

Provide Lowlands 1 B.V.

SNS Bank N.V. MBS – Other Netherlands

CLOSING DATE

[14] March 2004

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Moody's Investors Service

PLEASE NOTE: This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of [6 March 2004]. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.

PROVISIONAL RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
Senior CDS	(P) Aaa	[€937,000,000]	[93.70%]	[December 2036]	[March 2014]
Class A+	(P) Aaa	[€500,000]	[0.05%]	[December 2036]	[March 2014]
Class A	(P) Aaa	[€40,000,000]	[4.00%]	[December 2036]	[March 2014]
Class B	(P) A2	[€12,500,000]	[1.25%]	[December 2036]	[March 2014]
Class C	(P) Baa3	[€10,000,000]	[1.00%]	[December 2036]	[March 2014]
Total		[€1,000,000,000]	100%		

The rating addresses the expected loss posed to investors by the legal final maturity. The structure allows for timely payment of interest and ultimate payment of principal by or before maturity. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Good quality of the reference portfolio both in terms of low weighted average LTFV of 59.5% and good seasoning (weighted average of 40 months).
- Sound legal structure, similar to other Provide structures with tight definitions of Credit Events and Realised Loss;
- The **Aaa** rating of KfW as the Note collateral provider;
- The Excess Spread (Net Margin) of 25bps per annum;
- The availability of a Reserve Fund Ledger (Threshold Amount) which is built up through the Net Margin to a target of 0.2% of the initial reference portfolio;
- The protection against losses through subordination.

Weaknesses and Mitigants

- The realised loss definition includes foreclosure costs (up to 5%) and twelve months accrued interest which has been included in the required credit enhancement.

STRUCTURE SUMMARY

Issuer:	Provide Lowlands 1 B.V.
Structure Type:	Synthetic, partially funded, sequentially amortising
Protection Buyer:	SNS Bank N.V. ("SNS", A2/P-1)
Originator:	SNS Bank N.V.
Servicer:	SNS Bank N.V.
Interest Payments:	Quarterly in arrears, [●] day of June, September, December and March each year, starting on [●]
Principal Payments:	Quarterly
Notes Collateral:	Certificates of Indebtedness issued by Kreditanstalt für Wiederaufbau ("KfW", Aaa/P-1)
Paying Agent	ABN AMRO Bank N.V. ("ABN AMRO", Aa3/P-1)
Calculation Agent:	SNS Bank N.V.
Trustee:	Beiten Burkhardt
Arranger/Lead Manager:	Commerzbank Securities

REFERENCE PORTFOLIO SUMMARY (BASED ON POOL SELECTION OF [31] DECEMBER 2003)

Reference Claims:	First ranking mortgage loans to Dutch individuals
Number of Reference Claims	15,219 loan parts
Average Loan size per borrower:	93,801
Number of Borrowers:	12,009
Type of Property:	Owner occupied residential properties in the Netherlands
Geographic Diversity:	Gelderland [23.5%], Limburg [15.4%], Noord-Brabant [12.6%], Overijssel [10.6%], Noord-Holland [8.5%], Utrecht [8.2%], Zuid-Holland [7.8%].
Weighted Average Loan-to-Value:	Loan to recorded initial market value 51.7%, Loan to initial Foreclosure value 59.5%
Seasoning:	40 months
Delinquency Status:	No delinquent loans in initial portfolio as of 31 December 2003
Historical Loss Experience:	Performance of Moody's rated SNS RMBS deals under Hermes-program, Information provided on SNS portfolio by SNS

CREDIT SUPPORT

Class	Subordination
Senior CDS	[6.25%]
Class A+	[6.25%]
Class A	[2.25%]
Class B	[1.0%]

The structure is similar to recent German Provide transactions with some differences:

- The work-out period definition
- No Interest sub-participation agreement
- The Net Margin of [0.25]% p.a. made available by SNS. All Net Margin in the Transaction will be used to cover losses and remaining Net Margin will be used to build up the Reserve Fund Ledger to its target of 0.2%. A similar feature can be found in numerous of Dutch cash RMBS transactions.

Provide is set up by KfW to sponsor synthetic securitisation of residential mortgage loans. Provide is used by various commercial banks to facilitate the efficient transfer of credit risk exposure on residential mortgage loans. Up till now this structure has been seen on a regular basis in Germany and once in the UK (Provide Release) and the Netherlands (Provide Orange).

STRUCTURAL AND LEGAL ASPECTS

Issuer established as private company (B.V.) in the Netherlands

The Issuer is a special purpose vehicle incorporated under the laws of the Netherlands with limited liability as a "besloten vennootschap met beperkte aansprakelijkheid". The shares of the Issuer are owned by a foundation established under the laws of the Netherlands: Stichting Provide Lowlands Holding.

Structure is similar to German Provide transactions

In addition to the exposure under the reference portfolio, investors in the Notes are also subject to the credit risk under the Notes' collateral - the *Certificates*. The *Certificates* have terms and conditions matching exactly the terms and conditions of the Credit-Linked Notes which they are respectively collateralising. In accordance with the *Certificates* KfW undertakes to make timely payments of interest and ultimate payments of principal which, again, are equal to the interest and principal payments due under the Notes. As KfW is a highly rated entity (**Aaa**), Moody's assigns (P)**Aaa** on the Class A+ and Class A Notes.

Credit events

Under this transaction, claims are considered defaulted, if a credit event has occurred on a qualifying claim and a credit event notice describing the credit event has been submitted by SNS. A credit event is defined as:

- 1) the bankruptcy of a borrower: a borrower (i) becomes insolvent or is unable to pay his debts or admits in writing his inability to pay his debts as they become due or (ii) is subject to a proceeding seeking a judgement of his insolvency or bankruptcy, either followed by a decision of the court, or not finally dismissed by the court. (iii) seeks or becomes subject to the appointment of an administrator (iv) has a secured party take possession of all or substantially all his assets; or
- 2) failure to pay: failure by the borrower to make due payments in respect of the relevant loan of an aggregate amount equal to at least three monthly payments or one quarterly payment of at least EUR 500 or, if lower, equal to or higher than 20% of the outstanding notional amount of such a Reference Claim.

Realised loss

A realised loss on a loan (or "reference claim") on which a Credit Event occurred is determined by the calculation agent and defined as being the unpaid principal amount plus a maximum of twelve months unpaid interest, minus the sum of:-

- 1) net foreclosure proceeds, meaning the foreclosure proceeds reduced by all external costs of foreclosure up to a maximum of [5]% of the loan. No internal costs of foreclosure or expenses made by SNS will be deducted.
- 2) any amounts the Protection Buyer receives by way of insurance policies;
- 3) any amounts received by the Servicer from the borrower in its personal capacity.

Investors should note that due to the definition, a failure to pay may happen after three months of non-payment of borrower.

The resulting losses may only be known after the receipt of the foreclosure proceeds of the sale of the property which on average takes four to nine months. When the realised loss is determined on a defaulted reference claim and SNS has given notice to the trustee, the Defaulted Reference claim becomes a liquidated claim. Notes subject to loss allocation (with respect to loss amount and ranking) remain outstanding until the final loss allocation on the liquidated claims in a calculation period and the latest until the Legal Final Maturity. SNS is thus accepting the risk of a delay to the foreclosure process.

The trustee, a subsidiary of an internationally recognised accountancy firm, will verify the loss allocation and the calculations of the credit protection payments by the calculation agent and confirm that all liquidated loans included complied with the eligibility criteria and the servicing standards.

The Notes benefit of several levels of protection: Net Margin, Reserve Fund Ledger and Subordination.

On each payment date, any credit protection payments will first be paid out of the quarterly Net Margin provided by SNS.

After the quarterly Net Margin, the second layer of protection is the Reserve Fund Ledger. On the closing date the Reserve Fund Ledger is zero and it is funded by trapping any Net Margin available after covering realised losses up to a target of [0.2]% of the initial reference portfolio.

The last form of protection for the Senior Notes is provided by the subordination of the Class B and C Notes. Hereby, credit protection payments will first be allocated to the Class C Notes and the Class B Notes thereafter.

Mechanism of writing up and down the notes on Class A, B and C Notes

If the total amount of realised losses exceeds the Net Margin amount and the Reserve Fund Ledger, the notes will be written down, starting with the Class C notes. If notes are written down, interest to investors is only paid over the outstanding balance. The amount of "missed" interest payments will be recorded on a "Interest Shortfall Ledger". With Net Margin amounts, Late Recoveries and Unjustified Loss Allocations the notes can be written up again.

Only when the principal balance of the Class A Notes is reduced to EUR 1, losses are allocated to A+ Notes on a pro-rata basis with the senior credit default swap.

All amounts recovered after the credit protection payments on reference claims which have not been taken into account in determining the total loss, will be transferred by SNS on the following quarterly payment date and will be used to cover interest shortfalls of the Notes, to write up of the Notes, to increase of the Reserve Fund Ledger or to reduce future credit protection payments (late recoveries).

Net Margin Amounts will be available to pay to investors amounts recorded in the Interest Shortfall Ledger. The payments on the "Interest Shortfall Ledger" will rank senior to the write-up of notes.

Early redemption triggers

Upon the occurrence of an event of default (basically the default of the issuer), each noteholder can declare its notes due by delivery of a written notice to the Issuer with a copy to the Trustee. In addition, the Notes may be subject to early redemption, if KfW exercises its pre-payment option under the certificates

- Upon the occurrence of a tax event;
- Upon the occurrence of a regulatory event in respect to KfW;
- Upon the termination of the mezzanine tranche of the bank swap by SNS, as a result of
 - Regulatory changes affecting SNS;
 - The decrease of the portfolio to less than 10% of the initial outstanding;
 - Optional redemption on the payment date falling in March 2014
- Upon the occurrence of a serious cause or insolvency in respect of SNS;
- Redemption will take place on a sequential basis in order of seniority, starting with the A+ notes, which will redeem on a pro-rata basis with the super senior swap. Redemption may be deferred if there are defaulted or overdue reference claims outstanding exceeding the Reserve Fund Ledger (Outstanding Threshold Amount) on the scheduled termination date or the early redemption date.

Limited Set-off risk on investment mortgages

Due to the tax deductibility of interest on residential mortgages and the ability to set up an independent tax efficient repayment vehicle, set off is an additional risk to Dutch RMBS transactions¹. This repayment vehicle usually takes the form of an insurance policy or investment portfolio.

In the event of a bankruptcy of the insurance company providing the borrower with the insurance/repayment policy, the possibility exists that the borrower is able to set off the value of his policy against the mortgage loan. One of the requirements for set off under Dutch Law is that the mortgage contract and insurance policy are between the same parties.

In this transaction 3.3% of the initial pool of mortgage loans are Investment Mortgages. In this product the payments by the borrowers, that are calculated to repay the mortgage at maturity, are invested in funds kept with SNS Beleggingsfondsen N.V. The funds are pledged to the issuer via a silent pledge, but the possibility of set off still exists. As, SNS Beleggingsfondsen N.V. is set up as a bankruptcy remote entity, the set-off risk is minimal, even in case of bankruptcy of SNS Group.

All loss amounts will be verified by a trustee

The trustee will within [14] days of the relevant payment date (i) verify if the loss amounts have been correctly determined, and (ii) confirm that the respective loans complied with the eligibility criteria and the servicing standards.

On an Optional Redemption Date defaulted loans may result in deferred payment of principal to noteholders

On any calculation date the resulting losses may only be known after the receipt of the foreclosure proceeds of the sale of the property which on average takes four to nine months. However, on an optional redemption date or on the scheduled maturity date an amount equal to the defaulted reference loans will be set aside and qualified as a Deferred Payment. In the event that the Deferred Payment is greater than the available Net Margin and Reserve Fund Ledger this will result in principal remaining outstanding to the noteholders. Any collections or recoveries made on these loans will be passed directly to the noteholders as they are received during the two years thereafter.

REFERENCE PORTFOLIO

Dutch standard eligibility criteria have been applied

The notes are backed by 15,219 performing residential mortgage loans, which are secured by first ranking mortgages on residential properties of 12,009 borrowers located in the Netherlands. All borrowers are private individuals. The mortgage loans references are all originated by SNS.

The average Loan-to-Initial Market Value for the entire portfolio is [52]%. The portfolio is concentrated in the following provinces: Gelderland [23.5%], Limburg [15.4%], Noord-Brabant [12.6%], Overijssel [10.6%], Noord-Holland [8.5%], Utrecht [8.2%], Zuid-Holland [7.8%]. In order to reflect the concentration, Moody's has sized the credit enhancement accordingly.

The portfolio has a weighted-average seasoning of 40 months. None of the securitised mortgage loans carry an NHG guarantee (Nationale Hypotheek Garantie, a state guarantee scheme). Of the mortgages 96.3% are interest only, 3.3% are Investment mortgages and 0.5% are Annuity or Linear mortgages. 68.5% of the loan parts carry a fixed interest rate and approximately 70% has an interest reset date before the first Optional Redemption Date of March 2014. All loans have monthly payments, with a weighted average interest rate of approximately 5.0 %. The maximum Initial LTFV is capped at 75%, whereas each property value was assessed as the Foreclosure value at the origination of the loan as determined by third party appraisers approved by SNS.

¹ See Special Report 'Dutch MBS: Set Off In Securitisation Transactions', September 2001.

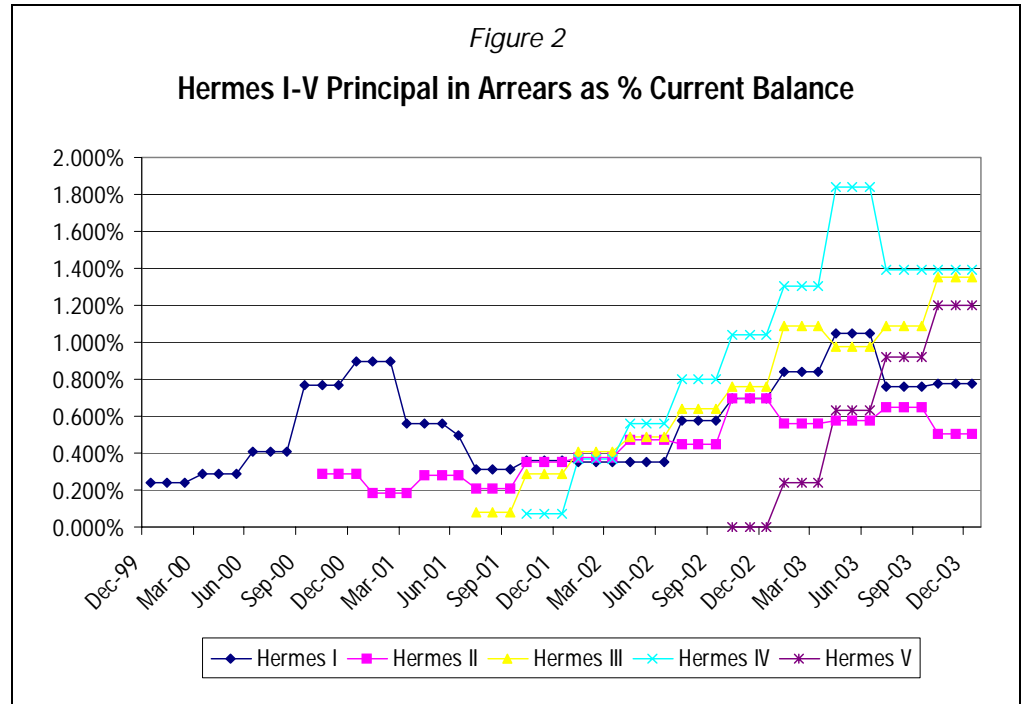
From a credit perspective, Moody's sees the following portfolio characteristics favourably:

- Size and borrower diversity of the pool, comprising properties to borrowers;
- Weighted average seasoning of 40 months;
- The large portion of employed borrowers;
- All properties are owner-occupied at origination
- Low WA Initial LTFV ratio of 59.5%; All loans have an initial LTFV below 75%.

Less favourable pool characteristics comprise:

- The portion of Bullet loans of 96%
- 27.5% Floating rate Loans

Historical performance data of Hermes transactions



Some foreclosures occurred but loss limited

As the arrears levels in the chart above show, the arrears levels have shown a rising trend recently but the performance of the previous Hermes transactions is still acceptable and in line with expectations. In 2002 and 2003, some small defaults have been reported in the Hermes I, II and III transactions following five foreclosures, one in Hermes I and II and three in Hermes III, all executed by private sale. These concern the first losses since their respective closing dates. In one case (Hermes II), no loss occurred as the redemption proceeds were sufficient to repay the mortgage principal plus arrears interest in full. In the other cases, the average direct recoveries from sales of the properties amounted to [88.3]%.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

SNS Bank originated the mortgage loans to its clients through its network of branches and via independent intermediaries.

The mortgage applications are evaluated in the origination departments based on the underwriting criteria of SNS Bank, which are not substantially different from other originators in the Netherlands.

Experience of originator SNS with previous securitisations and as residential mortgage lender and servicer limit the risk arising from SNS's involvement.

Servicing provided by SNS

All the mortgage loans will continue to be serviced by SNS Bank. SNS Bank's primary business consists of mortgage lending, domestic retail banking and small and medium sized companies. Mortgage servicing is performed from one central office. Servicing of delinquent and/or defaulted mortgages is done by the regional offices.

Moody's has reviewed the servicing operations of SNS Bank and believes that the management and system capabilities fully comply with the required standards and the responsibilities in this transaction.

MOODY'S ANALYSIS

To determine the ratings on the Notes, Moody's has used the following methodology, which is applied to most European residential mortgage backed securities markets.

Determination of the log normal loss distribution

The Loss Distribution

The first step in the analysis is to determine a loss distribution of the pool of mortgages to be securitised. Because of the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution: the lognormal distribution.

To determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss number. These parameters are found by looking at two important data sources: historical loss data and the loan-by-loan model.

Moody's has made a comparison of SNS underwriting criteria to other mortgage originators in the Netherlands and of the performance of previous Hermes transactions compared to other securitisations in order to extrapolate expected losses for the loan pool.

Because there is relatively little historical data available for Dutch mortgage loans, this data is adjusted to incorporate Moody's view of additional risks not reflected in the data available.

To obtain the volatility under "stress" scenarios, Moody's will also take into account historical data, however, observed historical volatility may not be significant (given insufficient datapoints, or incomplete data). In addition this may not be representative for the future as it is based on the previous economic environments experienced.

The Aaa CE enhancement number is determined using a loan-by-loan analysis

Therefore, Moody's will determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with **Aaa** under highly stressed conditions. This enhancement number (the "Aaa CE" number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics such as loan-to-value or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery. As it provides a synthetic transaction, the interest rates, interest rate loss and costs to foreclosure are maximised here. The weighted average benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the "Aaa CE" number.

The Aaa CE number and the Expected loss number are the basis of committee discussions and are used to derive the lognormal distribution of losses of the pool.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss compliant with the idealised expected loss target of the Aaa CE number.

Cash flow model is used to assess the impact of structural features

The expected loss is calculated for each class of Notes

The transaction's ratings have limited dependency on KfW's and SNS's ratings.

Moody's provides further insight into its approach, its analysis on the transaction parties and comparable transactions.

Tranching and Rating of the Notes

Having obtained the loss distribution of the pool under consideration, a cash flow model is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, liquidity and the value of Net Margin.

The sum of the loss experience per note class weighted by the probability of such loss scenario will then determine the expected loss on each tranche and hence the rating, consistent with Moody's target losses for each rating category.

The provisional ratings of the Super Senior Tranche, the Class A+ and the Class A Notes is therefore based on an analysis of:

- The characteristics of the mortgage pool backing the Notes;
- The relative roll-rate levels and arrears in this type of lending;
- Sector-wide and originator specific performance data;
- Protection provided by credit enhancement and liquidity against defaults and arrears in the mortgage pool;
- The roles and creditworthiness of various transaction counterparties; and
- The legal and structural integrity of the Issue.

The provisional ratings of the Class B and C Notes are based on the above factors, and also on an assessment of the extent of their subordinate position within the structure.

The likelihood of each Class suffering such loss given the credit enhancement described above and the impact on the expected yield to investors are consistent with the assigned ratings.

RATING SENSITIVITIES AND MONITORING

From Moody's point of view, this transaction has a limited rating sensitivity to the rating of KfW (**Aaa**) as provider of the CLN collateral, and to SNS (**A2/P-1**) acting as Servicer.

The rating of the notes is most sensitive to the level of default, respectively losses incurred in the reference portfolio.

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk. For all questions linked to the monitoring of the operation, please contact monitor.london@moodys.com.

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

- Rating Methodology: The Lognormal Method Applied to ABS Analysis
- Special Report: Dutch RMBS Q3 2003 Performance Review
- Special Report 'Dutch MBS: Set off in Securitisation Transactions', September 2001

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