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RMBS Presale Report

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

€1.25 billion (equivalent) mortgage-backed floating-rate notes

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Profile
Expected closing date: May 2003.

Collateral: Mortgage loans to individuals located in The Netherlands.

Arrangers: Barclays Bank PLC and Deutsche Bank AG.
Seller: SNS Bank N.V.

Security trustee: Stichting Security Trustee Holland Euro-Denominated Mortgaged Backed Series (Hermes) VI.

Administrator: SNS Bank N.V.
Liquidity facility provider: SNS Bank N.V.

Interest rate swap counterparty: Barclays Bank PLC.

Currency swap counterparty: Banque AIG.

GIC account provider: SNS Bank N.V.

Issuer collection account provider: SNS Bank N.V.

Supporting ratings: SNS Bank N.V. (A/Negative/A-1) as issuer collection account provider, liquidity facility provider, and GIC account provider; Barclays Bank PLC (AA/Stable/A-1+) as interest rate swap counterparty; and Banque AIG (AAA/Stable/--) (guaranteed by American International Group Inc.; AAA/Stable/A-1+) as currency swap counterparty.

Preliminary credit ratings as of April 8, 2002

Class	Preliminary rating*	Preliminary amount	Recommended credit support (%)
A1	AAA	Euro-denominated**	10.55
A2	AAA	U.S. dollar-denominated**	10.55
B	A	€75 million	4.55
C	BBB	€30 million	2.15

**The rating on each class of securities is preliminary and subject to change at any time. **The exact split between the class A1 and A2 notes is yet to be determined but will total €1.145 billion.*

Rationale

The preliminary ratings assigned to the €1.25 billion (equivalent) mortgage-backed floating-rate notes to be issued by Holland Euro-Denominated Mortgage-Backed Series (Hermes) VI B.V. ("Hermes VI") reflect the quality of the collateral that has historically experienced low levels of losses, the sound payment structure of the transaction, and a cash flow analysis that has verified that the notes will be repaid under stress scenarios.

A further consideration in the rating analysis was the strong protection for the noteholders provided by a combination of subordination, a nonamortizing cash reserve, a liquidity facility, and excess spread to cover credit losses and income shortfalls.

Unique Features

Dutch mortgage-backed transactions contain an element of set-off risk. It is common for Dutch borrowers taking out interest-only mortgages to enter into an insurance policy that is used to repay the mortgage at maturity. The borrower will usually make a form of annuity payment into the policy, which builds up in value as the loan approaches its maturity. There is a risk that if the insurance company providing the policy becomes insolvent during the life of the mortgage, the borrower may be able to set off amounts owed to Hermes VI under the mortgage against the amounts that are owed to the borrower under the insurance policy. The magnitude of the set-off risk primarily depends on when the insurance company providing the policy becomes insolvent and thus the value of the policy. In principal, the likelihood of the borrower being able to set the policy loss off against the mortgage obligation will depend on whether the courts deem the mortgage and insurance policy to be part of the same contract and the concept of fairness that the court would decide on.

Due to the diversity of insurance policy providers to borrowers within the transaction, Standard & Poor's has been able to delink the risk of an insolvency of an insurance company by mitigating the risk within the credit enhancement available for each of the rated notes. To further mitigate the set-off risk, as the value of the insurance policy and hence the set-off risk increases with time after the closing date, Standard & Poor's has requested that excess spread is used after the step up and call date to sequentially amortize the notes in reverse order thereby overcollateralizing the more senior notes. A swap will guarantee 45 bps of excess spread that would be available to fund this reverse amortization.

In addition to the set-off risk relating to the insurance policy there exists a risk that on an insolvency of the seller, SNS Bank N.V., borrowers that hold bank accounts with credit balances will also be entitled to set off amounts owned under their mortgages against amounts lost on their bank accounts held with SNS Bank. Standard & Poor's has determined that the right to set off is crystallized at the time of notification of the assignment (if the 'A-' rating on SNS Bank is lowered) but does not need to be invoked at such time. It can also be invoked at a later stage. As the account "churns" however, new monies are deposited into the account and these new monies would represent new claims that are unlikely to form part of the set-off calculation. Standard & Poor's has considered the average balance held in borrowers' accounts and considers the enhancement levels at each note to be adequate to address this risk.

Final ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinions.

Strengths, Concerns, and Mitigating Factors

Strengths

The strengths of the transaction observed in the rating analysis are the following:

- All mortgage loans in the pool are performing, first-ranking residential mortgages.
- The portfolio is geographically diverse and predominantly exposed to urban areas.
- A strong security package will exist to protect the noteholders.
- A cash reserve will be funded at closing at 1.80% building to 2.15% from excess spread. The cash reserve will amortize subject to certain conditions being met.
- A sequential paydown of the notes will occur.
- After the call date excess spread will be used to sequentially amortize the notes in a reverse order, with the exception of the class D notes.

Concerns and Mitigants

Concerns identified in the rating process and the factors that mitigate them are as follows:

- A concern is the high weighted-average LTV ratio of the pool. This is mitigated by the levels of credit enhancement required at the various rating categories. It should also be noted, however, that high LTV ratios are not necessarily an indicator of higher risk in the Dutch mortgage market, given various incentives under the Dutch tax regime (including the tax deductibility of mortgage interest and the tax efficiency of savings linked to insurance policies).
- There exists a risk of borrower set-off with regard to the loans originated by SNS Bank. As in many Dutch residential mortgage securitizations, there is a risk that on an insolvency of a mortgage borrower's insurance policy provider, he or she may be able to set any resulting loss of their insurance repayment policies off against their mortgage. Unlike many other Dutch RMBS transactions, however, in this transaction there are more than 45 insurance policy providers, with the largest exposure equating to approximately 8.5% of the notes. Consequently, Standard & Poor's considers that the risk of borrower set-off is adequately covered by the credit enhancement and thus Standard & Poor's is able to delink the ratings on the notes from the ratings on the insurance companies and assign its highest preliminary rating of 'AAA' to the most senior class of notes.
- There is a concern that borrowers that also hold accounts with SNS Bank may set off the balance of their deposit against the amount owed in

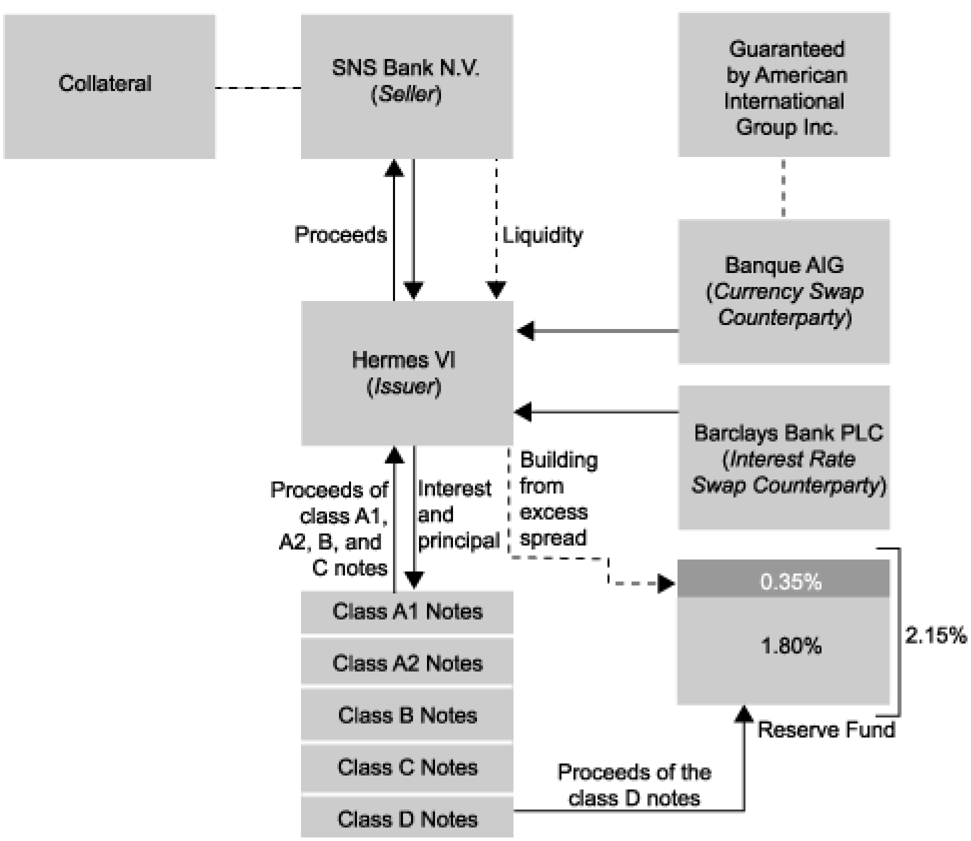
respect of the mortgages on an insolvency of SNS Bank. This is mitigated as the magnitude of the set-off risk is crystallized on notification (see "*Unique Features*" above).

Transaction Structure

At closing, the issuer will purchase and accept the assignment of all rights of the seller against certain borrowers in connection with the mortgage pool. At that time, the issuer will issue various classes of notes, the proceeds of which (excluding the class D notes) will be used to purchase these rights.

Unrated, subordinated class D notes will be used to fund a reserve fund (see chart).

Hermes VI Structure



To secure the seller's obligation to complete the transfer of legal title (upon notification) of the mortgage receivables to the issuer, the seller will grant the issuer a "silent" right of pledge ("*stil pandrecht*") over the mortgage receivables (i.e., without the need to notify the borrowers).

On each interest payment date, the proceeds of the guaranteed investment contract (GIC) and balances held in the reserve fund will be available, together with amounts received in respect of the mortgage loans and amounts received from the swap counterparty less amounts paid by the issuer to the swap counterparty, to make interest payments to the noteholders. To the extent that there is a shortfall, the issuer may draw available amounts under the liquidity facility.

Roles of the Parties

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

Hermes VI was incorporated under the laws of The Netherlands as a private company with limited liability. All the shares of the issuer will be held by Stichting Holland Euro-Denominated Mortgaged Backed Series (Hermes) Holding, which will be established under the laws of The Netherlands as a foundation ("*stichting*"). The issuer is a bankruptcy-remote entity and conforms to Standard & Poor's special-purpose entity (SPE) criteria.

SNS Bank N.V. (Originator, Seller, Administrator)
SNS Bank was incorporated in The Netherlands under Dutch law in 1990 as a result of the merger of several regional savings banks. SNS Bank is a midsize retail bank and is part of the SNS Reaal Group, a Dutch financial services provider with more than 5,700 employees. As seller and originator, SNS Bank is in a position to act as administrator of the mortgages acquired by the issuer.

Credit Structure

Flow of Funds
For as long as the seller has a minimum short-term rating of 'A-1', payments by the borrowers will be due on the first day of each month. These payments will be paid into a collection account in the name of SNS Bank, the seller, and held at SNS Bank. Amounts of interest and principal received will then be transferred to the issuer's GIC account within eight business days of the first business day of each month.

If the short-term rating on the seller is lowered to 'A-2', it will ensure that payments to be made in respect of the collections will be guaranteed by a party having a short-term rating of at least 'A-1'. Alternatively, SNS Bank will open an escrow account in the name of the issuer with a bank rated 'A-1' or higher. SNS Bank will transfer to this escrow account an amount equal to the maximum single amount of principal, interest, and pre-payment penalties received since the closing date during one mortgage calculation period.

For as long as the rating on the accounts provider is 'A-1', amounts in the collection account or GIC account may not exceed 20% of the outstanding rated notes. Any excess will be either invested in eligible investments that mature prior to the next interest payment date of the notes or transferred into an account in the name of the issuer with a bank rated 'A-1+'.

Mortgage Loan Interest Rates
Each of the mortgage loans has either a floating or fixed rate of interest, subject to a reset from time to time. The weighted-average interest rate on the provisional pool is 5.36%. Interest rates vary between individual mortgage loans. At the reset date, a borrower may prepay his or her loan without penalty.

Interest Rate Swap Agreement
On the closing date, the issuer will enter into a swap with Barclays Bank PLC (AA/Stable/A-1+) as swap counterparty to hedge the basis risk between the rate of interest to be received by the issuer on the mortgage loans and the rate of interest to be paid by the issuer on the notes.

Under the swap the issuer will pay to the swap counterparty the interest received on the mortgages and the GIC account, less senior fees and expenses payable by the issuer and an amount equal to 45 bps on the outstanding mortgage balance. In turn, the swap counterparty will pay to the issuer the interest amount due on the notes less the balance in any respective principal deficiency ledger. Consequently, the swap guarantees an excess spread of 45 bps for the life of the transaction, which will be available to cover credit losses.

Foreign Exchange Swap Agreement
On the closing date, the issuer will enter into a swap with Banque AIG (AAA/Stable/--) (guaranteed by American International Group Inc.; AAA/Stable/A-1+) as swap counterparty to hedge the currency risk between the mortgage collateral that is denominated in euros and the class A2 senior notes that are denominated in U.S. dollars. Under the terms of the swap the U.S. dollar proceeds of the issuance of the class A2 senior notes will be paid to the swap counterparty, which will in turn pay the equivalent amount in euros to the issuer at

the closing date spot rate for the purchase of the mortgage collateral.

On each payment date the issuer will pay to the swap counterparty euro equivalent interest amounts due on the class A2 notes, which will be swapped at the initial swap rate into the U.S. dollars required to pay interest on the class A2 notes.

The final exchange will involve the issuer paying euros to the swap counterparty, which will exchange these at the initial swap rate into U.S. dollars to allow the issuer to make the necessary principal payments under the class A2 notes.

Liquidity Facility

On the closing date, the issuer will enter into a liquidity facility agreement such that the liquidity facility will equal 1% of the original balance of the notes. The liquidity facility will be available to meet certain items in the interest priority of payments on the interest payment dates. In circumstances when there is a certain debit balance on the class B and C principal deficiency ledgers, the liquidity facility may not be available to pay class B or C interest.

The Reserve Fund

The reserve fund will be funded from proceeds of the unrated class D notes equal to 1.80%, which will build up from excess spread to 2.15% of the aggregate principal balance of the notes (excluding the class D notes) on the closing date. The balance on the reserve account will be available on any interest payment date to pay senior fees, the coupons on the class A1, A2, B, and C notes, and to reduce any debit balances on the respective principal deficiency ledgers. The reserve fund will not be available for the class D notes. To the extent the reserve fund has been used, it will be replenished up to this amount from excess spread in accordance with the priority of payments.

Once the reserve amount represents 3% of the outstanding principal amount of the notes at issuance, the reserve required amount will amortize to be the higher of 3% of the outstanding principal amount of the notes and €6.25 million. The tests that need to be met before the reserve is permitted to amortize include the following:

- Amortization below 1.8% of the original collateral balance cannot occur until 3.75 years after the closing date.
- There should be no balance on any of the principal deficiency ledgers.
- The balance of loans with arrears greater than or equal to 90 days must not exceed 2% of the original principal balance.

Security for the Notes

The notes are secured:

- Directly, by a deed of surety between the security trustee and certain secured parties;
- Indirectly, through the security trustee, by a first-ranking pledge by the seller to the security trustee and a second-ranking pledge by the seller to the issuer over the mortgage receivables and the rights of the seller as beneficiary under the savings insurance policies and the life insurance policies; and
- Indirectly, through the security trustee, by a first-ranking pledge by the issuer to the security trustee over the issuer's rights under or in connection with the various transaction documents and transaction accounts.

The amount payable to the noteholders and the other secured parties under the deed of surety is limited to the amounts available for such purpose to the security trustee. Broadly, this consists of amounts recovered by the security trustee on the mortgage receivables and the amount received by the security trustee as creditor under the mortgage receivables purchase agreement. Payments under the deed of surety to the secured parties are made in accordance with the priority of payments on enforcement.

Terms and Conditions of the Notes

Interest

Payments of interest will be made quarterly in arrears on the payment date falling in August, November, February, and May of each year. The class A1, B, C, and D notes will pay interest at three-month EURIBOR plus a class-specific margin yet to be determined while the class A2 notes will pay interest at three-month U.S. dollar LIBOR plus a margin to be determined. The class A1, A2, B, C, and D notes will have a final maturity date of 2035.

Redemption of the Notes

Principal will be used to redeem the class A1, A2, B, and C notes on a sequential basis. The class D notes will be repaid from excess spread. Additionally, after the optional redemption date, excess spread will be used to sequentially amortize the notes in the reverse order of priority, with the exception of the class D notes.

At the optional redemption date the issuer will apply excess spread to redeem the class A1, A2, B and C notes sequentially in reverse order.

Optional Redemption

The issuer will have the option to redeem all the notes after the optional redemption date in November 2009 at their principal amount outstanding. In circumstances where there is a class B or C principal shortfall the issuer will have the option to redeem the class B or C notes at the principal amount outstanding less the class B or C principal shortfall.

Collateral Details

The collateral pool consists of performing loans secured by first-ranking mortgages over residential properties situated in The Netherlands. The loans are made up of interest-only mortgage loans, annuity mortgage loans, life mortgage loans, investment mortgage loans, and combinations of these.

The provisional pool of €1.5 billion comprises 8,356 loans — made up of 14,112 mortgage parts — and was drawn up on March 30, 2003. The loans in the pool have been originated since 1995. The pool has a weighted-average seasoning of approximately 21 months.

Other features of the provisional pool include the following:

- The weighted-average current market value ratio is 88%.
- Of the principal balance outstanding, approximately 74.31% are interest-only mortgage loans, 1.07% are annuity mortgage loans, 24.30% are investment mortgage loans, and 0.26% are linear mortgage loans.
- The largest concentration by geographic area is in Gelderland (see map below), representing approximately 20% of loans by principal balance outstanding.
- The average outstanding balance is €179,971 and the maximum balance is €400,000.

Portfolio Geographic Concentrations
(by principal balance)

Standard & Poor's Stress Test

The rating analysis includes a conservative assessment of the credit risk inherent in the transaction and, ultimately, the ability of the cash flows generated from the assets to pay the coupon on the notes on a timely basis and to repay the notes by the legal final maturity date.

The credit enhancement levels were sized after analyzing the impact that severe stress scenarios would have on the collateral. In determining the credit quality of a mortgage pool, an estimate must be made of an expected case of potential losses that could occur because of foreclosures. This estimate of potential losses is the amount of loss protection needed. All types of exposures are thus eligible for inclusion in a pool, provided their credit risk can be quantified and adequate loss protection is supplied.

The analysis determined the foreclosure frequency and loss severity on an exposure basis. In considering the foreclosure frequency the characteristics and structure of the lending and the results of the evaluation of the originator were analyzed. The key structural characteristics considered include the loan leverage, the underwriting of the mortgage loans, and an administrator review.

The foreclosure frequency and loss severity for each exposure was weighted to derive the weighted-average foreclosure frequency (WAFF) and the weighted-average loss severity (WALS) at each rating level. In considering the WALS, Standard & Poor's analyzed the quality and type of property, the length of the foreclosure period, foreclosure costs, and market value declines.

The transaction has been replicated using a cash flow model to test the robustness of the cash flows generated after applying severe stress scenarios to the transaction commensurate with each rating level. Stresses include defaults (based on the WAFF) and recoveries (based on the WALS), delinquencies, prepayment rates, and varying interest rate environments.

The liquidity facility was modeled as documented taking into account the seniority of interest and fees in respect of this facility. Additionally, the cash flow model has taken into account the payments made by the issuer to the swap counterparty, i.e., no credit was given to balances held in the GIC account. The senior expenses were not sized as these are effectively guaranteed by the swap payment.

Surveillance Details

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular reports provided by SNS Bank and detailing the performance of the underlying collateral will be analyzed. The supporting ratings to the transaction will be closely monitored. Regular visits will be made to SNS Bank to ensure that the bank's minimum standards are being maintained, and that any material changes in SNS Bank's operations are assessed.

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