will pay quarterly an amount equal to the scheduled interest receipts minus an annual excess spread 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 Optional Redemption Date, and certain operating expenses. Different from Hermes IV transaction is that 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 **A1** trigger linked to the strength of ABN AMRO 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 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 D Notes. 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 D Notes represent the first loss position in the pool. The allocation of excess spread to repay the Notes 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 D Notes not being repaid in full.

The second layer of protection is the Reserve fund with an initial size of [1.6]% of the initial balance of the Class A, B and C Notes, building up to [2.0]% of the initial balance of the Class A, B and C Notes by trapping excess margin. As of November 2003, a step-down mechanism will reduce the Reserve Fund's size to the lesser of (a) 2% of the initial balance of the A, B and C Notes and (b) the greater of 3% of the current balance outstanding of the A, B and C Notes and Euro 5.5 million.

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

Liquidity 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 liquidity facility equal to 1.0% of the initial balance of the Class A, B and C Notes provided by SNS bank can be used to ensure timely payment of interest on the Class A, B and C Notes.

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

GIC account with SNS bank

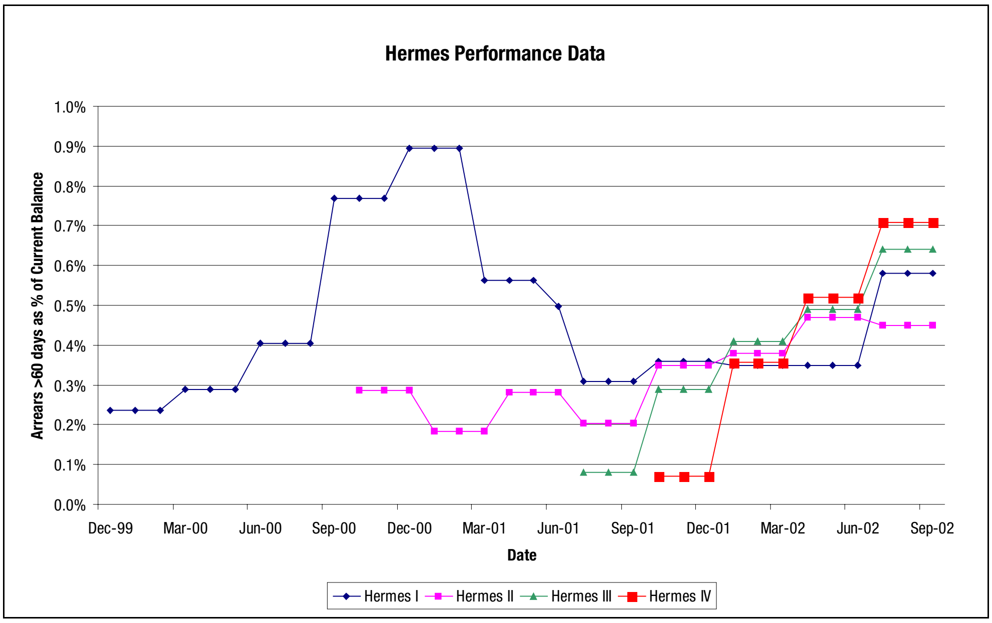
The payments from the Borrowers are due on the first day of the month and are collected by the servicer and paid to the Collection Account with SNS bank. Once a month all the amounts received are transferred to the GIC Account in the name of the Issuer. This GIC Account will be held with the Floating 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 [11,000] performing residential mortgage loans, which are secured by first ranking mortgages on properties of [6,645] borrowers in the Netherlands. The average Loan-to-Initial Market Value for the entire portfolio is [96%]. The portfolio is concentrated in the following provinces: Gelderland [23.15]%, Limburg [11.72]%, Flevoland [11.1]%, Noord-Holland [10.95]%, Zuid-Holland [10.31]%, Noord-Brabant [9.68]%. Of the mortgages [74.1%] are interest only, [24.3%] investment mortgages, [1.5]% annuity mortgages and [0.2]% are linear mortgages. A vast majority of the mortgage loans carry a fixed interest rate, of which approximately [77%] has an interest reset date before the first Optional Redemption Date of [January 2011]. All interest-only loans have the benefit of a combined risk and capital life insurance policy, as explained earlier.

No historical performance data



As the arrears levels in below chart show, the performance of the previous Hermes transactions is still strong and in line with expectations. Recently, some small defaults have been reported in the Hermes I, II and III transactions following three foreclosures, one in each transaction, all executed by private sale. These concern the first losses since their respective closing dates. In one case (Hermes II), no loss occurred as the redemption proceeds were sufficient to repay the mortgage principal plus arrears interest in full. In the two other cases, the direct recoveries from sales of the properties amounted to [64.5]% and [98.4]%.

ORIGINATOR, SERVICER AND DUE DILIGENCE

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

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 the regional offices.

Moody's has reviewed the servicing operations of SNS bank and believes that the management and system capabilities are sufficient to 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, 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.

Tranching and rating of the Notes

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 spread.

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 expected loss is calculated for each class of Notes

The prospective 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 prospective ratings of the Class B, C and D 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.

RATING SENSITIVITIES AND MONITORING

Monitoring on ongoing basis

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

1. Special Report 'Moody's Approach to Conditional Sale of Mortgage Receivables in Rating Dutch MBS', May 2001.
2. Special Report 'Dutch MBS: Set off in Securitisation Transactions', September 2001

SF17527isf