New Issue Rating Report

Reditum SA

Commercial Real Estate

www.scoperatings.com

RATING

Instrument name	Rating	Notional[a] (EURm)	Coupon	Final maturity
Fixed-rate notes	B	200.0	Fixed 6.25%	15 July 2020

The transaction closed on 08 July 2015. The ratings are based on the final underlying documentation, dated 08 July 2015. The rating constitutes an opinion on relative credit risks and reflects the expected loss associated with payments promised contractually by an instrument on a particular date or by its legal maturity. See Scope's website for the SF Rating Definitions.

Rated issuer

Purpose	Acquisition of CRE properties
Issuer	Reditum SA
Asset class	Commercial real estate (CRE)
Assets	EUR 4.65m
Location of assets	Netherlands
Notes	EUR 200m
Bond ISIN	XS1257166956
Closing date	08 July 2015
Legal final maturity	15 July 2020
Payment frequency	Semi-annual
Payment dates	15 January, 15 July

Transaction profile

Reditum SA (the 'issuer') is a corporate entity incorporated under Luxembourg law, dedicated to commercial real estate investments.

Upon issuance, the proceeds of the bond are transferred to Larmag Real Estate 2 BV ('LRE2') via a loan (the 'loan'), maturing on 10 July 2020, with a fixed rate of 6.3% per year. LRE2 is a company investing exclusively in commercial real estate ('CRE') in eurozone countries, with a special focus on the Netherlands. The bond and the loan have the same redemption date, and the bond's performance depends on LRE2's property investments. LRE2 invests in EUR 4.65m of Dutch properties in provincial locations, and aims to purchase more at a total value of at least EUR 170m. The assets are actively managed by Larmag Realty Group BV ('Larmag'), a manager with 30 years of experience in the global market for commercial real estate.

The bond has a legal final maturity on 15 July 2020.

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Rating rationale

The rating reflects i) the credit quality and expected performance of the underlying assets in the context of a recovering Dutch property market; ii) the ability and incentives of the asset manager and sponsor, Larmag Realty Group BV; and iii) the transaction's legal and financial integrity.

The rating is supported by the credit quality of and expected cash flows from properties underlying the loan to LRE2. The transaction benefits from the properties' upside-value potential under normal market conditions, which results from active management and pooling of all properties' cash flows to service the loan. Scope believes Larmag, as asset manager of the transaction, can maintain high tenancy retention and further ramp-up the portfolio with similar quality assets to reduce concentration risk. Scope also considers Larmag as positively incentivised by i) its equity contribution of 20%, ii) an event-driven call option for the issuer to acquire LRE2 for EUR 1.00, and iii) asset management fees that depend on stable rental cash flows.

The rating is constrained, however, by a substantial exposure to market value risk of the properties, for which refinancing or sales proceeds will be necessary to redeem the bond at maturity. The transaction is exposed to the risk that Larmag cannot adequately source new assets, as well as a lack of directly enforceable asset-performance triggers that protect bondholders upon a breach of investment criteria or deterioration in the underlying assets.

In addition, the rating reflects the characteristics of the legal structure, which does not include standard, bankruptcy remote provisions generally used in structured finance transactions. Although the issuer does not intend to issue further debt, the bond has no direct security on the properties and is not protected contractually from Reditum SA issuing more debt.

For rating drivers and rating-change drivers, please see the table on page 2.

RATING DRIVERS AND MITIGANTS

Positive rating drivers	Negative rating drivers
Experienced asset manager. The sponsor, Larmag, has a 30-year track record in the European and US property markets, as well as good market access with a proven ability to acquire property significantly below market value.	**Non-ramped portfolio.** Only two assets have been included in the structure to date, exposing investors to uncertainty regarding the quality of assets acquired in the future.
Dutch market recovery. Scope expects a robust recovery in the Dutch real estate market, bolstered by increasing investor appetite that is supported by low interest rates and recovery in the Dutch economy.	**Asset quality.** The two properties with a 'tertiary' asset quality reflect the average quality in the Dutch market. This view is driven by the: (i) relatively short weighted average unexpired lease term (WAULT) to first break of 2.5 years; (ii) moderate average property age of 11.5 years; (iii) moderate occupancy rate of 90%; and (iv) the 'C' location quality of the cities Deventer and Weert, where the properties are located.
Cash trap mechanism. Cash outflows from LRE2 – other than tax, operating expenses and financing costs – are prohibited during the tenor of the loan.	**Asset concentration.** At closing, the high concentration of assets and tenants exposes the transaction to material disruptions of cash flows upon a tenant's default or damage of the property. However, the quality of the current main tenant, the Dutch workers' union, largely mitigates that risk. Portfolio diversification will improve after the ramp-up, which will likewise reduce concentration risk.
Limited financial counterparty risks. The risk to financial counterparties which receive and hold moneys for and on behalf of the issuer is not material to the rating. This is due to either: (i) the transaction's very short exposure of one day to the paying agent, Caceis Bank Luxembourg SA, or (ii) the credit quality of the issuer and the rental-income-account bank, ING Luxembourg SA (A/S-1/Stable Outlook).	**Market value risk at maturity.** Bullet repayment structures of both the i) bond issued by Reditum SA and ii) loan to LRE2, with no tail period, expose the structure to market value risk at maturity.
	Limited investor protection. The bond does not benefit from a standard security on the properties' collateral, and only benefits from a pledge on the account LRE2 uses to collect excess cash. Investor protection is therefore weaker than on traditional secured debt because bondholders cannot enforce their rights on the assets upon an event of default. The issuer, however, benefits from (i) a call option to acquire 100% of LRE2's shares for EUR 1.00 upon a default of LRE2, and (ii) a pledge on the rental income account. No covenant protects the bondholders if the transaction underperforms.

Positive rating-change drivers	Negative rating-change drivers
Improvement of asset quality. As LRE2 is not yet fully invested, acquiring good secondary real estate properties with long WAULTs and high quality tenants, as well as ensuring the visibility of stable, recurring cash flows in future, could improve asset quality and trigger an upgrade of the bond.	**Dutch CRE environment.** Scope assumes a stable macroeconomic environment for the Netherlands and Dutch CRE market. Significant market deterioration outside the assumed stress levels could trigger a downgrade on the bond's rating, because this is driven largely by market value.
	Deterioration of asset quality. Acquisition of real estate properties at the low end of the investment objectives, resulting in lower asset quality in the portfolio, could trigger a downgrade of the bond.

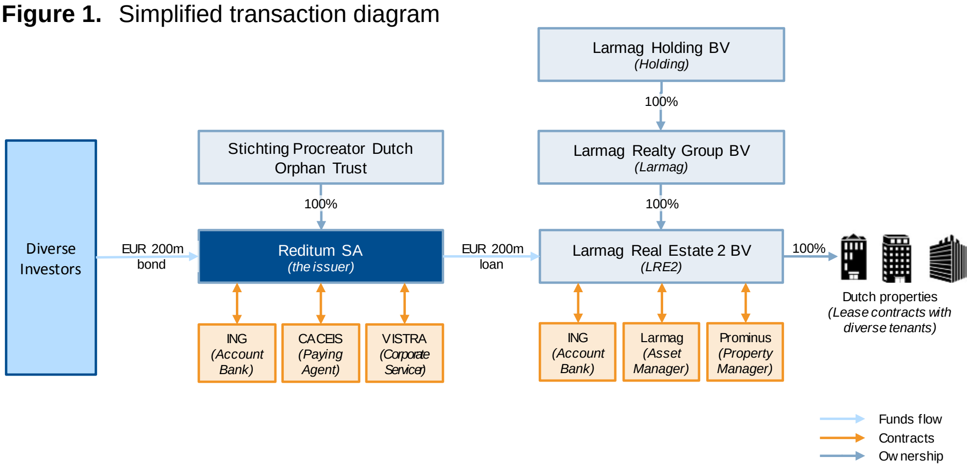
TRANSACTION SUMMARY

Related reports

General Structured Finance Rating Methodology, dated August 2015.

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

Figure 1. Simplified transaction diagram



Source: Transaction documents (figures as of closing date)

FINANCIAL STRUCTURE

Capital structure

Reditum SA is a corporate entity incorporated under Luxembourg law, with 100% of shares held by a Dutch orphan trust.

Reditum SA issued a EUR 200m bond, and proceeds were transferred to LRE2, which invests only in eurozone CRE.

Reditum SA issued a EUR 200m bond with fixed, semi-annual interest payments of 6.25% per annum. Upon issuance, the proceeds of the bond were transferred to Larmag Real Estate 2 BV ('LRE2') under a loan agreement. The related loan, with 6.30% fixed interest p.a., matures on 10 July 2020. LRE2 is a special purpose company, investing exclusively in commercial real estate in eurozone countries, with a special focus on the Netherlands. The bond and loan have the same redemption date; and the bond's performance depends on LRE2's property investments. LRE2 has already invested in EUR 4.65m of Dutch properties in provincial locations and will acquire real estate for up to the balance of the bond issue. The assets are actively managed by Larmag Realty Group BV ('Larmag'), a manager with 30 years of experience in the global market for commercial real estate ('CRE'). The bond, with bullet amortisation, has a legal final maturity on 15 July 2020 and does not allow early repayment. The structure does not include a tail period and therefore exposes investors to liquidation value risk at maturity if the sponsor fails to promptly refinance the transaction. LRE2 will have limited flexibility to sell the assets, without any additional time (or tail period) to implement the liquidation.

No tail period included

The bond will be terminated early if:

- the issuer fails to pay any declared interest on any interest payment date every year on the 15th of every month until 2020, or
- the issuer is dissolved, liquidated, cannot pay its debt, or is judged insolvent or bankrupt.

Negative pledge

On 25 September 2015 the issuer represented, through a published communication to bondholders lodged on the Irish Stock Exchange, that it will not enter into any other forms of financial indebtedness (such as loans, bonds, guarantees, lease agreements) during the tenor of the bond. For investors in the rated bond, this limits the risks of becoming structurally subordinated or diluted by further pari-passu or senior secured debt.

Bond does not benefit from a standard security on properties' collateral

The bond does not benefit from a standard security on the properties' collateral. Thus Scope considers investor protection to be weaker than with traditional secured debt because bondholders cannot directly enforce their rights on the assets in an event of default. Instead, the issuer benefits from (i) a call option to acquire 100% of LRE2's shares for EUR 1.00 if LRE2 defaults and (ii) a pledge on the rental income account. There is no mechanism that allows bondholders to directly enforce investment criteria. Therefore, the issuer would have to exercise its rights under the loan in order to benefit bondholders.

Priority of payments

The issuer's priority of payments applies to both interest and principal. The interest and principal payment on the rated bond rank senior to the issuer's other liabilities[1], but junior to taxes and operating expenses/direct running costs. Operating expenses only comprise corporate services, and rank senior to bond interest and principal, but only up to the amount covered by the 0.05% interest differential between the loan to LRE2 and the bond.

Interest payments to be declared by the issuer's board, otherwise interest is deferred

Interest on the bond is paid using cash flow received by the issuer under the loan agreement with LRE2. Interest is paid when (i) the issuer's board has actively declared such a payment and (ii) there are enough funds to settle the issuer's liabilities to all other creditors after paying such interest. Should interest be deferred, the rated bond's redemption will be more exposed to refinancing risk and market value risk at maturity.

The issuer is not obliged to pay interest on deferred, unpaid interest, and such a payment may be decided by the issuer's board of directors. In its quantitative analysis, Scope has taken into account the impact of not paying the interest on deferred interest.

Figure 2. Priority of payments and available funds

Pre-termination event		Post-termination	
1)	Issuer's taxes and direct running costs	1)	Issuer's taxes and direct running costs
2)	**Declared interest on bond**	**2)**	**Bond principal**
3)	Issuer's other liabilities	**3)**	**Accrued/unpaid interest on bond**
		4)	Issuer's other liabilities
		5)	Surplus to issuer

Larmag Real Estate 2 BV (LRE2)

Overcollateralisation of 20% comprising a disclosed value reserve

The bond issuer provides financing to LRE2 via a loan with a fixed rate of 6.30% p.a., maturing on 10 July 2020. The loan's amortisation is bullet and does not allow early repayment. The loan currently benefits from an overcollateralisation of 20%, comprising a disclosed value reserve of the property portfolio held by LRE2.

LRE2 represents, for the whole period the loan is outstanding, that it will i) not incur other forms of financial indebtedness, ii) not have securities over any of LRE2's assets in favour of third parties and iii) not issue guarantees.

LRE2 also represents to use loan proceeds only to acquire commercial real estate in line with the investment criteria detailed under the loan agreement (see also Figure 3).

The loan bears 'default interest' of 8.30%, which accrues if any of the following default events occur:

- LRE2 cannot pay the full amount of interest due on any interest payment date;
- LRE2 fails to comply with any representation or warranty made; or
- LRE2 is dissolved, liquidated, cannot to pay its debt, or is judged insolvent or bankrupt.

Issuer's right upon LRE2's default uses a call option to acquire 100% of LRE2 for EUR 1.00.

In addition, if any of these events occur, the issuer has the right to (i) terminate the loan and demand immediate repayment of the principal along with all unpaid and default interest payments or (ii) use a call option granted under the loan agreement to acquire 100% of LRE2's shares for EUR 1.00.

The issuer also benefits from a pledge on LRE2's account, which retains excess cash in the transaction. There is no direct pledge on LRE2's real estate assets.

[1] Other liabilities include any other liabilities of a short-term nature exceeding the 0.05% interest rate differential between interest on the loan versus the bond, and is therefore not classified as a direct running cost. As of the publication date of this report, no other short-term liabilities exist.

Payments under the loan contract

LRE2's priority of payments is similar to that of the issuer. Operational expenses and debt service are paid using rental income. All funds available for debt service will always be used to pay due and unpaid interest first (principal is aimed to be repaid at maturity). The loan's timely payment depends on LRE2's ability to service this debt after paying taxes, capital expenditures and the asset management fee.

Cash outflows are prohibited during the tenor of the loan, with the exception of debt service payments to the issuer, and tax or operating expenses.

ASSET ANALYSIS

Asset investment criteria

Investment criteria do not include financial covenants, such as maximum LTV or minimum DSCR

The loan agreement between the issuer, Larmag and LRE2 sets out how the bond transferred to LRE2 can be used, and includes investment criteria on property acquisition. However, it has no financial covenants, such as a maximum loan-to-value ratio (LTV) or minimum debt service coverage ratio (DSCR).

Figure 3. Investment criteria

	Criteria
Property investment strategy	Focus only on cash-flow-producing properties; no major redevelopments or rezoning projects. Invest in properties to keep them up-to-date, and to attract and keep tenants.
Location	In and around major Dutch cities and other eurozone countries. Focus on the Netherlands.
Type	Only commercial office space, and warehouse and retail space connected physically to these office spaces. At least 90% of rental income should come from office spaces.
Tenancy	Multi-tenant properties
Construction year	At least 80% of lettable floor area ('LFA') should be built later than 1995. Older properties should have been renovated extensively.
Maintenance and repair	Properties shall be well maintained and up-to-date. No major capex should be needed after acquisition.
Quality	Medium to high
WAULT	At least three years
Vacancy rate	Up to 20-30%
Gross yield	> 9%
Financial covenants	No maximum LTV or minimum DSCR applicable

Source: Reditum SA & Scope.

Given the early stage of the ramp-up, the bond is exposed indirectly to the performance of two CRE office properties in the Netherlands.

Review of the existing assets: Dutch commercial offices

Current asset portfolio can comfortably service loan to issuer

At closing, LRE2 had already acquired two assets for an aggregated amount of EUR 4.65m. Based on the current rental profile of these two properties, the assets, at an interest coverage ratio of 150%, can comfortably service the loan to the issuer.

Scope's assessment of the properties considers their age, attractiveness for re-letting, tenant concentration, rental profile and individual micro markets. Office properties are the predominant asset type and are graded by Scope as 'tertiary quality', driven by the:

- moderate credit quality of the main tenant;
- moderate property age of 11.5 years;

- low weighted average lease term of 2.5 years;
- moderate occupancy rate of 90% as of June 2015; and
- low rents compared to the market.

'Tertiary' asset quality

The micro and macro environment for the properties is mixed. The current geographical distribution in the 'C' cities of Deventer and Weert reduces the fungibility/liquidity of the property portfolio, increasing potential price haircuts in a distressed sales scenario. We assume a positive development in the Dutch real estate market, fuelled by low interest rates and recovery of the Dutch economy, which, to a certain extent, provide good conditions for the transaction's performance and refinancing.

Scope sees increased re-letting risk due to a current focus on provincial cities expected to suffer from a medium-term decline in demand. However, we understand the asset manager's strategic goal of focusing on tenant retention in order to avoid re-letting scenarios. This view is supported partially by the portfolio's very low rent of EUR 120/sq m per year, which reduces competition to attract tenants on the local market.

At closing, the high concentration of assets and tenants exposes the transaction to material disruptions of cash flows upon a tenant's default or damage to the property. However, the current quality of tenants – the Dutch workers' union (FNV) is the main tenant – largely mitigates this risk. Portfolio diversification will improve after the ramp-up of the portfolio, which will likewise reduce concentration risk.

Figure 4. Portfolio composition by geography

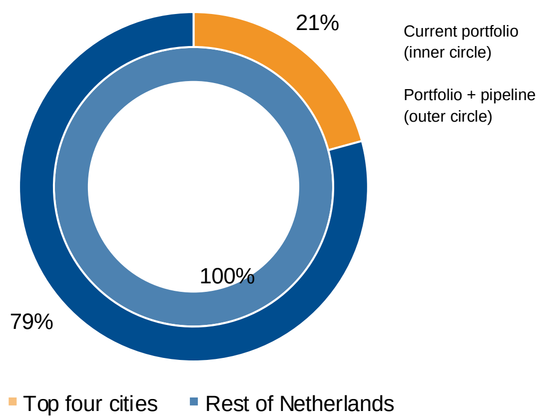
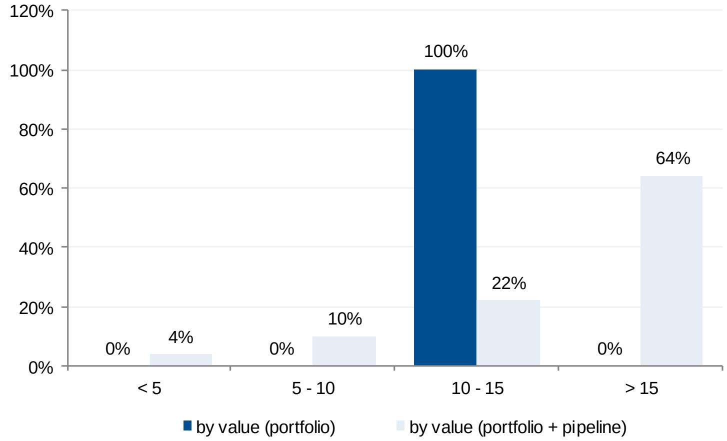


Figure 5. Portfolio's economic age by property value/cluster (years)



Source: Larmag Realty Group BV and Scope.

FINANCIAL AND OPERATIONAL COUNTERPARTY RISK

Commingling risk: paying agent

Immaterial commingling risk

The exposure of the transaction to the credit quality of Caceis Bank Luxembourg SA does not negatively affect the rating, as the bank is a direct subsidiary of Crédit Agricole Group, rated A/S-1 with Positive Outlook by Scope, in addition to having only intraday exposure.

Commingling risk: issuer and rental-income-account bank

Scope considers the risk of commingling losses from the exposure to ING Luxembourg SA (ING) to be immaterial for the bond. ING Luxembourg SA is a fully owned subsidiary of ING Groep NV, which is rated A/S-1 by Scope with a Positive Outlook.

The structure incorporates two levels of accounts: the issuer account, and the rental income account of LRE2.

Issuer account

The issuer account is held at ING. All loan payments from LRE2 are collected on this account and are used to pay interest and amortisation on the bond as well as the issuer's operating expenses. Cash is paid to the bondholder semi-annually.

Rental income account

LRE2 has a rental income account with ING. All periodic rental income is paid into this account, and released in line with the issuer's priority of payments. Cash surpluses, which will be held in this account, will be used to pay the loan's outstanding interest and principal on all interest payment dates or on the mandatory redemption date. The issuer benefits from a pledge on the rental income account.

Exposure to Larmag as asset manager

Larmag has strong incentives in the performance of the assets

Larmag has strong incentives to ensure the assets perform well, through i) its equity contribution of 20%, providing the initial overcollateralisation of the loan from the issuer, ii) an event-driven call option for the issuer to acquire LRE2 for EUR 1.00 upon the assets' poor performance, and iii) asset management fees that depend on stable rental cash flows.

The transaction relies heavily on the performance of Larmag as asset manager, responsible for the selection of assets to ramp-up the portfolio according to the investment criteria. Larmag (sponsor and asset manager) owns LRE2. Scope judges Larmag's asset management quality as satisfactory, with its 30-year track record in the European (especially Dutch) and US property markets, though its activities have reduced since the financial crisis.

Operational risk from property manager

Prominus Vastgoedbeheer BV ('Prominus') is a small-sized property manager focused on the Netherlands, and has been operating for 10 years. Its main customers are German closed-end funds, US investment funds and pension funds. Operational risk is mitigated as Scope considers the property manager Prominus as able to service the asset portfolio, even under a distressed scenario.

There is no commingling risk from the exposure to Prominus because any cash flow sits in LRE2's account, and Prominus just has 'read only' access to information and statements.

LEGAL STRUCTURE

Legal framework

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

Use of legal opinions

Scope has reviewed the legal opinions produced by Arendt & Medernach SA for the issuer. The transaction conforms to securitisation standards in Luxembourg and supports the general, legal analytical assumptions of Scope.

QUANTITATIVE ANALYSIS

Scope used a bespoke model to analyse this transaction

Scope assessed the expected loss and default likelihood on the bond by assessing the cash flow available to fulfil the promise on the bond. The credit risk on the bond reflects the expected losses on the loan to LRE2, and the performance of its CRE portfolio investments.

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

The default likelihood of the loan reflects the failure to service the loan and the refinancing risk upon loan default or maturity. Scope considered the main drivers of refinancing risk to be the expected LTV at default or maturity, and the property grade.

Scope estimated the properties' values, which is required to assess the bond's loss given default. The analysis incorporates assumptions on (i) sustainable cash flows, (ii) expectations on market yield developments for the respective asset's type (office, retail, industrial etc.), location and quality, and iii) the expected recovery costs. Scope estimates each property's value by simulating their yields with a two-factor Monte Carlo simulation. The simulation includes a global factor and a location (city) factor, allowing for a maximum asset correlation of 30%. Results from the simulation feed into a cash flow model, which reflects the seniority of claims, priority of payments as defined in the respective transaction contracts, the guarantee agreement and bond characteristics.

Key parameters include:

- Yield or capitalisation rates and their volatility,
- refinancing default probability,
- tenancy retention rates and
- rental growth prospects.

Capitalisation rates and volatility: Scope assumed an average yield of 11%, based on the issuer's indicative valuations on the current portfolio, reduced by 50% of the difference between the valuation and purchase price in order to account for the absence of third party valuation reports on the assets. We applied a volatility of up to 55% for property yields. This volatility assumption reflects the peak-to-trough market development over the past 10 years that applies to the assets' property grade and location, based on market data provided by Cushman & Wakefield, DTZ and CBRE.

Refinancing default probability: Given the average quality of the portfolio and the high LTV of 80% that we expect at the time of refinancing, we judge the refinancing default probability to be high. Scope tested the structure for failure-to-refinance probabilities from 21% (LTV < 80%) to 70% (LTV > 80%).

Tenancy retention rate: The asset manager's strategic goal is to focus on tenancy retention to avoid re-letting scenarios. Scope believes Larmag can achieve a 50% tenancy retention rate. This view is supported by the portfolio's currently and relatively low rent of EUR 120/sq m per year (which reduces competition for tenants on the local market), the average quality of Larmag's asset management, and a strong footprint in the Dutch market.

Rental growth prospects: According to CBRE, the recent increase in occupier demand is not expected to affect headline rent because landlords still offer substantial incentives to attract new tenants. Thus we believe headline rents will not increase for the portfolio and the tenor of the bond. The analysis also includes a stress on rents by a maximum of 5% to address a downside risk because the portfolio is currently exposed to provincial cities, which are expected to decline in medium-term demand according to Colliers.

RATING SENSITIVITY

Little volatility under harsh scenarios

Scope tested the sensitivity of the rating to assumptions of market yield, tenancy retention rates, rental growth, refinancing default probabilities, the asset correlation and ramp-up assumptions. Sensitivities, as listed in Figure 6, show the deviation from the base case model for asset performance.

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

Figure 6. Scenario analysis

Scenario	Deviation from base case (notches)
Average market yield +1.0%	-1
Tenancy retention -20pp	-1
Rental growth CAGR (2015-2020) -2.0% p.a.	-1
Refinancing default probability shift to an average of 90%	-1
Correlation increase	+/-0
Full ramp-up	+/-0

According to Scope's analysis, the bond's credit risk is sensitive to the yield. Shifting the yield from 11% by one percentage point to 12% negatively affects the rating by one notch. However, yield should remain stable in the short term because of the increasing investor appetite fuelled by low interest rates and the recovery of Dutch economy. A decrease of the yield by one percentage point to a mid-point of 10% is not material for the rating.

The tenancy retention rate needs to reduce to 30% from the base case level of 50% to negatively affect the rating by one notch. Even so, the average quality of Larmag's asset management, and their strong footprint in the Dutch market, backs our assumption of achieving the 50% retention rate. An increase in the tenancy retention rate to 70% does not materially improve credit risk.

A steady, negative rental growth rate of at least -2% p.a. lowers the rating by one notch. A significant drop in the rental growth rate is not envisaged, due to the stable macroeconomic conditions.

An increase of the refinancing default probability to 90% (LTV < 80%) and 100% (LTV > 80%) lowers the rating by one notch.

The rating is not affected by an assumption of 90% correlation among assets.

Credit risk is not affected under the assumption of a ramp-up, which includes the pipeline portfolio provided by the project sponsor, consisting of 47 extra properties worth EUR 170m.

The combined effect of (i) an increase in yield by one percentage point to 12%, (ii) a reduction of tenancy retention to 30%, (iii) a decrease of rental growth to -2%, and (iv) a refinancing default probability of at least 90% lowers the rating by three notches.

MONITORING

Scope will monitor the rating based on performance reports produced by Larmag Real Estate BV and any other information related to the transaction and its market. The rating will be monitored continuously and reviewed at least once a year or earlier if warranted by events.

Scope analysts are available to discuss the rating analysis in detail

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

APPLIED METHODOLOGY AND DATA ADEQUACY

For analysing this transaction Scope applied its "General Structured Finance Rating Methodology", dated 28 August 2015. Scope also applied the principles contained in the "Rating Methodology for Counterparty Risk in Structured Finance Transactions", dated August 2015 and took into account analytical elements reflected in the 'Rating Methodology – European Real Estate Corporates'. These documents are available on our website www.scoperatings.com.

APPENDIX I) REGULATORY AND LEGAL DISCLOSURES

Important information

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

Responsibility

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

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

Rating history

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

Instrument ISIN	Date	Rating action	Rating
XS1257166956	02.12.2015	new	B

Information on interests and conflicts of interest

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

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

Key sources of Information for the rating

Offering circular and executed contracts; loan documentation; individual property valuation reports and commercial real estate specific data; legal opinion.

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

Examination of the rating by the rated entity prior to publication

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

Methodology

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

The methodology used to assign the rating is the General Structured Finance Rating Methodology (28 August 2015). The rated instrument does not exhibit the characteristics of a structured finance instrument according to the Regulation of the EUROPEAN PARLIAMENT AND OF THE COUNCIL (EC) No 1060/ 2009. Scope has therefore published the rating without adding a structured finance symbol ("SF").

Conditions of use / exclusion of liability

Rating issued by

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