

EUR22.5 million of debt securities affected

Moody's Investors Service has upgraded the ratings of the notes issued by **Provide Lowlands 1 B.V.** (PL1):

- Class A+ Floating Rate Credit Linked Note (2004 due 2036), affirmed Aaa, previously assigned Aaa on 19 March 2004;

- Class A Floating Rate Credit Linked Note (2004 due 2036), affirmed Aaa, previously assigned Aaa on 19 March 2004;

- Class B Floating Rate Credit Linked Note (2004 due 2036), upgraded to Aa1, previously assigned A2 on 19 March 2004; and

- Class C Floating Rate Credit Linked Note (2004 due 2036), upgraded to Baa2, previously assigned Baa3 on 19 March 2004.

Moody's also assigned definitive ratings of Aaa on 19 March 2004 to the credit risk transferred via the Senior Credit Default Swap between KfW and SNS Bank N.V. (SNS, rated A2/P-1/C with stable outlook), this has now been affirmed.

Despite of a less favourable macro economic environment in the Netherlands and the negative outlook published by Moody's for the Dutch RMBS sector, the combination of the portfolio's strong performance and the build-up of credit enhancement have prompted us to affirm the rating of the class A+ and A notes and to upgrade the ratings of the class B and class C notes. The notes benefit from 0.25% of annual net margin (synthetic excess spread) used to cover realised losses on the reference portfolio. The threshold amount (similar to a reserve fund) now equals to its non-amortising target of EUR2 million, which represents 0.48% of the current note balance.

The transaction has been performing much better than the Dutch index, both in terms of losses and delinquencies. PL1 shows lower arrears levels than the other transactions originated by SNS Bank NV in the Hermes series. As of the last reporting date on 22 June 2009, there have been only EUR22,706 realised losses which correspond to 0.01% of the portfolio's current balance. Outstanding delinquencies 60+ days were at 0.33% of current portfolio balance during the past quarter, which is a slight increase from 0.27% of the previous collection period. The pool factor stands at 41.6%.

As part of its analysis, Moody's has assessed updated loan-by-loan information to determine the credit support consistent with revised rating levels and the volatility of the distribution of future losses. We took into account the current amount of losses and completed a roll-rate and severity analysis for the non-defaulted portion of the portfolio. As a result, we have decreased the MILAN Aaa credit enhancement (MILAN Aaa CE) assumption to 2% from the 2.5% used at closing. Current credit enhancement in terms of mezzanine and junior classes and threshold amount under Aaa-rated Class A notes is 5.9%.

The expected loss determined for this rating review corresponds to the 0.28% of the original balance used initially. The loss expectation and the MILAN Aaa CE are the two key parameters Moody's uses to calibrate its loss distribution curve, which is one of the core inputs in the cash flow model it uses to rate RMBS transactions. Using an unchanged lifetime loss and a decreased MILAN Aaa CE means that we have decreased the standard deviation of the loss distribution, taking into account the reduced uncertainty of the transaction as a consequence of amortisation. These updated assumptions reflect the collateral performance to date as well as Moody's expectations for this transaction in the context of a weakening macroeconomic environment in the Netherlands.

We also tested the sensitivity of the ratings to various stress scenarios increasing for example the lifetime losses and the MILAN Aaa CE. By doubling lifetime losses with a more back-loaded loss timing, we tested the resilience of the revised ratings against the high remaining proportion of bullet loans in the transaction. By increasing the MILAN Aaa CE we tested the possible impact on the ratings of keeping the original standard deviation of the loss distribution. The sensitivity analysis concluded that the upgraded ratings on

the notes were not affected. We also assessed the effects of potential set-off risk on life insurance policy exposure using a conservative assumption on the distribution in terms of credit quality and exposure to single counterparty of insurance companies.

This transaction is the 1st synthetic securitisation of Dutch residential mortgage loans originated by SNS. The structure is based on the KfW-sponsored Provide programme. In this programme, KfW provides credit protection on a specific reference portfolio of residential mortgage loans. KfW in turn hedges its exposure through a senior credit default swap and the issuance of certificates of indebtedness purchased by PL1. Realised losses cover losses of principal, up to twelve months of interest and external foreclosure costs; internal foreclosure costs and any costs related with work-out are excluded. The notes amortise sequentially, starting with the Class A+ notes which rank pro-rata with the Senior Swap.

In the transaction, SNS securitised a portfolio of first and sequential ranking mortgage loans to Dutch individuals amounting to a total of EUR1 billion. At deal inception, the weighted average loan-to-foreclosure value was very low at 60%, which has since further decreased slightly to 58.1%. Almost the entire portfolio consists of bullet loans (97% at present). The loans have no compulsory life insurance policies as they all have an original LTV below 75%.

The principal methodology Moody's used in rating these transactions is described in the Rating Methodology reports: "Moody's Updated MILAN methodology for Rating Dutch RMBS", published on 16 March 2009, "Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model", published in January 2006, and "Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction," published in December 2008 which can be found at www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website. In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moody.com/SFQuickCheck

The ratings address the expected loss posed to investors by the legal final maturity (25 March 2036). Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Moody's is closely monitoring the transaction. For updated monitoring information, please visit Moody's website at www.moody.com or contact our Client Service Desk in London (+44-20-7772 5454).