



ASSIGNABLE LOAN NOTE K-BOND

Initial situation financing

- By implementation of the capital requirements in compliance with Basle III regulations:
 - few and fewer banks offer long-term real estate financings;
 - loan leverage of the remaining institutes become lower and lower
- Higher standards for real estate and collateral:
 - rarely financings with a leverage of more than 70 % of the market value
 - amortisation requirements of more than 2 % up to 5 % of the loan amount
 - only standard properties (offices and appartments)
 - more collateral, full recourse

Initial situation capital investment

- Institutional investors need good returns even in the low interest rate environment.
- Hardly enough investment opportunities for the coverage of pension and insurance obligations in the market.
- Investment Ordinance for institutional investors prefer mortgage backed loans similar to the German Pfandbrief.

Conclusion

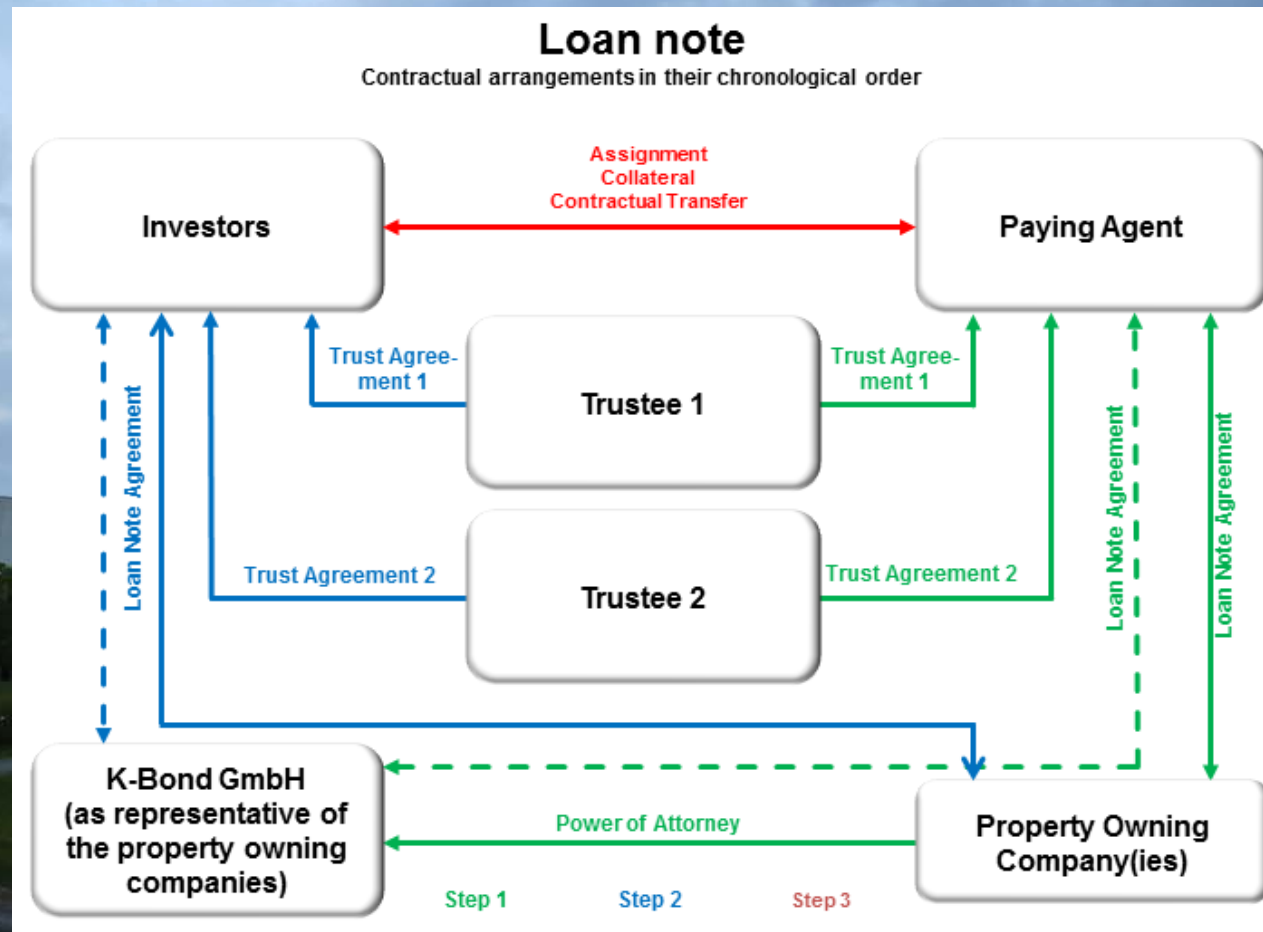
The loan note is the alternative investment instrument of choice for institutional investors, because

- collateral is comparable to Pfandbrief (covered bond)
- eligible for cover fund purposes and
- secure (SGB IV Sections 83 and 84).

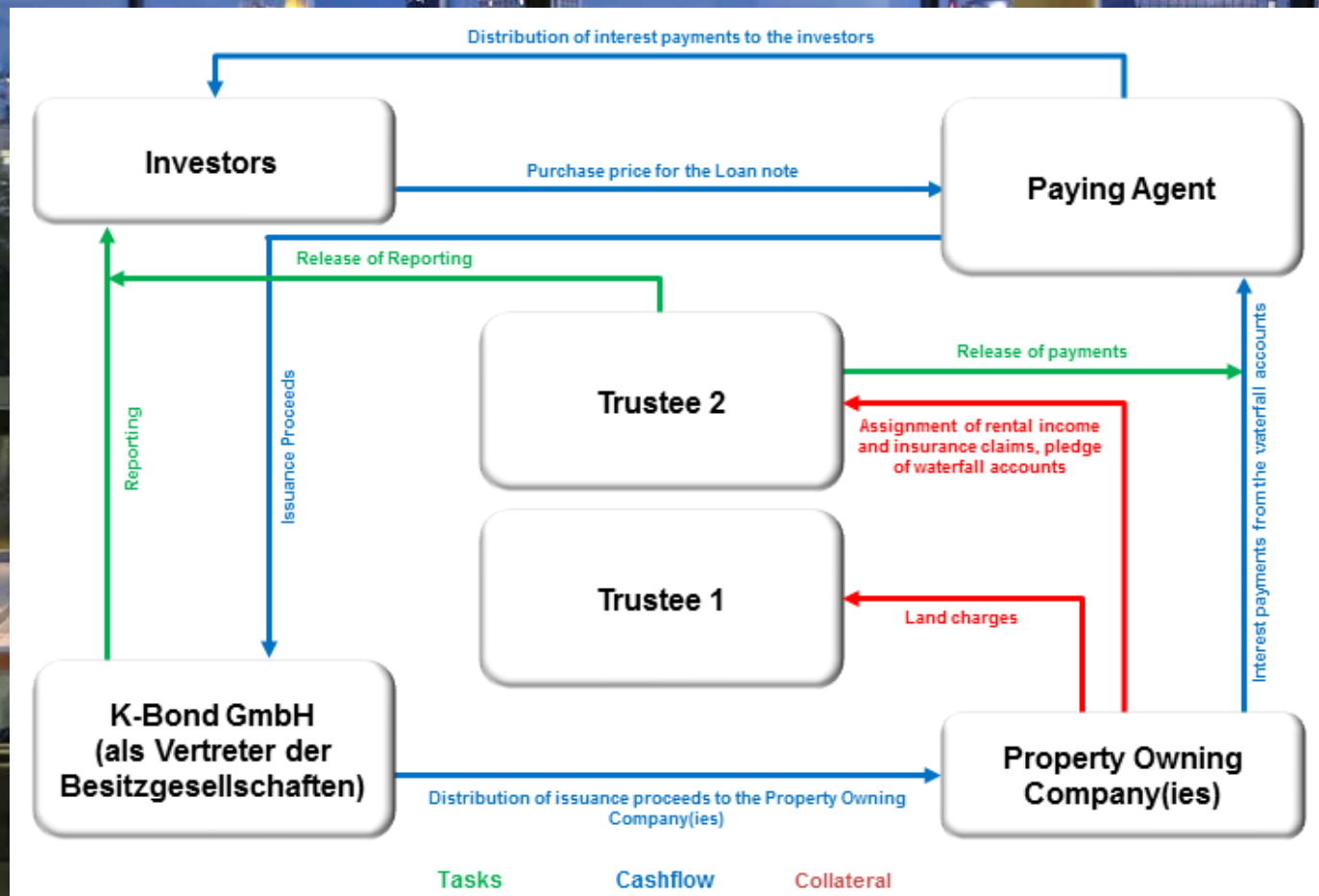
The loan note is the financing method of choice for real estate investors, because

- direct access to investors,
- higher leverage can be placed and
- flexible contractual arrangements are possible (non-recourse).

The K-Bond – Part 1



The K-Bond – Part 2



The K-Bond – Part 3

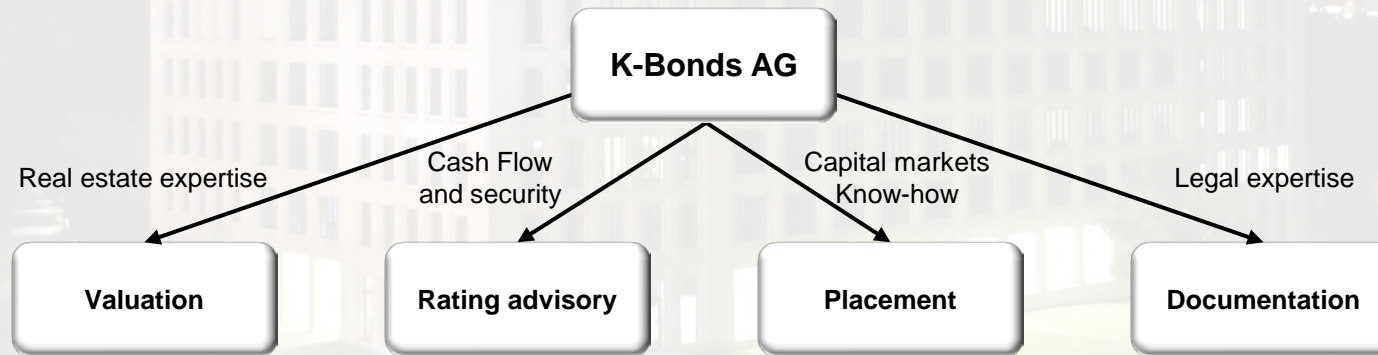
The agreement – flexibility for the real estate investor




- Substitution of the real estate portfolio
- Only one financial ratio: interest-coverage ratio
- Debtor's termination right
- No termination in case of change of control
- Amortisation only for the junior tranche
- Non-recourse

The agreement – security for the institutional investor

- Only existing properties
- Direct access to the property by land charges in favour of the investor
- Control over rental income and rental accounts
- Bi-annual reporting
- Rating–Monitoring annually

The transaction – One-stop service



Phase A	Phase B	Phase C	Phase D
<ul style="list-style-type: none"> - Due Diligence - Site visits - Virtual data room - Financial model - Indicative valuation - Rating indication - Pre-Marketing 	(in case of a positive decision regarding the feasibility) <ul style="list-style-type: none"> - Full rating - Full valuation - Rating Advisory 	<ul style="list-style-type: none"> - Investor-Roadshow - Subscription - Bookbuilding - Exchange with investors in relation to terms and conditions - Contractual documentation - Settlement - Payment 	<ul style="list-style-type: none"> - Reporting - Rating/Monitoring - Compliance
 4 – 6 weeks	 5 weeks	 8 – 12 weeks	After placement

The cost of financing

- Overall costs amount to approx. 4 % of the placement volume:
 - Phase A 0.25 – 0.4 %
 - Phase B 0.3 – 0.5 %
 - Phase C Remaining amount only payable in case of success (between 3.1 und 3.45 %)
- Total costs include all services such as rating, valuation, creation of the land charges (notary and court fees), payment to trustees, paying agency fees, documentation and placement; for the greater part these costs are not commissions, but payments for services rendered.
- Follow-up support for the loan note after placement costs between 0.15 and 0.25 % of the loan amount.
- Issue volume: starting from € 30 million upwards

The Team



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