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RMBS Presale Report

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

€1.25 Billion (Equivalent) Mortgage-Backed Floating-Rate Notes

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This presale report is based on information as of Sept. 17, 2003. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final credit ratings that differ from the preliminary credit ratings. Please call one of Standard & Poor's Ratings Desks for the final ratings when assigned: London (44) 20-7847-7400, Paris (33) 1-4420-6705, Frankfurt (49) 69-33-999-223, Stockholm (46) 8-440-5916. Preliminary credit ratings as of Sept. 17, 2003.

Class	Prelim. rating*	Prelim. amount	Recommended credit support (%)	Margin base	Step-up margin	Optional call date	Legal final maturity
A1	AAA	Euro-denominated**	8.32	3-month EURIBOR + margin	3-month EURIBOR + 100 bps	February 2010	November 2037
A2	AAA	U.S. dollar-denominated**	8.32	3-month U.S.$ LIBOR + margin	3-month EURIBOR + 100 bps	February 2010	November 2037
B	A	€53.5 million	4.10	3-month EURIBOR + margin	3-month EURIBOR + 150 bps	February 2010	November 2037
C	BBB	€29.0 million	1.80	3-month EURIBOR + margin	3-month EURIBOR + 200 bps	February 2010	November 2037

**The rating on each class of securities is preliminary and subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion. Standard & Poor's ratings address timely interest and ultimate principal.*

***The exact split between the class A1 and A2 notes is yet to be determined but will total an equivalent amount of €1.1675 billion.*

Transaction Profile

Expected closing date	October 2003
Originator	SNS Bank N.V.
Lead managers	Citigroup and UBS Investment Bank
Seller	SNS Bank N.V.
Mortgage administrator	SNS Bank N.V.
Security trustee	Stichting Security Trustee Holland Mortgage Backed Series (Hermes) VII
Liquidity facility provider	SNS Bank N.V.
Interest swap counterparty	UBS Ltd.
Currency swap counterparty	CDC IXIS Capital Markets
GIC provider	SNS Bank N.V.
Seller collection account provider	SNS Bank N.V.
Issuer transaction account provider	SNS Bank N.V.
Savings mortgage participant	Hooge Huys Levensverzekeringen N.V
Administrator	SNS Bank N.V.

Supporting ratings

Institution/role	Ratings
SNS Bank N.V. as issuer transaction account provider, seller collection account provider, liquidity facility provider, and GIC account provider	A/Negative/A-1
UBS Ltd. as interest swap counterparty	AA+/Negative/A-1+
CDC IXIS Capital Markets as currency swap provider	AAA/Negative/A-1+

Transaction Key Features

Collateral	Performing loans secured by first-ranking mortgages situated in The Netherlands
Principal outstanding (Bil. €)	1.25
Country of origination	The Netherlands
Concentration	Gelderland (20.8%), Limburg (19.2%)
Property occupancy	100% owner occupied
Weighted-average original LTFV ratio (%)	108
Average loan size balance (€)	137,454
Loan size range (€)	9,911-400,000
Weighted-average seasoning (months)	34
Weighted-average asset life remaining (years)	26.4
Weighted-average mortgage interest rate (%)	5.54
Arrears (%)	0
Redemption profile	Sequential, then after the optional redemption date excess spread to be applied sequentially to redeem class A1, A2, B, and C notes
Excess spread at closing (bps)	45
Cash reserve	Building up to 1.8% from 1.0% from excess spread
Liquidity facility size (Mil. €)	12.5
Substitution period (years)	2
Mortgage priority	First-lien mortgage only
Maximum LTFV ratio (%)	125
Principal deficiency ledger	Yes
Percentage of jumbo loans (> €250,000)	12.5
Weighted-average current LTFV ratio (%)	105.2
LTFV — Loan-to-foreclosure-value	

Strengths, Concerns, and Mitigating Factors

Strengths
• 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 1.0% building to 1.8% 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 once the class D notes have been redeemed.

Concerns and Mitigating Factors
• There is a substitution period where new loans may be acquired by the issuer. There is a risk that the credit quality of the portfolio could be reduced. The risk is mitigated through the substitution criteria, which are designed to ensure that the portfolio quality is maintained. Substitutions are also subject to a weighted-average foreclosure frequency (WAFF) and the weighted-average loss severity (WALS) test. Additionally, there is a risk that the insurance setoff risk (as discussed in the following) would increase during the substitution period as loans that prepay could be those that do not have setoff risk and could be replaced with those that do. Standard & Poor's will monitor this through quarterly reports with the estimated size of the potential setoff risk. • 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 setoff with regard to the loans originated by SNS Bank N.V. 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. In this transaction there are more than 30 insurance policy providers, with the largest exposure equating to approximately 3.3% of the notes. Consequently, Standard & Poor's considers that the risk of borrower setoff 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 setoff risk is crystallized on notification (see "Unique Features" below).

Transaction Summary

Preliminary credit ratings are assigned to the mortgage-backed floating-rate notes to be issued by Holland Mortgage Backed Series (Hermes) VII B.V.

The transaction has been originated by SNS Bank, a midsize Dutch retail bank and member of the SNS Reaal Group. The floating-rate notes will be issued by Hermes VII, a SPE. The collateral consists of performing loans secured by first-ranking mortgages over properties situated in The Netherlands. SNS Bank is a frequent originator and is likely to originate further series under the Hermes program.

The preliminary credit ratings assigned to the secured floating-rate notes reflect the sound payment structure and cash flow mechanics of the transaction, and a cash flow analysis to verify that the notes will be repaid under stress test scenarios.

Another key consideration in the rating analysis is the strong protection for noteholders provided by a combination of subordination, a liquidity facility, a reserve fund, and excess spread to cover credit losses and income shortfalls.

Unique Features

Dutch mortgage-backed transactions contain an element of setoff 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 VII under the mortgage against the amounts that are owed to the borrower under the insurance policy. The magnitude of the setoff 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 setoff risk, as the value of the insurance policy and hence the setoff 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 once the class D notes have been redeemed. A swap will guarantee 45 basis points (bps) of excess spread that would be available to fund this amortization.

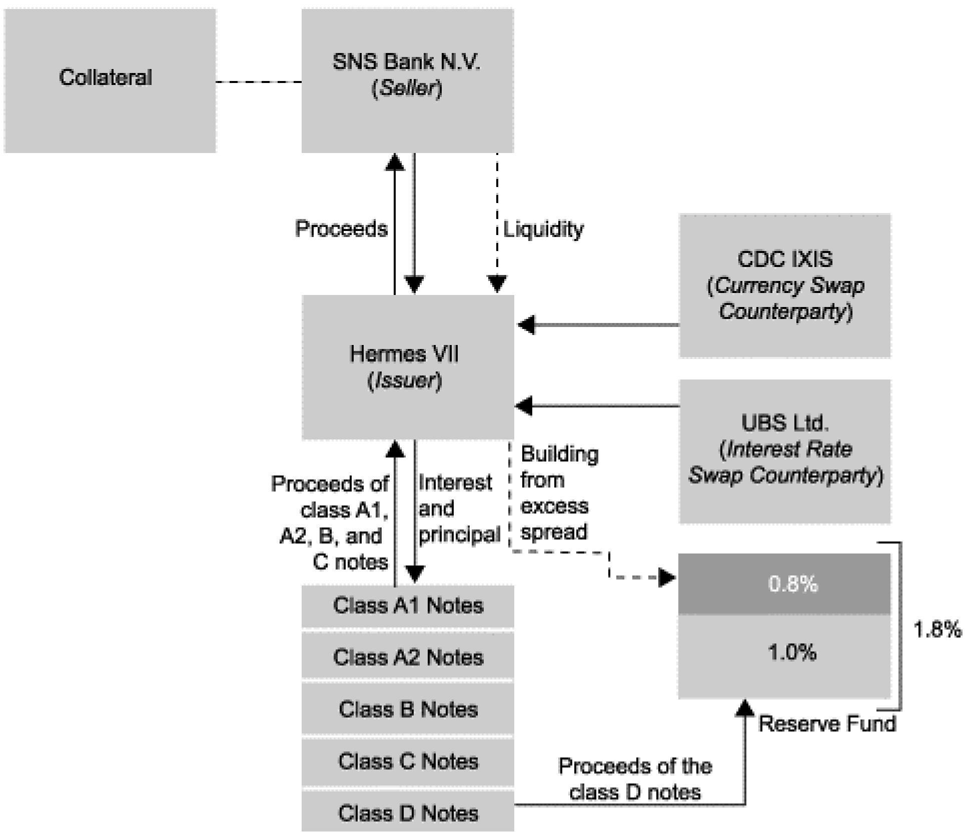
In addition to the setoff risk relating to the insurance policy there exists a risk that on an insolvency of the seller, SNS Bank, borrowers that hold bank accounts with credit balances will also be entitled to set off amounts owned under their mortgages against amounts lost on their bank accounts held with SNS Bank. Standard & Poor's has determined that the amount of setoff 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 funds are deposited into the account and these new funds would represent new claims that are unlikely to form part of the setoff calculation. Standard & Poor's has considered the average balance held in borrowers' accounts and considers the enhancement levels for each class of notes to be adequate to address this risk.

Hermes VII is a repeat transaction for SNS Bank. The structure remains largely unchanged from the previous transaction Holland Euro-Denominated Mortgage-Backed Series (Hermes) VI B.V. save for the inclusion of savings mortgages in the portfolio of the securitized assets and the inclusion of a two-year substitution period. Savings mortgages are different from the other types of interest-only mortgages as the installment of a savings mortgage loan consists of an interest-only part and a savings part paid directly to the insurance company. The savings funds are invested by the insurer. At maturity, the insurance company has the obligation to set off the principal of the loan with the savings part. To hedge against the risk that the return on the borrowers' investments falls below the guaranteed amount due on the mortgage repayment date, the insurer buys a share in the mortgages' portfolio by means of subparticipation. Consequently, the issuer would not suffer any damages should the borrower invoke any right of setoff, so long as the amount that the borrower invokes in such a defense does not exceed the amount of the insurer's participation. Additionally, the estimated potential setoff risk has been substantially reduced.

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 VII Structure



Collateral Description

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, savings mortgage loans, annuity mortgage loans, life mortgage loans, investment mortgage loans, and combinations of these.

The provisional pool of €1.359 billion comprises 9,889 loans — made up of 19,549 mortgage parts — and was drawn up on July 31, 2003. The loans in the pool have been originated since 1995. The pool has a weighted-average seasoning of approximately 34 months.

Other features of the provisional pool include the following:

- The weighted-average current loan-to-foreclosure-value ratio is 105.2%.
- Of the principal balance outstanding, approximately 50.99% are interest-only mortgage loans, 0.43% are annuity mortgage loans, 8.55% are investment mortgage loans, 39.93% are savings mortgages, and 0.10% are linear mortgage loans.
- The largest concentration by geographic area is in Gelderland (see map below), representing approximately 20.77% of loans by principal balance outstanding.
- The average outstanding balance is €137,454 and the maximum balance is €400,000.

Portfolio Geographic Concentrations
(by principal balance)

Credit Structure

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 5.54%. Interest rates vary between individual mortgage loans. At the reset date, a borrower may prepay his or her loan without penalty.

Cash Collection Arrangements

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 prepayment 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 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+'.

Reserve Fund Account
The reserve fund will be funded from proceeds of the unrated class D notes equal to 1.0% of the aggregate principal balance of the notes (excluding the class D notes) on the closing date, which will build up from excess spread to 1.8%. 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 fund represents 1.8% of the outstanding principal amount of the notes at issuance, the reserve required amount will amortize to be the higher of 1.8% 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:

- 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.
- After the first optional redemption date, the outstanding principal amount of all mortgage receivables must be equal to or greater than 10% of the outstanding principal amount of all mortgage receivables at the closing date.
- The weighted-average seasoning of the pool must be greater than 80 months.
- Before the payment date falling in October 2007, the reserve fund required amount must not be less than €22.5 million.

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.

Interest Swap Agreement
On the closing date, the issuer will enter into a swap with UBS Ltd. (AA+/Negative/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 due on the mortgages and the GIC account plus received prepayment penalties, 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. Consequently, the swap guarantees an excess spread of 45 bps for the life of the transaction, which will be available to cover credit losses.

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 February, May, August,

and November 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 2037.

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 class A1 and A2 (pro rata), B, and C notes once the class D notes have been redeemed in full. Until February 2010 the class A1 notes will be redeemed before the class A2 notes.

Optional Redemption

The issuer will have the option to redeem all the notes after the optional redemption date in February 2010 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.

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 WAFF and 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.

Key Performance Indicators

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. Standard & Poor's will also monitor the level of potential setoff risk during both the substitution and amortization periods.

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