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Talisman-7 Finance Limited - Investor Call

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Talisman 7-Finance Limited DEAL SUMMARY

Asset Profile

	Current Balance (€)			#		Property				
Loan	**Whole Loan**	**A-Note**	**B-Note(s)**	**Properties**	**Location**	**Type**	**Maturity**	**Loan Status**	**Transfer Date**	**Workout Strategy**
Mozart	238,827,132	111,090,091	151,271,116*	1	Germany	Office	Apr-2015	In Special	Apr-2010	Borrower-led sale
Wagner	89,690,179	64,897,966	19,500,000	1	Germany	Mixed Use	Jan-2012	In Special	Aug-2010	Borrower-led sale
Haydn	63,924,919	63,924,919	-	1	Germany	Office/Mixed Use	Jan-2012	In Special	Nov-2011	Insolvency
Bruckner	11,283,555	11,283,555	-	0	Germany	Residential	Apr-2014	In Special	Jan-2013	Finalisation
Schubert	7,882,845	7,882,845	-	1	Germany	Office/Technical Space	Oct-2013	In Special	Apr-2013	Borrower-led sale
Total	***411,608,630***	***259,079,376***	***170,771,116***	***4***						

* includes the Mozart Co-Senior Loan

Value

	Valuation				
Loan	**(€)**	**Date**	**Current Whole Loan LTV**	**Occupancy**	**WALL**
Mozart	6,900,000	Dec-2014	3461.3%	61.0%	2.09 Years
Wagner	35,400,000	Dec-2013	253.4%	69.0%	5.10 Years
Haydn	22,100,000	Dec-2013	289.3%	50.9%	5.70 Years
Bruckner	n/a	n/a	n/a	n/a	n/a
Schubert	4,400,000	Apr-2015	179.2%	100.0%	4.00 Years
Total	***68,800,000***				

Mozart

Loan Status

UPB at Origination	EUR 940,000,000
Current UPB	EUR 238,827,132
Initial Whole Loan LTV	82.0%
Current Whole Loan LTV	3461.3%
SpS Transfer Date	14/04/2010
Estimated Resolution Date	Q4 2017

Asset Stats

Lettable area	11,804 sqm
No. of assets	1
Asset type	Office
Valuation/Date	EUR 6,900,000/ 31/12/2014
Location	Germany
NRI	EUR 862,068
ERV	EUR 1,279,564
Vacancy	39.0 %
WALL	2.09 Years

Workout History

- In mid-2011 a restructuring was carried out transferring the shares in the borrower group to an orphan trust structure.
- Since transfer to Special Servicing (when the portfolio comprised 101 properties) to date 100 properties have been sold for a purchase price of EUR 713.9m, in total EUR 45.1m above latest respective valuation.
- SPAs for 6 properties were closed since May 2016 (Stuttgart, Alexanderstr. EUR 4.75m; two Mannheim properties EUR 16.10m; two Bad Homburg properties EUR 12.777m; Düsseldorf, Heinrichstrasse EUR 7.36m).
- Only the property in Duisburg, Schifferstrasse is left. Exclusivity has been granted to the preferred bidder. SPA signing is estimated for Q1 2017.
- EUR 10m were released on October 2016 IPD previously reserved for potential taxes.
- The amount of currently EUR 10.3m on the accounts is reserved for ongoing costs until sale of the remaining properties, incl. capex, opex, sales costs, taxes and the planned wind-down.

Performance / Credit Events

- The loan was transferred to Special Servicing in April 2010.
- The original maturity of the loan was 15 January 2012. The current standstill runs until the end of 2016. This is planned to be extended.
- Once the last asset has been sold and the sales proceeds have been distributed, the borrower structure will be wound down (solvent liquidation). This process is expected to last at least until the end of 2017.
- Sufficient funds have been reserved for the wind-down procedure. Funds potentially left over after the wind-down will be distributed to the lenders.

Strategy

- Sell remaining property (signing likely in Q1 2017, delays resulted from larger fire protection measures).
- Wind down the structure in solvent liquidation, involving merging the borrowing entities into each other. It is estimated that the last step of this procedure will last at least until the end of 2017.
- The standstill shall be extended as required.

Wagner

Loan Status

UPB at Origination	EUR 93,700,000
Current UPB	EUR 89,690,179
Initial Whole Loan LTV	89.7%
Current Whole Loan LTV	253.4%
SpS Transfer Date	25/08/2010
Estimated Resolution Date	Q3 2017

Asset Stats

Lettable area	74,640 sqm
No. of assets	1 business park (33 buildings)
Asset type	Mixed Use
Valuation/Date	EUR 35,400,000/ 01/12/2013
Location	Bergisch-Gladbach, Germany
NRI	EUR 4,268,000
ERV	EUR 5,783,339
Vacancy	31.0%
WALL	5.10 Years

Workout History

- After negotiations of a consensual work-out had failed, forced administration was started in May 2012 in order to stabilise the property.
- Stabilisation was carried out, including:
  - newly concluding/ extending several lease agreements, especially with the largest tenant (DIY, lease extension for 10 years);
  - increasing visibility of the park in the local market;
  - increasing tenant satisfaction;
  - reducing the capex backlog, especially fire protection-related works, etc.; and
  - demolishing house no. 34 which was in a bad condition (mould and asbestos) in order to create space for new production halls; negotiations with potential tenants have started.
- After having stabilized the asset, a consensual sale was agreed with the borrower in June 2016.
- In September 2016 a broker was appointed and the sales process was started. First bids are expected until mid-December 2016, and are likely to be above the latest valuation.
- A signing is likely in Q1 2017.

Performance / Credit Events

- The loan was transferred to Special Servicing due to a LTV breach in August 2010 (maturity January 2012).
- During 2016 most incoming rents were being used to carry out further capex measures, including tearing down building no. 34 containing asbestos.
- No payments of principal or interest have been executed since January 2016 IPD in order to ensure liquidity for capex measures.
- The largest tenant is a regional DIY store using 12.7% of the total lettable space. A new 10-year lease with this tenant was signed in October 2016 further stabilising the property and increasing the WALT (tenant break option after 7 years against penalty payment).
- Once the property has been sold and the sales proceeds are distributed the forced administration will have to be formally finalised. Thereafter, it is planned to sell the remaining loan to a sponsor-related entity for a nominal amount.

Strategy

- Marketing and sale of property.
- Sale of remaining loan to a sponsor-related entity for a nominal amount.

Haydn

Loan Status

UPB at Origination	EUR 74,150,000
Current UPB	EUR 63,924,919
Initial Whole Loan LTV	75.0%
Current Whole Loan LTV	289.3%
SpS Transfer Date	16/11/2011
Estimated Resolution Date	Q2 2018

Asset Stats

Lettable area	48,585sqm
No. of assets	1
Asset type	Office/Mixed Use
Valuation/Date	EUR 22,100,000 / 01/12/2013
Location	Saarbrücken, Germany
NRI	EUR 2,230,820
ERV	EUR 3,558,952
Vacancy	49.1%
WALL	5.70 Years

Workout History

- No consensual solution was reached with the borrower, which is why insolvency was opened in May 2012, involving 3 different insolvency administrators.
- The loan was originally secured by two office properties in Saarbrücken (TK Saar 10/TK Saar 60) and one hotel in Erlangen.
- The hotel in Erlangen was successfully sold in April 2013 at EUR 3.7m. The TK Saar 10 asset (Saarbrücken, Klausener Str.) was sold in November 2014 at EUR 6m.
- The remaining property is the TK Saar 60 asset (Saarbrücken, Neugrabenweg).
- The marketing of the TK Saar 60 asset started in June 2016. Several indicative bids have already been received and the highest bidders a currently carrying out their reviews.
- Discussions regarding some potential new leases and lease extension with main tenant Dt. Postbank are ongoing.

Performance / Credit Events

- The loan was transferred to Special Servicing in November 2011 (with maturity in January 2012).
- The Arvena insolvency adminstration was finalised in March 2016.
- The insolvency administration regarding TK10 is in final stages. Completion is expected by the end of Q1 2017.
- There is currently an amount of ca. EUR 1.6m available on a trust account that could be used for emergency capex measures and tenant improvements for potential new leases for the TK Saar 60 asset. Further approx. EUR 2.5m are currently available on the accounts of the insolvency administrator. On the background of further lease discussions and required capex/TIs these funds will be retained. As far as not required these funds can be released after execution of the sale.

Strategy

- Follow up potential new leases.
- Sale of the remaining property out of insolvency.
- The timing of the finalisation of insolvency proceedings for TK Saar 60 solely depends on the insolvency administrator. However, the Special Servicer would not expect this to take place before mid-2018.

Bruckner

Loan Status

UPB at Origination	EUR 52,695,000
Current UPB	EUR 11,283,555
Initial Whole Loan LTV	79.7%
Current Whole Loan LTV	n/a
SpS Transfer Date	14/01/2013
Estimated Resolution Date	Q2 2017

Asset Stats – assets sold

Lettable area	n/a
No. of assets	0
Asset type	Residential
Valuation/Date	n/a
Location	East Germany/North Bavaria
NRI	n/a
ERV	n/a
Vacancy	n/a
WALL	n/a

Workout History

- As no payment default occurred at the time of transfer to Special Servicing, the enforcement route was not open. Refinancing activities were not successful.
- In April 2014 (final maturity of the loan) the Special Servicer entered into a workout agreement with the borrowers/sponsor enabling a sale of the portfolio via a structured sales process.
- An experienced administrator was mandated as sole director of the borrowers (outside of insolvency) to run the sales process independently from the sponsor.
- The whole residential portfolio was sold in 2 sub-portfolios, with the last asset closing in February 2016.
- Under the SPAs the borrowers are obliged to prepare the service charge reconciliation for 2015. This is in preparation and will be finalized in Q1 2017.
- There are several rent arrears still outstanding, These claims are currently bundled with the aim to sell them.
- A cost efficient solution for the remaining loan will be implemented after the service charge reconciliation is resolved.

Performance / Credit Events

- The loan defaulted in January 2013 due to a LTV breach and was transferred to Special Servicing.
- The borrowers were unable to pay regular interest on the loan due on Q4 2013 due to lack of funds.
- Funds from the sales were applied during July 2015 IPD, October 2015 IPD, January 2016 IPD and April 2016 IPD.
- Currently ca. EUR 630k are held in reserve. The decrease is due to costs in relation to the transfer of the properties/property management to the purchasers, for the management services provided by the external director, for opex and for paid interest on loan level. A part of these funds may be required to settle the 2015 service charge reconciliation and further funds may be necessary for the wind-down of the borrower structure. As far as funds are not required they can be applied towards the loan at a later point in time.

Strategy

- Sell remaining claims (mainly consisting of rent arrears).
- Finalisation of the 2015 service charge reconciliation towards former tenants is ongoing and expected to be be finalised in Q1 2017.
- The plan is to collapse the LP-structure of the borrowers into an already insolvent entity reducing the required time for the wind-down to a few months (i.e. once the cash relevant items are resolved). The Special Servicer is in discussions with all relevant parties.

Schubert

Loan Status

UPB at Origination	EUR 9,200,000
Current UPB	EUR 7,882,845
Initial Whole Loan LTV	83.6%
Current Whole Loan LTV	179.2%
SpS Transfer Date	16/04/2013
Estimated Resolution Date	Q2 2017

Asset Stats

Lettable area	8,858 sqm
No. of assets	1
Asset type	Office/Technical Space
Valuation/Date	EUR 4,400,000 / 01/04/2015
Location	Chemnitz, Germany
NRI	EUR 715,000
ERV	EUR 453,881
Vacancy	0%
WALL	4.00 years

Workout History

- The Special Servicer agreed a termsheet for a borrower-led sale with the borrower in August 2015.
- A sales manager for the property was selected in August 2015 and the sales process started in September 2015.
- This first marketing process did not deliver the expected results.
- Therefore, an amendment to the termsheet was agreed leading to an adjusted approach by mandating a second broker in March 2016.
- Signing of an SPA for EUR 6m took place on 11 October 2016. Closing occured on 30 November 2016. The majority of the funds will be distributed during January 2017 IPD.

Performance / Credit Events

- The loan was transferred to Special Servicing in April 2013 following a LTV breach.
- Payments at IPDs have been performed in accordance with the loan documentation. Excess cash has been swept to repay the loan.
- The standstill is about to be extended to allow time for the planned loan sale.
- Once the funds have been distributed, it is planned to sell the remaining loan to a sponsor-related entity.

Strategy

- Extend standstill to implement loan sale agreement.
- Sell remaining loan for EUR 1 to a sponsor-related entity.