

Rated entity:

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

Rating:

BB-

Rating outlook / addition:

Outlook stable

Basic rating data:

Initial Issue Date	January 9, 2020
Jurisdiction rated entity	German law
Exchange	--
Legal form	Société Anonyme
Issue volumen	USD 150,000,000
Seniority	Non-subordinated
Collateralisation	Non-collateralized
Credit Enhancement	Available
Legal Maturity	January 9, 2045
Cupon	4.0% p.a.
Cupon period	Quarterly
Cupon type	Fix, deferrable
Lead analyst	m.peiss@creditreform-rating.de / +49 2131 109 1053
Co-analyst	a.bacionyte@creditreform-rating.de / +49 2131 109 1054

Rating rationale:

CRA identifies a consistently high structural, operational, portfolio and credit risk compared to the assessment of the previous rating action. Even though the markets are showing clear signs of improvement, the impairment caused by COVID-19 to the underlying portfolio assets and thus to the creditworthiness of the notes is still present and further hinders an already halting ramp-up of the investment vehicle's portfolio. Based on present information and the results of the cash flow analysis, CRA deems the borrower's ability still sufficient to fulfil its obligations arising from the rating object. Nevertheless, CRA deviates from the quantitative base case result by two notches down acknowledging the increased credit risk due to unrealized portfolio diversification at this stage in combination with substantially increased operational risk at the level of the underlying assets.

Primary key rating driver:

- (+) Possibility of early amortization payments to build up credit enhancement
- (+) Deferrable coupon
- (+) No currency risks within the structure
- (-) Soft investment criteria
- (-) Continued increased structural, operational, portfolio and credit risk following COVID-19
- (-) Relatively low cash yield and low diversification of the portfolio
- (-) Low ramp-up speed of the IVV's portfolio

Ratings sensitivities:

Best-case scenario: CRA assumes in its best-case scenario a one-grade improvement of the average collateral quality (via CRA's Property Grade assumption) of the portfolio's loans following a ramp up with loans collateralized by high-quality properties, and derives a BBB quantitative result and a rating of BB+.

Worst-case scenario: CRA assumes in its worst-case scenario a deterioration of the average collateral quality (via CRA's Property Grade assumption) of the portfolio's loans following a ramp up with loans collateralized by below-average properties in addition to higher than expected recovery delays (18 months) in case of loan default. Here, CRA derives a B quantitative result and a rating of CCC.

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.

Latest rating date / Disclosure to rated entity / Maximum validity:

October 28, 2021 / October 28, 2021 / 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 / BBB+ / Outlook stable

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

Notes:

This document is a CRA Press Release. The CRA Press Release outlines significant rating-relevant changes compared to CRA's most recent rating action. It immediately follows that the assigned rating must not be limited to the motivators mentioned in the CRA Press Release. Instead, a comprehensive acknowledgement of all explanations provided in previous reports, other forms of documentation, rating updates and, in particular, the CRA initial rating report is indispensable. At this point, CRA refers the reader to these forms of documentation, rating updates and reports.

Regulatory Requirements and Legal Disclosures :

Creditreform Rating AG was mandated on December 8, 2017 by Paramount Group to conduct a rating for the bearer notes under German law, issued by Paramount Group Real Estate Investments S.A., Compartment 6. This is a public rating which is regulatory applicable according to EU Regulation 1060/2009 (CRA-Regulation).

The rating was conducted on the basis of Creditreform Rating's "Issue Ratings" in conjunction with Creditreform's basic document "Rating Criteria and Definitions".

Important sources of information in the context of the rating were, in addition to the submitted documents, a due diligence call on October 4, 2021. The submitted documents and information provided by Paramount Group or rather the Issuer were sufficient to meet the requirements of Creditreform Rating AG's rating methodology.

A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

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

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

This rating was carried out by analysts Dr. Matthias Peiß (Lead) and Agne Bacionyte all located in Neuss/Germany. The function of Person Approving Credit Ratings (PAC) was performed by Stephan Giebler.

The rating is based on the portfolio information and transaction documentation as of October 28, 2021, as provided by Paramount Group or the Issuer.

The issuer or all relevant parties have examined the rating report prior to publication and were provided with at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

In addition to the provision of rating activity, no further ancillary services were provided.

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.

Conflicts of Interest

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 "Rating Committee" policy, 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. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those 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.

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

This rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

The "Basic Data" information card or the press release published on Creditreform Rating's website indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic Data" card or in the press release published on Creditreform Rating's website as a "rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card Creditreform`s basic document "Rating Criteria and Definitions".

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website:

<https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website. Further information can also be found on the CRA website in the document "Rating Criteria and Definitions".

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Contact

Creditreform Rating AG

Europadamm 2-6
D - 41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627
E-Mail info@creditreform-rating.de
Internet www.creditreform-rating.de

Chief Executive Officer:
Dr. Michael Munsch
Chairman of the Supervisory Board:
Michael Bruns

HRB 10522, Amtsgericht Neuss