

DUKE 2002 Limited

Westfälische Hypothekenbank AG - ("WestHyp") (A2)

CMBS

Netherlands & UK

CLOSING DATE

30 September 2002

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A-1 CLN ^(a)	Aaa	30,000,000	3.25	23/08/27	23/08/03
A-2 CDS ^(b)	Aaa	97,790,455	10.59	23/08/27	23/05/05
A-2+ CLN	Aaa	250,000	0.03	23/05/05	23/08/27
A-3 CLN	Aaa	345,000,000	37.37	23/08/27	23/11/08
A-4 CLN	Aa1	300,000,000	32.50	23/08/27	23/11/08
B - CLN	Aa2	36,950,000	4.00	23/08/27	23/11/08
C - CLN	A2	39,250,000	4.25	23/08/27	23/11/08
D - CLN	Baa2	36,950,000	4.00	23/08/27	23/11/08
E - CLN	Ba3	21,700,000	2.35	23/08/27	23/11/08
F - CDS ^(c)	PR ^(d)	14,981,512	1.62	23/08/27	23/11/08
F+ - CLN	PR	250,000	0.03	23/08/27	23/11/08
Total		923,121,968	100.00		
Funding Notes	Aaa	4,000,000	n/a	23/11/08	23/11/08

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

(a) Credit-Linked Notes

(b) Senior Credit Default Swap

(c) Junior Credit Default Swap

(d) Private Rating

Strengths of the Transaction

- The Reference Pool assets are located in the Netherlands and the UK, both of which economies have shown strong performance over the last 5 to 10 years.
- Within each country, the reference pool assets are well diversified by both location as well as property type.
- The average quality of the properties in the Reference Pool is deemed above average given their age, quality of construction, rent roll and locations.
- The loss guarantee fee paid by WestHyp to the Issuer protects Noteholders against non-payment of interest on the notes.

Weaknesses and Mitigants

- There is some borrower concentration in the pool, as the largest borrower represents 10.8% of the pool, and the top 10 borrowers approximately 40% of the pool. This is mitigated by the different backgrounds of the borrowers, which range from private investors, to a German closed-end investment fund, and public property companies.



- Due to the complexity of the credits in the Reference Pool, such as syndications, tranchings and reset dates, the pool is not plain vanilla. However, each of these complexities was analysed and either incorporated in Moody's analysis or addressed in the structure of the transaction.
- All Reference Pool Collateral is subject to three legal jurisdictions. Even though the loans in the Netherlands loan agreements are subject to German law and for the UK loans the loan agreements are subject to both UK and German law, the mortgages themselves are subject to Dutch and English law. As a mitigant Moody's believes that both the Dutch and English legal systems provide favourable treatment for creditors in the case of enforcement under the mortgage.
- WestHyp is a German mortgage lender that specialises in making loans outside Germany. Any potential informational disadvantages for WestHyp as a foreign lender have been addressed by either the establishment of a local subsidiary as in the case of the Netherlands or participation in syndicated transactions together with other banks, such as in the case in the UK.

STRUCTURE SUMMARY

Issuer:	DUKE 2002 Limited
Structure Type:	Synthetic credit-linked notes / Credit default swaps
Borrower:	n/a
Seller/Originator:	Westfälische Hypothekenbank AG ("WestHyp") (A2)
Servicer:	WestHyp (A2)
Back-up Servicer:	n/a
Interest Payments:	Quarterly in arrears based on 3-month EURIBOR rate plus spread for each class, first payment in 23 rd February 2003, Interest is paid in advance into transaction account of DUKE 2002 Limited
Principal Payments:	Straight sequential quarterly redemption on all Classes of Notes, except that Class A4 is paid down before Class A3 Notes
Credit Enhancement/Reserves:	None
Liquidity Facility:	None
Hedging:	None
Fiscal Property Advisor:	n/a
Principal Paying Agent:	WestHyp
Security Trustee:	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Note Trustee:	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Arranger/Lead Manager:	WestLB AG

COLLATERAL SUMMARY

Assets:	77 Loans totalling €923,121,968
Number of Properties:	122
Type of Loans:¹	Fixed 80.9%, Fixed Step-up 9.4%, Floating & Fixed 5.4%, Floating 4.3%
Number of Borrowers:	67
Property Type Distribution:¹	Office 70.2%, Retail 14.7%, Residential 2.5%, Mixed Usage 12.6%
Geographic Distribution:	Netherlands 55.6%, United Kingdom 44.6%
Average Moody's LTV:¹	75.0%
Average U/W LTV:	71.7%
Average Moody's DSCR:¹	1.28 based on Moody's hurdle rate
Average U/W DSCR:	1.67: 1
Remaining Term:¹	133.4 months
Seasoning:¹	19.8 months
Min. / Max./ and WA Coupon:¹	4.22%, 8.87%, 5.81%
Amortisation Profile:¹	Annuity loans: 30.9%, Bullet loans: 11.5%, Mixed loans: 57.6%; WA Moody's Balloon LTV: 54.5%
Ownership Interest:¹	Freehold 71.7%; Leasehold 27.9%

¹ Weighted average figures are based on Moody's calculations and analysis of the pool and may differ from the figures presented in the offering circular.

OVERVIEW

Synthetic CMBS transaction sponsored by WestHyp

This first issuance by DUKE 2002 Limited represents a synthetic CMBS transaction sponsored by WestHyp, which sponsored another CMBS transaction in December 2001, named Dutch Dream 2001-1.

Collateral matches interest and principal due under the credit-linked notes (CLNs)

In this transaction, the Issuer issues credit-linked notes ("CLNs") to investors and will use the proceeds to purchase collateral for the various note classes. The principal payments of the CLNs are matched and any interest shortfall is covered by the Guarantee Fee, which is paid by WestHyp to DUKE 2002 Limited in advance. WestHyp itself also directly enters into a senior and junior credit default swap ("CDS"). The CLNs and CDS are credit-linked to the performance of a Reference Pool of commercial mortgage loans originated and serviced by WestHyp in the Netherlands and the UK. Any realised losses on the Reference Pool are allocated to both the CLNs and the CDS in reverse sequential order of seniority. The CLNs are backed by various types of collateral, including public sector Pfandbriefe and Medium Term Notes. There are three main categories of notes collateral: (1) the CLN classes A1, A2+ and A3 Notes benefit from WestHyp Pfandbriefe enhanced by cash deposits and further cash collateral, as described more detailed below; (2) the CLN classes A4, B, C and F+ benefit from WestHyp Pfandbriefe; (3) the CLN classes D and E are covered by Medium Term Notes; and (4) the Funding Notes benefit from WestHyp Pfandbriefe enhanced by Cash deposits. Note that the Class F and F+ notes also benefit from interest subparticipation.

CLN are linked to reference pool by allocation of realised losses

Risk from non-payment of interest eliminated

WestHyp enters into a Loss Guarantee with the Issuer under which the Issuer pays WestHyp the aggregate amount of realised losses. The Issuer in turn funds these realised losses by selling collateral and receiving payments from the CDS counterparty as allocated to various classes. Because WestHyp will pay a Guarantee Fee in advance that covers all on-going Issuer expenses as well as any interest shortfall between interest received on the collateral and interest due on the CLNs the risk from non-payment of interest is eliminated. The Issuer also pledges the collateral as security for its obligations under the Loss Guarantee. The Funding Notes are issued to cover the upfront transaction costs of the deal.

This structure effectively transfers the risk of realised losses on the Reference Pool from WestHyp to CLN investors as well as the CDS counterparties. The CLN investors benefit from the credit enhancement in the transaction as well as the implicit credit from the collateral.

STRUCTURAL AND LEGAL ASPECTS

Please refer to Appendix 1 for the Transaction Diagram for this transaction.

Structure

Structure provides Noteholders with specific collateral and risk protection

The Issuer will use the proceeds from the issuance of Notes to purchase collateral for the CLN note classes. The maturity and payment profile of the collateral will match the CLNs such that principal due on the CLNs is covered by principal repayments received from the collateral. The Noteholders will not be exposed to any risk of non-payment of interest in the Reference Pool as WestHyp will bear this via the Guarantee Fee (paid in advance), which will also cover the on-going costs of the Issuer. The Issuer will pledge the Collateral to WestHyp to secure its obligations under the Loss Guarantee. In return, WestHyp receives payments equal to the realised losses on the Reference Pool. WestHyp will enter into a junior and senior credit default swap agreement whereby the Swap counterparty will cover Realised Losses of the Reference Pool in return for a swap premium. WestHyp will administer, collect payments on and enforce the loans in the Reference Pool ("Reference Claims").

Collateral

Public Sector Pfandbrief Collateral for Aaa classes is enhanced

The collateral for Classes A1, A2+ A3 and the Funding Notes consists of WestHyp Public Sector Pfandbriefe, rated **Aa1**, enhanced by cash deposits and additional cash collateral. The sizing of the exact cash enhancement needed to bring the **Aa1**-rated *Public Sector Pfandbriefe* Collateral back to the **Aaa**-rated Credit-Linked Notes is discussed in the section on Moody's Analysis below. The collateral for Classes A4, B, C and F+ consists of WestHyp Pfandbriefe and the collateral for Classes D and E are Medium Term Notes. Future rating changes on the collateral may directly impact the ratings assigned to the Notes as the Issuer is not required to substitute any downgraded collateral (except for the A4 class).

Loss Allocation

Realised losses on reference pool allocated to CLNs in reverse sequential order of seniority

Realised losses from the reference portfolio as determined will be applied in reverse sequential order to all classes (except the Funding Notes) and redemptions will be paid sequentially to all classes of Notes (except that the Class A4 will be paid prior to the Class A3). Debt service payment on the Notes will be paid quarterly in arrears. The Class F+ benefits from an interest subparticipation.

Eligibility Criteria, Resets and Replenishment

Eligibility criteria ensure quality of reference pool

No loss allocation if criteria and servicing principles are not met

All assets in the Reference Pool need to meet the eligibility criteria at the cut-off date, which ensure the quality of the pool's credit to some extent. In the event of a loan within the Reference Pool being proven not to have been in compliance at the cut-off date, then losses to be allocated from the loan are no longer allocatable to the Noteholders. As part of the eligibility criteria, the Servicer needs to be in compliance with the servicing principles. If the Servicer does not comply with the servicing principles, then the relevant loan is not eligible for loss allocation to the Noteholders.

Limitations on changes of loan terms at reset protect from deterioration of reference pool Most reference claims have reset dates, at which time WestHyp agrees new terms with its existing borrower. WestHyp can agree whichever terms it deems beneficial. However, in order for a loan to qualify for the Reference Pool, WestHyp has agreed to some limitations as to the terms at the reset date. These include no extension of the loan term of more than 10 years beyond the reset date, no increase in the loan amount, no decrease in the principal amortisation and a minimum DSCR of 1.05 x at the reset date.

Replenishment subject to rating agency confirmation whereas substitution is not Replenishment of existing loans in the Reference Pool is subject to rating agency confirmation and is allowed during the replenishment period until November 2008. This provides significant protection for Noteholders.

Substitution of loans in the Reference Pool is permitted if (i) the assets meet certain criteria which ensure that any substitution will not be to the detriment of the noteholders or (ii) rating agency approval is granted.

Credit default swap

Part transfer of credit risk through two credit default swaps In this transaction, WestHyp transfers a portion of the credit risk of the Reference Pool through the use of two credit default swaps. In return for a premium, the counterparty agrees to make payments in case of any Realised Loss allocated to the Class A2+ and Class F+ CLNs, adjusted for the relative size of the Class A2+ and Class F CLNs compared to the respective credit default swap notional amount. Moody's **Aaa** rating on the senior credit default swap reflects the risk that the swap counterparty will have to make a payment under the credit default swap. The rating primarily reflects the analysis of the credit risk of the reference pool and the 86% implicit credit enhancement to the senior credit default swap. The rating does not reflect potential losses with respect to the payment of premiums by WestHyp or resulting from early termination of the transaction, nor any market risk associated with the transaction. However, Moody's confirmed that under the credit default swap any makewhole amounts in the case of early termination by WestHyp are payable by WestHyp and would not impact the Noteholders. In addition, it was verified that there is no other termination payment either for the counterparty or for WestHyp.

Redemption

Sequential mandatory redemption (except Class A3) To the extent not otherwise redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued interest on the Payment Date falling on the Maturity Date. The Notes are subject to sequential (except for the Class A4 being redeemed prior to the Class A3) mandatory redemption in part on each interest payment date to the extent that funds are available.

Issuer Call Rights and Early Redemption Option of the Noteholders

Both issuer and noteholders have rights to call or redeem under certain circumstances The Issuer shall have the right but no obligation to redeem the Notes in the case that (i) a Regulatory Event has occurred or (ii) the aggregate principal balance of the Reference Pool has been reduced to less than 10% of the Initial Aggregate Principal Balance or (iii) an Issuer or Bank event of default has occurred or (iv) the Loss Guarantee is terminated. Each holder of Notes of any Class shall be entitled to declare due the Notes held by it in the event that the Issuer fails to make within 30 days from the relevant due date any payment due to be made under the relevant Notes or the Issuer becomes subject to bankruptcy or similar proceedings.

Currency Exposure

No direct currency exposure to Noteholders

As a significant portion of the loan balances in the Reference Pool are denominated in British pounds and Swiss francs and the obligations under the CLNs are in Euro, there is currency exposure in the transaction. However, since the collateral is denominated in Euro there is no direct currency exposure to Noteholders. The currency movements impact the Euro-denominated loan balances and thereby the room available for replenishment in the reference pool. This impact is addressed as follows: on each payment date, WestHyp recalculates the combined loan balances (except for loans where a credit event occurred) to their Euro equivalent using the current exchange rate. If this balance does not exceed the maximum allowable principal balance under the replenishment schedule, WestHyp can use the current exchange rate. However, if it does, WestHyp will have to use the exchange rate at the cut-off date or the most recently used exchange rate. This mechanism effectively leaves the Noteholders neutral on currency risk, but provides WestHyp with additional flexibility if exchange rates move in its favour.

COLLATERAL – REFERENCE PORTFOLIO

Reference pool properties 56% in the Netherlands and 44% in the UK

The Notes are backed by a pool of 77 loans secured by a portfolio of 122 commercial properties located in the Netherlands 55.6% and the United Kingdom 44.4% leased to approximately 700 tenants.

Moody's DSCR is 1.28

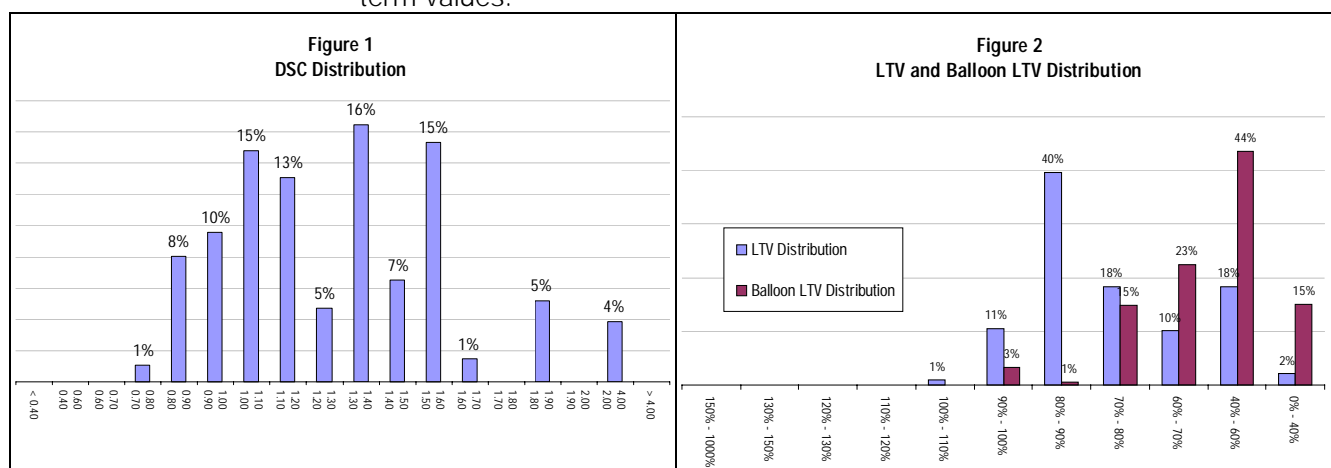
Moody's LTV is 75.0%

Above-average property quality

Above-average economic diversity

- Loan Concentration: The average size of the loans is €11.5 million. The largest loan in the pool is €100.0m representing 10.8% of the pool. The ten largest exposures represent 39.9% of the portfolio. Multiple property loans represent 32.0% of the portfolio.
- Diversity of Size: Moody's uses the Herfindahl Index to measure diversity of loan size. A score of 100 has credit neutral diversity. This pool has a score of 51.
- Geographic Diversity: Properties are located across the Netherlands and the United Kingdom.
- Property Composition: Office 61.5%, Retail 18.0%, Residential 4.9%, Mixed Usage 15.6%
- Loan Type: 86% of the loans in the pool are fixed, 9% are floating, 5% are fixed with step-up.
- Debt Service Ratio ("DSCR"): Based on Moody's adjusted cash flow and an assumed hurdle, the pool's weighted average DSCR is 1.28:1.00.
- Loan To Value ("LTV"): Based on Moody's net cash flow and standard capitalisation rates, the pool's weighted average (WA) LTV is 75.0%. On the same basis, the pool's WA balloon LTV is 54.5%.
- Property Quality: Moody's weighted average grade assigned to the properties in the pool is 1.7. In general, the properties can be characterised as above average due to location, age or quality of construction.
- Economic Diversity: For the UK part of the pool, the composite economic diversity score is 76.8; the average for UK conduit scores is between 68.1 and 83.3. For the Netherlands part of the pool, the composite economic diversity score is 86.7 compared to 90.0 in Dutch Dream 2001-1. Given the lack of the Dutch CMBS transactions, we cannot further compare this result.

The charts below show the DSCR and LTV stratifications for the loans in the pool. Note that Moody's valuation of the assets focuses on sustainable long-term values.



LOAN EXPOSURE

The five largest loans in the reference pool are summarised below. The information provided below is based on Moody's analysis and, as such, may differ from that provided in the Offering Circular.

#	Loan balance	% of the pool	Type	grade	MDY LTV	MDY balloon LTV	MDY DSCR
1	100,000,000	10.8%	mixed	1.5	58.4%	51.9%	1.54
2	42,952,990	4.7%	office	2.0	81.4%	0.0%	1.09
3	41,527,647	4.5%	office	1.5	72.0%	70.0%	1.34
4	37,673,852	4.1%	office	1.0	82.6%	63.7%	0.87
5	28,235,392	3.1%	Retail	2.0	61.0%	61.0%	1.46
	250,389,881	27.1%					

1. Multiproperty loan with 5 properties

No 1 loan to a Dutch publicly quoted property company secured by five Dutch properties represents 11% of the pool balance

The largest loan in the pool, representing 10.6% of the current pool balance, is secured by five properties located in Rotterdam, Oosterhout, Hilversum, Deventer and Zoetermeer. The biggest property of the five, representing approximately 5.6% of the total pool, is an 18-storey office building with ground floor retail in the heart of Rotterdam, almost directly opposite the Central Railway station. Weena is one of the most important through-roads and office locations; the property is however located in a secondary retail location. The retail part is 3,809m² and is valued at approximately €9.3 million. The office part of the building is 29,648m² and is valued at approximately €79.8 million. The four other properties of this pool are retail centres located across the Netherlands with strong market positions in their respective markets. For a summary of the properties in this pool, please see the table below.

Property	Type	Location, NL	Current balance	Grade
1	Retail	Deventer	13,515,331	1.5
2	Mixed	Rotterdam	52,770,306	1.5
3	Retail	Oosterhout	17,321,140	1.5
4	Retail	Zoetermeer	8,324,368	2.0
5	Retail	Hilversum	8,068,854	2.0
Total			100,000,000	

The current loan balance consists of one tranche of €100.0 million; the original loan balance was €100.0 million. The loan is scheduled to amortise from 58% LTV to 52% LTV by maturity in December 2015. Moody's DSCR is estimated at 1.54x. The borrower is a real estate investment company with high capitalisation. Based on the age and condition of the properties, the weighted average grade of this loan is 1.5; 65% of the properties in this loan were inspected by Moody's.

2. Office Building in Sheffield, UK

No 2 loan is secured by office complex in Sheffield 100% let to a Aa2-rated tenant until 2017

The second largest loan is secured by a partly modern, partly refurbished office complex comprising approximately 12,208m² of accommodation arranged in five buildings, representing 4.6% of the current pool balance, located in a secondary office location in Sheffield. The site was originally an old industrial unit; as a result, the original design of a number of buildings had to be retained due to their listings. The whole complex was refurbished/renovated in 1991. The property has over 353 parking spaces, partly underground and partly on the site. The property is 100% leased to a life insurance society (rated Aa2) on a 25-year "FRI" lease starting 25 December 1992.

The current loan balance consists of one tranche of €42.9 million; the original loan balance was €43.7 million. The loan is scheduled to fully amortise from 82% LTV by maturity in July 2017. Moody's DSCR is estimated at 1.09x. The borrower is a special purpose holding company. Based on the age, condition and location of the property, Moody's have assigned a 2.0 grade to this property, which was inspected .

3. Office Buildings in Rotterdam, Netherlands

No 3 loan is secured by newly built office complex in Rivium office park in Rotterdam

The third largest loan is secured by an office complex which consists of four inter-connected office buildings of similar modern design and new construction, representing 4.5% of the pool. Located in the Rivium office and industrial park along the Brienoord-bridge over the Maas river in suburban Rotterdam, the properties have good access to the A-16 motorway. They are located on the southernmost edge of the business park and overlook the Maas. The buildings have underground parking and restaurant amenities. They should appeal to most modern office users although visibility from the motorway is limited.

The current loan consists of four tranches totalling €41.5.0 million, which is the original balance. The loan is schedule to amortise from 72.0% current LTV to 70.0% at maturity. Moody's DSCR is 1.34x. Based on the age, condition and location of the property, Moody's has assigned a 1.5 grade. The property was also inspected by Moody's.

4. Office Building in London, UK

No 4 loan is secured by refurbished office building in central London let to a Aaa-rated tenant

The fourth largest loan is secured by a block of period office buildings recently refurbished to a good condition. The property is located in a prime location in the heart of London with good access to public transport. The property is fully leased to a **Aaa**-rated tenant till maturity in October 2020.

The current loan consists of one tranche totalling €37.7 million; the original loan was €39.0 million. The loan is scheduled to amortise from 82.6% LTV to 63.7% LTV at maturity in July 2020. This is a syndicated loan where WestHyp has a 50% part in it. Moody's DSCR is 0.87x. The borrower is an investment company incorporated in Gibraltar. Based on the age, location and condition of this property, Moody's has assigned a 1.0 grade. The property was inspected by Moody's.

5. Shopping Centre in Greater Manchester, UK

No 5 loan is secured by retail centre in Manchester

The fifth largest loan is secured by a two-storey shopping centre, built in the middle of the nineties, located in the centre of a small town in Greater Manchester. Two key UK trade chains are the key tenants and the property is overall well occupied.

The current loan consists of one tranche totalling €28.2 million; which is also the original loan balance. Moodys LTV is 61.0% and is an interest only loan. Moody's DSCR is 1.46x. The borrower is an open-end property fund. Based on the location, age and condition of the property, Moody's has assigned a 2.0 grade. The property was not inspected by Moody's.

SPONSOR, SERVICER AND DUE DILIGENCE

The Sponsor and Servicer

Originator is WestHyp rated A2

WestHyp is a **A2**-rated German licensed mortgage bank currently operating in Germany and the Netherlands. The United Kingdom representative office was closed but Westhyp syndicates with other German Banks to continue making loans in the UK. As at 31 December 2001, WestHyp and its subsidiaries had total assets of €41 billion. WestHyp Finance B.V. is itself a rated entity at **A2**.

Site Inspections and Operational Review

46% of pool inspected by Moody's

As part of the overall review process, Moody's inspected a sample, (incorporating different asset types and geographic locations) of in excess of **46%** of the portfolio's allocated open market value. Moody's also conducted an operational review of WestHyp's property lending organisation that incorporated an examination of underwriting criteria, lending and servicing policies and procedures as well as historical loss and arrears data. This review took place in both Dortmund and Amsterdam.

Environmental and Structural Due Diligence

In some instances, Moody's reviewed structural property condition and/or environmental reports contained in the appraisal reports. WestHyp will warrant that it obtained such reports in all cases where the valuer recommended it. Moody's believes that any uncertainty is sufficiently reflected in the overall analysis of the transaction and consistent with the rating on the Notes. Investors should also know that Borrowers are obliged to address any current or future environmental issues. WestHyp will represent that it has acted on any information contained within the reports to the standard of a prudent lender acting reasonably.

MOODY'S ANALYSIS

74% of loans reviewed by Moody's

Moody's has reviewed **73.7%** of loans within the pool. For all assets in the pool, Moody's received a third party valuation of the security and a tenant schedule as well as other information on the pool. Additionally, unqualified audit opinions regarding the accounts of the Originator, the Mortgage Trustee and the Issuer will be issued. Moody's cash flow for each property generally incorporates historic trading performance, as well as the implications of the lease under which virtually all of the tenants occupy their premises, including responsibility for on-going capital refurbishment and property management. Finally, Moody's met with WestHyp management and property lending officers in both Dortmund and Amsterdam, in order to review overall property lending credit policy and servicing.

Moody's applied three models to evaluate deal

Analytical Process

Moody's employed a number of analytical methods in evaluating the likely performance characteristics of both the Properties and the Notes. The modelling included application of three modelling techniques –Moody's conduit approach, Moody's Monte Carlo approach and our multi-class model. Fundamentally, Moody's made initial assessments of the credit quality of each of the loans, for use as inputs to both the conduit and the Monte Carlo modelling. In running the two models simultaneously, Moody's is able to assess the sensitivity of the transaction to changes in some of the more significant inputs. Moody's also used a multi-class model to refine the enhancement levels required for each of the mezzanine classes. Finally, Moody's reviewed the legal structure, including the security package (see *collateral enhancement section below*).

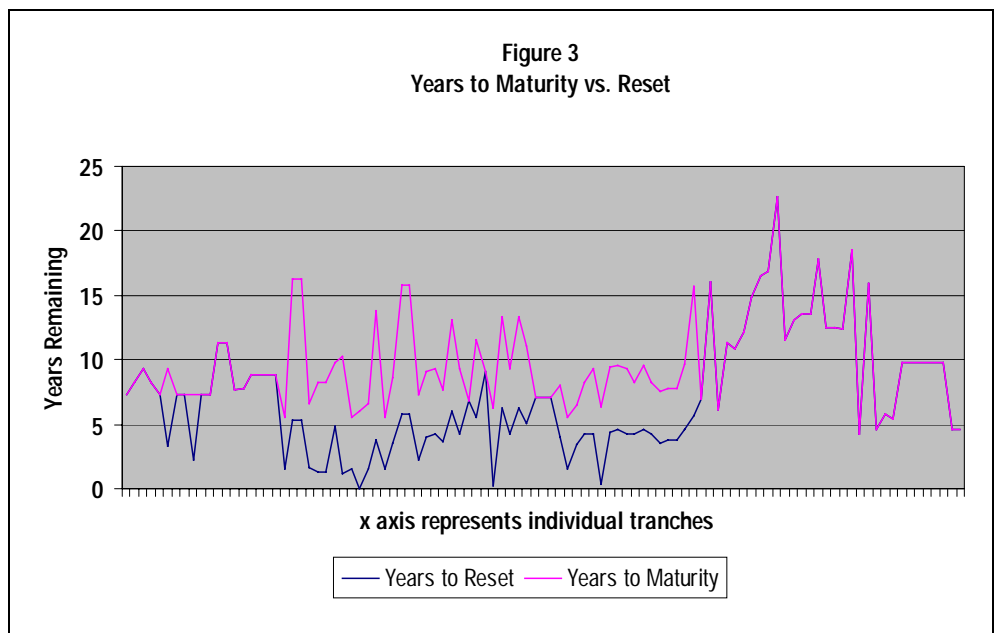
Moody's reviewed valuations and arrived at sustainable value

Valuation of Reference Portfolio

Based on the most recent third party valuations, the total reference portfolio indicated a loan-to-value ratio of 71.7% at current market values. Moody's reviewed the valuations and discussed the assumptions on some of the assets with the valuers. We also considered information regarding comparable investment sales. In line with Moody's general approach towards commercial real estate securitisation, Moody's takes a somewhat different view of cap rates as the basis for discerning value and, by extension, the extent of the sponsor's equity in the properties. In general, Moody's seeks to determine a long-term sustainable cap rate for a class of assets and then applies that rate to the income stream to determine sustainable value. Based on this approach, Moody's valued the portfolio at approximately €1.23 billion, implying an LTV of 75.0%. In effect, Moody's is valuing the properties using a fundamental analysis based on historical trading patterns, rather than valuing the properties as a bond based on the lease term of a particular rated tenant. Furthermore, in instances where the cash flow of the collateral is largely derived from long-term leases from rated credits, a fundamental analysis of the property, while remaining important from a severity perspective, is less significant overall.

Some of the relevant characteristics of the reference pool include:

- Netherlands- and UK-originated loans have reset dates prior to final maturity that allow for a complete re-negotiation of the terms and conditions of the loan until the next asset date (see maturity versus reset date chart below).
- 8.0% of the loans have cross default provisions with loans outside the reference pool.
- 30.0% of the loans are syndicated with other banks.
- 27.9 % of the properties have a ground lease in place.



Reference pool credits complexities mitigated by structural solutions or incorporated into Moody's quantitative analysis

These characteristics make the reference pool somewhat complex to analyse. However, Moody's considered the following structured mitigants of these complexities:

- The terms that WestHyp is allowed to agree to at reset date cannot deteriorate the credit quality of the loan (see criteria).
- All syndicated loans are backed by properties located in the UK and, although WestHyp is not the Syndication leader, the properties have typical FRI leases with strong covenants. Further, Moody's has adjusted the quality grade on these specific properties to reflect the syndication.
- Most ground leases have been bought out through a lump sum payment from the borrower for periods typically extending beyond the loan maturity, eliminating the operational leverage from the ground leases. Further Moody's has adjusted the quality grade to reflect any ground lease payment exposure during the term of the loan.
- Moody's considered the guarantees, but also noted the potential difficulties in collecting on them in case of default.

Enhancement of Collateral

The collateral for the Classes A1, A2+ and A3 is enhanced by cash deposits as well as additional cash collateral. The sizing of the exact cash enhancement is discussed below.

Approach of Sizing Enhancement to Allow Aa1-rated Public Sector Pfandbriefe to be Used as Collateral for Aaa-rated Credit-Linked Notes

Background

Moody's arrived at method to enhance public sector Pfandbrief collateral from Aa1 to back Aaa CLN

Moody's currently rates the public sector Pfandbriefe issued by WestHyp **Aa1**. Public sector Pfandbriefe are viewed as less risky than mortgage Pfandbriefe for several reasons as outlined in Moody's special comments.¹ The high quality of these covered bonds permits their use in this structure as

¹ For more detail, please see, among others, Moody's Rating Methodology "German Pfandbriefe: Moody's Analytical and Rating Approach" 13 November 1998.

collateral; they are being enhanced in order to collateralise the **Aaa**-rated credit-linked notes.

One key element for the rating of the Pfandbriefe and for the determination of the enhancement is that in an insolvency of Westhyp the cover pool for the Pfandbriefe is not part of the insolvency estate of the bank but is considered a separate estate (*Sondervermögen*). Hence, separate insolvency proceedings would have to be opened for the cover pool, if it were deemed to be insolvent. The cover pool could be sold more easily to third parties if deemed appropriate and in the interest of Pfandbriefe creditors than Moody's would expect to be the case for the cover pool of mortgage Pfandbriefe.

Enhancement

Enhancement consists of two deposits

The concept described below of sizing enhancement only applies to public sector Pfandbriefe and it would be very unlikely² that similar levels of enhancement could be achieved with mortgage Pfandbriefe even if the rating of such Pfandbriefe were **Aa1**.

In this transaction, the enhancement for the notes' collateral takes the form of cash deposits, which will be established with Westhyp at closing of the transaction. There are two deposits and each of them has a different function. They are all sized to address a specific risk and **are not available to provide protection** for Realised Losses occurring under the Reference Pool.

Cash deposits and Additional cash collateral

Cash Deposits (A-1, A-2+ and A3) will provide liquidity in the event that (a) the bank goes into insolvency and/or (b) insolvency proceedings are opened over the cover pool for the public sector loans. Moody's has determined that, due to the insolvency proceedings, it may be that interest payments under the Pfandbriefe Collateral are not received by the Issuer and hence result in an interest shortfall under the Notes. To protect the holders of **Aaa**-rated Notes from such risk, Moody's has sized a cash reserve to put aside enough funds to permit continued timely payment of interest under the **Aaa**-rated Notes. The liquidity is deemed sufficient to solve underlying problems that could last for several months.

The Additional Cash Collateral is established to achieve a protection for losses resulting in the cover pool backing public sector Pfandbriefe. As a starting point for the determination of the Cash Collateral amount, Moody's has assumed a stressed economic environment under which losses could hit the cover pool. The expected loss of the cover pool in such scenario takes into account high recovery rates. High recovery rates are deemed realistic because of the quality and nature of the underlying public sector loans. In a next step, cover pool is enhanced to be in line with the rating necessary to achieve a **Aaa** equivalent expected loss under a two-party pay structure.³ The enhancement was also sized to cover the weighted average exposure period that the holders of **Aaa**-rated notes have to the Pfandbriefe collateral.

The concept of "two-party pay" reflects the fact that there are, on the one side, the obligations of the bank and, on the other, the security provided by the cover pool. The legal status of the cover pool allows a certain de-linkage between the default probability of the bank and a default under the Pfandbriefe. It should be noted, however, that the two-party pay approach

² The very low likelihood is mainly due to a different assumption of asset correlation and assumed recovery rates.

³ For further information, please see Moody's Rating Methodology "Moody's Approach to Jointly Supported Obligations", 18 November 1997.

cannot be applied directly to a public sector cover pool (*Deckungsstock*). The reason for this limitation is due to the benefit implicit in the external structure, as otherwise noteholders would not be immunised from the effects of payment delays, operational issues and the question of allocation of enhancement.

The analysis is based on Moody's current understanding of a preliminary legal opinion addressing issues relating to the enhancement of the Pfandbriefe collateral. Moody's does not currently expect that the final structure will differ from the present enhancement mechanisms.

Anticipating rating robustness based on the 8% of OC by one notch.

Rating Sensitivity resulting from an innovative Collateral Structure

Based on Moody's current methodology of rating public-sector Pfandbriefe and structured financings, we believe that the combination of WestHyp 92% public-sector Pfandbriefe and 8% cash collateral enhanced by 8% additional cash collateral (forming effectively overcollateralisation "OC") provides sufficient protection to maintain **Aaa** ratings on the Credit Linked Notes issued by DUKE 2002 Limited even if WestHyp's public-sector Pfandbriefe were to be downgraded by one notch to **Aa2** from currently **Aa1**. At the same time, Moody's notes that while the cash collateral is placed with WestHyp without any downgrade trigger protection, the Aaa ratings of the Credit Linked Notes are, ceteris paribus and based on Moody's current rating approach, not expected to be impacted directly by a one notch downgrade of WestHyp's unsecured rating to **A3/Prime-2** from its current level of **A2/Prime-1**. This anticipated rating robustness is based on the 8% of OC to be maintained at an institution rated **P-1** for short-term deposits currently being WestLB. Moody's will monitor the collateral structure of this transaction and reserves the right to develop or change its analytical approach going forward.

Sizing of Credit Enhancement

Credit enhancement sized by considering individual loans

Each of the loans in the portfolio was assessed on an individual basis. The above sources of information provided indications of historical and current income, expenses and capital expenditures of the underlying properties and aided in the calculation of sustainable net cash flow and values. Moody's also analysed the quality of the properties, the type of properties and the individual markets to determine the severity of loss should a loan default. This in turn enabled a calculation of expected loss for each loan. The overall portfolio was also analysed so as to incorporate the positive impact of diversification and the seasoning of the underlying loans. Consideration was given to WestHyp's track record and experience in originating and servicing loans.

RATING SENSITIVITIES AND MONITORING

CLN ratings sensitive to rating changes in collateral

Moody's will monitor deal

Ratings on the CLNs are sensitive to any rating changes in the collateral.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

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

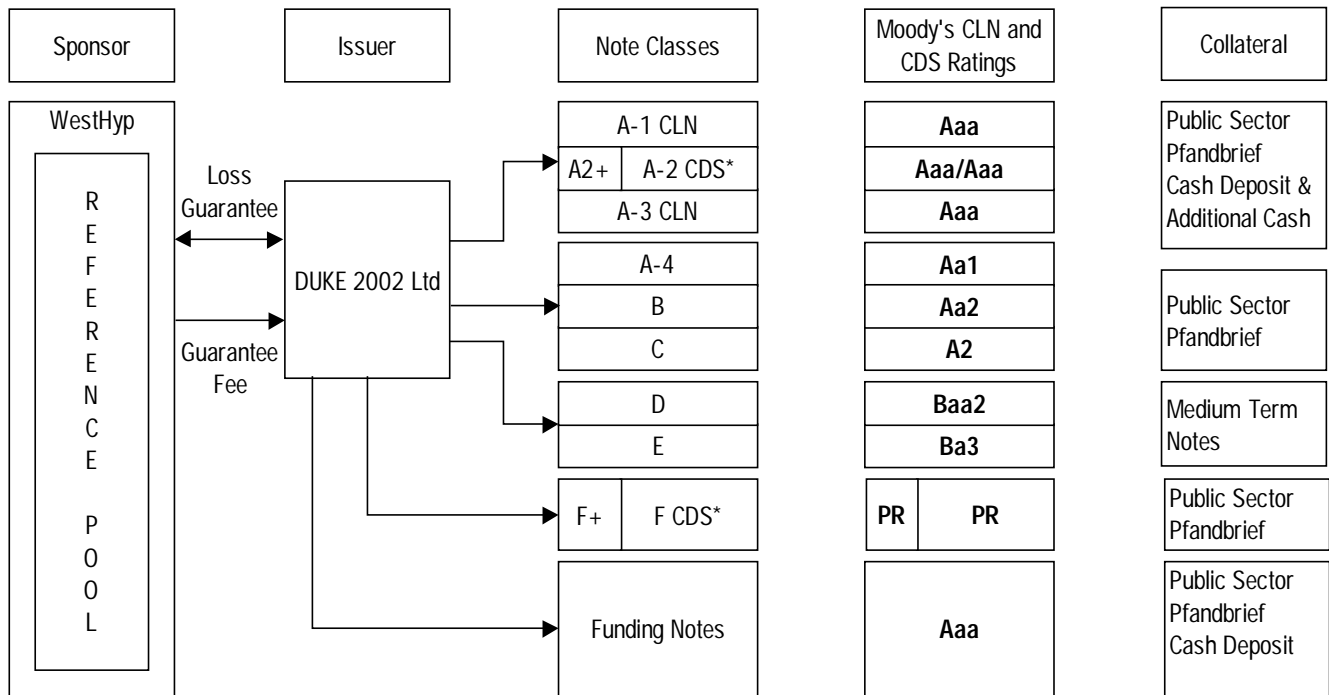
"Moody's Approach to Rating European CMBS", 14 June 2001

New Issue Report - Dutch Dream 2001-1, 27 December 2001

Moody's Rating Methodology "German Pfandbriefe: Moody's Analytical and Rating Approach" 13 November 1998.

"Moody's Approach to Jointly Supported Obligations", 18 November 1997

APPENDIX 1 – DUKE 2002 LIMITED TRANSACTION DIAGRAM



*CDS are entered into by the WestHyp directly and not by the Issuer. Also CDS do not have any collateral.

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