



COREALCREDIT

CONSTRUCTIVE. CREATIVE. COMPETITIVE.

COREALCREDIT BANK AG  
Corporate presentation

## ■ History

- Business model
- Business development
- Refinancing
- Prospects

# COREALCREDIT BANK AG is a specialist German bank focusing on commercial real estate financing

2006/2007

- Recapitalisation of the Bank (EUR 1.1bn) by LSF 5 German Investment, L.P.
- Organisational and strategic realignment
- Restructuring of loan portfolio and establishing of lean organisational structures with the ability to make quick decisions

2007/2008

- Implementation of the new business model
- Established in the market for professional real estate financing
- Return to profitability already in 2007

2009

- Successful debut in the capital market with a EUR 500 million Mortgage Pfandbrief
- First public issuance of the Bank for more than 4 years
- Squeeze-out successful; 100% ownership by LSF 5

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COREALCREDIT BANK is a specialised bank for commercial real estate financing in Germany



## COREALCREDIT

### Real Estate Financing & Advisory


- Intelligent one-stop and in-time solutions for professional real estate investors
- Tailor-made financing and advisory solutions for all types of real estate investments

### Germany

- Strong expertise by specialising on the German real estate (financing) market
- Represented on all important real estate markets in Germany through a nationwide network of client advisors with local market knowledge, supported by specialists

## Financing criteria

- All major real estate sectors:  
offices, commercial, residential and logistics  
properties
- Selected properties:  
hotels and special properties
- Financing period: up to 10 years
- Financing volume: from EUR 10 million
- Current hypothecation:  
up to 70% of the property's market value



**COREALCREDIT offers ideal  
coordinated solutions,  
supplemented by derivatives  
for risk management**

## COREALCREDIT BANK uses three types of refinancing

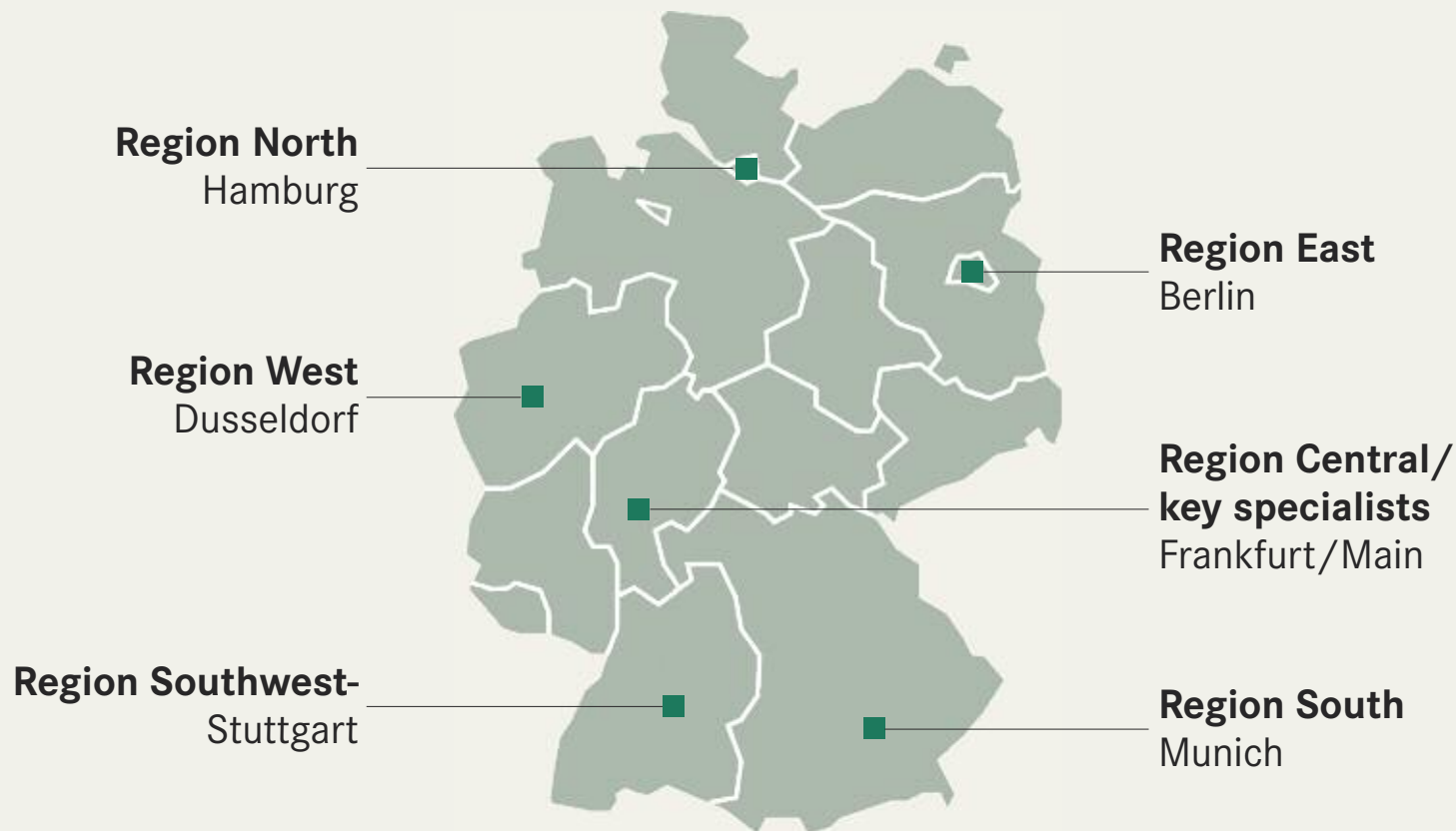
### COREALCREDIT: Refinancing sources

page 7



- Securing the ability to access the capital market is one of the requirements for the efficient use of refinancing sources
- The choice of refinancing type is subject to eligibility for division into tranches as well as market conditions

# COREALCREDIT BANK attracts new clients in Germany directly via its six regional offices



# Reliable financing from Lone Star as the basis for restructuring of the Bank

## 100% Lone Star Funds 5 German Investments, L.P.

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- Acquisition of the majority of shares by Lone Star in December 2005, increased to 100% by June 2009
- Provision of additional equity capital amounting to approx. EUR 1.1 billion in 2006
  - EUR 872.5 million allocated to the capital reserve
  - EUR 211.0 million provided as subordinated loan, due 2036

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With its new business model the Bank is well established in the real estate financing market



**Business development**

**New business**

**Profitability**

- The Bank's **credit lending policy** is on the basis of strict risk criterias, paying particular attention to its liquidity management
  - The success in new business based on **profitability**, not volume targets; accordingly, sales objectives are measured on profit contribution
- 
- **New business volume 06/2010**: EUR 242 million
  - This figure comprises EUR 154 million in **completed transactions** and EUR 88 million in extensions
- 
- Higher **margins** than expected allowed us to achieve our profitability targets in new business, despite strict risk criterias and with less business volume
  - **Ø margin > 200bp** with modest Ø-LTV of 78%

## Net profit of EUR 1.5 million is in line with the Bank's planning

	30/06/09	31/12/09	30/06/10
<b>Net interest income</b>	<b>40.6</b>	<b>72.2</b>	<b>28.2</b>
<b>Net commission income</b>	<b>3.5</b>	<b>4.7</b>	<b>-0.7</b>
<b>Net income from participations</b>	<b>0.3</b>	<b>0.9</b>	<b>0.4</b>
<b>Net income from interest, commission and participations</b>	<b>44.4</b>	<b>77.7</b>	<b>27.9</b>
Personnel costs	-11.9	-22.8	-12.2
Other administrative expenses	19.9	-36.3	-15.2
<b>General administrative expenses</b>	<b>-31.8</b>	<b>-59.1</b>	<b>-27.4</b>
<b>Partial operating result</b>	<b>12.7</b>	<b>18.6</b>	<b>0.6</b>
<b>Other operating expenses and income</b>	<b>2.3</b>	<b>7.8</b>	<b>2.4</b>
<b>Operating result before risk provisions</b>	<b>15.0</b>	<b>26.5</b>	<b>3.0</b>
<b>Risk provisions</b>	<b>-13.8</b>	<b>-24.3</b>	<b>4.4</b>
<b>Net income from investments</b>	<b>0.0</b>	<b>-4.4</b>	<b>-1.9</b>
<b>Net operating result before tax</b>	<b>1.2</b>	<b>-2.3</b>	<b>5.5</b>
<b>Extraordinary result</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.0</b>
<b>Net profit before taxes</b>	<b>1.2</b>	<b>-2.3</b>	<b>1.5</b>
<b>Taxes</b>	<b>0.2</b>	<b>4.9</b>	<b>0.0</b>
<b>Net profit</b>	<b>1.3</b>	<b>2.6</b>	<b>1.5</b>

### ■ Net interest income:

Positive result of comprehensive streamlining of the portfolio and the generation of new business with improved value retention

- Year-on-year reduction due to an absence of exceptional items from swap close-outs

### ■ Risk provisions:

Compensation of credit risk provision by positive security result and utilisation of the contingency reserves according to § 340f HGB allocated in 2008

### ■ Extraordinary result:

Pro-rata allocation to pension reserves due to the implementation of the German Accounting Law Modernisation Act (BilMoG)

## Total assets reduced according to plan

COREALCREDIT: Balance sheet 06/2010

page 13

Assets	31/12/08	31/12/09	30/06/10
<b>1. Due from banks</b>	<b>2.1</b>	<b>0.9</b>	<b>1.1</b>
- Public sector loans	0.6	0.3	0.3
- Other receivables	1.5	0.6	0.8
<b>2. Due from customers</b>	<b>6.9</b>	<b>5.6</b>	<b>5.3</b>
- Mortgage loans	5.7	5.2	4.9
- Public sector loans	1.2	0.4	0.4
- Other receivables	0.0	0.0	0.0
<b>3. Bonds and other fixed-interest securities</b>	<b>6.4</b>	<b>4.4</b>	<b>3.7</b>
<b>4. Other assets</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>
<b>Total assets</b>	<b>15.8</b>	<b>11.4</b>	<b>10.4</b>
Liabilities	31/12/08	31/12/09	30/06/10
<b>1. Due to banks</b>	<b>2.9</b>	<b>2.2</b>	<b>1.6</b>
<b>2. Due to customers</b>	<b>3.6</b>	<b>2.8</b>	<b>2.5</b>
<b>3. Securitised liabilities</b>	<b>7.8</b>	<b>5.1</b>	<b>5.0</b>
<b>4. Other liabilities</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>
<b>Total assets</b>	<b>15.8</b>	<b>11.4</b>	<b>10.4</b>

- Reduction of **total assets** from EUR 11.4 billion to EUR 10.4 billion as planned
- Reduction of the **public sector portfolio** by EUR 0.4 billion to EUR 3.5 billion
- The commercial **real estate portfolio** decreased by EUR 0.3 billion to EUR 4.9 billion

# Stable core capital as main building block of a comfortable capitalisation

	Regulatory figures *					
	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09	30/06/10
<b>Risk-weighted assets</b> (EUR million)	17,847	11,928	6,949	5,703	5,128	4,706
<b>Liable equity</b> (EUR million)	1,770	993	1,028	1,047	1,041	927
<b>Core capital</b> (EUR million)	932	625	678	690	692	692
<b>Total capital ratio</b>	9.9%	8.3%	14.8%	18.4%	20.3%	<b>19.7%</b>
<b>Core capital ratio</b>	5.2%	5.2%	9.8%	12.1%	13.5%	<b>14.7%</b>

\* German Commercial Code (HGB)

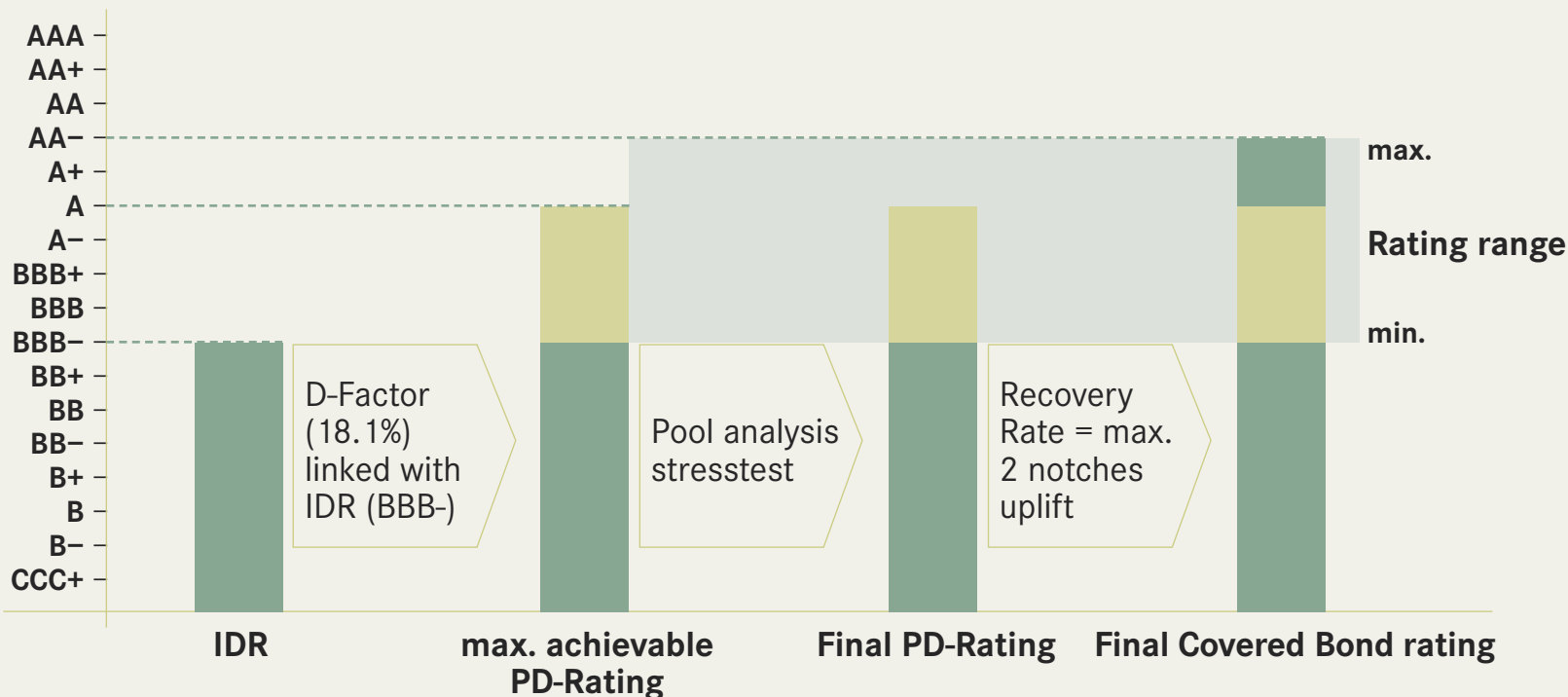
## Fitch confirmed COREALCREDIT BANK's ratings with stable outlook

### Current ratings of COREALCREDIT BANK AG

	Fitch
<b>Long-term rating</b>	BBB-
<b>Short-term rating</b>	F3
<b>Individual rating</b>	D
<b>Support rating</b>	2
<b>Outlook</b>	stable
<b>Mortgage Pfandbriefe</b>	
- Rating	AA-
- D-Factor	18.1%
<b>Public sector Pfandbriefe</b>	
- Rating	AAA
- D-Factor	6.1%

# The methodical best possible rating for COREALCREDIT BANK's Mortgage Pfandbrief

## Fitch: Rating Criteria Covered Bonds



### D-Factor – determining factors:

- Asset segregation (45%)
- Alternative management (15%)
- Liquidity gaps (35%)
- Covered Bonds oversight (5%)

Issuer IDR	Discontinuity Factor (%)		
	30.0	20.0	15.0
A-	AA	AA+	AA+
BBB+	AA-	AA	AA
BBB	A+	AA-	AA-
BBB-	BBB+	<b>A</b>	A+
BB+	BBB	BBB+	A-

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# Mortgage Pfandbrief as main refinancing instrument in a broad mix of instruments

- Most new business can be included in the mortgage cover pool, so the **Mortgage Pfandbrief** currently serves as the most important refinancing instrument
- **Successful return to the capital-markets** with an public issuance of a Mortgage Pfandbrief (EUR 500 million) in 11/2009
- Public issuance of a second Mortgage Pfandbrief (EUR 500 million) in June 2010. Furthermore, the Bank issued Mortgage Pfandbriefe as **private placements** in the amount of EUR 207.5 million in 2010
- Guaranteed funding of EUR 500 million from **SoFFin**, as well as the option of accepting customer deposits under the **deposit guarantee scheme** provides sufficient liquidity for the Bank
- Uncovered bonds will be issued once the market has recovered – the foundations for this have already been laid by updating the Bank's **DIP** and **CP programme**

# Voluntary public commitment to maintain a nominal over-collateralisation of at least 13%

Mortgage coverage as of 06/2010

page 19

## Volume of mortgage coverage

**Total volume: EUR 3,925 million.**

Residential: 34%

Commercial: 50%      Substitute cover: 16%

## Breakdown by region

**Domestic: 100%      International: 0%**  
thereof

West: 72%      East: 17%      Berlin: 11%

## Over-collateralisation

**Volume of outstanding Pfandbriefe: EUR 3,420 million**

**Over-collateralisation on nominal value basis: 14.8%**

**Over-collateralisation on present value basis: 17.4%**

- History
- Business model
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# COREALCREDIT BANK is ready for future challenges

Stable business model:  
Restructured and  
competitive

Adequate liquidity:  
Liquidity is secured at  
least beyond 2011

High cover pool quality:  
Best possible rating for  
the Bank's Pfandbriefe

**COREALCREDIT**  
**Stable and**  
**Competitive!**

Stable core market:  
Focus on  
German properties

Solid capital base:  
Core capital ratio  
of 14.7%

Return capability:  
Rating-upgrade expected  
perspectively



# COREALCREDIT

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## Contact

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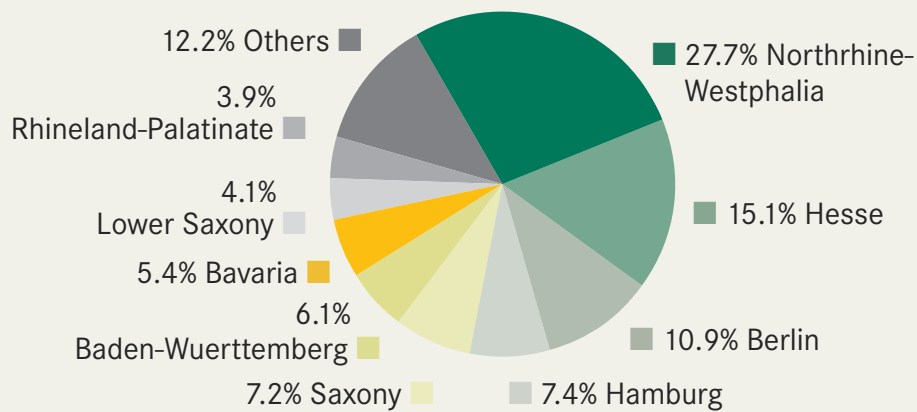
Annex

# Regional focus in Northrhine-Westphalia, Hesse and Berlin

## Mortgage coverage as of 06/2010 – geographical breakdown

### Total volume of cover assets: EUR 3,280 million

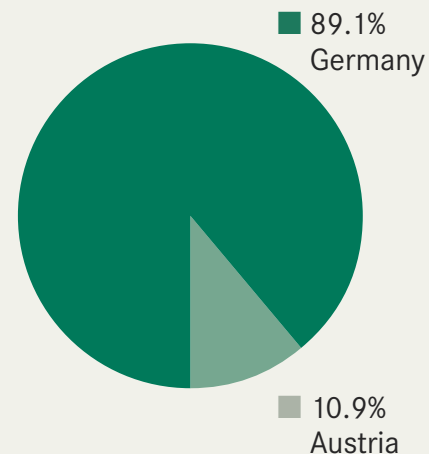
(excl. further cover assets according to section 19 PfandBG)



■ Brandenburg, Saxony-Anhalt, Mecklenburg-West. Pomm., Thuringia, Schleswig-Holstein, Bremen, Saarland

### Further cover assets: EUR 645 million

(securities & deposits)



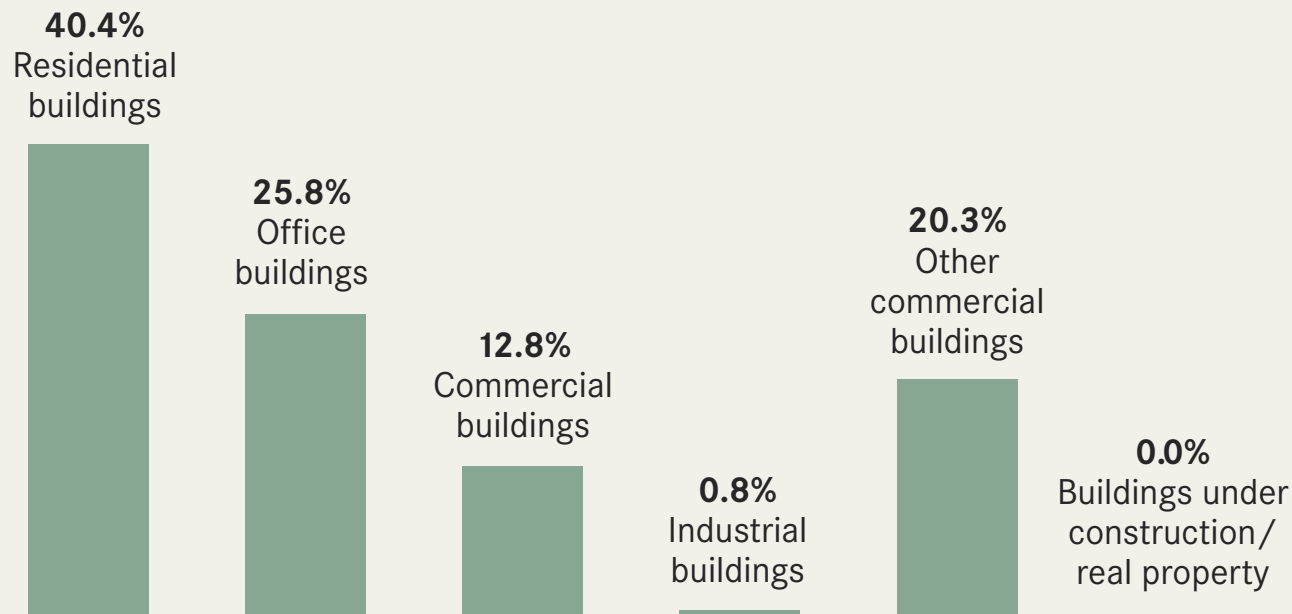
# High proportion of residential buildings reduces volatility in challenging times

Mortgage coverage as of 06/2010 – type of usage

page 25

## Total volume of cover assets: EUR 3,280 million

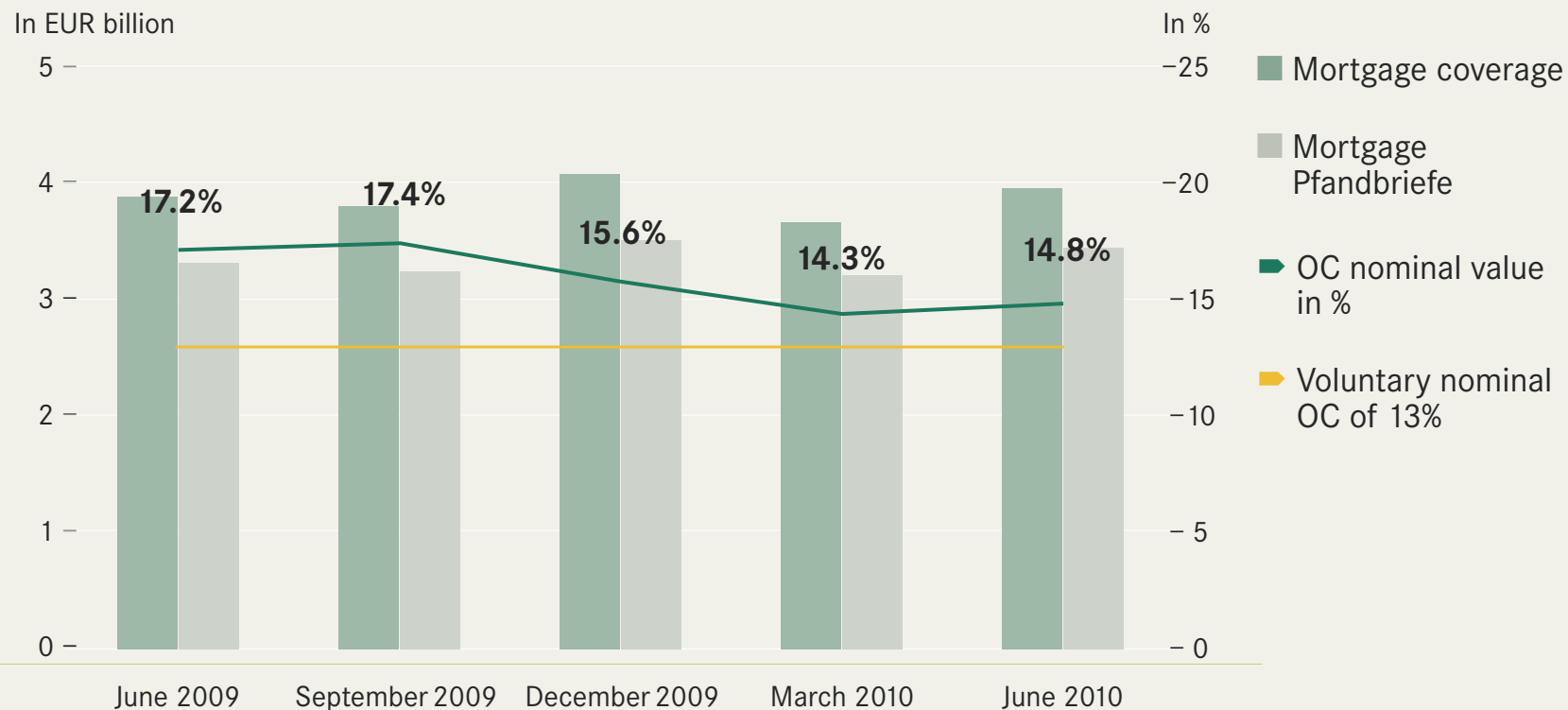
(excl. further cover assets according to section 19 PfandBG)



# Voluntary public commitment to maintain a nominal overcollateralisation of at least 13%

## Mortgage coverage as of 06/2010 – nominal overcollateralisation

### Total volume: EUR 3,925 million



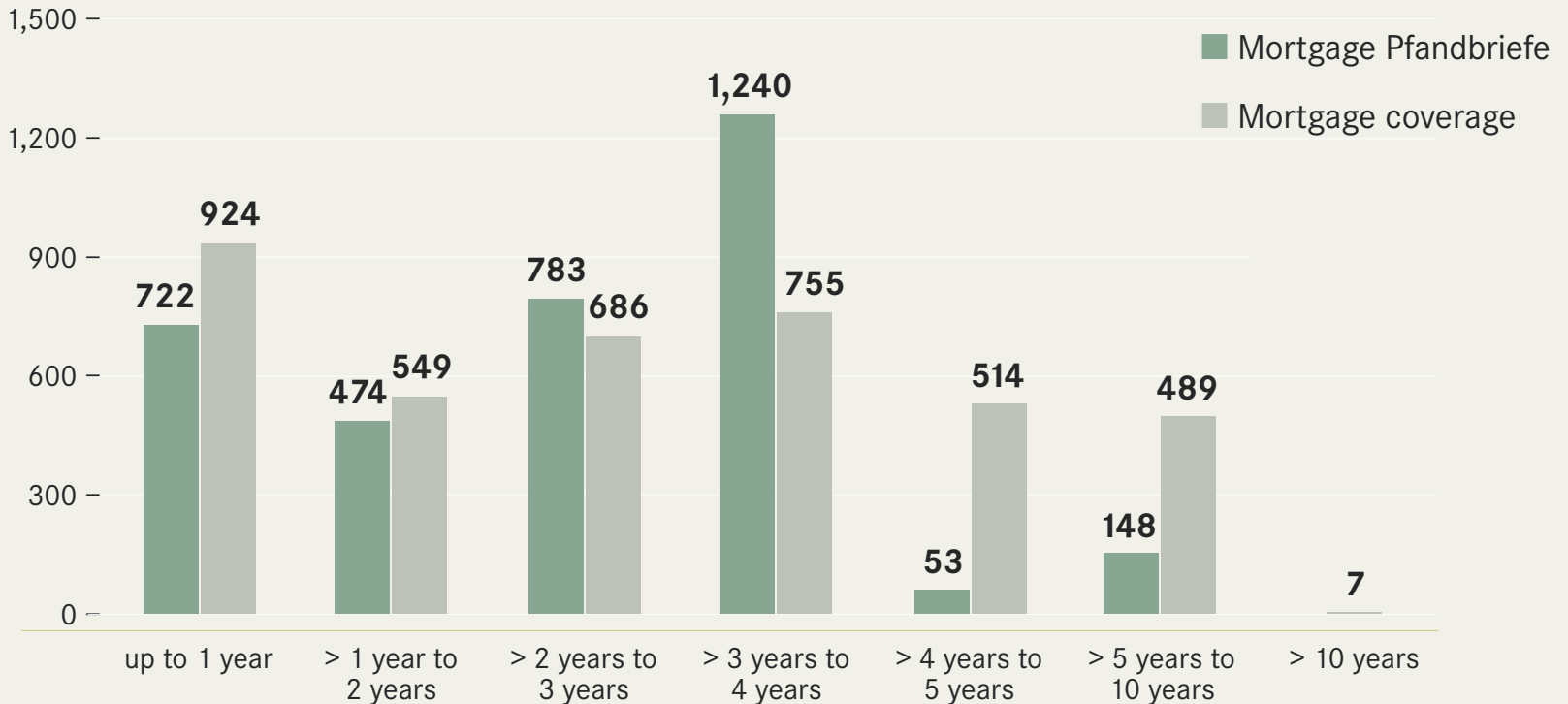


# Balanced maturity profile

## Mortgage coverage as of 06/2010 – maturity profile

**Total volume: EUR 3,925 million**

In EUR million

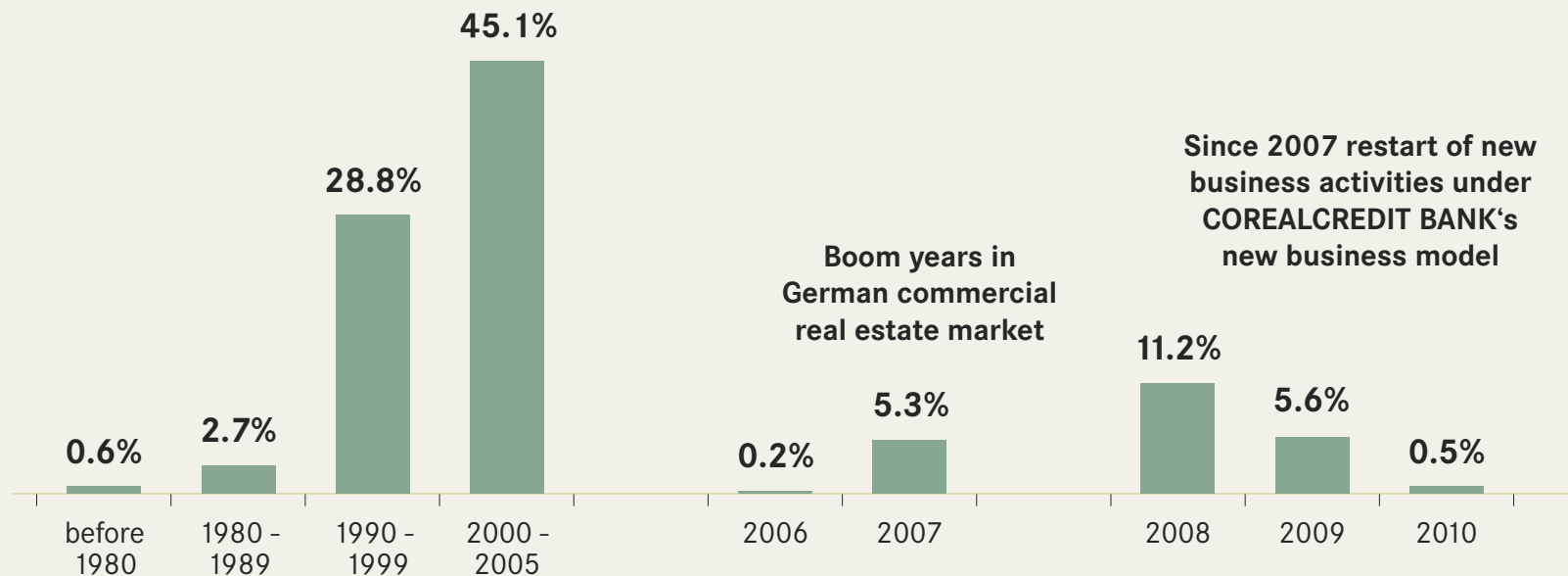


# High seasoning of loans – only marginal loan-volume originated in German boom years

## Mortgage coverage as of 06/2010 – by year of origination

### Total volume of cover assets: EUR 3,280 million

(excl. further cover assets according to section 19 PfandBG)



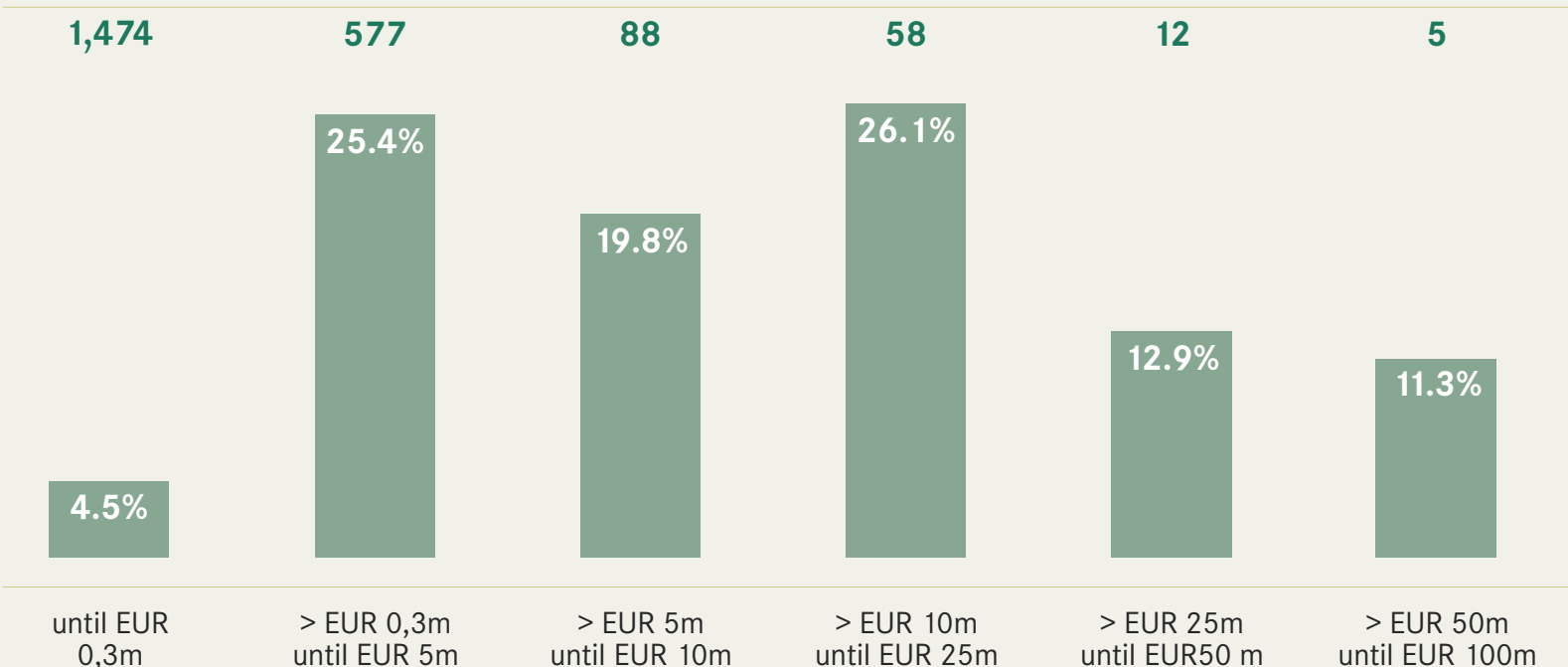
# High number of loans in medium sized volume with positive impact on risk diversification

## Mortgage coverage as of 06/2010 – by size of loans

### Total volume of cover assets: EUR 3,280 million

(excl. further cover assets according to section 19 PfandBG)

#### Number of loan contracts:

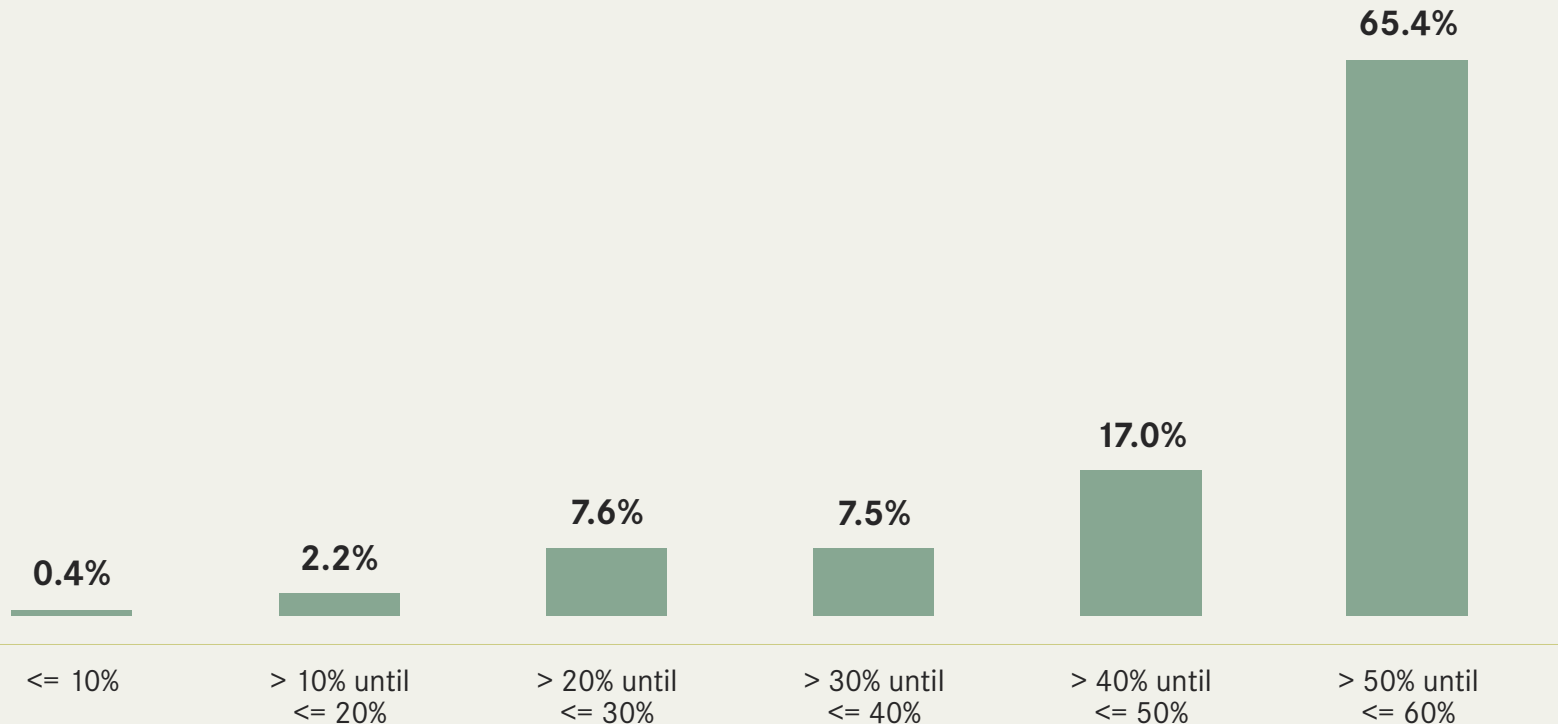


# Nearly 35% of mortgage coverage consist of loans with an loan to mortgage value <50%

## Mortgage coverage as of 06/2010 – loan to mortgage value

### Total volume of cover assets: EUR 3,280 million

(excl. further cover assets according to section 19 PfandBG)



## Voluntary public commitment to maintain a nominal over-collateralisation of at least 5%

Public sector coverage as of 06/2010

page 31

<b>Volume of public sector coverage</b>	<b>EUR 2,256 million</b>
<b>Rating structure *</b>	<b>AAA: 13%      BBB: 8%</b> <b>AA: 61%      BB+: 4%</b> <b>A: 6%      Non rated: 8%</b>
<b>Breakdown by region</b>	<b>Domestic: 73%</b> <b>International: 27%</b>
<b>Over-collateralisation</b>	<b>Volume of outstanding Pfandbriefe: EUR 2,131 million</b> <b>Over-collateralisation on nominal value basis: 5.9%</b> <b>Over-collateralisation on present value basis: 7.2%</b>

\* Based on Moody's/S&P ratings; in the case of split ratings, the lower credit rating prevails