

Rated entity:

Bearer notes (Fund X Notes) with ISIN DE000A2RUR32 issued by Paramount Group Real Estate Investments S.A., Compartment 6

Rating:

BB

Rating outlook / watch:

Outlook negative

Rating summary:

Object of this rating are the Fund X Notes (rating object) issued by Paramount Group Real Estate Investments S.A., Compartment 6 (borrower). The borrower invests the proceeds indirectly in the form of mezzanine capital in commercial real estate. The investments will be made through Paramount Group Real Estate Fund X, L.P. (investment vehicle). The relevant manager is Paramount Group Real Estate Advisor, LLC. The CRA rating of BB/negative represents a satisfactory level of credit quality and medium investment risk.

As part of its regular monitoring activity, CRA has requested current transaction documents and held a call on 4/23/2020 with the relevant manager. CRA recognized one default in the predecessor fund (Fund VIII), which caused a modification of CRA's base-case assumptions in the cash flow analysis. Consequently, the quantitative results have worsened and thus do no longer support CRA's last rating assessment. The analysts acknowledge the updated quantitative result and downgrade the rating to BB. The outlook is set to "negative" as further amendments within the cash flow simulation, which may have further impacts on the quantitative results, cannot be excluded. Amendments in CRA's quantitative model assumptions will particularly depend on additional observations regarding defaults and recoveries in predecessor funds.

Primary key rating driver:

- + Deferability of coupon payments
- + Possibility of early amortization payments to build up credit enhancement
- + No currency risk within the transaction structure
- Manager's track record
- High sensitivity of quantitative results
- "Soft" investment criteria on the investment vehicle level
- Low expected diversification

Rating sensitivities:

Best-case scenario: In this scenario, we stressed (ceteris paribus) the credit quality of the portfolio assets by an amount of +1 notch (i.e. reducing the probability of default), resulting in a quantitative result of BBB+ and a rating of BBB-.

Worst-case scenario: In this scenario, we stressed (ceteris paribus) the credit quality of the portfolio assets by an amount of -1 notch (i.e. increasing the probability of default), resulting in a quantitative result of BB and a rating of B+.

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the present case, ESG criteria had no comprehensive impact to the rating.

ESG factors with material impact were not identified.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

<https://www.creditreform-rating.de/de/regulatory-requirements/>

Rating Date / disclosure to rated entity / maximum validity:

May 14, 2020 / May 15, 2020 / January 9, 2045

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

Initial rating date:

January 31, 2019

Lead-analyst – position / Person approving (PAC):

Christian Schneider (Lead) – Senior Analyst

Stephan Giebler (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Hellersbergstraße 11, 41460 Neuss, Germany

Status of solicitation:

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

Rating methodology / Version / Date of application / Link:

Rating Criteria and Definitions, Version 1.3, January 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf)

Rating Methodology Financial Instruments (Issue Ratings), Version 1.3, July 2016 ([https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Financial%20Instruments%20\(Issue%20Ratings\).pdf](https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Financial%20Instruments%20(Issue%20Ratings).pdf))

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/Technical_Documentation_Portfolio_Loss_Distributions.pdf)

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents

3. Issuing documents

4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.