

CREDIT OPINION

25 June 2020

New Issue

✓ Rate this Research

Closing date

[To be updated]

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DekaBank Deutsche Girozentrale - Mortgage Covered Bonds

New Issue – German covered bonds

Ratings

Exhibit 1

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
869,802,774	Commercial Mortgage Loans	214,500,000	Aaa

All data in the report is as of 17 April 2020 unless otherwise stated

Source: Moody's Investors Service

Summary

The covered bonds issued by DekaBank Deutsche Girozentrale (DekaBank or the issuer, deposits Aa2 stable; adjusted baseline credit assessment a3; counterparty risk (CR) assessment Aa2(cr)) under the DekaBank Deutsche Girozentrale - Mortgage Covered Bond programme (*Hypothekendarlehen* or covered bonds) are full recourse to the issuer and are secured by a cover pool of assets consisting mostly of commercial mortgage loans (96.0%) in France (59.8%) and Germany (40.2%).

Credit strengths include the full recourse of the covered bonds to the issuer and support provided by the German legal framework for *Pfandbriefe*, which provides for the issuer's regulation and supervision.

Credit challenges include the high level of dependency on the issuer. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool. The cover pool also has geographical and obligor concentration risks.

Our credit analysis takes into account the cover pool's credit quality, which is reflected in the collateral score of 28.2%, and the current over-collateralisation (OC) of 322.3% (on an unstressed net present value basis) as of 17 April 2020.

Credit strengths

- » **Recourse to the issuer:** The covered bonds are full recourse to DekaBank (Aa2(cr)). (See "Covered bond analysis")
- » **Support provided by the German legal framework:** The covered bonds are governed by the German *Pfandbrief* Act, which provides for the issuer's regulation and supervision and sets certain minimum requirements for the covered bonds and the cover pool. (See "Moody's related publications: Covered Bond Legal Frameworks")

- » **High credit quality of the cover pool:** The covered bonds are supported by a cover pool of high-quality assets. Most of the assets are mortgage loans (96.0%) backed by properties in France and Germany. The collateral quality is reflected in the collateral score, which is currently 28.2% and which takes cover pool concentrations into account. (See "Cover pool analysis")
- » **Refinancing risk:** Following what we call a covered bond (CB) anchor event, refinancing risk would be mitigated by a well-established and deep market for German *Pfandbriefe*, as well as the liquidity-matching requirements. A CB anchor event occurs when the issuer, or another entity within the issuer group that supports the issuer, ceases to service the payments on the covered bonds. The liquidity matching requirements for the next 180 days also reduce refinancing risk. (See "Covered bond analysis")
- » **Interest rate and currency risks:** Interest rate risk is mitigated by the 2.0% OC requirement, which has to be maintained in stressed market conditions (that is, yield curve movements and changes in the relevant exchange rates). DekaBank has opted for the so-called static approach to meet mandatory stress test requirements. As of 17 April 2020, the covered bonds are not exposed to currency risk because all the assets and liabilities are denominated in euros. (See "Covered bond analysis")
- » **Provisions for a cover pool administrator:** Following an issuer default, the covered bondholders would benefit from a cover pool administrator (the *Sachwalter*) that acts independently from the issuer's insolvency administrator. Furthermore, if the German banking regulator BaFin deems it necessary, the *Sachwalter* may be appointed ahead of any issuer default. (See "Covered bond analysis")

Credit challenges

- » **High level of dependency on the issuer:** As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. Also similar to most covered bonds in Europe, this programme has few restrictions on the future composition of the cover pool. These changes could affect the credit quality of the cover pool as well as the overall refinancing and market risks. Further, if the quality of the collateral deteriorates below a certain threshold, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. (See "Covered bond analysis")
- » **Cover pool concentration:** The cover pool has the following concentrations: (1) obligor concentration: currently, the ordinary cover pool comprises loans to only 22 borrowers, with the top 10 borrowers representing 63.0% of mortgage assets; (2) geographical concentration: the loans in the cover pool are secured by properties in France (59.8%) and Germany (40.2%), with the vast majority of French properties being located in Paris and Ile-de-France (89.1%) and (3) property type concentration: 79.4% of the loans are secured by office buildings. In an adverse scenario these concentrations increase the probability of significant losses. Our collateral score model takes into account, inter alia, the impact of borrower, regional and property type concentrations. (See "Cover pool analysis")
- » **Market risks:** Following a CB anchor event, covered bondholders, to achieve timely principal payment, might need to rely on proceeds raised through the sale of, or borrowing against, the cover pool assets. The market value of these assets may be subject to high volatility after a CB anchor event. In addition, covered bondholders might have exposure to interest rate and currency risks. (See "Covered bond analysis")
- » **Time subordination:** After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. This subordination could lead to the erosion of OC before any payments are made to later-paying covered bonds. (See "Covered bond analysis")
- » **Lack of liquidity facility:** The programme would not benefit from any designated source of liquidity if cash flow collections are interrupted. (See "Covered bond analysis")

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key characteristics

Exhibit 2

Covered bond characteristics

Moody's Programme Number:	481
Issuer:	DekaBank Deutsche Girozentrale
Covered Bond Type:	Commercial mortgage covered bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	German <i>Pfandbrief Act</i>
Entity used in Moody's TPI analysis:	DekaBank Deutsche Girozentrale
CR Assessment:	Aa2(cr)
CB Anchor:	CR assessment + 1 notch
Senior unsecured/deposit rating:	Aa2
Total Covered Bonds Outstanding:	€214,500,000
Main Currency of Covered Bonds:	EUR (100%)
Extended Refinance Period:	No
Principal Payment Type:	Hard bullet
Interest Rate Type:	100% fixed rate covered bonds
Committed Over-Collateralisation:	2.0% on a stressed net present value basis
Current Over-Collateralisation:	322.3% on an unstressed net present value basis
Intra-group Swap Provider:	No
Monitoring of Cover Pool:	Cover pool monitor (<i>Treuhänder</i>), mandatory by operation of the <i>Pfandbrief Act</i>
Trustees:	n/a
Timely Payment Indicator:	High
TPI Leeway:	6 notches

Source: Moody's Investors Service

Exhibit 3

Cover pool characteristics

Size of Cover Pool:	€869,802,774
Main Collateral Type in Cover Pool:	Commercial assets (96.0%), supplementary assets (4.0%)
Main Asset Location of Ordinary Cover Assets:	France (59.8%), Germany (40.2%)
Main Currency:	EUR (100%)
Loans Count:	30
Number of Borrowers:	22
WA Unindexed LTV:	83.9% whole loan LTV ratio with values on a lending value basis
WA Indexed LTV:	n/d
WA Seasoning:	37 months
WA Remaining Term:	46 months
Interest Rate Type:	75.1% fixed rate assets, 24.9% floating rate assets
Collateral Score:	28.2%
Cover Pool Losses:	27.4%
Further Cover Pool Details:	See Appendix
Pool Cut-off Date:	17 April 2020

Source: Moody's Investors Service

Covered bond description

The covered bonds issued under the mortgage covered bond programme of DekaBank are full recourse to the issuer. Upon a CB anchor event, covered bondholders would have access to a cover pool of commercial mortgage loan receivables.

Structure description

The bonds

All outstanding covered bonds have a bullet repayment at maturity, without any extension period for the repayment of the bonds.

Issuer recourse

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interest on the covered bonds.

Recourse to cover pool and over-collateralisation

If the issuer becomes insolvent, the covered bondholders would have priority claims over a pool of assets (cover pool). (See "Cover pool description" for the cover pool characteristics and "Cover pool analysis" for our analysis of the pool)

As of 17 April 2020, the level of OC in the programme was 322.3% on an unstressed net present value basis.

The current covered bond rating relies on an OC within the minimum legal requirements by the German *Pfandbrief* Act. The act requires that the OC exceeds the principal balance of the bonds by 2.0% on a stressed net present value basis. Based on data as of 17 April 2020, 0% of OC is sufficient to maintain the current covered bond rating, which is lower than committed OC. These numbers show that we are not relying on "uncommitted" OC in our analysis.

Although the issuer has the ability to increase the OC in the cover pool if collateral quality deteriorates below a certain threshold, the issuer does not have any obligation to do so. The failure to increase OC following a deterioration of the collateral could lead to a negative rating action.

Legal framework

The covered bonds are governed by the *Pfandbrief* Act. There are a number of strengths in this legislation, including the regulation of the issuer by BaFin, as well as certain minimum requirements for the covered bonds and the cover pool. No specific structural features beyond the statutory requirements are implemented for DekaBank's mortgage covered bond programme. (See "Covered Bonds: Germany - Legal Framework for Covered Bonds", July 2019, for a description of the general legal framework for *Hypothekentpfandbriefe* governed by the *Pfandbrief* Act.)

Covered bond analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds would be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator. (See "Timely Payment Indicator")

Primary analysis

Issuer analysis - Credit quality of the issuer

The issuer's CR Assessment is Aa2(cr). (For a description of the issuer's rating drivers, see our [Credit Opinion](#), published April 2020)

The reference point for the issuer's credit strength in our analysis is the CB anchor, which for covered bond programmes under the covered bond law in Germany is the CR Assessment plus one notch.

Issuer analysis - Dependency on the issuer's credit quality

The credit quality of the covered bonds depends primarily on the credit quality of the issuer. If the issuer's credit strength were to deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds. Consequently, the credit quality of the covered bonds would deteriorate unless other credit risks were to decrease.

In the event that the CB anchor deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to a negative rating action.

Reasons for the high level of dependency of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool and remove assets from the cover pool, issue further bonds and enter new hedging arrangements. Such actions could reduce the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, which creates substitution risk. Nevertheless, cover pool quality over time will be protected by, among other things, the requirements of the German *Pfandbrief* Act, which specifies what types of assets are eligible. (See "Moody's related publications: Covered Bond Legal Frameworks")

Refinancing risk

Following a CB anchor event, the "natural" amortisation of the cover pool assets alone cannot be relied on to repay the principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology. (See "Moody's related publications - Moody's Approach to Rating Covered Bonds")

Aspects of this covered bond programme that are refinancing-positive include:

- » The *Pfandbrief* Act: At the time of the declaration of the issuer's bankruptcy, or earlier if BaFin considers it necessary, a cover pool administrator (the *Sachwalter*) would take over management responsibility of the covered bond programme. The *Sachwalter* would have the ability to sell all or part of the cover pool, with or without all or parts of the liabilities attached.
- » The depth of the German market and the high level of government and financial market support expected to be available to *Pfandbriefe* in Germany, where refinancing risk is perceived as lower than in most other jurisdictions. In the modeling of this transaction, we have used refinancing margins that are lower than the refinancing margins used for most other jurisdictions.
- » The issuer must also cover potential liquidity gaps over the next 180 days between payments expected to be received under the cover pool assets and the payments due under the outstanding covered bonds.

Aspects of this covered bond programme that are refinancing-negative include:

- » All covered bonds issued under this programme have a hard bullet repayment and the programme does not benefit from a contractual provisions to allow for an extension of a principal refinancing period.
- » The vast majority (96.0%) of the cover assets are mortgage loans backed by commercial real estate. The cover pool is exposed to material single obligor, regional and property type concentrations which might drive losses in an adverse scenario.

Interest rate and currency risk

As with the majority of European covered bonds, there is potential for interest rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 4

Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	3.6	3.2	73.4%	100.0%
Variable rate	4.5	n/a	26.6%	0.0%

WAL = weighted average life

NB: Fixed rate loans which reset within the next 12 months are treated as variable rate in this section of the report

n/a = not applicable

Source: Moody's Investors Service, DekaBank

In the event of issuer insolvency, we currently do not assume that the *Sachwalter* would always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model would separately assess the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest rate and currency stresses used over different time horizons are published in our Rating Methodology.

Aspects of this covered bond programme that are market-risk positive include:

- » No currency risk. Currently, there are neither foreign exchange-denominated covered bonds outstanding nor cover assets in foreign currency.
- » The requirement under the *Pfandbrief* Act that the stressed present value OC of the cover pool must exceed, by at least 2.0%, the total of outstanding covered bonds issued against the cover pool, and the requirement that *Pfandbrief* issuers must regularly run stress tests regarding interest rate and foreign-exchange risks. DekaBank has opted for the "static" stress test to meet mandatory stress tests requirements.

Aspects of this covered bond programme that are market-risk negative include:

- » Most of the cover pool assets are fixed rate (73.4%). A potential sale of fixed-rate assets to meet payments due on covered bonds following a CB anchor event could lead to a crystallisation of mark-to-market losses caused by interest rate movements upon issuer default.
- » As of the date of this report, DekaBank has not entered any swaps into the cover pool register. We understand that there are no plans to change this in the near future.

Timely Payment Indicator

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments would be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable level of OC. We have assigned a TPI of High to these covered bonds, in line with other mortgage covered bonds issued under the *Pfandbrief* Act.

Based on the current TPI of High, the TPI leeway for this programme is six notches. This six-notch leeway implies that we might downgrade the covered bonds' rating because of a TPI cap if we were to lower the CB anchor by more than six notches, all other variables being equal.

The TPI-positive aspects of this covered bond programme include:

- » The high level of government and financial market support provided to *Pfandbriefe* in Germany.
- » The refinancing-positive factors discussed in the "Refinancing risk" section.
- » The strength of the German *Pfandbrief* legislation, including:
 - The *Sachwalter* would take over management responsibility of the covered bond programme at the time of the declaration of the issuer's bankruptcy, or earlier if BaFin were to consider it necessary.
 - The *Sachwalter* would act independently from the issuer's insolvency administrator. Having an independent cover pool administrator might reduce potential conflicts of interest between the covered bondholders and other creditors.
 - The issuer is required to cover potential liquidity gaps over the next 180 days between payments expected to be received under the cover pool assets and payments due under the outstanding covered bonds.
 - Set-off: We understand that the *Pfandbrief* Act excludes from set-off loans registered in the cover pool that are under German law and located in Germany.

The TPI-negative aspects of this covered bond programme include:

- » All covered bonds outstanding have a bullet repayment at maturity, without any extension period for the repayment of the bonds.
- » The covered bond programme does not benefit from any designated source of liquidity if cash flow collections are interrupted.

- » Commingling risk: Upon the appointment of the *Sachwalter*, it is our understanding that the *Sachwalter* has a priority claim on all cash flows stemming from the cover pool assets. However, these cash flows have to be separated from other cash flows to the issuer before they can be used to make payments to covered bondholders.

Additional analysis

Liquidity

The covered bond programme would not benefit from any designated source of liquidity if cash flow collections were to be interrupted. However, before an issuer default, the *Pfandbrief* Act requires the issuer to cover potential liquidity gaps for the next 180 days and to maintain a minimum OC level of 2.0%. After an issuer default, the *Sachwalter* would have the ability to sell a portion of the cover pool to make timely payments on the bonds.

Time subordination

After a CB anchor event, later-maturing covered bonds would be subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. Such payments could result in the erosion of OC before any payments are made to later-paying covered bonds.

Cover pool description

Pool description as of 17 April 2020

As of 17 April 2020, and on a nominal value basis, the cover pool assets total €869.8 million, which back €214.5 million in covered bonds, resulting in an OC level of 322.3% on an unstressed net present value basis.

The cover pool primarily consists of commercial mortgage loans (96.0%) and further cover assets that constitute substitute assets under the *Pfandbrief* Act (4.0%).

The commercial mortgage loans are backed by properties in France (59.8%) and Germany (40.2%). The vast majority of French properties are located in Paris and Ile-de-France (89.1% of French assets).

As Exhibit C shows, the mortgage loans are primarily backed by office buildings (79.4%) and to a lesser extent by logistics (14.6%) and retail properties (6.0%).

The pool comprises loans to 22 borrowers which form 20 borrower units. The top 10 borrowers represent 63.0% and the top 10 borrower units represent 66.2% of all mortgage assets.

All cover assets are performing. The weighted average unindexed whole loan-to-value (LTV) ratio of the commercial mortgage loans is 83.9% and the unindexed eligible loan LTV ratio is 58.7%. The eligible loan portion is the part of the loan that is registered in the cover register and forms part of the cover pool. Both ratios are calculated on a lending value basis.

Exhibits 6 and 7 show more details about the cover pool characteristics.

Commercial assets

Exhibit 5

Cover pool summary - Commercial assets

Overview		Specific Loan and Borrower characteristics	
Asset type:	Commercial	Bullet loans:	92.3%
Asset balance:	834,802,774	Loans in non-domestic currency:	0.0%
Average loan balance:	27,826,759	Percentage of fixed rate loans:	75.1%
Number of loans:	30	Performance	
Number of borrowers / borrower units:	22 / 20	Loans in arrears ≥ 2 months:	0.0%
Number of properties:	27	Loans in a foreclosure procedure:	0.0%
Largest 10 borrowers / borrower units:	63.0% / 66.2%	Details on LTV	
WA remaining term (in months):	46	WA current LTV(*):	83.9%
WA seasoning (in months):	37	WA indexed LTV:	n/d
Main countries:	France (59.8%), Germany (40.2%)	Valuation type:	Lending Value
		LTV Threshold:	60.0%
		Junior ranks:	0.0%

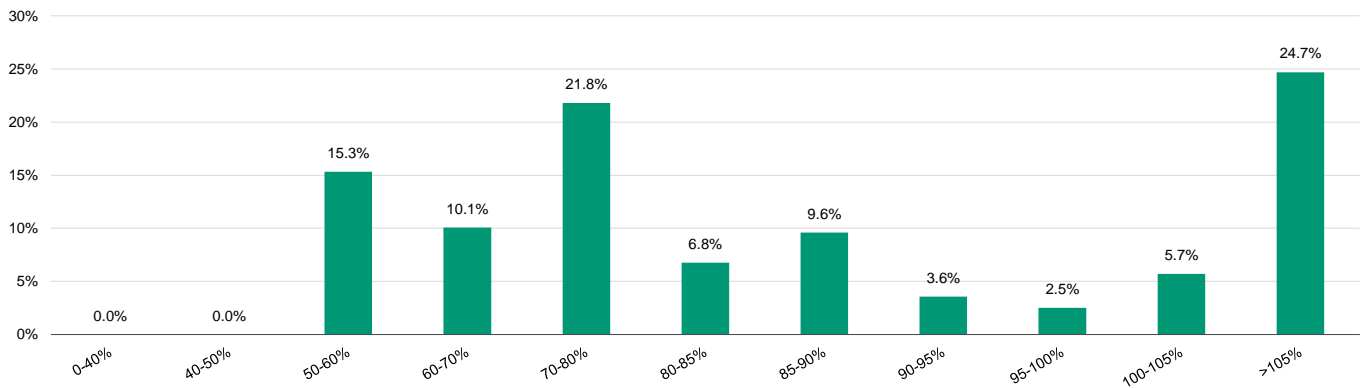
(note *) whole loan LTV ratio with values on a lending values basis

Source: Moody's Investors Service, issuer data

Exhibit 6
Cover pool characteristics

Exhibit A

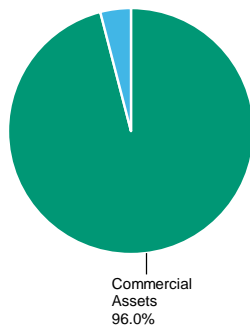
Balance per LTV band on a lending value basis



Sources: Moody's Investors Service, issuer data

Exhibit B

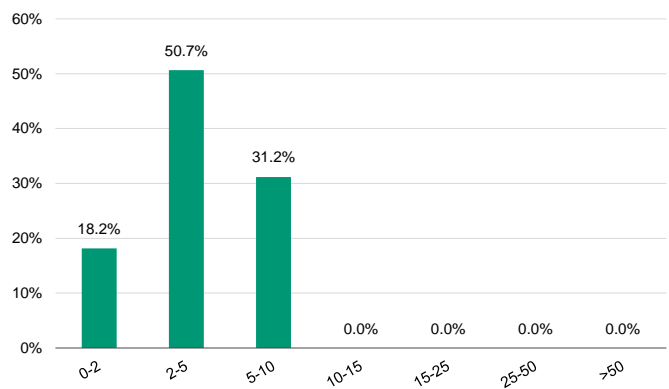
Percentage of commercial assets



Sources: Moody's Investors Service, issuer data

Exhibit C

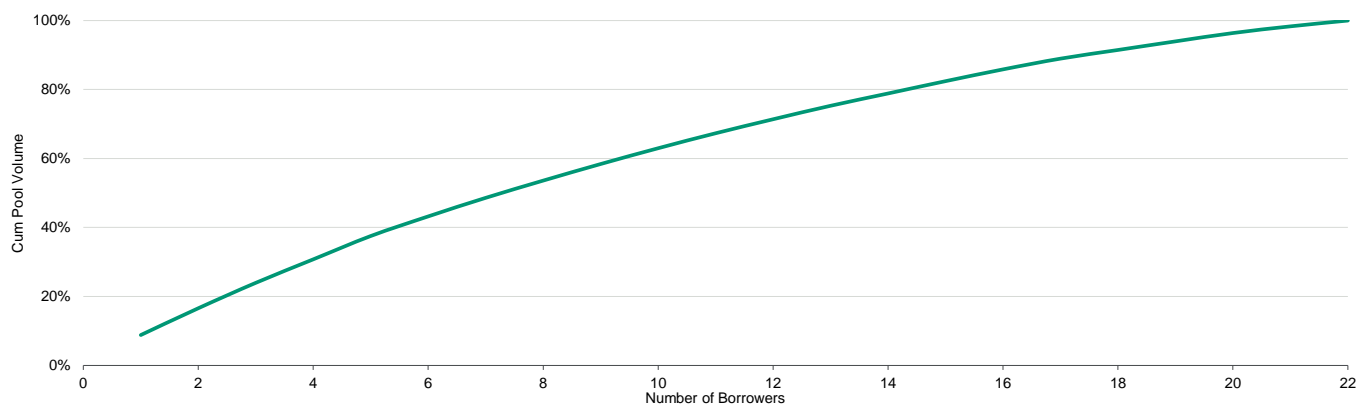
Remaining term (in years)



Sources: Moody's Investors Service, issuer data

Exhibit D

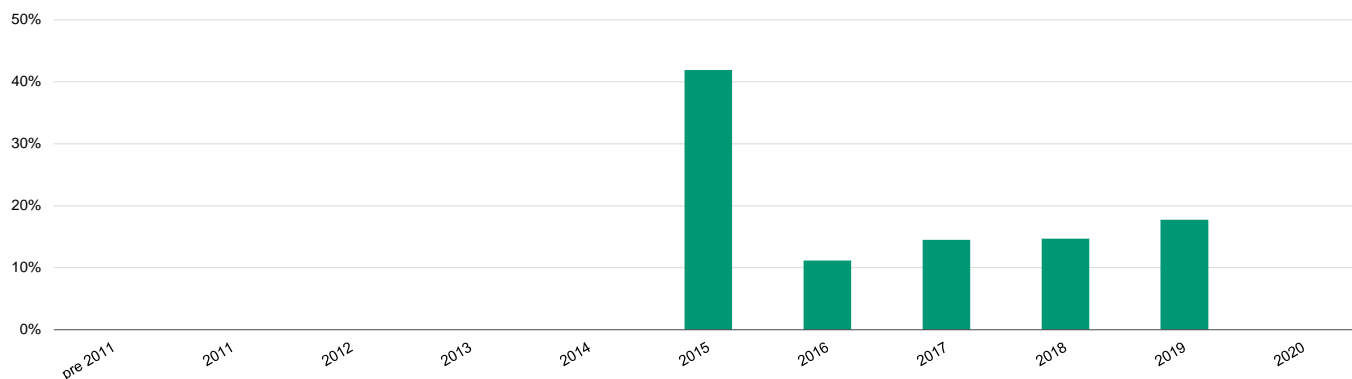
Borrower concentration



Sources: Moody's Investors Service, issuer data

Exhibit E

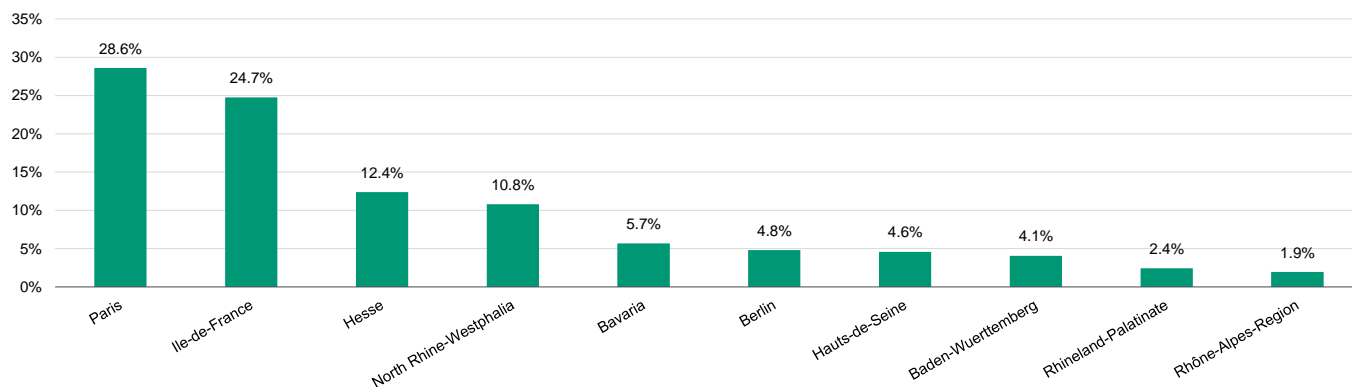
Year of loan origination



Sources: Moody's Investors Service, issuer data

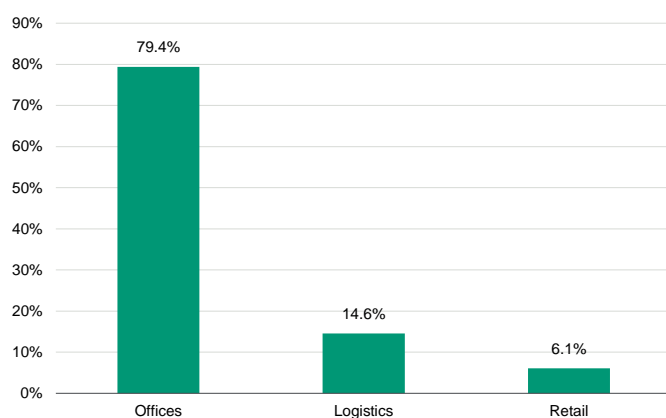
Exhibit F

Regional distribution



Source: Moody's Investors Service, issuer data

Exhibit G

Property type

Sources: Moody's Investors Service, issuer data

Substitute assets

Of the cover assets, €35.0 million (4.0%) are substitute assets. The substitute assets currently consist of public sector and financial institutions' debt. The substitute assets do not include any debt held by entities in the DekaBank group.

Cover pool monitor

Pursuant to the *Pfandbrief* Act, the regulator (BaFin) has appointed a cover pool monitor (*Treuhänder*). (See "Moody's related publications: Covered Bond Legal Frameworks")

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool, as well as legal risks.

Primary cover pool analysis

We calculate the collateral score for the commercial mortgages using a multifactor model that is solved through a Monte Carlo simulation. Our analysis takes into account, among other factors, the impact of concentration on borrower, regional and country levels, as well as the credit quality of the individual borrowers.

For this programme, the collateral score of the current pool is 28.2%, which is higher than the collateral score of other German mortgage covered bonds. For details, see "Moody's related publications - Moody's Global Covered Bonds Sector Update, Q1 2020". The main drivers of this result are (1) the fact that the pool consists of commercial mortgage loans which we generally consider to be more risky than residential mortgage loans and (2) the cover pool concentrations towards single borrowers, countries, regions and property types. In an adverse scenario these concentrations increase the probability of significant losses. Our collateral score model takes into account, inter alia, the impact of borrower, country, regional and property type concentrations

Aspects specific to this programme that are credit positive include:

- » All the loans are currently performing.
- » Many of the loans are backed by trophy quality properties occupied by highly rated tenants.
- » Conservative underwriting standards with relatively low property market value LTVs on a whole loan basis. At the same time, due to the large difference between property market values and mortgage lending values currently observed in the market, the weighted average whole loan LTV based on the respective properties' mortgage lending values is 83.9%. The eligible loan LTV ratio is only 58.7%. The eligible loan portion is the part of the loan that is registered in the cover register and forms part of the cover pool.
- » In line with the requirements of the *Pfandbrief* legislation, the valuers are independent from the credit decision.

Aspects specific to this programme that are credit negative include:

- » 92.3% of the commercial mortgage loans are bullet loans with no amortisation over the loan term.
- » Many loans are syndicated with other lenders; this could complicate the workout process in case of default. However, even in such a scenario, no major issues are expected given that all lenders are positioned at the same level of seniority; their interests should therefore be aligned.
- » The cover pool has obligor concentration with the ten largest borrowers accounting for 63.0% and the ten largest borrower units accounting for 66.2% of the commercial assets.
- » The cover pool has regional concentrations. The commercial mortgage loans are backed by properties in France (59.8%) and Germany (40.2%). The vast majority of French properties are located in Paris and Ile-de-France (89.1% of French assets).
- » The cover pool has property type concentrations with 79.4% of the properties being office buildings.

Comparables

Exhibit 8

DekaBank Deutsche Girozentrale - Mortgage Covered Bonds and other deals

PROGRAMME NAME	DekaBank Deutsche Girozentrale - Mortgage Covered Bonds	NATIXIS Pfandbriefbank AG - Mortgage Covered Bonds	Landesbank Berlin AG - Mortgage Covered Bonds	Norddeutsche Landesbank GZ - Mortgage Covered Bonds
Overview				
Programme is under the law	Pfandbrief Act	Pfandbrief Act	Pfandbrief Act	German
Main country in which collateral is based	France (57.4%) Germany (42.6%)	France	Germany	Germany
Country in which issuer is based	Germany	Germany	Germany	Germany
Total outstanding liabilities (€)	214,500,000	1,320,500,000	3,830,000,000	2,679,316,782
Total assets in the Cover Pool (€)	869,802,774	1,460,609,975	5,329,424,885	5,954,432,923
Issuer name	DekaBank Deutsche Girozentrale	Natixis Pfandbriefbank AG	Landesbank Berlin AG	Norddeutsche Landesbank GZ
Issuer CR assessment	Aa2(cr)	n/a	Aa2(cr)	A3(cr)
Group or parent name	n/a	Natixis	n/a	n/a
Group or parent CR assessment	n/a	Aa3(cr)	n/a	n/a
Main collateral type	Commercial	Commercial	Commercial	Commercial
Collateral types	Commercial 96%, Residential 0%, Public Sector 0%, Other/Supplementary assets 4.0%	Commercial 89%, Residential 0%, Public Sector 0%, Other/Supplementary assets 11%	Commercial 87%, Residential 7%, Public Sector 0%, Other/Supplementary assets 6%	Commercial 69%, Residential 18%, Public Sector 0%, Other/Supplementary assets 12%
Ratings				
Covered bonds rating	Aaa	Aaa	Aaa	Aa1
Entity used in Moody's EL & TPI analysis	DekaBank Deutsche Girozentrale	Natixis	Landesbank Berlin AG	Norddeutsche Landesbank GZ
CB anchor	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch
CR Assessment	Aa2(cr)	Aa3(cr)	Aa2(cr)	A3(cr)
SUR / LT Deposit	Aa2	A1	n/a	A3
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	Yes
Value of Cover Pool				
Collateral Score	28.2%	14.0%	14.7%	14.9%
Collateral Score excl. systemic risk	n/a	n/a	14.5%	n/a
Collateral Risk (Collateral Score post-haircut)	18.9%	9.4%	9.9%	10.0%
Market Risk	8.5%	8.0%	12.3%	11.7%
Over-Collateralisation Levels				
Committed OC*	2.0%	2.0%	2.0%	2.0%
Current OC	322.3%	15.1%	49.3%	126.5%
OC consistent with current rating	0.0%	0.5%	0.0%	8.0%
Surplus OC	322.3%	14.6%	49.3%	118.5%
Timely Payment Indicator & TPI Leeway				
TPI	High	High	High	High
TPI Leeway	6	5	6	3
Reporting date	17 April 2020	01 April 2020	31 March 2020	31 March 2020

Source: Moody's Investors Service, issuer data

Additional cover pool analysis

Legal risks for assets outside of Germany

In the event of the issuer's insolvency, we believe that cover pool assets outside of Germany would be less protected against claims of the issuer's other creditors than would be assets in Germany. In particular, we have identified and analysed the following scenarios:

- » Claims against borrowers outside of Germany or loans not governed by German law: In the case of loans not governed by German law, the borrower might be allowed to exercise set-off, thereby reducing the amount that would be payable to the benefit of covered bondholders. Non-German assets account for 57.4% of all cover pool assets. However, borrower set-off risk is low because DekaBank contractually excludes borrower set-off rights for commercial mortgage loan contracts in the cover pool.
- » Loans to borrowers outside of the European Economic Area (EEA): All of the mortgage loans are granted to borrowers within the EEA. If this criteria were to change, in addition to the above risk, the cover pool assets might not be available to the covered bondholders on a priority basis because other (unsecured) creditors of the issuer might successfully access the assets in the cover pool. These actions might result in lower recovery, owing, for example, to secondary proceedings commenced under the respective domestic law.

Methodology and monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in June 2020. Other methodologies and factors that may have been considered in the rating process can also be found on <http://www.moodys.com>. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This lack of data availability could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix: Income underwriting and valuation

Exhibit 9

Income underwriting and valuation

Commercial Lending

1. Business Focus

1.1 What kind of CRE loans will form part of the cover pool?	Investment financings of single properties or portfolios
1.2 What CRE property types do you finance?	Mainly offices and logistics, retail, hotels
1.3 What kind of restrictions do you have in terms of property location and quality?	General focus on prime to good locations and quality properties
1.4 Does the cover-pool only contain self-originated loans or loan participations (e.g. syndicated loans, mezzanine loans)?	Yes, either self-originated senior mortgage-secured loans (as agent, in a club deal) or participations in a syndication

2. Loan underwriting policy

2.1 Do you accept loans with refinancing risk? If yes, do you have a maximum Exit-LTV limit at loan maturity?	Yes, Exit-Risk is carefully considered in the credit assessment and decision, Exit-LTV should be on a refinancable level
2.2 Do you have a maximum LTV ratio that is covenanted in the loan agreement? Do max. LTV ratio vary by property type? Please specify.	An LTV covenant is mandatory and individually considered in line with the risk profile. Max. LTV covenant typically 70%. No mandatory max. LTV covenant acc. to property type
2.3 Do you have a minimum DSCR ratio that is covenanted in the loan agreement? Do min. DSCR ratio vary by property type? Please specify.	Yes. Not related to property type
2.4 Do you always require full hedging in terms of interest rate and currency risk? If not, which stresses are used to calculate the DSCR ratios?	Mandatory to hedge min. 70% of interest rate risk during the loan term. No financings with currency risk.
2.5 Do you require a minimum exit debt yield? Please specify	Interest rate stress at maturity calculated which results in an equivalent to a required minimum exit debt yield
2.6 Do you allow exceptions to and what reasons would justify exceptions?	Exceptions only in very limited cases. Reasons include combination of i.a. very good asset, strong tenant(s), long fixed lease term(s), recourse to strong counterparty, amortisation...

3. Cash flow analysis

3.1 Is a cash-flow assessment always carried out?	Yes
3.2 Do you consider in the DSCR calculation (cash-flow assessment) possible reduction in property cash flow (e.g. due to lease roll-over, changing market rents, capex requirements)?	Yes
3.3 Do you rely in the DSCR calculation (cash-flow assessment) on possible increases in property cash flow (e.g. due to expected reduction in property vacancy, rent increase, property disposal income, or sponsor support)?	Increases might be considered but may not be taken into account for the credit decision
3.4 Do you consider in the cash flow assessment the quality (tenant) and diversity of cash flows? How do you assess tenant quality?	Yes. Tenant quality is internally assessed
3.5 How often is the property cash flow and loan DSCR assessment updated?	DSCR typically quarterly or semi-annually, cash flow annually

4. Borrower

4.1 Do you accept SPV as a borrower?	Yes
4.2 Do you always require direct recourse to the borrower and sponsor (natural person) holding the equity stake? If not, please provide details/limits on non-recourse business.	In general non-recourse financing to an SPV. Additional recourse to the sponsor depends on the financing/debt service ability of SPV
4.3 Do you have minimum requirements as for the borrower's quality? Please detail.	For each borrower an internal assessment is undertaken, also with a view on sponsor and its background (experience, track record, creditworthiness)
4.4 How do you assess borrower's quality?	Borrowers are assessed based on an internal rating system.
4.5 Do you allow exceptions to 4.3? What reasons would justify exceptions?	Only in limited cases, if there is e.g. a recourse to/commitment of a strong counterparty

Commercial Valuation

1	Are valuations based on market or lending values?	Both market value and lending value
2	Do you consider vacant possession values for single-tenanted properties?	Typically yes
3	Do valuations always comply with standards of the RICS Red Book?	RICS and/or German ImmoWertV for Mortgage Lending Value
4	Do you always require that valuations include a review of the lease contracts, a technical report and environment report?	Typically yes depending on the respective case.
5	Do you always require that valuations provide reference to comparable recent property transactions?	Typically yes, if available
6	Could the value of a property portfolio exceed the value of the individual properties?	In general no
7	How often is the property value updated and how often is checked that the LTV covenant is not breached? (annually, ad-hoc, depending on general market movement)?	Typically annual LTV covenant compliance checks or according to contractual provisions. Property valuation updated at least every 3 years or as a result of regular (typically annual) reviews or ad hoc upon market movements, increase in vacancy etc.
	Other comments	

Source: Issuer

Moody's related publications

Rating Methodology

- » [Moody's Approach to Rating Covered Bonds, June 2020 \(1214379\)](#)

Special Comments

- » [Covered Bonds - Global, Sector update Q1 2020: Coronavirus outbreak not yet reflected in performance, May 2020 \(1225491\)](#)
- » [Germany - Legal framework for covered bonds, July 2019 \(1178095\)](#)
- » [Structural Protection Mechanisms for Non-EEA Assets in German Cover Pools, July 2014 \(SF374519\)](#)

Credit Opinion

- » [Dekabank Deutsche Girozentrale, April 2020 \(1211323\)](#)

Webpages

- » Covered Bonds: www.moodys.com/coveredbonds
- » Covered Bond Legal Frameworks: www.moodys.com/Pages/CoveredBondLegalFrameworks.aspx

To access any of these reports or webpages, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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