



RR | REGIONAL REIT

Investor Presentation – Half Year to 30 June 2017

September 2017



High dividend distribution UK REIT, offering an unrivalled exposure to the regional commercial property market with active management by an experienced Asset Manager

Progress Against Objectives: H1 2017

- Ongoing active and intensive management of the property portfolio, delivering lettings and regears and increasing rental income - momentum for the full year
- Tenant activity in the regions remains robust – strength is in industrials with regional offices remaining positive
- H1 2017 income delivery deferred by key property vacancies/ongoing refurbishments
- Expanding and diversifying the portfolio - completed a further c. £129 million of acquisitions (31 properties, 115 tenants). Disposal of 8 non-core assets for £3.7m
- 2017 planned portfolio capex refurbishment programme of c. £17m gross to realise further growth in rentals and NAV
- Realising scale benefits of admin costs and improved bank funding rates
- Delivering on commitment of an attractive income return for Shareholders, increasing dividends c. +3% H1'17 vs H1'16 – dividend yield amongst the best in the sector

An Attractive Opportunity: regional office and industrial

- Yield differential between the regions and London remains above long-term average; continuing capital investment flows to the regions fuelled by overseas interest
- Regions retain attraction of lower rentals and capital values and are still earlier in their cycle
- Regional economic and business fundamentals remain positive
- Limited supply of prime office and industrial property developments to persist in the regions
- Tenant interest in regional industrial sites and office space continues
- Refurbishment of secondary properties a key to medium-term development flow

Our Focus: growing revenues; momentum to the business

Upside from 46 new lettings as at 30 June 2017

New lettings of c. 173,000 sq. ft.; when fully income producing to provide rents of c. £1.6m pa

Recurring income from regears

63 leases came up for renewal over the period, totalling 407,229 sq. ft..

c. 80% (by value) of the units with lease events in the period remain occupied; up from 72% in 2016

Asset quality enhancement programme

2017 announced planned gross capex of c. £17m; to be reduced by dilapidations and service charge recoveries

Refurbishment development spend to increase achievable rents and reduce periods of void

Realising benefits of Wing and Rainbow portfolios (acquired Q1 2016)

Wing: Occupancy (by area) 84.5% (78.2% on acquisition) – Leeds/Beverley lettings; fully producing rental income up to £3.5m

Rainbow: Occupancy (by area) 75.3% (77.2% on acquisition) – Bristol/Aylesbury refurbishments (20.2pp of vacant space); fully producing rental income up to £6.5m. Juniper Park, Basildon letting, September 2017, represents 4.0pp (by value) of Rainbow portfolio

Achieving scale economies

Downward momentum to the admin costs ratio (exc Performance fee) realised by portfolio scale and occupancy; 18.6% of rental income

Low rents and capital values vs. benchmarks

Offices (average): £12.98 psf; £123.70 psf

Industrial (average): £3.74 psf; £37.52 psf

Our Focus: broad business base; sustainable activity

Diversified business base

150 properties, 1,093 units and 823 tenants

Lease renewal managed by active asset management and large and diverse portfolio

Office/Industrial mix; balancing the regions

Office/Industrial exposure 88.8% (by value); increased England & Wales exposure to 75.1%

Retail 9.7% – non-core activity for the long-term

Limited single exposure

Largest tenant 3.0% (by rental income); largest property 5.0% (by value)

Broad base of tenant business activities

Diversified mix of tenants: largest is Wholesale & retail trade at 14.1% of rental income; second is Professional, scientific & technical activities, 11.8%; Financial & insurance activities (4th) is 9.8% and Banking (8th) 5.0%

Active asset management throughout the period

Occupancy up to 83.3% (by value), from 82.7% (31 Dec'16)

63 lease renewals arising in the period; c. 80% (by value) of units with renewals remain occupied

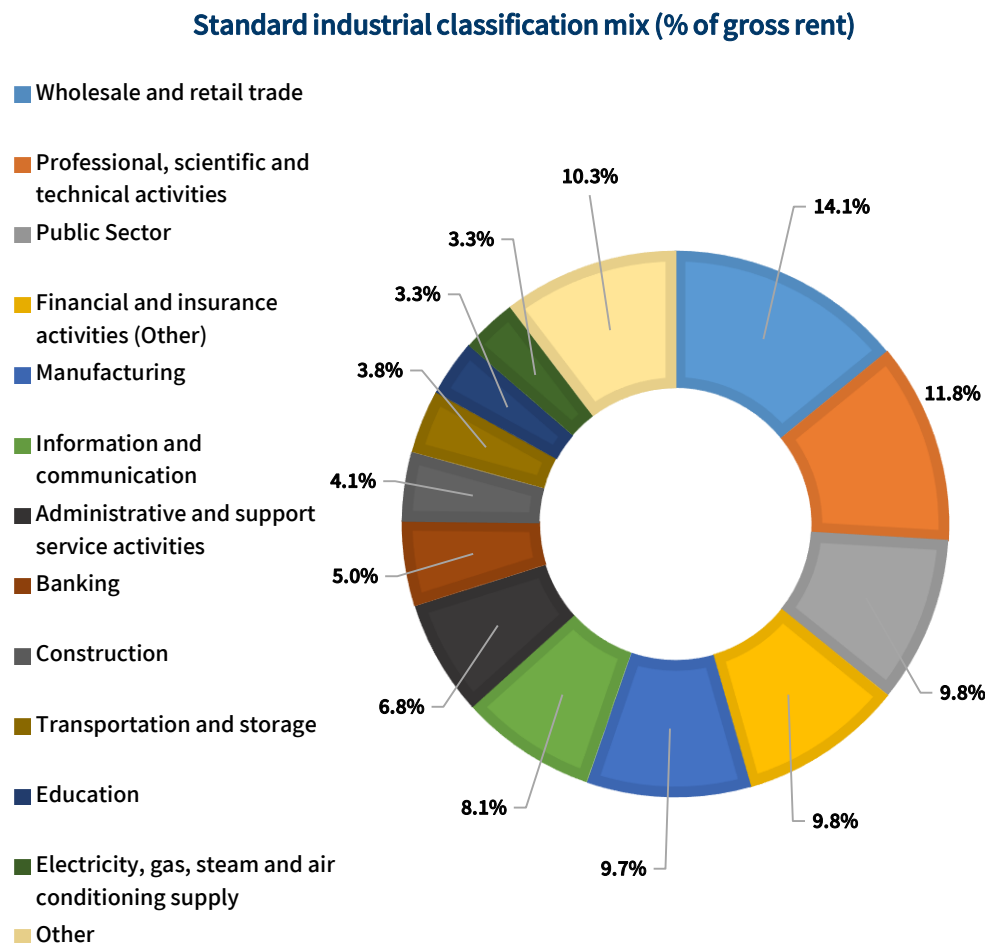
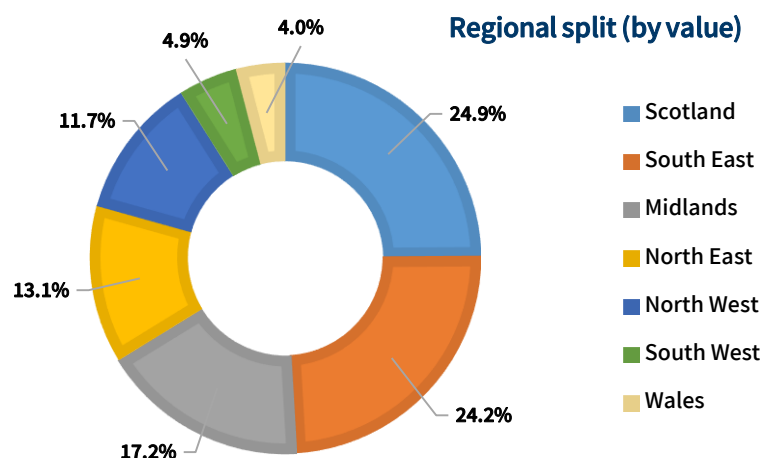
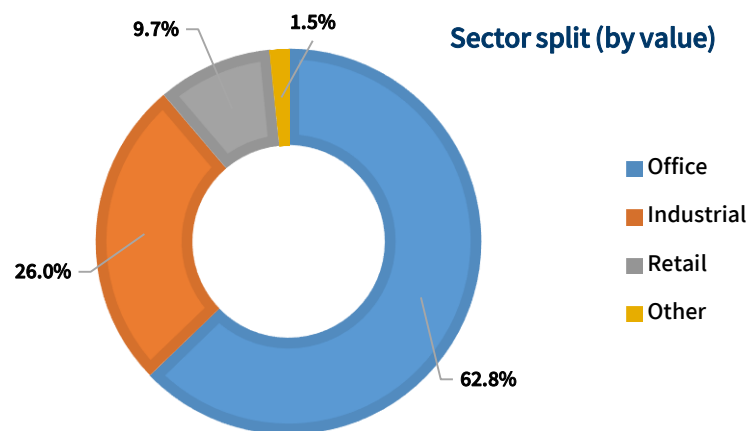
Bank funding diversified, on improved terms. Debt increased to £335.0m (gross)

Cost of bank borrowings (inc hedging) down to 3.3% pa (end 2016, 3.7% pa); including ZDP, cost of debt 3.7% pa

Net LTV of 47.3% post Q1 2017 acquisition; being managed down

Diversified £640.4m Property Portfolio

Diversified office-led portfolio – unrivalled exposure to the UK regional property market - and broad base of tenant business activity, 30 June 2017



Charts may not sum due to rounding

Momentum to H2'17 Rental Income

	Half year ending 30 June 2017	Half year ending 30 June 2016
Gross rental income	£22.964m	£19.699m
EPRA Costs ratio	37.7%	31.8%
Adjusted costs ratio (exc Performance Fee)	33.7%	31.8%
Operating profit before gains/losses on property assets/other investments	£14.318m	£13.436m
EpS (diluted)	5.6pps	2.2pps
EPRA EpS (diluted)	2.9pps	3.3pps
Dividends declared for the period (PID + non-PID)	3.60pps	3.50pps

- Rental momentum building for the second-half – gain to come on seasonality and increased lettings. Rent roll at HY 2017 on full occupation, £65.1m pa
- Costs ratio impacted by performance fee (increasing 3.9 percentage points vs H1 2016) and additional void costs (increasing 3.3pp vs H1 2016). Admin cost efficiencies realised (falling 1.4pp vs H1 2016) from increased scale of portfolio despite acquisition activity
- Reduced cost of bank funding – debt increased with H1 2017 acquisition
- PBT benefited from £7.5m fair value gain on investment properties
- Delivering increased dividends, +2.9% (declared for the period) on H1 2016

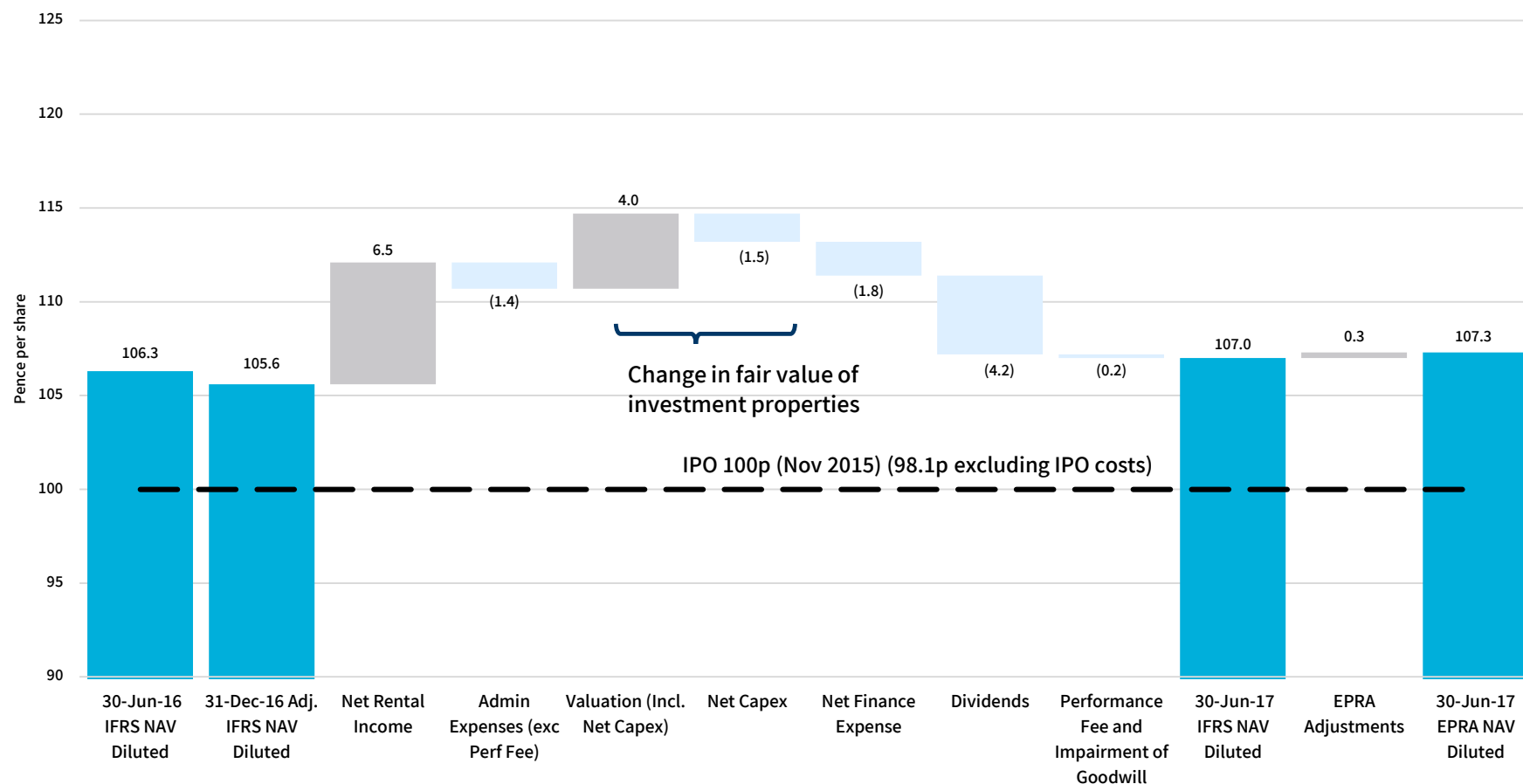
Financial Position Remains Strong

	As at 30 June 2017	As at 31 December 2016
Investment Property portfolio valuation	£640.4m	£502.4m
NAV (fully diluted)	107.0pps	106.3pps
EPRA NAV (fully diluted)	107.3pps	106.9pps
Debt finance outstandings (inc ZDP shares)*	£335.0m	£220.1m
Total cost of debt (inc hedging) pa	3.7%	3.7%
Net Loan-to-value	47.3%	40.6%
Occupancy (by value)	83.3%	82.7%
Occupancy like-for-like (by value)	82.0%	82.8%
Contracted rent roll like-for-like	£44.0m	£43.7m

- Gross investment property value includes H1 2017 2.2% like-for-like valuation gain and acquisitions of c. £129m
- EPRA NAV per share increased. Net valuation gain on properties of 2.5pps. H1'17 impacts include dividend paid uplift, performance fee accrual and goodwill write off
- Debt and LTV increased as a result of acquisition related funding – continues to be managed down
- Total Returns to Shareholders since IPO of 17.8% (10.7% annualised) (exc launch costs 20.0% (12.1% pa))
- Small decline in lfl occupancy due to units becoming vacant during H1 2017, the largest of which included Cortonwood Business Park, Barnsley and Manor Road, Erith, and undergoing refurbishment

Delivering Returns to Shareholders, NAV per share

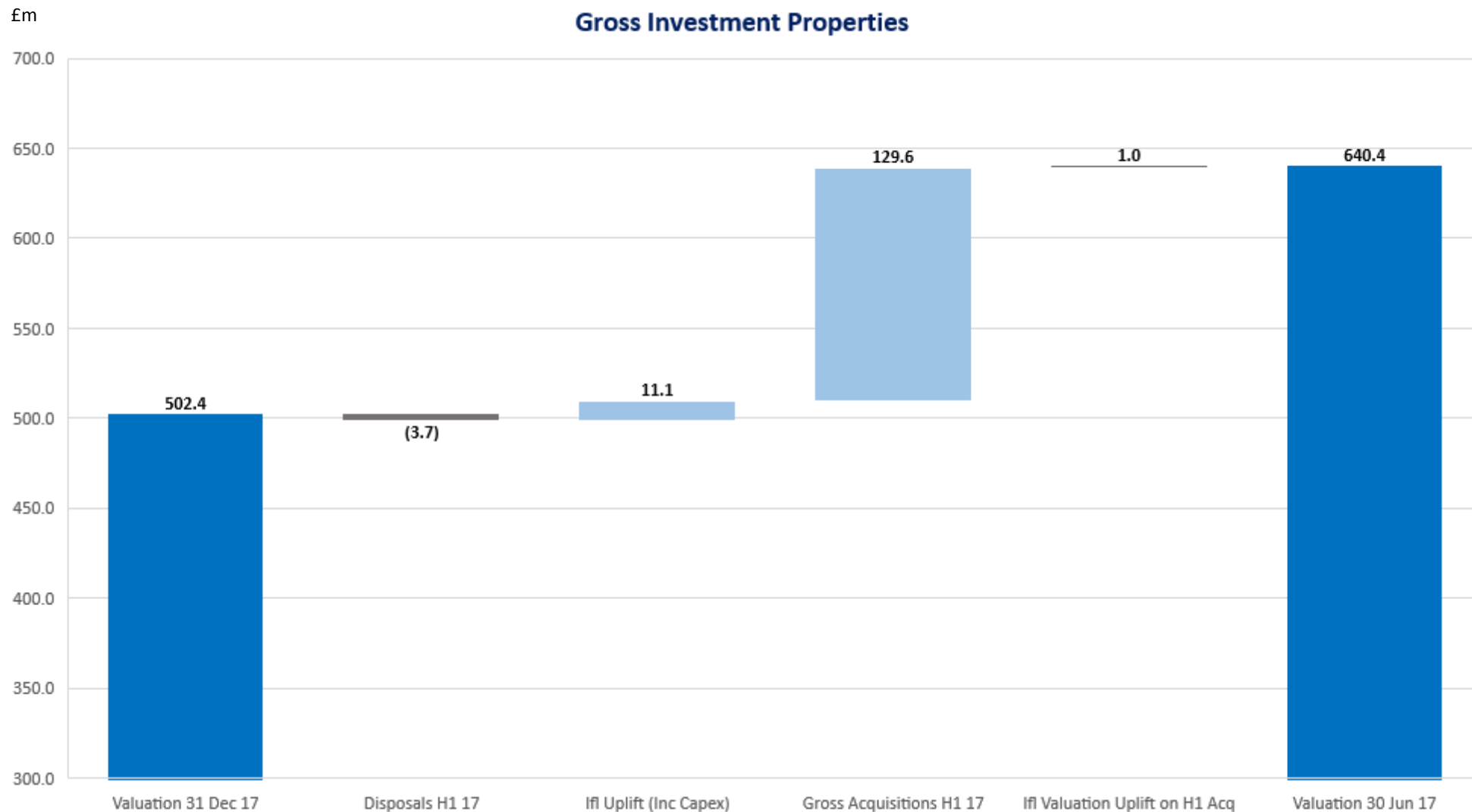
Net Asset Value Bridge 30 June 2017



- **EPRA:** £323.0m (107.3pps diluted)
(31 Dec'16: £293.2m, 106.9pps (diluted))
- **IFRS:** £322.0m (107.0pps diluted)
(31 Dec'16: £291.7m, 106.3pps (diluted))

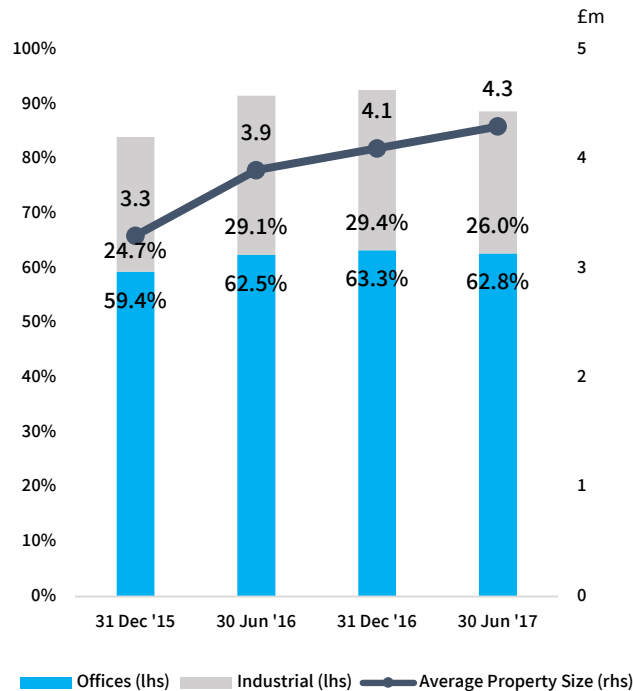
Notes:
IPO NAV before launch costs of 1.9pps.
31 Dec'16 Adjusted IFRS NAV. Opening 1 January 2017 NAV adjusted for 26.3m shares issued in H1 2017
EPRA NAV Adjustments for interest rate derivatives

Delivering Scale and Value from the Property Portfolio in H1 2017



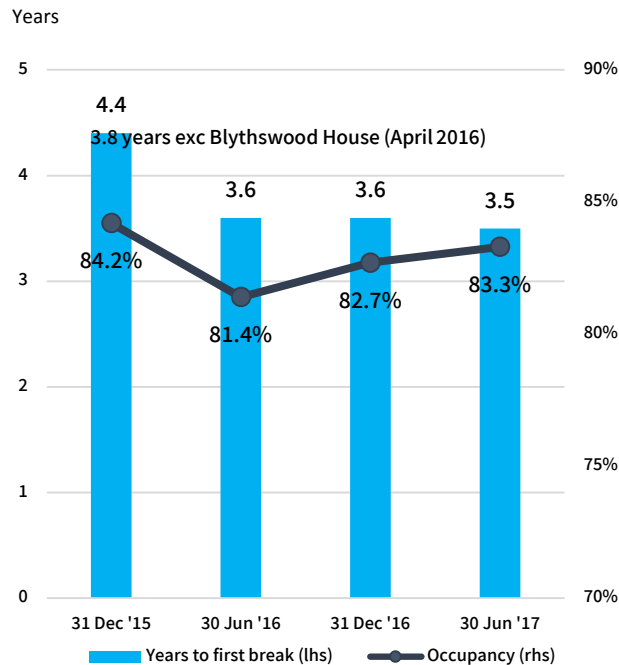
Progressing the Property Portfolio

Mix of property assets and average property size (£m)



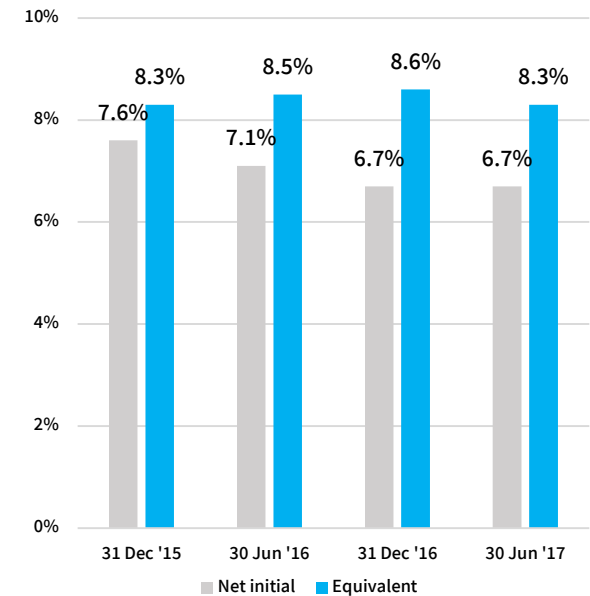
- **11.2% - Retail and Other (inc Leisure)**
(31 Dec'16, 7.3%)
- **Contracted rent roll – £54.6m**
(31 Dec'16, £44.0m)

WAULT to first break & occupancy (by value)



- **5.3 years WAULT to lease expiry**
(31 Dec'16, 5.2 years)
- **Occupancy (by area) 83.1%**
(31 Dec'16, 83.8%)

Valuation yields



- **Reversionary: 9.2%**
(31 Dec'16, 9.5%)

H1'17 Acquisition of c. £129m of Commercial Properties

‘NAV-for-NAV’ acquisition for shares; complementary to existing assets and aligns well with the expertise and experience of the Asset Manager

Portfolio at acquisition

- 31 mixed-use property assets (1,280,980 sq. ft.); 153 units and 115 tenants.
- Offices 60% (by value); industrial 12%; retail 21%; leisure 7%
- Geographically spread across England & Wales outside of the M25 motorway; minimal overlap with existing RGL locations and tenants. Scotland c. 20% (by value)
- Occupancy 82.9% (by value) (30 September 2016)
- Contracted rent roll £9.7m; net initial yield 7.0%

Asset management update

- Occupancy 89.3% (by value) (30 June 2017). Contracted rent roll £10.7m. Equivalent yield 8.0%
- Farnborough, Brennan House – whole building (30,789 sq. ft.) let to Fluor Limited - £756,536 pa (£24.50 psf) for 7 years from May 2017 subject to tenant break options at second and third anniversaries
- Ayr, High Street – lease to The Works renewed from end September 2017 for 5 years at a rental of £36,500 pa, subject to tenant break option September 2020
- Bletchley – lettings and regears on retail units 3 & 5, 4, 18 and 20
- Stratford-upon-Avon – re-gear terms agreed with Enterprise Rent-a-Car for 10 years with tenant break option in year two and taking additional unit space. Let of another unit for 9 years, breaks at 3 and 6 years at a rental of £17,500 pa
- Welwyn Garden City – re-gear of Sanctuary Housing for 5 years at a rental of £25,512 year 1, £28,020 year 2 and £30,100 year 3, with a tenant break option in year 3

Disciplined Value Accretive Approach to Capital Expenditure

800 Aztec West, Bristol

Completion expected Q1/Q2 2018

Capex evaluation

- Core property holding, ie, office or industrial
- Lettability of property without capex
- Vacant period required for capex works
- Potential benefits of capex - reduced marketing period/lower void costs
- Expected improvement to ERV/Capital Value
- Estimated payback period
- Capex spend requirement – gross spend netted for expected dilapidations recovery
- 10-15% total return benchmarks
- 2017 – projected gross capex announced c. £17m
- 800 Aztec West, Bristol - £6.3m; 'Blue Leanie', Aylesbury - £3.3m; 2800 The Crescent, Birmingham - £2.4m; Arena Point, Leeds - £1.1m, Phase Two underway



- Initial capital value £6m
- Estimated capex £6.34m
- Full shell up refurbishment. New M & E plant, cladding, glazing, remodelled entrance/foyer, WC's, ceilings, LED lighting
- Contract – April 2017 to March 2018
- Est annual rent £1.46m; capital value £19.5m (exc incentives)
- Value uplift £7.16m/58%

Portfolio Income Security with Positive Outlook

- Momentum to revenue income and cost ratio benefits anticipated for H2 2017
- Active pace of lettings and regears into second-half 2017, with potential to improve occupancy – progressing towards longer-term level of c. 90%
- Active, experienced and professional asset manager, with a strong reputation in the sector - underpinning business growth
- Portfolio supported by modest rents and capital values
- Scale and business mix mitigates uncertainties
- Continued opportunistic strategy of acquisitions – where there is value
- Total shareholder return target of 10% - 15% pa

Appendix 1

Debt Financing and Summary Financials

Debt Profile and LTVs as at 30 June 2017

Additional bank borrowing reduced average cost of loans

Lender	Original Facility £'000	Outstanding Debt** £'000	Maturity Date	Annual Interest Rate	Amortisation	Hedging and Swaps: Notional Amounts/Rates****
Santander UK	£48,300	£48,298	Dec-18	2.00% over 3mth £ LIBOR	Mandatory Prepayment	£4m/1.867% & £20.15m/1.014%
Santander UK	£25,343	£20,840	Dec-18	2.00% over 3mth £ LIBOR	Mandatory Prepayment	£2.90m/2.246% & £9.77m/1.010%
Lloyds Banking Group*	£48,100	£48,100	Apr-19	2.15% over Bank of England Base Rate	Mandatory Prepayment	n/a
Royal Bank of Scotland	£25,000	£24,450	Jun-19	2.15% over 3mth £ LIBOR	None	£12.48m/1.790% & £0.02m/1.110%
ICG Longbow Ltd	£65,000	£65,000	Aug-19	5.00% pa for term	None	n/a
Santander UK	£30,990	£30,990	Jan-21	2.15% over 3mth £ LIBOR	Mandatory Prepayment	£9.375m/1.086% & £6.920m/1.203% & £5.280m/1.444%
Royal Bank of Scotland	£40,000	£39,848	Mar-21	2.40% over 3mth £ LIBOR	Mandatory Prepayment	£19.9m/1.395%
HSBC*	£21,397	£21,197	Dec-21	2.15% over 3mth £ LIBOR	Mandatory Prepayment	n/a
	£304,130	£298,723				
Zero Dividend Preference Shares*	£39,879	£36,235	Jan-19	6.5% pa to maturity	None	n/a
	£344,009	£334,958				

* Assumed as part of the consideration for the portfolio acquisition on 24 March 2017

** Including unamortised debt issue costs

*** Based upon Cushman & Wakefield and Jones Lang LaSalle property valuations

**** Hedging arrangements : As at 30 June 2017, the swap notional arrangements was £90.8m. Under the swap agreements, the notional amount reduces on a quarterly basis

Note: As at 30 June 2017 the Group's outstanding debt (including unamortised loan arrangement costs) amounted to £335.0m (31 December 2016: £220.1m), with an average cost, including the ZDP, of 3.7% pa (31 December 2016: 3.7% pa) (including hedging and other borrowing costs) and a net LTV ratio of 47.3% (31 December 2016: 40.6%)

Financials – Summary Group Income Statement

	£'000	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016	Change
Rental income		22,964	19,699	16.6%
Non recoverable property costs		(3,480)	(2,328)	49.5%
Net rental income		19,484	17,371	12.2%
Administrative & other expenses		(5,166)	(3,935)	31.3%
Operating profit (loss) before gains/losses on property assets/other investments		14,318	13,436	6.6%
(Loss / gain) on the disposal of investment properties		(41)	(75)	n/a
Change in fair value of investment properties		7,504	(1,254)	n/a
Operating profit/(loss)		21,781	12,107	79.9%
Net finance income/expense, impairment of goodwill and net movement in fair value of derivative financial instruments		(5,597)	(6,160)	-9.1%
Profit/(loss) before tax		16,184	5,947	172.1%
Income tax expense		(11)	-	n/a
Profit/(loss) after tax for the period (attributable to equity shareholders)		16,173	5,947	172.0%
Earnings/(losses) per share - basic		5.6p	2.2p	154.5%
Earnings/(losses) per share - diluted		5.6p	2.2p	154.5%
EPRA earnings/(losses) per share - basic		2.9p	3.3p	-12.1%
EPRA earnings/(losses) per share - diluted		2.9p	3.3p	-12.1%
Dividends per share (declared in the period)		4.20p	2.75p	52.7%

Financials – Summary Group Balance Sheet and Debt Financing

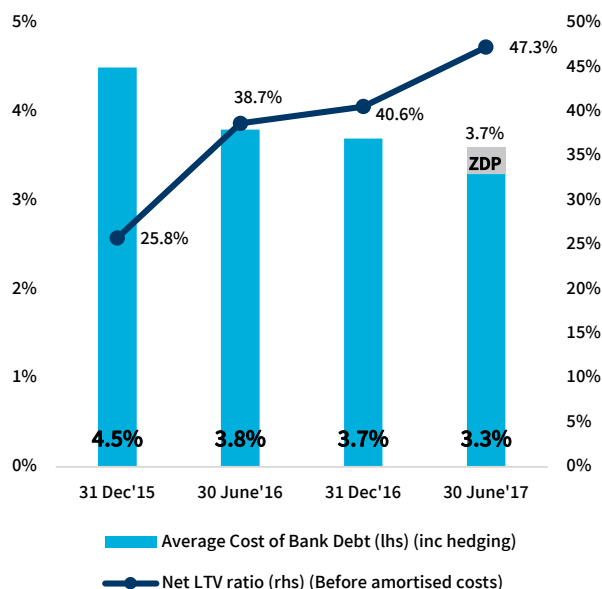
	As at 30 June 2017	As at 31 December 2016	Change
£'000			
Assets			
Non-current Assets			
Investment properties	640,405	502,425	27.5%
Goodwill	1,950	2,229	-12.5%
Other non-current assets	1,517	1,747	-13.2%
Current assets			
Cash and cash equivalents	32,229	16,199	99.0%
Other current assets	14,642	11,375	28.7%
Total assets	690,743	533,975	29.4%

	As at 30 June 2017	As at 31 December 2016	Change
£'000			
Liabilities			
Current liabilities			
Bank and loan borrowings - current	400	-	n/a
Other current liabilities	35,871	23,285	54.1%
Non-current liabilities			
Bank and loan borrowings - non current	295,429	217,442	35.9%
Zero dividend preference shares	36,010	-	n/a
Derivative financial instruments	1,035	1,513	-31.6%

Total liabilities	368,745	242,240	52.2%
Net assets	321,998	291,735	10.4%
Share capital	299,880	274,217	9.4%
Retained earnings/Accumulated (losses)	22,118	17,518	26.3%
Total equity	321,998	291,735	10.4%
Net assets per share - basic	107.1p	106.4p	0.7%
Net assets per share - diluted	107.0p	106.3p	0.7%
EPRA net assets per share - basic	107.5p	106.9p	0.6%
EPRA net assets per share - diluted	107.3p	106.9p	0.4%

Debt financing

- **Drawn: £335.0m**
(Bank loans, £298.7m)
(31 Dec'16: £220.1m)
- **Cash: £32.2m**
(31 Dec'16: £16.2m)
- **Av Maturity: 2.3 years**
(inc ZDP)
(31 Dec'16: 2.9 years)



Appendix 2

Time to Invest in Regional Property

Expecting Regional Property Returns to Outperform

Average property total returns forecast for the whole UK market (including London)*:

Offices	5.0% for 2017	2.2% for 2018	3.6% for 2019
Industrial	12.2% for 2017	7.1% for 2018	6.1% for 2019

- Summer 2017 report indicated that total returns forecast for 2017 had improved, following from the Spring 2017 report, as a result of the improvement in capital value growth in 2017
- Medium-term expectations have weakened

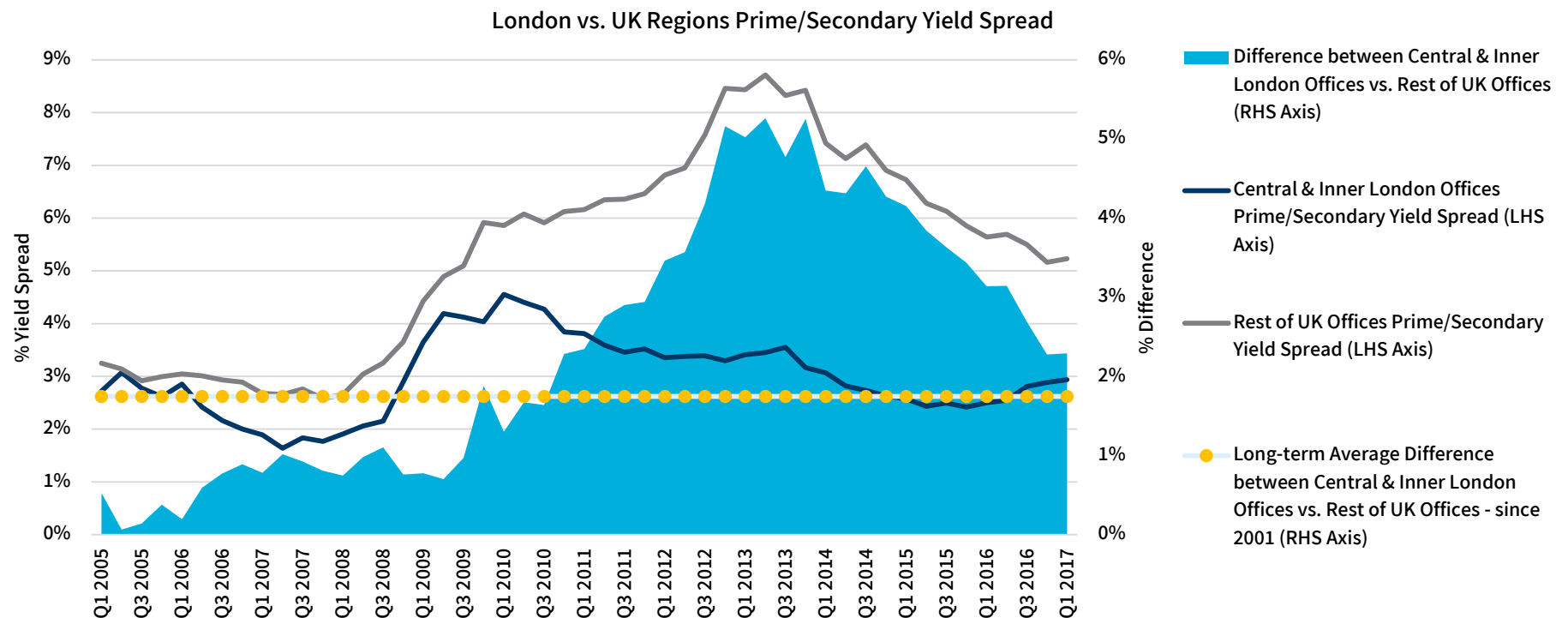
	*Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2017	2018	2019	2017/21	2017	2018	2019	2017/21	2017	2018	2019	2017/21
Office	0.2	-1.0	-0.1	0.5	0.7	-2.2	-0.9	-0.1	5.0	2.2	3.6	4.4
Industrial	3.3	2.1	1.7	2.2	6.8	1.9	0.8	2.2	12.2	7.1	6.1	7.5
Standard Retail	0.8	0.2	0.6	0.8	1.3	-0.8	-0.1	0.4	5.9	3.8	4.6	5.2
Shopping Centre	0.4	-0.1	0.4	0.6	-0.1	-1.7	-0.8	-0.3	4.8	3.3	4.4	4.8
Retail Warehouse	0.5	0.1	0.4	0.6	0.2	-1.3	-0.5	-0.1	5.9	4.5	5.3	5.8
All Property	0.9	0.2	0.6	0.9	1.8	-0.8	-0.3	0.4	6.7	4.1	4.6	5.4

- Source: The Investment Property Forum UK Consensus Forecasts ipf.org.uk (Summer 2017)

2) Secondary Set to Outperform Prime

Yield spread narrows towards long-term average

- The spread between prime and secondary commercial property yields has fallen from historic highs of 2013-14
- Spread remains above long-term average
- Potential for high quality regional secondary properties to achieve better returns in the short- to medium-term than prime London properties



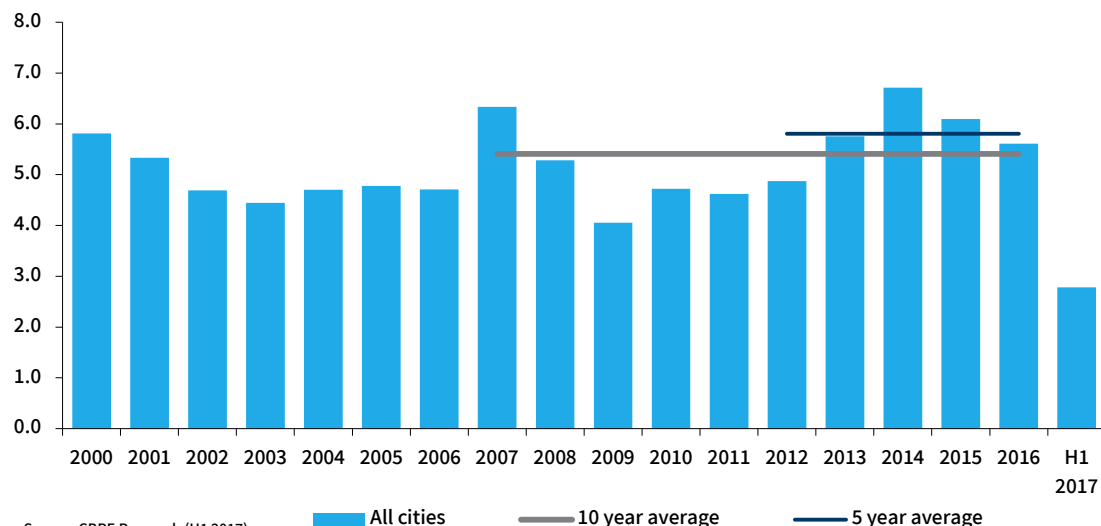
Source: Cushman & Wakefield, IPD/MSCI (June 2017)

4) Opportunity for Regional Offices

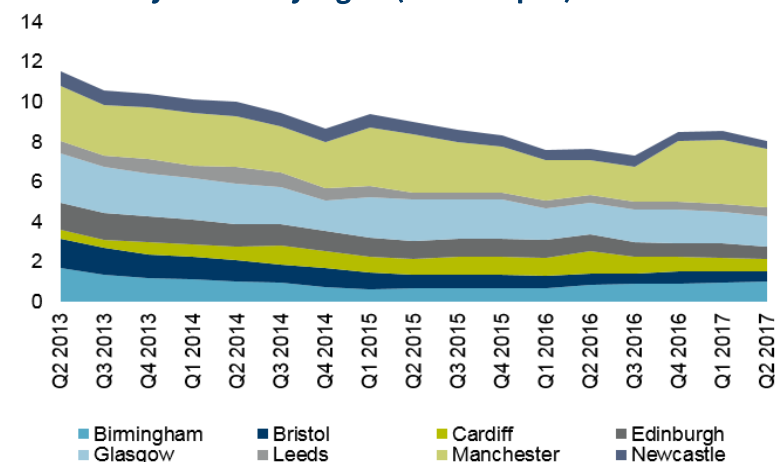
Demand for refurbished office space likely to continue throughout 2017

- Take-up of office space across ten key regional cities reached 2.8 million sq. ft. in H1 2017, 5% lower than in the same period in 2016
- Demand proved resilient in the first-half of this year in cities such as Edinburgh, Leeds and Manchester
- Office supply in the regions remains low. Savills' research highlights that approximately 38% of speculative development over the next three years will be refurbishments

Annual take-up by region (million sq. ft.)



Availability of office by region (million sq. ft.)



Regional REIT's exposure to key UK regions

Well Exposed to key UK regions	Office portfolio by value
Birmingham	1.8%
Bristol	3.4%
Edinburgh	2.0%
Glasgow	15.4%
Leeds	9.8%
Manchester	5.7%
Total Big 6 regional office market	38.0%
South East	24.7%

Source: In-house analysis based on Cushman & Wakefield valuation (30 June 2017)

4) Opportunity for Regional Offices (continued)

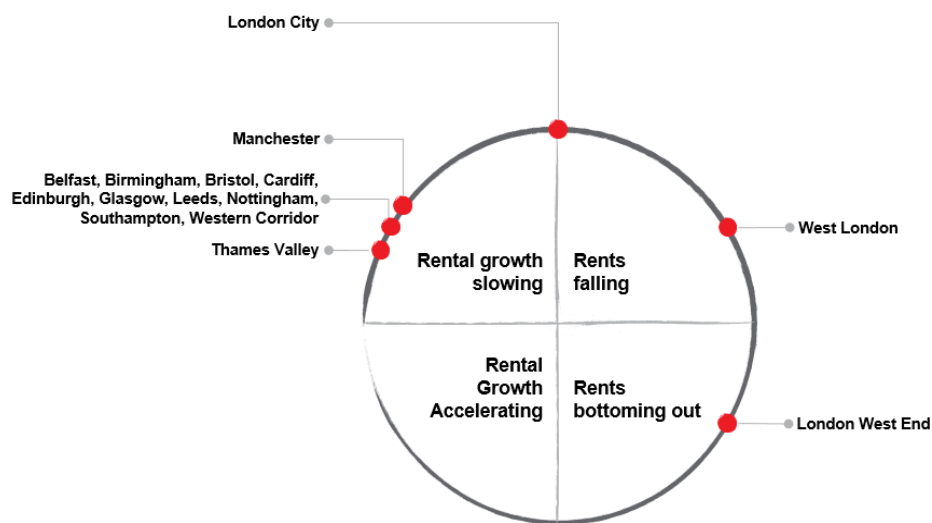
Rental growth accelerating in regional markets

- Prime rental growth across the core 8 regional office markets increased by an average of 3.3% year-on-year in 2016
- According to JLL:
 - Headline regional office rental growth to remain well supported throughout 2017
 - A falling supply of prime office properties in the UK's cities to result in an uplift in rents as the year progresses

The Asset Manager anticipates that demand for regional office space will continue throughout the remainder of 2017. A limited supply of prime properties will result in increased demand for high-quality secondary properties and recently refurbished office buildings

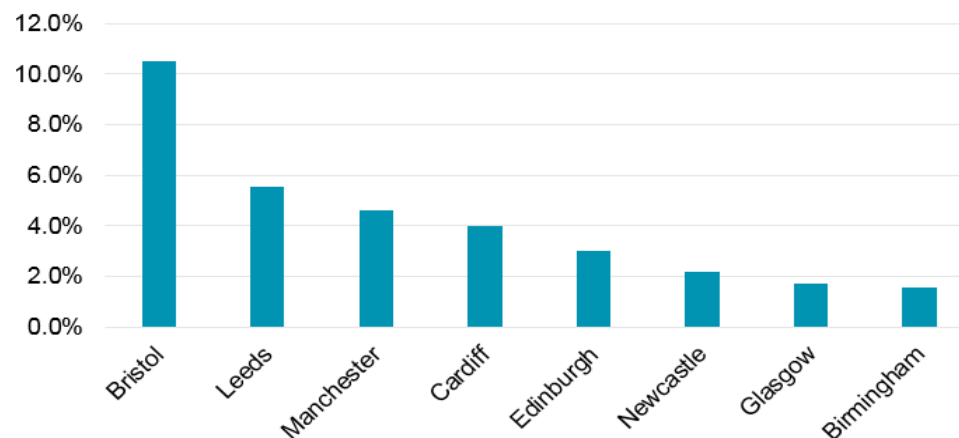
¹ Note. This diagram illustrates where JLL estimate each prime office market is within its individual rental cycle as at end of June 2017. Markets can move around the clock at different speeds and directions. The diagram is a convenient method of comparing the relative position of markets in their rental cycle. Their position is not necessarily representative of investment or development market prospects.. Their position refers to Prime Face Rental Values

UK office rental growth (Q2 2017) – The JLL Property Clock¹



Source: JLL (Q2 2017)

Prime offices rental growth by centre



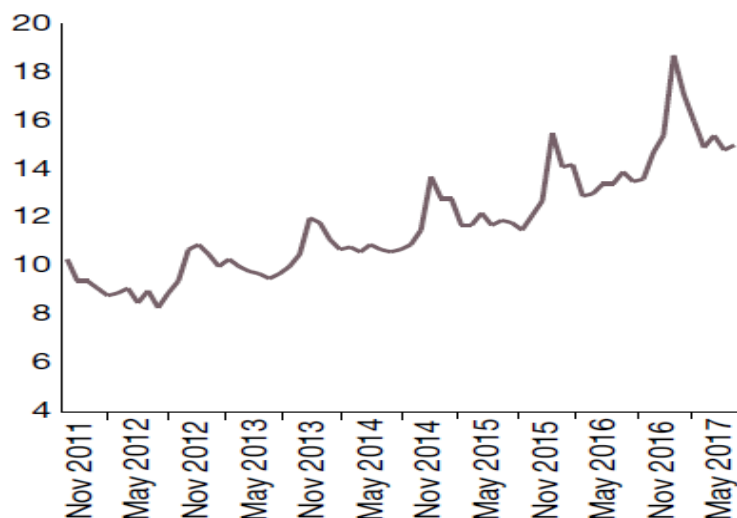
Source: Cushman & Wakefield Research (Q2 2017)

5) Opportunity for Regional Industrial

Demand increasing – Supply limited

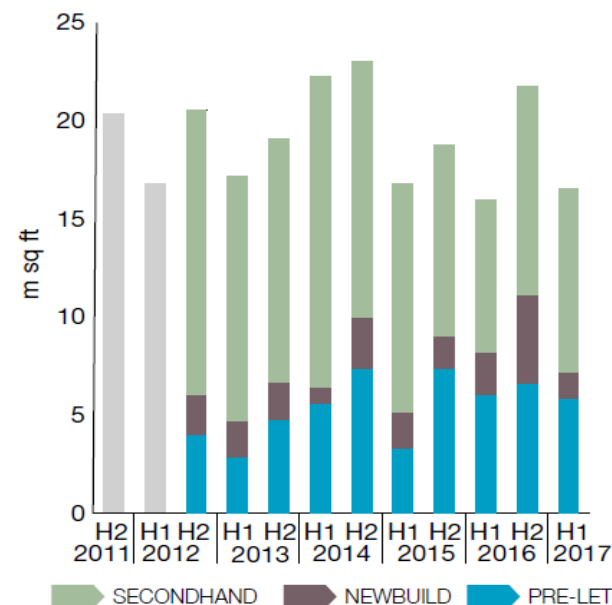
- According to Knight Frank, take-up on units over 50,000 sq. ft. in the UK's industrial and logistics markets totalled 16.5 million sq. ft. in H1 2017
- Take-up in H1 2017 was 2% higher than the same period in 2016, albeit below H2 2016 volumes. Demand in the Midlands remained strong, accounting for 32% of the total take-up
- 2017 forecasts anticipate growth in online retail of 14%. Cushman & Wakefield estimate e-commerce-related occupiers accounted for 30% of property take-up (Q1 2017)

Internet sales as a percentage of total retail sales (%)



Source: Knight Frank (H1 2017)

Take-up (50,000 sq. ft. plus)



Source: Knight Frank (H1 2017)

- Less speculative development in the market, with occupiers choosing purpose built solutions. Speculative development accounts for 35% of the overall development pipeline
- IPD figures show annual rental growth of 3.9% to June 2017
- IPF forecasts rental growth of c. 3% in 2017, 2.1% in 2018 and 1.7% in 2019

Appendix 3

Regional REIT UK Property Portfolio

High Yielding Portfolio set for UK Regional Market Recovery

Portfolio details at 30 June 2017

	Properties	Valuation	% by valuation	Sq. ft.	Occupancy (by value)	Occupancy (by area)	WAULT to first break	Gross rental income	Net rental income	Average rent £psf	ERV	Capital rate	Yield (%)		
		£m		(mil)	(%)	(%)	(yrs)	£m	£m	£psf	£m	£psf	Net initial	Equivalent	Reversionary
Office	75	402.0	62.8%	3.25	81.6%	81.6%	3.1	34.4	29.4	12.98	42.0	123.70	6.7%	8.3%	9.2%
Industrial	40	166.6	26.0%	4.44	84.1%	84.0%	3.8	14.0	12.5	3.74	16.6	37.52	6.4%	8.4%	9.4%
Retail	33	62.0	9.7%	0.59	91.7%	89.5%	4.2	5.5	4.5	10.54	5.8	105.69	6.8%	8.1%	8.5%
Other	2	9.9	1.5%	0.12	94.8%	61.1%	10.1	0.7	0.7	9.54	0.8	80.28	6.5%	7.8%	7.3%
Total	150	640.4	100.0%	8.40	83.3%	83.1%	3.5	54.6	47.1	7.82	65.1	76.25	6.7%	8.3%	9.2%

	Properties	Valuation	% by valuation	Sq. ft.	Occupancy (by value)	Occupancy (by area)	WAULT to first break	Gross rental income	Net rental income	Average rent £psf	ERV	Capital rate	Yield (%)		
		£m		(mil)	(%)	(%)	(yrs)	£m	£m	£psf	£m	£psf	Net initial	Equivalent	Reversionary
Scotland	46	159.4	24.9%	2.64	86.6%	83.7%	3.5	15.2	13.8	6.90	17.6	60.49	8.1%	9.2%	10.2%
South East	26	154.9	24.2%	1.33	88.9%	85.9%	2.8	12.8	11.3	11.13	14.2	116.08	6.6%	7.3%	8.0%
North East	19	83.8	13.1%	1.36	79.2%	83.6%	2.3	6.8	6.1	5.97	8.5	61.50	6.9%	8.5%	9.4%
Midlands	31	109.9	17.2%	1.32	83.7%	81.5%	3.3	9.4	8.2	8.75	10.6	83.39	6.8%	8.1%	8.7%
North West	17	75.1	11.7%	1.10	83.0%	86.4%	5.3	6.1	5.5	6.46	7.8	68.40	6.8%	8.9%	9.6%
South West	8	31.6	4.9%	0.26	54.7%	60.5%	3.5	2.2	0.6	13.59	4.0	120.15	1.6%	8.2%	9.9%
Wales	3	25.7	4.0%	0.39	87.1%	80.0%	6.4	2.2	1.5	7.00	2.4	66.31	5.5%	7.9%	8.6%
Total	150	640.4	100.0%	8.40	83.3%	83.1%	3.5	54.6	47.1	7.82	65.1	76.25	6.7%	8.3%	9.2%

Net yields are based on gross rental income after voids and irrecoverable costs and based on standard purchasers costs of approximately 6.8%

Note: Reversionary yield excludes expired leases

Tables may not sum due to rounding

Top 15 Investments (market value) as at 30 June 2017

Property	Sector	Anchor tenants	Market value	% of portfolio	Lettable area	Let by area	Annualised gross rent	WAULT to first break
			(£m)		(Sq. Ft.)	(%)	(£m)	(years)
Tay House, Glasgow	Office	Barclays Bank Plc, Glasgow University	32.3	5.0%	157,525	87.4%	2.2	4.0
Juniper Park, Basildon	Industrial	Schenker Limited, Vanguard Logistics Services Limited, Telnet Technology Services Limited, Tigers Global Logistics Limited	22.5	3.5%	295,950	70.0%	1.5	0.9
Buildings 2 & 3 HBOS Campus, Aylesbury	Office	Scottish Widows Limited, The Equitable Life Assurance Society	22.3	3.5%	146,936	73.9%	1.8	4.7
Wardpark Industrial Estate, Cumbernauld	Industrial	Thomson Pettie Limited, Cummins Limited, Balfour Beatty WorkSmart Limited, Bott Ltd, Bunzl UK Limited	19.4	3.0%	707,775	89.1%	2.3	2.1
Hampshire Corporate Park, Eastleigh	Office	Aviva Health UK Limited, Royal Bank of Scotland plc, Daisy Wholesale Limited, Utilita Energy Limited	16.4	2.6%	85,422	99.2%	1.4	3.2
One & Two Newstead Court, Annesley	Office	E.ON UK plc	15.4	2.4%	146,262	100.0%	1.4	3.1
Columbus House, Coventry, Coventry	Office	TUI Northern Europe Limited	14.6	2.3%	53,253	100.0%	1.4	6.5
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Limited	13.7	2.1%	246,209	100.0%	0.9	17.3
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Limited, Alstom UK Limited, Hill Rom UK Limited, Jigsaw Solutions Limited	13.5	2.1%	91,752	96.6%	1.0	3.0
Portland Street, Manchester	Office	Mott MacDonald Limited, New College Manchester	12.5	2.0%	54,959	100.0%	0.8	3.3
Arena Point, Leeds	Office	JD Wetherspoon PLC, Expotel Hotel Reservations Limited	12.3	1.9%	98,852	46.2%	0.6	2.0
The Point, Glasgow, Glasgow	Industrial	See Woo Foods (Glasgow) Limited, The University Court of the University of Glasgow, Euro Car Parts Limited	12.0	1.9%	169,190	94.1%	0.9	6.1
1-4 Llansamlet Retail Park, Nantaffin Rd, Swansea	Retail	Wren Living Limited, Steinhoff UK Group Property Limited, A Share & Sons Limited	11.9	1.9%	71,615	100.0%	1.1	5.6
The Brunel Centre, Bletchley	Retail	Wilkinson Hardware Stores Limited, Poundland Limited, Boots The Chemist Limited	11.7	1.8%	98,351	92.2%	1.0	2.5
Oakland House, Manchester	Office	HSS Hire Service Group Limited, Rentsmart Ltd	10.4	1.6%	161,768	80.0%	1.1	3.6
Total			240.8	37.6%	2,585,819		19.3	4.2

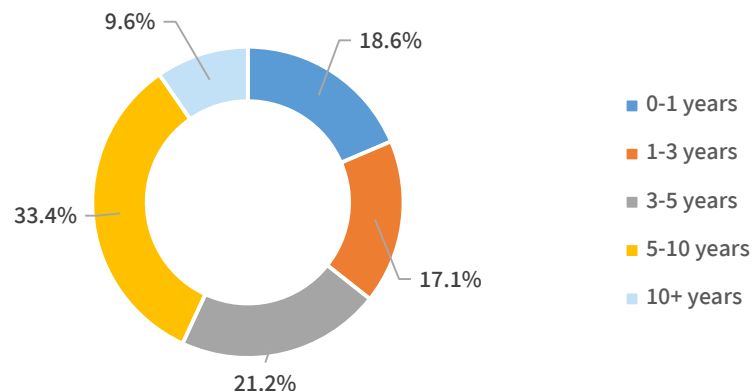
Table may not sum due to rounding

Stable Income Profile - Lease Expiries as at 30 June 2017

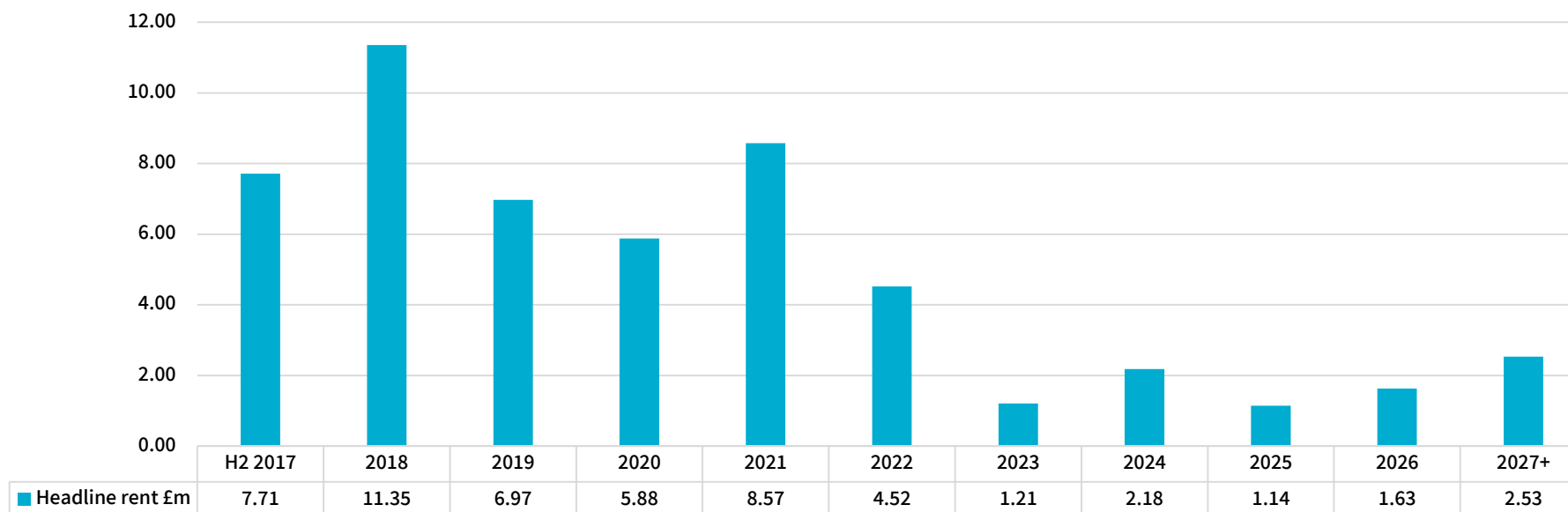
A large number of tenants offers income diversification and security of lease renewals

- Number of units: 1,093
- Number of tenants: 823
- Contracted rent roll: £54.6m
- WAULT of 5.3 years
- WAULT to first break of 3.5 years

Lease Expiry Income Profile



Lease Expiry Income Profile to First Break



* Lease expiry income profile to first break chart excludes income from tenants that remain in occupation post lease expiry

Top 15 Tenants (share of rental income) as at 30 June 2017

Stable income profile - income security core to management aims

Tenant	Property	Sector	WAULT to first break (Years)	Lettable area (Sq Ft)	% of Gross rental income
Barclays Bank Plc	Tay House, Glasgow	Financial and insurance activities	4.4	78,044	3.0%
E.ON UK Plc	One & Two Newstead Court, Annesley	Electricity, gas, steam and air conditioning supply	3.1	146,262	2.6%
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	6.5	53,253	2.5%
Scottish Widows Limited	Buildings 3 HBOS Campus, Aylesbury	Financial and insurance activities	4.4	80,103	2.5%
Aviva Insurance Ltd	CGU House, Leeds	Financial and insurance activities	0.3	50,763	1.9%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturing	17.3	246,209	1.7%
Sec of State for Communities & Local Govt	Sheldon Court, Solihull, Solihull, Bennett House, Hanley, Oakland House, Manchester	Public Sector	0.4	74,886	1.7%
Frontica Business Solutions Ltd	Craigievar House, Aberdeen	Professional, scientific and technical activities	0.5	58,826	1.6%
Fluor Limited	Brennan House, Farnborough	Construction	1.9	29,707	1.4%
The Secretary of State for Transport	St James Court & St Brendans Court, Bristol, Festival Court, Glasgow	Public Sector	3.0	55,586	1.3%
Lloyds Bank Plc	Victory House, Meeting House Lane, Chatham	Financial and insurance activities	0.9	48,372	1.2%
Aviva Health UK Ltd	Hampshire Corporate Park, Chandler's Ford, Eastleigh	Financial and insurance activities	1.5	42,612	1.2%
The Scottish Ministers c/o Scottish Prison	Calton House, Edinburgh	Public Sector	0.3	51,914	1.1%
Entserv UK	Birchwood Park, Warrington	Information and communication	3.5	50,549	1.1%
Europcar Group UK Ltd	James House, Leicester	Administrative and support service activities	4.0	66,436	1.1%
Total			3.8	1,133,522	25.9%

Table may not sum due to rounding

Case Study Update - Portfolio Acquisition Q1 2016: Wing Portfolio

- 4 offices/1 industrial site; 82.4%/17.6% (value)
- Purchased for £37.5m - 8.5% net initial yield
- Refurbishments and letting vacant space, change of use application ongoing
- Occupancy (by area): acquisition, 78.2%; H1'17, 84.5%
- Current rental income £3.5m
- Current valuation £39.5m; equivalent yield 11.2%

Oakland House, Manchester

- Front of house works undertaken to improve immediate presentation and installation of high-level external illuminated signage to “landmark” the building
- Management agreement with serviced office provider for second-third floors (21,871 sq. ft.) and other lettings

Arena Point, Leeds

- Marketing campaign launched with new name and branding
- Phase One refurbishment of foyer and sixth-seventh floors (Phase 1). Works completed July - £1.1m capex investment. Phase Two (4th & 5th floors) for completion Q4 2017 and Phase 3 (1st, 2nd & 3rd floors) to follow
- Number of new lettings

Northern Cross, Basingstoke

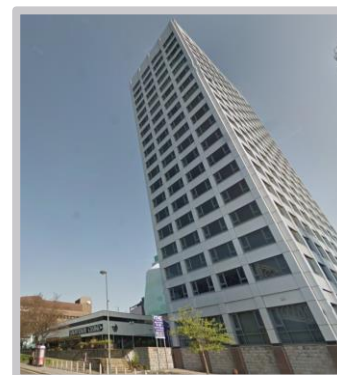
- Comprehensive repair scheme - costs of £185,000 to be recovered from service charge over next few years

Tokenspire Business Park, Beverley

- Number of new lettings



Oakland House, Manchester



Arena Point, Leeds



James House, Leicester



Tokenspire Business Park, Beverley

Case Study - Portfolio Acquisition Q1 2016: Rainbow Portfolio

- 5 offices/7 industrial sites; 47.5%/52.5% (value)
- Purchased for £80.0m - 8.2% net initial yield
- Lease re-gears and lettings and refurbishments of vacant space
- Occupancy (by area): acquisition: 77.2%; H1'17, 75.3%
- Current rental income £6.5m
- Current valuation £82.4m; equivalent yield 9.3%

Aylesbury

- Building 2 re-letting of first-second floors to Equitable Life completed November 2016 for 10-years
- Building 2 - dilapidation negotiations ongoing with LBG for an improved settlement; refurbishment works with completion in December 2017
- Terms issued for letting of part of fourth floor; strong interest in remaining floors

800 Aztec West, Bristol

- £6.3m refurbishment scheme commenced – completion Q2 2018
- Terms issued to potential single whole building occupier. Good occupier interest on basis of multi let basis – offers largest single floors in Bristol out of town market

Phoenix Business Park, Paisley

- Letting of Chiron House and part-letting of Trojan House

Juniper Park, Basildon

- Lease renewal discussions with Schenker to relocate to adjoining vacant unit and to release more marketable office space
- Unit 1A (65,603 sq. ft.) let to A Share & Sons Ltd t/a ScS from 1 September 2017



Juniper Park, Southfield Industrial Estate, Basildon



800 Aztec West, Bristol



Buildings 2 & 3, Aylesbury

Case Study – Offices: Hampshire House, Hampshire Court, Eastleigh

Lease termination with re-let and refurbishment, enhancing the capital value

Investment Overview

- 42,810 sq. ft. out-of-town modern office building
- Let to Aviva until December 2016 and to Royal Bank of Scotland to December 2021 with tenant break options in December 2016

Investment Strategy

- Programme of common internal and external works undertaken – a combination of capex and service charge recovery – to improve external aesthetics
- Improvements undertaken to entrance and foyer, together with creation of ground floor WC and shower/locker facilities and with upgrading of WC's on tenant floors.
- In the knowledge that Aviva would not renew their occupation a marketing campaign was initiated, with the building re-branded to Hampshire House (from NatWest House)
- Design team appointed to undertake Cat A refurbishment to former Aviva second-floor space immediately upon expiry of Aviva's lease – gross capex, before dilapidations settlement, of £1.1m
- Works commenced January 2017, completed May 2017, on 20,000 sq. ft. first-floor
- Refurbished space pre-let to Daisy and Utilita (10,000 sq. ft. per letting) at improved headline rent of £19.75 psf – passing previous Aviva rent of £16.68 psf
- Royal Bank of Scotland did not exercise break - opportunity to grow RBS rent from December 2016 review, which is still in negotiation



Case Study – Offices: St. James House, The Square, Bath

Investment Overview

- Modern office development (1991) over ground and three upper floors totalling 14,507 sq. ft. with 30 parking spaces, situated to the south of Bath city centre
- Acquired August 2014 as part of a portfolio - apportioned price £3.67m

Investment Strategy

- September 2014 - agreed with BBC to allow sub-letting of second floor to 1PM expiring August 2017 (prior to BBC break option) at a rent of £70,830 pa (£17.50/sq. ft.). September 2015 – agreed with BBC to extend 1PM sub lease to Aug 2022 with break Aug 2020
- February 2015 – agreed with BBC to sub-let top floor to Aria Networks expiring August 2017 at £55,965 pa (£17.50/sq. ft.)
- September 2015 – negotiated surrender with BBC of their lease at £1.1m, including £250,000 for dilapidations
- Q4 2015 – refurbishment works undertaken at a cost of £196,370, comprising new Grade A office accommodation to the ground and first floor and remodelling of entrance foyer. Fit-out to all floors including ceilings, lighting, air conditioning, heating system and new joinery, raised access floor boxes and carpeting.
- December 2016 valuation - £3.2m
- January 17 – lease of third floor to Aria Networks re-gearred for 5 years from 1 July 2017 subject to tenant break option after 2.5 years. Rent increased to average of £19.30 psf
- March 2017 – Ground floor (3,662 sq. ft.) let to Carter Jonas – 10 year term with tenant break and review at fifth anniversary – headline rent £73,240 (£20 psf). First floor (3,979 sq. ft.) let to Savings Champion - 10 year term with tenant break and review at fifth anniversary – headline rent £79,580 (£20 psf).
- Asset brought to market in May 2017 and sold August 2017 for £4.6m; 6% NIY (inc purchaser's costs)



Acqn Price (Aug 2014)	£3.67m	
Sale Price (Aug 2017)	£4.60m	
Total Capex	£0.20m	
Tenants	a) Carter Jonas Service Company (10-year lease) b) Savings Champion.co.uk Ltd (10-year lease) c) 1 PM (UK) Ltd (6-year lease) – lease re-gearred d) Aria Networks Ltd (7-year lease) – lease re-gearred	
ERV pa (£m)	£0.297m	
Returns	Net Income	£0.346m
	Surrender Premium	£0.850m
	Capex Net of Dilaps	£0.048m
	Gain on Sale	£0.615m
	Total Return Ungeared	£1.859m
		16.9% IRR
	Total Return Geared	£1.662m
		23.5% IRR

Case Study – Industrial: Tokenspire Business Park , Beverley

Active asset management by way of a refurbishment programme and tenant engagement, to enhance attractiveness of the property and improve lettable

Investment Overview

- Acquired in March 2016 as part of the “Wing” portfolio; total floor area of 322,810 sq. ft.
- Multi-let industrial estate within a secure site, comprising units ranging from 367 sq. ft. to 47,886 sq. ft.
- At acquisition, the Estate had an occupancy rate of 67.5% (by value), contracted income of £647,974 and with 14 of the 45 units/yards vacant
- Opportunity to enhance the Estate’s roads and common areas
- Increased marketing and management to build interest in vacant units and retain tenants

Investment Strategy

- Management intensive approach undertaken to ensure that contracts were in place for all roads, landscaped areas and common facilities to be properly maintained
- Marketing effort increased - regular site meetings with the Agents to ensure a timely requisite response
- Proactive approach resulted in a number of the larger existing tenants agreeing to commit their medium-term futures to the Estate, eg, Sargent Electrical Services expanding into Unit 35, TAPCO Europe extending their lease of Units 31 & 32 and QDOS Entertainment expanding into Units 14 & 15
- Since acquisition 9 new lettings, 6 existing tenants expanding into larger premises/taking additional space and numerous lease re-gears completed
- Take-up since acquisition of 92,415 sq. ft., with occupancy at 96% (by value – latest). The contracted rent has increased by £200,000 pa



Case Study – Industrial: Grecian Crescent, Bolton

New letting following refurbishment, enhancing the capital value

Investment Overview

- Acquired in August 2014 as part of the “Empire” portfolio, with a total floor area of 25,550 sq. ft.. Let to Wolseley to December 2015 at £106,000 pa (£4.15 psf).

Investment Strategy

- Sought to agree new lease with Wolseley. As a result of a change in Wolseley’s business model, after a period of holding over, Wolseley exited in October 2016.
- Dilapidations agreed at £60,000. Capital expenditure of £170,000 (inc fees) invested in refurbishment
- Marketing programme advanced
- Letting to Servlite UK Limited at an annual rent of £121,600 pa (£4.75 psf) from August 2017 on a 10-year term with tenant break at year 5



Case Study – Offices: Brennan House, Farnborough

Property vacant upon acquisition, now fully occupied and income producing following completion of letting to Fluor Limited

Investment Overview

- Self-contained office building arranged over ground and two upper floors, constructed in the early 1990's
- 29,707 sq. ft. three-storey modern office acquired as part of Conygar portfolio acquisition in March 2017

Investment Strategy

- Vacant upon acquisition with a 24-month void/incentive appraised for the valuation
- Let entirely to Fluor Limited May 2017. 7-year lease with breaks on second and third anniversaries. Incentive of one-month rent free
- Headline rental income of £756,536 (£24.50 psf)



Case Study – Offices: Buildings 2 & 3, HBOS Campus, Aylesbury

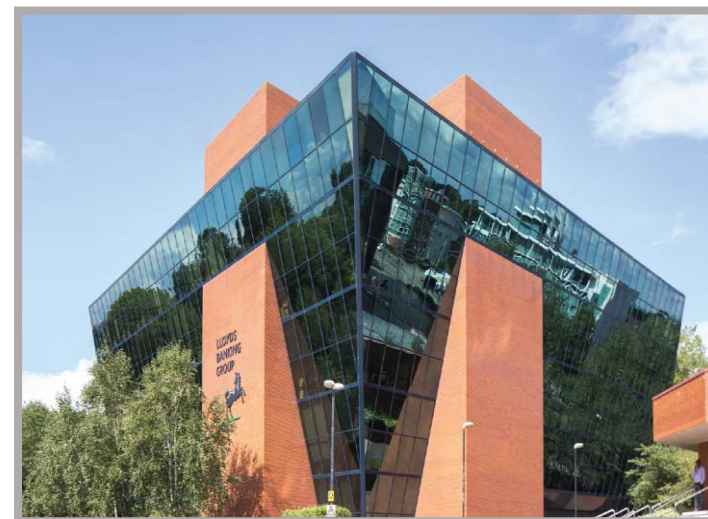
Adding value through new lettings, refurbishment and upgrading of voids

Investment Overview

- Two imposing HQ-style office buildings situated on extensive self-contained campus-style grounds
- Building 2 is a 66,833 sq. ft. five-storey steel frame building. Known locally as the 'Blue Leanie', the building is of a unique design purpose built for Equitable Life in 1988
- Building 3 is a large floor plate purpose-built office property extending to 80,103 sq. ft.. The building is formed in a courtyard style and is of steel frame construction with part glazed and part-brick facades

Investment Strategy

- At acquisition, both buildings were let to Lloyds Banking Group (LBG) with the leases held by Scottish Widows Limited. Building 3 was wholly occupied by LBG with Building 2 part-vacant and part-occupied over two floors by LBG
- Prior to acquisition LBG had served a Notice to Quit on Building 2 as at the break option in November 2016. Original strategy was to retain Equitable Life across the two floors they occupied and undertake a large scale refurbishment of the building to address the long term under investment and create an attractive property for the commercial letting market
- Re-gear the Equitable Life sub-tenancies by two new 10-year leases over floors 1 and 2 at a combined rent of £426,360 pa, equivalent to £15.00 psf. Second-floor lease has a break option as at the third and fifth anniversaries to accommodate the expected gradual reduction of the Equitable Life operation
- Refurbishment of Building 2 is now underway with completion expected in December 2017. The capital expenditure of £3.4m encompasses a full refurbishment of all of the office floors and upgrading entrance, common areas and lifts
- Dilapidations claim against LBG progressing - expect to negotiate a full settlement of £1.1m against the cost of the refurbishment works
- Strong interest in all available floors. Heads of terms issued on 5,800 sq. ft. of the fourth floor at £16.00 psf. with terms also being progressed on first floor at a rent of £17.00 psf. Separate discussions with an occupier interested in taking all of the remaining space
- LBG lease of Building 3 expires in November 2021



Case Study – Industrial: Thames Trading Estate, Irlam

Adding value through intensive asset management

Investment Overview

- 36,000 sq. ft. industrial site acquired with the “Empire” portfolio, August 2014
- At acquisition the Estate had occupancy (by area) of 54% and a net rental income of only £76,350 pa, with 11 of the 18 units vacant and with 71% of incumbent tenants holding over on old leases
- Estate suffered from lack of investment and maintenance
- Poor marketing and management resulted in tenants exiting and no new occupiers being attracted

Investment Strategy

- Programme of works advanced included installing a self closing security gate, lining of common gutters, creation of improved concrete hard standings and new estate signage. Vacant units refurbished and appearance of all units enhanced by installation of roller shutters doors and common painting
- Total investment of some £165,000 - common area refurbishment funded by the service charge recovered from tenants
- Initial works started in February 2015 and completed April 2015
- Lease re-gears completed with many incumbent tenants, improving headline rents. Letting agents changed and new marketing campaign launched
- Final vacant unit let in June 2017. The Estate now produces a total rental income of c. £160,000 pa, typically on 5-year lease terms, an increase of some 115% on the income at acquisition
- Now seeking to sell the Estate into a strong industrial market at a premium to valuation



Case Study – Offices: Arena Point, Leeds

Adding value through intensive asset management

Investment Overview

- Acquired in March 2016 as part of the “Wing” portfolio, with a total floor area of 98,852 sq. ft.
- Rebranded (formerly ‘Tower North Central’), with new high-level illuminated signage and the launch of a marketing campaign highlighting the property as a landmark location in the cityscape

Investment Strategy

- Progressive three phase refurbishment. Phase 1 foyer, basement service area and the first to seventh floors - capex of c. £1.1m
- Sixth and seventh floors let to Interserve prior to completion of refurbishment; 8,152 sq. ft. at £12.50 psf
- Fifteenth floor let to Just Add Water and to Go Ballistic Limited. Lettings to date have generated additional rental income of some £149,500 pa
- Agreement reached with Stepchange to commence rental payments on eighth floor - £42,700 pa; had previously been occupying on historic soft deal covering rates and service charge only
- Phase Two refurbishment (fourth and fifth floors) is currently being advanced, with completion expected in September 2017. Final phase of refurbishment will cover the second and third floors and is expected to be completed in Q4 2017
- Planning secured for high level signage to landmark building on cityscape



Appendix 4

Introduction to Regional REIT & External Management

Introduction to Regional REIT Limited

- Listed in November 2015; initial portfolio £386m - 128 properties, 512 tenants and 713 units
 - Combination of 2 commercial property investment funds
 - Joint venture between London & Scottish Investments and Toscafund Asset Management
 - Strategy is to take advantage of an over-correction in the commercial property market and strong economic growth prospects for the UK's regions
-
- Invests in a diversified portfolio of good secondary offices and industrial assets in the principal regions of the UK outside of the M25
 - Acquires mis-priced or under-managed, principally income-producing, properties
 - Property management is intensive and granular, close to the tenant, with each property modelled and planned
 - Assets managed by an experienced and established team
-
- Premium listed on the LSE's Main Market and included in the FTSE All Share and EPRA NAREIT Developed Europe indices
 - UK REIT with market capitalisation of c. £300m, governed by an experienced independent Board
 - Aiming for an attractive total return to Shareholders of 10-15% pa; targeting net LTV ratio of c. 35%

High dividend distribution UK REIT, offering an unrivalled exposure to the regional commercial property market with active management by an experienced Asset Manager

Management Contract

Term	<p>Initial period: Fixed for 5-years with 12-month notice period (ie, notice period will run from end of year 5 for 12 months)</p> <p>Thereafter: 3-years with 12-month minimum notice period (ie, notice has to be given before the end of year 2)</p>
Management Fees	<p>1.1% of EPRA NAV up to £500m; 0.9% on EPRA NAV over £500m. Payable quarterly in arrears (split 50:50 between LSI and Toscafund)</p> <p>4% of gross rental income payable quarterly in arrears (LSI only)</p>
Performance fee:	<p>15% of the Total Return (EPRA NAV growth plus dividends declared) over an 8% annual Hurdle Rate, subject to a high-water mark (split 50:50 between LSI and Toscafund)</p> <p>Initial period: First calculation from Admission (6/11/15) to 31/12/18; paid 50% in cash and 50% in shares (at the then market price) locked in for 1-year</p> <p>Thereafter: Incentive fee calculated annually; paid one-third in cash, one-third in shares locked in for 1 year and one-third in shares locked in for 2-years</p>
Management lock-ins	<p>Management holdings at IPO were locked in for 1-year. Shares received in lieu of performance up to 30 June 2015 were locked-in for 180 days</p>
Internalisation	<p>Commitment to no internalisation for first 5-years or until EPRA net assets above £750m; then subject to independent shareholders' vote</p>

Asset Manager, Investment Criteria and Management Approach

Highly experienced management with strict investment criteria and a hands-on approach

London & Scottish Investments – Asset Manager

- A long established property investment management company
- Senior management collectively have 150+ years of property experience and an in-depth knowledge of construction and development
- Offices in Glasgow, Manchester, Leeds and London
- Employs 56 people as at 30 June 2017, including: 22 property managers, 14 finance and 4 support staff

Investment criteria

- Targeting an attractive 10-15% annual total return for Shareholders
- Net LTV target of 35% (maximum 50%)
- To expand portfolio via regional office and industrial acquisitions
- No single property to exceed 10% (20% in special circumstances) of Gross Asset Value
- Minimum value of single acquisition (unless part of a portfolio) is £5m

Management approach – to improve asset quality by applying forensic attention to detail of tenants and assets

- Lease renewals and rent reviews
- Minimising voids via aggressive marketing of vacant space
- Enhancing the tenant mix and covenant strength
- Refurbishments, extensions, changes of use, etc, to exploit potential
- Recycling of capital out of the legacy portfolio to focus on selected core markets

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