

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Q1 2014 results

May 07, 2014

Dr. Wolf Schumacher, CEO – Hermann J. Merkens, CFO



**Aareal Bank
Group**

Agenda

- Environment Q1 2014
- Acquisition of COREALCREDIT BANK AG (“Corealcredit”)
- Q1 2014 results at a glance
- Segment performance
- B/S structure, capital & funding position
- Group figures Q1 2014
- Asset quality
- Outlook 2014

- Appendix
- Definitions and Contacts



Environment Q1 2014

General environment

- Capital markets continued to ease - backed by central bank measures in Europe and the US, but still uncertainty about reaction to normalisation of money supply (e.g. tapering)
- Due to little inflation pressure, we expect ECB to keep key interest rates low and to start alternative measures - therefore short-term Euro interest rates will likely stay low as well. Possible challenge of negative interest rates
- Generally a slight world economic recovery expected in 2014, but different speed of economical recovery in Europe, North American will recover faster, Asian economies will continue to grow with smaller growth rates
- Regulatory environment more predictable (but still possible challenges, e.g. additional capital requirements), AQR may cause some uncertainty

Main takeaways



Increasing competition in our lending buckets - as a consequence margin compression earlier than originally expected and early repayments of high margin loans will continue. The above will be partially offset by lower than expected funding costs



We see largely stable property values and rents for most European countries but further NPL inflow mainly from our southern European portfolio



While Aareon is expected to be on track deposit business will suffer on segment reporting level – deposit volume supports funding and cheapens funding costs on group level



Acquisition of Corealcredit



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Acquisition of Corealcredit

Impact on P&L, B/S, Capital ratios, EpS, and RoE



P&L and balance sheet:

- Initial consolidation at 31.03.2014: all balance sheet items are inclusive of Corealcredit
- The negative goodwill (gain from initial consolidation) reflected in Q1 P&L
- Operating results of Corealcredit will be included in Q2 P&L and onwards



Capital ratios:

- All cash transaction: RWA increase on group level compensated via negative goodwill and allocation of excess capital
- Target range of Tier 1 (11.5-12%)¹⁾ before mgmt. buffer and total capital (19%-20%)¹⁾ unaffected
- Bail in capital ratio expected above target (> 8%)



EpS:

- Transaction is EpS accretive from day one
- Present value of cumulative EPS for the next three years > € 3²⁾
- Capital currently absorbed by acquired RWA to free up until 2016 for alternative utilisation (allocation or alignment)



RoE:

- Transaction in line with mid-term RoE target: midterm pre-tax RoE target confirmed at ~12%

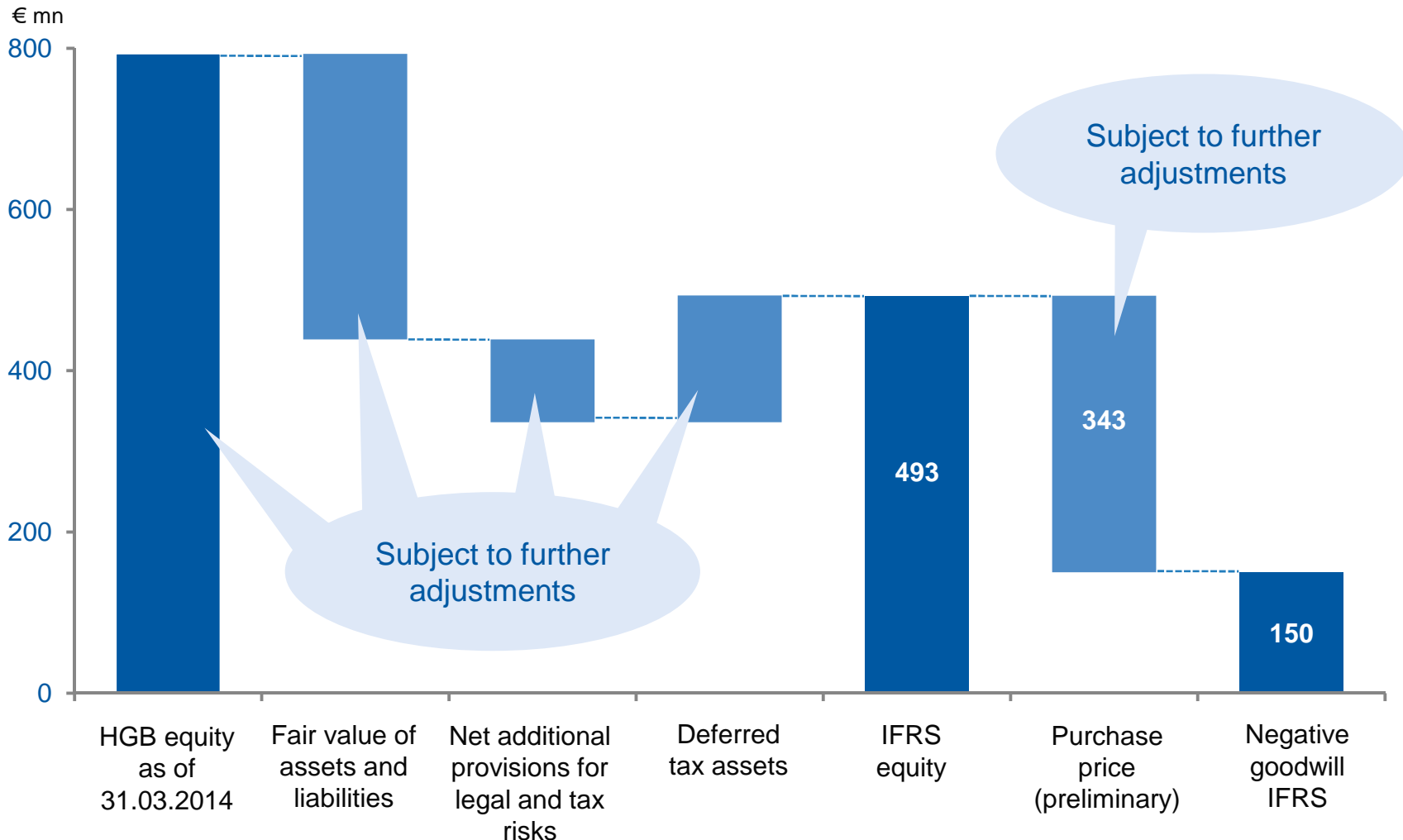
1) Fully loaded incl. IFRS and CRD IV

2) Negative goodwill and additional net income until 2016 including ppa amortisation



Corealcredit purchase price determination

Closing date 31.03.2014



Q1 2014 results at a glance



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Q1 2014 results at a glance

Strong operating profit

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Comments
€ mn						
Net interest income	144	147	133	126	121	<ul style="list-style-type: none"> ▪ A ~€ 2 bn larger portfolio vs. Q1 2013 ▪ Effects from premature repayments: ~€ 4 mn in Q1 (~€ 10 mn in Q4) ▪ Still relatively high cash position: Ø Q1 '14: € 4.0 bn (Ø '13: € 4.3 bn)
Net loan loss provisions	37	39	29	28	17	<ul style="list-style-type: none"> ▪ € 6 mn specific allowances ▪ € 31 mn portfolio allowances, adjustment to LIP factor 1, more conservative approach
Net commission income	40	48	40	39	38	<ul style="list-style-type: none"> ▪ Aareon on track ▪ Q4 with regular seasonal effects
Admin expenses	102	99	94	90	92	<ul style="list-style-type: none"> ▪ Regulatory projects and costs related to Corealcredit burden admin expenses
Negative goodwill	150					<ul style="list-style-type: none"> ▪ Gain from initial consolidation
Operating profit	215	58	48	45	47	<ul style="list-style-type: none"> ▪ Q1 '14 incl. negative goodwill



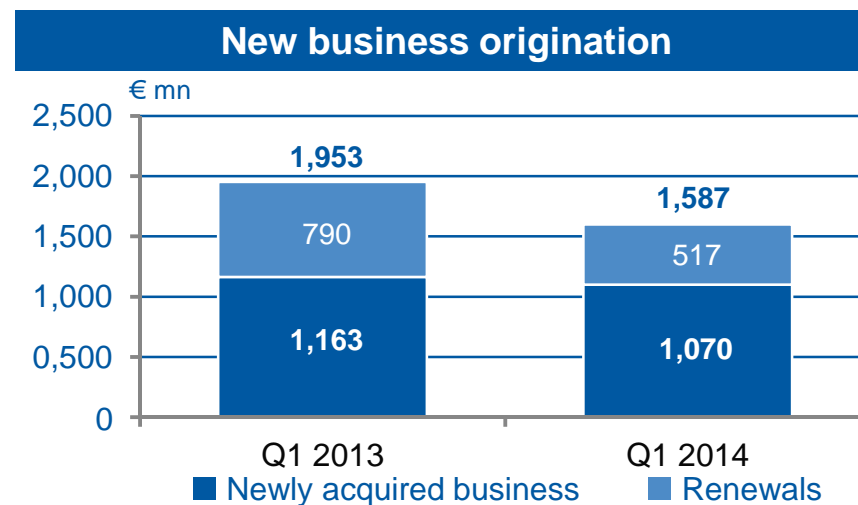
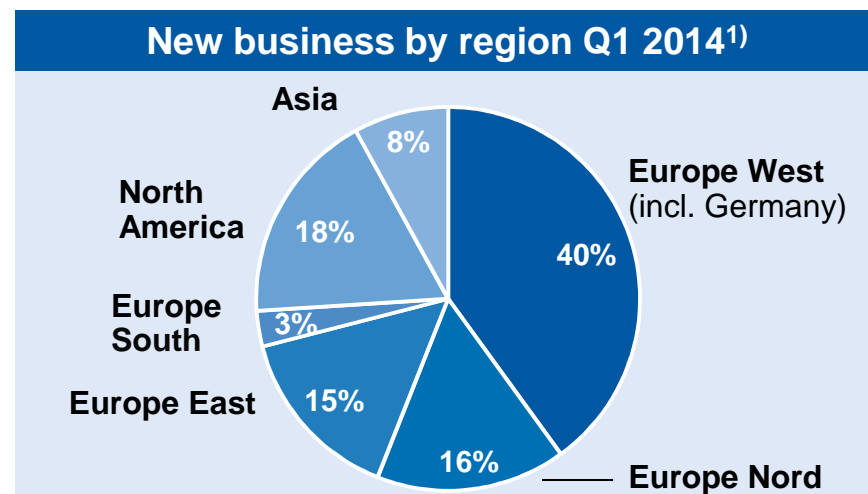
Segment performance



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Structured property financing

New business in line



P&L SPF Segment	Q1 '14	Q4 '13	Q3 '13	Q2 '13	Q1 '13
€ mn					
Net interest income	143	146	131	124	118
Loan loss provision	37	39	29	28	17
Net commission income	1	3	2	3	2
Net result from trading / non-trading / hedge acc.	4	1	1	0	2
Admin expenses	56	54	50	47	50
Others	16	-1	-3	-2	-4
Negative goodwill	150				
Operating profit	221	56	52	50	51

1) Incl. renewals

- Newly acquired business on 2013-level
- Lower renewal volume in Q1 contractually driven
- Net interest income includes effects from premature repayments
- Focus on attractive risk-return profile with low risk-weighting and cover pool eligible loans
- Increasing competition in core markets / for prime locations



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Consulting / Services

Solid in IT & volumes – weak in deposit margins

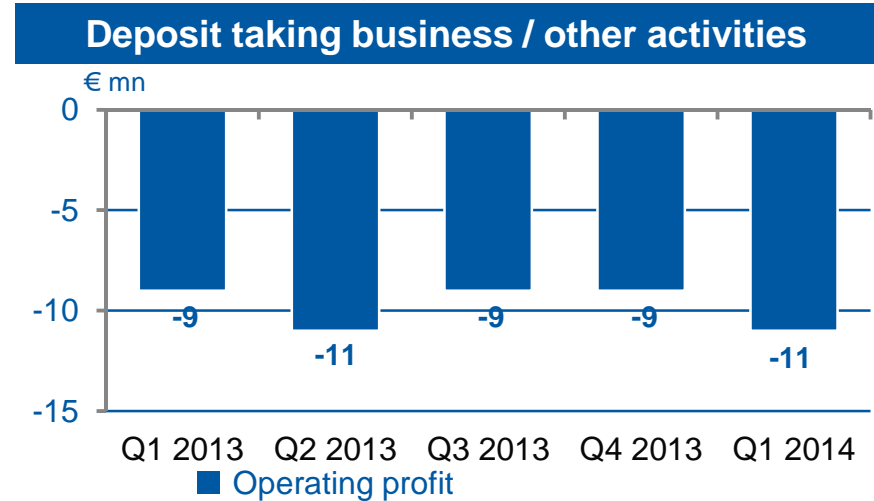
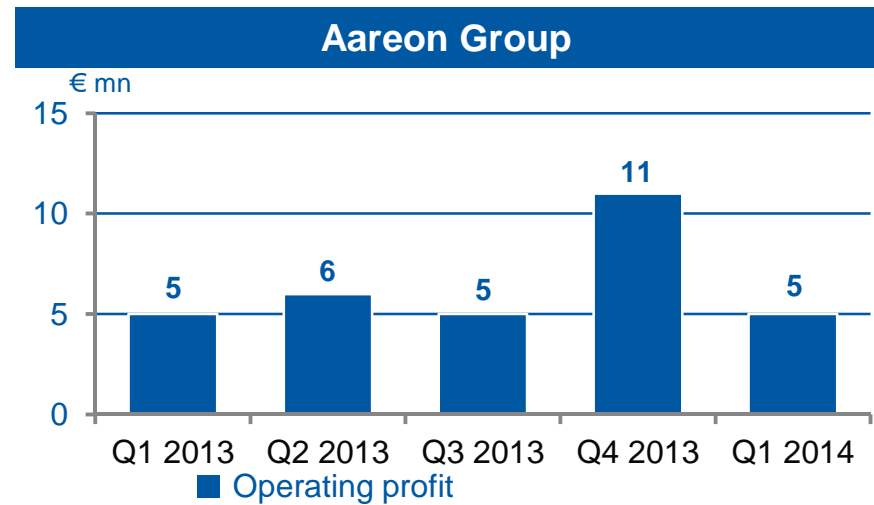
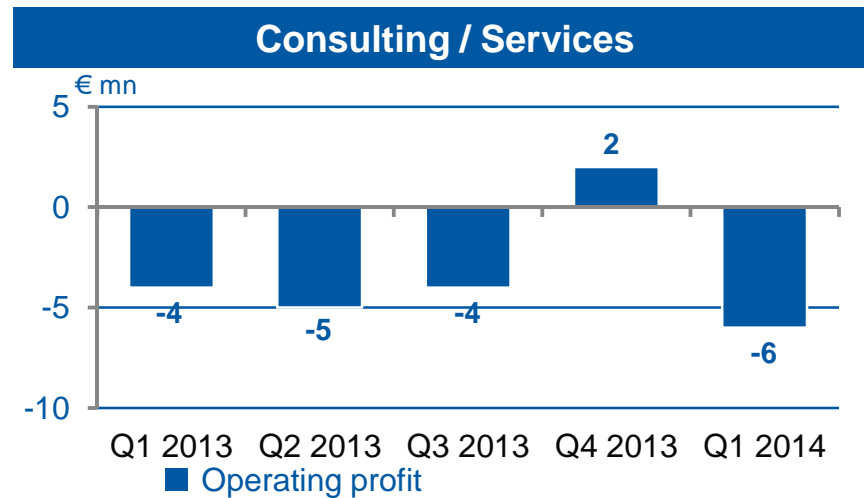
P&L C/S Segment	Q1 '14	Q4 '13	Q3 '13	Q2 '13	Q1 '13
€ mn					
Sales revenue	46	53	46	44	44
Own work capitalised	1	1	1	1	1
Changes in inventory	0	0	0	0	0
Other operating income	1	4	1	1	0
Cost of material purchased	6	6	6	5	5
Staff expenses	32	34	30	29	29
D, A, impairment losses	4	3	4	4	3
Results at equity acc. investm.	-	0	-	-	-
Other operating expenses	12	13	12	13	12
Results from interest and similar	0	0	0	0	0
Operating profit	-6	2	-4	-5	-4

- Performance of Aareon within guidance
- Unchanged low interest rate environment continues to burden segment results
- Deposit volume of the housing industry has increased to
 - € 8.1 bn Ø in Q1 2014
 - € 7.7 bn Ø in Q4 2013
 - € 6.7 bn Ø in Q1 2013
- The strategic importance of the housing industry deposits as an additional source of funding exceeds the importance of the margins shown in the segment



Consulting / Services

Deposit taking business burdens segment performance



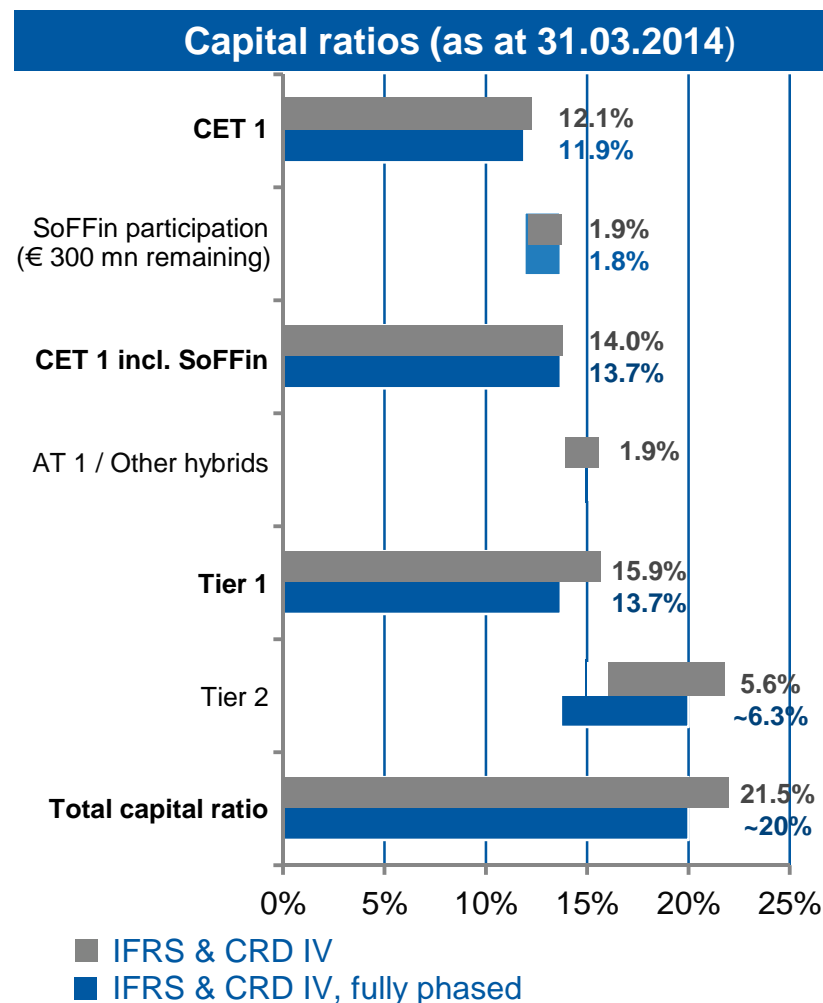
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B/S structure, capital & funding position



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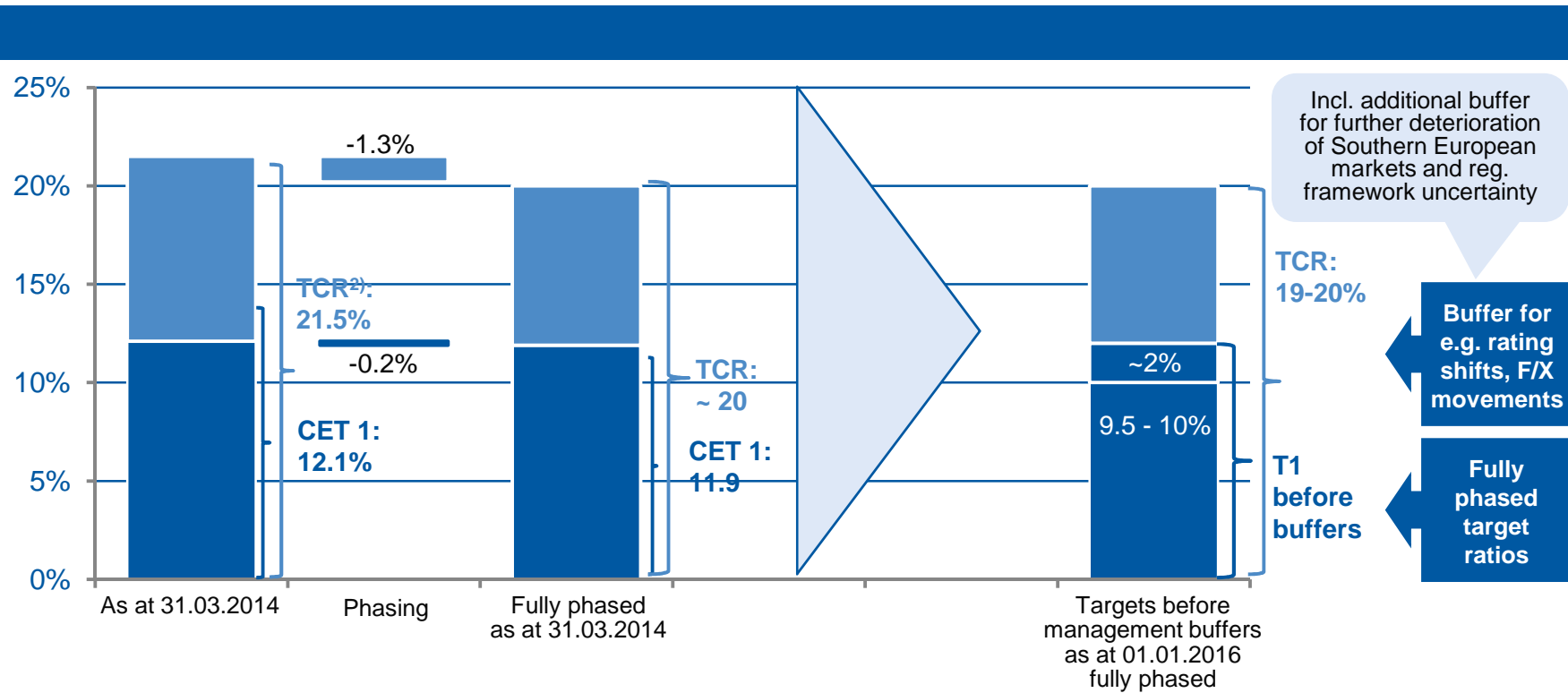
Strong capital ratios & stable capital structure (IFRS, CRD IV as at 31.03.2014)



- Bail-in capital ratio (acc. to our definition): above 8%
- Strong capital ratios enable us to take new business on board
- Strong capital ratios in line with business model, company size and capital market expectations
- Full repayment of remaining SoFFin silent participation possible without capital increase
- AT 1 to be raised depending on market conditions and requirements
- Leverage ratio as at 31.03.2014
 - 3.8% (CET 1 excl. SoFFin)
 - 4.4% (CET 1 incl. SoFFin)



Expected development of capital ratios¹⁾ (IFRS & CRD IV as at 31.03.2014)



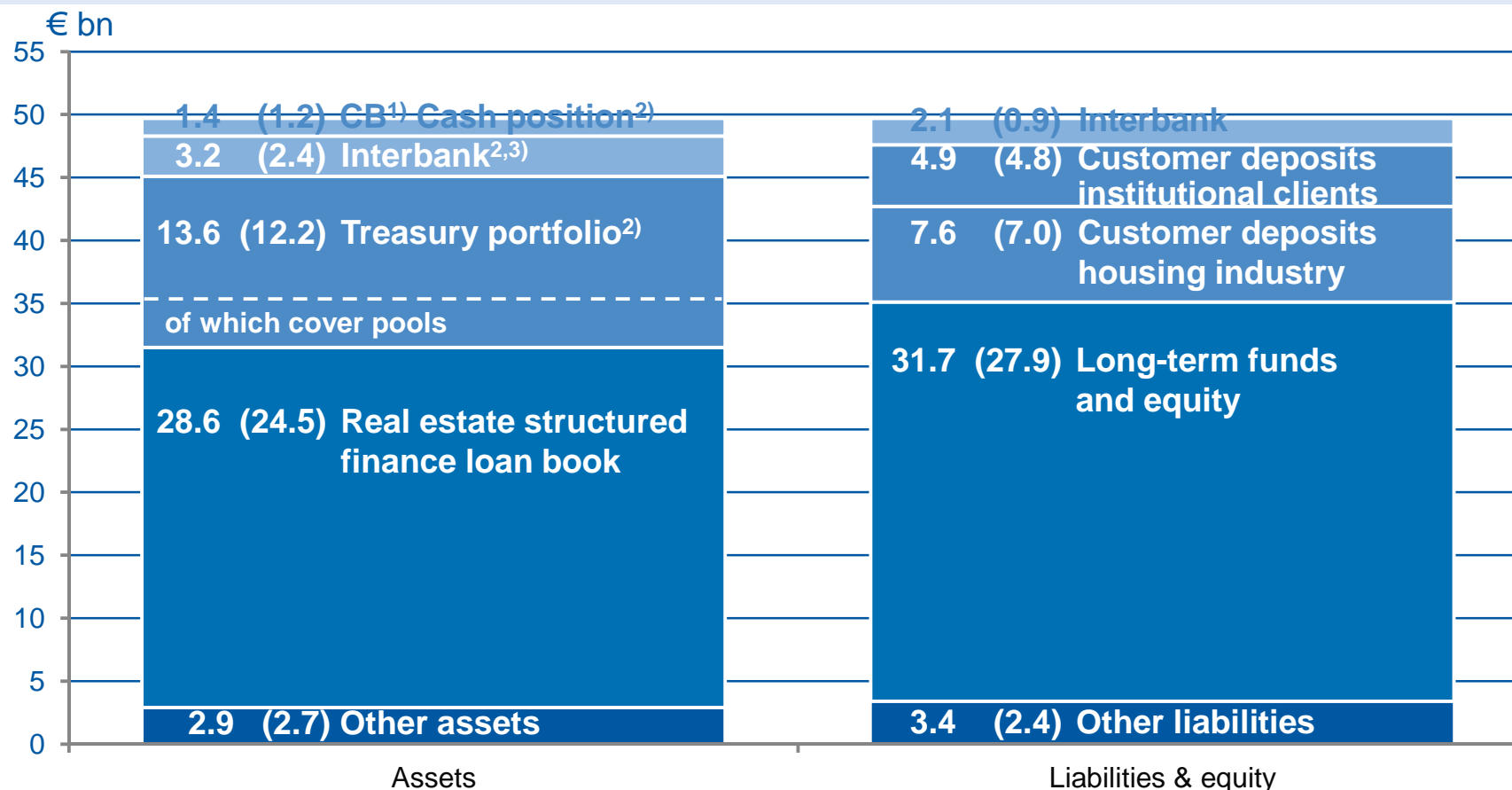
1) Actual figures may vary significantly from estimates
2) TCR: total capital ratio



Asset- / Liability structure according to IFRS

As at 31.03.2014: € 49.7 bn (31.12.2013: € 43.0 bn)

- Conservative balance sheet with structural over borrowed position
- Average maturity of long term funding > average maturity of RSF loans



1) CB: Central banks

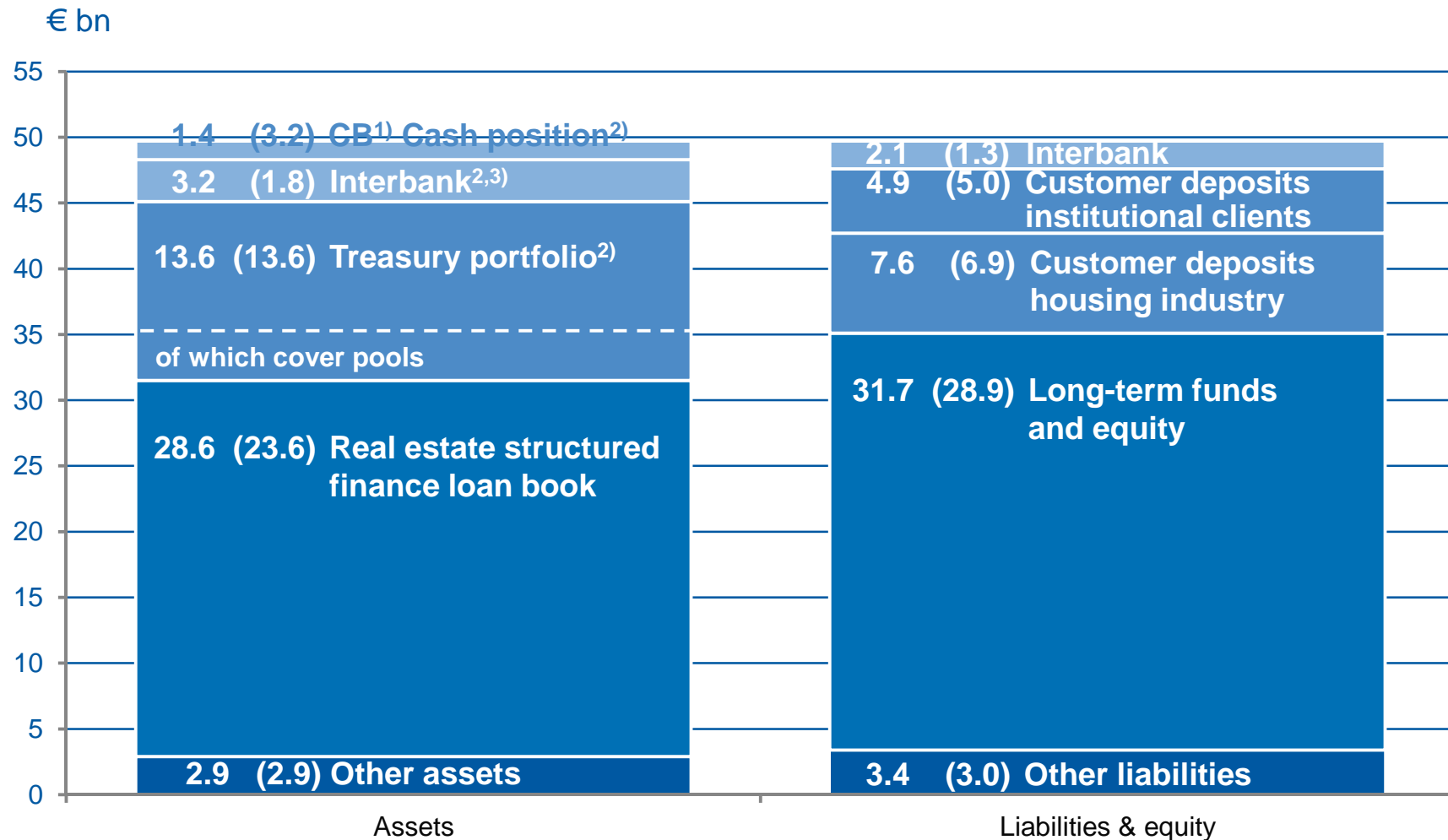
2) Liquidity position clearly exceeds 15% of the total balance sheet. This includes unencumbered ECB-eligible assets, available excess cash at other banks as well as highly liquid government securities

3) Interbank incl. € 1.5 bn (€ 1.5 bn) invested in ECB's fine-tuning operations („absorbing tender“)



Asset- / Liability structure according to IFRS

As at 31.03.2014: € 49.7 bn (31.03.2013: € 45.1 bn)



1) CB: Central banks

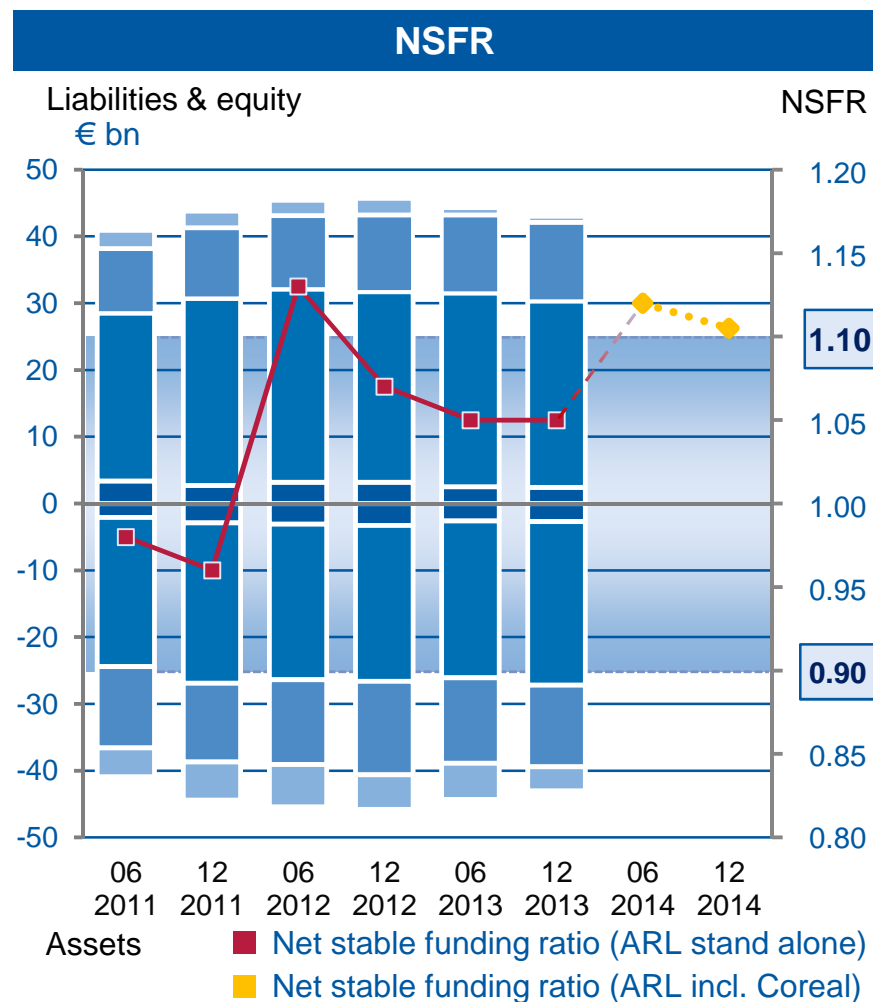
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Net stable funding- / Liquidity coverage ratio

Fulfilling IFRS and CRD IV requirements

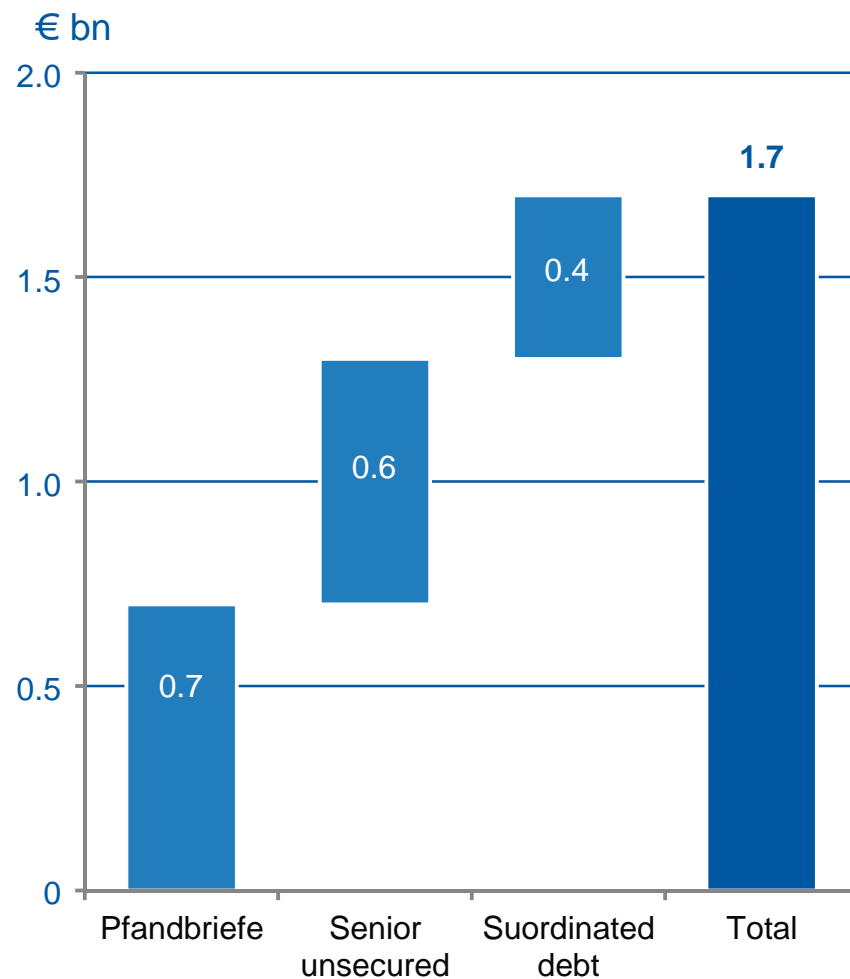


- Aareal Bank already fulfils future requirements
 - NSFR > 1.0
 - LCR >> 1.0
- Basel III and CRD IV require specific liquidity ratios starting end 2018
- High NSFR surplus used to purchase Corealcredit Bank's balance sheet
- Positive effect in 2014 due to changed weighting factors



Refinancing situation Q1 2014

Successful funding activities



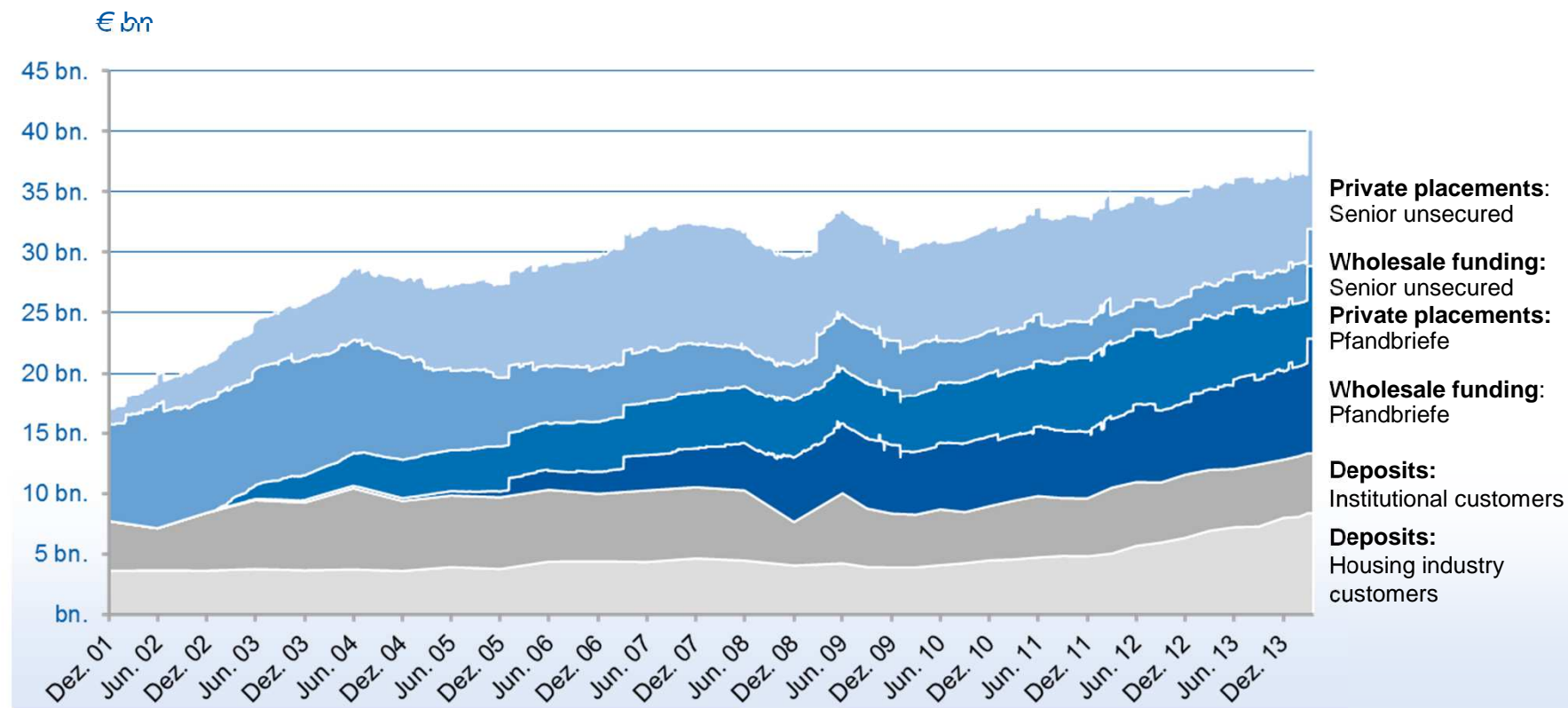
Total funding of € 1.7 bn in Q1 2014

- Pfandbriefe: € 0.7 bn
- Senior unsecured: € 0.6 bn
- Subordinated debt (Tier 2): € 0.4 bn
- Backbone of capital market funding is a loyal, granular, domestic private placement investor base
 - Hold-to-maturity investors: over 600
 - Average ticket size: € 10 mn



Refinancing situation

Diversified funding sources and distribution channels



- Aareal Bank has clearly reduced its dependency on wholesale funding
- 2002 long term wholesale funding accounted for 47% of overall funding volumes – by 31.03.2014, this share has fallen to ~32% (or even below 10% without Pfandbriefe)

As at 31.03.2014



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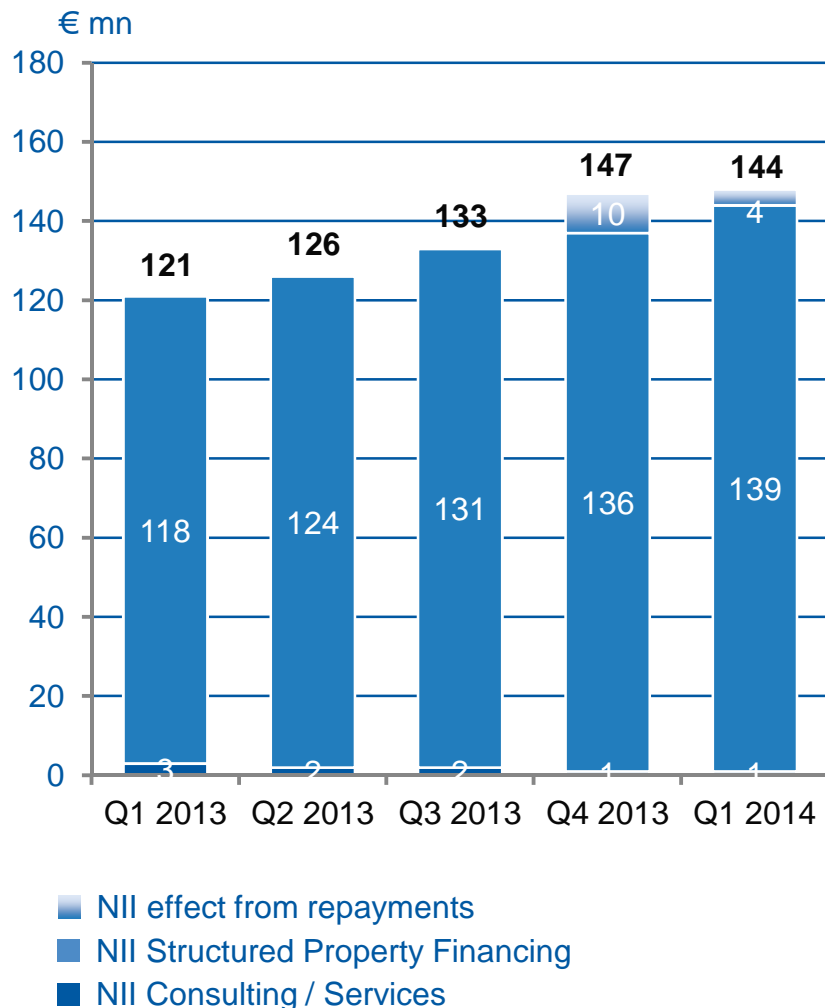
Group figures Q1 2014



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Net interest income

NII reflects portfolio growth, sound margins, low funding costs

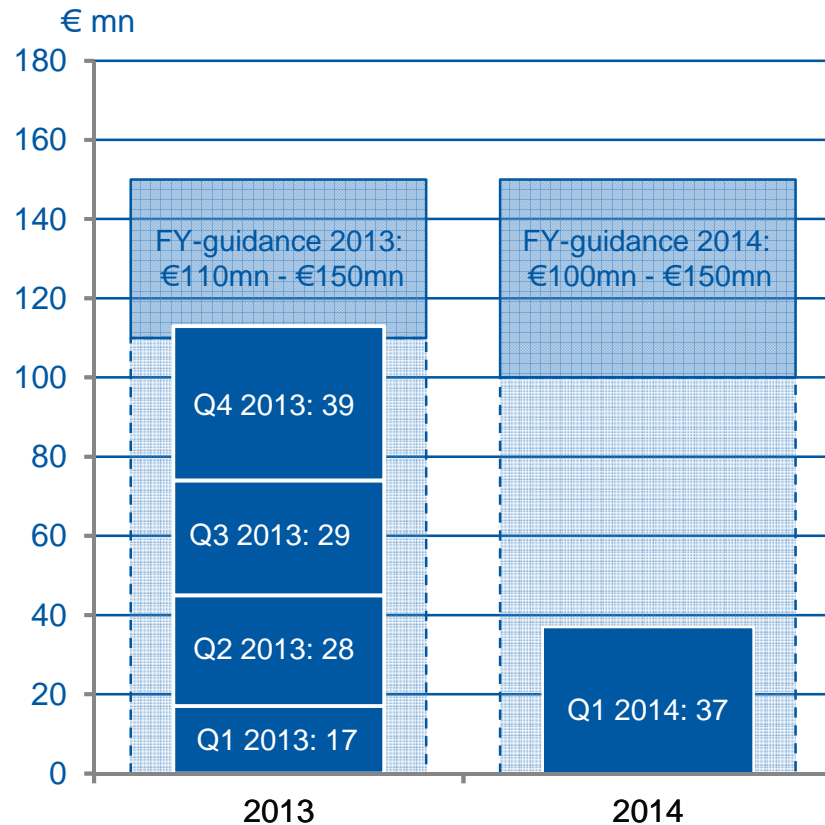


- NII include
 - ~€ 4 mn in Q1 2014 effects from premature repayments
 - ~€ 10 mn in Q4 2013 effects due to higher than expected repayments
- Portfolio growth, sound margins from the CRE business and low funding costs pushing the NII
- Due to very limited investment opportunities a considerable part of liquidity stock is still parked with central banks
 - Ø Q1 2014: € 4.0 bn
 - Ø Q4 2013: € 3.9 bn
 - Ø Q1 2013: € 4.4 bn
- NII Consulting / Services further burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements



Loan loss provisions

Q1 2014 driven by conservative adjustment to LIP factor 1



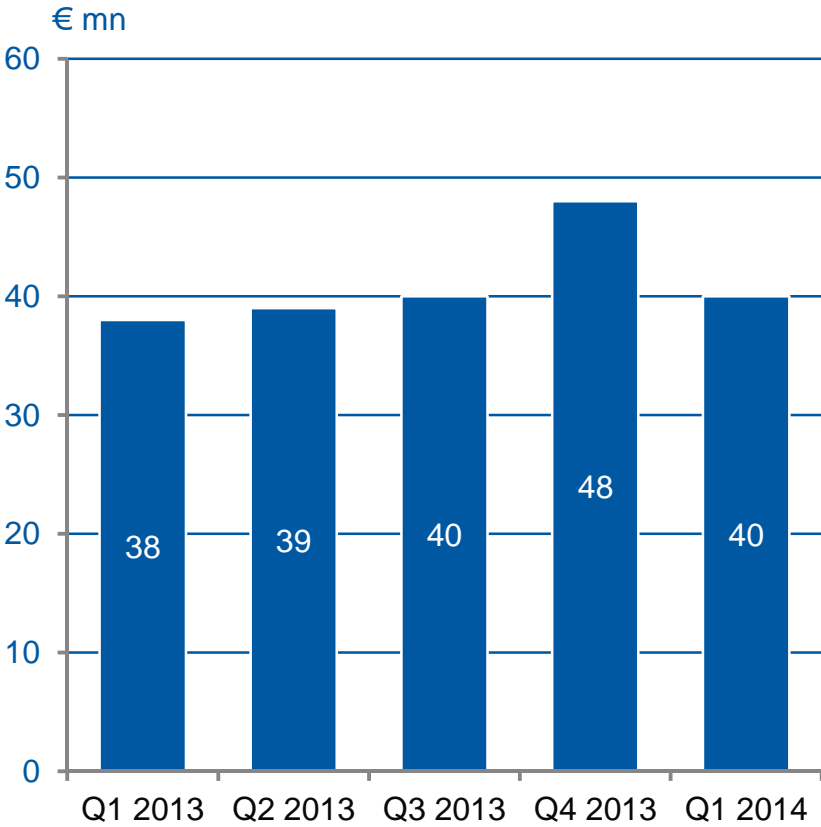
■ FY guidance

- Q1-LLP of € 37 mn includes
 - € 6 mn specific allowances
 - € 31 mn portfolio allowances, one-off due to adjustment to LIP factor 1, more conservative approach
- 2013 full year LLP of €113 mn translates to 47 bp risk costs
- Confirmed guidance of € 100 mn to € 150 mn equals to 36 bp to 54 bp risk costs (on planned weighted average portfolio)



Net commission income

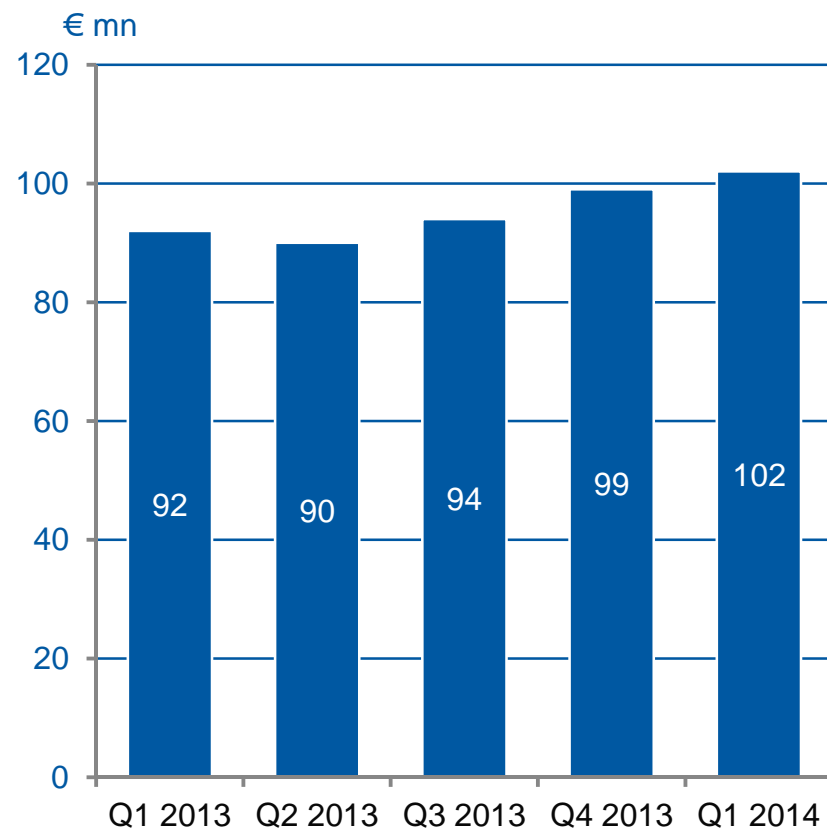
Confirming expectation



- Aareon on track
- Showing expected slight positive trend
- Strong Aareon revenue regularly pushing Q4

Admin expenses

Confirming guidance



- Regulatory projects and initial costs for Corealcredit burden admin expenses in Q1
- Admin expenses will regularly be on a higher level due to acquisition of Incit and Coreal



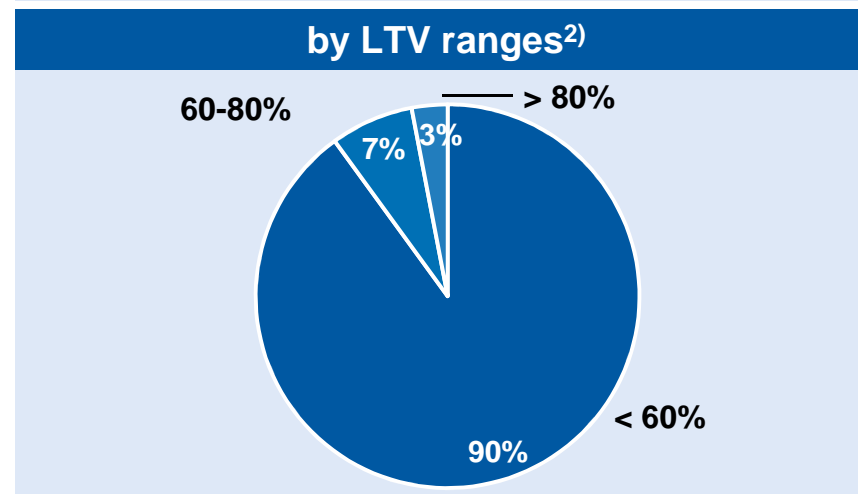
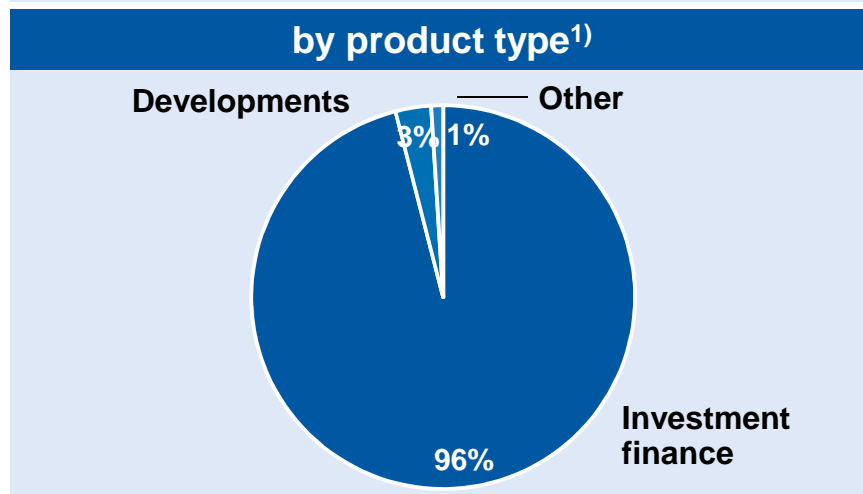
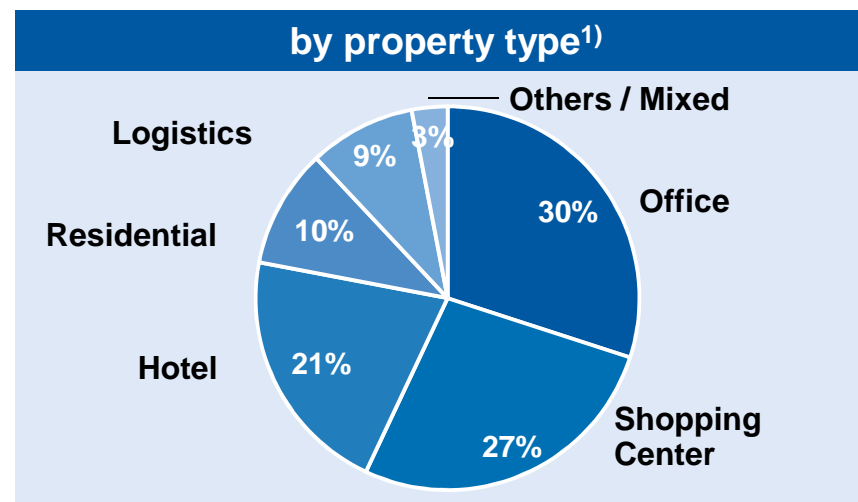
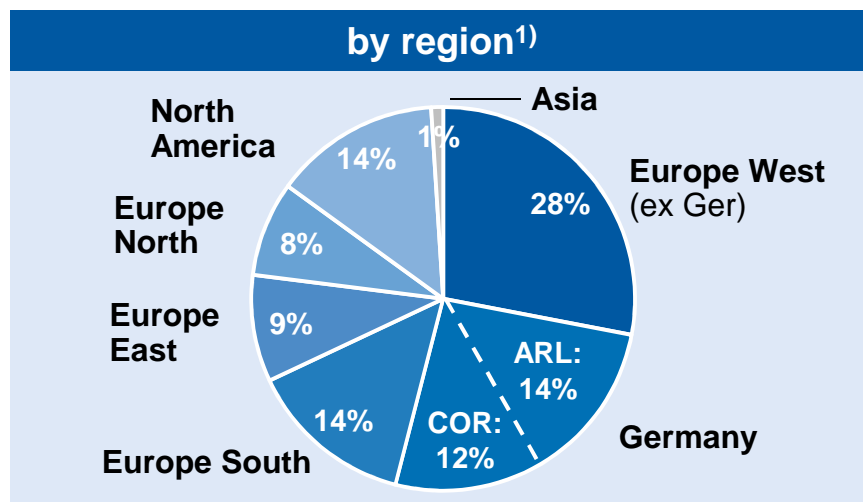
Asset quality



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Total property finance portfolio

High diversification and sound asset quality



1) Total volume: €28.6 bn as at 31.03.2014
 2) Performing business only, exposure as at 31.03.2014



Total property finance portfolio

Continuing conservative approach

NPL- and LLP development			
€ mn	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances ²⁾
Aareal Bank as at 31.12.2013	881	301	68
Aareal Bank utilisation in 2014	-66	-19	0
Aareal Bank addition in 2014	3	6	31
Corealcredit net as at 31.03.2014 ³⁾	69	0	18 ⁴⁾
<i>Corealcredit gross as at 31.03.2014</i>	<i>160</i>	<i>91</i>	<i>18⁴⁾</i>
Aareal Bank Group as at 31.03.2014	887	288	117
Coverage ratio specific allowances	32,5%		
		288	117
Aareal Bank Group as at 31.03.2014	887	405	
Coverage ratio incl. portfolio allowances	45,7%		

1) Incl. property finance portfolio still on DEPFA's balance sheet

2) Portfolio allowances mainly reflect expected losses which are calculated on the bases of specific loans in most cases

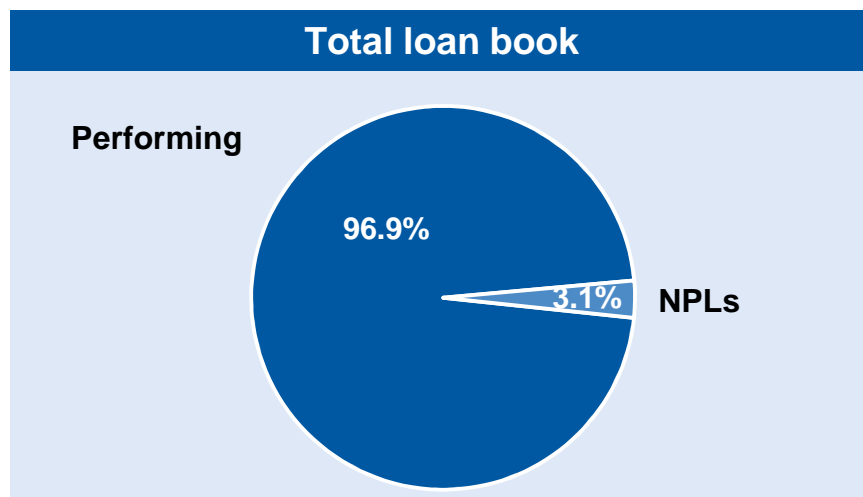
3) NPL-Exposure net acc. to IFRS3

4) € 18 mn Portfolio Allowances allocated in the course of purchase price allocation (PPA)



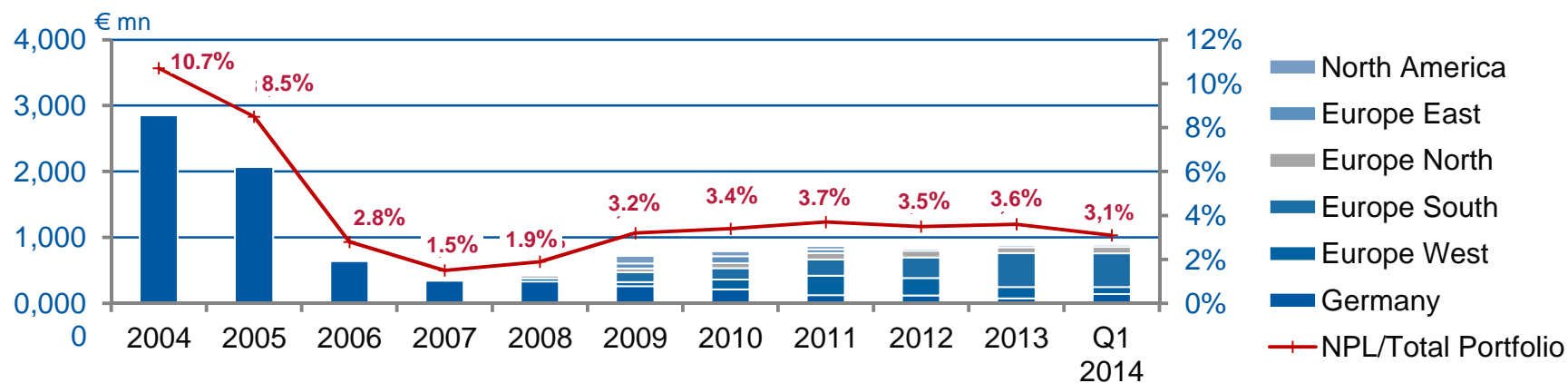
Total property finance portfolio

€ 28.6 bn of high quality real estate assets



	Nominal (in € mn)	Average LTV	NPL (in € mn)
Greece	-	-	-
Ireland	-	-	-
Italy	3,093	70.3%	419
Portugal	-	-	-
Spain	1,041	89.0%	92

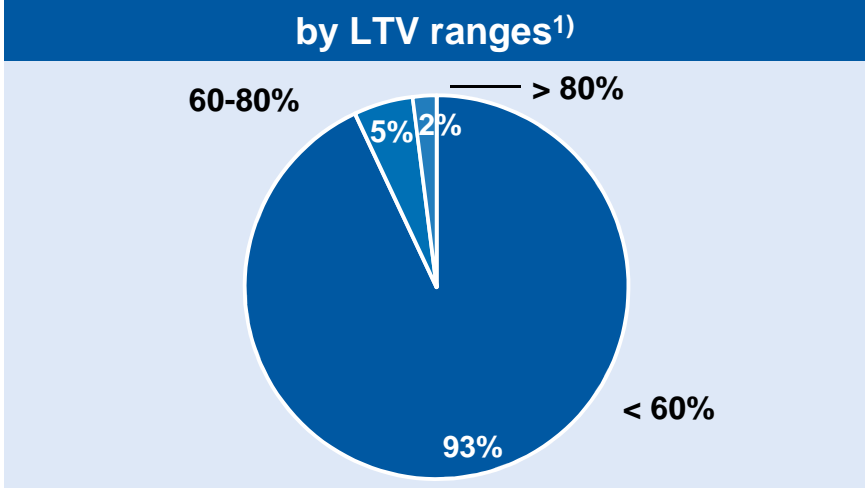
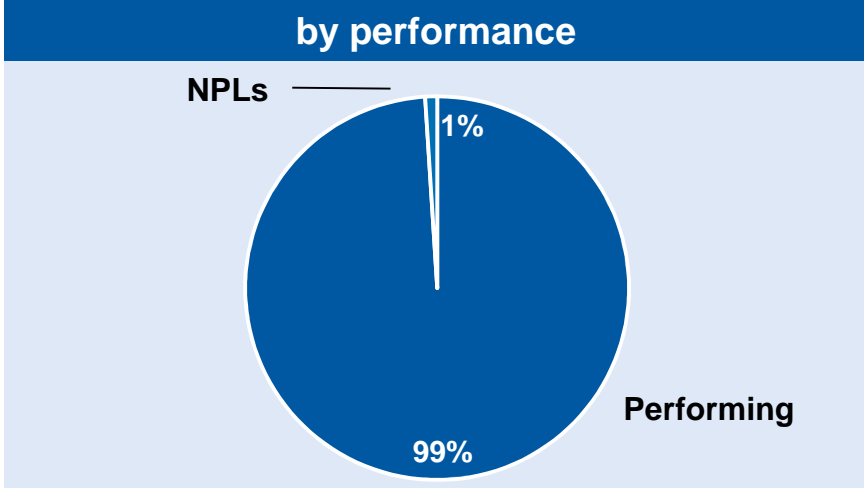
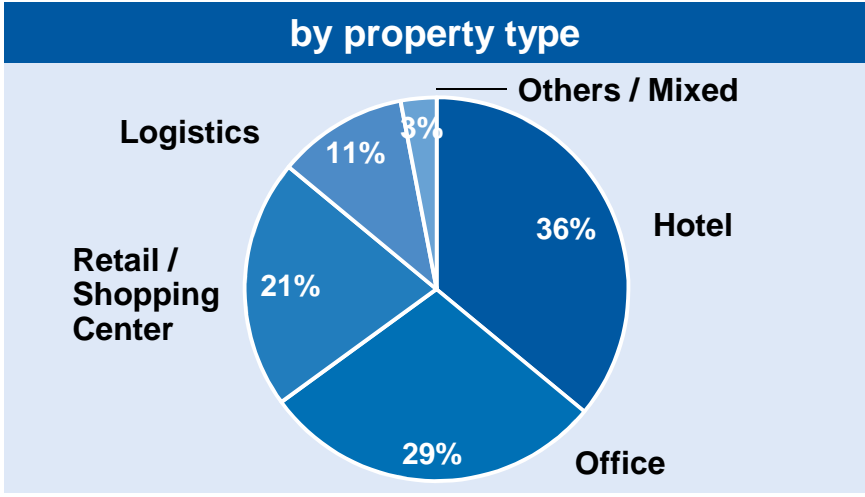
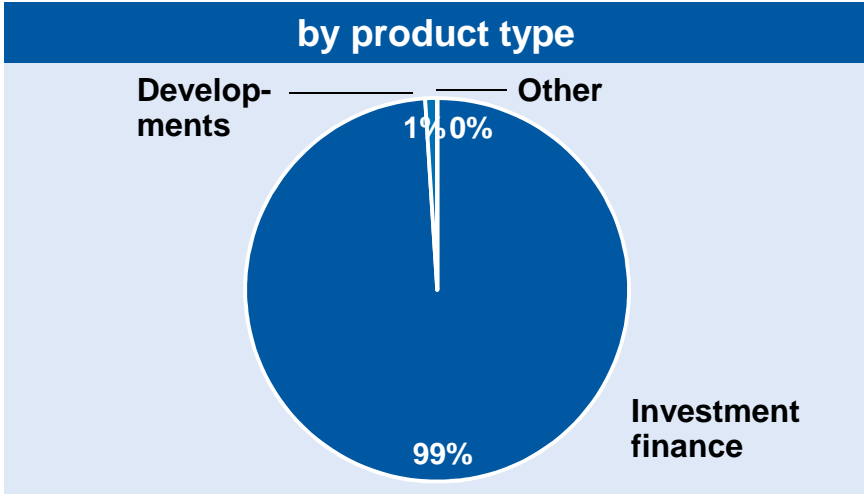
NPL and NPL-ratio (since 12.2004)



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Western Europe (ex Germany) credit portfolio

Total volume outstanding as at 31.03.2014: € 7.9 bn

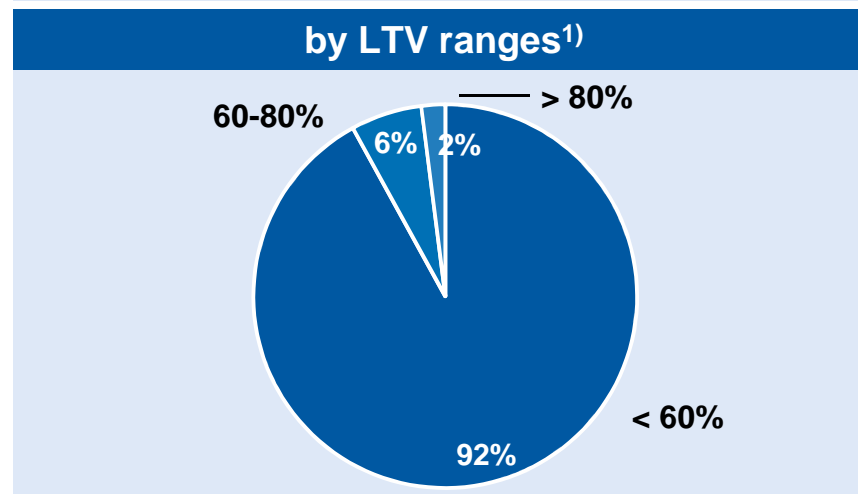
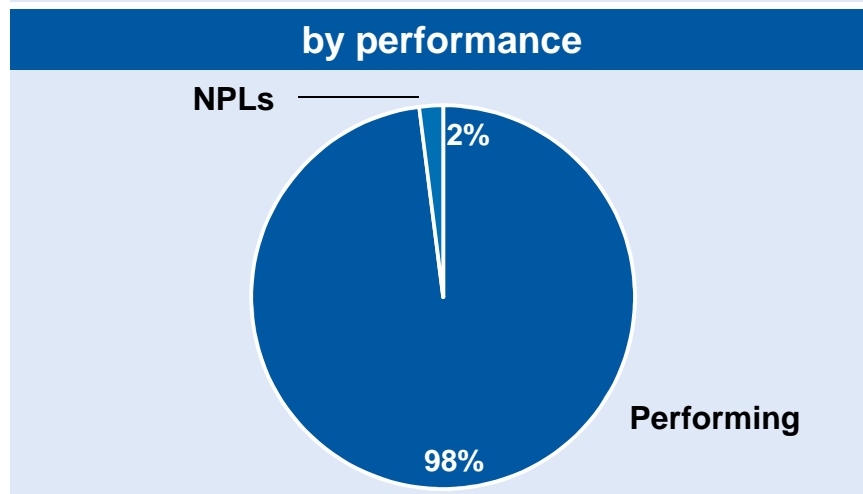
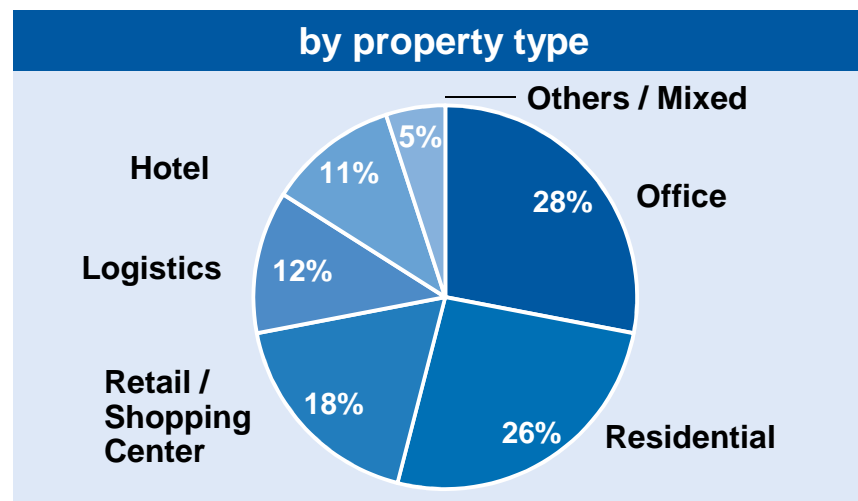
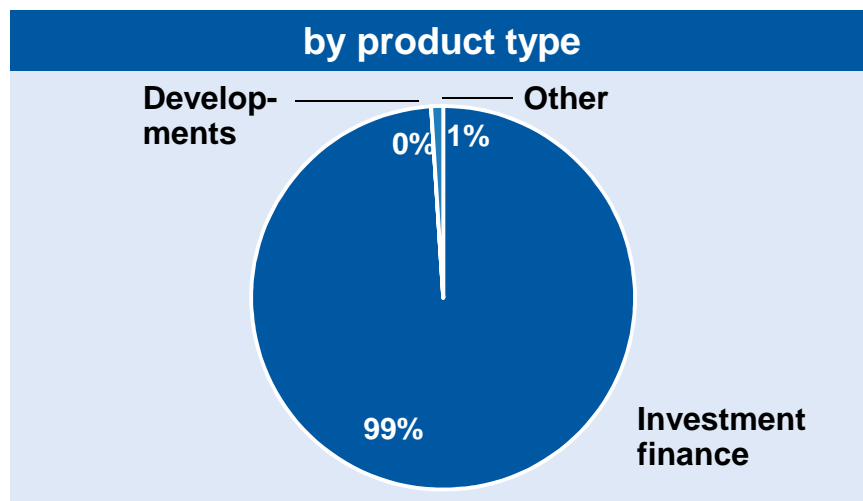


1) Performing business only, exposure as at 31.03.2014



Total German credit portfolio

Total volume outstanding as at 31.03.2014: € 7.4 bn



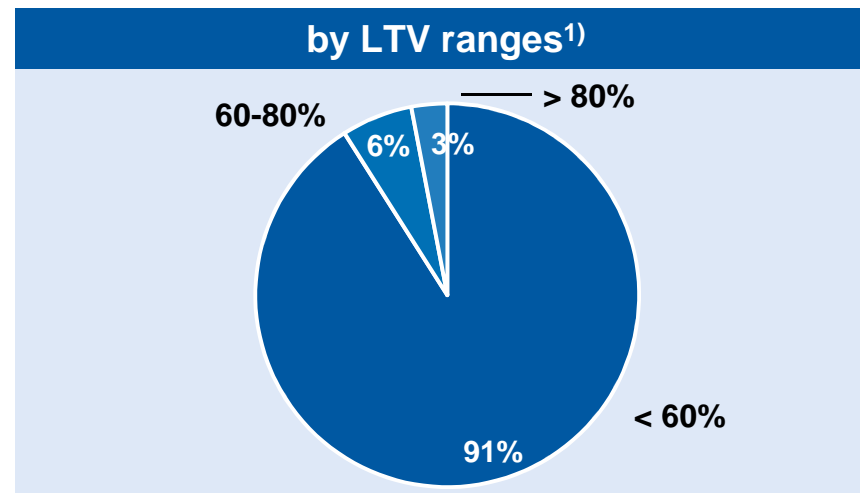
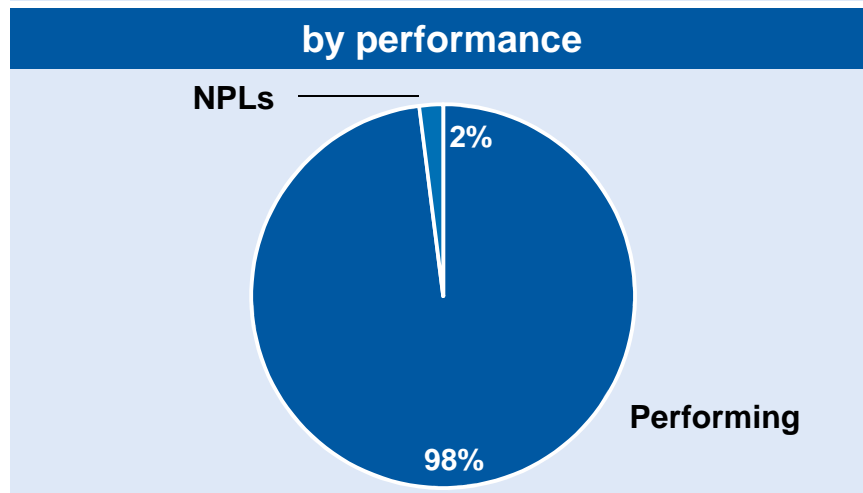
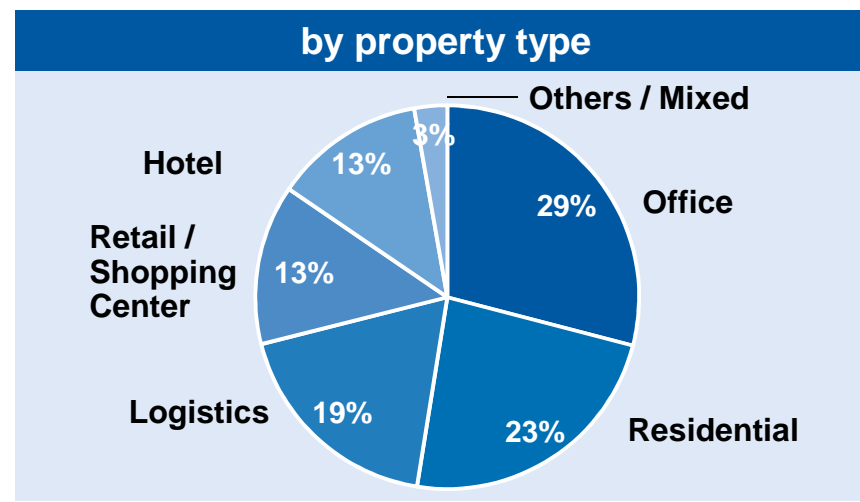
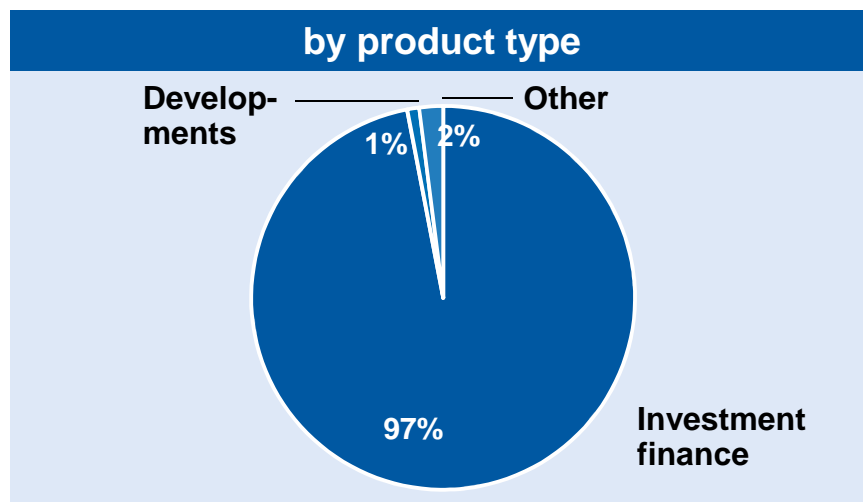
1) Performing business only, exposure as at 31.03.2014



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Aareal German credit portfolio

Total volume outstanding as at 31.03.2014: € 4.0 bn



1) Performing business only, exposure as at 31.03.2014

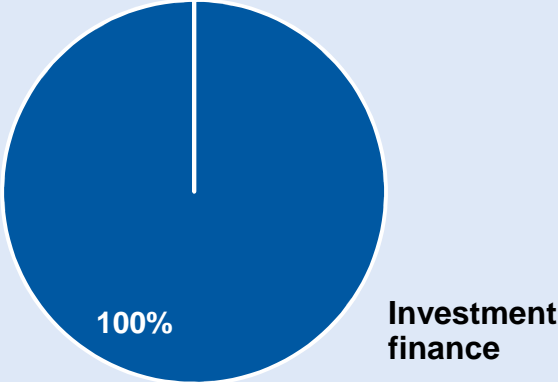


Aareal Bank Group

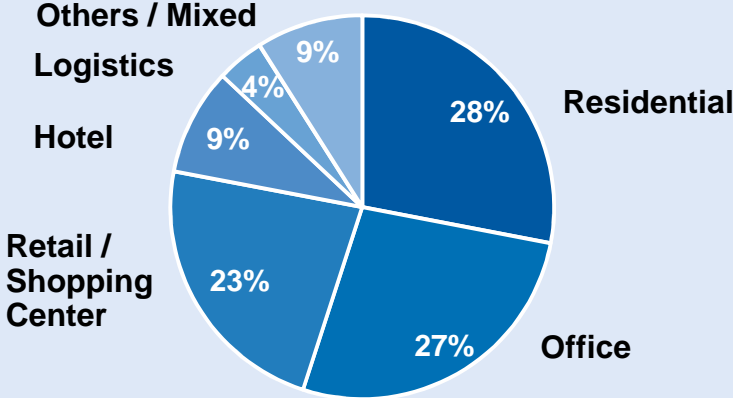
Corealcredit German credit portfolio

Total volume outstanding as at 31.03.2014: € 3.4 bn

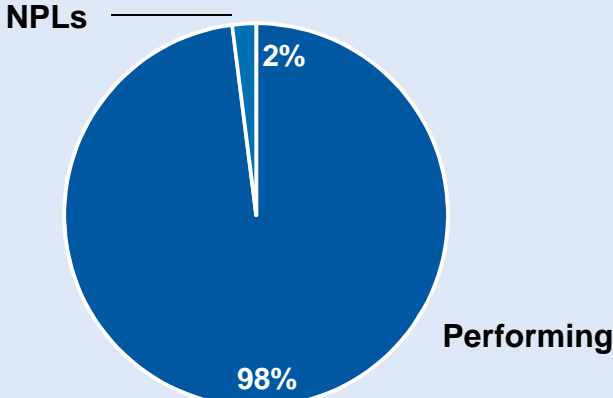
by product type



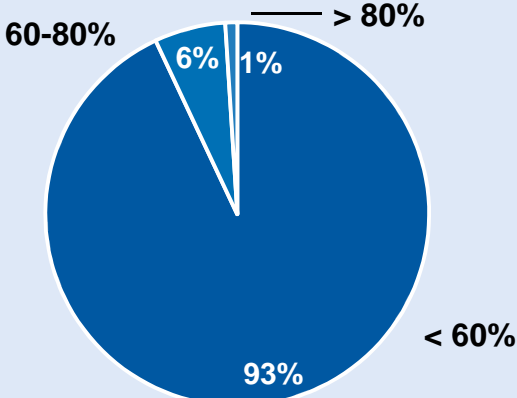
by property type



by performance



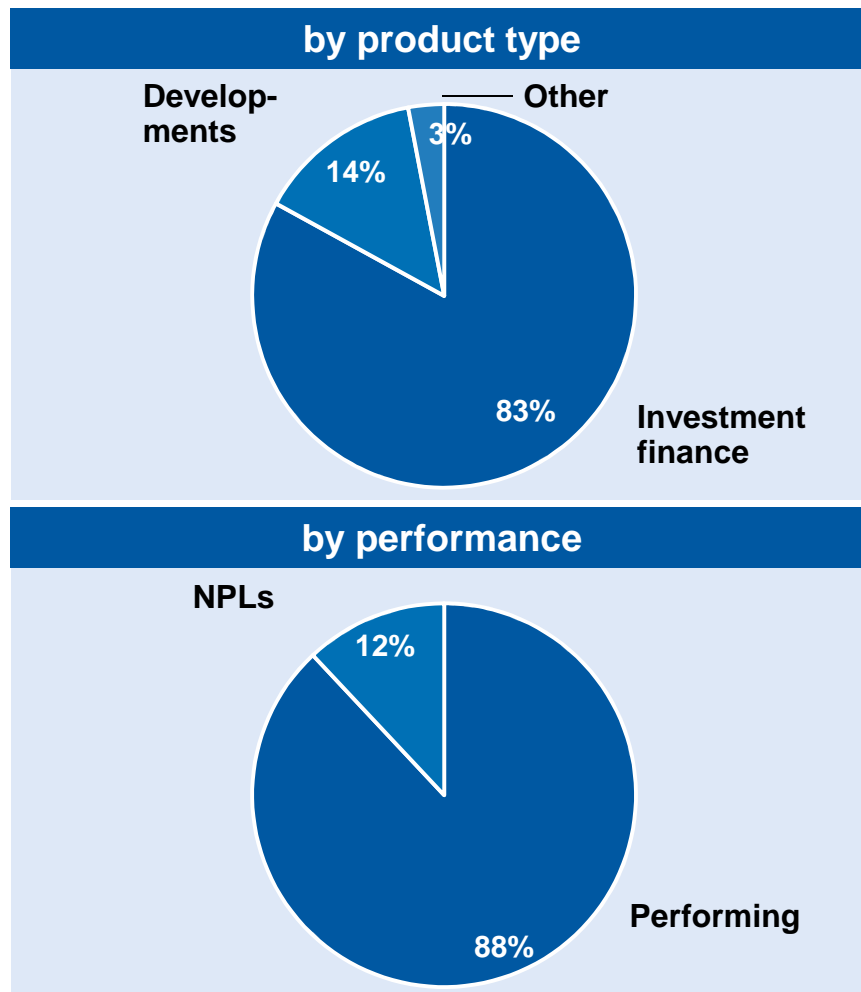
by LTV ranges¹⁾



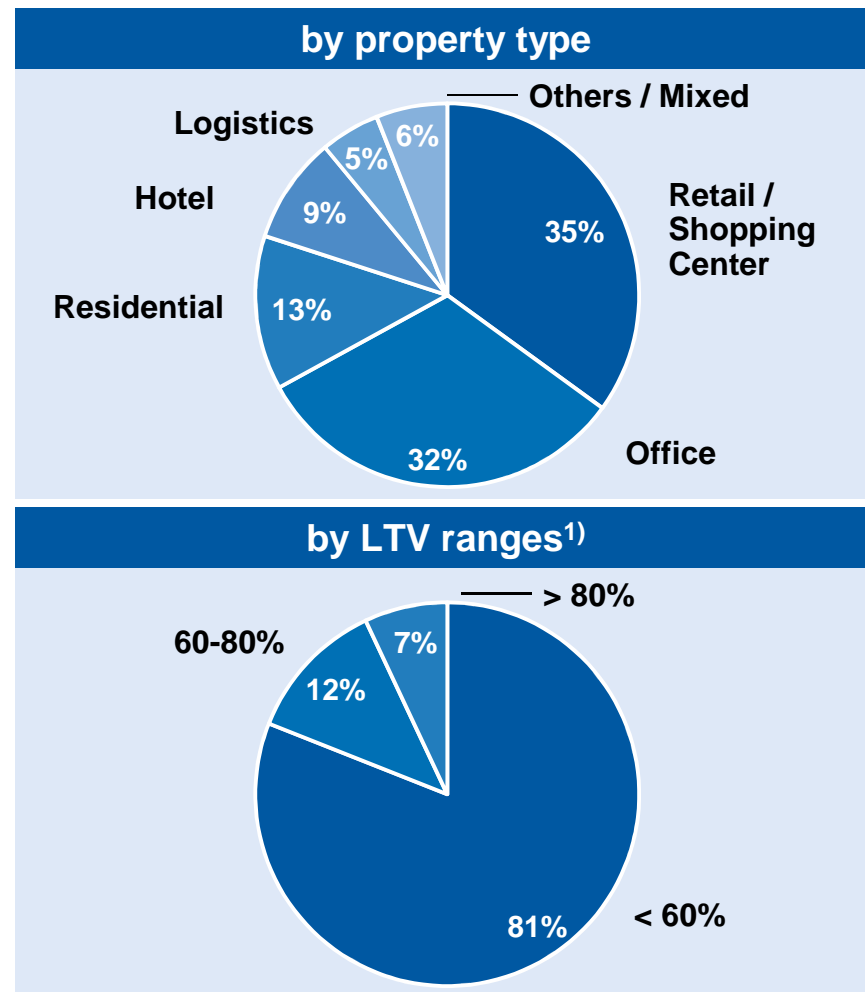
1) Performing business only, exposure as at 31.03.2014

Southern Europe credit portfolio

Total volume outstanding as at 31.03.2014: € 4.1 bn



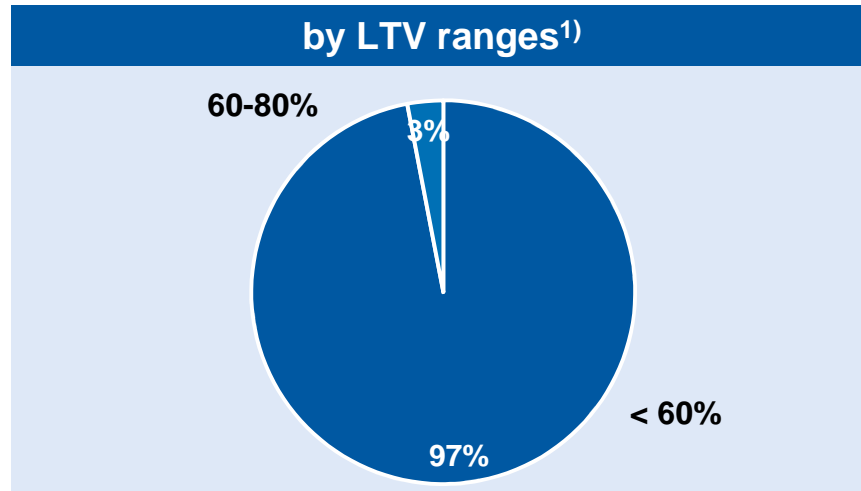
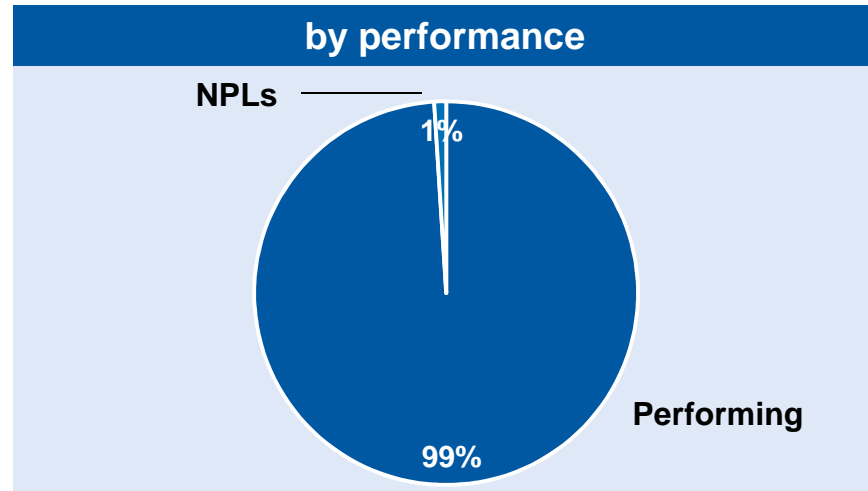
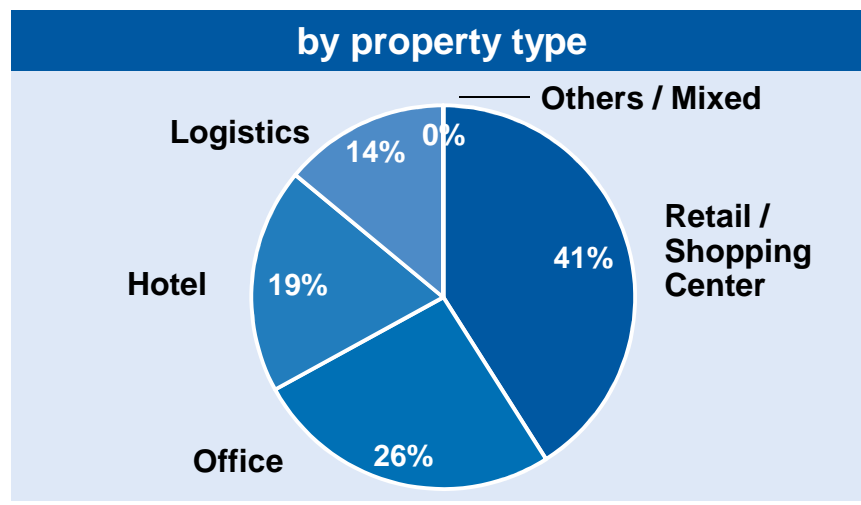
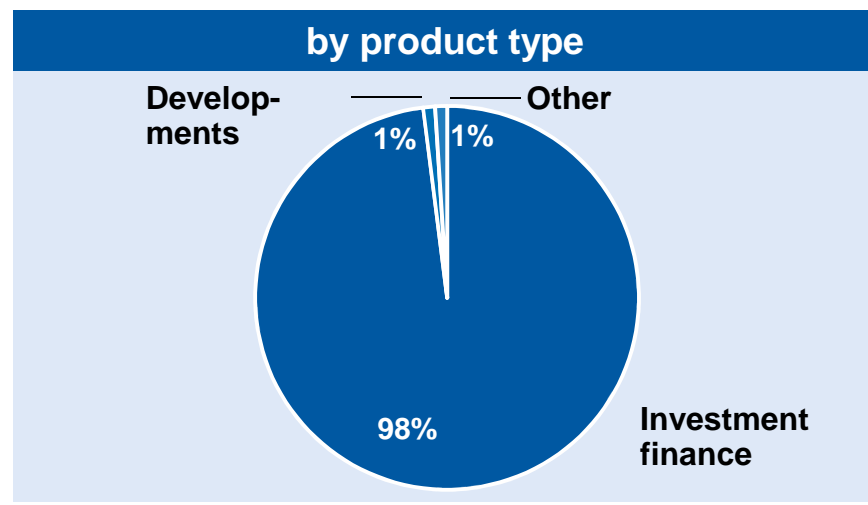
1) Performing business only, exposure as at 31.03.2014



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Eastern Europe credit portfolio

Total volume outstanding as at 31.03.2014: € 2.6 bn



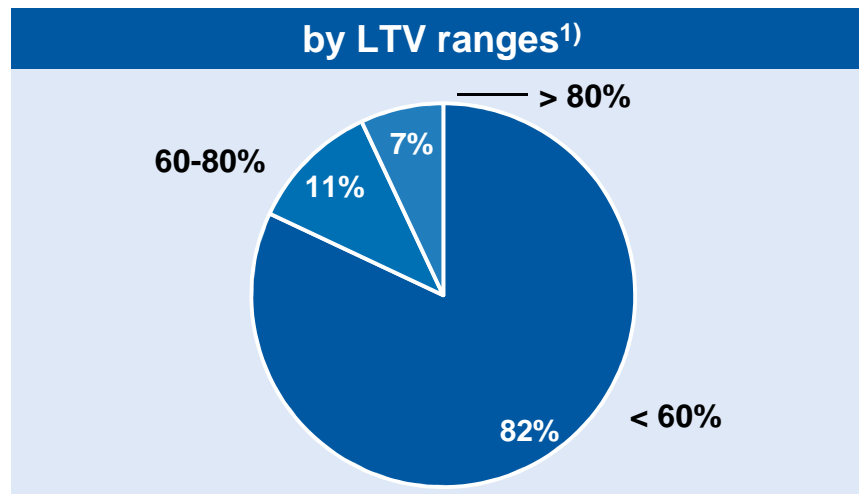
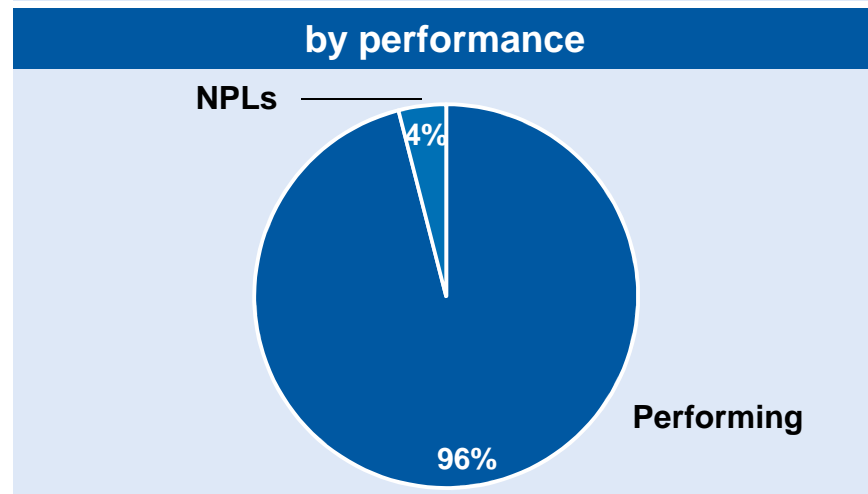
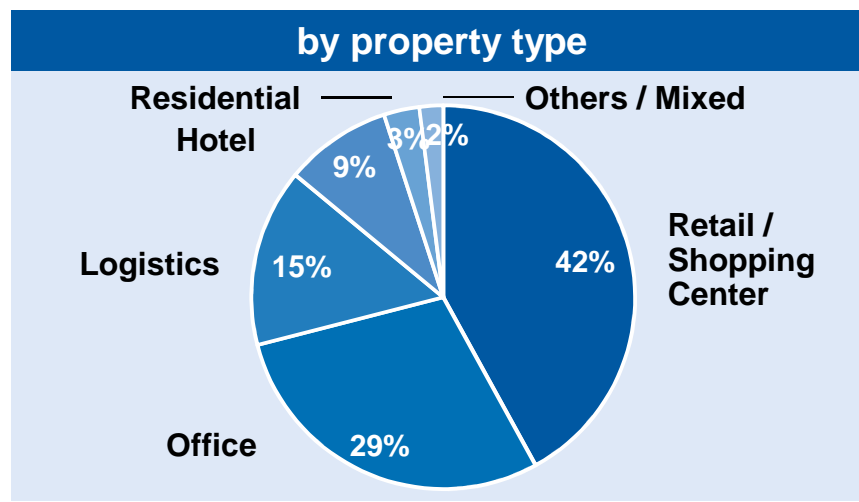
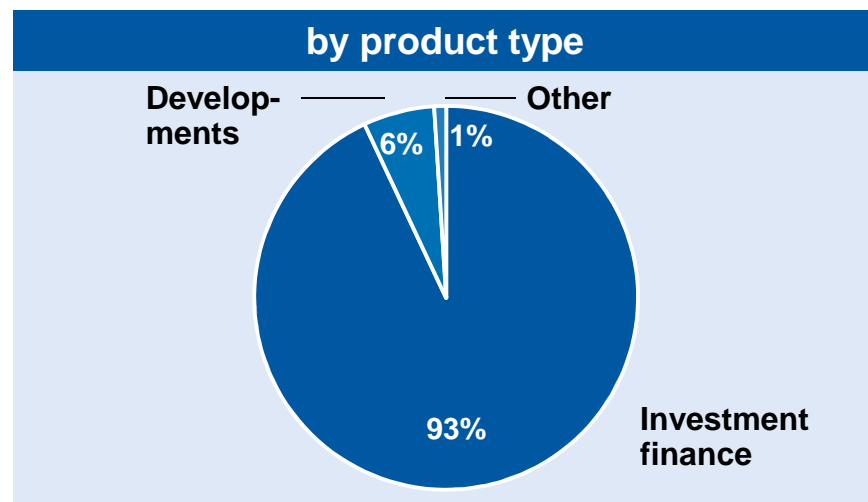
1) Performing business only, exposure as at 31.03.2014



Aareal Bank Group

Northern Europe credit portfolio

Total volume outstanding as at 31.03.2014: € 2.4 bn

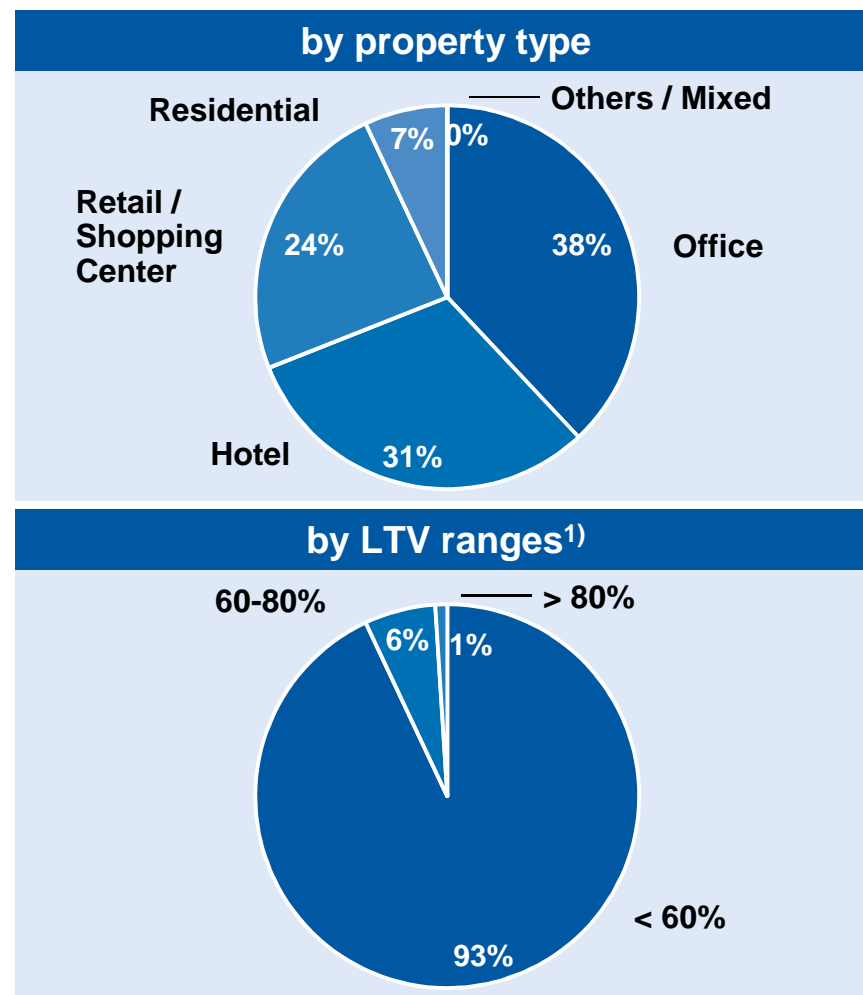
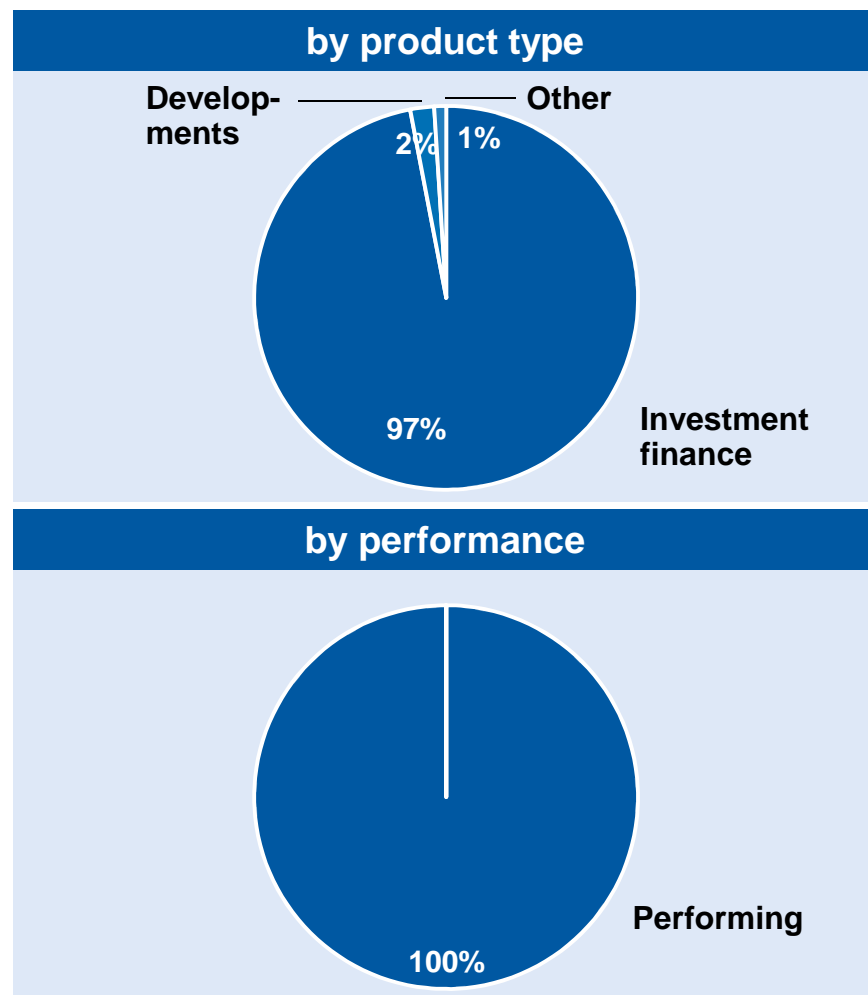


1) Performing business only, exposure as at 31.03.2014



North America credit portfolio

Total volume outstanding as at 31.03.2014: € 3.9 bn



1) Performing business only, exposure as at 31.03.2014

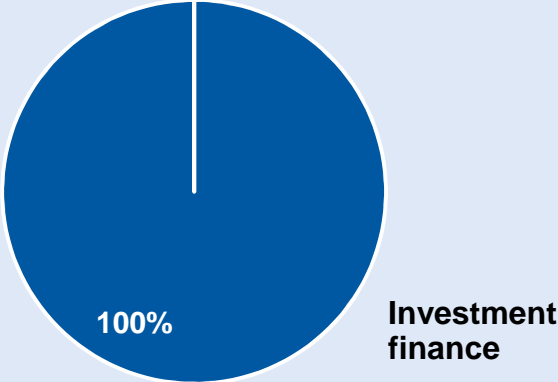


Aareal Bank Group

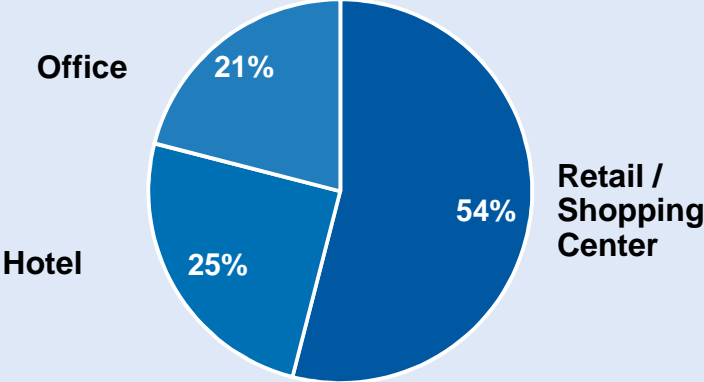
Asia credit portfolio

Total volume outstanding as at 31.03.2014: € 0.4 bn

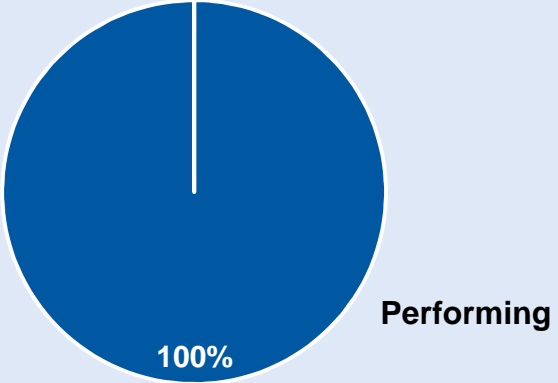
by product type



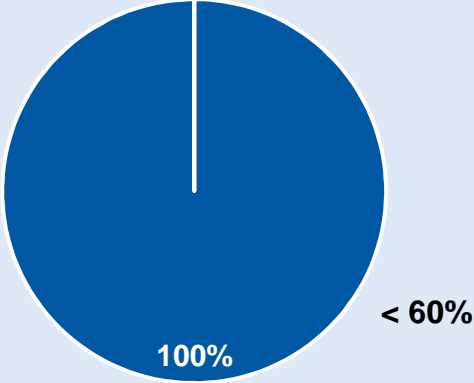
by property type



by performance



by LTV ranges¹⁾

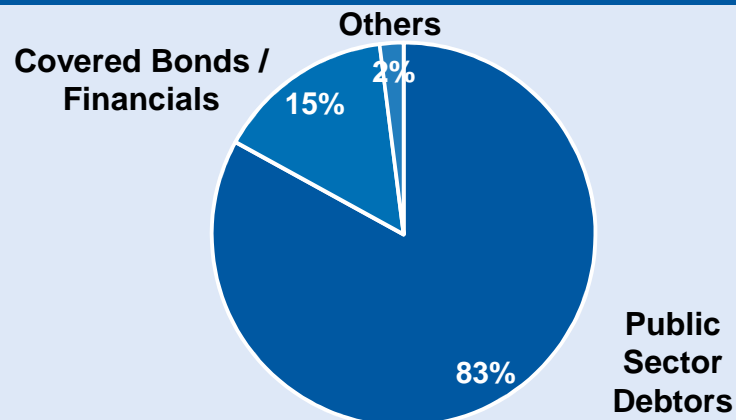


1) Performing business only, exposure as at 31.03.2014

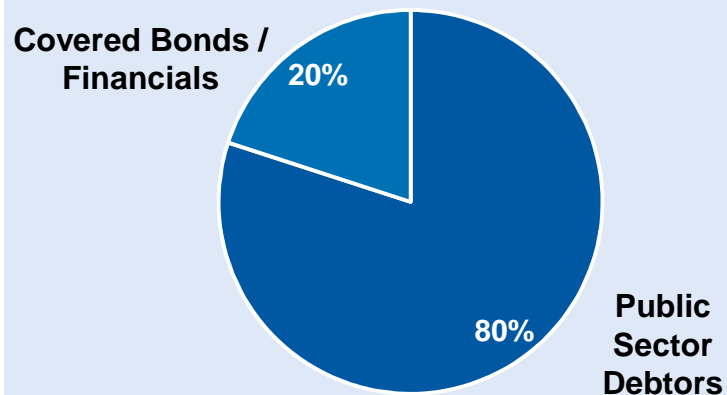
Total treasury portfolio

€ 11.9 bn of high quality and highly liquid assets

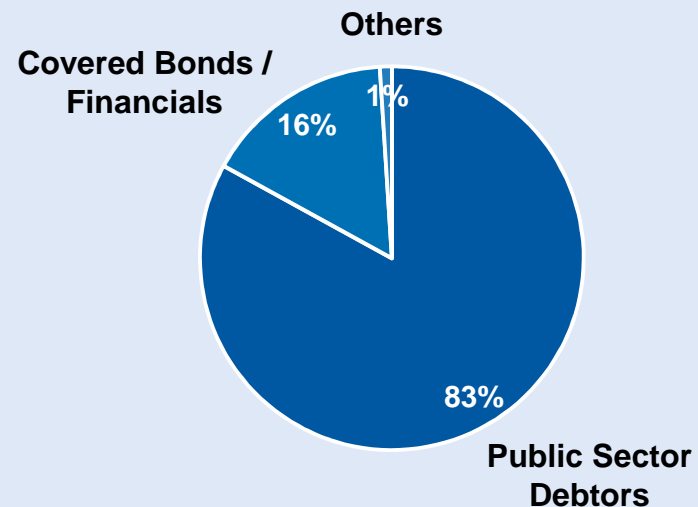
Aareal (total volume: € 10.5 bn)



Corealcredit (total volume: € 1.4 bn)



Combined portfolio by asset class

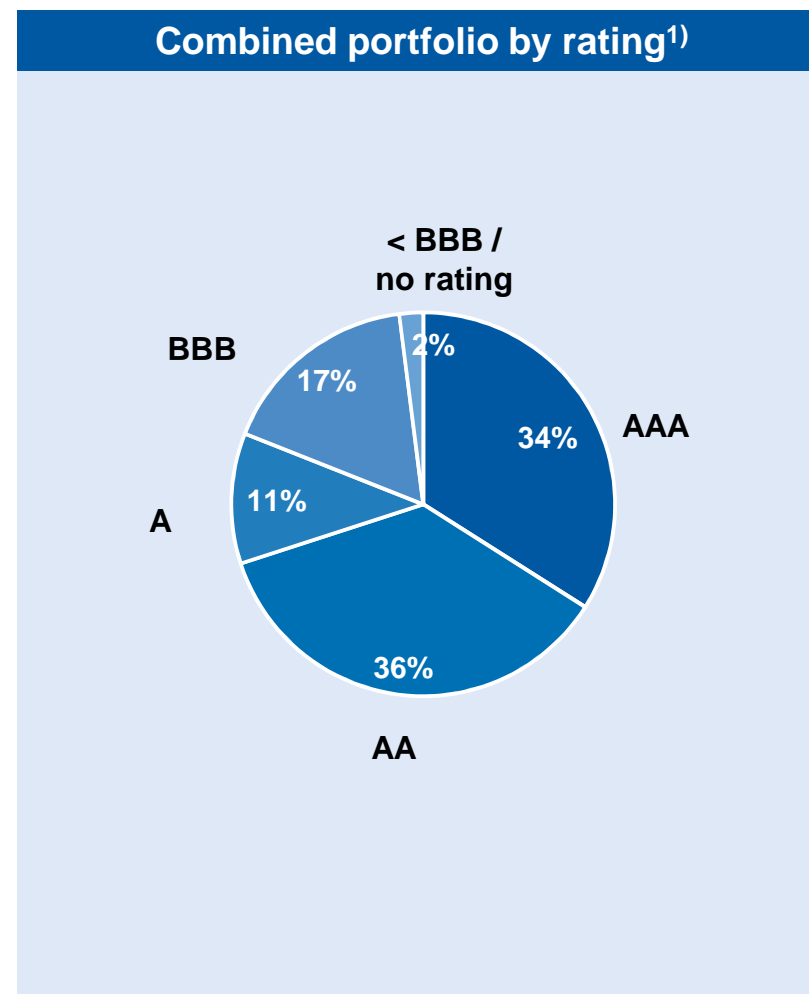
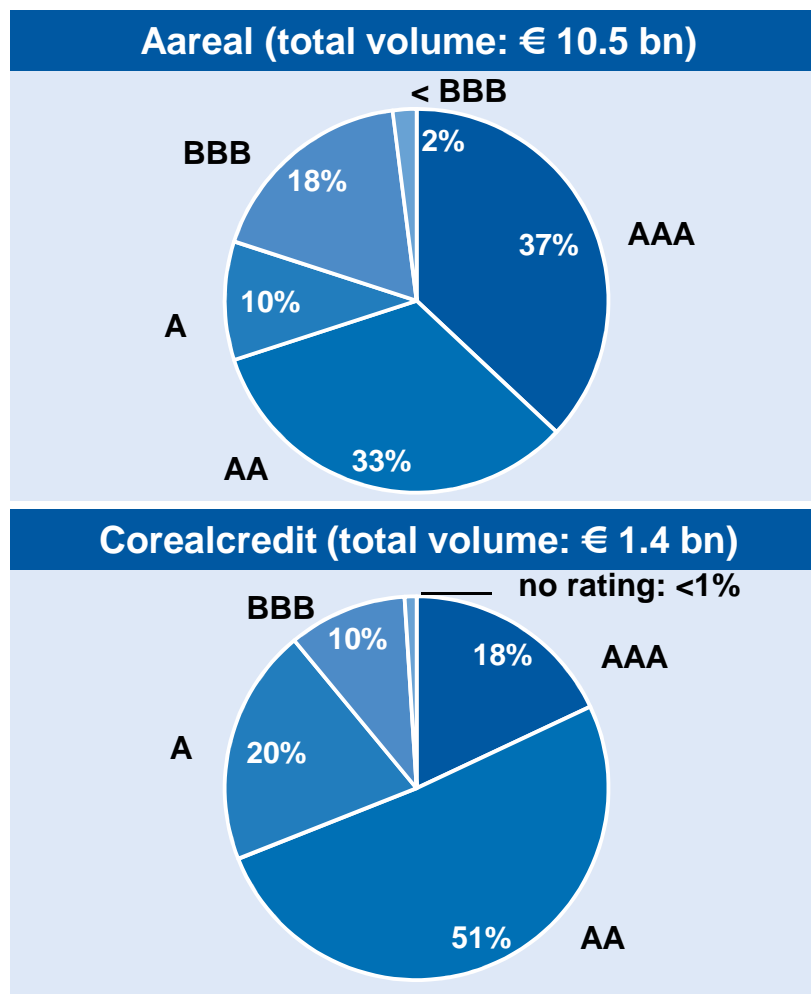


As at 31.03.2014 – all figures are nominal amounts



Total treasury portfolio

€ 11.9 bn of high quality and highly liquid assets



As at 31.03.2014 – all figures are nominal amounts
1) Composite Rating



Outlook 2014



**Aareal Bank
Group**

Outlook 2014 confirmed

Driven by operating performance and Corealcredit take-over

2014	
Net interest income	▪ € 610 mn - € 640 mn ¹⁾
Net loan loss provisions	▪ € 100 mn - € 150 mn ²⁾ despite portfolio growth
Net commission income	▪ € 170 mn - € 180 mn
Admin expenses	▪ € 430 mn - € 450 mn incl. one-offs related to acquisition of Corealcredit
Negative goodwill	▪ ~ € 150 mn
Operating profit³⁾	▪ € 370 mn - € 390 mn
Pre-tax RoE	▪ ~ 9% excl. negative goodwill
New business origination	▪ € 8 bn - € 9 bn
Operating profit Aareon	▪ ~ € 28 mn

1) Recognition of interest payments for AT1 in H2 2014

2) As in 2013, the bank cannot rule out additional allowances for credit losses

3) Incl. negative goodwill of € 150 mn



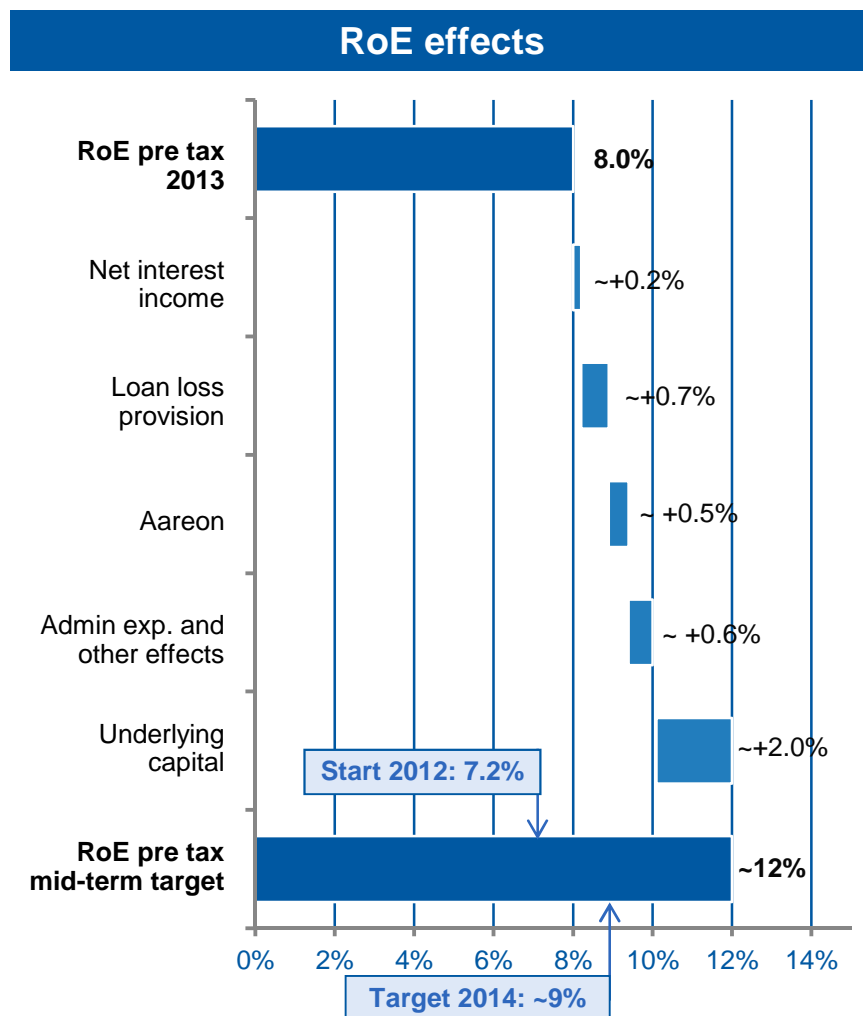
Midterm Outlook



**Aareal Bank
Group**

Aareal Bank's action plan

Key RoE drivers



Measures in Aareal's action plan

1. Optimisation funding structure / liquidity portfolio
2. Slight loan portfolio growth – but margin compression
2. Stable RWA & LTVs
Lower risk costs (but development in Southern Europe uncertain)
3. Increase in Aareon EBIT
4. Keep cost base under control, lower project and one-off costs – as well as other items
5. Optimisation of regulatory capital structure
Alignment or allocation of underlying capital (e.g. Coreal)



Aareal Bank's action plan

Measures

Aareal Bank's action plan

1. Funding strategy:

Improve deposit ratio and covered bond (CB) ratio further avoiding capital market dependency

2. CRE new business:

Focus on markets with LTV ratios of 60-70%, resulting in stable RWA and LtVs, higher CB-funding share, lower risk costs (but development in Southern Europe uncertain)
Strengthen client relationships by leveraging new business through stronger cooperation via club deals and syndication

3. Aareon:

Enhance profit contribution

4. Cost base:

Continue cost discipline, but temporarily effected by project costs etc.

5. Capital structure:

Optimise capital structure once regulatory guidelines are in place and markets are pricing instruments adequately



Aareal Bank's action plan

Measures in detail (1/2)

1

Funding strategy

- Increase deposits from the institutional housing industry from ~€ 6 bn in 2012 to > € 7 bn until 2015
- CB-funding share of new business will increase over time, limited to max. 50% cover pool / total assets ratio
- Senior unsecured wholesale funding / total assets ratio will temporarily go down further and will stay below 10% (31.12.2012: ~6%)

2

CRE new business

- Keep originating new business with max. 60%-70% LTV
- Target average new business with ~65% LTV and 200bps gross margin after FX costs
- Three continent approach, focus on markets with short-termed or low negative swings throughout the financial crisis and at least a stable midterm outlook resulting in low RWA consumption
- Long term run-down of portfolios with higher LTVs or negative outlook will result in a decreasing RWA / exposure ratio and will free up equity
- Strengthen client relationships by leveraging new business through stronger cooperation via club deals and syndication to produce a higher origination capacity for our clients



Aareal Bank's action plan

Measures plan in detail (2/2)

3

Aareon

- Close tracking of the transition from GES to Wodis Sigma as an in-house or cloud solution
- Ongoing investments in new or existing byproducts to keep and expand the product portfolio on latest technology level
- Explore further business opportunities
- Improve EBIT and EBIT margin

4

Cost base

- Challenges ahead through higher regulatory costs
- Keep the costs in balance, but temporarily effected by project costs etc.
- Target CIR for SPF segment close to 40% in 2015

5

Capital structure

- Optimise capital structure once technical regulatory guidelines, tax and legal treatment are in place and markets are pricing instruments adequately



Outlook 2014 & Midterm Outlook

Summary and Prerequisites

	2014	2015 / 2016
Tier 1 ratio IFRS & CRD IV fully loaded before mgmt buffer	12.0 – 12.25%	11.5 – 12.0%
CIR	~40% (SPF)	~40% (SPF)
EBIT margin	~16% (Aareon)	>17.5% (Aareon)
Pre-tax ROE	~9%	~12%
Cost of equity (net)	9 - 10 %	↘

Prerequisites

- No Eurozone break up
- Normalised asset valuations
- Healthy world GDP growth beside some European peripherals
- Regulation will be introduced according to today's timeline and framework
- Regulatory environment more predictable, but still possible challenges, e.g. additional capital requirements
- No additional burdens
- Due to little inflation pressure, we expect ECB to keep key interest rates low and to start alternative measures - therefore short-term Euro interest rates will likely stay low as well, possible challenge of negative interest rates



Appendix



**Aareal Bank
Group**

Aareal Bank Group

Key figures Q1 2014

	01.01.- 31.03.2014	01.01.- 31.03.2013	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	144	121	19%
Allowance for credit losses	37	17	118%
Net interest income after allowance for credit losses	107	104	3%
Net commission income	40	38	5%
Net result on hedge accounting	2	-3	-
Net trading income / expenses	2	6	-67%
Results from non-trading assets	0	-1	-
Results from companies accounted for at equity			-
Administrative expenses	102	92	11%
Net other operating income / expenses	16	-5	-
Negative goodwill	150	0	-
Operating Profit	215	47	357%
Income taxes	20	15	33%
Net income / loss	195	32	509%
Allocation of results			
Net income / loss attributable to non-controlling interests	5	5	-
Net income / loss attributable to shareholders of Aareal Bank AG	190	27	604%
Appropriation of profits			
Silent partnership contribution by SoFFin	5	5	0%
Consolidated retained profit / accumulated loss	185	22	741%



Aareal Bank Group

Key figures Q1 2014 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.03. 2014	01.01.- 31.03. 2013	01.01.- 31.03. 2014	01.01.- 31.03. 2013	01.01.- 31.03. 2014	01.01.- 31.03. 2013	01.01.- 31.03. 2014	01.01.- 31.03. 2013
	€ mn							
Net interest income	143	118	0	0	1	3	144	121
Allowance for credit losses	37	17					37	17
Net interest income after allowance for credit losses	106	101	0	0	1	3	107	104
Net commission income	1	2	40	39	-1	-3	40	38
Net result on hedge accounting	2	-3					2	-3
Net trading income / expenses	2	6					2	6
Results from non-trading assets	0	-1					0	-1
Results from companies accounted for at equity			0					
Administrative expenses	56	50	46	42	0		102	92
Net other operating income / expenses	16	-4	0	-1	0	0	16	-5
Negative goodwill	150	0					150	0
Operating profit	221	51	-6	-4	0	0	215	47
Income taxes	22	16	-2	-1			20	15
Net income / loss	199	35	-4	-3	0	0	195	32
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	1	1			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	195	31	-5	-4	0	0	190	27



Aareal Bank Group

Key figures – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Euro mn																				
Net interest income	143	146	131	124	118	0	0	0	0	0	1	1	2	2	3	144	147	133	126	121
Allowance for credit losses	37	39	29	28	17											37	39	29	28	17
Net interest income after allowance for credit losses	106	107	102	96	101	0	0	0	0	0	1	1	2	2	3	107	108	104	98	104
Net commission income	1	3	2	3	2	40	47	40	39	39	-1	-2	-2	-3	-3	40	48	40	39	38
Net result on hedge accounting	2	-3	0	0	-3											2	-3	0	0	-3
Net trading income / expenses	2	4	3	5	6											2	4	3	5	6
Results from non-trading assets	0	0	-2	-5	-1											0	0	-2	-5	-1
Results from companies accounted for at equity							0										0			
Results from investment properties	0	0	0	0	0											0	0	0	0	0
Administrative expenses	56	54	50	47	50	46	47	44	44	42	0	-2	0	-1	0	102	99	94	90	92
Net other operating income / expenses	16	-1	-3	-2	-4	0	2	0	0	-1	0	-1	0	0	0	16	0	-3	-2	-5
Negative goodwill	150	0	0	0	0											150	0	0	0	0
Operating profit	221	56	52	50	51	-6	2	-4	-5	-4	0	0	0	0	0	215	58	48	45	47
Income taxes	22	18	16	15	16	-2	0	-1	-1	-1						20	18	15	14	15
Net income / loss	199	38	36	35	35	-4	2	-3	-4	-3	0	0	0	0	0	195	40	33	31	32
Allocation of results																				
Net income / loss attributable to non-controlling interests	4	3	4	5	4	1	1	1	0	1						5	4	5	5	5
Net income / loss attributable to shareholders of Aareal Bank AG	195	35	32	30	31	-5	1	-4	-4	-4	0	0	0	0	0	190	36	28	26	27



Strategic rationale for acquisition of Corealcredit

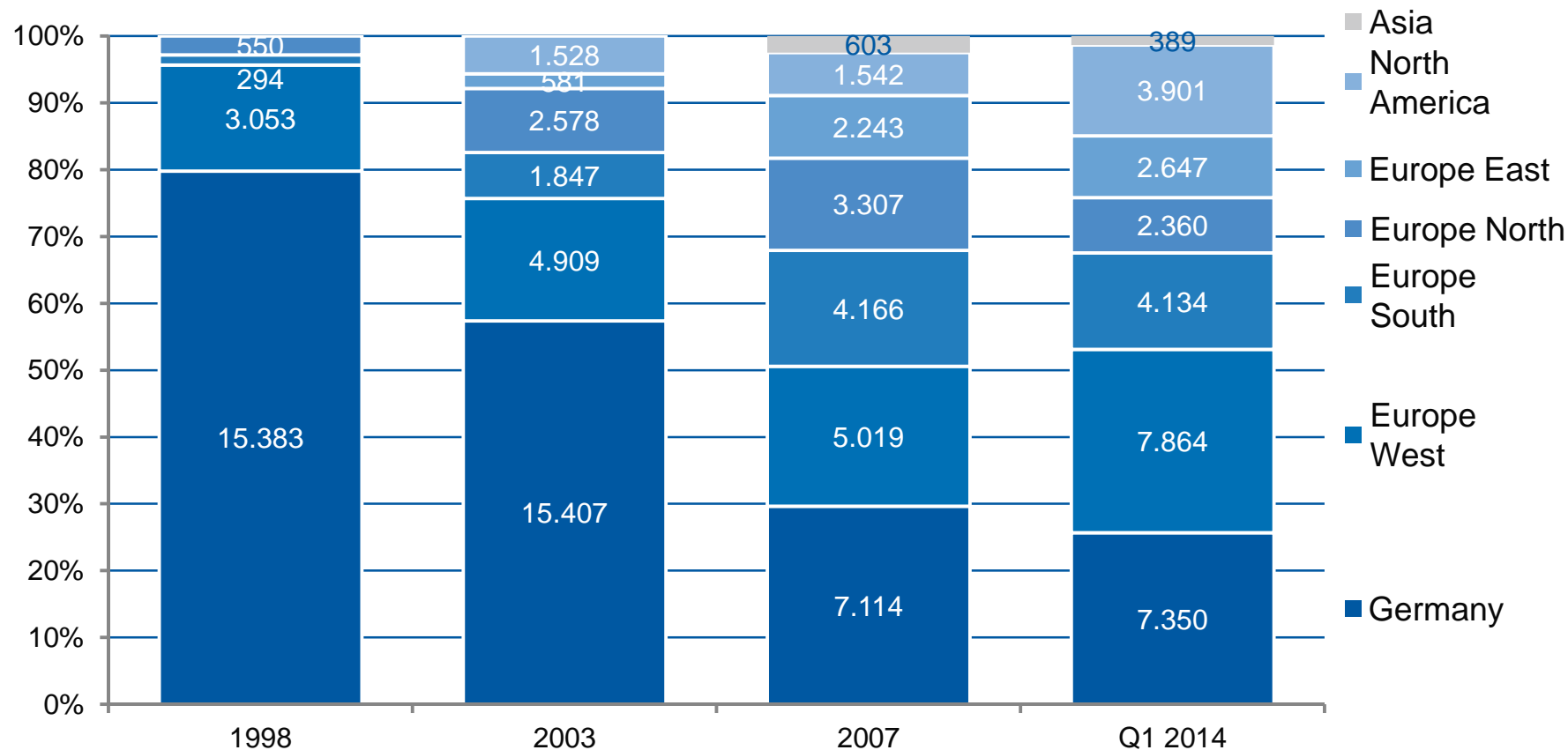
Value enhancing transaction in line with current strategy

-  The transaction represents an attractive opportunity for Aareal Bank Group to pursue inorganic growth as it is creating shareholder value and EpS accretive from day one
-  Aareal Bank Group acquires Coreal, which has been successfully realigned and refocused on its core business by its previous owner, in a favourable market environment at a conservative price
-  Coreal is a well digestible addition to Aareal Bank Group. Legacy risks have been conservatively evaluated and comprehensively ring-fenced
-  Our mid-term targets and our goal to resume an active dividend policy remain unchanged
-  With the acquisition of Coreal, Aareal Bank Group further strengthens its position as a leading commercial real estate lender
-  The acquisition of Coreal from existing excess capital demonstrates the strength and strategic capacity of Aareal Bank Group



Development property finance portfolio

Diversification continuously strengthened (in € mn)

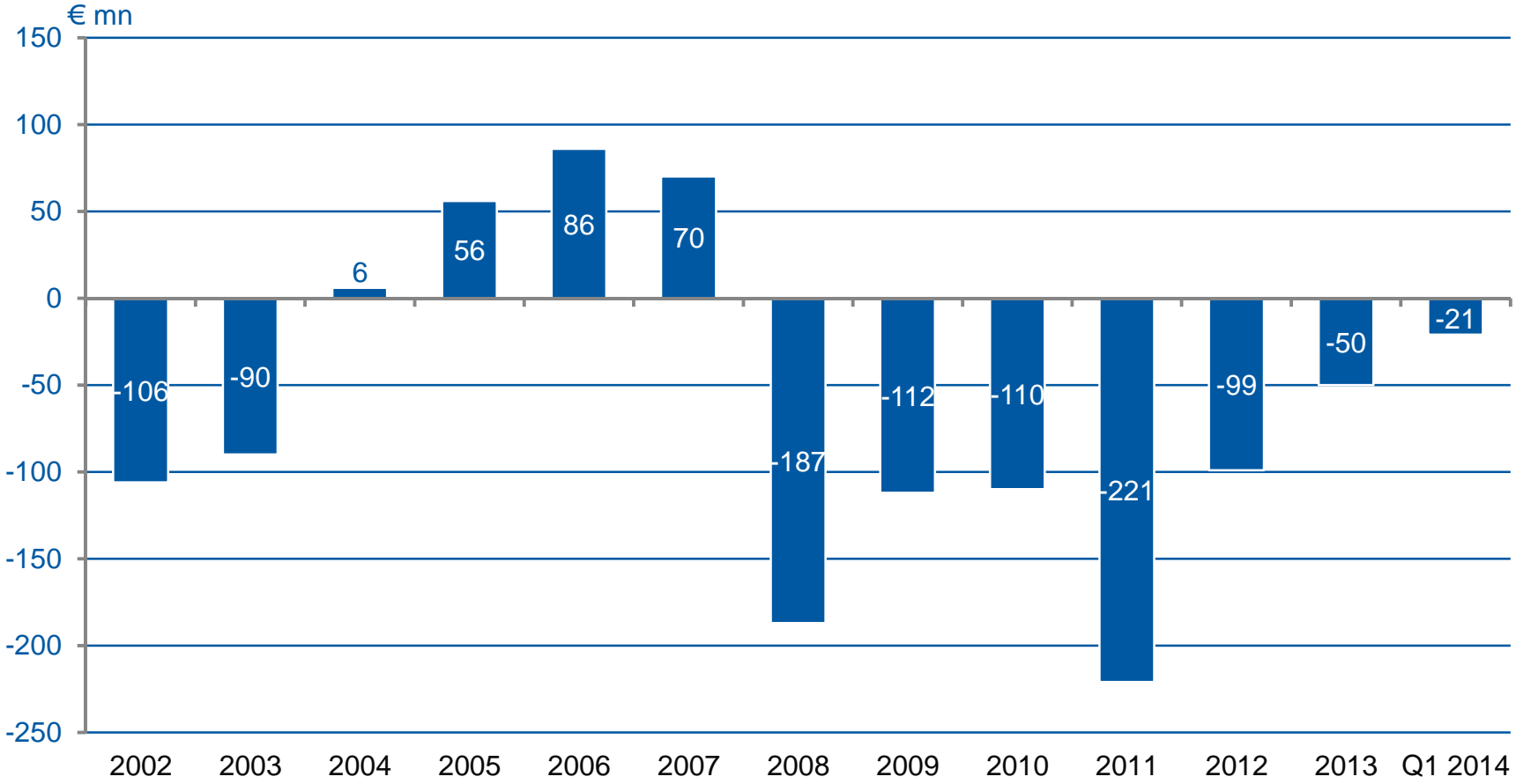


Property finance under management



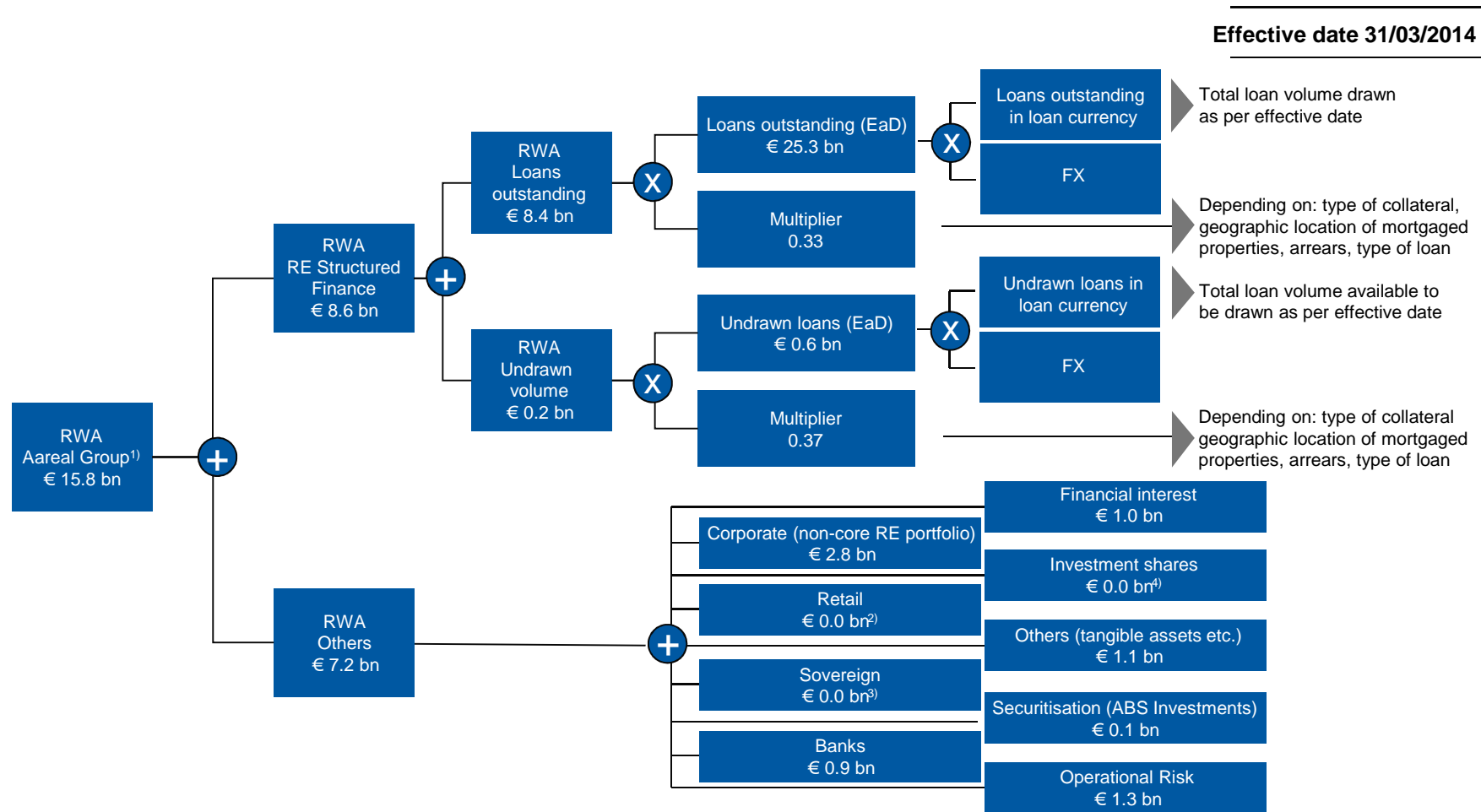
Revaluation surplus

Change mainly driven by asset spreads



From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA



- 1) Excl. market risk
- 2) Exposure to Retail amounts to € 23 mn
- 3) Exposure to Sovereigns amounts to € 16 mn
- 4) Exposure to investment shares amounts to € 16 mn



Definitions and contacts



**Aareal Bank
Group**

Definitions

- **Structured Property Financing Portfolio**
 - Paid-out financings on balance sheet
 - Incl. remaining property loans on DEPFA books
- **New Business**
 - Newly acquired business incl. renewals
 - Contract is signed by customer
 - Fixed loan value and margin
- **Core Tier I Ratio** =
$$\frac{\text{Tier 1 capital} \text{ ./. hybrids} \text{ ./. SoFFin silent participation}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit} \text{ ./. Net income/loss attributable to non-controlling interests}}{\text{Allocated (average) equity}}$$
- **Allocated Equity**
Average of:
 - Equity (excluding minorities and revaluation surplus but including silent participation by SoFFin) start of period less dividends and
 - Equity (excluding minorities and revaluation surplus but including silent participation by SoFFin) end of period less expected dividends
- **CIR** =
$$\frac{\text{Admin expenses}}{\text{Net income}}$$
- **Net income**
 - net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
- **Net stable funding ratio** =
$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$$
- **Liquidity coverage ratio** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}} \geq 100\%$$



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