CBRE Loan Services Limited

Servicer Report

Ratings

Commercial Primary Servicer

UK	CPS2+

Commercial Special Servicer

UK	CSS2

Sources Of Information

The report is based on information provided to Fitch Ratings by the servicer as of December 2015, unless stated otherwise.

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Servicer Summary

Rating Actions: Fitch Ratings affirmed CBRE Loan Services Limited's (CBRE: formerly CBRE Loan Servicing) UK Commercial Special Servicer rating at 'CSS2' on 24 June 2016. The agency upgraded the UK Commercial Primary Servicer rating to 'CPS2+' from 'CPS2' on 12 August 2016.

Servicing Portfolio: As of end-2015, CBRE acted as primary servicer on 241 UK loans (2014: 219), with a value of GBP10.5bn (2014:GBP10.2bn), and as special servicer on three UK loans (2014: three), with a value of GBP903m (2014: GBP903m). CBRE also acted as servicer on 94 non-UK loans (2014: 61), with a value of EUR7.7bn (2014: EUR7.5bn).

Key Rating Drivers

Growing and Diversified Portfolio: In 2015, a large servicing client withdrew from the commercial real estate market, leading to the loss of 80 loans from CBRE's UK servicing portfolio, with a value of approximately EUR2bn. Despite this, total assets under management (AUM) grew by 2.9% between end-2014 and end-2015, by value. Fitch recognises that the new servicing mandates are from a number of different sources and client types, which the agency considers to be good for the company's sustainability.

Stable Management and Group Support: The affirmations reflect a stable senior management team, with an average industry experience and company and role tenure in line with UK rated peers. The servicer continues to receive operational support from the wider CBRE group (CBG), which is taken into consideration in the rating process. In 2015, CBG rolled out an enhanced performance and development review framework, which has been embedded at CBRE.

Improving Financial Condition: Fitch does not publicly maintain an Issuer Default Rating (IDR) on CBG. However, Fitch's real estate investment trust group performed a financial assessment of CBG and determined the company's short-term financial viability to be adequate to support the servicing platform. CBRE's audited year-end financial statements show a positive three-year trend between 2012 and 2014.

Continued Technology Enhancement: CBRE continues to update and improve its servicing technology. Over 2014 and 2015, a number of developments were made that have improved the automation of, and controls around, key servicing activities, such as non-financial covenant monitoring and workload distribution. At the time of review, the servicer was undertaking a significant project to replace the servicing platform. The new platform is expected to be fully live by 3Q16 and so Fitch cannot yet fully assess its impact on operations.

Robust Risk Management Framework: First-line reviews are carried out by CBRE, and the CBG compliance function provides an objective second-line review. Third-line audits are completed by multiple third-party auditors, as part of the group's ISO9001 and ISO27001 certification; audits are also carried out at the request of servicing clients. Reviews are carried out in a structured and standardised manner, with formal feedback channels.

Company History and Management Experience

CBRE was founded in June 2005 and is part of CBG, a global real estate services company based in the US. The group has 350 offices worldwide employing about 44,000 people, with a considerable presence in Europe, the Middle East and Africa (EMEA).

CBRE has a team of 31 people focused on loan servicing, of whom 10 are CBG employees providing support to the servicer as required. The servicer continues to receive operational support from CBG, through dedicated support function employees as well as the wider group's real estate resources. This is taken into consideration in the servicer rating process.

The senior management team of CBRE consists of the COO, the head of business development and two servicing heads, focused on loan advisory (previously named debt advisory) and loan servicing (previously debt servicing). The head of business development was appointed in November 2015 and brings 20 years' industry experience to the role. The senior management team has an average industry experience of 22 years, average company tenure of eight years and average role tenure of 4.5 years. The senior management team is considered by Fitch to be stable.

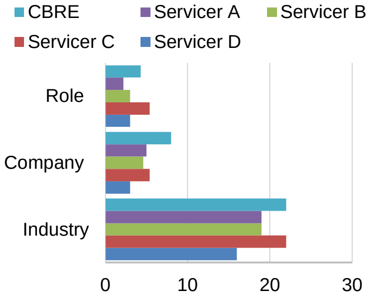
Four experienced directors report into the senior management team, with only one change at this level since 2013, due to retirement.

CBRE has successfully moved away from being a CMBS-focused servicer and has attracted new clients from a variety of sectors across a number of jurisdictions. The ratings discussed in this report relate only to the post completion servicing of UK commercial mortgage loans. However, Fitch recognises that the client diversification and expansion of activities in recent years is good for the servicer's long-term sustainability.

The agency previously expressed concerns regarding the significant growth of the servicing portfolio over a relatively small time and the potential impact of this on the business. The servicer has demonstrated continued enhancements to technology to streamline processes and increase efficiency and in Fitch's view, the growth has been well managed.

Average Senior Management Experience

In years



Source: Fitch

Loan Servicer Ratings

Fitch's Operational Risk Group provides ratings for primary (PS), master (MS), and special servicers (SS). These ratings provide investors and other market participants with a quantitative and clear indication of a servicer's performance and capabilities, which are evaluated using a standardised methodology. The Servicer Rating scale is summarised below.

Scale Rating	Rating
1/1−	Servicers demonstrating the highest standards in overall servicing ability.
2+/2/2−	Servicers demonstrating high performance in overall servicing ability.
3+/3/3−	Servicers demonstrating proficiency in overall servicing ability.
4	Servicers lacking proficiency due to weakness in one or more areas of servicing ability.
5	Servicers demonstrating limited or no proficiency in servicing ability.

Source: Fitch

Financial Condition

CBRE benefits from the continued support of CBG, which appears committed to the business (although no implicit financial guarantee is provided).

Fitch does not publicly maintain an IDR for CBG. However, Fitch's real estate investment trust group performed a financial assessment of CBG and determined the company's short-term financial viability to be adequate to support the servicing platform. CBRE's audited year-end financial statements show a positive three-year trend overall, between 2012 and 2014. Revenues increased significantly during this period, while total cost to service reduced. This demonstrates an improved profitability.

Related Criteria

Rating Criteria for Structured Finance Servicers (July 2016)

Staffing and Training

CBRE has 13 full-time operational staff (2013: 14 FTE), who are focused on loan servicing activities. Nine CBG employees dedicated to the servicer provide HR, IT, compliance, marketing and operational support. There are also two financial analysts and three asset managers employed by CBG, who work with the servicing teams as required.

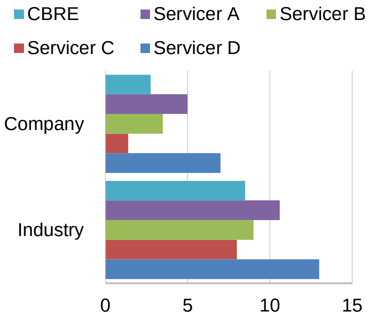
The loan recovery team (previously the real estate advisory team), are CBG employees available to the servicer, who provide real estate assessment services, specifically in the areas of asset surveillance and onsite inspections. This team also assists with business plan reviews and loan restructuring proposals. The head of the loan recovery team has a dotted reporting line to CBRE's COO.

The resource arrangement between CBRE and CBG has been in place since 2009 and has proven, in Fitch's opinion, to be an appropriate solution for the servicer.

The average industry experience and company tenure for the 13 CBRE operational employees, is 8.5 years and just less than three years respectively. This is in line with averages seen across UK rated peers. Staff turnover continues to be limited, with one departure in 2015.

A team of seven people is dedicated to the learning and development framework of CBG in the UK. Over the last two years the framework has been enhanced to provide increased structure around competency assessment and individual employee development at all levels of the business. A formal succession planning process has also been implemented. These initiatives have, in Fitch's view, improved CBRE's ability to identify and manage operational risks associated with smaller teams, such as key person dependency.

Operational Staff Experience
Average in years



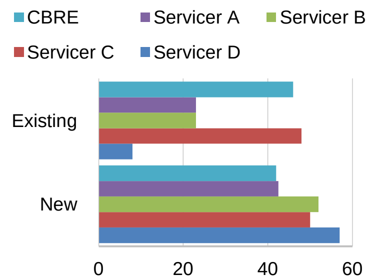
Source: Fitch & CBRE

The servicer has access to a wide variety of training tools through CBG resources and so the majority of training is delivered internally. The training provided to CBRE employees is a mix of CBG corporate training modules, regulatory training, role specific and servicing system training. In Fitch's view, this is appropriate and meets CBRE's needs.

All new employees are subject to a two-day induction course and are then assigned a mentor to facilitate integration into the team. The average training hours recorded per new employee was 46 hours in 2015 (2013: 48 hours), for existing employees this was 42.5 hours (35 hours). These figures are in line with rated UK peers.

CBG offers employees a range of development options such as secondments, mentoring programmes, and sponsorship of professional qualifications. In 2015, two CBRE employees took part in a high potential development programme and two employees participated in a short-term international swap and learn programme.

Average Training Hours Delivered to Employees
Over a 12 month period



Source: Fitch & CBRE

CBRE offers a competitive remuneration package with incentive elements based on individual performance – as assessed during an annual appraisal process – and company results. The servicer is committed to encouraging career progression and, although this can be difficult in a relatively small operation, there have been three internal promotions in the past two years.

Policies and Procedures

The policy and procedure documents seen by Fitch are clear and concise, with evidence of at least an annual review process being in place. The documents are available to all staff on the company's intranet site.

CBRE operates a three lines of defence risk management model, ie:

- clear segregation of duties at operational level and all key tasks requiring a four-eye review. A six monthly review of 10% of loan files is carried out by an administrator to review compliance with procedures;

- compliance monitoring of the servicer's activities and 100% oversight of the reviews carried out at operational level; and
- annual external audits as part of the group's ISO9001 and ISO27001 certification. The servicer is also subject to extensive annual or two-yearly audits, carried out by third parties on behalf of clients.

CBRE does not have an internal audit (IA) function as seen at other UK-rated servicers. In Fitch's view, the framework in place – which includes significantly more external audit activity than rated peers – is appropriate and provides regular independent assessments of the controls in place.

CBG's compliance director has extensive audit experience and is responsible for the co-ordination of the external audit and internal review programmes to ensure the group retains its accreditation under the ISO 9001/2008 standard. They are supported by two compliance associates who are dedicated to oversight of CBRE.

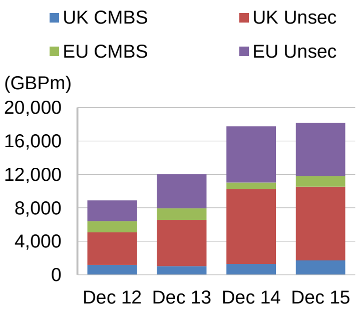
Every year CBRE is subject to an external audit as part of the ISO9001 certification; the focus of which is a loan-level review to assess adherence to procedures and best practice. The most recent audit was completed in July 2015, with no findings and a small number of recommendations.

For both internal and external audit reviews, exceptions and findings require management responses and are monitored, with changes to procedures issued and accessible via the intranet. At the time of review, the group was also reviewing a number of tools to provide greater automation to the monitoring processes. CBG has implemented a new risk monitoring system since the last review, which provides a central repository for all risk-related information.

Typically, Fitch does not give credit to client-driven audits, as generally the scope of the review is narrow and limited feedback is provided to the servicer. CBRE has evidenced an audit process which is thorough, covers a variety of operational risk areas, and includes a formal feedback process to resolve any findings or recommendations. The agency has therefor taken these audits into consideration when assessing the Servicer Rating.

Governance at CBRE consists of regular board meetings and structured servicing committees which make strategic and operational decisions. At the operational level, control of activities is through four-eye checks and manager oversight. Fitch views this as appropriate for the current size of the company.

Primary Servicing Portfolio Growth (By Value)



Source: CBRE

Servicing Methodology – Loan Administration

New Loan Set-Up

In 2015, CBRE boarded 183 loans (2014: 112 loans), with 336 related assets, which is good when compared with rated peers' activity over the same period. CBRE has significant experience of boarding loans from a variety of servicers, and of setting up newly originated loans.

On notification of new loan completion, the loan administrator creates a deal folder on the network drive and confirms details such as loan amounts, date of drawdown and interest rates with the lender. The use of a loan set up checklist ensures that all required information is collected.

An asset manager (AM) is assigned to the loan by the portfolio manager, taking into consideration capacity, language skills, experience and complexity of the loan. The AM is responsible for collecting appropriate transaction documentation, completing the loan closing checklist and liaising with the lender regarding the provision, abstraction and analysis of documentation to enable the completion of any necessary due diligence.

The AM and the loan administrator will liaise to ensure that the loan is set up according to documentation requirements and that all required data is present. The AM will complete a compliance checklist, which drives the compliance diary containing various covenants and reminders, and will pass this to the portfolio manager for approval. All documents are imaged and available for use on the CBRE network, while the hard copy documents are kept in a secured location onsite.

Loan Accounting and Cash Management

CBRE carries out investor cash reporting on a quarterly basis and there is an immediate match of payments as 100% are received through bank transfers. The AM is responsible for checking the rental deposit account for funds five days prior to the payment due date, and notifying the relevant parties, including the B note lender, if insufficient funds are in place.

The loan administrator is responsible for obtaining appropriate interest rates from the lender or Bloomberg when required and ensuring loan data and business calendars are updated in Cassiopae. Changes made to the Cassiopae servicing system are monitored by running an audit log at the end of each week. This reflects all the alterations made to the loan data over the period and enables robust exception reporting. Changes are noted and a hard copy of the annotated file kept on the audit log file for consistency.

CBRE has a documented process for manual payment transfers, which includes a four-eye check to ensure the correct details are noted. All payment instructions include a hard copy, retained on file for future reference.

Investor Reporting and Remitting

CBRE reports to seven investors (2013: four) and delivered 28 reports during 2015 (2013: 16). No reports were delivered late or with material errors. The average time to prepare the reports is three days (2013: five days), which is within the documentation requirements and good when compared with rated peers. The growing portfolio provides the servicer with increased experience of reporting, both by volume and variety of loans and assets.

The reporting process is driven by the loan administrator who provides reminders to the AM and portfolio manager to ensure actions are carried out according to requirements. The AM and loan administrator are responsible for the quality of loan-level data, and the portfolio manager is responsible for the quality checking, final sign off and distribution of all investor reports.

CBRE adheres to the Commercial Real Estate Finance Council European Investor Reporting Package (CREFC E-IRP) – commonly known as CMSA E-IRP – as well as providing investors with supplemental reports. Cassiopae provides CBRE with extensive report generation capabilities, enabling the servicer to be flexible in its approach. For portfolios of balance sheet loans, CBRE works with the lender to produce suitable reporting packs to meet their individual requirements.

Reports are delivered through a variety of methods including secure email and a dedicated secure online client portal. CBRE also provides clients with regular data dumps where requested. Fitch believes that CBRE continues to deliver high standards of investor and client reporting, providing good levels of commentary and statistical information, often above and beyond rated peers in the market.

Asset Administration

The primary servicing team consists of one head of primary servicing and 13 associates. The average industry experience of AMs and loan administrators is seven years and 10 years respectively, which is in line with peers.

Each loan has an AM assigned who will be the single point of contact for the borrower and managing agent, providing clear communication channels and continuity of approach. The AM is responsible for monitoring loan and financial covenant compliance and ensuring that all required borrower documentation is received and reviewed. On-going administration is driven by the compliance diary, which contains automated reminders and covenants.

The AM will determine the programme and frequency of property inspections following loan boarding, with reference to the requirements of the loan documents and servicing agreement. In the absence of any direction from loan documentation, CBRE will undertake an inspection not less than once every two years from the date of loan closing. Such inspections may be more frequent if the AM believes the value of the property has been negatively impacted.

The property inspections are carried out by a suitably qualified valuer from CBG. Samples of the site inspection form provided to the agency appear detailed and thorough. In 2015, CBRE completed 100% (2013: 100%) of all required inspections, which compares well to peers. CBRE has continued to meet inspection requirements as the servicing portfolio grows which, in Fitch's view, demonstrates the significant resources available from the group.

A full initial review of the loan takes place within 18 months of the loan closing. Ongoing reviews are then carried out at least annually, more frequently where specified within the documentation. The review will include, but is not limited to: financial review of borrower and major tenants; review of activity since last review; update of property inspection details; and check of covenant compliance.

CMBS watchlist criteria are in place for all portfolios and are monitored by the AM on at least a quarterly basis, and although some automated functionality has been implemented, this process is still manual. Loans are tested against the standard CREFC watchlist criteria for CMBS loans, or CBRE's own criteria for unsecuritised loans. Responsibility for maintaining the watchlist sits with the portfolio manager. There is no formal watchlist committee, and any suggested amendments to the watchlist require sign-off by the relevant AM and the portfolio manager.

At the time of review none of the loans under management were on watchlist (2013: 1%). This reflects a trend seen across the servicing market, with most of the higher risk legacy CMBS portfolios now resolved or transferred to special servicing. However, CBRE has previously demonstrated an appropriate set of watchlist criteria and thorough monitoring processes, which Fitch has taken into consideration in the Servicer Rating review.

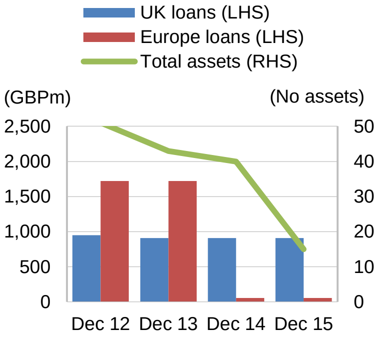
Servicing Methodology – Defaulted Loan Management

The UK special servicing portfolio consists of four loans, which has not changed since the last review in December 2013. The number of assets related to these loans has been reduced to six from 32 over the period, through successful work out strategies. The non-UK special servicing portfolio consists of one loan (2013: three loans) with nine related assets (2013: 11).

CBRE continues to evidence both its capacity and capability in working out distressed commercial real estate loans, through a variety of strategies.

The special servicing team consists of one head of special servicing and five associates. The team is supported by three directors in asset management and two directors in financial modelling who sit within CBG. Fitch has no concerns regarding the resourcing arrangement in place at CBRELS (see *Staffing and Training*) and considers capacity to be appropriate, given the relatively small special servicing portfolio.

Active Special Servicing



Source: CBRE

Where a loan enters default, the primary servicing AM will immediately notify the PM and special servicing. Where the decision is made to transfer the loan into special servicing a documented handover process is in place, with at least two senior team members allocated to each loan, mitigating key person risk. An AM will be assigned to the loan, who is responsible for carrying out the required activities, with oversight provided by the director.

Based on the information collected from the primary servicing team, borrower, and any additional parties, the AM will put together a proposed action plan with a projected budget and refer this to the special servicing committee for approval. The committee has documented terms of reference, and consists of the head of loan advisory and special servicing directors, along with relevant personnel from within the CBG where appropriate.

All action plans are reviewed every six months, with any variations requiring special servicing committee approval.

In order to limit potential conflicts of interest, CBRE actively engages outside resources – such as legal and tax consultants and valuation services – where appropriate, even though such expertise resides within the larger group. The instruction and monitoring of third-party providers is by the AM, which is considered to be appropriate given the small size of the team. In Fitch's view, a more structured approach to third-party monitoring, with benchmarking and quality control, enables a servicer to demonstrate an appropriate level of oversight.

Technology

CBRE uses the Cassiopae loan servicing system, which was implemented in April 2007 and has been through a number of system upgrades. It provides the company with integrated web access for users, web distribution of upgrades, workflow management, document imaging and management information reporting.

In 2015, CBRE launched a project to upgrade its technology infrastructure; a significant budget increase was dedicated to this area, and also to support provided by CBG IT resources.

At the time of review, the servicer had:

- upgraded the compliance system to provide greater automation and control of workflow;
- completed desktop virtualisation to improve flexibility and disaster recovery planning;
- rolled out a new client information portal to provide a central repository where clients can access portfolio data and reports, as well as CBG market data; and
- sourced a new servicing system to enhance loan management processes.

The new third-party servicing system is supported by a well-known financial technology provider and will provide CBRE with a more streamlined infrastructure and more efficient and flexible data processing. At the time of review, around 40% of loans under management had been transferred to the new servicing system; hence, Fitch could not assess its impact on the servicer's operations. In the agency's view, the steps taken by CBRE will provide increased efficiency and flexibility.

Business continuity (BC) conforms to CBG group-wide guidelines that are based on standard security protocols and steered by a global committee to achieve commonality across the whole business.

There is a UK business continuity plan for each local office, set up in conjunction with SunGuard Consultancy Services (SunGuard). The Crisis Management Group (CMG) within CBRE – composed of senior managers from across the organisation – lead and coordinate activities in the event of a disruption to normal business.

The company forms part of the CBRE Real Estate Finance team's business continuity (BC) plan and has a number of seats prioritised at an alternative hot site in the City of London (which is capable of being up and running within four hours). CBRELS performs a nightly backup of all systems and the network, as well as an interim system backup every three hours; it also has an indefinite period for its backup retention policy.

In addition to the hot site capabilities, critical employees are provided with laptops allowing offsite, secure web-based access should an incident occur. Such remote access capability is provided through multiple data centres to ensure redundancy.

Full disaster recovery (DR) tests are conducted by CBRE and SunGuard annually. The most recent test was conducted in November 2015 with no significant findings. CBRE has fully documented DR plans which are available via the company's intranet.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.