

RMBS/Netherlands Presale Report

Provide Lowlands 1 B.V.

Expected Ratings*

Class	Amount (EUR)	Legal Maturity Date	Rating	CE (%)
SSS**	937,000,000	March 2036	N.R.	6.25
A+	500,000	March 2036	AAA	6.25
A	40,000,000	March 2036	AAA	2.25
B	12,500,000	March 2036	AA	1.00
C	10,000,000	March 2036	BBB	

** Super Senior Swap
N.R. Not Rated

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* Expected ratings do not reflect final ratings and are based on information provided by the issuer as of 31 December 2003.

Summary

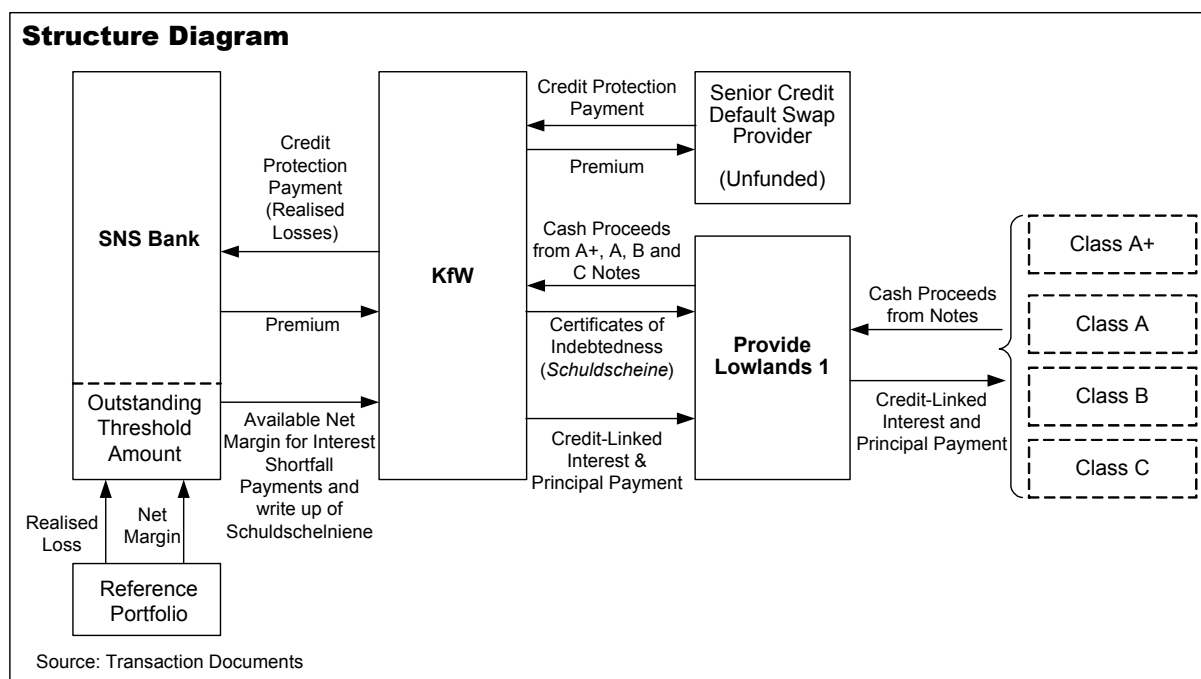
This EUR1.0 billion transaction is a partially funded synthetic securitisation of Dutch residential mortgages originated by SNS Bank N.V. ("SNS Bank" or "the credit protection buyer", rated 'A+/F1'). Fitch Ratings has assigned expected ratings to the credit-linked notes ("CLNs") to be issued by Provide Lowlands 1 B.V. ("Provide Lowlands 1", or "the issuer") as indicated at left. The mortgages are and will continue to be serviced by SNS Bank.

Provide Lowlands 1 is a special-purpose company incorporated under the laws of the Netherlands with limited liability as a "besloten vennootschap met beperkte aansprakelijkheid" ("B.V."). It is registered on the Commercial Register of the Chamber of Commerce of Amsterdam. The issuer's shares are owned by Stichting Provide Lowlands Holding, established under the laws of the Netherlands as a foundation.

The notes to be issued by Provide Lowlands 1 will be referenced to a pool of first-ranking fixed- and variable-rate mortgages secured over residential property in the Netherlands. There will be no transfer of the legal title of the mortgages that form the reference portfolio for the notes.

The expected ratings of the notes are based on the quality of the reference portfolio, the underwriting and servicing of the mortgage loans, available credit enhancement, and the sound legal and financial structures. The transaction further benefits from a synthetic excess margin (net margin) of 25bps per annum and a reserve account (threshold amount) available to the issuer to meet credit protection payments in respect of losses on the reference portfolio. The reserve account is targeted to build up to 0.20% of the initial reference portfolio from available synthetic excess margin. Credit enhancement is provided by subordination, which will total (6.25)% for the class A+ notes, consisting of the class A (4.00)%, B (1.25)% and C notes (1.00)%.

The transaction structure, based on the Provide programme of KfW Bankengruppe ("KfW"), acts as an intermediary for the synthetic transfer of credit risk associated with the reference portfolio. SNS Bank will buy credit protection on a EUR1.0bn reference portfolio from KfW under a credit default swap ("CDS"), also referred to as the bank swap. KfW will, in turn, hedge its exposure under the bank swap by entering into a senior CDS and by issuing certificates of indebtedness to be purchased by the issuer at closing. The issuer will, in turn, place its assumed risk through the issuance of the class A+ to C CLNs. The terms and conditions of each of the certificates of indebtedness will mirror those of the CLNs, including the payment of principal and interest. Following a credit event on the reference portfolio and foreclosure and liquidation proceedings, a realised loss will be determined. To the extent that such losses exceed the available excess margin and the reserve account, the excess will be borne by the holders of the CLNs (A to C) in reverse order of seniority.



Cumulative losses exceeding the sum of the CLNs will be borne by the class A+ noteholders and the senior swap provider on a *pari passu* basis according to a fixed ratio.

This will be the first synthetic RMBS and the eighth publicly rated RMBS transaction launched by SNS Bank, which frequently issues under its “Hermes” programme. Fitch affirmed its ratings of Hermes I through V (and upgraded three tranches) on 3 July 2003. Details of the transactions’ performance are available at www.fitchresearch.com.

To determine appropriate levels of credit enhancement, Fitch analysed the collateral using the default model it developed specifically for Dutch residential mortgages (see “*Dutch Residential Mortgage Default Model II*”, dated 28 January 2000, available on www.fitchratings.com). The agency also modelled the impact of different stress scenarios determined by its default model on expected losses from the synthetic excess margin. The cash flow test showed that the notes could withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

■ Credit Committee Highlights

- The noteholders benefit from a synthetic excess margin of 25bps per annum allocated by the protection buyer, SNS Bank, on the outstanding notional amount of the reference portfolio (excluding defaulted and liquidated reference claims) as the first layer of protection.

- Any quarterly net margin not used to reduce losses incurred on the reference portfolio will go to building up a reserve account equivalent to 20bps of the notional amount of the reference portfolio at closing. The outstanding reserve account is used to cover losses in excess of the 25bps excess margin on the reference portfolio. The reserve account is replenished in the same manner as in a cash flow transaction, by trapping available synthetic excess margin.
- The structure will benefit from an interest shortfall ledger. This mechanism allows any future excess margin to be used to cover interest shortfalls caused by principal write-off in the event that losses exceed the available excess margin and the reserve account.
- Realised losses are defined as principal losses on the mortgages, including accrued (uncapped) interest (for a maximum period of 12 months). Fitch has stressed the interest rate in the loss severity calculation to mitigate negative carry cost.
- Recovery proceeds available to repay principal will be net of foreclosure costs, capped at 5% of the reference claim of the mortgaged property concerned. Based on average figures in the Dutch market, Fitch assumed foreclosure costs to be 5% of the value of any underlying property.
- The principal corresponding to reference loans for which a credit event notice is provided prior to the scheduled maturity date or, as the case

Key Information

Key Parties

Issuer: Provide Lowlands 1 B.V.

Lead Manager: Commerzbank Securities (“Commerzbank”)

Originator: SNS Bank N.V. (“SNS Bank”, rated ‘A+/F1’)

Trustee: Beiten Burkhardt Goerdeler

Servicer: SNS Bank N.V.

Certificate of Indebtedness Issuer: KfW Bankengruppe

Paying Agent: ABN AMRO Bank N.V.

Legal Maturity: March 2036

Reference Portfolio

Type of Loans: First-ranking residential mortgage loans secured by property in the Netherlands

Total Amount: EUR1,000,000,000

WA Seasoning (Months): 41

Main Regional Concentration: 23.5% in Gelderland

Pool Cut-off Date: 31 December 2003

may be, prior to an early redemption date, may remain outstanding for a maximum of 24 months (the extension period).

- Weighted average seasoning is 41 months, longer than for most Dutch transactions.
- Some 96.4% of this portfolio comprises interest-only mortgages, which carry a balloon repayment risk. Fitch has increased the default probability on these loans to account for this additional risk.
- Replenishment is not permitted.
- Set-off risk has been eliminated by excluding set-off from the realised loss definition.

Financial Structure

Credit Default Swap

KfW will enter into the senior CDS agreement at closing to hedge its exposure under the senior tranche of the bank swap with SNS Bank. The latter pays a quarterly fee to KfW, which will pay a quarterly premium to the senior swap provider. In return, losses will be allocated to the senior swap according to the loss allocation (see “*Realised Loss Allocation*” below).

Interest Payments

Interest on the publicly rated notes will be paid quarterly in arrears, based on three-month EURIBOR plus a margin. Interest received on the certificates of indebtedness will match that on the notes. If the notes are not called at the first optional redemption date (March 2014), a step-up margin will apply. The notes will then receive three-month EURIBOR plus 100bps for the class A+ and class A, 150bps for the class B and 200bps for the class C notes.

Interest payments will be made quarterly in March, June, September and December, commencing in June 2004.

Principal Payments

The amortisation of the senior swap and the notes is linked to that of the notional amount of the reference portfolio. Principal receipts will first reduce *pro rata* the outstanding notional amount of the senior swap and the class A+ notes. For clarity, there will be no physical cash transfers between KfW and the senior swap provider in respect of principal. Once the notional amount of the senior swap and the class A+ notes has been reduced to zero, principal repayments will be made sequentially to the class A, B, and C noteholders in an amount equal to the reduction of the notional amount of the underlying reference portfolio.

The notes are scheduled to be repaid in March 2034, excluding principal on those notes corresponding to principal on overdue reference claims but in respect of which a credit event has occurred and a credit event notice has been given. This will be deferred until losses are settled, although not beyond the legal maturity date in March 2036.

Early Redemption

The issuer shall redeem the notes prior to their legal maturity upon KfW exercising its prepayment option in the event of:

- regulatory changes in respect of KfW or tax changes;
- SNS Bank insolvency or serious cause;
- the mezzanine tranche of the bank swap (applying to the class A+ to C notes) being terminated by SNS Bank at its option because of a: i) regulatory event; ii) time call (in March 2014 and on each payment date thereafter; and iii) 10% clean-up call.

The noteholders may declare the notes due upon:

- an issuer insolvency;
- failure by the issuer to pay principal or interest within 15 business days of the due date; or

- the resignation of the trustee and failure to appoint a replacement within 30 days.

To the extent not previously redeemed, the notes are due to be fully redeemed by their legal final maturity date in March 2036.

Credit Event

An irrevocable credit event notice will be delivered by SNS Bank to the trustee immediately after initiation of the foreclosure or forced sale of a mortgaged property, but no later than 90 days after SNS Bank or the servicer has been made aware of the occurrence of the credit event.

Credit events are defined as:

- bankruptcy of the relevant borrower;
- failure to pay, which means that: (i) an aggregate amount equal to at least three monthly payments or, if applicable, one quarterly payment, has not been paid when due; and (ii) the cumulative amount of such overdue payment is equal to at least EUR500 or, if lower, over 20% of the outstanding notional amount of such reference claim.

Realised Loss

A realised loss is defined as any remaining unpaid amounts of principal including accrued interest (for a period up to 12 months) on a reference loan after:

- any amounts set off against the borrower have been deducted;
- the sale proceeds on the foreclosed property (net of repossession costs, capped at 5% of the reference claim of the mortgage property) have been deducted;
- any payments received by the lender from additional collateral have been applied to reduce the principal loss and accrued interest on such a reference claim.

Realised Loss Allocation

On each payment date, once losses have been realised, the then-current synthetic excess margin will be used to net off credit protection payments due from the issuer. Should losses exceed the available margin, the reserve account will then be written down. Realised losses over and above the reserve account will be allocated to the notes in reverse order of seniority, starting with the class C notes. Cumulative losses exceeding the sum of the class A to C notes will be borne by the class A+ notes and senior swap provider on a *pari passu* basis, according to a fixed ratio.

Future synthetic excess margin will be used to reduce any amount recorded on the interest shortfall ledger and to offset losses incurred and allocated to the notes by write-up of the principal amount of the notes in order of seniority.

Legal Structure

The notes are EUR-denominated and issued by Provide Lowlands 1, a bankruptcy-remote, special-purpose vehicle incorporated in the Netherlands. The class A+ to C notes will be secured by certificates of indebtedness initially issued by KfW and purchased by the issuer on the closing date. The amount payable under these certificates will be linked to the performance of the reference portfolio.

SNS Bank will enter into a CDS with KfW for the reimbursement of realised losses on the reference portfolio. In turn, KfW will buy protection against the same risk by:

- issuing credit-linked certificates of indebtedness, which are purchased by the issuer with the proceeds from the notes; and
- entering into a senior swap agreement with the respective swap providers.

The trustee will take on some vital duties on behalf of the CLN holders and CDS providers, including, *inter alia*:

- verification of the determination and allocation of all realised losses through a detailed loss audit for each loan in respect of which a credit event has occurred;
- verification of all reports and documents supplied to it by SNS Bank, including pool performance reports;
- appointment of third-party experts when required.

On the closing date, the issuer will pledge to the trustee all its present and future claims and rights under the certificates of indebtedness, as well as all its future claims under the other transaction documents (“the senior pledges”). In addition, the issuer will, on the closing date, grant a second, junior pledge to the noteholders on all its present and future rights and claims under the certificates of indebtedness. The second pledge may not be exercised as long as the senior pledges while the certificates of indebtedness exist

Eligibility Criteria

The bank swap agreement contains certain eligibility criteria with respect to the reference pool, compliance with which is a condition for loss allocation.

Specifically, these include:

- each reference claim must be secured by a first-ranking mortgage on a residential property in the Netherlands;
- at least one scheduled payment must have been made in respect of such reference claim;
- no borrower may be in breach of any of their obligations in any material respect pursuant to the underlying loan agreement;
- the loan must be granted to private individuals;
- the unindexed loan to foreclosure value must not exceed 75%;
- no payment in respect of such reference claim may be more than 30 days overdue.

Breach of eligibility criteria will be treated as non-compliance, which, if not cured, will cause any losses arising from such reference claims to be classified ineligible for loss allocation.

■ Collateral Portfolio

The class A+ to C notes are secured by the certificates of indebtedness issued by KfW. These are senior unsecured debt instruments and mirror the payment terms of the class A+ to C CLNs, including allocation of losses and payment of interest and principal.

Fitch's Financial Institutions group has analysed the credit risk associated with the certificates of indebtedness and takes the view that the credit quality of the collateral issued by KfW is consistent with the expected ratings of the notes. Since these are linked to the credit quality of the certificates of indebtedness issued by KfW a deterioration in the latter's credit quality may lead to a downgrade of the notes.

The Federal Republic of Germany (rated 'AAA/F1+') guarantees all the obligations of KfW in respect of loans it extends and debt securities it issues, as well as fixed forward transactions or options it enters into. It also guarantees other credits extended to KfW, as well as those extended to third parties inasmuch as they are expressly guaranteed by KfW.

■ Reference Portfolio

Loan Types

Interest-Only Mortgages

The borrower repays in full at maturity of the mortgage. Mortgage loans with a loan to foreclosure ratio in excess of 75% have a compulsory life insurance policy covering at least the excess over the 75% threshold.

Loan Portfolio Summary (As of 31 December 2003)

Pool Characteristics

Reference Portfolio Balance (EUR)	1,126,458,286
WA Original LTMV ¹ (%)	52.0
WA Original LTFV (%)	59.8
WA Indexed ² Current LTMV (%)	46.2
WA Seasoning (Months)	41
WA Interest Rate (%)	4.95
WA Remaining Maturity (Years)	29
Average Current Loan per Borrower (EUR)	99,922
Number of Borrowers	12,009
Oldest Loan in Portfolio	Jan 1995
Most Recent Loan in Portfolio	Nov 2003

Mortgage Type (%)

Interest Only	96.4
Investment Based	3.2
Annuity and Linear	0.4

Interest Rate Type (%)

Fixed	58.1
Floating	27.2
Others	14.7

Payments

Payment Frequency (%)	Monthly
Payment Method	Direct Debit
Performing Loans (%)	100

Regional Concentration (%)

Gelderland	23.5
Limburg	15.4
Noord-Brabant	12.6

Lien Position (%)

First Ranking ³	100
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¹ Based on the loan balance and property's market value of 1/0.87 the foreclosure value.

² Based on Fitch's Indexation methodology, whereby 50% credit is given for property price appreciation

³ Lower-ranking mortgages are only included in the portfolio to the extent that a related prior-ranking mortgage is also included in the portfolio.

Source: Fitch

Investment Mortgages

The borrower repays the principal in full at maturity with funds accumulated through investments. There are three alternatives for this type of mortgage loan. Those sold and assigned to the issuer will be in the form whereby the borrower does not pay principal prior to maturity of the mortgage loan, but undertakes to invest, on an instalment basis, an agreed amount in certain investment funds selected by the borrower from a range of investment funds offered by SNS Beleggingsfondsen N.V.

■ Origination and Servicing

The mortgage receivables were originated by and will continue to be serviced by SNS Bank.

SNS Bank is part of SNS Reaal Group, the sixth-largest financial institution in the Netherlands. The SNS Reaal Group was formed in 1990 and merged with the Reaal Group in 1997.

In addition to its pool analysis, Fitch has reviewed and analysed SNS Bank's origination and servicing guidelines, conducting several interviews with the originator and servicer managers responsible for its mortgage loan department. SNS Bank follows strict underwriting procedures based on a detailed underwriting criteria manual.

The bank places considerable emphasis on ability to pay and its employees perform a credit analysis to determine a prospective borrower's creditworthiness. Ability to pay is determined primarily by the borrower's credit profile, the risk profile of the property and the loan to value ("LTV") ratio.

SNS Bank offers a full range of retail services to its customer base. Mortgages are distributed through its branches and via independent agents based in the Netherlands. The underwriting decision is based on the same criteria, which are set centrally at SNS Bank to maintain effective control and implement consistent underwriting procedures. The underwriter uses a mortgage analysis program for certain computations in the underwriting process. SNS Bank analyses the borrower's ability to pay using a mortgage ratio that determines the maximum loan a borrower could take out. This depends on household status (single/dual), income level and the mortgage interest rate. Checks on the national credit register (*Bureau Krediet Registratie*), income checks and collateral analysis are also integral to the decision-making process.

Collections and arrears management are performed by SNS Bank according to formal procedures. Loan administration is carried out centrally: the system generates reminder letters on the 14th and 35th days after a payment is missed. After 40 days, the recovery department of SNS Bank takes over, beginning negotiations with the borrower and launching the foreclosure process, if necessary.

On the basis of its visit, Fitch believes that SNS Bank is a sound originator and an effective servicer of Dutch residential mortgages.

■ Credit Issues

Fitch's methodology for assigning credit ratings to Dutch residential mortgage transactions in general is described in Appendix 1. The following section details particular areas of focus and concern for Fitch with regard to Provide Lowlands 1, as well as the factors incorporated into its analysis to deal with these concerns.

Fitch Default Model Output

Rating Level	(%)			
	WAFF ¹	WARR ²	WALS ³	MVD ⁴
AAA	9.67	77.61	26.06	46.52
AA	7.74	84.05	19.62	41.04
A	5.80	89.71	13.95	35.56
BBB	3.87	94.63	9.04	29.86

Recovery time (years): Interest accrued at 9.0% for a period of 12 months (see realised loss definition)

Recovery cost: 5%

¹ Weighted Average Foreclosure Frequency

² Weighted Average Recovery Rate

³ Weighted Average Loss Severity

⁴ Market Value Decline

Source: Fitch

Default Probability

Affordability

No borrower affordability measure such as an income multiple or debt-to-income ("DTI") ratio is available for the pool on a loan-by-loan basis. Fitch therefore assumed a 35% DTI ratio for all loans in the pool. This figure, which falls at the higher end of SNS Bank's underwriting criteria, equates to affordability class 3 in the agency's model. Based on Fitch's default probability matrix, which is determined by affordability and LTV, the default probability for the average borrower in income class 3 would range from 6% to 29% in a 'AAA' scenario.

Mortgage Types

Some 96.4% of the loans are interest-only mortgages, which carry a balloon risk since the originator relies on the borrower's repayment ability at maturity. Interest rates may rise materially in the future, potentially causing payment shocks for borrowers. For these reasons, Fitch believes that the propensity to default increases for interest-only mortgages. Although SNS Bank does apply conservative underwriting criteria to such loans, the agency increases the base default probability for them. The LTV of interest-only loans is generally limited to 75% and, if this is exceeded, the borrower must have a repayment vehicle such as a savings or life insurance policy covering at least the excess over this threshold.

Also included are 3.2% of investment mortgages, which carry a risk related to the uncertainty of the yield on the underlying investment vehicle. Fitch has increased the default probability on these loans to account for this additional risk.

Less than 0.5% of the pool is represented by annuity and linear mortgages. In view of the periodic amortisation of these loans, default probabilities were not stressed in these cases.

Loss Severity

Market Value Decline

House prices have grown steadily throughout the Netherlands in recent years. Fitch takes account of this recent trend and the inherent price volatility in its market value decline (“MVD”) analysis.

High-Value Properties

Approximately 8.0% of the reference pool is secured on properties that Fitch views as high value (“jumbo”), which carry a risk of greater MVD given a perceived lack of liquidity at this high end of the property market. Fitch increases the MVDs of these properties by 15%-25%.

In calculating loss severity percentages, Fitch indexes the original property valuation to house price inflation. However, it only gives 50% credit to house price appreciation.

Realised Losses

For this specific transaction, realised losses have been defined to include those on the principal balance plus accrued interest thereon (stressed at 9.0% p.a. for a period of 12 months) and the related foreclosure costs (up to 5%) in respect of such defaulted reference claims.

To determine the loss severity for each loan, Fitch used the following calculation:

- the indexed property value (net of foreclosure costs) reduced by the MVD factor;
- any excess allocated to pay interest relating to the reference claim, then its principal balance.

Any remaining unpaid accrued interest and principal on the outstanding nominal amount of the reference claim will be a realised loss. Such losses are then allocated according to the loss allocation schedule outlined on page 4 of this report.

■ Performance Analytics

This is the eighth publicly rated residential mortgage-backed transaction originated by SNS Bank. Fitch affirmed its ratings for Hermes I through V on 3 July 2003. Please see www.fitchratings.com for further details.

Fitch will monitor this transaction on a regular basis and as warranted by events. Its structured finance team ensures that the ratings assigned remain, in the agency’s view, an appropriate reflection of the issued notes’ credit risk.

Details of the transaction’s performance and further information are available to subscribers at www.fitchratings.com.

■ Appendix I: Rating Methodology

To determine the appropriate levels of credit enhancement, Fitch analyses the collateral for Dutch residential transactions using a loan-by-loan mortgage default model (see Research on “*Dutch Mortgage Default Model IP*”, dated 28 January 2000, available on www.fitchratings.com). The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and mortgage defaults in the Netherlands. Fitch’s study showed that the borrower’s LTV, reflecting the size of their down payment and their willingness to pay, and the borrower’s DTI or income multiple, reflecting their ability to pay, are the key determinants of default probability in the Netherlands.

Default Probability

Generally, the two key determinants of default probability are the borrower’s willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch’s model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property. However the Netherlands is characteristically a high-LTV market owing to current tax incentives for such borrowing. Fitch accounts for this and places a greater emphasis on affordability when determining default probability.

The ability to pay is usually measured by the borrower’s net income in relation to the mortgage payment. Historical data available shows lower levels of default by Dutch borrowers than those in neighbouring countries. Base default probabilities are determined by using a matrix that considers each loan’s affordability factor and LTV. The matrix classifies affordability into five classes, the lowest of which (class 1), encompasses loans with DTIs of less than 20% and the highest of which (class 5) encompasses all loans with DTIs exceeding 50%. A loan classified as affordability class 3, for example, would be allocated a base default probability of 6-29%, depending on LTV.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels.

Repayment Type

Savings Mortgages

A borrower makes interest payments on a savings mortgage, but instead of making principal payments, contributions are made to a savings account. Funds accumulated in this account are then used to redeem the mortgage at maturity. To ensure that there are sufficient funds at maturity, the savings account earns the same rate of interest as is charged on the loan. However, there is still a risk to the third-party savings institution in this case. The way most transaction structures mitigate such risk is to have the monthly premiums made by the borrower passed through to the issuer by the insurance company purchasing and accepting from the issuer a partial assignment in the mortgage. As long as this is the case, Fitch does not penalise savings mortgages to the same extent as other mortgages.

Life Insurance Mortgages

Similar to savings mortgages, a life insurance mortgage does not pay down any principal prior to loan maturity, at which point it is redeemed by the insurance policy. The yield on the policy can vary and will not necessarily equal the principal amount on the mortgage at maturity. Fitch increases default probability for life insurance mortgages, depending on how they are underwritten, the strengths of the insurer and the nature of the policy, owing to the increased market and third-party risk.

Investment Mortgages

The investment mortgage is similar to the life insurance mortgage in concept (i.e. periodic contributions are made to an investment fund); however, the borrower has full discretion as to how the contributions are invested. Fitch increases the default probability according to the rating of the investment fund and/or the nature of the investment options.

Interest Only

Fitch generally increases the default assumptions for interest-only mortgages (which are secured solely by the property value with principal repaid by the borrower in one lump sum upon loan maturity) to take into account the potential payment shock to the borrower and the reliance on the borrower’s equity in the property.

Loan Purpose: Fitch believes that mortgage loans advanced to release equity in the home (equity refinance mortgages) are risky, as the homeowner is essentially borrowing back equity based on the property's price appreciation. Based on reviews of the issuer's appraisal process and underwriting guidelines, if Fitch believes these loans have an increased likelihood of default, the base default probability will be adjusted 10%-20%.

Fitch assumes that a financially distressed borrower is more likely to default on a second home than a primary residence, and even more so on an investment property. Accordingly, base default rates are increased by 10%-25%.

Borrower Profile: Fitch increases default probability on loans to self-employed borrowers by 30% to account for their lack of a fixed annual salary.

Arrears Status: when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by up to 90 days by 25%-75%, and those over 91 days in arrears (non-performing status) by 100%

Underwriting Quality: Fitch's review and analysis of the origination process determines whether it decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on the mortgage loans in the Netherlands, Fitch examined home price movements by separating the Netherlands into 12 regions. Fitch's MVD assumptions are somewhat higher for Dutch mortgages than those in most other European markets owing to the greater severity of the housing recession between 1978 and 1982 as well as the sharp increase in prices over the past few years. Worst-case MVDs were estimated and were then generated for each rating level and by region.

As in its other European mortgage default models, Fitch increased MVDs for properties worth more than EUR500,000 by 10%-25%. Higher-value properties tend to have larger MVDs owing to the smaller marketplace for such properties and the less precise pricing information for larger properties (given the less active market).

When calculating recovery value, Fitch's model reduces each property valuation by the MVD, repossession costs and the costs to the servicer of carrying the loan from delinquency through to default.

On the basis of worst-case information gathered from Dutch mortgage lenders, Fitch assumes that repossession costs represent 5% of the loan's balance at the time of possession. To calculate carrying cost, Fitch assumes that the borrower does not pay interest for a period of 12 months and that interest accrues during this period at the weighted average rate of interest.

■ Provide Lowlands 1 B.V.

Netherlands/RMBS

Key Information

Closing Date	[●]
Country of Assets	Netherlands
Expected Issuance Date	[●]
Structure	Synthetic
Bloomberg	[●]
Settlement	Euroclear, Clearstream
Listing	Euronext Amsterdam
Analyst	Christian Moor Christian.moor@fitchratings.com +44 20 7862 4054
Parties	
Issuer	Provide Lowlands 1 B.V.
Sellers/Originators	SNS Bank N.V.
Servicer	SNS Bank N.V.
Arranger	Commerzbank
Lead Managers	Commerzbank
Trustee	Beiten Burkhardt Goerdeler
"Certificate of Indebtedness" Issuer	KfW Bankengruppe
Paying Agent	ABN AMRO Bank N.V.

Others (Summary)

Loss Definition

Principal losses are defined as realised losses on the mortgages; including interest (for a maximum period of 12 months) net of foreclosure costs.

Collateral

The notes to be issued by Provide Lowlands 1 will be referenced to a pool of first-ranking fixed- and variable-rate mortgages secured over residential property in the Netherlands.

Credit Enhancement

Excess Margin, Reserve Account, Subordination

Credit Committee Highlights

Synthetic excess margin of 25 bps
Building up a reserve amount equivalent to 20bps of the notional amount of the reference portfolio at closing.
Structure benefits from an interest shortfall ledger
Weighted average seasoning is 40 months, longer than for most Dutch transactions.
Some 96.4% of this portfolio comprises interest-only mortgages, which carry balloon repayment risk.

Fitch Default Model Output

Rating Level(%)	WAFF	WARR	WALS	MVD
AAA	9.67	77.61	26.06	46.52
AA	7.74	84.05	19.62	41.04
A	5.80	89.71	13.95	35.56
BBB	3.87	94.63	9.04	29.86

Collateral

Pool Characteristics

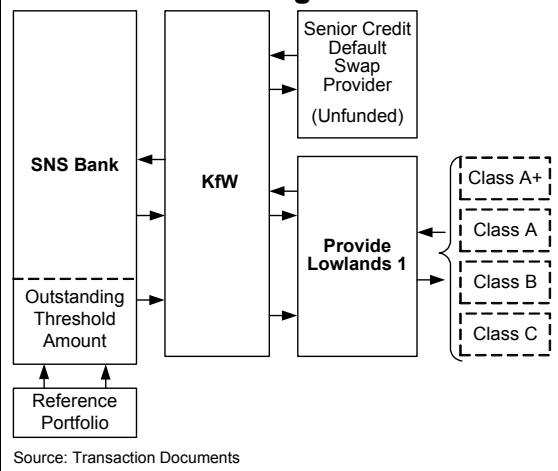
Reference Portfolio Balance (EUR)	1,126,458,286
Average Current Loan per Borrower (EUR)	99,922
Number of Borrowers	12,009
Seasoning (Years)	41
Loan to Value (LTV) (%)	
WA OLTMV	52.0
WA OLFV	59.8
WA CLTMV	51.4
WA Indexed CLTMV	46.2
Mortgage Characteristics	
Interest Only	96.4
Investment based	3.2
First Home (%)	100.0
Interest Rate Type (%)	
Fixed-Rate Loans	58.1
Floating-Rate Loans	27.2
Other types	14.7
WA Interest Rate (%)	4.95
Interest Index (EURIBOR)	Euribor

Source: Fitch, SNS Bank

Capital Structure

Class	A+	A	B	C
Rating	AAA	AAA	AA	BBB
Size (%)	0.05	4.00	1.25	1.00
Size (EURm)	0.5	40	12.5	10.0
CE (%)	6.25	2.25	1.00	
Spread	[●]bps	[●]bps	[●]bps	[●]bps
PMT Freq.	Qtrly	Qtrly	Qtrly	Qtrly
Maturity	March 2036	March 2036	March 2036	March 2036
Coupon	Euro Floater	Euro Floater	Euro Floater	Euro Floater
Reserve Amount	Build up to 20 bps			
Liquidity	n.a.			
Step Up Date	March 2014			
Synthetic Excess Spread	25 bps			

Basic Structure Diagram



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