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July 16, 2010

Presale:
PEARL Mortgage Backed Securities 4 B.V.

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Presale:

PEARL Mortgage Backed Securities 4 B.V.

€1.0 Billion Mortgage-Backed Floating-Rate Notes

This presale report is based on information as of July 16, 2010. The 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 ratings that differ from the preliminary ratings.

Class	Prelim. rating*	Prelim. amount (mil. €)	Available credit support (%)	Interest	Step-up date	Step-up interest	Legal final maturity
A	AAA	931	6.9	Three-month EURIBOR plus a margin	July 18, 2015	Three-month EURIBOR plus a margin	July 18, 2047
B	NR	69	N/A	Three-month EURIBOR plus a margin	July 18, 2015	Three-month EURIBOR plus a margin	July 18, 2047

*The rating on each class of securities is preliminary as of July 16, 2010, and subject to change at any time. Initial 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. NR—Not rated. N/A—Not applicable. EURIBOR—European interbank offered rate.

Transaction Participants	
Originators	SNS Bank N.V., BLG Hypotheekbank N.V., and SNS Regio Bank N.V.
Sellers	SNS Bank N.V., BLG Hypotheekbank N.V., and SNS Regio Bank N.V.
Arranger	SNS Bank N.V.
Joint lead managers	SNS Bank N.V., Credit Suisse, and Natixis S.A.
Issuer administrator	SNS Bank N.V.
Mortgage servicers	SNS Bank N.V., BLG Hypotheekbank N.V., and SNS Regio Bank N.V.
Security trustee	Stichting Security Trustee PEARL Mortgage Backed Securities 4
Liquidity facility provider*	SNS Bank N.V.
Interest swap counterparty	Natixis S.A.
GIC provider	Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
Collection account provider	SNS Bank N.V.
Savings insurance company	SRLEV N.V.
Provider of NHG guarantee	Waarborgfonds Eigen Woningen (WEW)

*In the transaction documentation, this is referred to as the "cash advance facility provider." GIC—Guaranteed investment contract. NHG—Nationale Hypotheek Garantie.

Supporting Ratings

Institution/role	Ratings
SNS Bank N.V. as seller*, collection account provider, and liquidity facility provider	A-/Negative/A-2
Natixis S.A. as swap counterparty	A+/Stable/A-1
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) as GIC provider	AAA/Negative/A-1+

*Together with its subsidiaries BLG Hypotheekbank N.V. and SNS Regio Bank N.V. GIC—Guaranteed investment contract.

Transaction Key Features*	
Expected closing date	July 21, 2010
Collateral	100% NHG guarantee-scheme-backed Dutch residential mortgages

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Transaction Key Features* (cont.)	
Principal outstanding, provisional pool (€)	1,037,499,164
Country of origination	The Netherlands
Concentration	Zuid Holland (16.78%) and Gelderland (16.35%)
Property occupancy	100% owner-occupied
Weighted-average loan-to-foreclosure value ratio (%)	97.0
Average loan balance (€)	173,669
Loan size range (€)	20,000 to 350,000
Weighted-average seasoning (months)	13.7
Weighted-average asset life remaining (years)	27.8
Weighted-average mortgage interest rate (%)	4.5
Arrears greater than one month (%)	0
Excess spread at closing (bps)	25
Cash reserve	None
Liquidity facility size at closing	2.0% of current note balance, with a floor of 0.5% of original note balance
Mortgage priority	First-lien mortgages only
Maximum loan-to-foreclosure value ratio (%)	125
Principal deficiency ledger	Loss-based

*As of May 30, 2010.

Transaction Summary

Of the €1.0 billion mortgage-backed floating-rate notes that PEARL Mortgage Backed Securities 4 B.V. (PEARL 4) will issue, Standard & Poor's Ratings Services has assigned its preliminary 'AAA' credit rating to the class A notes totaling €931 million. At the same time, PEARL 4 will issue €69 million in unrated notes.

Three banks originated the loans underlying the transaction: SNS Bank N.V. (SNS), a midsize Dutch retail bank that is a wholly owned subsidiary of SNS REAAL N.V.; BLG Hypotheekbank N.V. (BLG), a mortgage originator that distributes through independent intermediaries; and SNS Regio Bank N.V. (SNS Regio), a banking operation originating mortgages through independent intermediaries. BLG and SNS Regio are both wholly owned subsidiaries of SNS.

The collateral consists of performing loans secured on first-ranking mortgages on properties in The Netherlands. SNS has originated approximately 63% of the current mortgage pool, while BLG represents 11% and SNS Regio 26%. There is scope for this distribution to change during the five-year revolving period. Mortgages across the three originators are underwritten to the same standards.

The structure relies on the interest rate swap between the issuer and the swap counterparty to mitigate interest rate risk and contribute excess spread to the transaction. It also relies on payments made by Waarborgfonds Eigen Woningen (WEW) under the Nationale Hypotheek Garantie (NHG) guarantee scheme to reduce the losses made on foreclosed accounts.

Notable Features

This will be the first transaction we have rated in the PEARL series and will represent the first SNS transaction we have rated where 100% of the loans comprising the collateral benefit from an NHG guarantee ("NHG loans"). This guarantee potentially reduces the magnitude of losses on foreclosure. For further details of this scheme, see "NHG Guaranteed Pool" below, and also "Assessing the NHG Guarantee In Dutch RMBS Transactions—A Prudent Approach," published on June 11, 2008.

PEARL 4 features a five-year revolving period, but in many other respects it is similar to SNS's Hermes transactions, which we have rated for several years.

Strengths, Concerns, And Mitigating Factors

Strengths

- All mortgage receivables in the pool are first-ranking.
- The eligibility criteria include that all loans in the pool must have the benefit of an NHG guarantee from the WEW; this reduces the risk of losses on foreclosure.
- The interest rate swap is structured to pay senior issuer expenses and provide both interest on the balance of the notes (less the principal deficiency ledger [PDL]) and a guaranteed excess margin on the collateral balance.
- The weighted-average loan-to-foreclosure-value of the mortgage portfolio will be capped at 97.4% during the five-year revolving period.
- The liquidity facility of 2.0% of outstanding note balance is available to meet senior issuer costs and interest on all notes.

Concerns and mitigating factors

- The entire structure will be collateralized, with no cash reserve fund built into the transaction. However, the class B notes will provide subordination to the class A notes and there will be a liquidity facility and excess spread in the transaction.
- The five-year revolving period will allow for the application of principal proceeds received during that period for the purchase of additional mortgage loans from the sellers. There are limited covenants on the portfolio composition during this period, meaning the credit quality of the mortgage pool could deteriorate. To capture this risk, we determined our foreclosure and loss severity levels, having engineered a "worst-case" mortgage pool using the pool covenants stipulated.
- 100% of the pool has the benefit of an NHG guarantee; however, the WEW can refuse to pay some or all of a claim if the eligibility criteria for the guarantee are not met. We determined the historic claim success rate of the originators and only this level of NHG credit was given in our loan-loss determination.
- As in other Dutch residential mortgage-backed securities (RMBS) transactions, there is a risk that on an insolvency of a mortgage borrower's insurance policy provider, the borrower may be able to set off any resulting loss on the insurance policy repayments against his or her mortgage. In this transaction, there are more than 40 insurance policy providers, with the largest exposure equating to approximately 1.8% of the pool. We consider that the risk of borrower set-off is adequately covered by the credit enhancement and can therefore delink the ratings on the notes from the ratings on the insurance companies, and assign our highest preliminary rating of 'AAA' to the most senior class of notes.

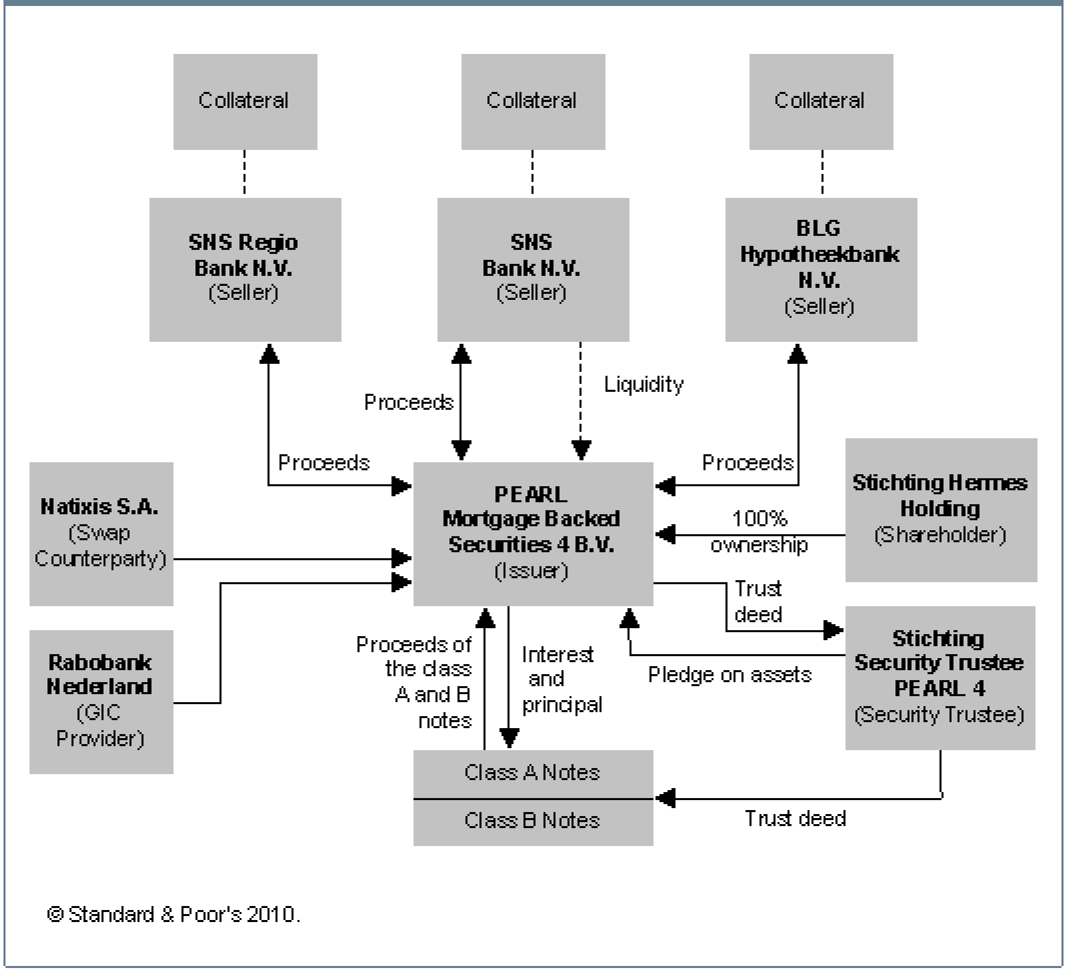
- Borrowers that also hold accounts with SNS or SNS Regio may be able to set off the balance of their deposits against the amount owed against the mortgages on an insolvency of SNS or SNS Regio. The magnitude of the set-off risk is crystallized on notification, which will take place if the long-term rating on SNS is lowered below 'A-'. BLG is not a deposit-taking institution so in sizing deposit set-off exposure, we have considered the scenario where BLG mortgages are replaced by SNS- or SNS Regio-originated mortgages during the revolving period. Additionally, we have considered the potential for customer deposits to increase prior to any crystallization. We have then modeled this deposit set-off as a loss in our cash flow scenarios.
- The issue of joint security arises where a charge over property secures not only the mortgage loan, but also other debts that a customer may owe the bank, such as consumer loans, or fees and penalties. If a seller becomes insolvent and the borrower defaults on his loan (where the security is shared between PEARL 4 and the seller), then the recovery proceeds may be shared between PEARL 4 and the seller. The seller agrees that upon SNS's rating falling below 'A-', the seller's security rights will be partially terminated. This would result in the security rights only securing the mortgage receivables and reducing the risk that the seller would have a claim on the mortgage proceeds. We view the potential exposure to be consistent with a 'AAA' rating within "other support" under our swap counterparty criteria. For further details, see "Revised Framework For Applying Counterparty And Supporting Party Criteria," published on May 8, 2007.

Transaction Structure

At closing, the issuer will purchase and accept the assignment of all rights of the sellers against certain borrowers in connection with the mortgage pool (see chart 1). At that time, the issuer will issue various classes of notes and use the proceeds to purchase these rights.

PEARL 4 will make interest payments quarterly in arrears on the payment date in January, April, July, and October of each year, beginning in October 2010. The notes will pay interest at three-month EURIBOR plus a class-specific margin. This margin will increase on the class A notes on the step-up date in July 2015, at which time the revolving period will come to an end. All notes will have a legal final maturity date in July 2047.

Chart 1: PEARL Mortgage Backed Securities 4 B.V. Transaction Structure



NHG Guaranteed Pool

100% of the pool will have the benefit of an NHG guarantee, which has affected our loss severity analysis. This guarantee covers certain losses realized after the foreclosure of a property, including the outstanding principal amount owed to the lender, unpaid accrued interest, repossession costs, and other miscellaneous costs. Irrespective of the scheduled repayments or unscheduled prepayments made on the underlying mortgage loan, the NHG guarantee amortizes on a monthly basis by an amount equal to the monthly principal payments that would be made if the mortgage loan was being repaid on an annuity basis over a term of 30 years. As a consequence, the maximum amount that could be claimed under the guarantee could be less than the outstanding amount of the loan at the time of default.

The WEW can refuse to pay some or all of a claim if the eligibility criteria for the guarantee are not met and this eligibility is checked only at the time of the claim, not at the loan origination date. We have received historical payout data on the percentage of claimed amounts that WEW has reimbursed to all the originators. We have examined the reasons for nonpayment at an individual claim level, and consequently determined a "success rate." To stress the amortization of the guarantee, we assumed that defaults are lagged compared with the cut-off date as the later a claim is made, the less the guarantee is worth. At an individual loan level, we compare the loss on foreclosure with the remaining guarantee value on that individual loan at that lagged date. We then haircut the lower of the claimable loss and the outstanding guarantee value at the date of the default, by our stressed success rate of 60%, to give the maximum amount that would be payable by the WEW. We then consider any remaining loss in determining our loss severity figures at each rating level.

Originator Profiles

SNS is a public limited liability company that was incorporated under Dutch law in 1990 (with corporate headquarters in Utrecht) as a result of the merger of several regional savings banks. SNS is a 100% subsidiary of SNS Reaal N.V., and is thus also part of the SNS Reaal Group. SNS is a retail bank with a strong focus on its domestic market, and a product offering that is concentrated around savings, mortgages and small commercial services. Its origination of residential mortgages is broadly dispersed throughout The Netherlands, without a specific regional concentration (unlike that of BLG). SNS originates mortgages via three principal distribution platforms: its own branch network, direct channels (a call center and the Internet), and intermediaries (estate agents, financial advisers, insurance intermediaries). SNS also has close links with the insurance subsidiary of its own group (Reaal Verzekeringen N.V.) to facilitate the sale of mortgage products with an underlying repayment vehicle that is provided by this insurance company (for instance, life insurance and investment products). However, regardless of the channel of origination, the underlying credit process involved in underwriting is undertaken internally by SNS itself.

BLG and SNS Regio are both wholly owned subsidiaries of SNS and offer financial services via independent intermediaries. BLG sells exclusively mortgages, while SNS Regio offers a full range of banking products and facilities. As is the case with all three originators, underwriting decisions are made by the originator centrally rather than by any intermediary.

The policies and processes of servicing and arrears management are similar for SNS, BLG, and SNS Regio. Currently, SNS and BLG's middle office arrears management processes are centrally controlled, with SNS Regio due to join them in Q3 2010. Regardless of the channel of sale, SNS, BLG, and SNS Regio control servicing and arrears management internally, although an intermediary may become involved in certain stages of the arrears management process. All three servicers maintain surveillance on the comparative credit quality of borrowers being introduced by different intermediaries. As soon as a borrower becomes delinquent, it is classified by risk category (high, medium, or low), and the speed and frequency of contact with this borrower is prioritized accordingly. The arrears management process will generally move into the legal stage (with formal foreclosure procedures) after 90 days of arrears.

We have reviewed the organizational process, underwriting criteria, and collections activity of all three originator/servicers, and found them to be satisfactory.

Notes Terms And Conditions

Security for the notes

The notes will be secured by:

- A first-ranking right of pledge by the issuer to the security trustee over the mortgage receivables and the beneficiary rights; and
- A first-ranking right of 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.

To pledge these security rights under Dutch law, PEARL 4 will pay to the security trustee—by way of a parallel debt—an amount equal to the aggregate of all its undertakings, liabilities, and obligations to the security beneficiaries under the relevant transaction documents.

Optional redemption/mandatory redemption

On the step-up date and each interest payment date thereafter, the issuer will use principal collections to redeem the class A notes until fully redeemed, followed by the class B notes.

The issuer can redeem all the notes in full on the step-up date in July 2015, or on any quarterly payment date thereafter, at their principal amount outstanding plus accrued interest (less any PDL balance, in the case of the class B notes).

On any quarterly payment date at which time the outstanding mortgage balance is less than 10% of the closing mortgage loan balance, the seller can exercise its option to buy back the mortgage loans. The issuer will then use the proceeds of the sale to redeem the notes.

Redemption of all the notes can also take place if taxes are imposed that result in a requirement to withhold or deduct payments of principal or interest on the notes.

Collateral Description

The collateral pool comprises loans secured on first-ranking mortgages over residential properties in The Netherlands and backed by the NHG guarantee. The mortgage loans are of various product types: Interest-only, savings, annuity, life, investment, linear, and combinations of these.

The provisional pool has a net outstanding principal balance of €1,037,499,164, which comprises 5,974 loans (composed of 12,075 mortgage parts). The cut-off date for the provisional pool was May 30, 2010; however, the five-year revolving period will lead to changes in the collateral composition. The addition of these new mortgage assets is subject to certain eligibility criteria summarized later in this section.

Features of the provisional pool are reflected in the charts below and include:

- SNS originations total 62.9%, BLG 11.1%, and SNS Regio 26.0%.
- The weighted-average current loan-to-foreclosure-value ratio is 97.0%.
- Of the principal balance outstanding, 60.6% represents interest-only mortgage loans (including life mortgages).
- The largest concentrations by geographic area are in Zuid-Holland and Gelderland, representing 16.8% and

16.4%, respectively (see map).

- The average borrower exposure is €173,669. Eligibility under the NHG scheme means that the maximum loan cannot exceed €350,000.

Chart 2

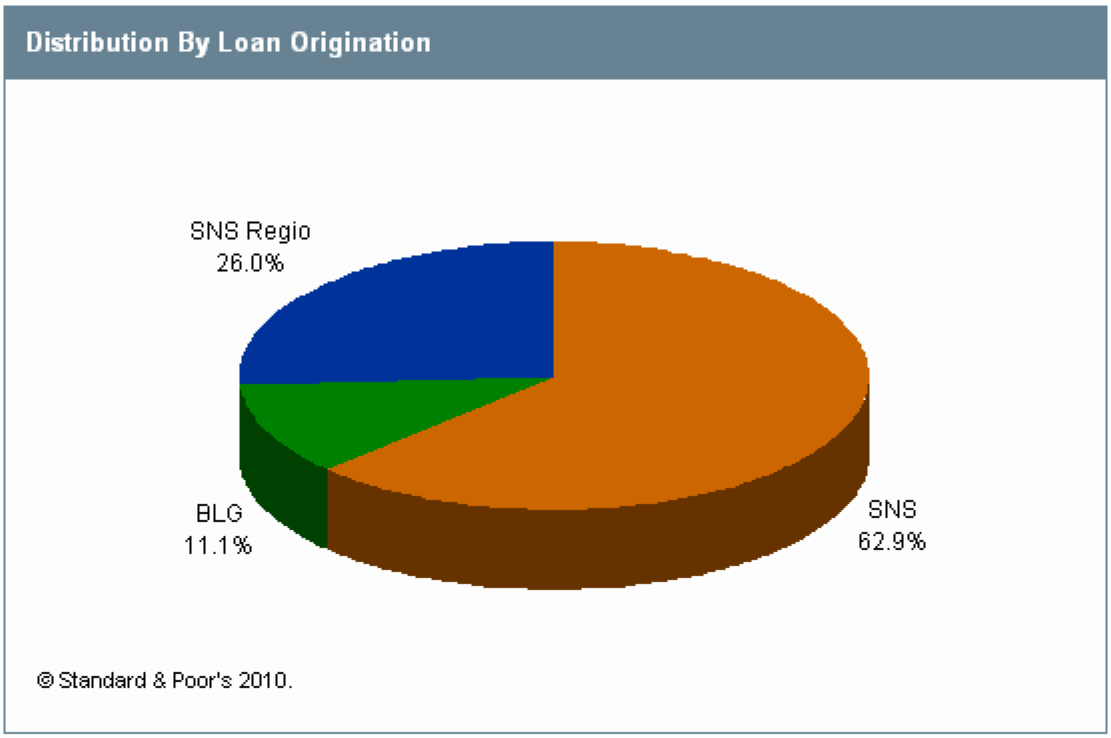


Chart 3

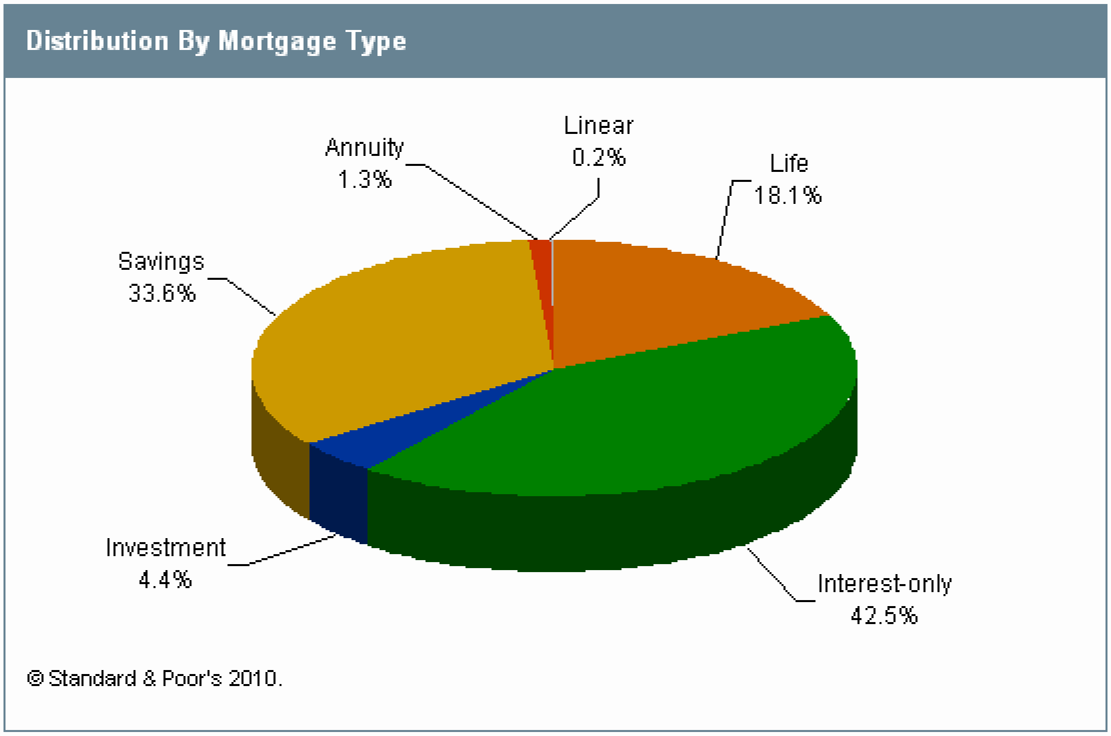


Chart 4

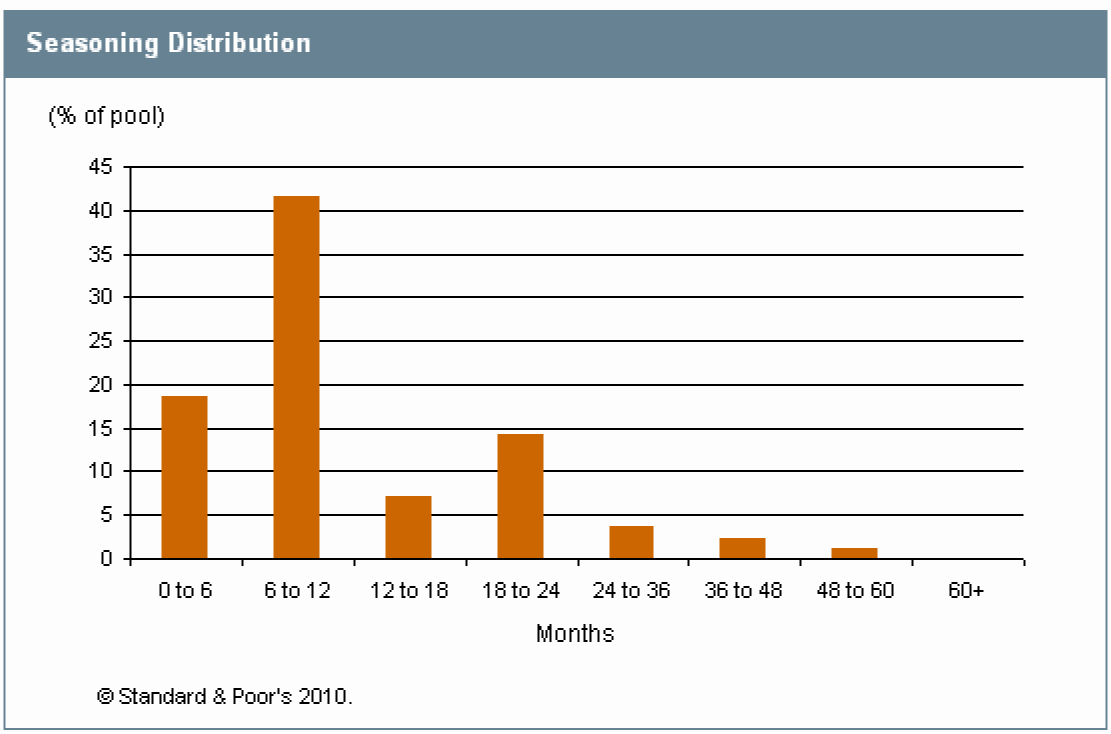
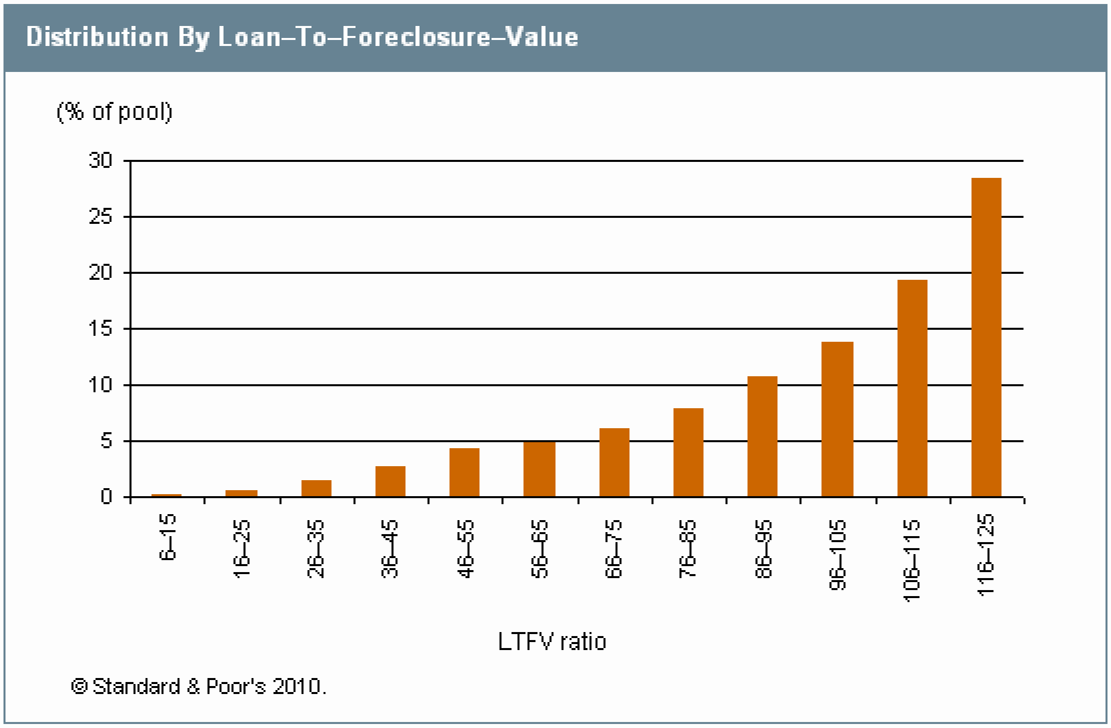


Chart 5


Distribution By Loan–To–Foreclosure–Value
(% of pool)
30
25
20
15
10
5
0
6–15
16–25
26–35
36–45
46–55
56–65
66–75
76–85
86–95
96–105
106–115
116–125
LTFV ratio
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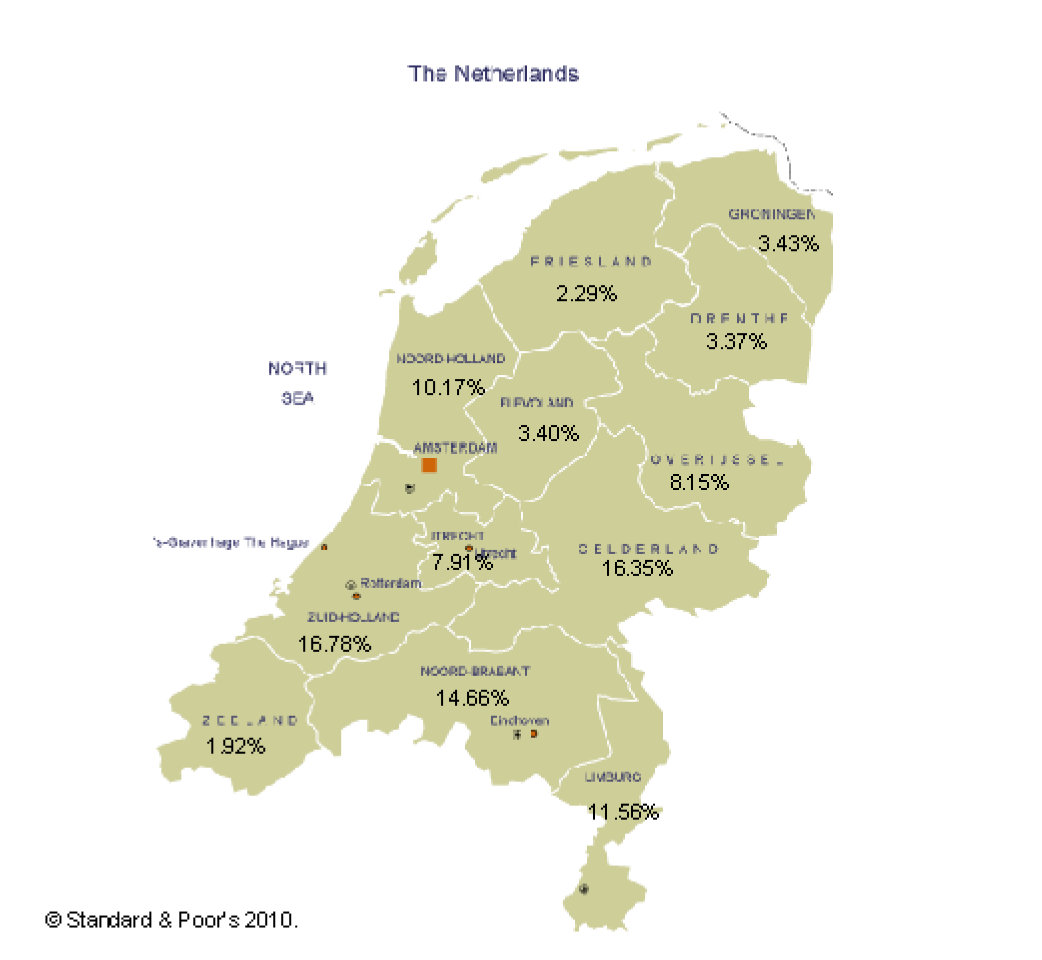
Geographic Distribution Of The Portfolio



There are three products—savings mortgage loans, investment mortgage loans, and life mortgage loans—that carry set-off risks in the Dutch market. This is because the Dutch tax regime includes various incentives to assume a large mortgage loan balance. Mortgage interest is tax-deductible and savings linked to insurance policies are tax-efficient. The eligibility criteria for the inclusion of new mortgage loans in the pool do not contain any restrictions on the proportion of the pool that may consist of any of these types of mortgage loans. However, given the extra risks associated with these products, and the fact that the magnitude of this set-off risk may increase over time, these factors are addressed separately below.

Savings mortgage loans

Savings mortgage loans comprise 33.6% of the provisional pool. The borrower takes out a savings mortgage loan and also a combined risk and capital insurance policy with a savings insurance company. Instead of paying principal, the borrower pays savings premiums that accrue on an annuity basis. At maturity, the cash proceeds of the savings insurance policy are sufficient to repay the savings mortgage loan. If the savings insurance company becomes insolvent, the borrower may be able to set-off amounts lost as a result of the savings insurance company's insolvency against amounts due on the linked savings mortgage loan. There is a substantial risk of set-off with savings mortgage loans because the loan and the policy bear a close connection.

To mitigate the risk associated with savings mortgage loans, the initial asset purchaser will enter into a subparticipation agreement with the relevant savings insurance company. Under the terms of this agreement, the savings insurance company will invest the savings premiums paid by borrowers under savings mortgage loans with the initial asset purchaser. This is referred to as a participation. If a borrower were to successfully invoke a set-off defence for any amounts lost as a result of the savings insurance company becoming insolvent or otherwise defaulting on its obligations under the savings mortgage loan, the savings company's participation would be reduced by the amount lost. Consequently, the initial asset purchaser would only suffer a loss if the amount lost as a result of set-off exceeds the relevant participation.

Investment mortgage loans

Investment mortgage loans comprise 4.35% of the provisional pool. A borrower with an investment mortgage loan makes periodic investment premiums under an investment policy that will, at maturity, be used to pay the principal balance of the mortgage if the return on the investment portfolio is sufficient over the life of the mortgage loan. A potential set-off risk arises with investment mortgage loans if the company granting the investment policy were to become insolvent. The set-off risk associated with investment mortgage loans in this transaction is partially mitigated by the payment mechanics relating to most of these mortgage loans. Borrowers under all investment mortgage loans will make their payments to a bankruptcy-remote Dutch foundation. This foundation will invest borrower funds in accordance with their instructions by acquiring participations in investment funds. These investment funds will be used to pay the mortgage loan at the expiry of its term. Only if this bankruptcy-remote foundation was unable to meet its obligations would borrowers be able to invoke set-off against amounts due on their mortgages. Similar circumstances exist for loans originated by BLG and SNS Regio, except that the foundations to which the payments are made would not necessarily just be SNS Beleggersgiro, but would include those of multiple third parties.

Life mortgage loans

Life mortgage loans comprise 18.1% of the provisional pool. They come in several forms, but the concept remains essentially the same. A borrower with a life mortgage loan pays insurance premiums, which provide him or her with life insurance coverage. If the insurer meets or exceeds a benchmark return on the borrower's premiums, the mortgage loan will be paid at maturity with the accrued value of the policy.

Life mortgage loans are subject to similar risks to savings mortgage loans and investment mortgage loans. Four events would need to occur before set-off could result in a loss to noteholders:

- The relevant insurer would need to be declared insolvent.
- A borrower who had suffered a loss as a result of the insurer's insolvency would need to invoke a set-off claim.
- A court would need to determine that the borrower's waiver of set-off rights under the initial seller's mortgage documentation was invalid and that the borrower has met all the conditions necessary to invoke set-off.
- The aggregate loss realized as a result of set-off would need to exceed the available credit enhancement for a class of notes (after factoring into account the excess margin under the cash flow swap available to make whole any principal deficiencies).

The low likelihood of all these events occurring together reduces any potential set-off risk exposure. However, the risk is not immaterial, particularly if the concentration of life mortgage loans in the pool increases substantially, which in turn could increase the potential magnitude of the set-off risk (see "Changes To The Treatment Of

Potential Set-Off Risk In The Dutch RMBS Market" in "Related Criteria And Research").

In 2006, The Netherlands' authority for the financial markets released a report that the costs for these types of loans across the industry may be overpriced and/or charged at misleading prices. We understand that class action suits have been announced against certain insurance companies. If the policies related to the mortgage loans are dissolved or nullified, the connected mortgages loans could also be dissolved or nullified and if not, these excess prices may be set off against the mortgage loan. A borrower's ability to effect such a set-off would be based on the sellers' involvement in the selling of the policy and the outcome of a test case. This is generally viewed as a systemic risk in The Netherlands.

Other forms of set-off risk

In addition to the above set-off risks, there is a risk that on insolvency of the sellers, borrowers that hold bank accounts with credit balances may be entitled to set off amounts owed under their mortgages against amounts lost on accounts held with the sellers. We have determined that the amount of set-off would be crystallized at the time of notification of the assignment of the mortgages to the special-purpose entity (notification will take place if the long-term rating on SNS is lowered below 'A-'). The borrower does not need to make the set-off claim at the time of notification, but can do so later. We consider the enhancement level for the class A notes to be adequate to address this risk. The risk is lower for the BLG loans than for the SNS loans, as BLG is not a deposit-taking institution.

Substitution

Following receipt of principal payments on the mortgages, the documents permit the issuer to purchase additional mortgages from the sellers on each interest payment date prior to the step-up date, to the extent offered by the relevant seller. The issuer will apply the available redemption amount toward the purchase of substitute mortgages. The purchase of the new mortgage receivables is subject to a number of conditions, including that:

- The representations and warranties are correct;
- No assignment notification event relating to the seller has occurred and is continuing;
- There has been no failure by any seller to repurchase any mortgage receivable which it is required to repurchase;
- No downgrading of the notes by any of the rating agencies will occur as a result of the purchase;
- The weighted-average loan-to-foreclosure-value of the collateral does not exceed 97.4%;
- There are no debit balances on the PDL;
- No more than 2.25% of the aggregate outstanding mortgage receivables is in arrears by 60 days or more;
- No drawing (standby excluded) remains outstanding under the liquidity facility agreement;
- The aggregate outstanding principal amount of all substitute mortgages purchased on the last four payment dates does not exceed 20% of the aggregate outstanding principal amount of all mortgages on each payment date;
- The portion of the pool comprising interest-only mortgages does not exceed 64%; and
- The cumulative portfolio realized losses do not exceed 0.20%.

Eligibility criteria

All loans are subject to the issuer's eligibility criteria, which include that:

- Each mortgage loan has the benefit of an NHG guarantee;
- The mortgage asset is situated in The Netherlands;
- The borrower is a private individual;
- The borrower is not an employee of the relevant seller or any of its group companies;
- All loans have a legal maturity of not more than 30 years. The exception are interest-only loans originated by

SNS prior to Oct. 1, 2003, which, regardless, mature before 2040;
- Each mortgage receivable is secured on a mortgage right on a mortgaged asset used for residential purposes and is governed by Netherlands law;
- The mortgage loans are either (i) annuity mortgage loans, (ii) linear mortgage loans, (iii) interest-only mortgage loans, (iv) investment mortgage loans, (v) savings mortgage loans, (vi) life mortgage loans, or (vii) combinations of the above categories;
- Each property secured on a mortgage was valued by an independent qualified valuer;
- Each mortgage loan constitutes the entire loan granted to the relevant borrower and not merely one or more loan parts; and
- All mortgages and borrower pledges have the first priority.

Credit Structure

Credit support for the notes will be provided by a combination of subordination and excess spread on the mortgages (see table 1).

Table 1

Credit Support For The Notes

Class	Rating	Size of class (%)	Mil. € (equivalent)	Credit support (%)
A	AAA	93.1	931	6.9
B	NR	6.9	69	N/A

N/A—Not applicable. NR—Not rated.

Mortgage loan interest rates

The mortgage loans pay either a fixed or a floating rate of interest, which may be reset from time to time. The weighted-average interest rate on the provisional pool is 4.5%. The loans may also contain rate and reset mechanisms that control the volatility of the mortgage rate to the borrower--for instance, by maintaining it within a bandwidth, by applying a ceiling, or by calculating a moving average of prior rates. At the reset date, a borrower may prepay his or her loan without penalty; otherwise, they may prepay up to 20% per year (SNS) or 10% per year (BLG) without penalty.

When considering cash flow receipts, the level of interest received on the mortgages is not important, as all interest received will be transferred to the swap counterparty in exchange for payment of interest on the notes (see "Interest swap agreement").

Cash collection arrangements

Payments by the borrowers will be due on the first day of each month. These payments will be paid by all sellers into collection accounts held in the name of each seller at SNS. All interest, principal, and any prepayment penalties received will then be transferred to the issuer's GIC account.

If the short-term rating on SNS is lowered below 'A-2', each seller will ensure that payments to be made for the collections will be guaranteed by a party with a short-term rating of at least 'A-2'.

At closing, SNS will transfer €12 million into an escrow account with the GIC provider to cover any potential commingling loss. If observed receipts are greater than €12 million in a given period, SNS will contribute additional funds to the account to reflect the increased exposure. We have stressed this amount in elevated constant prepayment rate (CPR) cash flow scenarios and we deem it to be sufficient to mitigate any commingling risk.

Liquidity facility

On the closing date, the issuer will enter into a liquidity facility agreement (known as the cash advance facility). The facility will equal 2.0% of the current balance of the notes, with a minimum floor value of 0.5% of the original balance of the notes. It will be available on the interest payment dates to meet items in the interest priority of payments down to and including interest payments on the class B notes, excluding the clearing of the class A PDL. Liquidity can be used to pay note interest regardless of any PDL that may exist on that class of note.

We anticipate that the liquidity facility will be fully drawn at closing and the funds placed in an account with the GIC provider in the name of the issuer. The amortizing balance will remain drawn for the duration that SNS's short-term credit rating remains below the minimum required liquidity provider rating of 'A-1'.

Note payments

Payments of interest will be made quarterly in arrears on the payment date in January, April, July, and October of each year. The notes will pay interest at three-month EURIBOR plus a class-specific margin yet to be determined, starting in October 2010, and will have a final maturity date of July 2047.

Priority of payments

The transaction will have separate priorities of payments for principal and interest. The priority of payments for interest receipts can be summarized as follows:

- Senior fees and expenses;
- Liquidity facility provider (excluding gross-up amounts);
- Swap counterparty (unless in default);
- Interest due on the class A notes;
- Credits to the class A PDL;
- Interest due on the class B notes;
- Credits to the class B PDL;
- Swap counterparty (if in default);
- Gross-up amounts due on the liquidity facility; and
- Deferred purchase price installment to the sellers.

The priority of payments for principal receipts can be summarized as follows:

- Prior to step-up, toward the price of substitute mortgage receivables purchased during the revolving period;
- Sequential payment of the principal amounts outstanding on the notes (class A followed by B); and
- Deferred purchase price installment to the sellers.

Interest swap agreement

On the closing date, the issuer will enter into a swap with Natixis S.A. to hedge the basis risk between the rate of interest the issuer will receive on the mortgage loans and the rate of interest the issuer will pay on the notes.

Under the swap, the issuer will pay to the swap counterparty the interest due on the mortgages and interest accrued on the GIC, plus any prepayment penalties received, minus senior fees and expenses payable by the issuer (including the liquidity commitment fee but excluding any liquidity facility draw fee), and minus 25 basis points (bps) on the outstanding mortgage balance. In turn, the swap counterparty will pay to the issuer the interest amount due on each class of notes, but will exclude the balance recorded on the relevant PDL of each series of notes in calculating the amount of interest due. Consequently, the swap will provide an excess spread of 25 bps for the life of the transaction, which will be available to cover credit losses.

Credit Analysis

We stressed the transaction cash flows to test both the credit and liquidity support provided by the assets, subordinated tranches, interest rate swap, and liquidity facility. We implemented these stresses to the cash flows at all relevant rating levels, although in this transaction there is only one rated tranche.

Amount of defaults and recoveries

Having built a "worst-case" pool using the revolving period covenants, we estimated the likelihood for each loan in the pool that the borrower will default on its mortgage payments (the foreclosure frequency), and the amount of loss on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage balance to default. We determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating the weighted-average foreclosure frequency (WAFF) and the weighted-average loss severity (WALS).

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio (see "Related Criteria And Research"). The WAFF and WALS shown in table 2 reflect our assessment of the credit quality of the "worst-case" pool, following an assumed five-year period of mortgage substitution. The WALS also reflects the benefit we have given for the NHG guarantee, having considered in our analysis the originators' claim success rate.

Table 2

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)	Market value declines (%)
AAA	24.06	20.78	36
AA	19.46	19.43	32
A	14.87	17.40	26
BBB	10.27	16.05	22

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans assumed to default over the life of the transaction. We assume that these defaults occur over a three-year recession. Further, we assess the impact of the timing of this recession on the ability to repay the liabilities, and choose the recession start period based on this assessment.

We assume the revolving period has expired and model the transaction as the collateral balance begins to amortize. Although the recession normally starts in the first month of the transaction, the 'AAA' recession is usually delayed by 12 months. The WAFF is applied to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, the WAFF is applied to the balance at the beginning of month 13). We assume defaults occur periodically in amounts calculated as a percentage of the WAFF. The timing of defaults generally follows two paths,

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referred to here as "fast" and "slow" defaults. These timings are shown in table 3.

Table 3

Default Timings For Fast And Slow Default Curves

Recession month	Fast default (percentage of WAFF)	Slow default (percentage of WAFF)
1	30	0
6	30	5
12	20	5
18	10	10
24	5	20
30	5	30
36	0	30

Timing of recoveries

We assumed that the issuer would regain any recoveries 24 months after a payment default in Dutch transactions. This is six months longer than is usual in Dutch transactions, given the potential delay in receipt due to the NHG claim process. The value of recoveries at the 'AAA' level will be 100% minus the WALS given above.

Note that the WALS used in a cash flow model will always be based on principal loss, including costs. We assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After we apply the WAFF to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period will need to be covered by other structural mechanisms in the transaction—in this case, the excess spread generated by the interest rate swap.

Delinquencies

We model the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current with respect to both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed. We apply this in each month of the recession and assume full recovery of delinquent interest will occur 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is €1 million and the WAFF is 30%, €100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We modeled three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were 0.8% at the time of modeling and were modeled to rise or fall by 2.0% a month to a high of 12.0% or a low of 0.0%. For stable interest rates, the interest rate was held at the current rate throughout the life of the transaction. In the 'AAA' scenario, the interest rate increase was not modeled to begin until month 13.

Transactions are stressed according to two prepayment assumptions, high (24.0%) and low (0.5%). In this transaction a prepayment rate of 7% is modeled before the recession for the first year of the transaction for both the high and low prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13, when the recession is assumed to start in the 'AAA' scenario.

We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or the transaction is particularly sensitive to high prepayments (e.g., the transaction relies heavily on excess spread).

In combination, the default timings, interest rates, and prepayment rates described above give rise to 12 different scenarios (see table 4). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the 12 scenarios at the proposed rating level.

Table 4

RMBS Stress Scenarios

Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Fast
2	Low	Up	Fast
3	Low	Down	Fast
4	Low	Flat	Slow
5	Low	Up	Slow
6	Low	Down	Slow
7	High	Flat	Fast
8	High	Up	Fast
9	High	Down	Fast
10	High	Flat	Slow
11	High	Up	Slow
12	High	Down	Slow

Surveillance

The most notable feature of this transaction requiring surveillance is the credit quality of the portfolio during the five-year revolving period, although this risk is mitigated to some extent, as we have modeled a "worst-case" pool in our initial analysis.

There is also a significant counterparty risk regarding the interest rate swap provider, as it helps to mitigate interest-rate risk and also provides protection against negative carry on defaulted assets until losses are realized. These risks are mitigated by downgrade language in the swaps, which requires the replacement of any swap counterparty if it is downgraded below 'A-1'.

In addition, we will monitor the success rate of the sellers in relation to claims made to the WEW for losses on NHG loans. Any material variance in this number over a period of time would require our investigation and possible rating action.

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential effect of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Criteria And Research"). This scenario analysis incorporates two house price decline scenarios.

House Price Decline Analysis

Various factors could cause downgrades on rated RMBS notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the deal to two different levels of movements.

Declining house prices generally lead to increasing loan-to-value (LTV) ratios and more borrowers entering negative equity. This may increase the default probability of a securitized pool and its associated loss severity. Consequently, depending on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines will affect the calculation of both the WAFF and WALS. The house price decline analysis assumes house price declines that are relevant and specific to a jurisdiction—rather than being uniform across all European transactions. This does not reflect any views of whether such house price declines will materialize in the future; the levels merely represent scenarios relevant for the specific market. So, for example, the assumed (for the purposes of the house price decline analysis) house price decline levels for a country that has experienced significant house price growth over the past few years may be different from the ones assumed for a country that has experienced stable house prices.

We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 5% and 10%

In the first scenario, in addition to the 'AAA' stress assumption, we apply a further 5% decrease in house prices. All else being equal, this would cause the 'AAA' WALS to increase to 22.27%. Due to the valuation haircuts that have already been applied in determining our "worst-case" mortgage pool, any penalty on foreclosure due to low LTFV levels is already at its maximum level. Therefore, as we decrease the house valuations, the WALS level increases while the WAFF remains stable.

In the second scenario, we apply a further 10% decrease in house prices. All else being equal, this would cause the 'AAA' WALS to increase to 23.76%.

It should be noted that we based the analysis above on a simplified assumption, i.e., that the 5% or 10% house price decline materializes immediately on the day after closing. In reality, house price declines materialize over a period of time. Therefore, other factors, such as seasoning or scheduled repayments under the loans, could mitigate the effect of the house price decline.

It should also be noted that these additional house price declines are being applied to valuations that have already been haircut in determining the "worst-case" mortgage pool.

Table 5 summarizes the results of our house price decline analysis.

Table 5

Results Of The House Price Decline Analysis

House price environment	WAFF (%)	WALS (%)	Rating on class A notes
'AAA' initial assumptions	24.06	20.78	AAA
Additional 5% house price decline	24.06	22.27	AA
Additional 10% house price decline	24.06	23.76	AA-

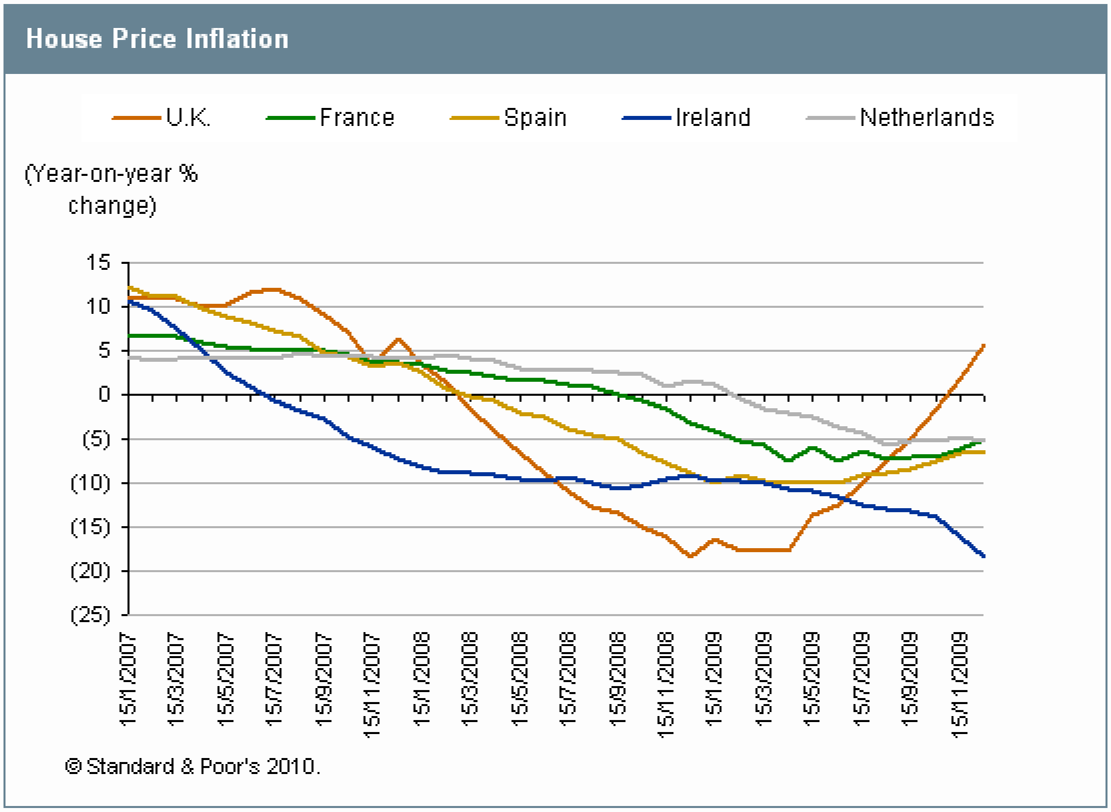
Sovereign Risk Assessment: The Netherlands

We expect the Dutch GDP to expand a modest 1.1% in 2010, following an estimated contraction of 4.0% in 2009. This was the first time since 1982 that the Dutch economy had contracted.

Nevertheless, leading indicators now point to improving economic activity. The Netherlands' purchasing managers' index for the manufacturing sector has edged up in recent months, and it finally indicated a modest expansion in manufacturing activity in November 2009 for the first time since June 2008. Indeed, eight consecutive months of declines had taken this index to a record low in February 2009.

In the meantime, consumer confidence has regained some ground during the latter part of 2009 after it had collapsed to a record low in March. Therefore, we expect economic activity to gradually improve in the near term, following a sizeable contraction in the first half of 2009. Worryingly, unemployment climbed to a three-year high at the end of 2009. We expect a further decline in employment, leading to a steady rise in unemployment numbers in the near term. We believe household consumption, therefore, will be restricted by the poor labor market outlook as well as still-muted lending conditions.

Chart 6



Related Criteria And Research

- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- General Criteria: Standard & Poor's To Explicitly Recognize Credit Stability As An Important Rating Factor, Oct. 15, 2008
- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process, Feb. 7, 2008
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- Criteria Methodology And Assumptions: Assessing The NHG Guarantee In Dutch RMBS Transactions—A Prudent Approach, June 11, 2008
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- Dutch RMBS Index Report, published quarterly

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