MOODY'S INVESTORS SERVICE

CREDIT OPINION

3 September 2020

New Issue

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Oldenburgische Landesbank AG – Mortgage Covered Bonds

New Issue – German covered bonds

Ratings

Exhibit 1

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
450,658,684	Residential Mortgage Loans	371,000,000	Aa1

All data in the report is as of 30 June 2020 unless otherwise stated.
Source: Moody's Investors Service

Summary

The covered bonds issued by Oldenburgische Landesbank Aktiengesellschaft (the issuer or Oldenburgische Landesbank AG, A3(cr)) under its mortgage covered bond programme, Oldenburgische Landesbank AG – Mortgage Covered Bonds, are full recourse to the issuer and are secured by a cover pool of assets consisting of residential mortgage loans (96.7%) and other supplementary assets (3.3%) in Germany.

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 concentration risks.

Our credit analysis takes into account the cover pool's credit quality, which is reflected in the collateral score of 5.0%, and the current over-collateralisation (OC) of 36.8% (on a present value basis) as of 30 June 2020.

Credit strengths

» ***Recourse to the issuer***: The covered bonds are full recourse to Oldenburgische Landesbank AG (A3(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 Bonds: Germany - Legal Framework for Covered Bonds)

» ***High credit quality of the cover pool***: The covered bonds are supported by a cover pool of high-quality residential mortgage loans backed by properties in Germany. The collateral quality is reflected in the collateral score, which is 5.0%. (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 *Pfandbrief* Act's 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. (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 (yield curve movements). Currencies are matched in this programme. All of 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 a significant geographical concentration, with 91.5% of the loans backed by properties in Lower Saxony, most of which are located in the north-west of Lower Saxony where Oldenburgische Landesbank operates its branch network. (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. (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")

» ***Economic uncertainty***: Our analysis has considered the effect on the performance of covered bonds from the collapse in Germany's economic activity in the second quarter of 2020 due to the coronavirus pandemic, and a gradual recovery in the second half of the year. However, that outcome depends on whether governments can reopen their economies while also safeguarding public health and avoiding a further surge in infections. As a result, the degree of uncertainty around our forecasts is unusually high. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

ESG considerations

Except with respect to the coronavirus outbreak, which we consider a social risk as described above under Economic uncertainty, in general, we consider ESG risks low for covered bonds. Our assessment of the progamme's credit quality resulted in low ESG risk. In addition, the covered bonds' dual recourse structure as well as the diversified nature of cover pool mitigates environmental and social risks. Governance risk is largely mitigated by the German covered bond legal framework, the structure of the programme and our consideration of the programme parties. Please refer to our Cross-Sector Rating Methodology: General Principles for Assessing Environmental, Social and Governance Risks, 9 January 2019, which explains our general principles for assessing ESG Risks in our credit analysis globally.

» ***Environmental:*** Overall exposure to meaningful environmental risks is low in this programme as covered bondholders benefit from the issuer's primary liability to make payment on the covered bonds. (See Cover pool analysis - Environmental considerations)

» ***Social****:* Overall exposure to meaningful social risks is moderate in this programme, mainly because social issues that affect banks can also affect the cover pool. Social risk is mitigated by the covered bonds' dual recourse to both issuer and cover pool. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. (See Summary – Credit challenges and Cover pool analysis - Social considerations)

» ***Governance***: Overall exposure to meaningful governance risks is low in this programme due to (i) the rights and duties of the key programme participants and (ii) the German *Pfandbrief* Act. (See Additional analysis - Governance considerations)

Key characteristics

Exhibit 2

Covered bond characteristics

Moody's Programme Number:	482
Issuer:	Oldenburgische Landesbank AG
Covered Bond Type:	Residential mortgage covered bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Pfandbrief Act
Entity used in Moody's TPI analysis:	Oldenburgische Landesbank AG
CR Assessment:	A3(cr)
CB Anchor:	CR assessment +1 notch
Senior unsecured/deposit rating:	n/d
Total Covered Bonds Outstanding:	€371,000,000
Main Currency of Covered Bonds:	EUR (100.0%)
Extended Refinance Period:	No
Principal Payment Type:	Hard bullet
Interest Rate Type:	Fixed rate covered bonds (100.0%)
Committed Over-Collateralisation:	2.0%
Current Over-Collateralisation:	36.8% (on an unstressed NPV basis)
Intra-group Swap Provider:	n/a
Monitoring of Cover Pool:	Cover pool monitor (*Treuhänder*), mandatory by operation of the *Pfandbrief* Act
Trustees:	n/a
Timely Payment Indicator:	High
TPI Leeway:	3 notches

Source: Moody's Investors Service

Exhibit 3

Cover pool characteristics

Size of Cover Pool:	€450,658,684
Main Collateral Type in Cover Pool:	Residential (96.7%), Other supplementary assets (3.3%)
Main Asset Location of Ordinary Cover Assets:	Germany
Main Currency:	EUR (100%)
Loans Count:	4,781
Number of Borrowers:	4,350
WA Unindexed LTV:	89.2%
WA Indexed LTV:	n/a
WA Seasoning (in months):	41
WA Remaining Term (in months):	142
Interest Rate Type:	Fixed rate assets (99.1%), floating rate assets (0.9%)
Collateral Score:	5.0%
Cover Pool Losses:	15.7%
Further Cover Pool Details:	See Appendix 1
Pool Cut-off Date:	30 June 2020

Source: Moody's Investors Service

Exhibit 4
Transaction counterparty

Counterparty Type	Transaction Counterparty
Sponsor	n/a
Servicer	n/a
Back-up Servicer	n/a
Back-up Servicer Facilitator	n/a
Cash Manager	n/a
Back-up Cash Manager	n/a
Account Bank	n/a
Standby Account Bank	n/a
Account Bank Guarantor	n/a

Source: Moody's Investors Service

Covered bond description

The covered bonds issued under the mortgage covered bond programme of Oldenburgische Landesbank AG are full recourse to the issuer. Upon a CB anchor event, covered bondholders would have access to a cover pool of residential 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 30 June 2020, the level of OC in the programme was 36.8% on an unstressed present value basis.

The German *Pfandbrief* Act requires that the stressed present value of the cover assets exceeds the stressed present value of the covered bonds by 2%. Based on data as of 30 June 2020, 1.5% of OC (based on unstressed present value) is sufficient to maintain the current covered bond rating. This shows that our analysis does not rely on OC that is not in committed form.

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 Oldenburgische Landesbank'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 *Hypothekenpfandbriefe* 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 A3(cr). (For a description of the issuer's rating drivers, see Credit Opinion, published May 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. At this time the issuer's CR Assessment is A3(cr).

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 Bonds: Germany - Legal Framework for Covered Bonds)

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)

The refinancing-positive factors outweigh the negative ones. The refinancing-positive aspects of this covered bond programme 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 *Sachwalte*r 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 modelling of this transaction, we have used refinancing margins that are lower than the refinancing margins used for most other jurisdictions.

The refinancing-negative aspects of this covered bond programme include the fact that the programme does not benefit from any contractual provisions to allow for an extension of a principal refinancing period; all covered bonds issued under this programme will have a hard bullet repayment with no extension period, which is typical of German *Pfandbrief* programmes.

Interest rate and currency risk

As with most European covered bonds, there is potential for interest rate risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds. Currency risk does currently not exist as both assets and liabilities are Euro denominated.

Exhibit 5

Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	12.8	10.5	99.1%	100.0%
Variable rate	8.2	n/a	0.9%	n/a

WAL = Weighted average life.
Fixed rate loans which reset within the next 12 months are treated as variable rate in this table.
Sources: Moody's Investors Service, issuer data

In the event of issuer insolvency, we 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 no foreign currency-denominated covered bonds or cover assets in this programme.

» The requirement under the *Pfandbrief* Act that the stressed present value OC of the cover pool must exceed, by at least 2%, 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. Oldenburgische Landesbank AG opted for the "static" stress test to meet statutory stress tests requirements.

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

» 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.

» Almost all cover pool assets are fixed rate.

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 three notches. This three-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 three 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 credit quality of the cover pool assets, reflected by the collateral score of 5.0%.

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 flow stemming from the cover pool assets. However, these cash flow have to be separated from other cash flow 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%. 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.

Governance considerations

All covered bonds are subject to governance factors. The principal sources of governance for this programme are (i) the covered bond law and (ii) the rights and duties of the key programme participants. In this programme there are control mechanisms in place that are designed to protect covered bondholders from mistakes, misallocation of cash flows and misappropriation of assets, and that promote compliance with the covered bond legal framework and operational and reporting requirements.

In particular, we note that (i) the issuer is a regulated entity and maintains the cover pool on its balance sheet, incentivising it to maximise cover pool value as owner and servicer; (ii) the cover pool monitor and any cover pool administrator are roles prescribed by the covered bond law and both owe duties to noteholders; (iii) the covered bond law contains provisions addressing treatment of ineligible assets and contains detailed reporting requirements; and (iv) there is a high level of legal certainty over the segregation of the cover pool and the parties' respective rights to it.

Cover pool description

Pool description as of 30 June 2020

As of 30 June 2020, the cover pool consisted of residential mortgage loans (96.7%), and substitute assets (3.3%). All of the cover assets are loans backed by properties in Germany. The cover pool also has significant geographical concentration in Lower Saxony. All the loans are performing.

On a nominal value basis, the cover pool assets total €450.7 million, which back €371.0 million of covered bonds, resulting in a nominal OC level of 21.5% (36.8% on an unstressed present value basis). For issuer's underwriting criteria, see "Appendix: Income underwriting and valuation".

As Exhibit 5 shows, residential mortgage loans amount to €435.7 million. The weighted average unindexed loan-to-value (LTV) ratio of the residential loans is 89.2%.

Exhibit 6 shows more details about the cover pool characteristics.

Residential mortgage loans

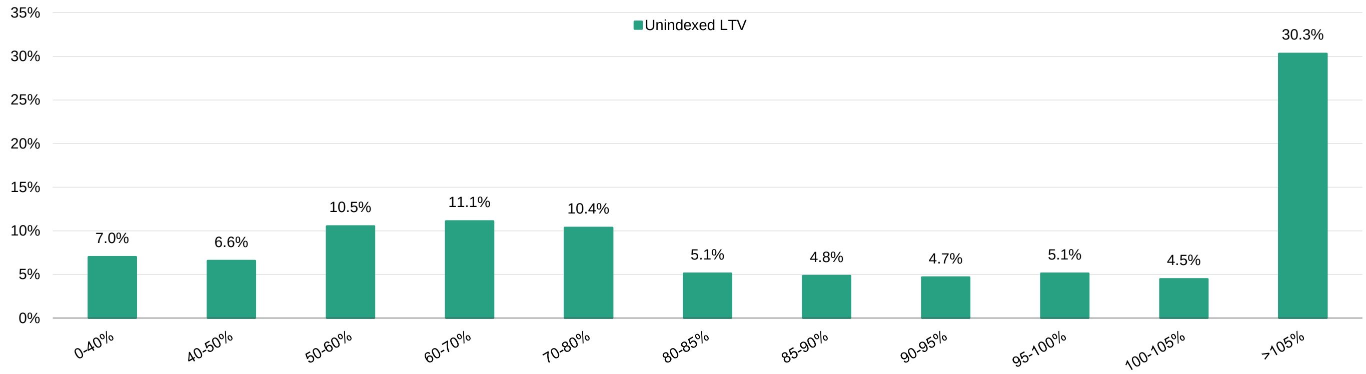
Exhibit 6
Cover pool summary

Overview		Specific Loan and Borrower characteristics	
Asset type:	Residential	Loans with an external guarantee in addition to a mortgage:	n/d
Asset balance:	435,658,684	Interest only Loans	38.6%
Average loan balance:	91,123	Loans for second homes / Vacation:	n/a
Number of loans:	4,781	Buy to let loans / Non owner occupied properties:	5.7%
Number of borrowers:	4,350	Limited income verified:	n/a
Number of properties:	4,361	Adverse credit characteristics (**)	n/a
WA remaining term (in months):	142		
WA seasoning (in months):	41	**Performance**	
		Loans in arrears (≥ 2months - < 6months):	0.0%
Details on LTV		Loans in arrears (≥ 6months - < 12months):	0.0%
WA unindexed LTV (*)	89.2%	Loans in arrears (≥ 12months):	0.0%
WA Indexed LTV:	n/d	Loans in a foreclosure procedure:	0.0%
Valuation type:	Lending Value		
LTV threshold:	60.0%	**Multi-Family Properties**	
Junior ranks:	n/d	Loans to tenants of tenant-owned Housing Cooperatives:	n/a
Loans with Prior Ranks:	6.5%	Other type of Multi-Family loans (***)	n/a

Sources: Moody's Investors Service, issuer data

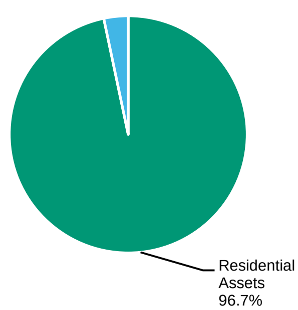
Exhibit 7
Cover pool characteristics

Exhibit A
Balance per LTV-band



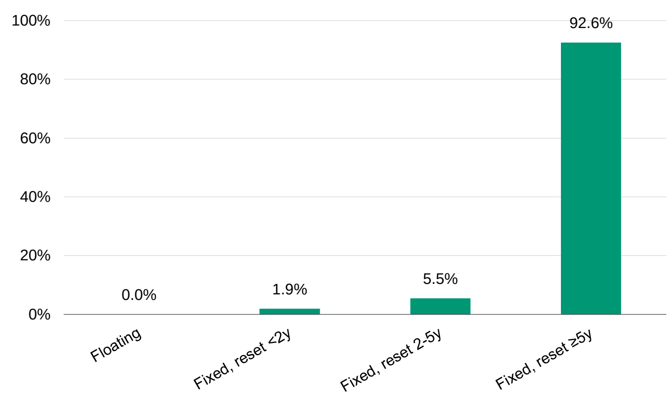
Sources: Moody's Investors Service, issuer data

Exhibit B
Residential assets



Sources: Moody's Investors Service, issuer data

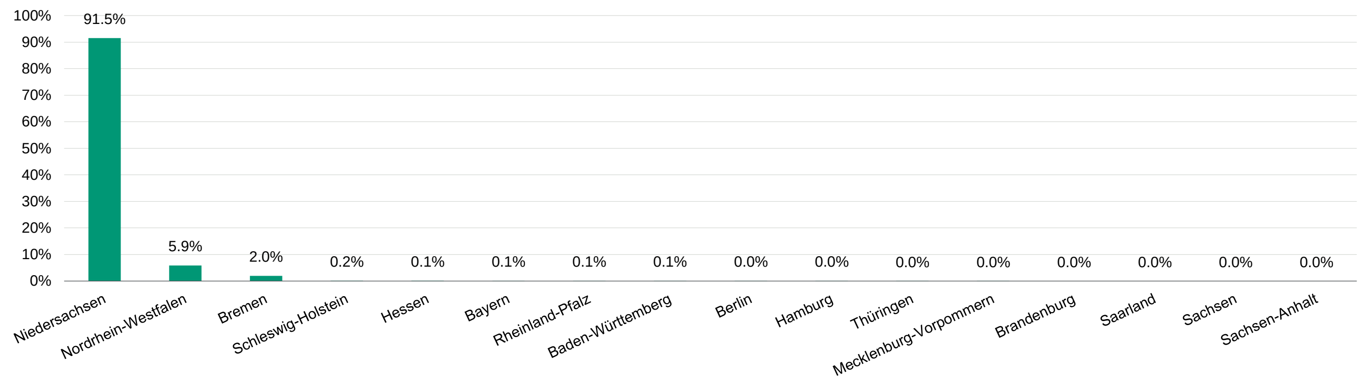
Exhibit C
Interest rate type



Sources: Moody's Investors Service, issuer data

Exhibit D

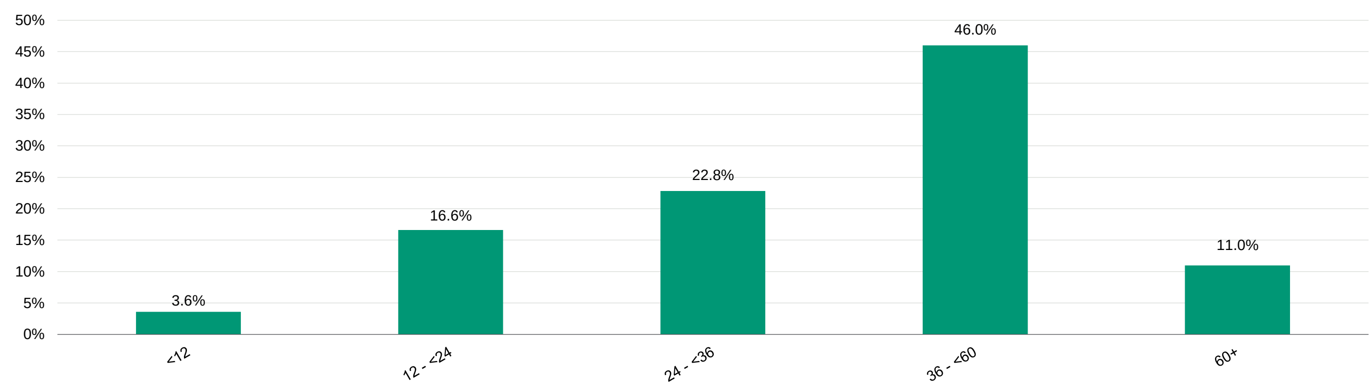
Regional distribution of main country



Sources: Moody's Investors Service, issuer data

Exhibit E

Seasoning



Sources: Moody's Investors Service, issuer data

Substitute assets

Of the cover assets, €15.0 million (3.3%) are substitute assets which currently consist of one bond issued by a German regional government.

Cover pool monitor

Pursuant to the *Pfandbrief* Act, the regulator (BaFin) has appointed a cover pool monitor (*Treuhänder*). (See Moody's related publications: Covered Bonds: Germany - Legal Frameowrk for Covered Bonds)

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool.

Primary cover pool analysis

We calculate the collateral score for the cover pool using a scoring model to assess the credit risk for the residential assets in the cover pool. Our analysis takes into account, among other factors, the LTV ratios of the mortgage loans, the seasoning and the geographical distribution.

For this programme, the collateral score of the current pool is 5.0%, which is the minimum collateral score we apply cover pools that purely consist of residential assets. This collateral score is in line with the collateral scores of other German residential mortgage covered bonds. (For details, see "Moody's related publications - Moody's Global Covered Bonds Sector Update, Q1 2020"

From a credit perspective, we view positively the following characteristics of the cover assets:

» All assets are performing and are not in arrears.

» The loans are well-seasoned (weighted average seasoning is 41 months).

» The weighted average LTV is 89.2% based on the property mortgage lending value.

» Only 1.5% of the mortgage loans in the cover pool are subject to a coronavirus-related payment moratorium which reduces the uncertainty regarding the cover pool's future performance after the end of the moratorium.

From a credit perspective, we view negatively that there is significant regional concentration in the cover pool with 91.5% of assets backed by properties in Lower Saxony. Such large regional concentrations increase the risk of significant losses in a stressed future environment but are mitigated for this cover pool by the generally good credit quality of the individual borrowers and the 60% LTV eligibility criterion of the Pfandbrief Act that significantly reduces the expected loss severity of the individual loans in the cover pool.

Additional cover pool analysis

Environmental considerations

Overall exposure to meaningful environmental risks is low in this programme due to the issuer's primary liability to make payment on the covered bonds and:

» In respect of physical risks to the cover pool, the large regional concentration of 91.5% of residential assets in Lower Saxony. Environmental factors are partially mitigated by mandatory possession of insurance in line with market practices.

» In respect of regulatory risk, we expect that over time properties that do not meet climate-aligned standards for energy efficiency or carbon emissions will face regulatory sanctions and value impairment. However, we expect much of this risk to be gradually absorbed into the periodic updating of property valuations and income underwriting. This will impact key credit metrics such as LTVs.

In the event of shocks in connection with regulation or physical hazards, the impact on property collateral will be partly mitigated by borrowers' liability to repay mortgage loans regardless of property value.

Social considerations

Overall exposure to social factors is moderate for this programme. Covered bondholders benefit from the issuer's primary liability to make payment on the covered bonds, meaning any impact from social factors on the cover pool will only be felt if the issuer defaults. For banks, misconduct, poor handling of data security and customer privacy breaches are the most significant social risks that may in due course affect the cover pool, although banks' financial and operational flexibility and track record of adjusting to social issues may mitigate this.

In addition, the rapid spread of the coronavirus outbreak, the government measures put in place to contain it and the deteriorating global economic outlook, have created a severe and extensive credit shock across sectors, regions and markets. Our analysis has considered the effect on the performance of residential real estate from the collapse in German economic activity in the second quarter and a gradual recovery in the second half of the year. However, that outcome depends on whether governments can reopen their economies while also safeguarding public health and avoiding a further surge in infections. As a result, the degree of uncertainty around our forecasts is unusually high. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Social factors that potentially affect the cover pool have varied implications. Social risks can arise from changing demographic trends such as aging, urbanization, an increase in telecommuting and flight from cities, population declines or ways of living trends in general that impact the supply or demand for housing in particular areas, which can reduce home values. Societal and demographic trends will be relevant but typically develop over an extended time frame that smooths out materiality for expected loss.

Social issues may be driven also by a political agenda related to housing and consumer protection, particularly in down cycles, creating pressure on recovery values. Borrower-friendly legislation as a reaction to consumer activism can affect both the underwriting and the servicing of mortgage loans in the cover pool.

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. This risk does currently not exist for this programme because all the cover pool assets are German assets and secured by properties in Germany.

» Loans to borrowers outside of the European Economic Area (EEA): All of the mortgage loans are granted to borrowers within the EEA. If this 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.

Comparables

Exhibit 8

Comparables - Oldenburgische Landesbank AG – Mortgage Covered Bonds and other deals

PROGRAMME NAME	Oldenburgische Landesbank AG – Mortgage Covered Bonds	Santander Consumer Bank AG - Mortgage Covered Bonds	ING-Diba AG - Mortgage Covered Bonds	Commerzbank AG - Mortgage Covered Bonds	Deutsche Bank AG - Mortgage Covered Bonds
Overview					
Programme is under the law	Pfandbrief Act	Pfandbrief Act	Pfandbrief Act	Pfandbrief Act	Pfandbrief Act
Main country in which collateral is based	Germany	Germany	Germany	Germany	Germany
Country in which issuer is based	Germany	Germany	Germany	Germany	Germany
Total outstanding liabilities	371,000,000	1,000,000,000	3,705,000,000	21,016,525,825	9,064,500,000
Total assets in the Cover Pool	450,658,684	1,146,122,216	5,804,108,840	30,337,807,321	10,899,480,300
Issuer name	Oldenburgische Landesbank AG	Santander Consumer Bank	ING-DiBa AG	Commerzbank AG	Deutsche Bank AG
Issuer CR assessment	A3(cr)	A1(cr)	Aa2(cr)	A1(cr)	A3(cr)
Group or parent name	n/a	Santander Consumer Finance S.A.	n/a	n/a	n/a
Group or parent CR assessment	n/a	A3(cr)	n/a	n/a	n/a
Main collateral type	Residential	Residential	Residential	Residential	Residential
Collateral types	Residential 96.7%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 3.3%	Residential 96%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 4%	Residential 96%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 4%	Residential 95%, Commercial 3%, Public Sector 0%, Other/Supplementary assets 2%	Residential 84%, Commercial 10%, Public Sector 0%, Other/Supplementary assets 5%
Ratings					
Covered bonds rating	Aa1	Aaa	Aaa	Aaa	Aaa
Entity used in Moody's EL & TPI analysis	Oldenburgische Landesbank AG	Santander Consumer Bank AG	ING-DiBa AG	Commerzbank AG	Deutsche Bank AG
CB anchor	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch
CR Assessment	A3(cr)	A1(cr)	Aa2(cr)	A1(cr)	A3(cr)
SUR / LT Deposit	n/a	n/a	n/a	A1	A3
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	Yes	Yes
Value of Cover Pool					
Collateral Score	5.0%	5.0%	5.0%	5.7%	5.3%
Collateral Score excl. systemic risk	1.8%	1.7%	3.0%	3.5%	3.5%
Collateral Risk (Collateral Score post-haircut)	3.4%	3.4%	3.4%	3.7%	3.5%
Market Risk	12.3%	11.2%	12.4%	12.3%	12.6%
Over-Collateralisation Levels					
Committed OC*	2.0%	2.0%	2.0%	2.0%	2.0%
Current OC	36.8%	23.1%	63.2%	50.1%	31.1%
OC consistent with current rating	1.5%	5.0%	0.0%	6.5%	11.5%
Surplus OC	35.3%	18.1%	63.2%	43.6%	19.6%
Timely Payment Indicator & TPI Leeway					
TPI	High	High	High	High	High
TPI Leeway	3	4	6	4	2
Reporting date	30 June 2020	01 July 2020	31 March 2020	31 March 2020	31 March 2020

*We consider this level of OC as committed according to our methodology even though the level of OC provided via the asset cover test might be higher because the issuer could reduce the level of OC down to this level without a rating impact on our covered bond rating.
Source: Moody's Investors Service, issuer data

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.

Exhibit 9
Income underwriting and valuation

A. Residential Income Underwriting	
1 Is income always checked?	Yes
2 Does this check ever rely on income stated by borrower (“limited income verification”) ?	No, in all cases a full verification of income is carried out
3 Percentage of loans in Cover Pool that have limited income verification	0%
4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	Not relevant
5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test (“IST”)?	Yes
6 If not, what percentage of cases are exceptions.	0%
For the purpose of any IST:	
7 Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes
8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Mortgage loans have a maximum term of 35 years.
9 Does the age of the borrower constrain the period over which principal can be amortised?	No
10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Yes, if the fixed interest period is shorter than the maturity of the loan (interest rate risk) an interest rate of 4.67% plus repayment will be considered in the debt service calculation
11 Are all other debts of the borrower taken into account at the point the loan is made?	Yes
12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tax)	Living expenses are calculated on a flat rate depending of number of people in the household. No specific maximum percentage of income is defined to cover debt service.
Other comments	

B. Residential Valuation	
1 Are valuations based on market or lending values?	Lending values
2 Are all or the majority of valuations carried out by external valuers (with no direct ownership link to any company in the Sponsor Bank group)?	No. The majority of valuations are carried out by internal property valuers (according German regulation: Regulation on the Determination of the Mortgage Lending Value (BelWertV))
3 How are valuations carried out where an external valuer not used?	External valuation if the expected value is > EUR 400,000 and the property is located outside the Weser-Ems region. Internal property valuers manage valuation requests with external valuers. Quality assurance also by internal property valuers.
4 What qualifications are external valuers required to have?	HypZert certification or comparable
5 What qualifications are internal valuers required to have?	HypZert certification (S- or F-certification) internal experts carrying out valutations within small loan limit (BelWertV) need online certificate for this specific types of properties
6 Do all external valuations include an internal inspection of a property?	Generally yes
7 What exceptions?	When the owner refuses the internal inspection of a property
8 Do all internal valuations include an internal inspection of a property?	Generally yes
9 What exceptions?	When the owner refuses the internal inspection of a property
Other comments	-

Source: Issuer

Moody's related publications

Rating Methodology

- Moody's Approach to Rating Covered Bonds, June 2020 (1154442)

Special Comments

- Covered Bonds: Sector update Q2 2020: Credit quality remains stable amid coronavirus pressures, August 2020 (1240602)
- Covered Bonds - Europe: 2020 Outlook - Credit quality will remain strong despite slowing global economy, December 2020 (1195667)
- Germany - Legal Framework for Covered Bonds, July 2019 (1178095)
- Structured Finance - Germany: Proposed countercyclical capital buffer is credit positive for German mortgage covered bonds, May 2019 (1178228)
- Covered Bonds - Germany: Brexit-related changes to the Pfandbrief act are credit positive for German covered bonds, February 2019 (1163630)
- Covered Bonds - Global: Germany has strongest legal framework overall, while other countries have strengths in specific areas, August 2018 (1126419)
- EU Bank Recovery and Resolution Regime Strengthens German Covered Bonds and Improves Their Ratings, July 2015 (1006468)
- Structural Protection Mechanisms for Non-EEA Assets in German Cover Pools, July 2014 (SF374519)

Sector In-Depth:

- Pfandbriefe: Low interest rates raise safety but limit use of this funding tool, April 2020 (1213354)

Credit Opinion

- Oldenburgische Landesbank AG

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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