

QUALITY®
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Analyst Conference Call

Q3 2015 results

November 10, 2015
Hermann J. Merkens, CEO



**Aareal Bank
Group**

Agenda

- Highlights
- General environment
- Group results Q3 2015 at a glance
- Segment performance
- B/S structure, capital & funding position
- Group results Q3 2015
- Asset quality
- Outlook 2015
- Midterm Outlook

- Appendix
- Definitions and Contacts



Highlights

Aareal Bank stays on track

Highlights

- Positive business development in Q3 with very good quarterly results:
Operating profit of € 82 mn
 - Guidance for 2015 Operating profit increased to € 450 mn - € 460 mn,
New business target also lifted to € 8 - 9 bn
 - Integration of WestImmo proceeding as planned,
Technical integration completed October, 18th 2015
- Aareal Bank Group is ideally positioned to perform successfully – even in this challenging environment



General environment

General environment

- Slight world economic recovery continues in combination with low inflation rates in the US and Europe
- Different regional speed of economic recovery: US-recovery is speeding up, Europe stuck close to deflation, China's pace of economic growth is slowing down (construction, manufacturing)
- Geopolitical risks and tensions e.g. towards Russia still unsolved, new challenges ahead
- Increasing divergences in monetary policy between ECB on one side and FED/BOE on the other side
- Markets expecting ECB's QE to be prolonged and extended, having an enormous impact on capital markets - risking asset bubbles
- Regulatory environment becomes more predictable but further uncertainties

Main takeaways



Increasing competition burdens margins as predicted which can only partly be compensated by an optimised funding structure. Furthermore funding costs have bottomed out throughout the year. WestImmo acquisition enabling very selective new business generation. Early repayments of high margin loans continue.



Moderately increasing property values and stable to slightly positive rents in most European countries but risks from LTVs based on extreme low cap rates. Further NPL inflow in Q4 expected, mainly from our Italian portfolio.



Aareon with a slightly positive development expected but deposit business will continue to suffer on segment reporting level – deposit volume supports funding and cheapens funding costs



Group results Q3 2015 at a glance



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Group results at a glance

NII driven strong development of operating profit

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Comments
€ mn						
Net interest income <i>(excl. unplanned effects from early repayments)</i>	214 (192)	191 (181)	178 (173)	194 (174)	181 (168)	<ul style="list-style-type: none"> Full quarter contribution of WestImmo High early repayments
Allow. for credit losses	37	31	18	41	36	In line with guidance
Net commission income	40	42	41	48	37	<ul style="list-style-type: none"> Aareon on track Q3 with seasonal summer slump
Admin expenses	147	136	132	114	109	<ul style="list-style-type: none"> Full quarter consideration of WestImmo Compensation payment for change in CEO position
Negative goodwill		154				Gain from initial consolidation of WestImmo
Operating profit	82	233	67	86	66	Main drivers: <ul style="list-style-type: none"> High early repayments Full quarter contribution of WestImmo “Other operating income”
Earnings per share [€]	0.78	3.35 ¹⁾ 0.77 ²⁾	0.60	0.55	0.58	Strong development

1) Earnings per ordinary share, incl. negative goodwill, tax rate of ~31% assumed

2) Earnings per ordinary share, excl. negative goodwill, tax rate of ~31% assumed



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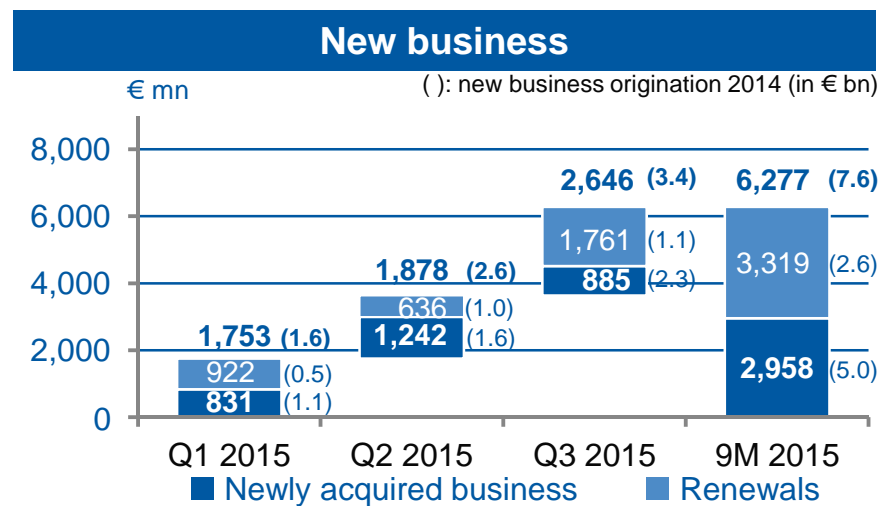
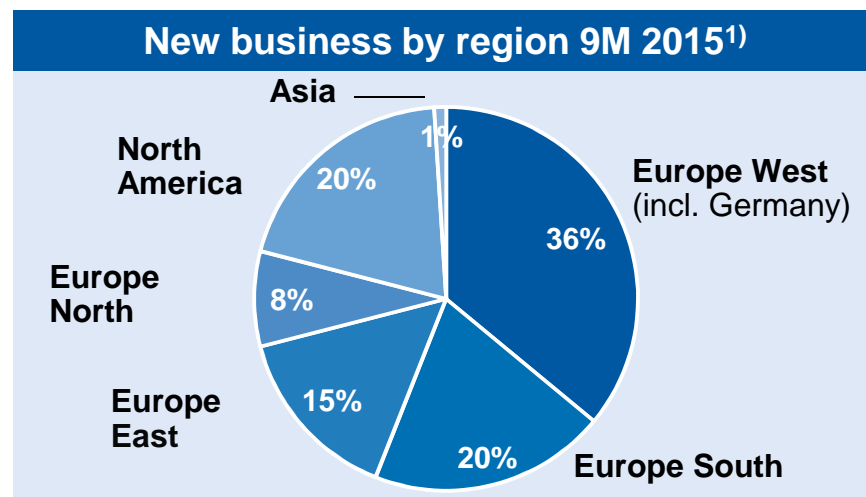
Segment performance



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Structured property financing

High early renewals



P&L SPF Segment	Q3 '15	Q2 '15	Q1 '15	Q4 '14	Q3 '14
€ mn					
Net interest income	214	192	178	194	182
Allow. for credit losses	37	31	18	41	36
Net commission income	2	2	0	1	1
Net result from trading / non-trading / hedge acc.	-3	0	1	7	-5
Admin expenses	101	89	84	67	64
Others	14	12	-3	-8	-4
Negative goodwill		154			
Operating profit	89	240	74	86	74

1) Incl. renewals

2) Additional effects exceeding originally planned repayments

- Increasing competition in core markets
- Margin pressure noticeable as predicted
- Q3 2015 new business generation includes € 0.8 bn early renewals
- NII includes effects from early repayments²⁾: Q3: € 22 mn (Q2: 10/ Q1: 5/ Q4: 20/ Q3: 13)
- Total portfolio of € 31.2 bn (Q2: € 33.1 bn), "old ARL stand alone" portfolio below YE-target size of ~ € 26 bn
- Reducing non core assets as planned



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Consulting / Services

Solid in IT & volumes – weak in deposit margins

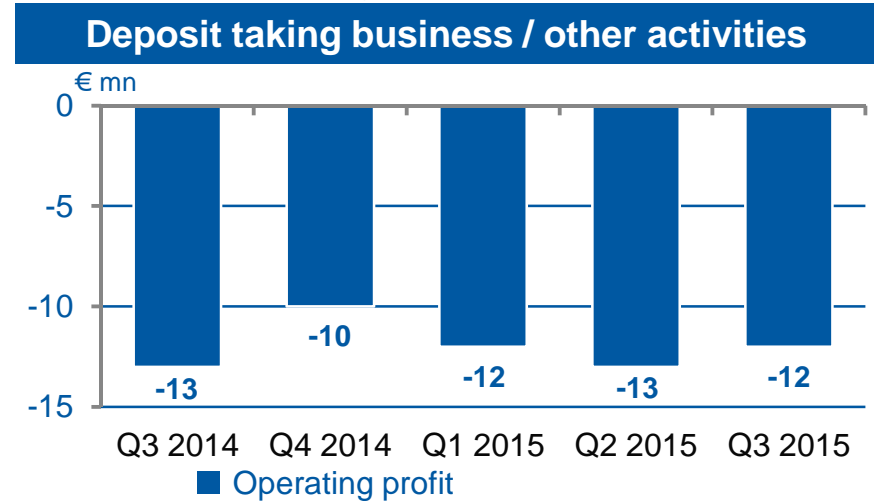
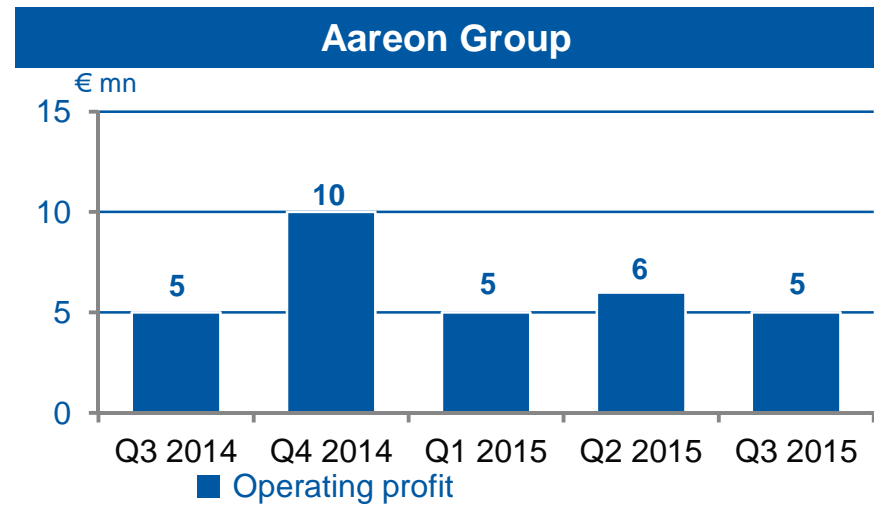
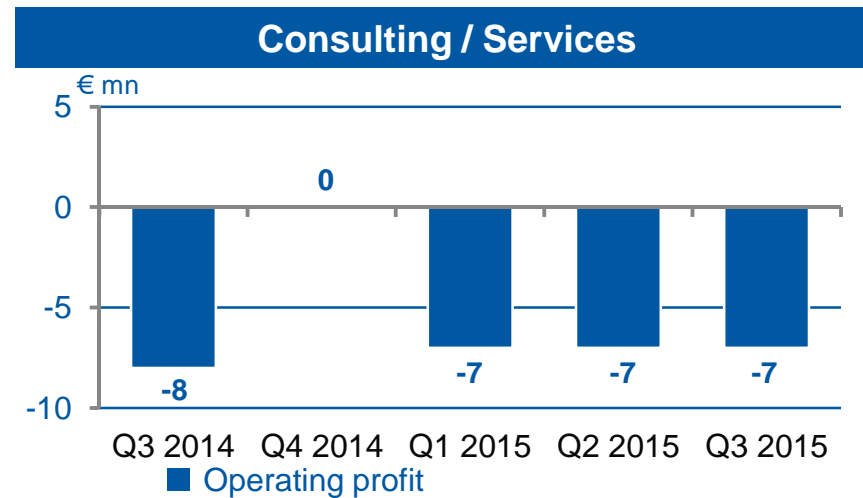
P&L C/S Segment	Q3 '15	Q2 '15	Q1 '15	Q4 '14	Q3 '14
€ mn					
Sales revenue	44	47	46	52	42
Own work capitalised	2	1	1	1	2
Changes in inventory	0	0	0	0	0
Other operating income	2	2	1	3	2
Cost of material purchased	5	7	5	5	6
Staff expenses	35	33	34	35	32
D, A, impairment losses	3	3	3	3	4
Results at equity acc. investm.	0	0	0	0	-
Other operating expenses	12	14	13	13	12
Results from interest and similar	0	0	0	0	0
Operating profit	-7	-7	-7	0	-8

- Unchanged low interest rate environment continues to burden segment results
- Deposit volume of the housing industry on a high level of € 8.6 bn Ø in Q3 2015 (€ 8.7 bn Ø in Q3 '14)
- The strategic importance of the housing industry deposits as an additional source of funding exceeds the importance of the margins reflected in the segment performance



Consulting / Services

Deposit taking business burdens segment results



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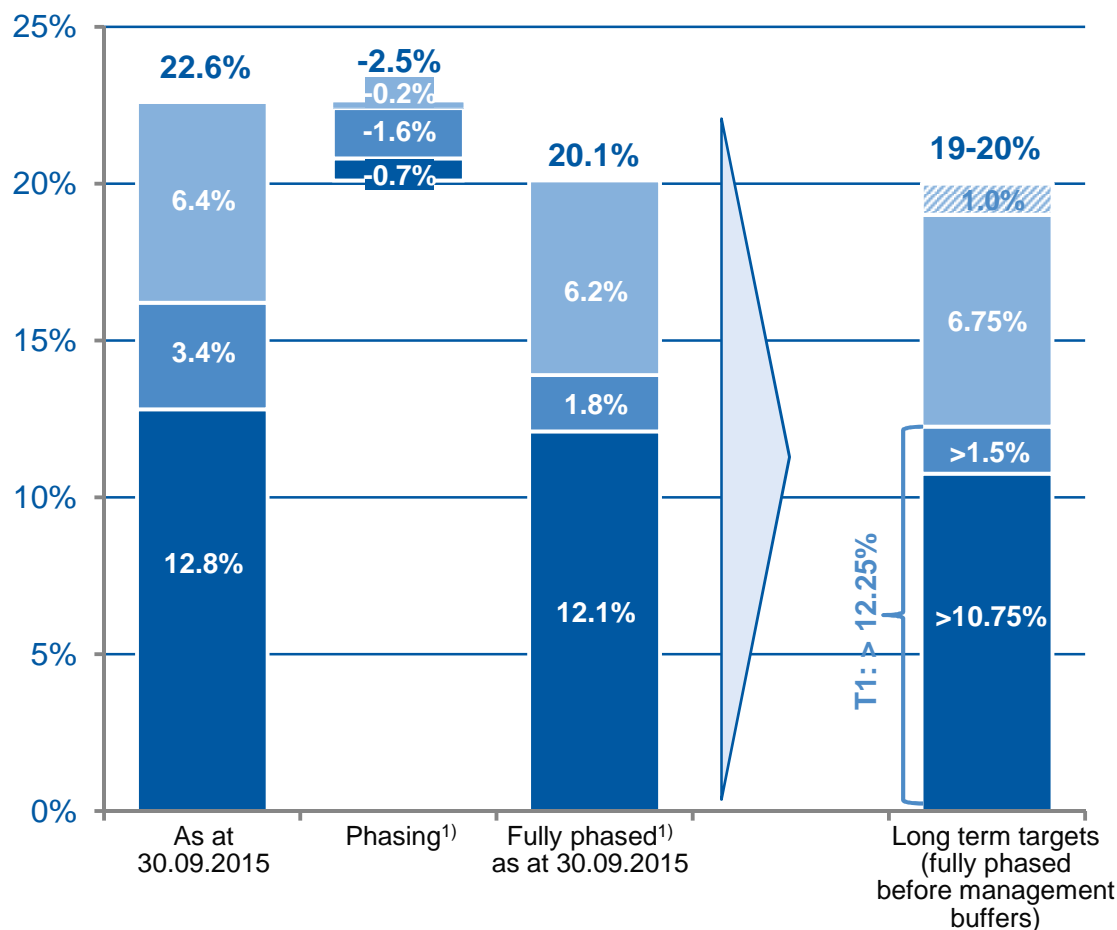
B/S structure, capital & funding position



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Capital ratios

Strong despite WestImmo takeover



1) Actual figures may vary significantly from estimates

- Strong capital ratios in line with business model, company size and capital market expectations
- New ECB requirements in line with capital planning
- Ytd consolidated net income allocated to ordinary shareholders (ex negative goodwill) less dividends not recognised as CET1 capital
- Bail-in capital ratio (acc. to our definition): above 8%
- Leverage ratio as at 30.09.2015: 4.5% (fully phased)

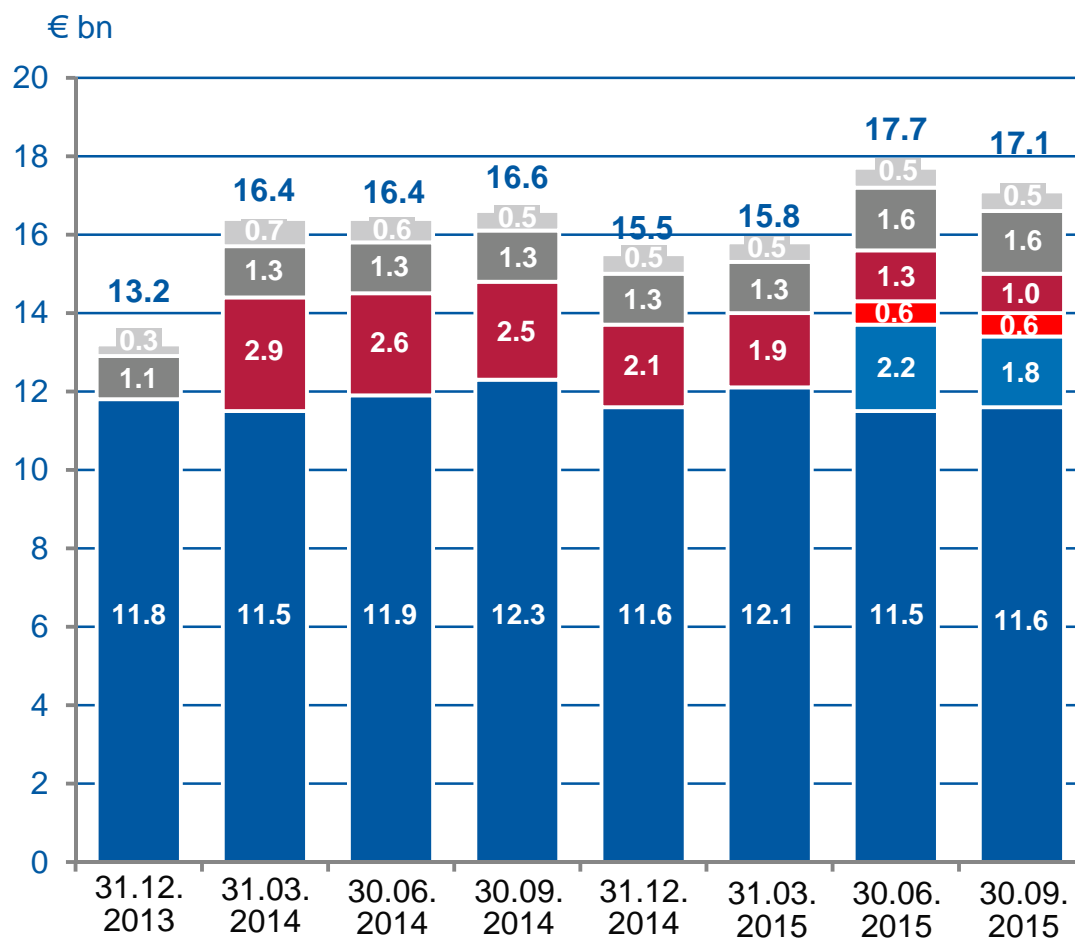
- ▨ Target range
- Tier 2 (T2)
- Additional Tier 1 (AT1)
- Common Equity Tier 1 (CET1)



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RWA development

Continuously run down of non core assets



2015-increase coming from

- WestImmo
- FX-effects

Reduction coming from

- Corealcredit non core assets
- WestImmo non core assets

- Market risk
- Operational risk
- Credit risk non core assets CCB
- Credit risk non core assets WIB
- Credit risk core business WIB
- Credit risk core business ARL

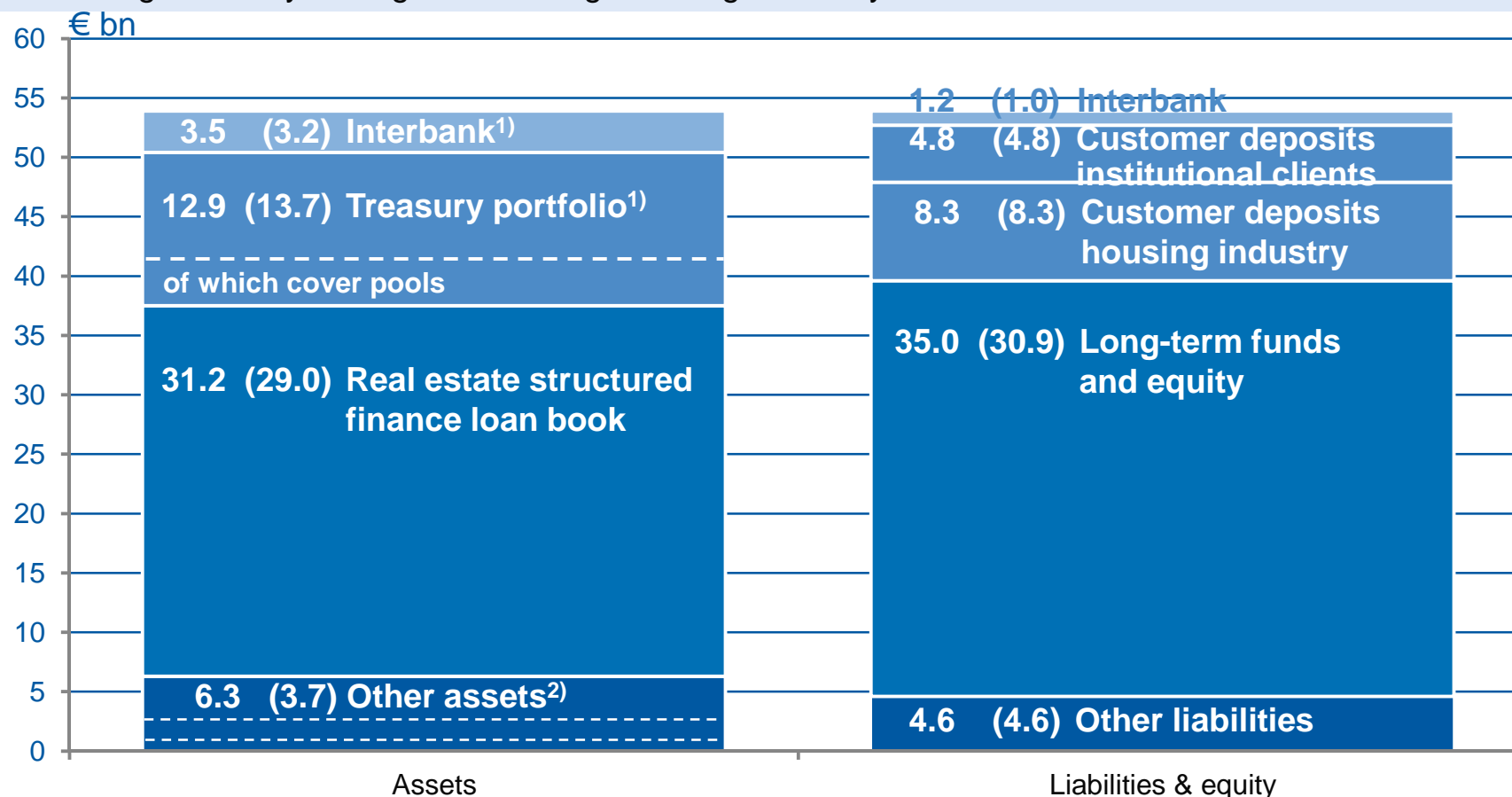


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Asset- / Liability structure according to IFRS

As at 30.09.2015: € 53.9 bn (31.12.2014: € 49.6 bn ex. WB)

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



1) Interbank includes reverse repos of € 1.3 bn

2) Other assets includes € 1.6 bn private client portfolio and WIB's € 0.8 bn public sector loans

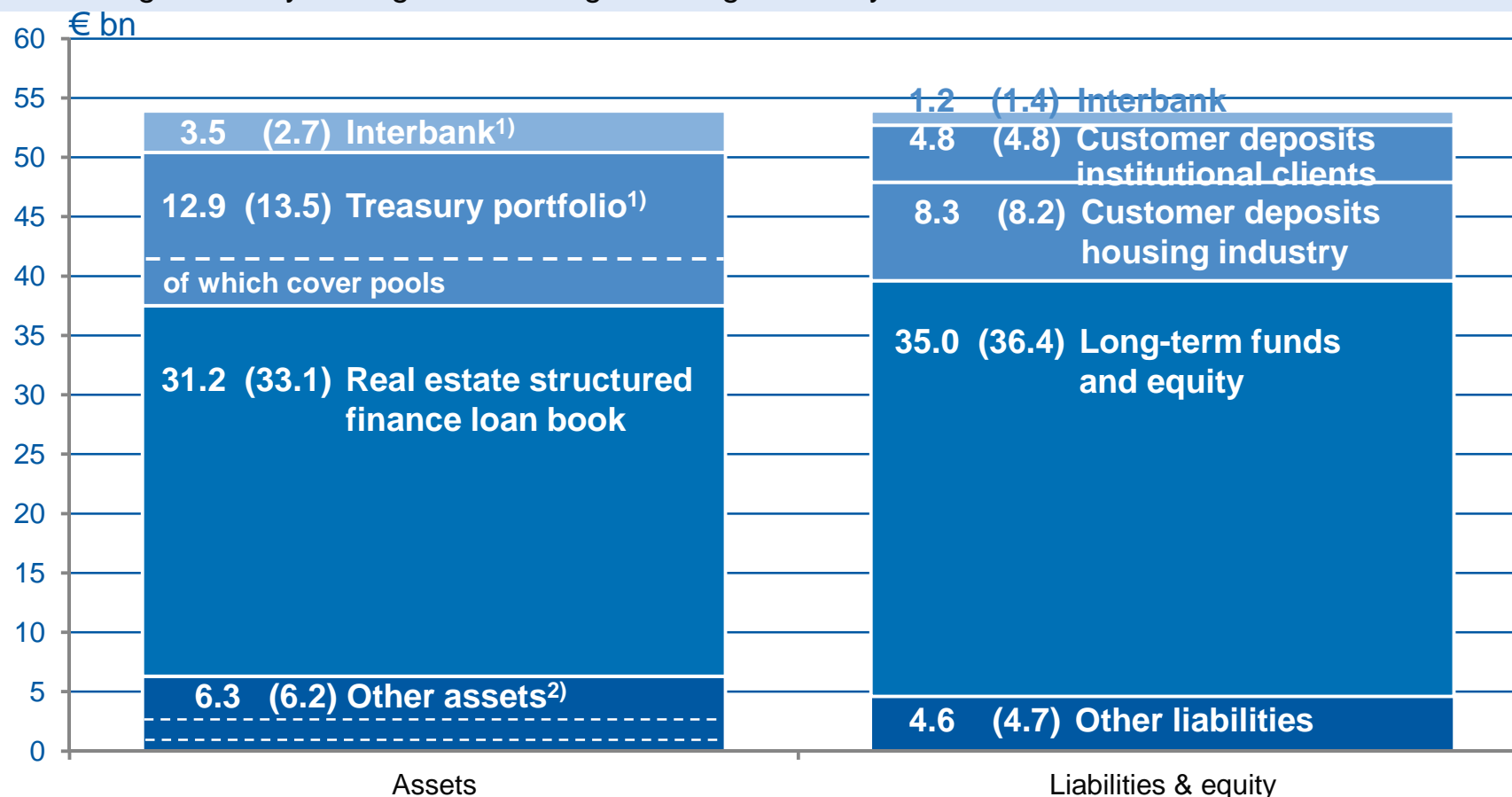


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Asset- / Liability structure according to IFRS

As at 30.09.2015: € 53.9 bn (30.06.2015: € 55.5 bn incl. WIB)

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



1) Interbank includes reverse repos of € 1.3 bn

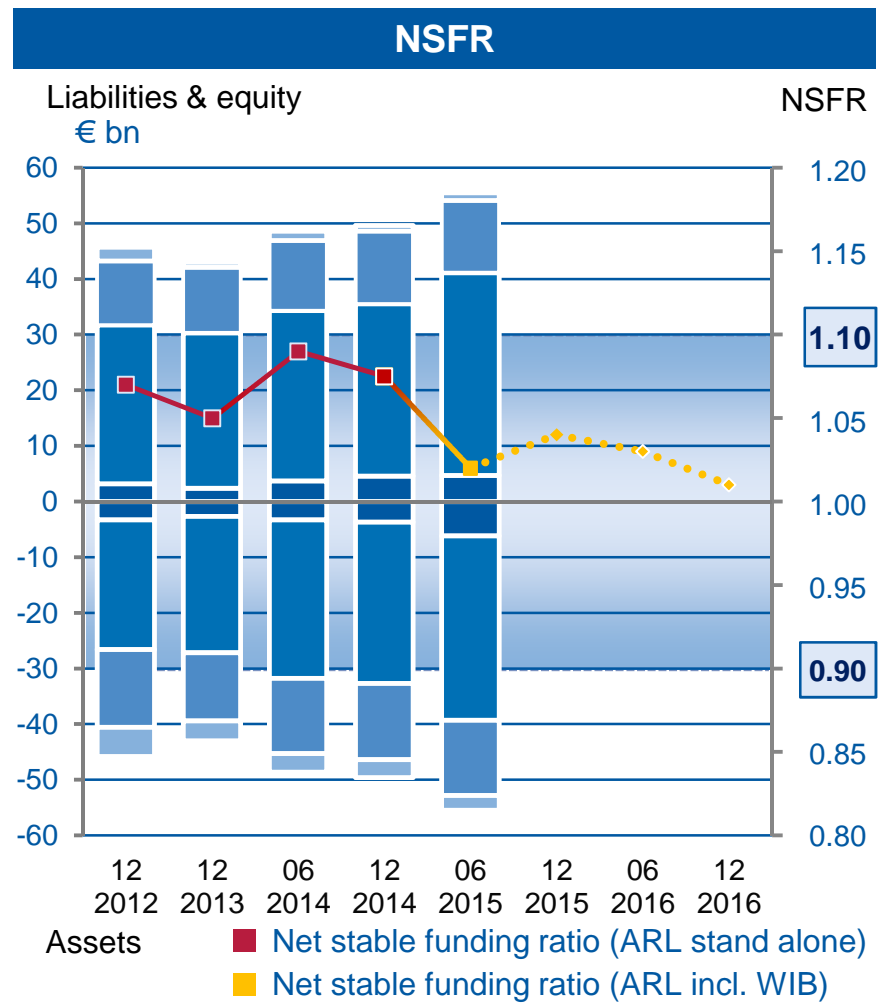
2) Other assets includes € 1.6 bn private client portfolio and WIB's € 0.8 bn public sector loans



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Net stable funding- / liquidity coverage ratio

Sound liquidity position despite WestImmo takeover



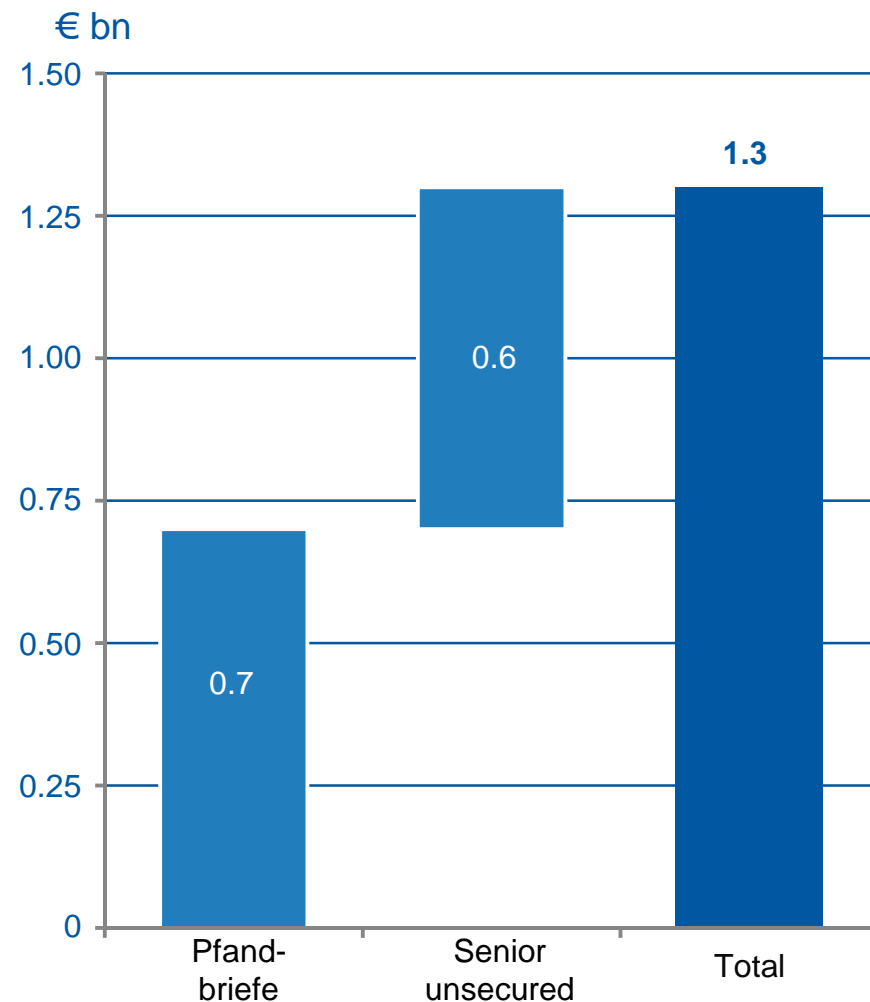
- Aareal Bank already fulfils future requirements
 - NSFR > 1.0
 - LCR >> 1.0
- Basel III and CRR require adherence of specific liquidity ratios starting end 2018
- As intended, additional funding requirements from acquisition of WestImmo covered by NSFR surplus



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Refinancing situation 2015

Funding needs 2015 already fulfilled



Total funding of € 1.3 bn in 9M 2015

- Pfandbriefe: € 0.7 bn
thereof USD 500 mn mortgage Pfandbrief
- Senior unsecured: € 0.6 bn

Backbone of capital market funding is a loyal, granular, domestic private placement investor base

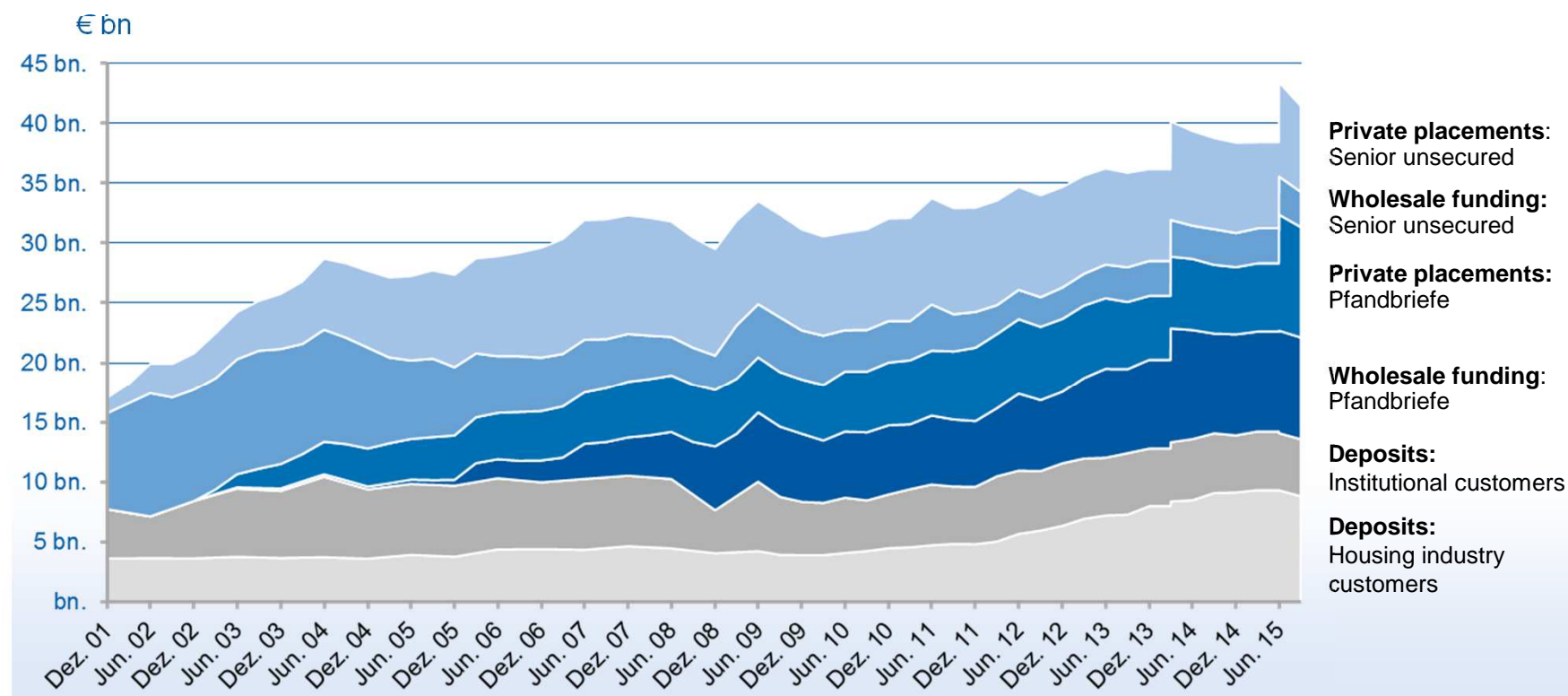
- Hold-to-maturity investors: over 600
- Ticket size: € 10 mn - € 50 mn

Deposits of the housing industry with € 8.6 bn on a high level



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 30.09.2015, this share has fallen below 30% (or even below 10% without Pfandbriefe)

As at 30.09.2015



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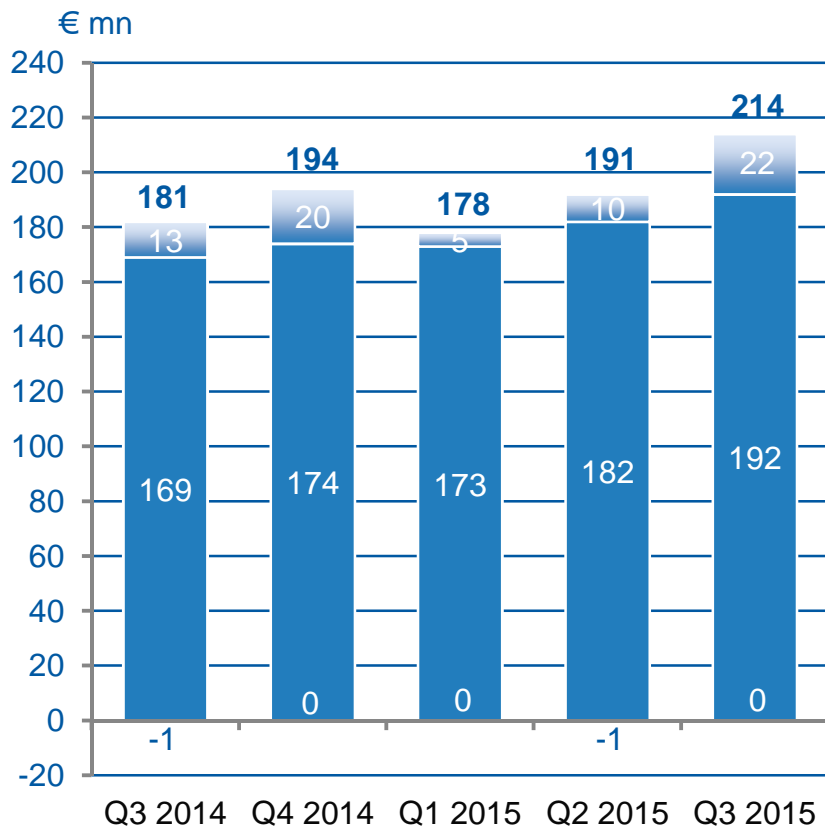
Group results Q3 2015



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Net interest income

Pushed by WestImmo & early repayments



- NII effect from early repayments¹⁾
- NII Structured Property Financing
- NII Consulting / Services

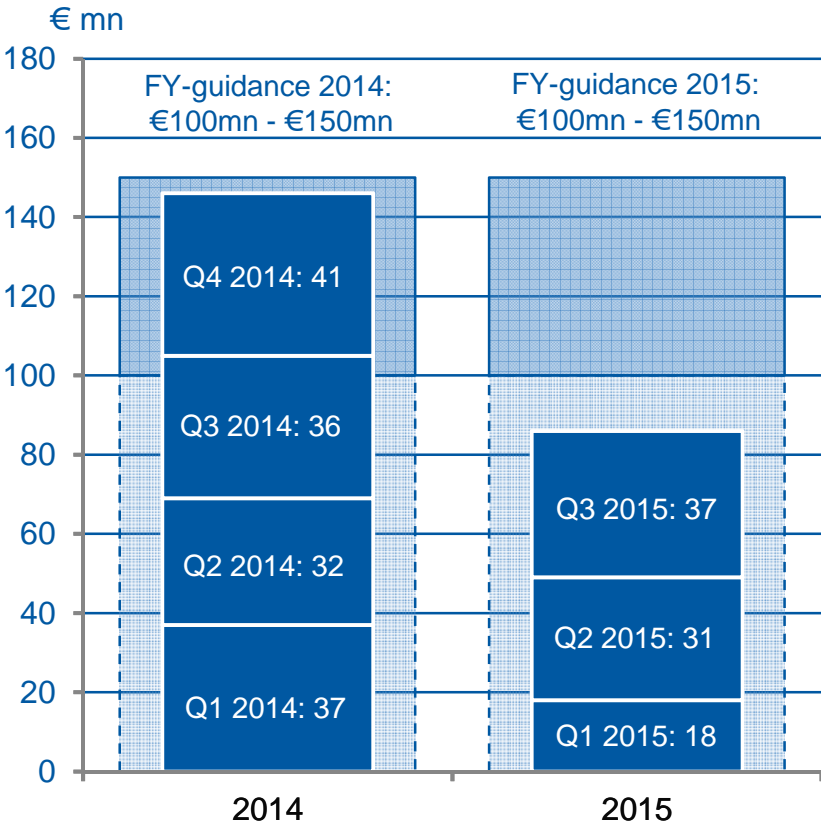
1) Additional effects exceeding originally planned repayments

- NII pushed by
 - Full quarter contribution of WestImmo (~ € 9 mn per month)
 - Q3 includes additional ~€ 22 mn from early repayments¹⁾ (Q2 '15: € 10 mn, Q1 '15: € 5 mn, Q4 '14: € 20 mn, Q3 '14: € 13 mn)
- NII burdened by
 - Total portfolio of € 31.2 bn (Q2: € 33.1 bn), "old ARL stand alone" portfolio below YE-target size of ~ € 26 bn
 - Margin pressure
- NII Consulting / Services still burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements



Allowances for credit losses (LLP)

In line with guidance

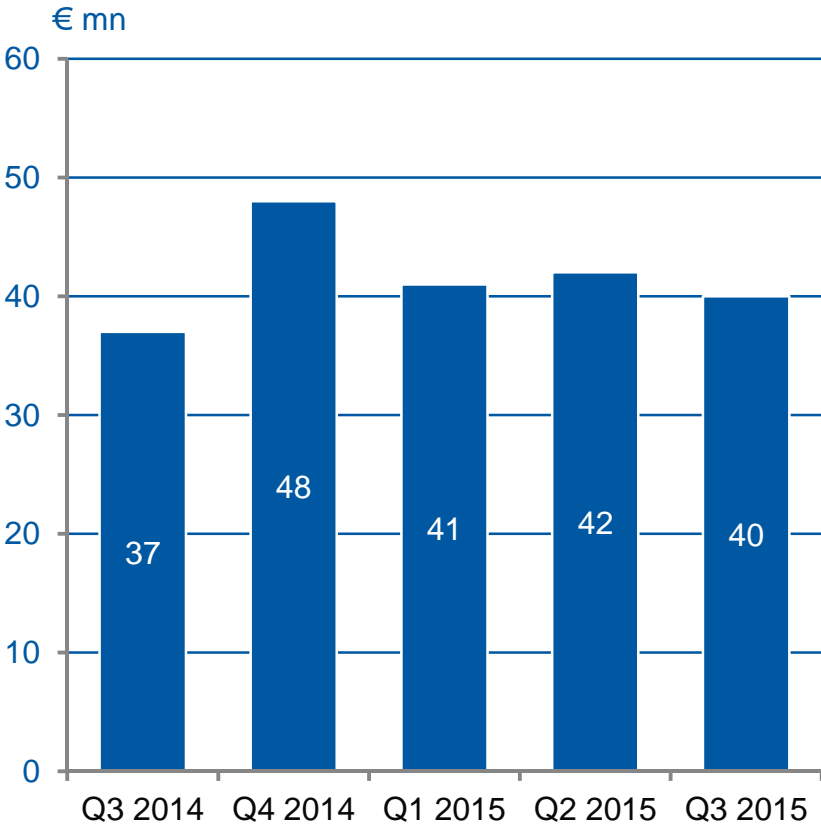


- Unchanged FY-guidance (2015 vs. 2014) despite a significantly larger portfolio

■ FY guidance

Net commission income

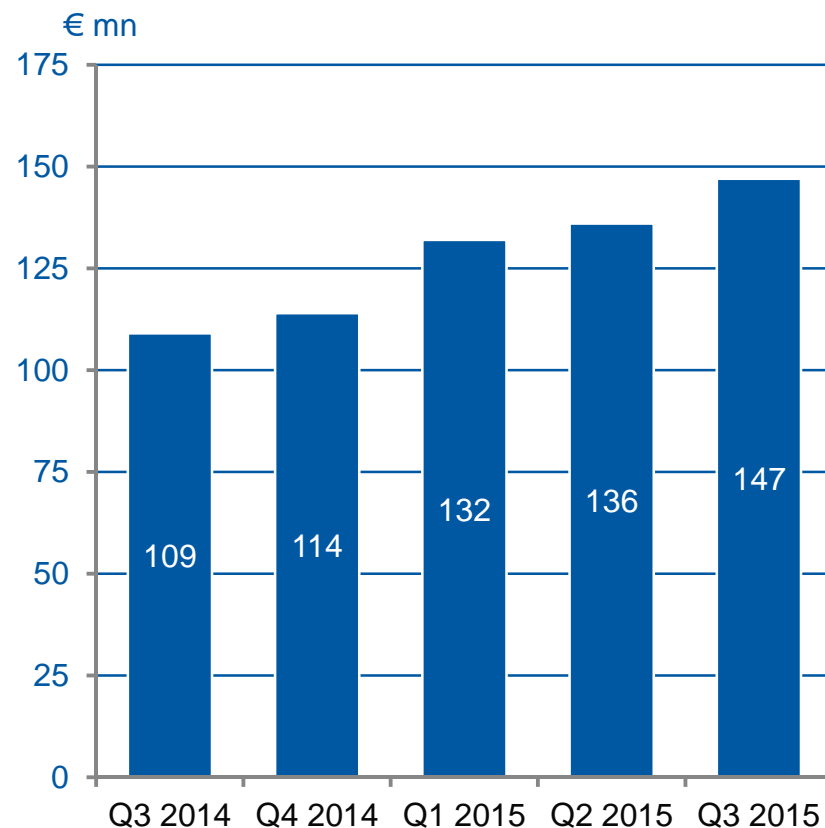
Confirming guidance



- Aareon on track
- Q3 with expected seasonal summer slump
- Strong Aareon revenue regularly pushing Q4

Admin expenses

Within FY-guidance



Admin expenses in Q3 especially include

- € 15 mn WIB “operating” admin expenses (€ 5 mn in Q2)
- € 12 mn integration cost for WestImmo and Corealcredit (€ 12 mn in Q2)
- No Q3-expenses for European bank levy (Q2: € 7 mn / Q1: € 9 mn)
- Compensation payment related to change in CEO position

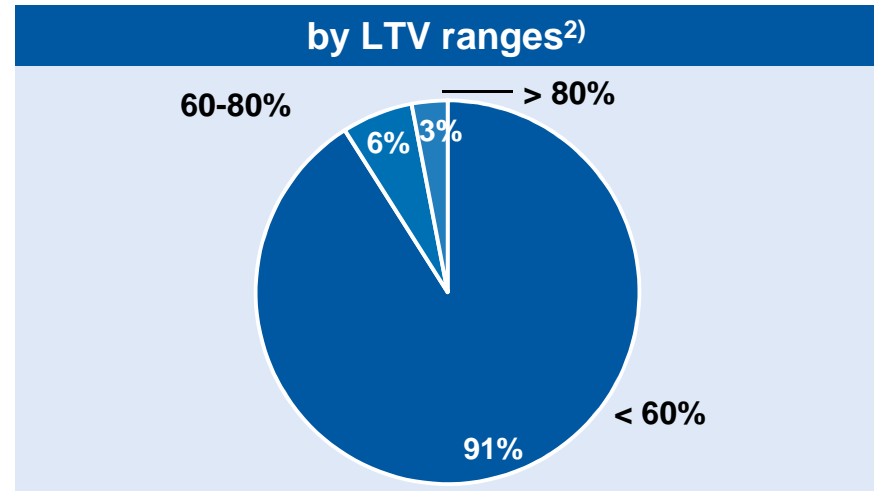
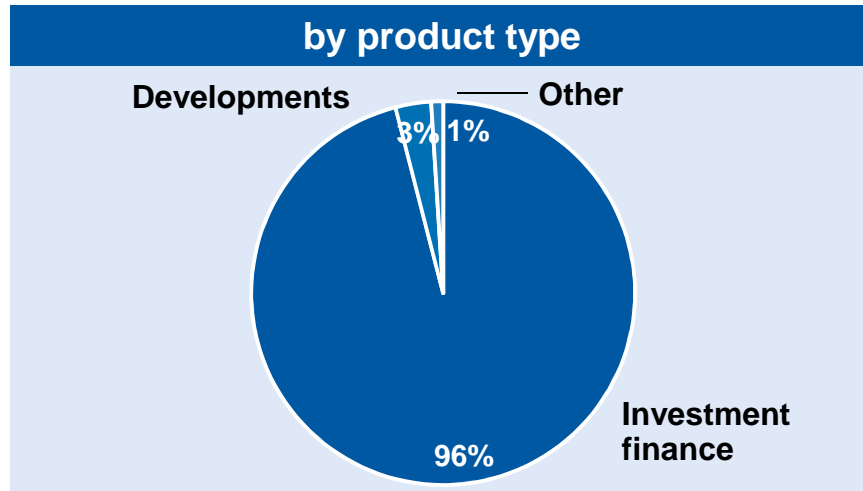
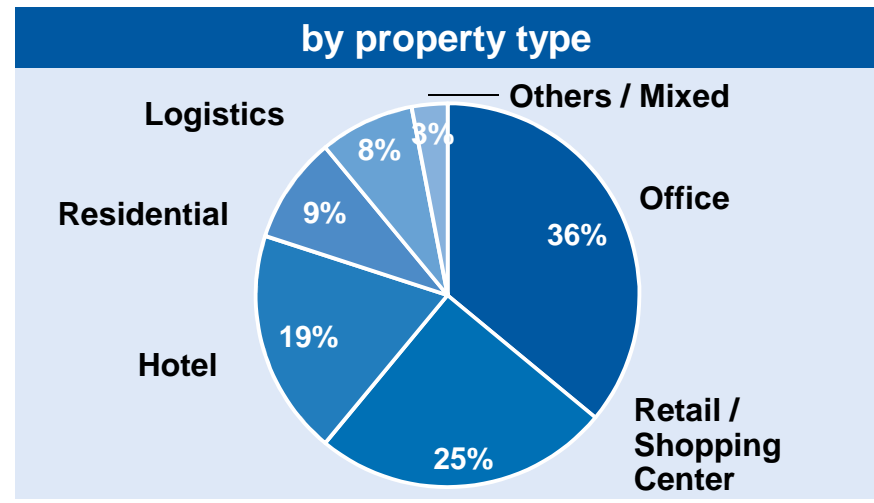
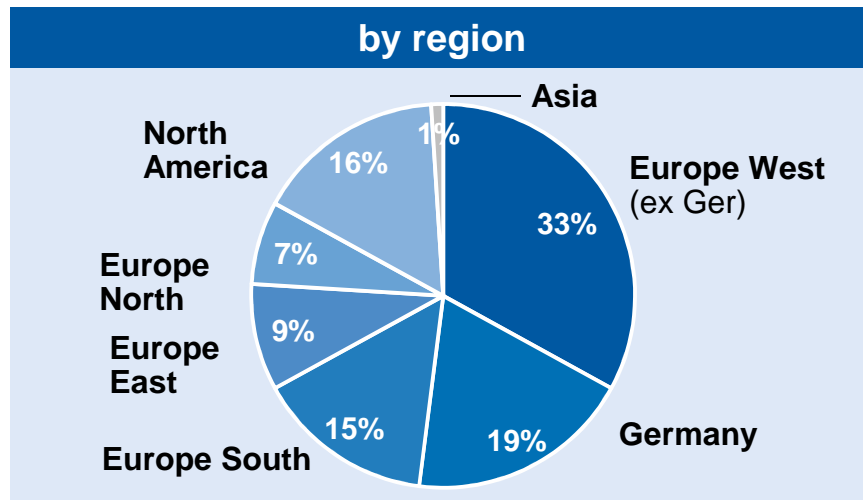
Asset quality



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Total property finance portfolio¹⁾

€ 31.2 bn highly diversified and sound



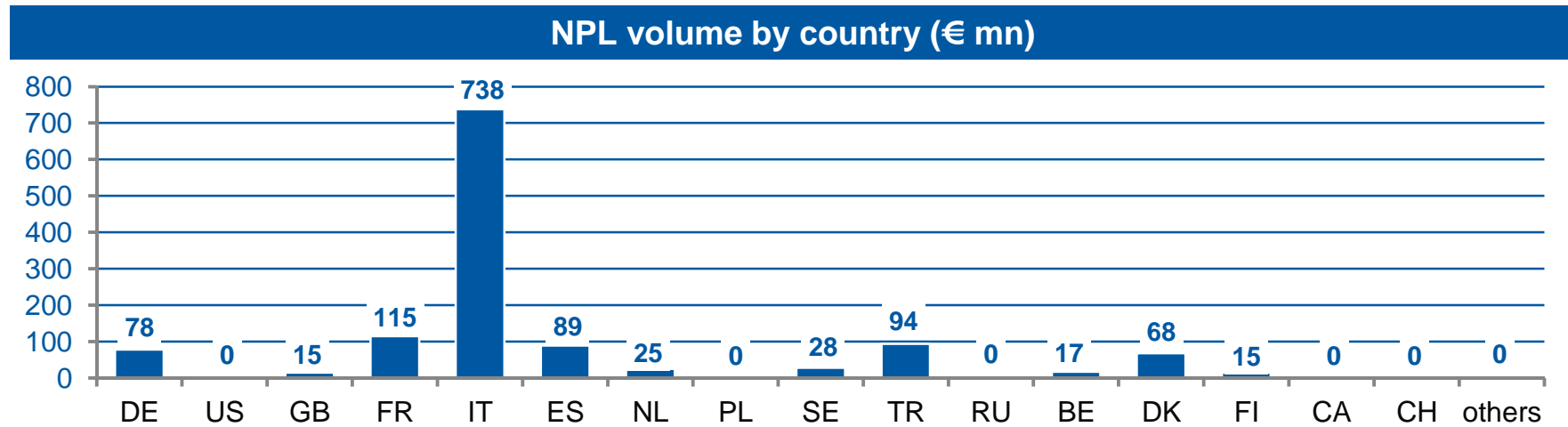
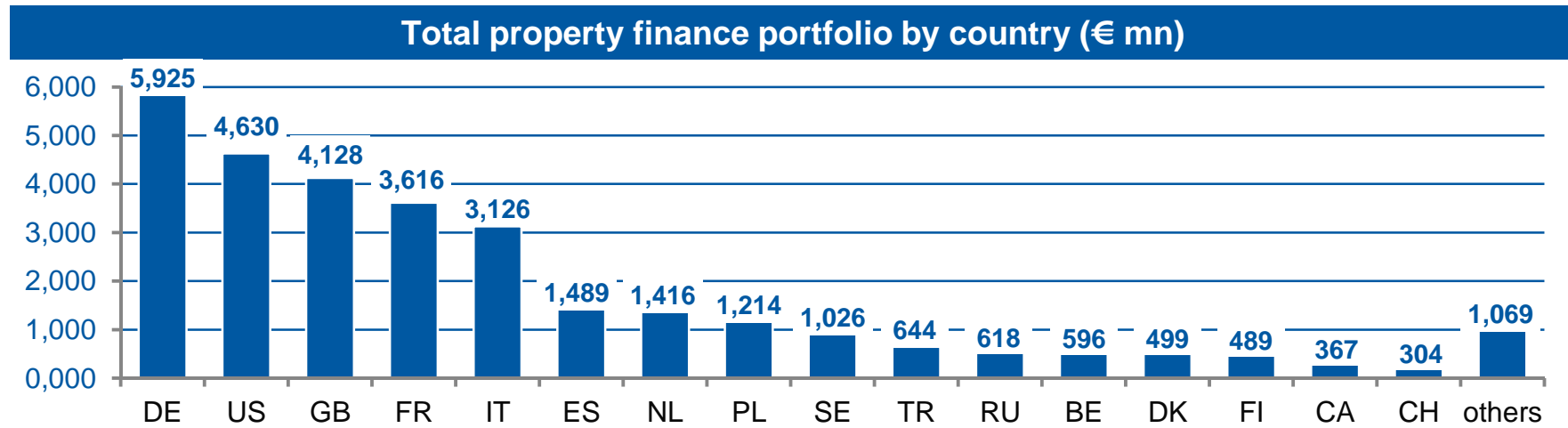
1) CRE business only, private client business (€ 1.6 bn) and WIB's public sector loans (€ 0.8 bn) not included
 2) Performing business only, exposure as at 30.09.2015



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Total property finance portfolio¹⁾

Portfolio details



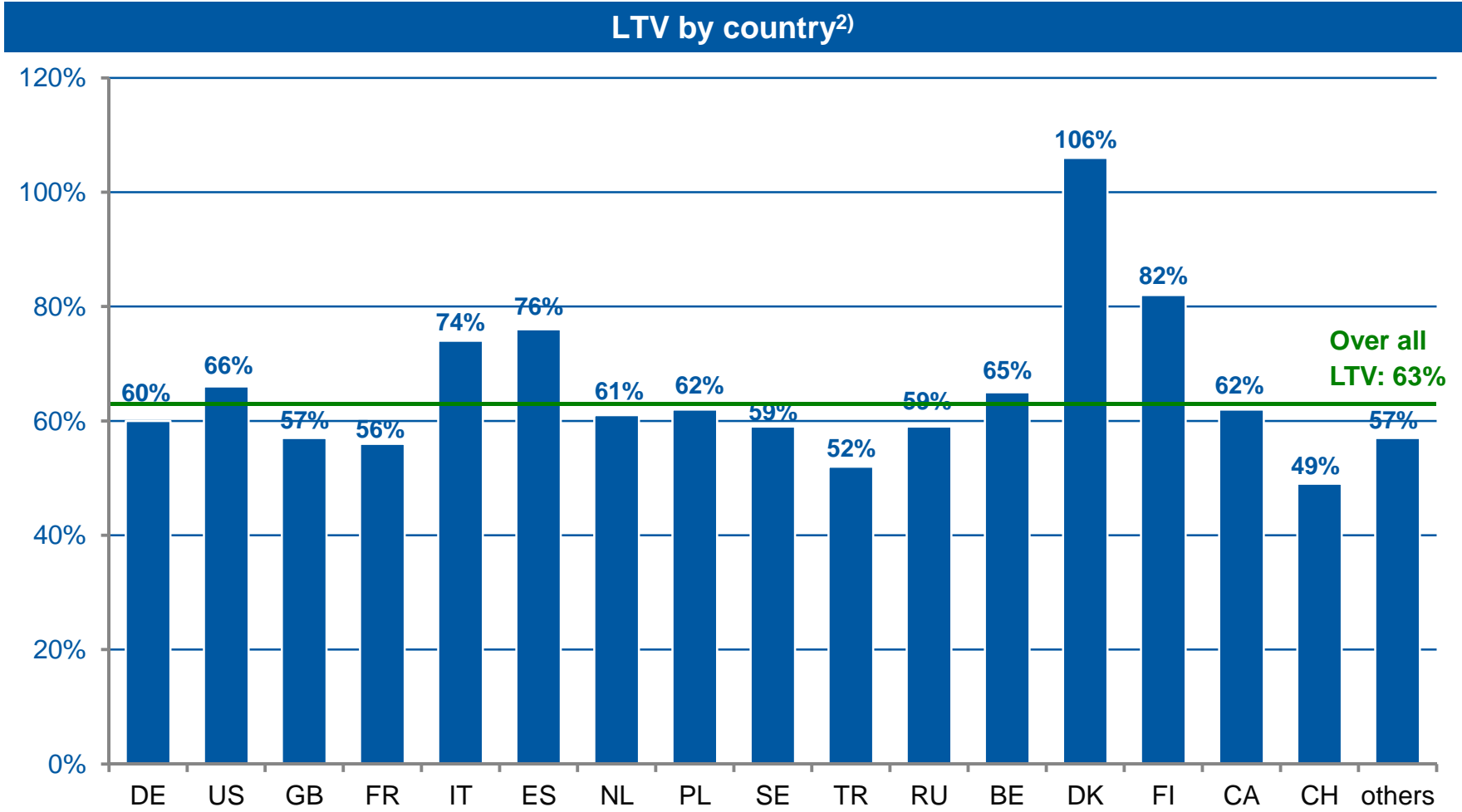
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Total property finance portfolio¹⁾

Portfolio details



1) CRE business only, private client business (€ 1.6 bn) and WIB's public finance (€ 0.8 bn) not included
 2) Performing business only, exposure as at 30.09.2015



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Total property finance portfolio

Continuing conservative approach

NPL- and LLP development			
€ mn	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances ²⁾
As at 30.06.2015	1,245	422	128
Utilisation in Q3 2015	-94	-2	0
Addition in Q3 2015	129	44	-7
As at 30.09.2015	1,280	464	121
Coverage ratio specific allowances	36.3%		
		464	121
As at 30.09.2015	1,280	585	
Coverage ratio incl. portfolio allowances	45.7%		

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

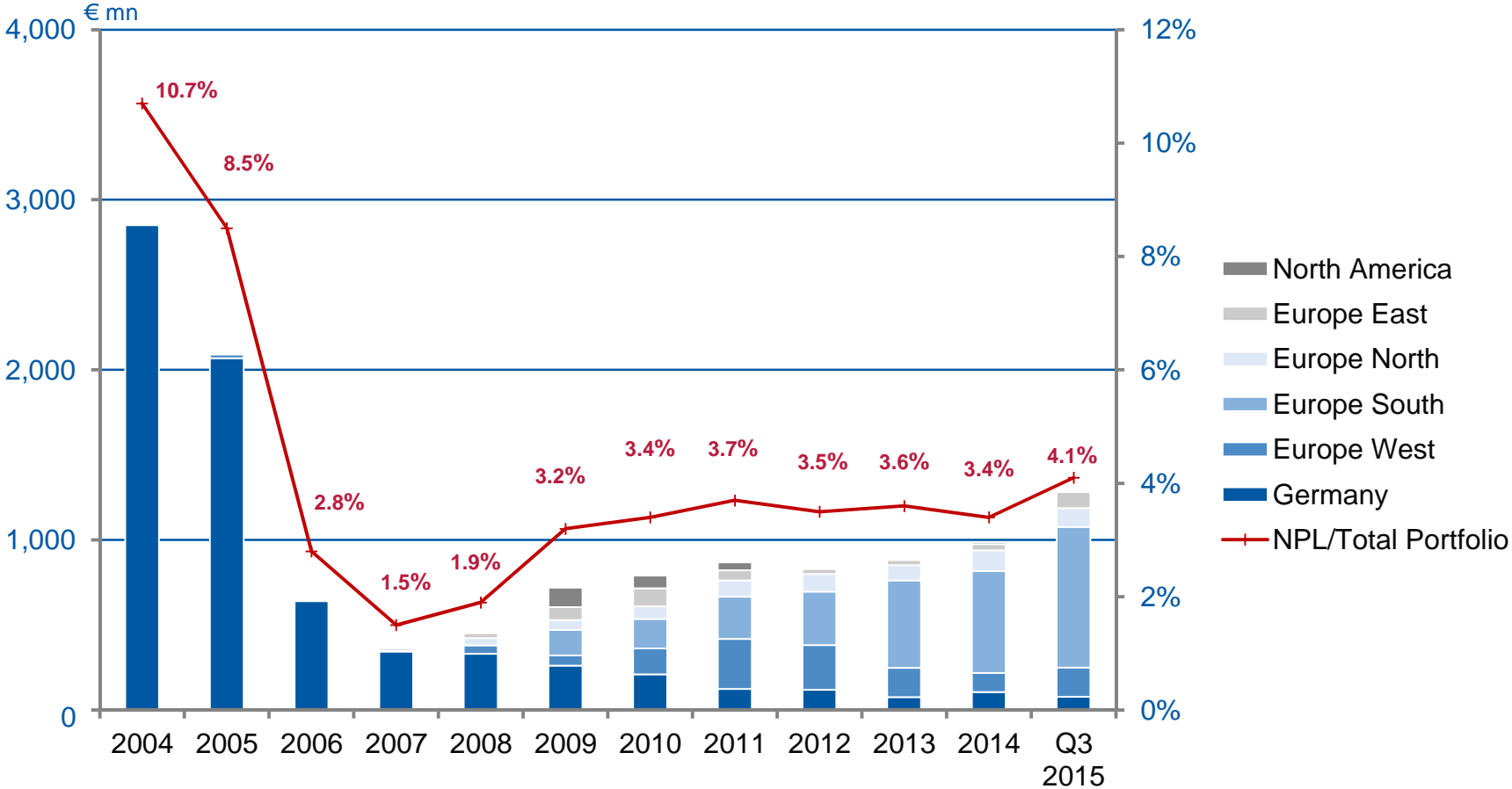
2) Portfolio allowances mainly reflect expected losses which are calculated on the bases of specific loans in most cases



Total property finance portfolio

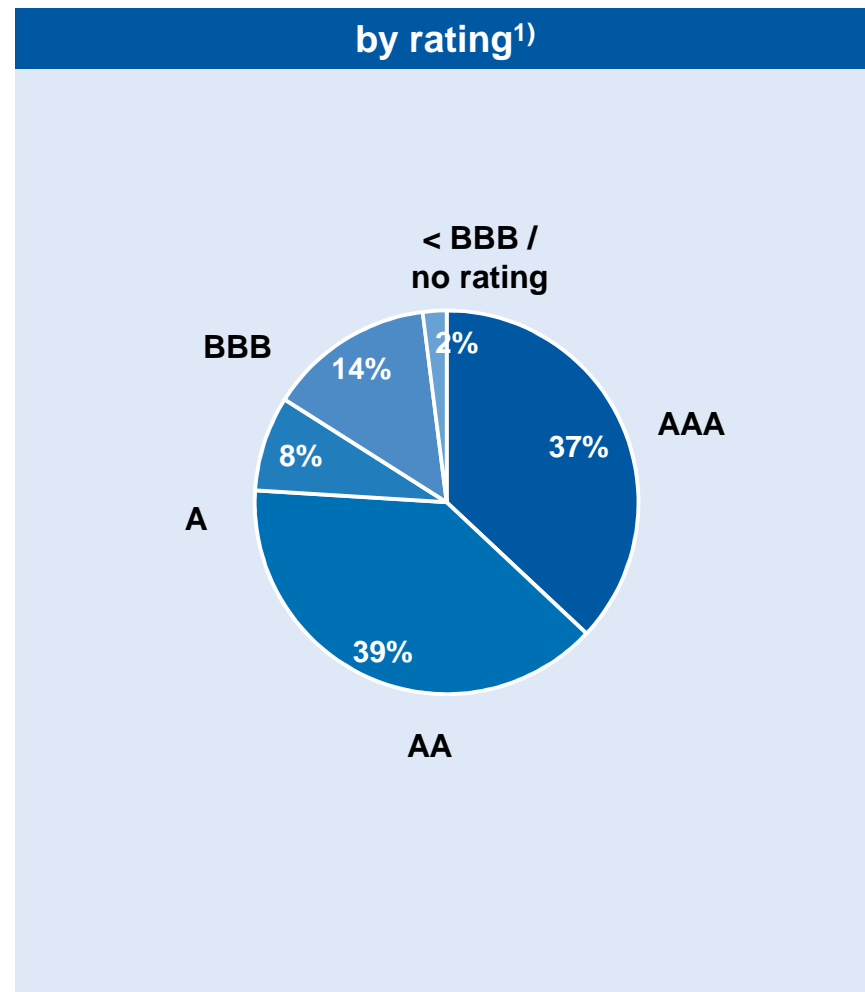
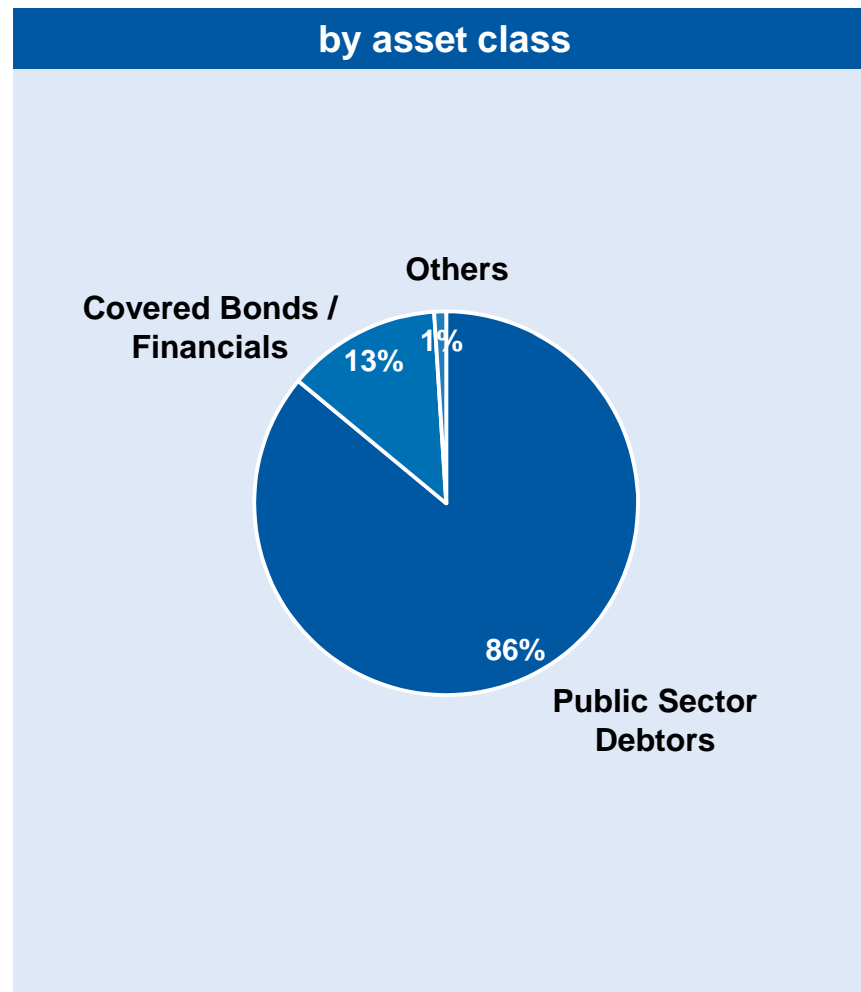
Italian NPLs expected to peak in Q4 2015

NPL and NPL-ratio (since 12.2004)



Total treasury portfolio

€ 10.8 bn of high quality and highly liquid assets



As at 30.09.2015 – all figures are nominal amounts
1) Composite Rating



Outlook 2015



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Outlook 2015 raised

2015	
Net interest income	▪ € 760 mn - € 800 mn (from € 720 mn - € 760 mn)
Allow. for credit losses¹⁾	▪ € 100 mn - € 150 mn despite portfolio growth
Net commission income	▪ € 170 - € 180 mn
Admin expenses	▪ € 520 mn - € 550 mn incl. one-offs related to Corealcredit and WestImmo
Negative goodwill	▪ € 154 mn as at 30.09.2015 ²⁾
Operating profit	▪ € 450 mn - € 460 mn (from € 400 mn - € 430 mn) ⇒ Q4: € 68 mn - € 78 mn
EpS³⁾	▪ € 5.40 - € 5.51 incl. negative goodwill (from € 4.80 - € 5.20) ▪ € 2.83 - € 2.95 excl. negative goodwill (from € 2.30 - € 2.70)
Pre-tax RoE	▪ ~ 18% incl. negative goodwill (from ~ 16%) ▪ 11.0% - 11.5% excl. negative goodwill (from ~ 10%)
New business origination	▪ € 8 bn - € 9 bn (from € 6 bn - € 7 bn)
Operating profit Aareon⁴⁾	▪ ~ € 27 mn

1) As in 2014, the bank cannot rule out additional allowances for credit losses

2) Preliminary, further adjustments possible

3) Earnings per ordinary share, tax rate of ~31% assumed

4) After segment adjustments



Midterm Outlook



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Midterm Outlook

Summary, prerequisites and challenges

	2017
CET1 ratio IFRS & CRR fully phased (long term target)	>10.75% (before mgmt. buffer)
CIR	~40% (SPF)
EBT margin	>17.5% (Aareon)
Pre-tax RoE	~12%
Cost of equity (net)	↓

Prerequisites

- No Eurozone break up
- Normalised asset valuations
- Healthy world GDP growth beside some European peripherals
- Sound regulatory environment
- No additional burdens
- ECB to keep key interest rates low due to little inflation pressure – therefore short-term Euro interest rates will likely stay low as well

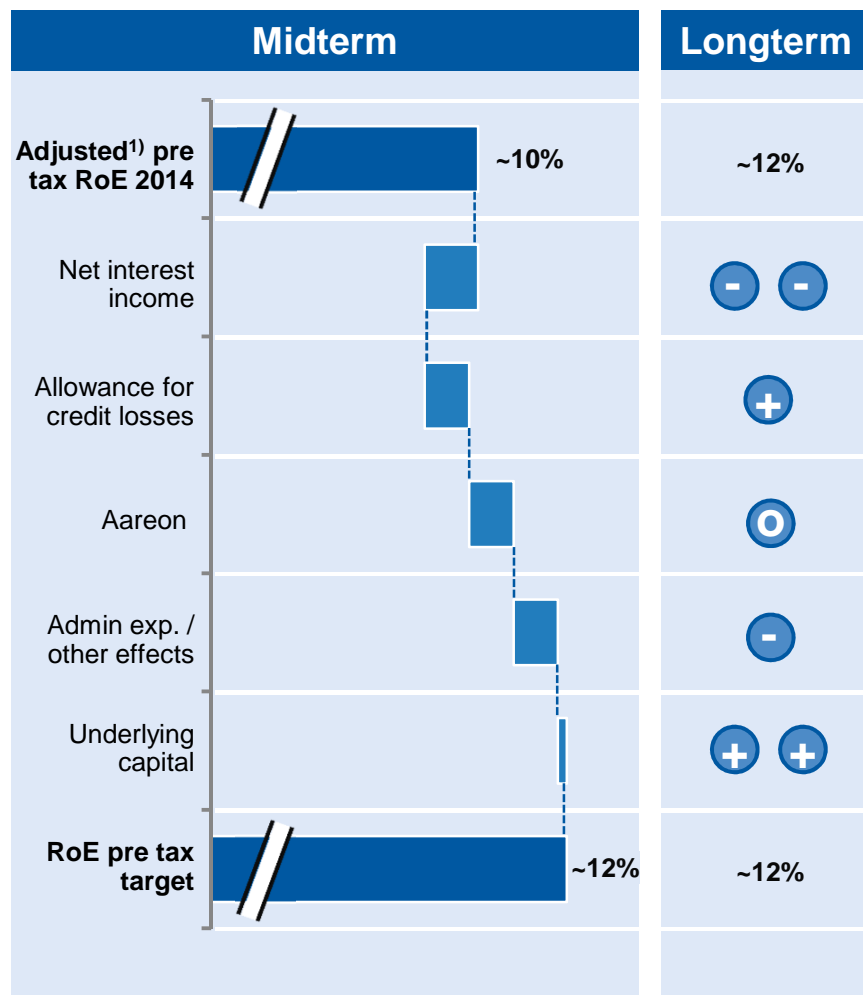
Challenges

- ECB supervision
- Banking resolution
- Basel activities



Midterm Outlook

Management options



1) Mainly from unplanned early repayments

Management options

- Optimisation funding structure / liquidity portfolio
- Loan portfolio size depending on margin compression
- RWA and LTV development depending on regulation and markets
- Increase in Aareon's profit contribution
- Keep cost base under control
- Optimisation of regulatory capital structure
- Alignment or allocation of underlying capital depending on chances and challenges in the markets



Midterm Outlook

Prerequisites, challenges and management options

Midterm Outlook
Summary, prerequisites and challenges


	2017
CET1 ratio IFRS & CRR fully phased (long term target)	>10.75% (before mgmt. buffer)
CIR	~40% (SPF)
EBT margin	>17.5% (Aareon)
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Cost of equity (net)	↓

Prerequisites

- No Eurozone break up
- Normalised asset valuations
- Healthy world GDP growth beside some European peripherals
- Sound regulatory environment
- No additional burdens
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Challenges


- ECB supervision
- Banking resolution
- Basel activities

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Midterm outlook
Management options

	Midterm	Longterm	Management options
Adjusted ¹⁾ pre tax RoE 2014	-10%	-12%	• Optimisation funding structure / liquidity portfolio
Net interest income	+	-	• Loan portfolio size depending on margin compression
Allowance for credit losses	-	+	• RWA and LTV development depending on regulation and markets
Aareon	+	0	• Increase in Aareon's profit contribution
Admin exp. / other effects	-	-	• Keep cost base under control
Underlying capital	+	+	• Optimisation of regulatory capital structure
RoE pre tax target	-12%	-12%	• Alignment or allocation of underlying capital depending on chances and challenges in the markets

1) Mainly from unexplained early repayments

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As of today

- Eurozone did not break up
- Far away from normalised asset valuations clear tendency of asset price inflation hence increasing inherent portfolio risk visible
- Compared to the last decade anaemic world GDP growth: the new normal?
- Regulatory environment still unpredictable (e.g. RWA floors, model reviews, Basel IV)
- Additional burdens (e.g. bank levy, deposit guarantee scheme)
- Markets anticipate the ECB to follow the “Japanese route” to defeat low inflation rates and kick of economic recovery
- Pre-tax RoE FY 2015 of 11.0% - 11.5% (ex neg. goodwill) but supported by tailwinds (e.g. early repayments)
- Future capital optimisation / usage will be key for RoE performance relative to CoE and CRE portfolio risk



Appendix

Group results



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Results Q3 2015

	Quarter 3 2015	Quarter 3 2014	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	214	181	18%
Allowance for credit losses	37	36	3%
Net interest income after allowance for credit losses	177	145	22%
Net commission income	40	37	8%
Net result on hedge accounting	-3	0	-
Net trading income / expenses	13	-5	-
Results from non-trading assets	-13	0	-
Results from investments accounted for at equity	0	0	-
Administrative expenses	147	109	35%
Net other operating income / expenses	15	-2	-
Negative goodwill			-
Operating Profit	82	66	24%
Income taxes	26	21	24%
Consolidated net income	56	45	24%
Consolidated net income attributable to non-controlling interests	5	4	25%
Consolidated net income attributable to shareholders of Aareal Bank AG	51	41	24%
Earnings per share (EpS)¹⁾			
Consolidated net income attributable to shareholders of Aareal Bank AG	51	36	42%
of which: allocated to ordinary shareholders ²⁾	47	36	31%
of which: allocated to AT1 investors	4	-	
Basic earnings per ordinary share (in €) ²⁾³⁾	0,78	0,58	34%
Basic earnings per ordinary AT1 unit (in €) ⁴⁾	0,04	-	

- 1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
- 2) SoFFin's silent participation was repaid on 30 October 2014. In order to facilitate comparability and for the purpose of an economic analysis, net interest payable on the SoFFin silent participation was deducted from the comparative figure as at 30 September 2014 (€ 5 million) in the EpS calculation.
- 3) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.
- 4) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of € 3 each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.



Aareal Bank Group

Results Q3 2015 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.07.- 30.09. 2015	01.07.- 30.09. 2014	01.07.- 30.09. 2015	01.07.- 30.09. 2014	01.07.- 30.09. 2015	01.07.- 30.09. 2014	01.07.- 30.09. 2015	01.07.- 30.09. 2014
	€ mn							
Net interest income	214	182	0	0	0	-1	214	181
Allowance for credit losses	37	36					37	36
Net interest income after allowance for credit losses	177	146	0	0	0	-1	177	145
Net commission income	2	1	39	36	-1	0	40	37
Net result on hedge accounting	-3	0					-3	0
Net trading income / expenses	13	-5					13	-5
Results from non-trading assets	-13	0					-13	0
Results from investments accounted for at equity	0	0	0				0	0
Administrative expenses	101	64	47	46	-1	-1	147	109
Net other operating income / expenses	14	-4	1	2	0	0	15	-2
Negative goodwill								
Operating profit	89	74	-7	-8	0	0	82	66
Income taxes	29	23	-3	-2			26	21
Consolidated net income	60	51	-4	-6	0	0	56	45
Cons. net income attributable to non-controlling interests	5	4	0	0			5	4
Cons. net income attributable to shareholders of Aareal Bank AG	55	47	-4	-6	0	0	51	41



Aareal Bank Group

Results¹⁾ 9M 2015

	01.01.- 30.09.2015 € mn	01.01.- 30.09.2014 € mn	Change
Profit and loss account			
Net interest income	583	494	18%
Allowance for credit losses	86	105	-18%
Net interest income after allowance for credit losses	497	389	28%
Net commission income	123	116	6%
Net result on hedge accounting	5	3	67%
Net trading income / expenses	8	-1	-
Results from non-trading assets	-15	0	-
Results from investments accounted for at equity	0	0	-
Administrative expenses	415	325	28%
Net other operating income / expenses	25	14	79%
Negative goodwill	154	154	0%
Operating Profit	382	350	9%
Income taxes	72	62	16%
Consolidated net income	310	288	8%
Consolidated net income attributable to non-controlling interests	15	14	7%
Consolidated net income attributable to shareholders of Aareal Bank AG	295	274	8%
Earnings per share (EpS)²⁾			
Consolidated net income attributable to shareholders of Aareal Bank AG	295	259	14%
of which: allocated to ordinary shareholders ³⁾	283	259	9%
of which: allocated to AT1 investors	12	-	-
Earnings per ordinary share (in €) ³⁾⁴⁾	4,73	4,32	9%
Earnings per ordinary AT1 unit (in €) ⁵⁾	0,12	-	-

- 1) Adjustment of previous year's figures due to completion of purchase price allocation in accordance with IFRS 3 for Corealcredit.
- 2) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
- 3) SoFFin's silent participation was repaid on 30 October 2014. In order to facilitate comparability and for the purpose of an economic analysis, net interest payable on the SoFFin silent participation was deducted from the comparative figure as at 30 September 2014 (€ 15 million) in the EpS calculation.
- 4) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.
- 5) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of € 3 each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.



Aareal Bank Group

Results¹⁾ 9M 2015 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-
	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.
	2015	2014	2015	2014	2015	2014	2015	2014
€ mn								
Net interest income	584	493	0	0	-1	1	583	494
Allowance for credit losses	86	105					86	105
Net interest income after allowance for credit losses	498	388	0	0	-1	1	497	389
Net commission income	4	3	120	116	-1	-3	123	116
Net result on hedge accounting	5	3					5	3
Net trading income / expenses	8	-1					8	-1
Results from non-trading assets	-15	0					-15	0
Results from investments accounted for at equity	0	0	0				0	0
Administrative expenses	274	188	143	139	-2	-2	415	325
Net other operating income / expenses	23	11	2	3	0	0	25	14
Negative goodwill	154	154					154	154
Operating profit	403	370	-21	-20	0	0	382	350
Income taxes	79	68	-7	-6			72	62
Consolidated net income	324	302	-14	-14	0	0	310	288
Allocation of results								
Cons. net income attributable to non-controlling interests	13	12	2	2			15	14
Cons. net income attributable to shareholders of Aareal Bank AG	311	290	-16	-16	0	0	295	274

1) Adjustment of previous year's figures due to completion of purchase price allocation in accordance with IFRS 3 for Corealcredit.



Aareal Bank Group

Results – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Euro mn																				
Net interest income	214	192	178	194	182	0	0	0	0	0	0	-1	0	0	-1	214	191	178	194	181
Allowance for credit losses	37	31	18	41	36											37	31	18	41	36
Net interest income after allowance for credit losses	177	161	160	153	146	0	0	0	0	0	0	-1	0	0	-1	177	160	160	153	145
Net commission income	2	2	0	1	1	39	40	41	47	36	-1	0	0	0	0	40	42	41	48	37
Net result on hedge accounting	-3	-3	11	2	0											-3	-3	11	2	0
Net trading income / expenses	13	2	-7	3	-5											13	2	-7	3	-5
Results from non-trading assets	-13	1	-3	2	0											-13	1	-3	2	0
Results from results accounted for at equity	0			0	0	0	0	0	0							0	0	0	0	0
Administrative expenses	101	89	84	67	64	47	48	48	48	46	-1	-1	0	-1	-1	147	136	132	114	109
Net other operating income / expenses	14	12	-3	-8	-4	1	1	0	1	2	0	0	0	-1	0	15	13	-3	-8	-2
Negative goodwill		154															154			
Operating profit	89	240	74	86	74	-7	-7	-7	0	-8	0	0	0	0	82	233	67	86	66	
Income taxes	29	26	24	41	23	-3	-2	-2	-2	-2						26	24	22	39	21
Consolidated net income	60	214	50	45	51	-4	-5	-5	2	-6	0	0	0	0	56	209	45	47	45	
Cons. net income attributable to non-controlling interests	5	4	4	4	4	0	1	1	1	0						5	5	5	5	4
Cons. net income attributable to shareholders of Aareal Bank AG	55	210	46	41	47	-4	-6	-6	1	-6	0	0	0	0	51	204	40	42	41	



Appendix

AT1: ADI of Aareal Bank AG



**Aareal Bank
Group**

Interest payments and ADI of Aareal Bank AG

Available Distributable Items (as of end of the relevant year)

	31.12. 2014	31.12. 2013	31.12. 2012
€ mn			
Net Retained Profit	77	50	5
▪ <i>Net income</i>	77	50	5
▪ <i>Profit carried forward from previous year</i>	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-
+ Other revenue reserves after net income attribution	715	710	705
= Total dividend potential before amount blocked ¹⁾	792	760	710
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	240	156	102
= Available Distributable Items ¹⁾	552	604	608
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	57	57	52
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments ¹⁾	609	661	661

1) Unaudited figures for information purposes only



Appendix

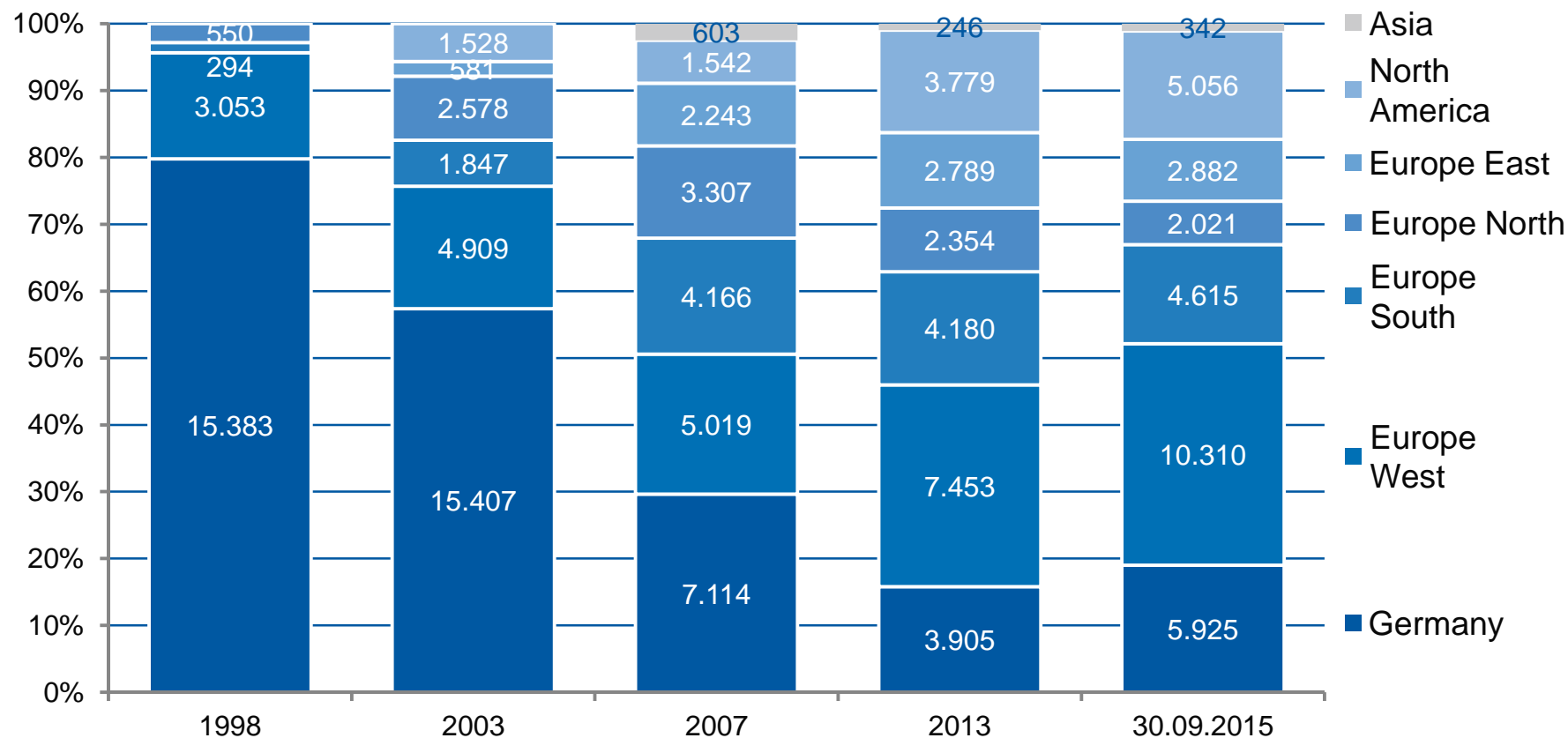
Development property finance portfolio



**Aareal Bank
Group**

Development property finance portfolio

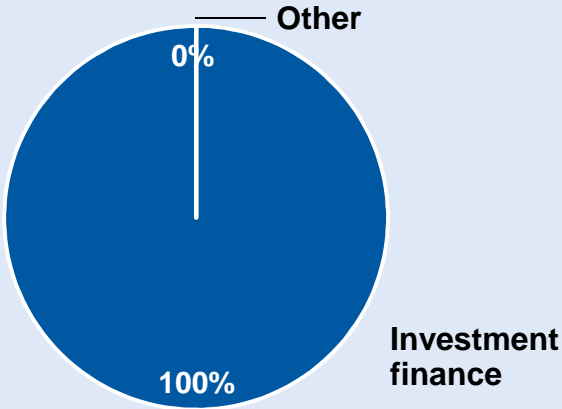
Diversification continuously strengthened (in € mn)



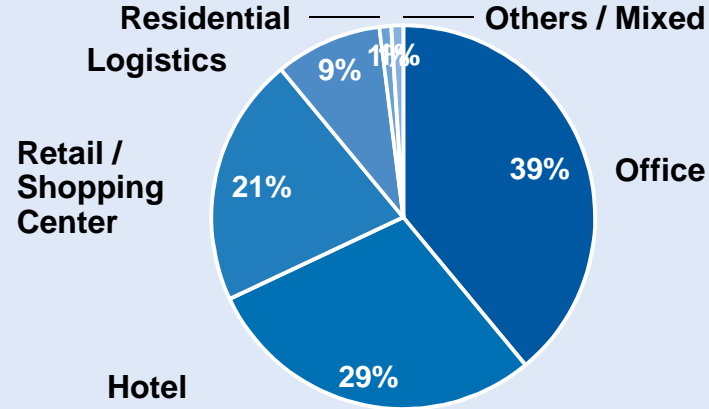
Western Europe (ex Germany) credit portfolio

Total volume outstanding as at 30.09.2015: € 10.3 bn

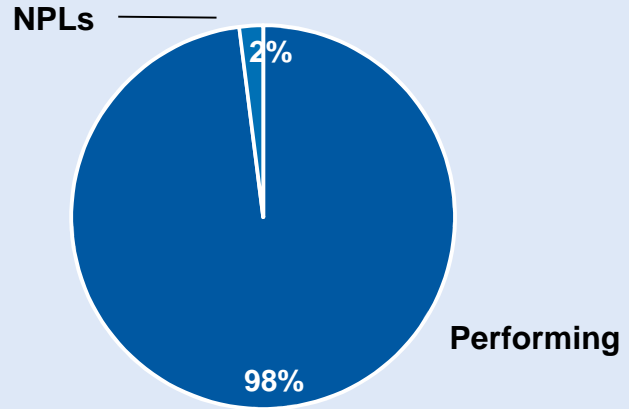
by product type



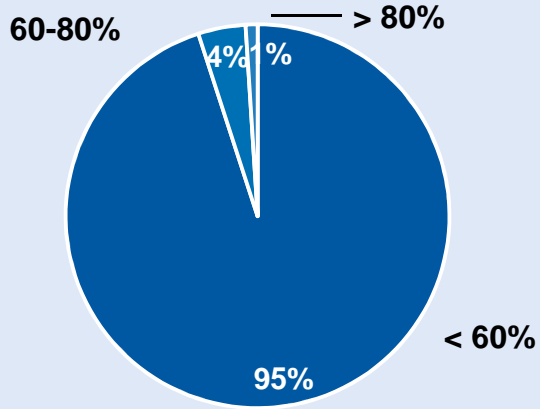
by property type



by performance



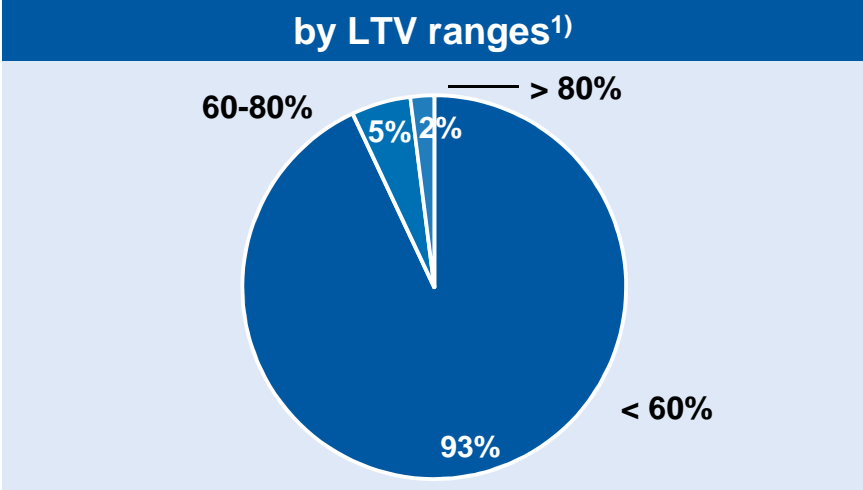
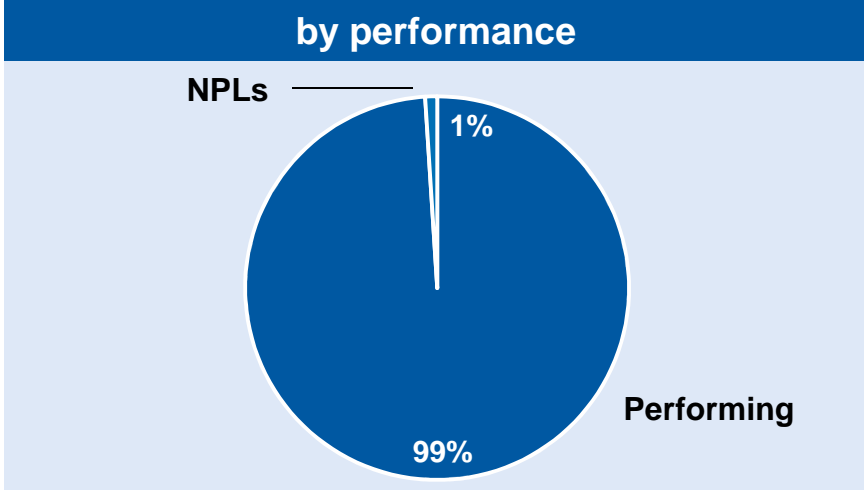
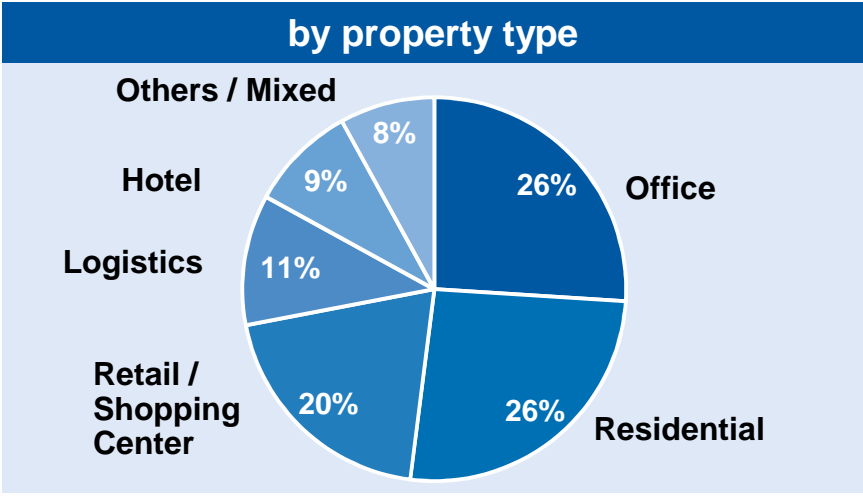
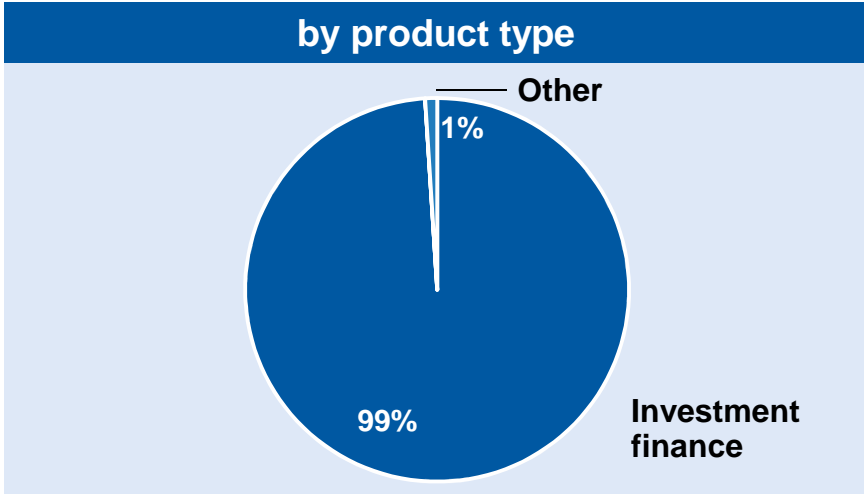
by LTV ranges¹⁾



1) Performing business only, exposure as at 30.09.2015

German credit portfolio

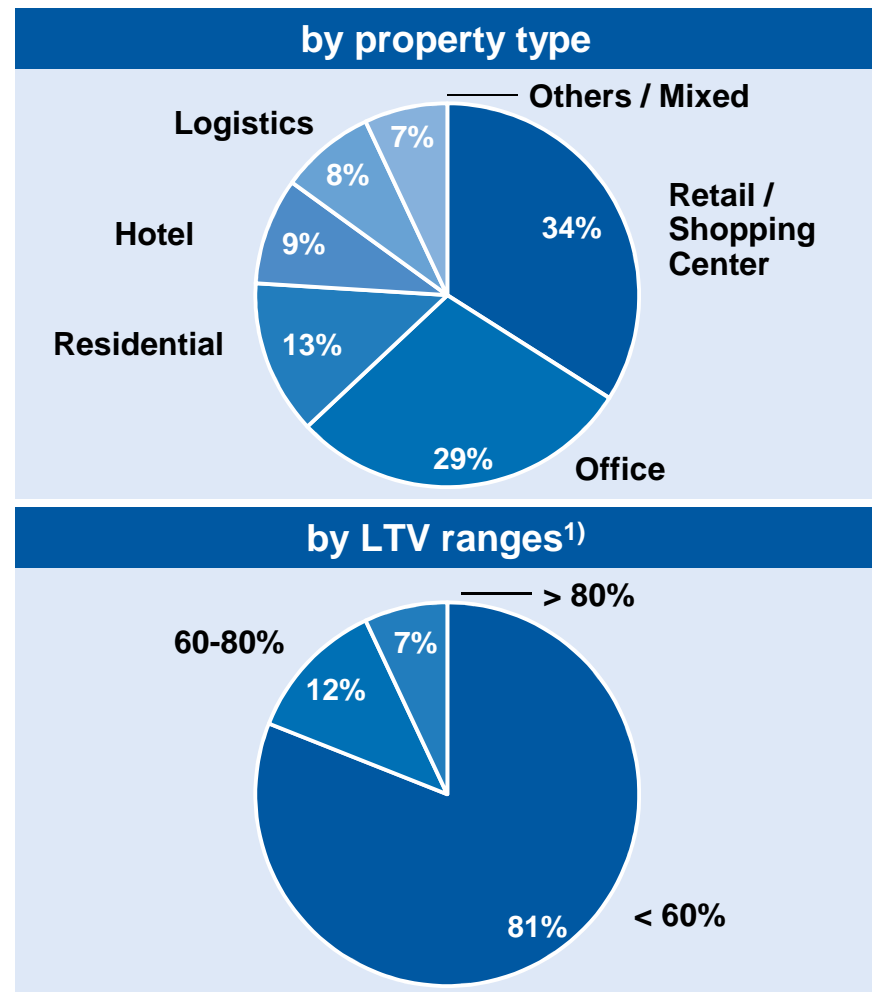
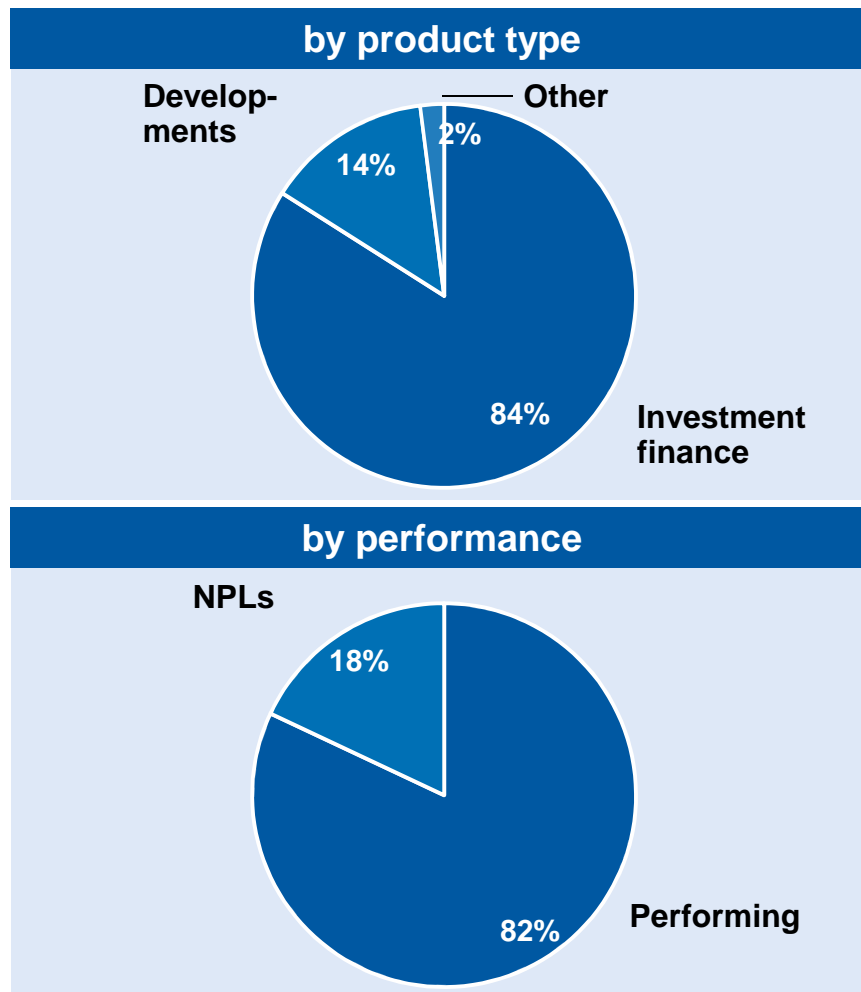
Total volume outstanding as at 30.09.2015: € 5.9 bn



1) Performing business only, exposure as at 30.09.2015

Southern Europe credit portfolio

Total volume outstanding as at 30.09.2015: € 4.6 bn

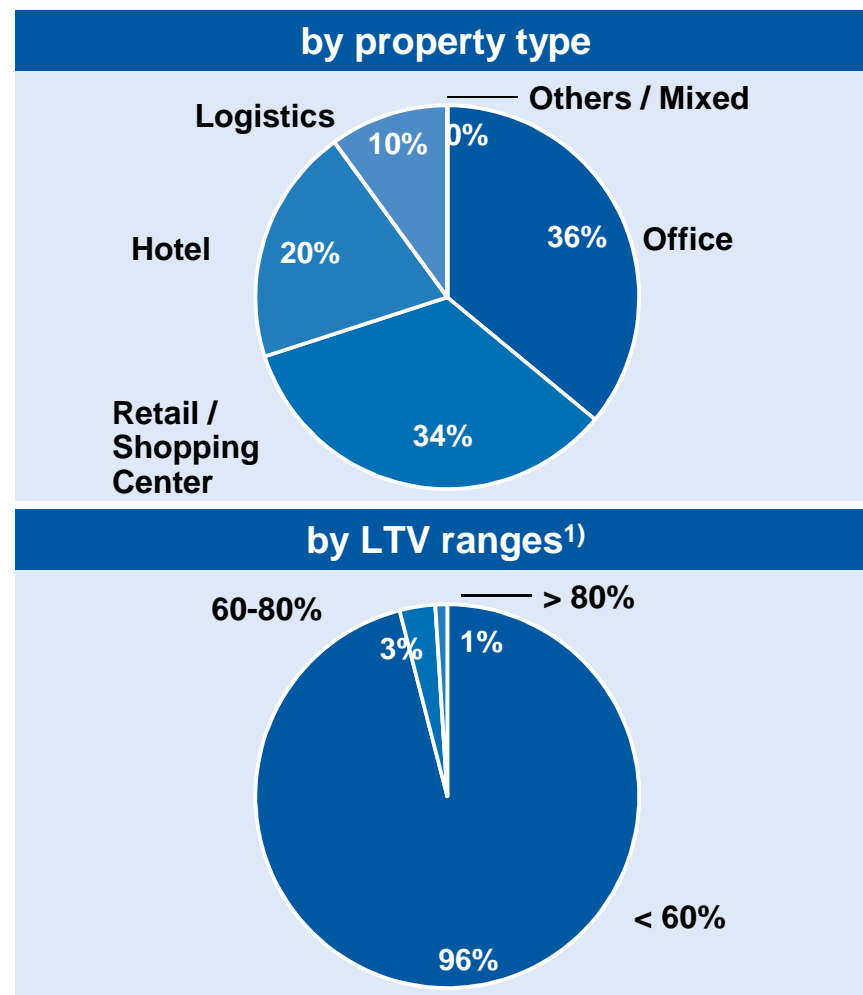
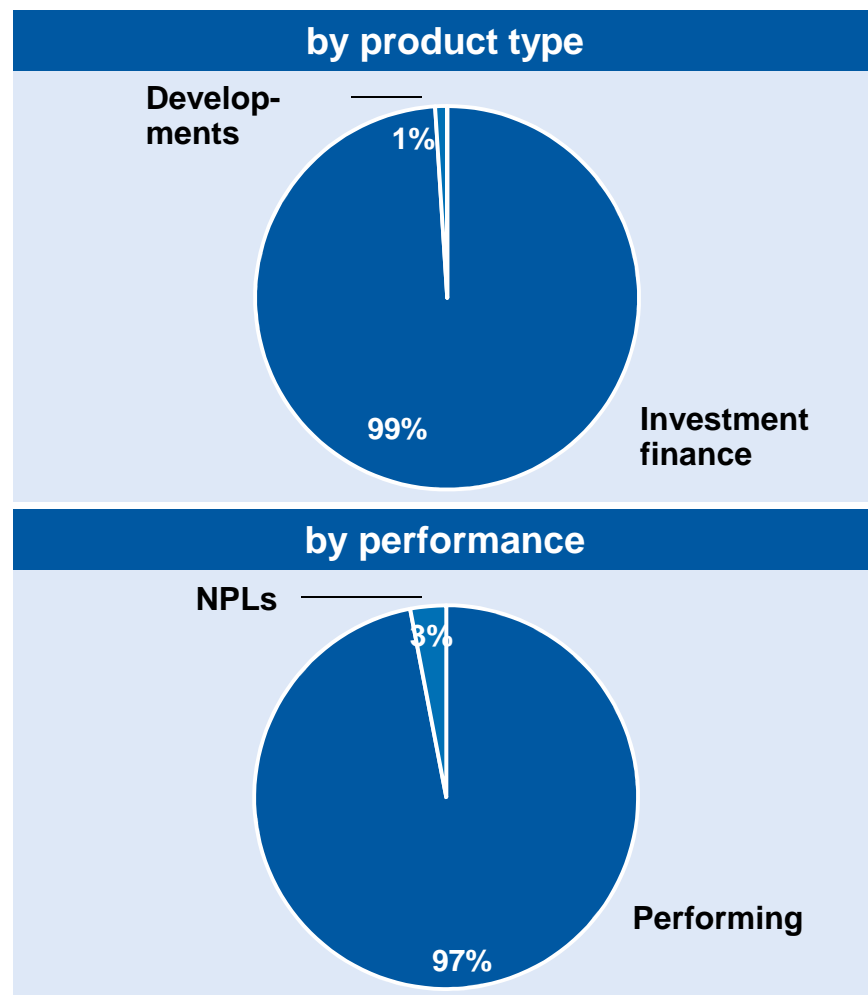


1) Performing business only, exposure as at 30.09.2015



Eastern Europe credit portfolio

Total volume outstanding as at 30.09.2015: € 2.9 bn

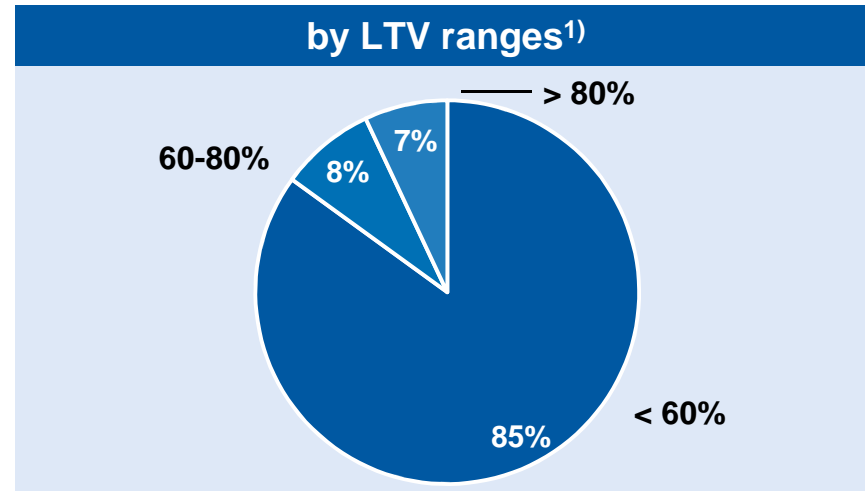
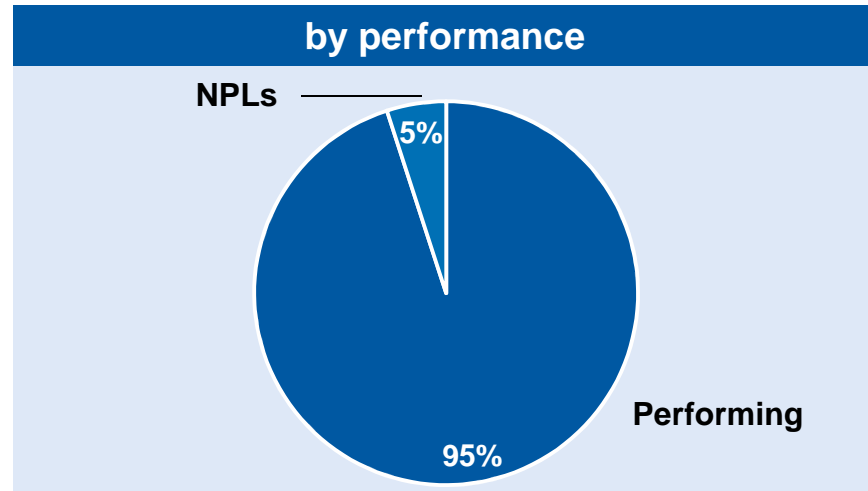
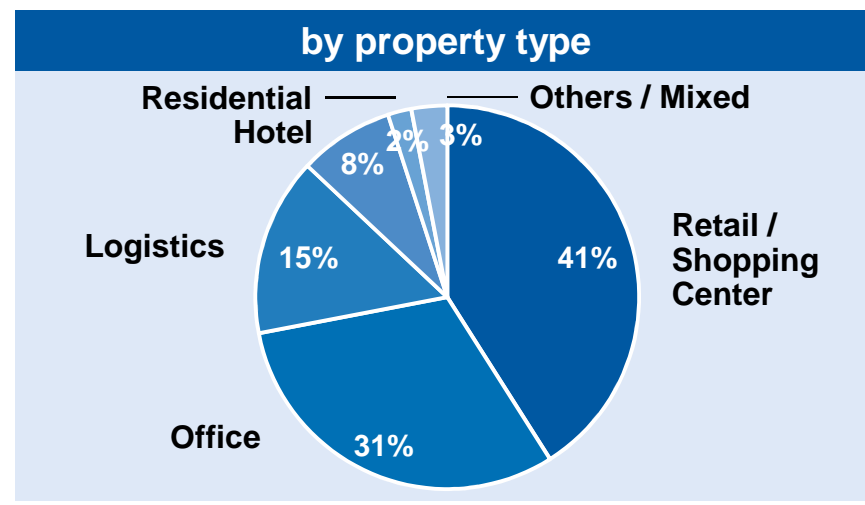
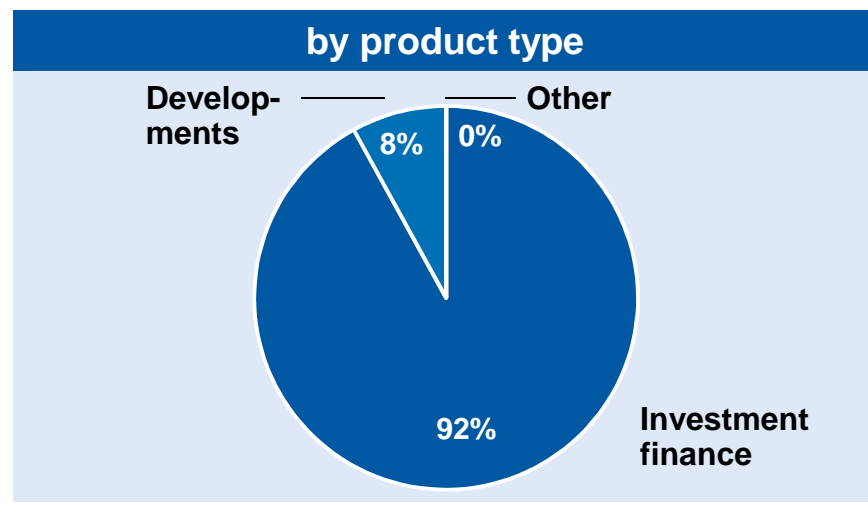


1) Performing business only, exposure as at 30.09.2015



Northern Europe credit portfolio

Total volume outstanding as at 30.09.2015: € 2.0 bn

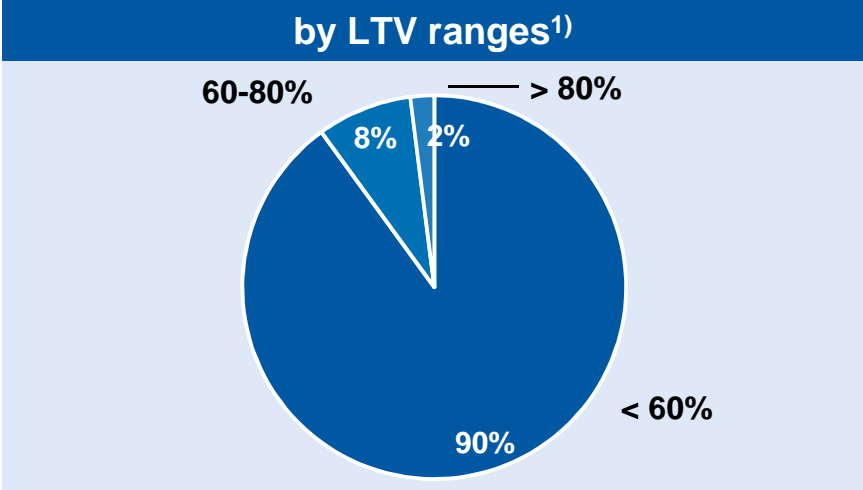
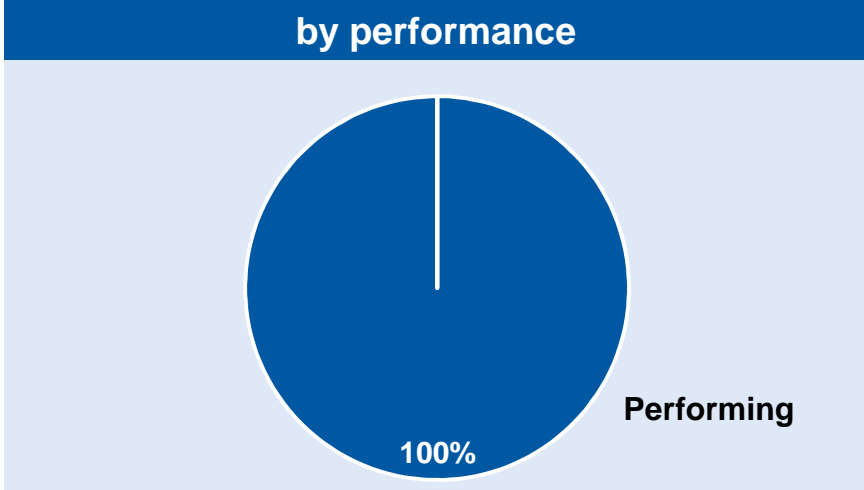
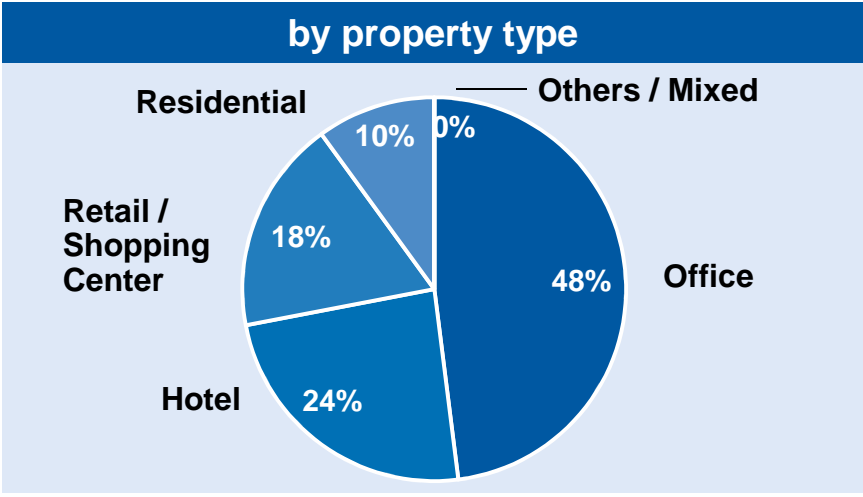
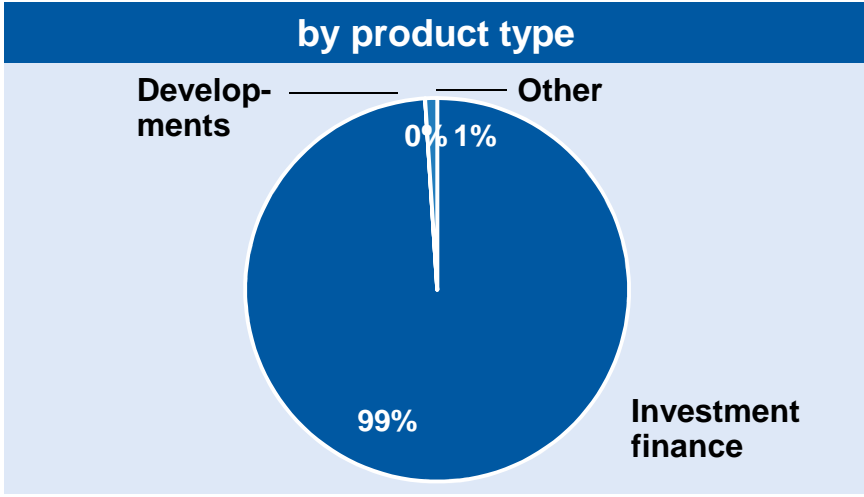


1) Performing business only, exposure as at 30.09.2015



North America credit portfolio

Total volume outstanding as at 30.09.2015: € 5.1 bn

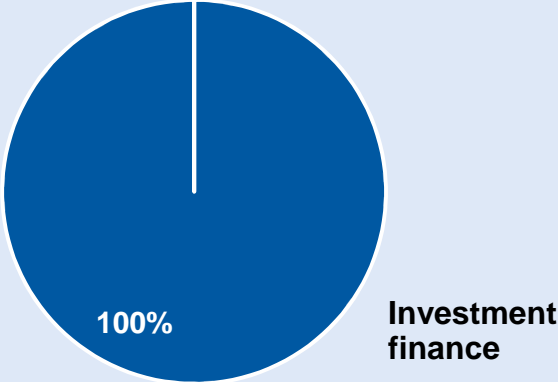


1) Performing business only, exposure as at 30.09.2015

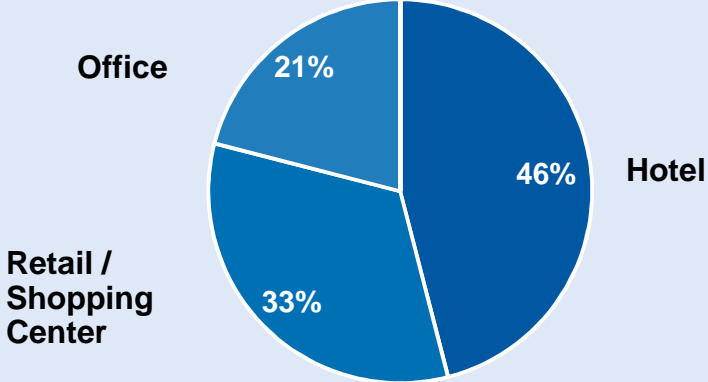
Asia credit portfolio

Total volume outstanding as at 30.09.2015: € 0.3 bn

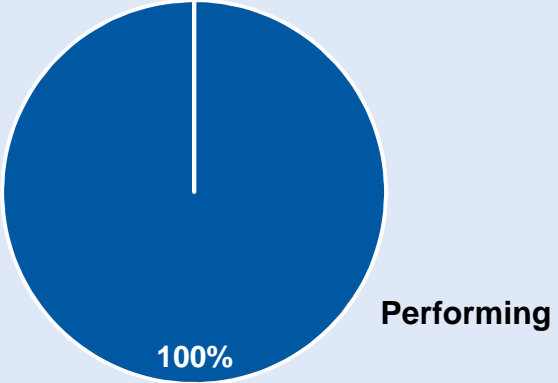
by product type



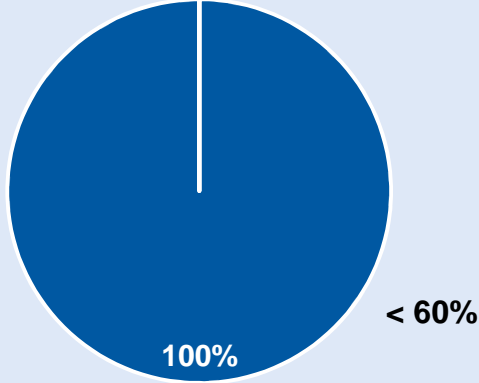
by property type



by performance



by LTV ranges¹⁾



1) Performing business only, exposure as at 30.09.2015

Appendix

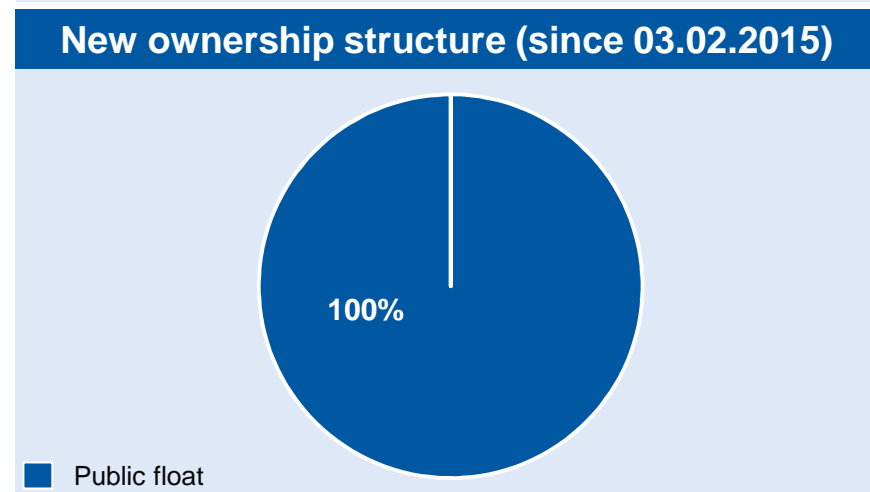
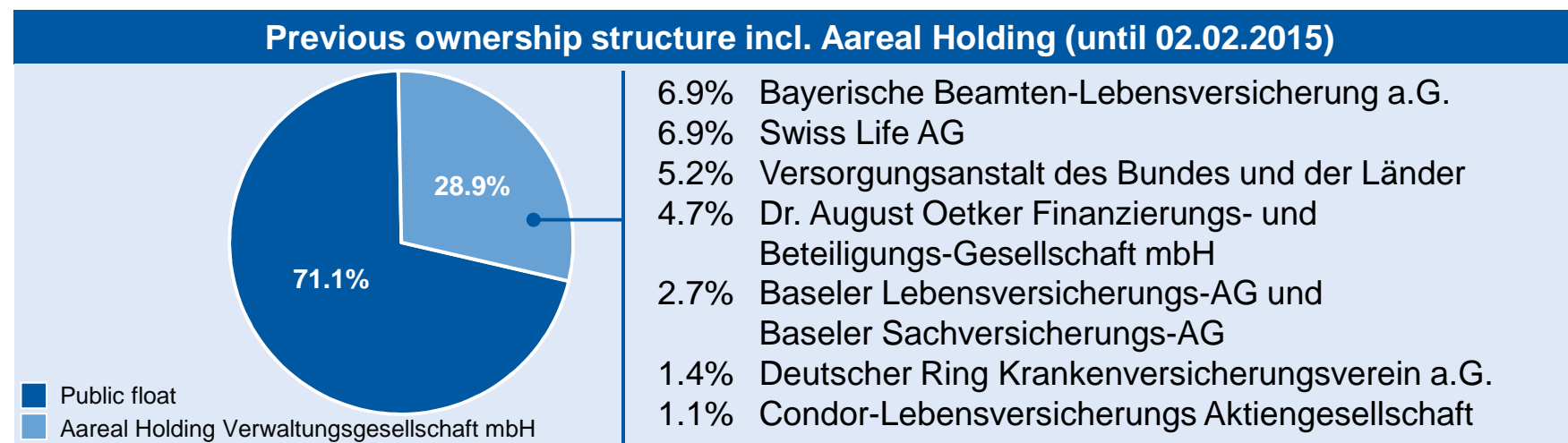
New ownership structure



**Aareal Bank
Group**

Aareal's new ownership structure

Successful placement underlines confidence in ARL



- Aareal Holding successfully completed the placement of its 28.9% stake Aareal Bank shares worth € 545 mn
- Priced at a small discount of 4.6% to the previous close
- The books were covered within 1 hour post launch - final orderbook was multiple times oversubscribed
- The transaction saw high quality demand particularly from the UK, Germany and USA



**Aareal Bank
Group**

Appendix

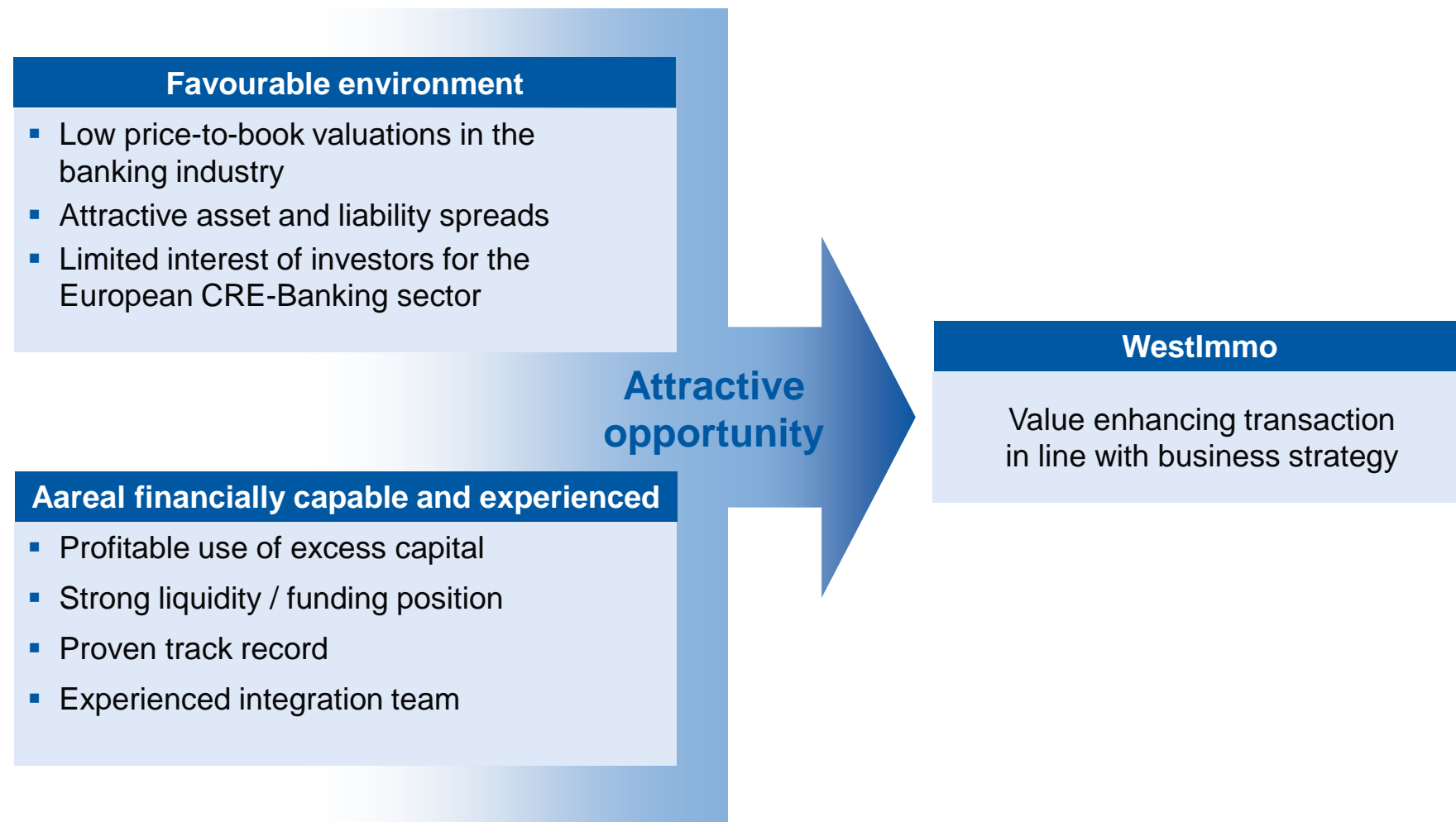
Acquisition of WestImmo



**Aareal Bank
Group**

Acquisition of WestImmo¹⁾: Strategic rationale

Attractive opportunity to pursue inorganic growth



1) As published February 22, 2015



Acquisition of WestImmo¹⁾: Strategic rationale

Value enhancing transaction in line with business strategy

- ➔ Transaction represents attractive opportunity for Aareal Bank to pursue inorganic growth as it is EpS accretive and creating shareholder value from day one while mid-term targets unchanged
- ➔ Acquisition using existing excess capital demonstrates strength and strategic capacity while generating further excess capital and therefore dividend distribution potential at the same time
- ➔ Immediate (inorganic) growth of interest earning asset base in times of increasing competition
- ➔ Perfect overlap to Aareal's core business further strengthens position as a specialised commercial real estate lender
- ➔ International well experienced staff and platform maintained despite currently not being allowed to write new business (acc. to EU-regulations) and therefore in run-down mode
- ➔ High diversification of CRE portfolio and conservative risk profile remains unchanged
- ➔ Optimisation of capital structure in line with communicated strategy

1) As published February 22, 2015



Acquisition of WestImmo¹⁾: Strategic rationale

Business ability even without new business origination

Strategy and business modell

- WestImmo is a specialist in international commercial real estate financing focussing on office, shopping center, hotel and logistics, headquartered in Mainz / Münster
- Additional activities for private clients and public sector
- Originally focussing on Europe, the US and Asia with international locations
- Balance sheet of ~ € 8.1 bn (~ € 3.3 bn RWA), thereof CRE business ~ € 4.3 bn, private clients ~ € 1.6 bn, public sector ~ € 0.8 bn (pro forma extrapolated as at 31.03.2015)
- 280 employees (~ 255 FTE)

History

- WestImmo was a subsidiary of former WestLB
- After the split of former WestLB into Portigon AG and Erste Abwicklungsanstalt (EAA) in September 2012, WestImmo became a 100%-subsidiary of EAA
- WestImmo has either to be sold or to be wind down (acc. to EU-regulations) and therefore was not allowed to write new business since H2 2012
- In order to prepare an open, transparent and non-discriminatory bidding process in H1 2014 non Pfandbriefbank “suitable” assets and liabilities were transferred to EAA via carve out

1) As published February 22, 2015



Acquisition of WestImmo¹⁾: Transaction structure

Attractive terms and conditions

Transaction

- All cash transaction to acquire 100% of the shares
- Via pre-closing carve out, all funding provided and financial guarantees given from EAA to WestImmo will be terminated.
At the same time specific assets will be transferred from WestImmo to EAA.
In addition Aareal Bank provides WestImmo an external credit- / liquidity-line
- Profit until closing to be paid to EAA
- Fair / conservative valuation; attractive asset and liability spreads logged in
- Extensive due diligence carried out
- Attractive purchase price of € 350 mn²⁾

Closing conditions

- Subject to BaFin / ECB approval
- Subject to anti-trust approval

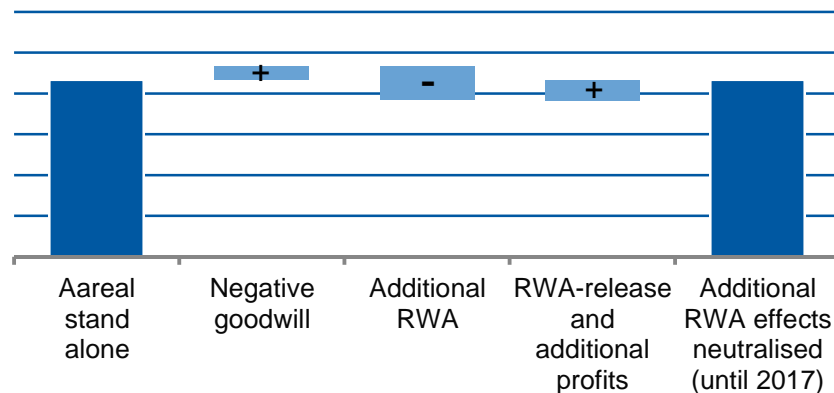
1) As published February 22, 2015
2) Subject to further adjustments



Acquisition of WestImmo¹⁾: Financials

Impact on capital ratios, EpS, and RoE²⁾

Expected CET1 effects (Basel III fully phased)



Capital ratios:

- All cash transaction
 - Allocation of excess capital
 - RWA increase partly compensated by negative goodwill
- Expected pro forma CET1 as at 31.12.2015: 11.8%
- Bail in capital ratio expected above target (~8%)

EpS

- Transaction is EpS accretive from day 1
- Expected cumulative EpS for the next three years > 3 €
- Substantial part of the capital currently absorbed by acquired RWA already to be released until 2017
- No capital relief from switch of rating model (WestImmo already on AIRBA)

RoE

- Transaction in line with mid term RoE target
- Pre-tax RoE target confirmed at ~12%

Dividend policy

- Reconfirming active dividend policy with payout ratios of ~50% (excl. negative goodwill)

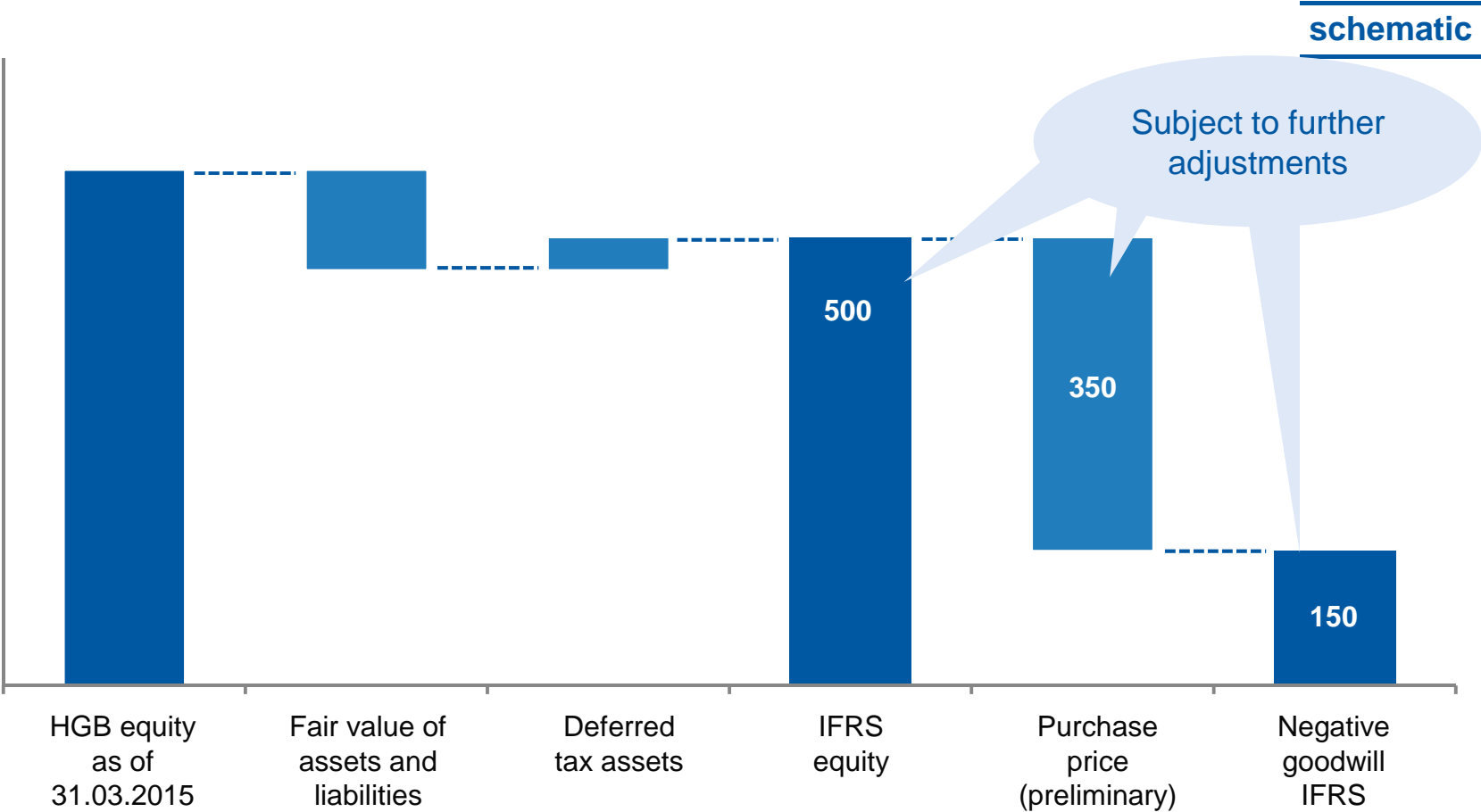
1) As published February 22, 2015

2) Pro forma extrapolated, assumed closing 31.03.2015



Acquisition of WestImmo¹⁾: Financials

Purchase price illustration²⁾



1) As published February 22, 2015
 2) Pro forma extrapolated, assumed closing 31.03.2015

Acquisition of WestImmo¹⁾:

Private client loans and Public sector loans²⁾

Private client loans

- Volume of € 1.6 bn extrapolated as at 31.03.2015
- All non performing loans have been carved out, purely performing business with average LtV < 60%
- Outstandings < 100 T€: 58%, 100 – 150 T€: 24%, 150 – 200 T€: 10%, 200 – 250 T€: 4%; 250 – 500: <4%; > 500 T€: <1% > 50% in Baden Wuerttemberg, Bayern, Hessen, and NRW
- Historical defaults on that portfolio in the very, very low double digit area (bp)
- Potential risks from clawbacks regarding loan fees (“Rückforderungen von Bearbeitungsgebühren”) and faulty revocation clause (“fehlerhafte Widerrufsbelehrungen”) will be covered by the seller

Public sector loans

- Volume of € 0.8 bn extrapolated as at 31.03.2015
- Loans, warranties or guaranties to German sub-sovereign bodies

1) As published February 22, 2015

2) Pro forma extrapolated as at 31.03.2015



Appendix

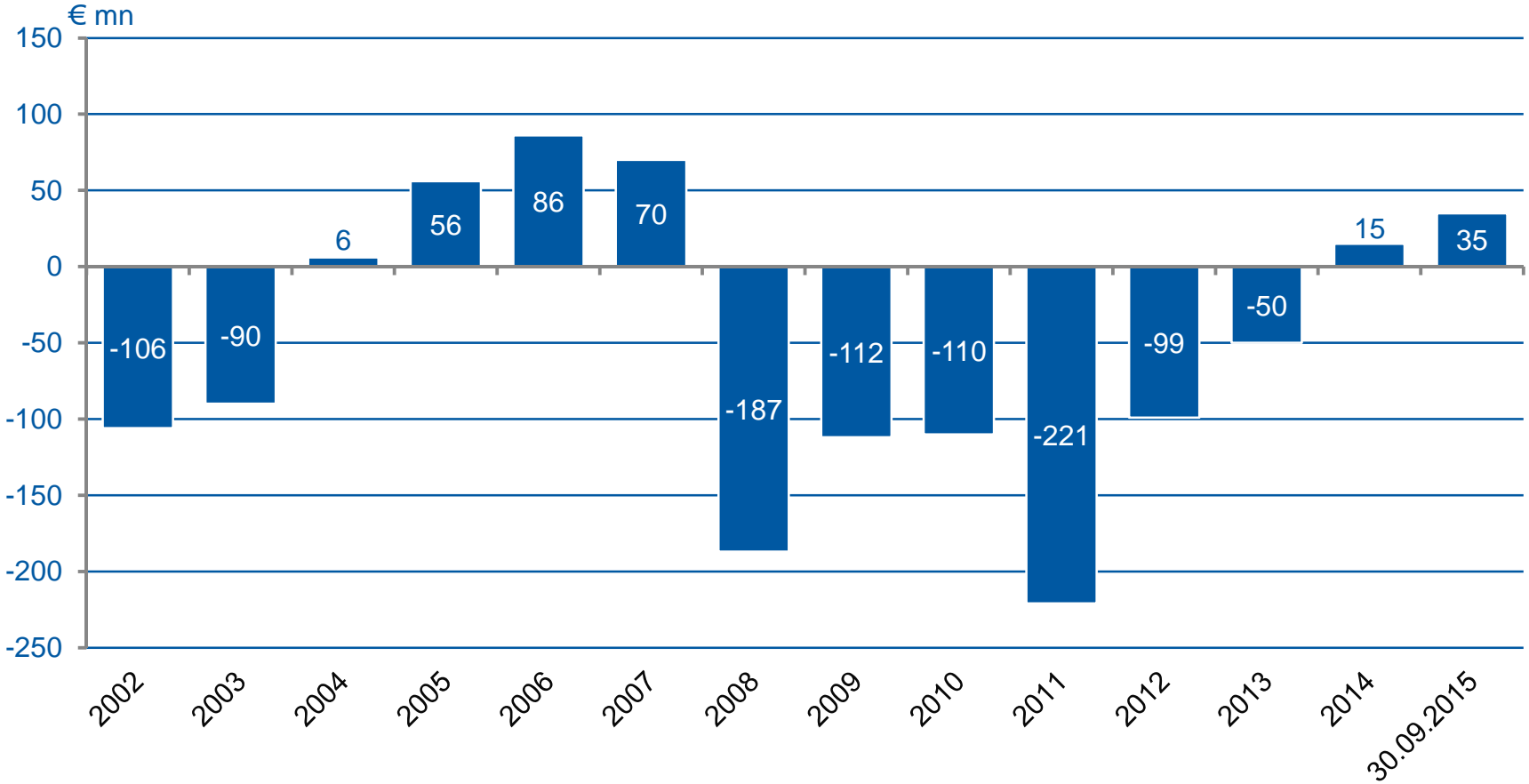
Revaluation surplus



**Aareal Bank
Group**

Revaluation surplus

Change mainly driven by asset spreads



Appendix

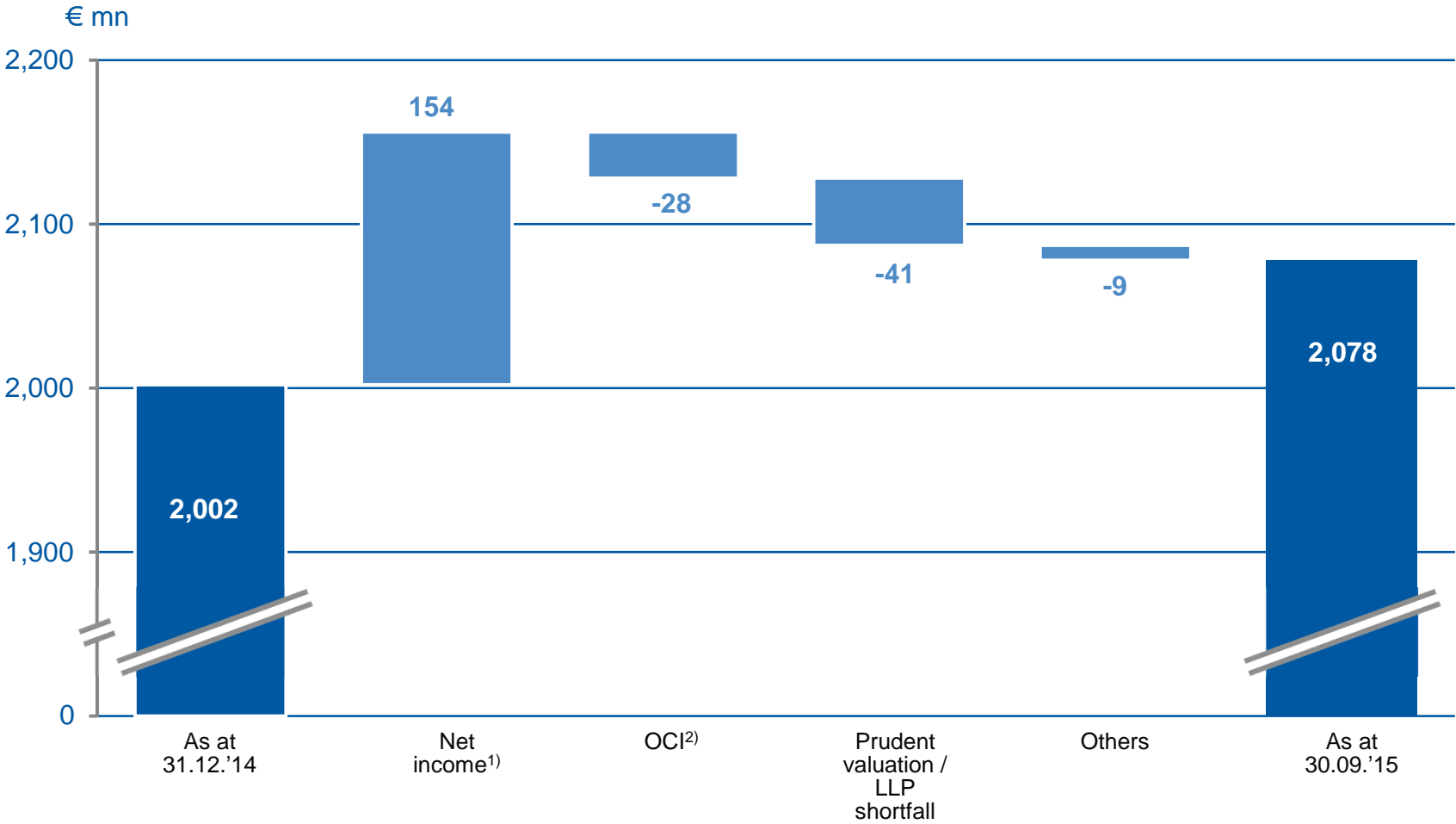
CET1 development and RWA-split



**Aareal Bank
Group**

CET1 development (fully phased)

Mainly driven by negative goodwill from WIB acquisition



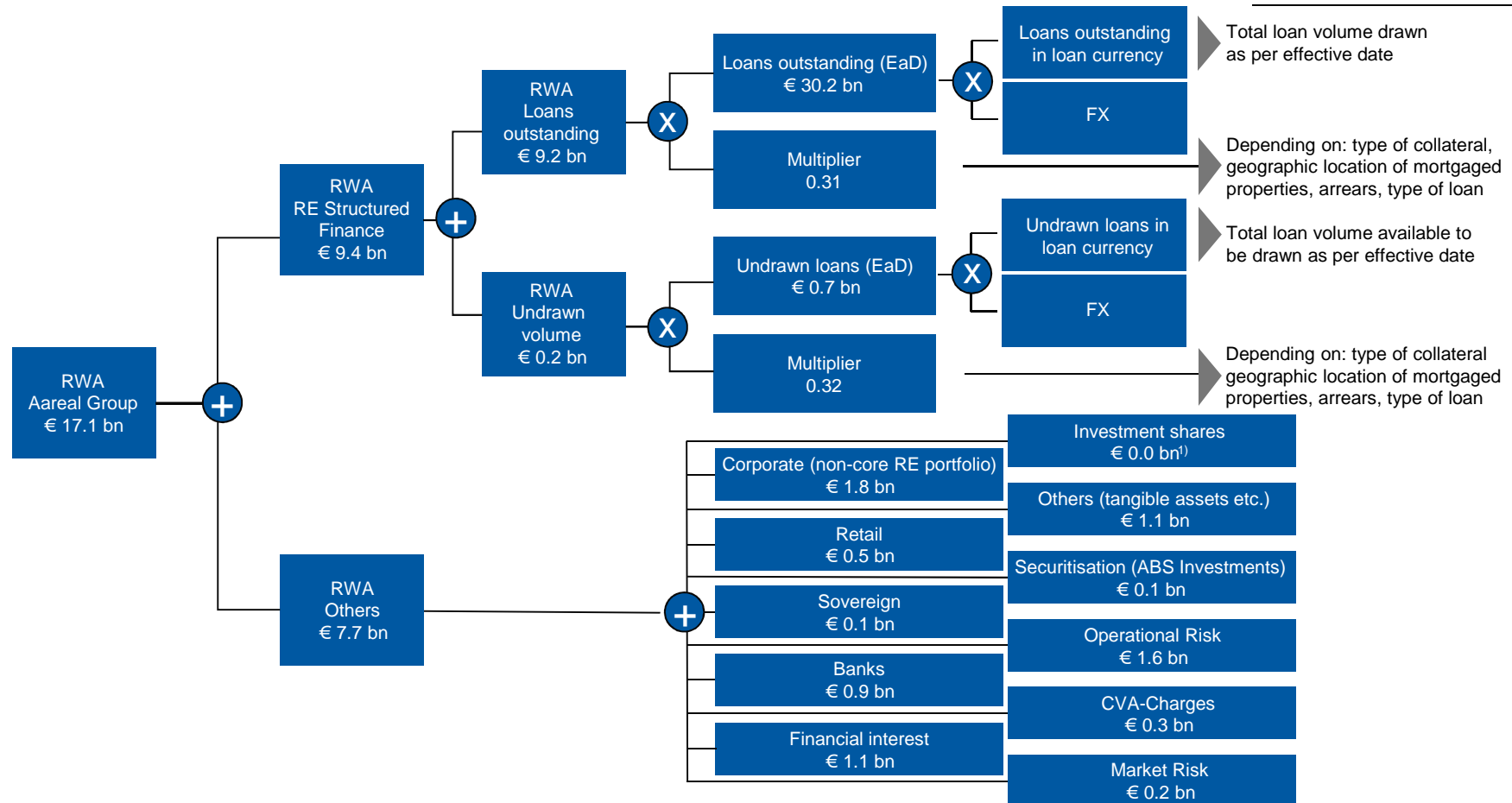
1) Represents negative goodwill from WestImmo acquisition, Ytd consolidated net income allocated to ordinary shareholders (ex negative goodwill) less dividends not recognised as CET1 capital
 2) Incl. reserve from defined benefit plans, revaluation surplus and currency translation reserve



From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 30/09/2015



1) Exposure to investment shares amounts to € 4 mn



Definitions and contacts



**Aareal Bank
Group**

Definitions

- **Structured Property Financing Portfolio** = Paid-out financings on balance sheet
- **New Business** = Newly acquired business incl. renewals + Contract is signed by customer + Fixed loan value and margin
- **Common Equity Tier 1 ratio** =
$$\frac{\text{CET1}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit } \therefore \text{ income/loss attributable to non-controlling interests } \therefore \text{ AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **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** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}} \geq 100\%$$
- **Bail-in capital ratio** =
$$\frac{\text{Equity + subordinated capital}}{(\text{Long + short term funding}) - (\text{Equity + subordinated capital})}$$
- **Earnings per share** =
$$\frac{\text{operating profit } \therefore \text{ income taxes } \therefore \text{ income/loss attributable to non controlling interests } \therefore \text{ net AT1 coupon}}{\text{Number of ordinary shares}}$$



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