New Issue Rating Report

Herrenhausen Investment SA Compartment IV

CRE Loan Securitisation/Structured Finance

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RATINGS

Instrument name	Rating	Notional[a] (EURm)	CE[a] (% assets)	Coupon	Final maturity
Inhaberschuldverschreibung (ISIN DE000A1Z9LJ3)	BBB_{SF}	10.0	30.3	4.50% (Fixed)	31 March 2022

The transaction closed on 05 November 2015. The ratings are based on the executed underlying documentation dated 15 October 2015. Scope's structured finance ratings constitute an opinion about relative credit risks and reflect the expected loss associated with payments contractually promised by an instrument on a particular date or by its legal maturity. See Scope's website for the SF Rating Definitions.

[a] Figures as of 15 October 2015.

Rated issuer

Purpose	Economic risk transfer
Issuer	Herrenhausen Investment SA – Compartment IV
Originator	Deutsche Hypothekenbank Actien-Gesellschaft (not rated)
Asset class	Commercial real estate
Assets	EUR 497.9m
Country of assets	Germany
Notes	EUR 10m
ISIN Bearer bond	DE000A1Z9LJ3
Closing date	05 November 2015
Legal final maturity	31 March 2022
Payment frequency	Quarterly
Payment dates	31 Mar., 30 Jun., 30 Sep., 30 Dec.

Transaction profile

Herrenhausen Investment SA – Compartment IV (the issuer) is a bankruptcy-remote SPV under Luxembourg law, which issues a EUR 10m bearer bond via its Compartment IV. The bond represents the synthetic repackaging of a 10.9% first-loss exposure to the EUR 97m syndicated portion of a EUR 347m commercial real estate loan. The loan was issued by a Landesbank, and syndicated among two other German investors including Deutsche Hypothekenbank AG (DH). It is exposed to the performance of 11 German properties, which represent a group of 'good secondary property' quality in 'A' locations. The assets are actively managed by a well-recognised asset manager with 24 years of experience in the German commercial real estate market. In addition to the loan, each property is financed by individual vehicles with 30.3% paid-in equity providing subordination to the loan.

Analysts

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Rating rationale

The rating of BBB_{SF} reflects the credit quality of the underlying loan exposed to commercial real estate (CRE) assets in the context of the German macroeconomic environment. The rating factors in the capabilities and incentives of key agents in the transaction, in particular, the asset manager and the loan-syndicate banks. The rating accounts for the exposure to Deutsche Hypothekenbank AG (DH), which is the collateral account bank, guarantee-premium-paying counterparty and paying agent. The rating also reflects the legal and financial integrity of the synthetic transaction.

The rating is supported by the credit quality and expected cash flows from the properties underlying the syndicated loan. The transaction benefits from the upside-value potential of the properties resulting from: i) their active management, ii) the subordination available at each property's 'financing level', and iii) the pooling of cash flows from all properties to service the syndicated loan. Scope's stable outlook for the German CRE market, especially for 'A' locations, provides a solid environment for the underlying assets' performance, sale, refinancing and potential work-out by legal maturity.

The rating is constrained by an excessive counterparty risk exposure to DH. The bond's entire collateral is held in cash by this bank and there are no structural features to delink the bond's performance from DH. Under an insurance agreement with Herrenhausen Inv. – Compartment IV, the bank pays an insurance premium, which is used by the issuer to fund interest payments on the bond. Scope has performed as private credit assessment of DH.

Rating and rating-change drivers are available in the section 'Rating Drivers and mitigants' page 2.

RATING DRIVERS AND MITIGANTS

Positive rating drivers	Negative rating drivers
Good property quality. The assets have 'good secondary property' quality. The assets are 85% located in 'A' CRE markets with high demand and have a moderate average age of 13 years and an average loan-to-value of 70%. Such quality supports a high re-letting rate and refinancing of the CRE loan at maturity.	**Account bank exposure.** The transaction is excessively exposed to DH, which links the bond's rating fully to DH's credit quality.
Risk Exposure to a secured loan. The repackaged loan provides the senior secured debt for 10 property SPVs, all financed with 30.3% equity, which provides a cushion against market value losses upon default of the loan.	**Moderate property age.** The properties' average age is 13.2 years, which limits their attractiveness to current and potential tenants. This is mitigated partly by sizable capex funds for maintenance.
Performance covenants. The bond benefits from the covenants of the repackaged loan such as early cash traps that retain excess cash to build up credit enhancement and early-default covenants, all of which help to preserve the properties' value.	**High vacancy.** There are high vacancy rates on some properties (> 50%) and low remaining terms on a number of rental contracts (< 0.5 years). This is mitigated by the i) experienced asset manager, ii) two-year rental guarantee from the asset manager, and iii) improvement in loan servicing, even if newly contracted rents are below market average.
Stable CRE environment. Scope expects the German CRE market to develop steadily, especially for 'A' locations, which provides a solid environment for the underlying assets' performance, sale, refinancing and potential work-out by legal maturity.	**Location concentration.** A high concentration of property locations makes the transaction more vulnerable to regional economic shocks, mitigated in part by their high quality – 85% of the properties are in 'A' cities.
Experienced asset manager. The transaction benefits from the active involvement of an asset manager with 24 years of sector experience and deep knowledge of the CRE assets financed by the loan, gained from managing the properties for its former owner.	**Refinancing risk.** The transaction requires either the sale of the properties or refinancing until the expected maturity. This is mitigated in part by i) stable conditions at maturity when the properties are expected to be sold, ii) aligned interests of banks in the loan syndicate, and iii) the two-year tail period. Moreover, the required amortisation paid from properties' operating income further reduces refinancing risk.
Joint liability. All 10 loan obligors are liable for servicing the loan in full; thus underperformance on one property can be offset by the performance of another.	
Banks' oversight. The bank syndicate benefits from veto rights on the quality of new tenants identified by the asset manager, which helps to maintain a stable tenant quality. In addition, upon a breach of loan covenants, the banks i) can exercise cash-trapping rights, i.e. diverting property SPVs' cash flows to senior lenders away from junior liabilities, and ii) have to approve the property SPVs' business plans.	
Independent trustee oversight. Breiten Burkhard Wirtschaftsprüfungsgesellschaft mbH (BBWP) independently reviews and confirms, on behalf of the bondholder, any losses claimed by DH.	

Positive rating-change drivers	Negative rating-change drivers
Deutsche Hypothekenbank's credit rating. An improvement in DH's credit quality (which constrains the rating at present) may result in an upgrade of the bond rating.	**German CRE environment.** Scope assumes a stable macroeconomic environment for Germany, as well as for the German CRE market. Significant market deterioration outside assumed stress levels could trigger a downgrade of the bond rating, which is driven largely by market value.

Related reports

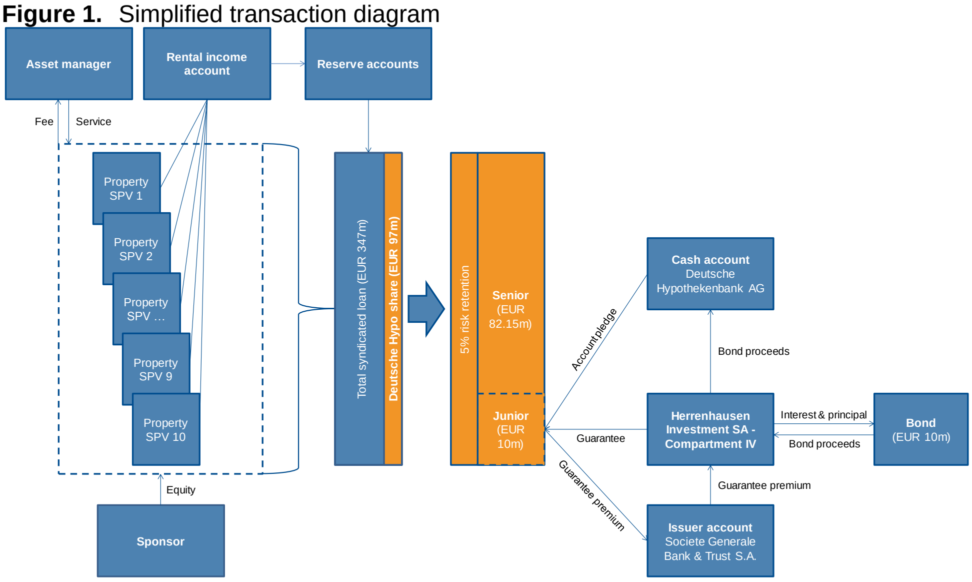
General Structured Finance Rating Methodology, dated August 2015.

Rating Methodology for Counterparty Risk in Structured Finance Transactions, dated August 2015.

Contents

TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



Source: Transaction documents (figures as of closing date).

Note: Upon the arranger's request, Scope must keep confidential the names of the sponsor, other syndicate banks, the rental income account bank and the asset manager. The analysis, however, incorporates their credit risk and operational contribution.

Herrenhausen Investment SA – Compartment IV is a EUR 10m synthetic securitisation of a 10.9% first-loss position in a EUR 97m syndicated portion of a EUR 347m commercial real estate (CRE) loan, granted to 10 German SPVs to finance 11 CRE properties (mainly offices) in Germany. The loan was issued by a Landesbank, and syndicated with Deutsche Hypothekenbank AG (DH) and another German mortgage lender.

The transaction features a call option for DH, which terminates the transaction and triggers the repayment of outstanding bearer bonds at par if the outstanding CRE loan balance becomes less than 10%.

FINANCIAL STRUCTURES

Compartment IV capital structure

Herrenhausen Investment SA – Compartment IV is the issuer of a EUR 10m bearer bond. The proceeds from the bond issuance are paid into a collateral account, which fully fund a guarantee of the issuer to DH. The reference amount for the guarantee is the EUR 10m first-loss piece (junior) of 95% of DH's EUR 97m share in the syndicated CRE loan. DH retains the remaining 5% to comply with the Capital Requirements Regulation 405 and the articles that follow.

The bond pays fixed quarterly interest of 4.5% per annum. The bond amortisation follows the amortisation of the syndicated loan, i.e. funds from the collateral account are released to repay bond principal in line with the amortisation of the first-loss piece of DH's share in the syndicated loan. The first-loss piece and the senior piece will amortise on a strictly pro-rata basis with losses allocated to them in a reverse-sequential order

Taxes, issuer expenses and bond interest determine the guarantee premium, which DH pays to the issuer quarterly.

Compartment IV priority of payments

The issuer's priority of payments is separated for interest and principal, which reflects the different sources of available funds. Interest on the bond is paid using payments from DH under a guarantee agreement with the issuer. Available funds to repay principal consist entirely of funds released from a collateral account held at DH, following a repayment under the loan (see Figure 2). Thus, timely payment of interest and principal on the bond depends entirely on DH's ability to pay on time, which is reflected in the bond rating.

Timely payment depends entirely on DH's ability to pay

Figure 2. Priority of payments and available funds

Pre-termination event: priority of payments	Post-termination: priority of payments
Interest available funds Guarantee premium paid by DH, including issuer's taxes, expenses and bond interest.	**Interest available funds** Guarantee premium paid by DH, including issuer's taxes, expenses and bond interest.
1) Issuer's taxes and expenses	1) Issuer's taxes and expenses
2) Issuer's other liabilities	2) Issuer's other liabilities
3) **Bond interest**	3) **Bond interest**
4) Margin payment (about EUR 3,100)	4) Margin payment (about EUR 3,100)
5) **Surplus to the issuer**	5) Surplus to the issuer
Principal available funds Distributable cash from collateral account including DH's claims under the guarantee and pro-rata repayments under the loan	**Principal available funds** Distributable cash from collateral account including DH's claims under the guarantee and pro-rata repayments under the loan
1) Payments due under the guarantee agreement to DH	1) Payments due under the guarantee agreement to DH
2) Payment of released collateral to bond holders	2) Payment of released collateral to bond holders
	3) Surplus to the issuer

Guarantee agreement mechanics

Credit events under the loan trigger guarantee events

At closing, the issuer enters into a EUR 10m guarantee agreement with DH. Under the agreement, the issuer receives a quarterly premium from DH and pays for losses attributable to DH upon the CRE loan's default. A credit event on the CRE loan will trigger the determination of its expected loss, at first, and then the final loss. Credit losses on the CRE loan will be shared among the bank-syndicate members pari-passu according to their loan share. DH will debit its loss share to the collateral account up to the outstanding collateral balance on a quarterly basis. The final loss has to be determined within 22 months following the credit event.

Bondholders only make losses if the trustee confirms it

The integrity of the agreement is supported by the appointment of Breiten Burkhard Wirtschaftsprüfungsgesellschaft mbH (BBWP) as trustee, which verifies and confirms losses upon a default of the CRE loan.

Payments under the loan contract

Scheduled amortisation using the property SPVs' funds will ease the refinancing of the CRE loan at maturity. This reduces the loan's refinancing risk and thereby the risk for the bond. The CRE loan's amortisation is scheduled at 2% per year, which will be serviced from the property SPVs' income, subject to the loan-to-value (LTV) of the CRE loan remaining above 52.5%. The remainder will be amortised at the expected maturity either by refinancing or by selling the properties.

Scope does not assume prepayments before maturity because the loan agreement has penalties for this, i.e. prepayments from selling properties before expected maturity trigger a repayment by the property SPV of 110% of its loan share. If the loan's financial metrics do not comply at the time of prepayment, the amount repaid increases to restore metrics to the set level. The larger repayment mitigates the release of the prepaying SPV from the joint liability. Prepayments are generally considered credit-positive, as they cause an early deleveraging of the structure.

Timely payment under the CRE loan depends on the joint ability of the outstanding property SPVs to service the loan, after paying taxes, capital expenditures and asset management fees. CRE loan interest is capped at 3.5%, limiting the risk of rising interest rates for the property SPVs.

Property SPVs' capital structures

Credit enhancement provided by the sponsor

The 10 property SPVs[1] are financed by 69.7% debt, provided by the EUR 347m syndicated loan and 30.3% equity from the sponsor. The borrowers under the CRE loan (the property SPVs) are jointly liable for servicing this loan. Thus the loan and thereby the bond benefit from cross-collateralisation.

The loan foresees three reserve accounts, which will be funded from the property SPVs' excess funds. Cash collected in these reserves can be used to restore loan covenants (interest coverage ratio, loan-to-value), repay the loan, and finance letting and refurbishment costs. Financial metrics can only be restored twice in this way before the loan is terminated early.

Covenants protect the bond from negative credit-migration of the properties

Cash collections using reserves for performance reasons is triggered at an interest coverage ratio (ICR) below 170% in year one, 180% in year two and 190% in year three; or for a loan-to-value (LTV) above 75%.

The loan will be terminated early, if the ICR declines to below 150% within the first three years, or below 170% thereafter. A LTV above 80% also triggers early termination of the loan. Other early-termination events under the loan are the failure to pay due claims for more than three days and the insolvency of a borrower. These terms are jointly referred to as credit events and trigger a loss determination under the terms of the guarantee.

Accounts

The structure has three levels of accounts. The issuer and collateral account of the compartment, the reserve accounts on the CRE loan level, and the rental income accounts on the individual property SPV level.

Compartment accounts

Issuer accounts held at Deutsche Hypothekenbank and Société Générale

The cash collateral account is held at DH, which is the only source for repaying principal. Collateral will be released upon loan amortisation and paid to the bondholder at the quarterly payment date following the release.

The guarantee premium will be paid into the issuer's account held at Société Générale Bank & Trust SA, which will, upon receipt, pay the funds to the paying agent (DH) intraday, and DH will then make the due payments.

Reserve accounts

Reserve accounts trap cash from property SPVs' operating income

At the CRE loan level, there are three different reserve accounts held at the Landesbank that originated the CRE loan. The first reserve account collects all payments from insurance contracts or proceeds related to property sales, which will be used to amortise the loan. The second account traps cash of up to EUR 13m to build a reserve for rent-related costs such fees for real estate agents. The third collects cash to bring the loan's financial metrics back to compliance. Funds on the first and third account are available to amortise the loan, and thus transform funds – after taxes, senior costs and CRE loan interest – into hard credit enhancement.

Property SPV rental accounts

Each property SPV has a rental income account at a highly rated bank, which Scope rated at A+/S-1 with Stable Outlook[2]. All periodic rental income will be paid into this account, and is released in line with the SPVs' priority of payments.

LEGAL STRUCTURE

Legal framework

This securitisation is governed by Luxembourg law and represents the efficient synthetic transfer of the credit risk of the reference amount to a bankruptcy-remote vehicle.

[1] 10 property SPVs hold 11 CRE properties, i.e. nine SPVs hold one property each, whereas one SPV holds two properties.
[2] Upon the arranger's request, Scope must keep confidential the name of the bank; however, the credit risk contribution is reflected in the bond rating.

Use of legal opinions

Scope has reviewed the legal opinions produced for the issuer by Clifford Chance. The transaction conforms to securitisation standards in Luxembourg and supports the general legal analytical assumptions of Scope.

Synthetic risk transfer via guarantee

The synthetic nature of the transaction efficiently transfers the risk of the reference amount to the SPV.

Upon a credit event on the CRE loan, DH determines the expected loss to be debited on the collateral account after confirmation is given by the trustee, BBWP. The guarantee remains in place until the final loss on the CRE loan is determined, but for a maximum of 22 months following such a credit event.

ASSET ANALYSIS

Performance of CRE properties drives bond's performance

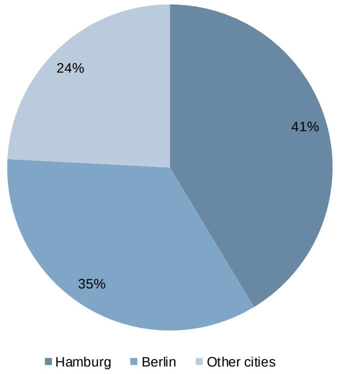
Securitised assets – German commercial office properties

The underlying assets for this transaction are 11 German commercial real estate properties (mainly offices) with a combined property value of EUR 497.9m, based on recent third-party valuation reports. Rental income from the properties currently provides good coverage for the CRE loan service – 200% ICR.

Good secondary CRE properties with upside potential

Scope assesses the properties to be of good secondary quality, which is reflected in i) the up- and re-letting assumptions for vacant spaces of up to 90%, and ii) the moderate assumptions for the failure-to-refinance probability of 9% up to 25%. Moreover, Scope expects the ability to service the loan will improve further given the 17.2% vacant space with good up-letting potential, which will strengthen the rental income profile of the properties.

Regional distribution



Scope's assessment of the properties is based on information from asset-specific third-party valuation reports and considers their age, attractiveness for re-letting, tenant concentration, rental profile and information on individual micro markets, which is then combined into a 'property grade'. The average grade of '2' assigned by Scope to this portfolio is driven by the:

- high exposure to top 10 tenants with 72% of rental income attributable – Figure 3;
- moderate credit quality of main tenants;
- moderate property age of 13.2 years – Figure 4;
- low weighted-average lease term of 5.5 years – Figure 5;
- moderate occupancy rate of 82.8% as of June 2015 – Figure 6; and
- rents at or above market levels.

The micro- and macro environment for the properties is generally positive. 85% of the properties are situated in 'A' locations, which are CRE markets with high demand and high liquidity – see 'Regional distribution' chart. In addition, we assume the German economy will develop steadily, providing good conditions for the transaction's performance and refinancing.

Figure 3. Tenant rent distribution

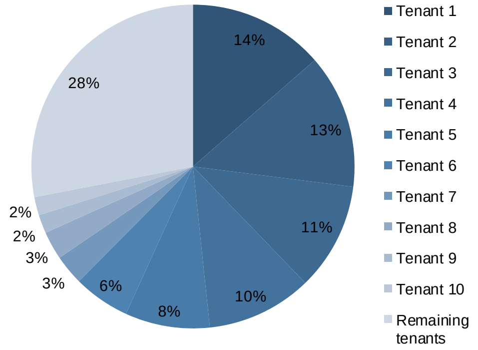


Figure 4. Current property age profile

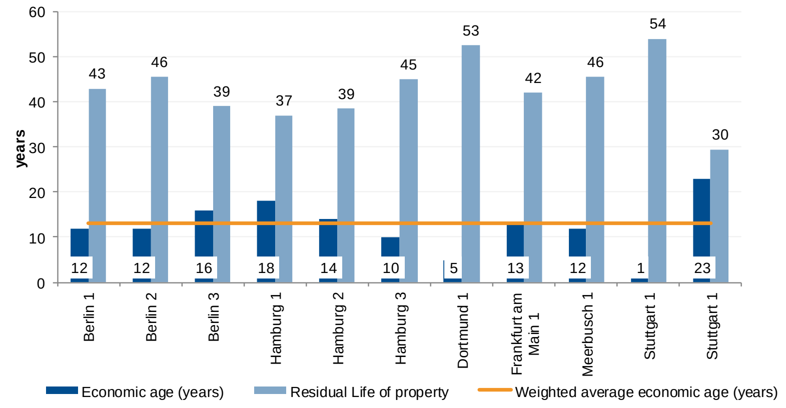


Figure 5. Contracted rent expiry profile

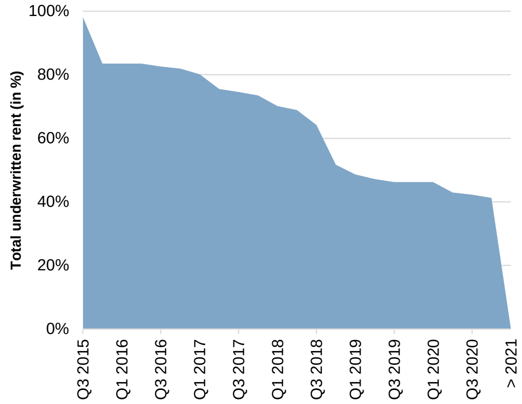
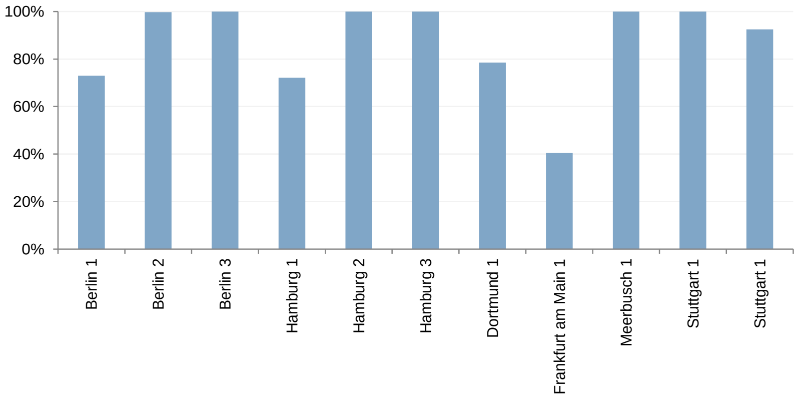


Figure 6. Current occupancy profile



Source: Deutsche Hypothekenbank & Scope.

FINANCIAL AND OPERATIONAL COUNTERPARTY RISKS

Commingling risk from collateral account bank and paying agent

All bond cash flow sources are excessively exposed to DH

Scope considers the role of DH as collateral account bank to represent an excessive exposure for the transaction, with the credit quality of DH thus constraining the rating of the bond. The bank is the holder of the collateral account and the payer of the guarantee premium, which exposes both the issuer's source for bond principal repayment and interest payments to the credit quality of DH over the entire life of the transaction. In addition, the transaction does not provide for automatic replacement mechanisms.

However, the structure incorporates the issuer's right to replace DH as collateral account bank, if the rating agencies do not deem the bank's participation as appropriate for maintaining an investment grade rating on the bond.

The transaction is also exposed to DH as the paying agent.

Commingling risk from issuer's account bank

Only intraday exposure to Société Générale with Clearstream as facilitator

The risk of commingling losses from the exposure to Société Générale Bank & Trust S.A. is mitigated by its current rating of A/S-1 with Stable Outlook and the only intraday exposure. In addition, Scope believes that the involvement of Clearstream as the platform for receiving and distributing funds reduces operational risk.

The issuer's account bank receives the guarantee premium at any payment date. The money is used to pay taxes, senior expenses and the coupon to the bondholders, usually intraday.

Operational risk from the asset manager[3]

Asset manager already serviced properties for prior owner

The active involvement of the asset manager will benefit the performance of the CRE loan. The asset manager has 24 years of sector experience and deep knowledge of the CRE assets financed by the loan.

The company was already the asset manager for the underlying properties at their former owner, which provides it with a long-term knowledge on the individual properties and the respective micro-markets.

The asset manager is well incentivised to follow the strategy due to a performance fee and, more importantly, a two-year rental guarantee they have provided. This guarantee will cease to exist upon up-letting of the empty properties. The syndicate banks supervise the asset manager's operations and can veto tenant proposals, which allows control over the release of this rental guarantee.

QUANTITATIVE ANALYSIS

Scope used a bespoke model to analyse this transaction

Scope assessed the expected loss and default likelihood on the bond by taking into account both i) the excessive counterparty risk exposure to DH and ii) the cash flow modelling results. The credit risk on the bond reflects the losses on the CRE loan according to the guarantee agreement, whereby the issuer pays protection payments to DH if the loan defaults.

Market value, loan servicing and refinancing drive model results

To quantify the default probability of the bond and the loan, Scope considered the projected cash flows in relation to the scheduled debt service, tenant diversity, as well as the collateral value of the financed assets in relation to the loan amount and debt yields. Scope determined the property grade, sustainable rent level, and remaining residual life for each property to estimate i) the CRE loan's servicing ability and ii) the development of the properties' market value, which is based on external valuations of the portfolio and Scope's assumptions on the German CRE market.

In addition to the failure to service the loan, the default probability of the loan also reflects the refinancing risk upon loan default or maturity. Scope considered the main drivers of refinancing risk to be the expected LTV at default or maturity, and the property grade. Scope tested the structure for failure-to-refinance probabilities from 9% to 25%, based on the average portfolio quality and the estimated sustained LTV ranging from 60% to 80%.

Scope estimated the properties' values, which are required to assess the bond's loss given default. The analysis incorporates assumptions on i) the sustainable cash flows, ii) the expectations on market yield developments for the respective asset's type (office, retail, industrial etc.), location and quality, and iii) the expected recovery costs. Scope estimates each property's value by simulating their yields with a two-factor Monte Carlo simulation. The simulation includes a global factor and a location (city) factor, allowing for a maximum asset correlation of 55%. Results from the simulation feed into a cash flow model, which reflects the seniority of claims, priority of payments as defined in the respective transaction contracts, the guarantee agreement and bond characteristics. Scope assumed an average market yield of 7% based on external valuation reports for the portfolio assets. We applied a volatility to the yields of 25%. This volatility assumption reflects the peak-to-trough market development over the past 10 years that applies to the assets' property grade and location. For recovery costs, we assume a distressed sale discount of 20% and incorporate jurisdiction-specific assumptions for the recovery lag and recovery costs – in the case of Germany 1.5 to 2 years and 12.5% to 17.5%, respectively.

The model incorporates 3-month Euribor interest rate curves and inflation curves inferred from inflation-linked debt products. Scope performed a sensitivity analysis for these assumptions.

RATING SENSITIVITY

Moderate volatility under harsh scenarios

Scope tested the sensitivity of modelling results to assumptions on macroeconomic variables, market yield, asset correlation and refinancing probabilities.

[3] Upon the arranger's request, Scope must keep confidential the names of the sponsor, other syndicate banks, the rental income account bank and the asset manager. The analysis, however, incorporates their credit risk and operational contribution.

Sensitivity stresses have the sole purpose of illustrating the rating's sensitivity to input assumptions and should not be considered indicative of expected or likely scenarios.

Sensitivities, as listed in Figure 7, show the model results for deviations from base case modelling assumptions. These results do not consider the counterparty risk exposure to DH, which constrains the rating to BBB_{SF}.

Figure 7. Scenario analysis

Scenario[4]	Deviation from base case in notches
Inflation curve minus 1%	-2
Interest rate curve plus 2%	-4
Average market yield +0.5%	-3
Market yield rate volatility increase by 30%	-2
Asset correlation increase to 75%	-3
Refinancing default probability shift to an average of 25%	-3

MONITORING

Scope will monitor this transaction using performance reports produced by DH, confirmed by BBWP, as well as any other information received from the originator. The rating will be monitored continuously and reviewed at least once a year or earlier if warranted by events. Scope will also monitor DH's credit quality regularly.

Scope analysts are available to discuss the rating analysis in detail

Scope analysts are available to discuss the rating analysis in detail, the risks to which this transaction is exposed, as well as ongoing monitoring of the transaction.

APPLIED METHODOLOGY AND DATA ADEQUACY

For the analysis of this transaction Scope applied its "General Structured Finance Rating Methodology", dated 28 August 2015. Scope also applied the principles contained in the "Rating Methodology for Counterparty Risk in Structured Finance Transactions", dated August 2015. Both files are available on our website www.scoperatings.com.

[4] Displayed shifts are always in absolute terms, i.e. if inflation today is 0%, an absolute shift of 1% means considering an inflation rate of 1%.

APPENDIX I) REGULATORY AND LEGAL DISCLOSURES

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

The rating analysis has been prepared by Sebastian Dietzsch, Lead Analyst. Guillaume Jolivet, Committee Chair, is the analyst responsible for approving the rating.

Rating history

The rating concerns newly-issued financial instruments, which were evaluated for the first time by Scope Ratings AG. Scope had already performed a preliminary rating for the same rated instrument in accordance with Regulation (EC) No 1060/2009 on rating agencies, as amended by Regulations (EU) No 513/2011 and (EU) No 462/2013.

Instrument ISIN	Date	Rating action	Rating
DE000A1Z9LJ3	06.10.2015	new	(P) BBB_{SF}

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a fee based on a mandate of the issuer of the investment, represented by the management company.

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of Information for the rating

Offering circular and executed transaction documentation; commercial real estate loan documentation; individual property valuation reports and rent-role data; legal opinion.

Scope Ratings considers the quality of the available information on the evaluated entity to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodology applicable for this rating is "General Structured Finance Rating Methodology", dated August 2015. Scope also applied the principles contained in the "Rating Methodology for Counterparty Risk in Structured Finance Transactions", dated August 2015. Both files are available on www.scoperatings.com. The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope's default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's website.

Conditions of use / exclusion of liability

Rating issued by

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