

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Annual Analyst Conference

Preliminary 2013 results

February 20, 2014

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



**Aareal Bank
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Agenda

- Environment 2013
- Preliminary 2013 results at a glance
- Segment performance
- B/S structure, capital & funding position
- Preliminary group figures 2013
- Asset quality
- Acquisition of Corealcredit Bank,
Outlook 2014 & Midterm Outlook

- Appendix
- Definitions and Contacts



Environment 2013

Our assumptions were proven

Assumptions for guidance 2013	Reality 2013
Southern European economies will not be able to catch up, different speed of recovery in the rest of Europe, North America and Asia	Different speed of economical recovery in Europe, North American recovered faster, Asian economies kept slightly growing but further development still uncertain
Sovereign crisis will only occasionally affect markets	The still unsolved sovereign crisis only occasionally affected markets
Continued very low interest rate levels will help to stabilise sovereign crisis and European economies but hurting deposit margins	Even lowered interest rate levels helped to stabilise sovereign crisis and European economies but burdened the net interest income
Deteriorating economic outlook	Still expansive monetary policy of central banks, especially in the US, Europe and Japan
Clearer regulatory frame but lack of technical details	Start of European Supervisory Authorities (ESA)



Preliminary 2013 results at a glance



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2013 at a glance

Profit target overachieved – dividend proposal 0.75€

Targets	Guidance	9M-Guidance	Preliminary
▪ Dividend proposal	Planning to resume an active dividend policy	➡	€ 0.75 per share
▪ Net interest income	Slightly above € 486mn	> € 500 mn ➡	€ 527 mn
▪ Net loan loss provisions	€ 110 - 150 mn	€ 110 - 150 mn (lower end) ➡	€ 113 mn
▪ Net commission income	€ 165 - 175 mn	€ 165 - 175 mn ➡	€ 165 mn
▪ Administrative expenses	€ 360 - 370 mn	~ € 375 mn ➡	€ 375 mn
▪ Operating profit	On 2012 level: ~ € 176 mn	In the range of 2011: ~ 185 mn ➡	€ 198 mn
▪ New business origination ¹⁾	€ 6 - 7 bn	> € 8 bn ➡	€ 10.5 bn
▪ Op. profit Aareon	~ € 27 mn	On 2012 level ~ € 26 mn ➡	€ 27 mn

Capitalisation and Funding

▪ Solid capital position	<ul style="list-style-type: none"> ▪ Tier 1 ratio²⁾: 18.5% (AIRBA)^{3,4)} ▪ CET 1 ratio²⁾ (excl. SoFFin / hybrids): 13.8% (AIRBA)^{3,4)}
▪ Solid refinancing and liquidity situation	<ul style="list-style-type: none"> ▪ € 4.1 bn raised; flexible use of secured and unsecured funding ▪ Liquidity position clearly exceeds 15% of total balance sheet

1) Incl. renewals

2) Pro forma as at 01.01.2014

3) Advanced internal ratings-based approach (advanced IRBA)

4) IFRS incl. Phase outs & CRD IV

Note: All 2013 figures preliminary and unaudited



2013 results at a glance

Strong Q4 operating profit

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Comments
€ mn						
Net interest income	147	133	126	121	116	<ul style="list-style-type: none"> Q4 includes effects (~€ 10 mn) from higher than expected repayments 2013 plan outperforming due to lower than originally planned funding costs. Still relatively high cash position: Ø Q4 '13: € 3.9 bn (Ø '13: € 4.3 bn)
Net loan loss provisions	39	29	28	17	39	<ul style="list-style-type: none"> Within normal quarterly variation FY at lower end of given range
Net commission income	48	40	39	38	50	<ul style="list-style-type: none"> Aareon on track Q4 with regular seasonal effects
Net result from trading/ non-trading/hedge acc.	1	1	0	2	13	<ul style="list-style-type: none"> 2013 results reflect stabilising markets
Admin expenses	99	94	90	92	88	<ul style="list-style-type: none"> Slightly above originally guided FY range due to LTIP and projects
Operating profit	58	48	45	47	46	<ul style="list-style-type: none"> Positive development continues



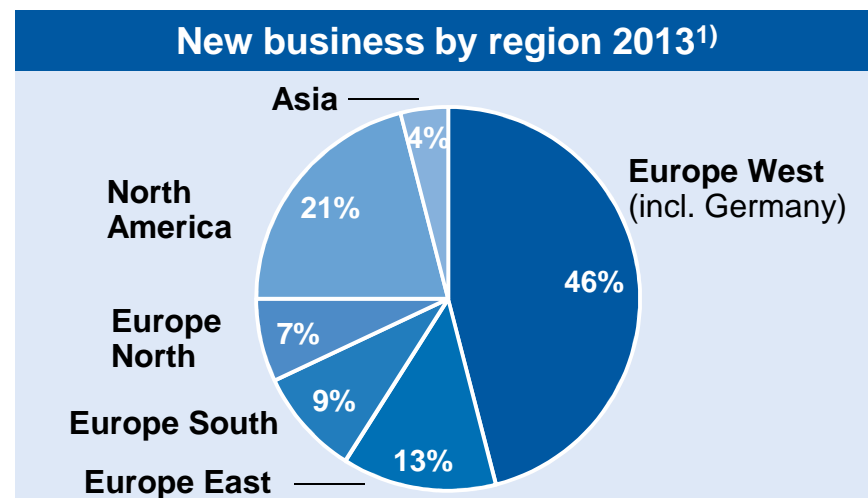
Segment performance



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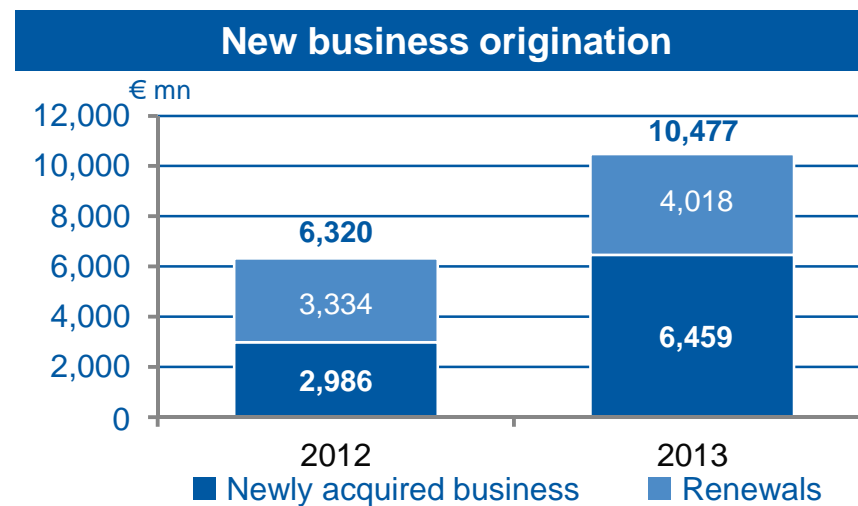
Structured property financing

New business target overachieved



P&L SPF Segment	2013	2012	Change
€ mn			
Net interest income	519	463	12%
Loan loss provision	113	106	7%
Net commission income	10	21	-52%
Net result from trading / non-trading / hedge acc.	4	-13	-
Admin expenses	201	191	5%
Others	-10	-4	-150%
Operating profit	209	170	23%

1) Incl. renewals



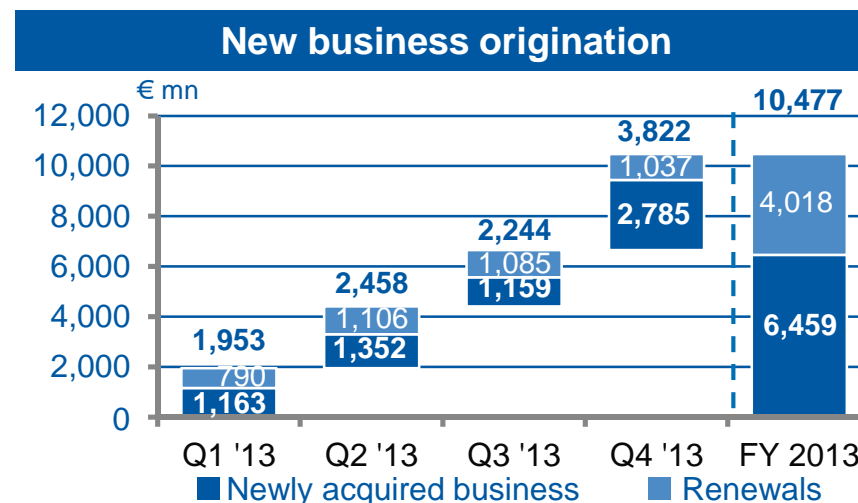
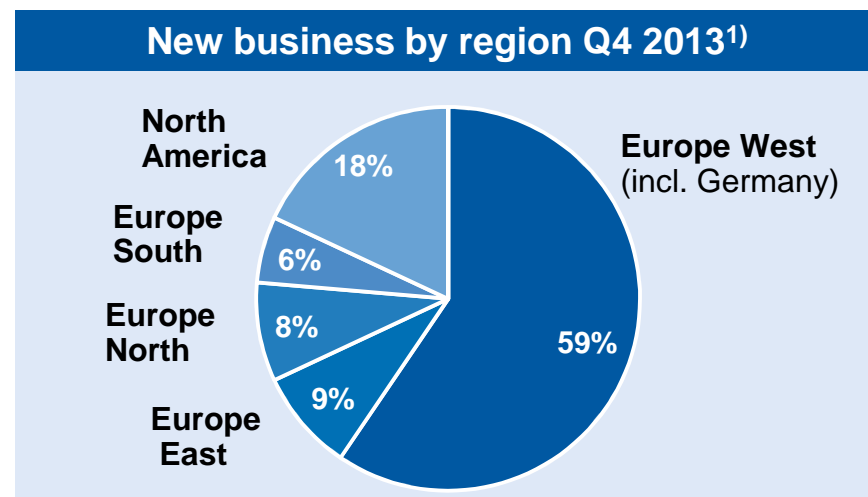
- New business origination 2013: € 10.5 bn
- Higher repayments driven by more liquidity in the markets are compensated by higher new business origination
- 2013 focus on attractive risk-return profile with low risk-weighting
- Preference for Pfandbrief cover pool eligible loans
- Increasing competition in core markets / for prime locations



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Structured property financing

New business origination compensating high repayments



P&L SPF Segment	Q4 '13	Q3 '13	Q2 '13	Q1 '13	Q4 '12
€ mn					
Net interest income	146	131	124	118	113
Loan loss provision	39	29	28	17	39
Net commission income	3	2	3	2	5
Net result from trading / non-trading / hedge acc.	1	1	0	2	13
Admin expenses	54	50	47	50	44
Others	-1	-3	-2	-4	-4
Operating profit	56	52	50	51	44

1) Incl. renewals

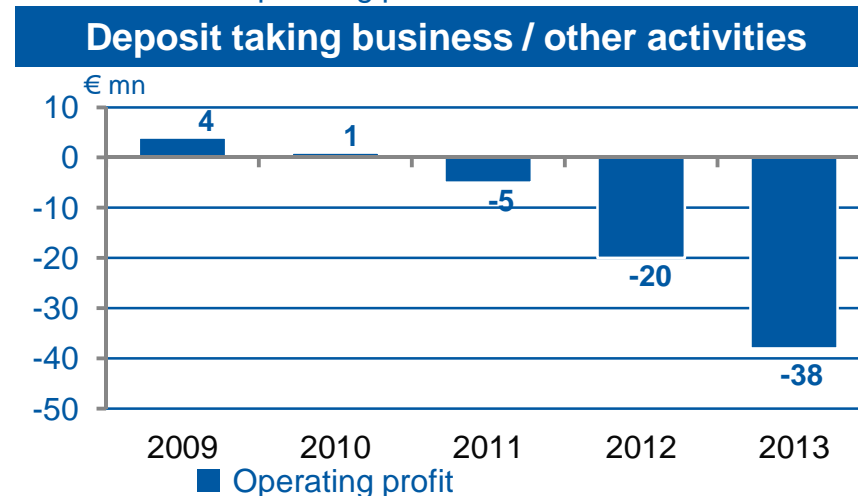
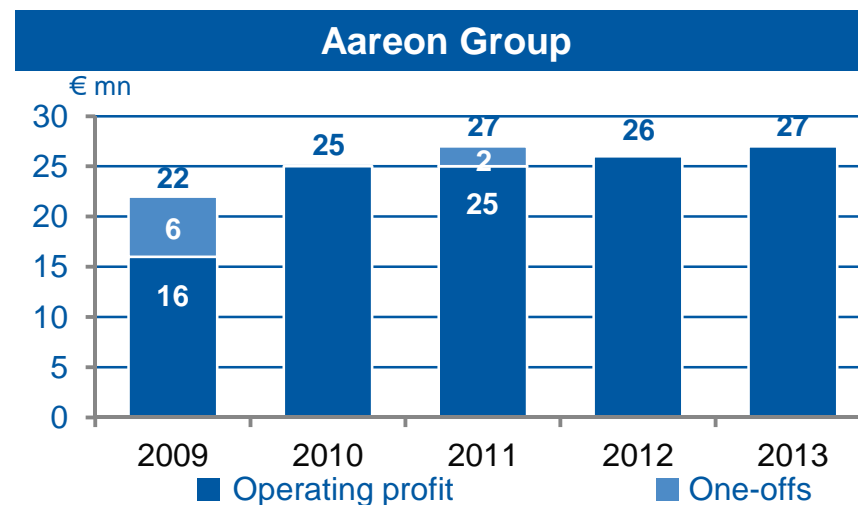


Consulting / Services

Solid in IT & volumes – weak in deposit taking business

P&L C/S Segment	2013	2012	Change
€ mn			
Sales revenue	187	194	-4%
Own work capitalised	4	2	100%
Other operating income	6	7	-14%
Cost of material purch.	22	21	5%
Staff expenses	122	114	7%
D, A, impairment losses	14	13	8%
Other op. expenses	50	49	2%
Others	0	0	-
Operating profit	-11	6	-

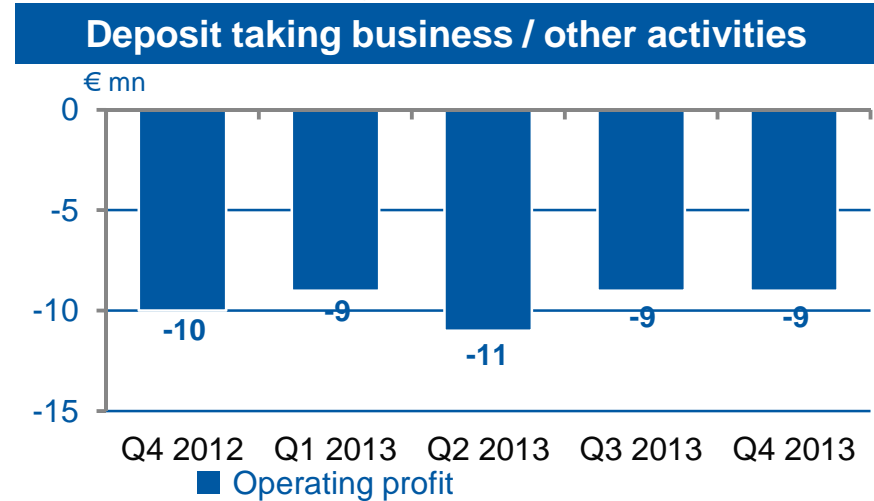
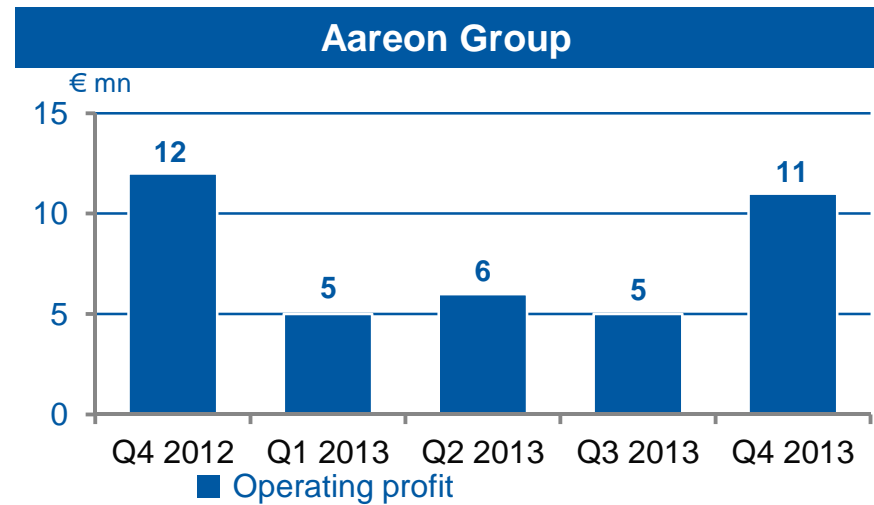
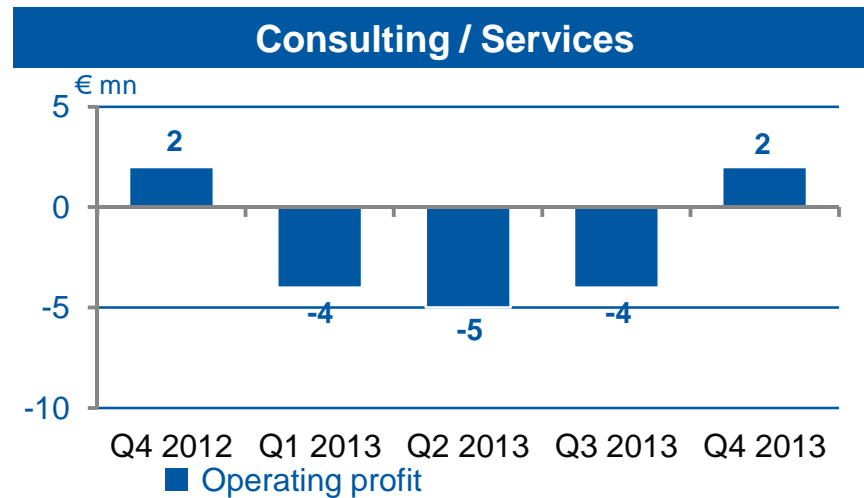
- Aareon sales revenues € 173 mn (+5%)
EBIT margin stable (~16%)
- Housing industry deposits generate a stable funding base, crisis-proof
- Low interest environment burdens segment results



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Consulting / Services

Deposit taking business burdens segment performance



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Consulting / Services

Solid in IT & volumes – weak in deposit margins

P&L C/S Segment	Q4 '13	Q3 '13	Q2 '13	Q1 '13	Q4 '12
€ mn					
Sales revenue	53	46	44	44	54
Own work capitalised	1	1	1	1	1
Changes in inventory	0	0	0	0	0
Other operating income	4	1	1	0	1
Cost of material purchased	6	6	5	5	5
Staff expenses	34	30	29	29	31
D, A, impairment losses	3	4	4	3	4
Results at equity acc. investm.	-	-	-	-	-
Other operating expenses	13	12	13	12	14
Results from interest and similar	0	0	0	0	0
Operating profit	2	-4	-5	-4	2

- Performance of Aareon within guidance
- Unchanged low interest rate environment continues to burden segment results
- Deposit volume of the housing industry has increased to
 - € 7.2 bn on average in '13 (Ø € 5.6 bn in 2012)
 - € 7.7 bn on average Q4 '13 (Ø € 6.2 bn in Q4 2012)
- The strategic importance of the housing industry deposits as an additional source of funding exceeds the importance of the margins shown in the segment



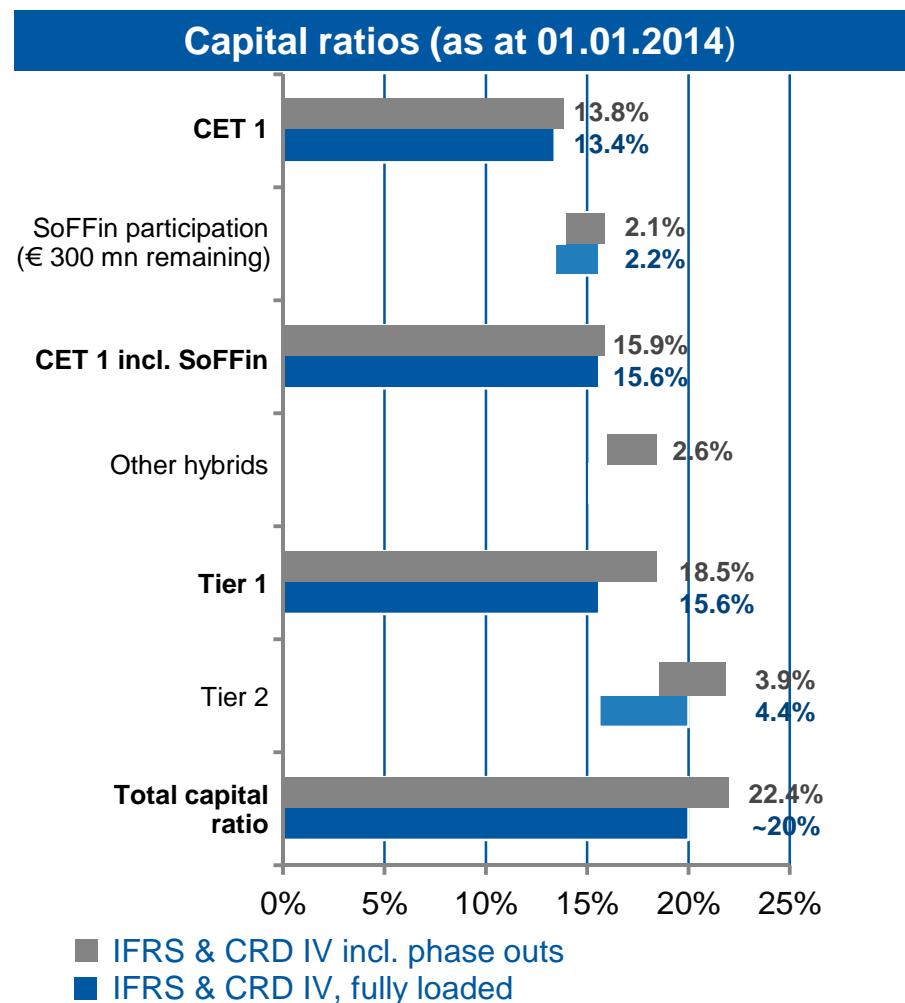
B/S structure, capital & funding position



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Strong capital ratios & stable capital structure

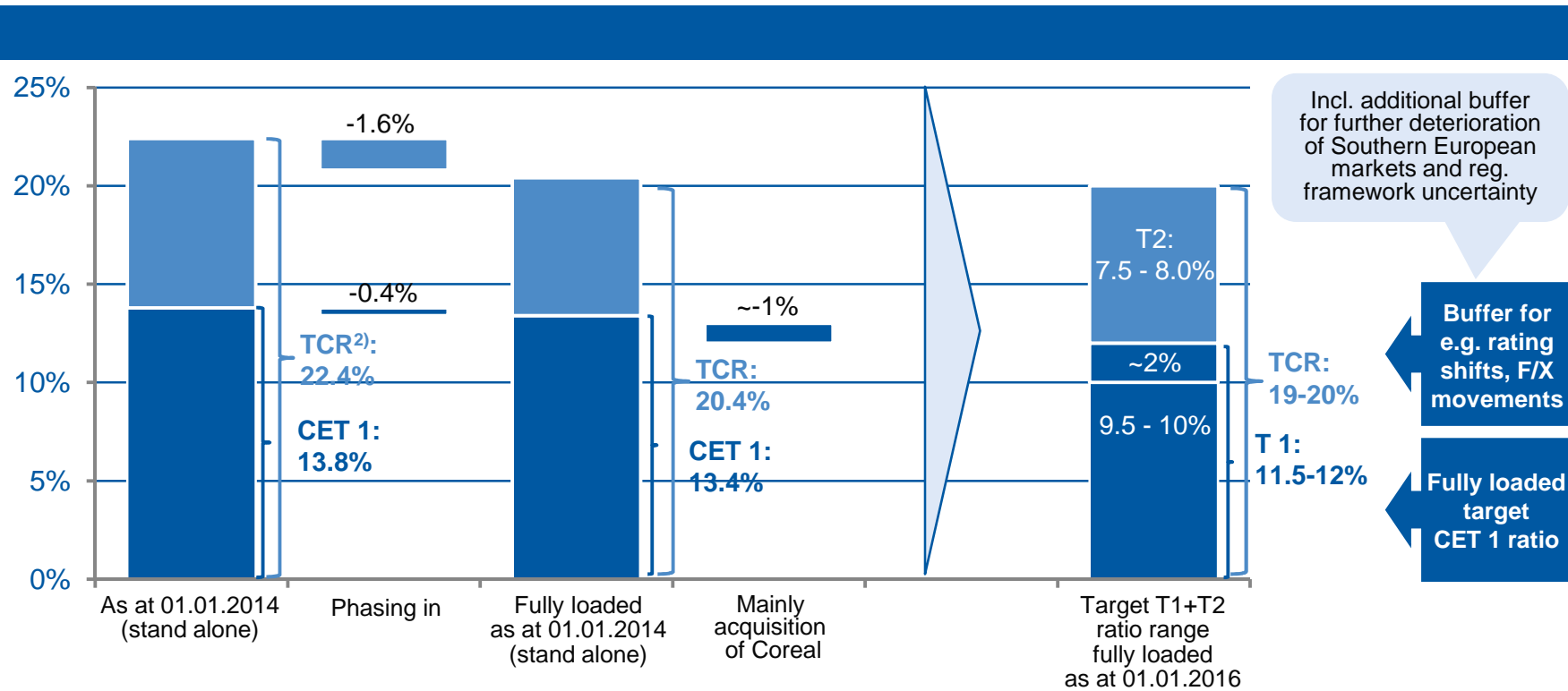
(IFRS, CRD IV pro forma as at 01.01.2014, stand alone)



- 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 01.01.2014
 - 4.0% (CET 1 excl. SoFFin)
 - 4.6% (CET 1 incl. SoFFin)
- Bail-in capital ratio (acc. to our definition) expected above 8%



Expected development of capital ratios¹⁾ (IFRS & CRD IV pro forma as at 01.01.2014)



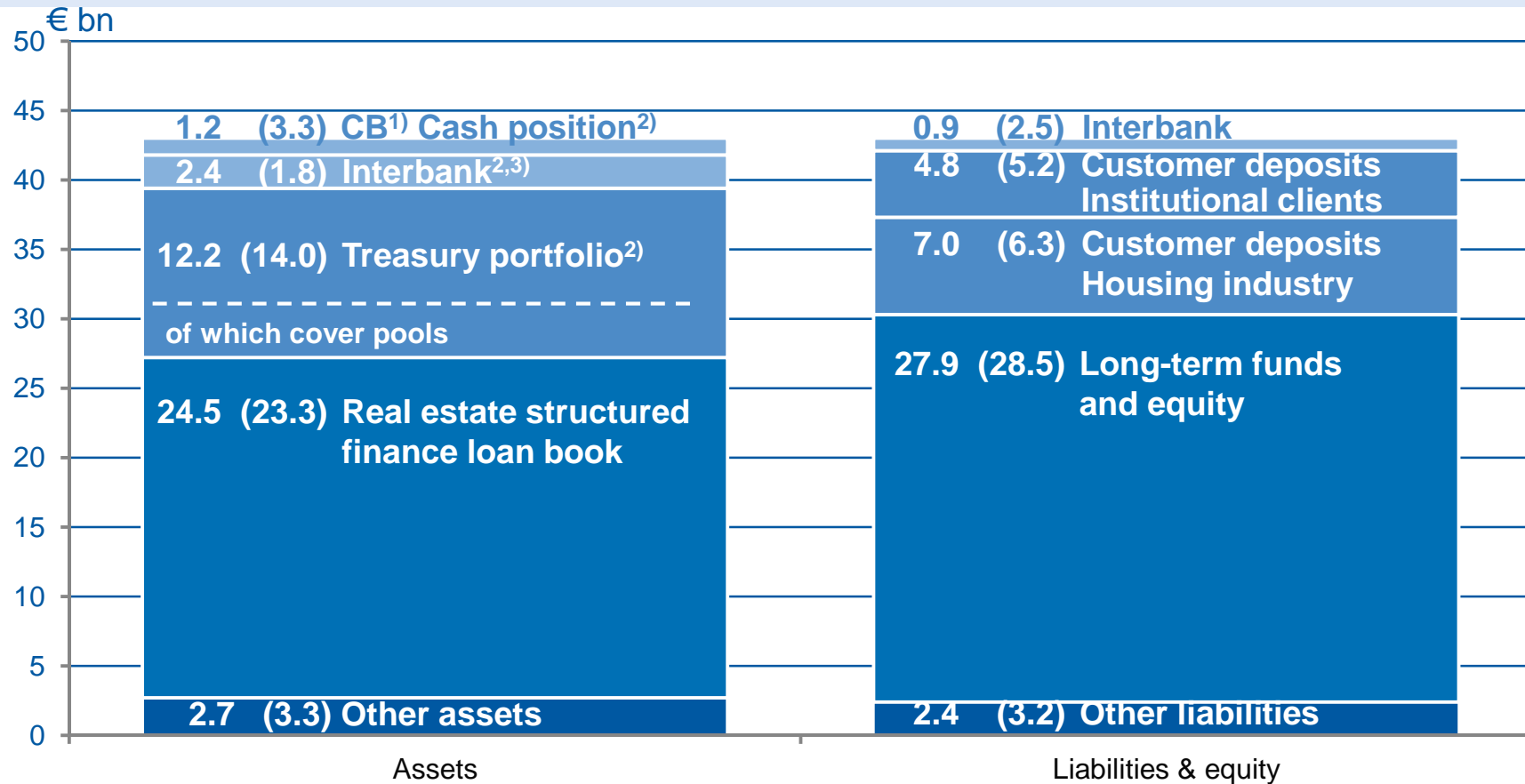
1) Actual figures may vary significantly from estimates
2) TCR: total capital position



Asset- / Liability structure according to IFRS

As at 31.12.2013: € 43.0 bn (31.12.2012: € 45.7 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

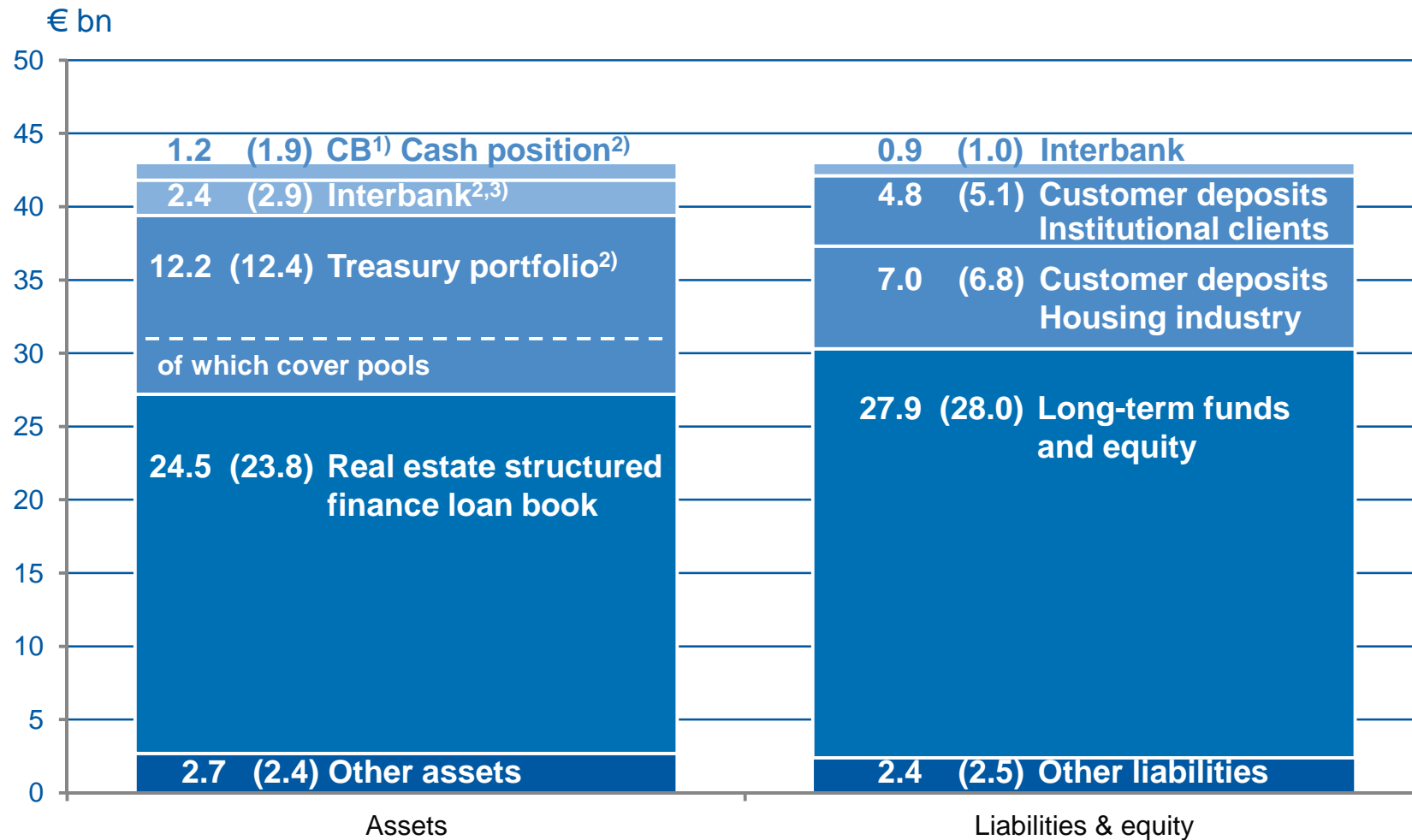
3) Interbank incl. € 1.5 bn (€ 0.0 bn) invested in ECBs fine-tuning operations („absorbing tender“)

Note: All 2013 figures preliminary and unaudited



Asset- / Liability structure according to IFRS

As at 31.12.2013: € 43.0 bn (30.09.2013: € 43.4 bn)



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

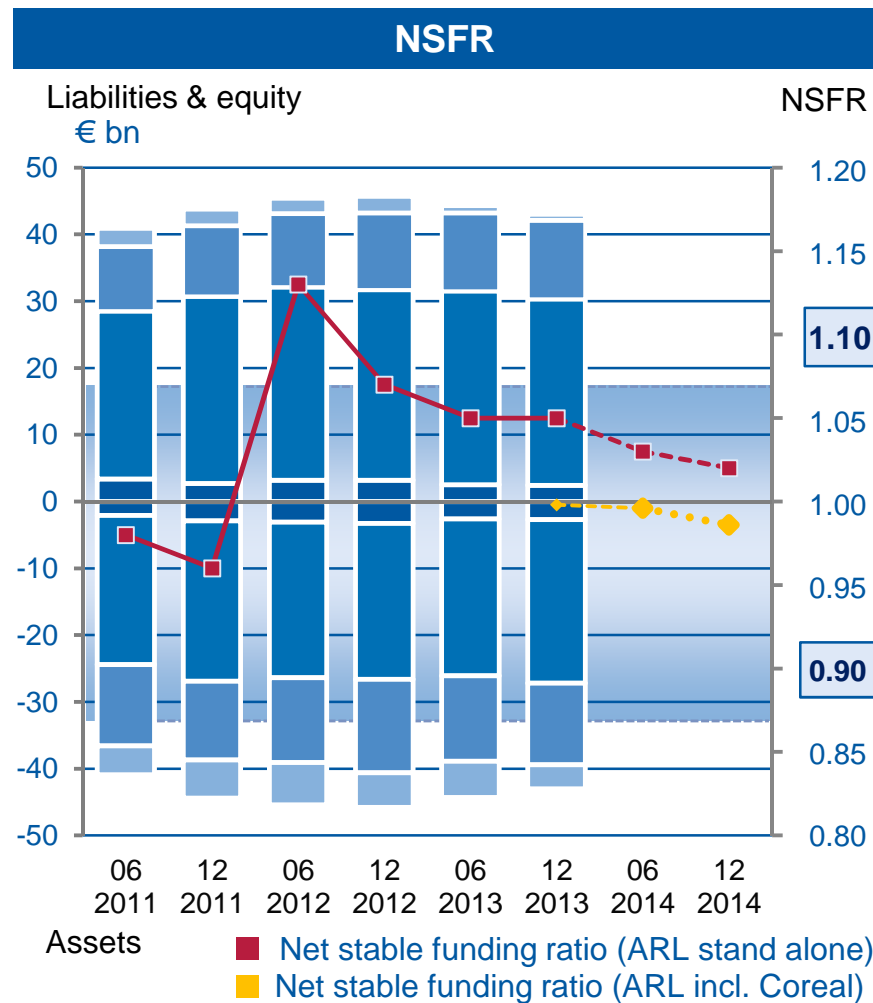
3) Interbank incl. € 1.5 bn (€ 0.0 bn) invested in ECB's fine-tuning operations („absorbing tender“)

Note: All 2013 figures preliminary and unaudited



Net stable funding- / Liquidity coverage ratio

Fulfilling Basel III requirements

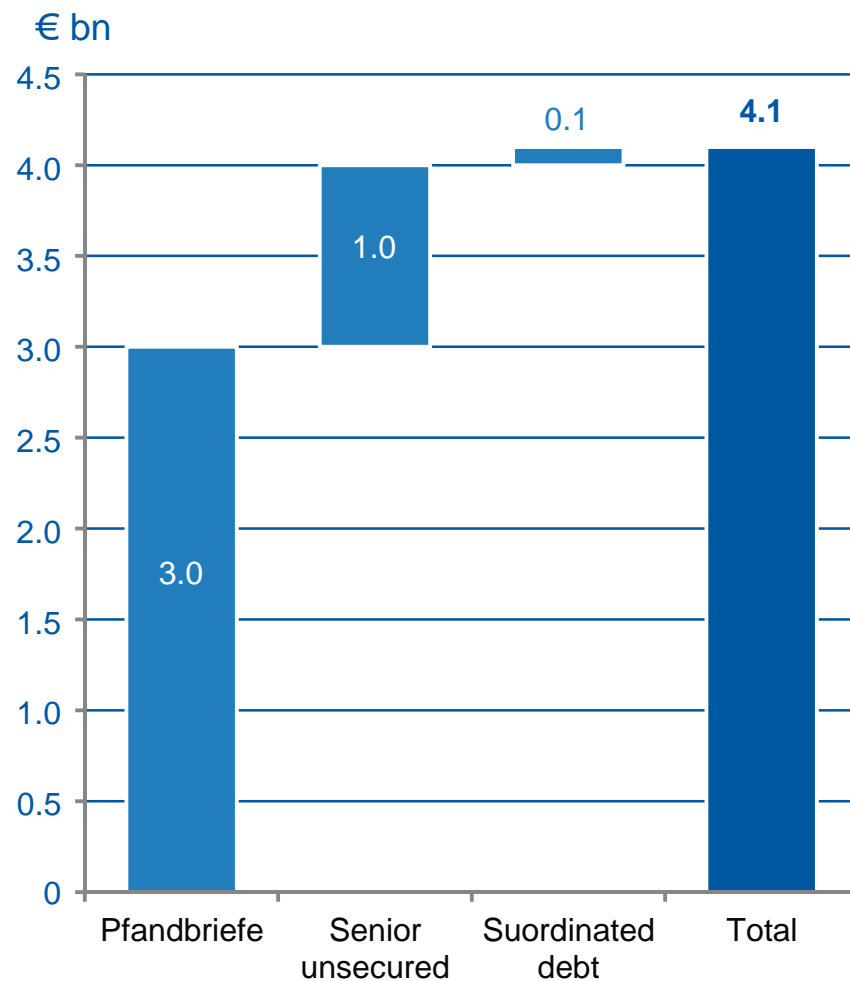


- Aareal Bank already fulfils future requirements
 - NSFR > 1.0
 - LCR >> 1.0
- Basel III and CRD IV require specific liquidity ratios starting end 2018
- High NSFR surplus used to purchase Corealcredit Bank's balance sheet



Refinancing situation 2013

Successful funding activities

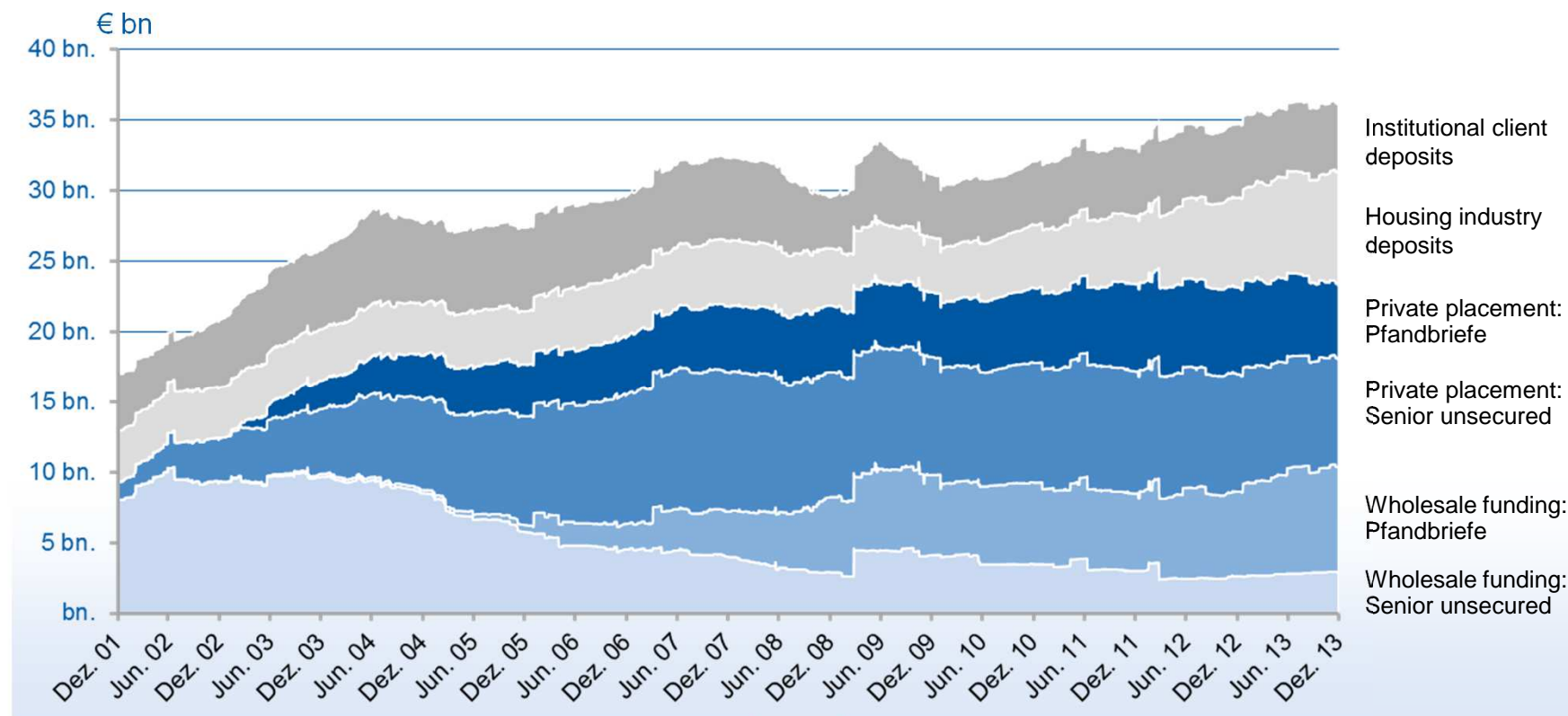


Total funding of € 4.1 bn in 2013

- Pfandbriefe: € 3.0 bn
 - thereof two benchmark mortgage Pfandbriefe: € 625 mn and € 500 mn
 - thereof one £ 200 mn mortgage Pfandbrief
- Senior unsecured: € 1.0 bn
- Additional subordinated debt (LT2): € 0.1 bn
- Backbone of capital market funding is a loyal, granular, domestic private placement investor base
 - over 600 hold-to-maturity investors
 - € 10 mn average ticket size in 2013

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 31.12.2013, this share has fallen to ~29% (or even below 10% without Pfandbriefe)

As at 31.12.2013



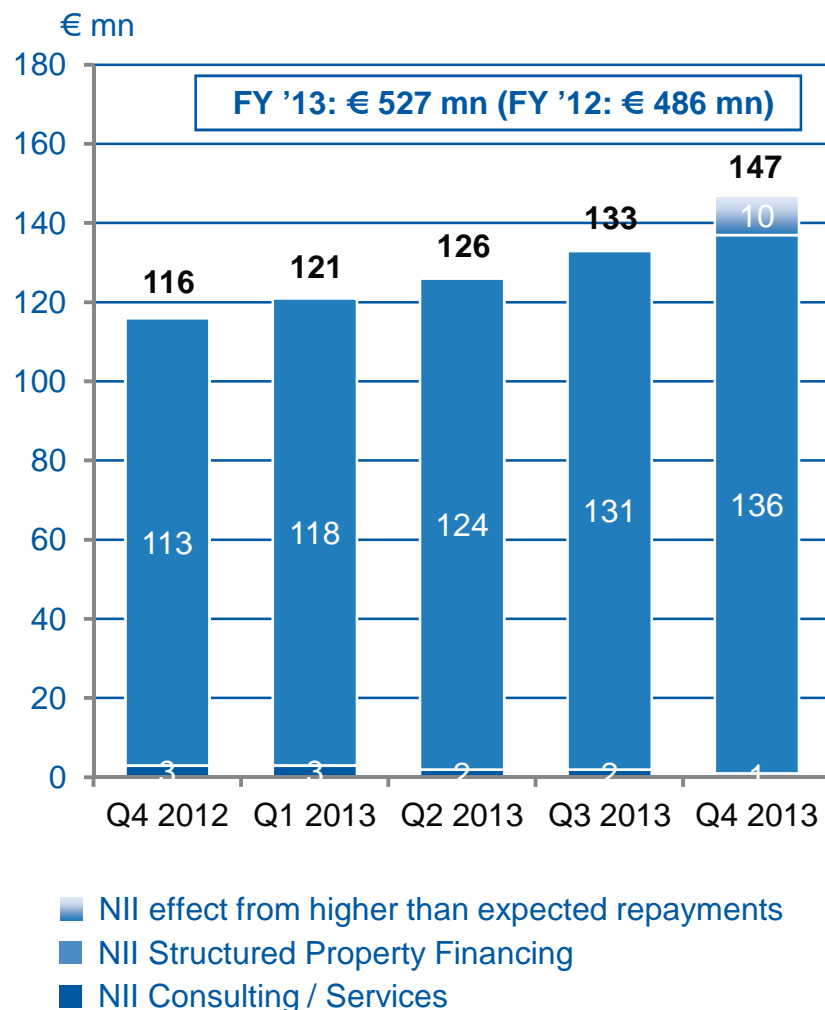
Preliminary group figures 2013



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Net interest income

NII picking up over the year

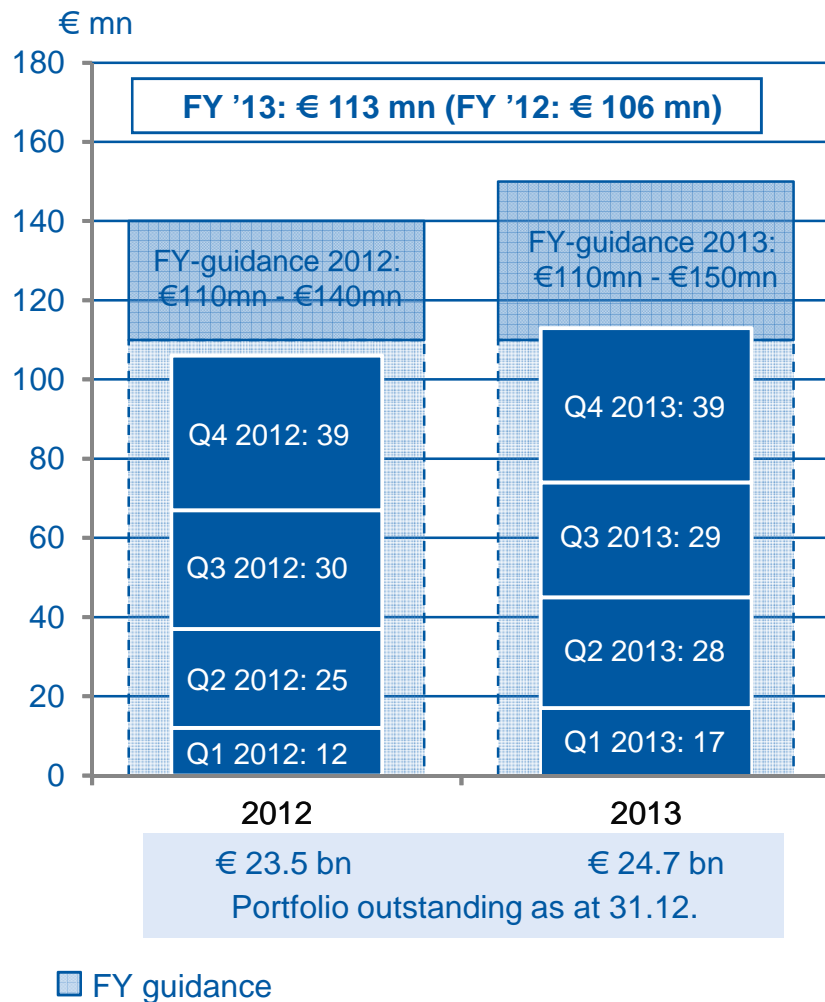


- Strong Q4 includes effects (~€ 10 mn) from higher than expected repayments
- Sound margins from the CRE business and lower funding costs pushing the NII development throughout the year, overcompensating the burden from the low interest rate environment
- Due to very limited investment opportunities a considerable part of liquidity stock is still parked with central banks
 - Ø Q4 2013: € 3.9 bn
 - Ø Q4 2012: € 4.1 bn
 - Ø 2013: € 4.3 bn
- NII Consulting / Services further burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements



Loan loss provisions

Full 2013-LLP at lower end of guided range

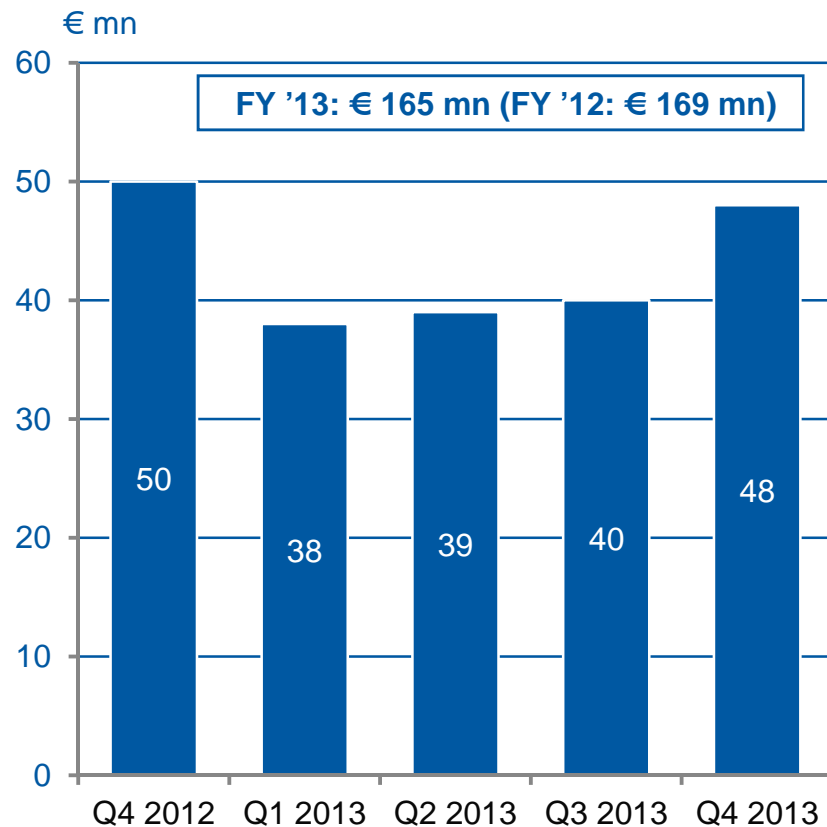


- Full year result of € 113 mn at the lower end of the guided range of € 110 mn to € 150 mn proves high portfolio quality
 - (€ 12 mn) general allowances allocated to specific loans “switched” to specific allowances (P/L neutral)
 - + € 124 mn new specific allowances
 - - € 11 mn general allowances (released)
- Close monitoring of the loan portfolio and successful restructuring efforts resulted in 47 bp risk costs on average loan book in 2013
- Originally wider FY-range due to expected portfolio growth and recessive economies: € 110 mn - € 150 mn



Net commission income

Within expectation

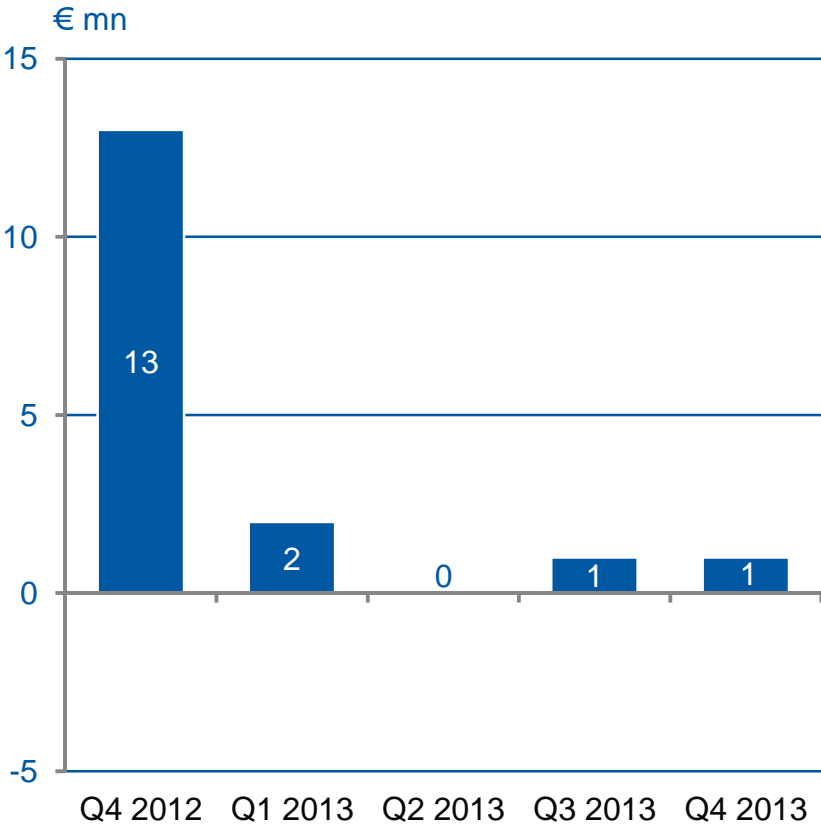


- Aareon on track
- Strong Aareon revenue regularly pushing Q4



Net result: trading/non trading/hedge accounting

2013 results reflect stabilising markets

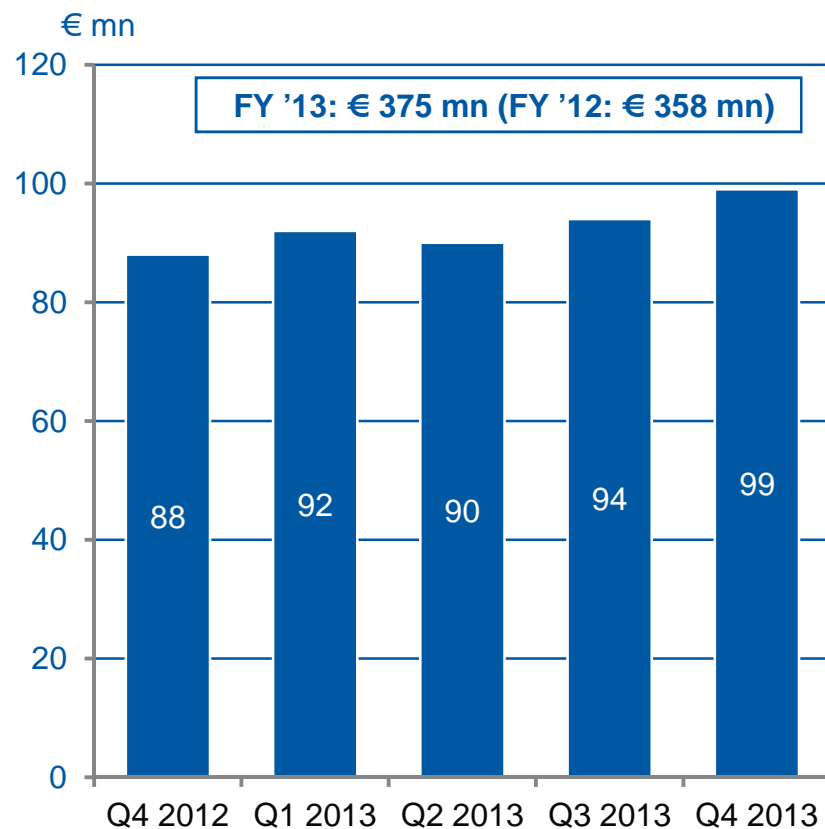


- Financial markets have stabilised in 2013, largely due to central-bank policies
- Decreasing market volatility reflected in net result from trading, non-trading and hedge accounting

Note: All 2013 figures preliminary and unaudited

Admin expenses

Slightly higher than expected



- Provisions for long-term incentive plan reflecting the share price development
- Projects burden admin expenses



Asset quality

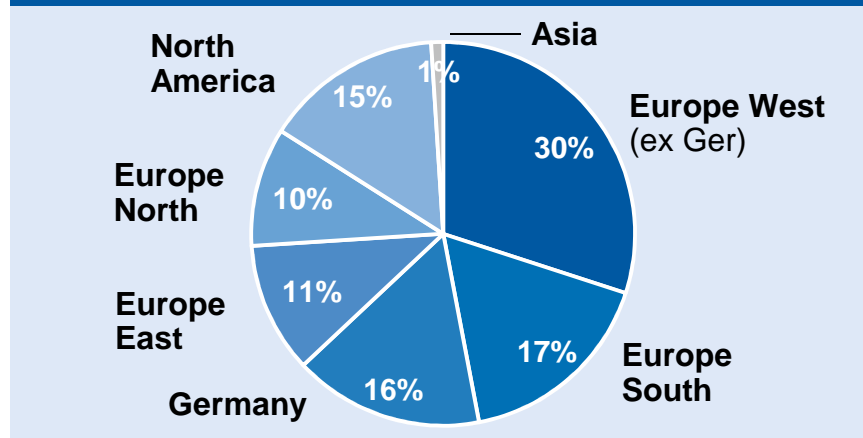


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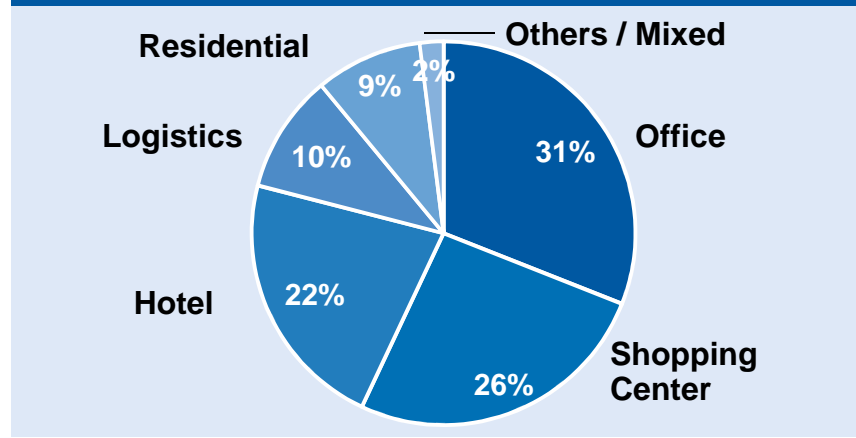
Total property finance portfolio

High diversification and sound asset quality

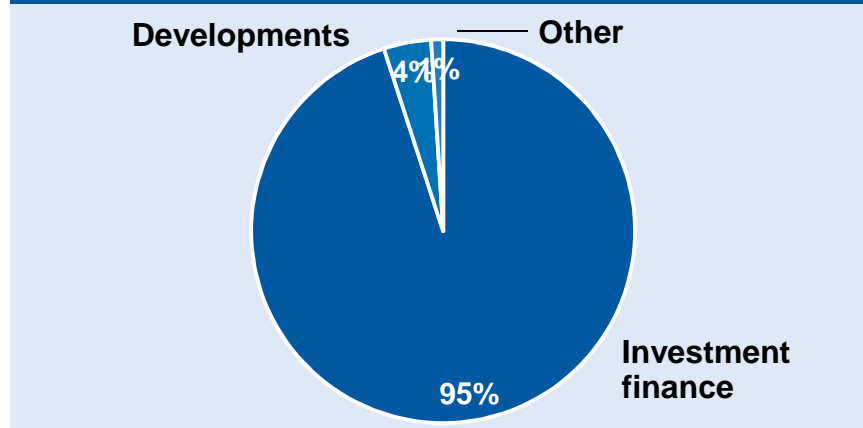
by region¹⁾



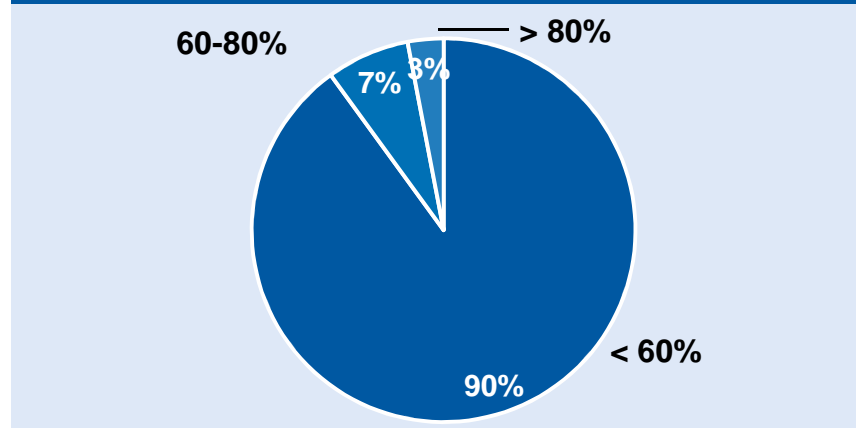
by property type¹⁾



by product type¹⁾



by LTV ranges²⁾



1) Total volume under management: € 24.7 bn as at 31.12.2013 (consisting of € 24.5 bn Structured Property Financing portfolio of Aareal Bank AG and € 0.2 bn property loans managed on behalf of Deutsche Pfandbriefbank AG)

2) Performing business only, exposure as at 31.12.2013
Note: All 2013 figures preliminary and unaudited



Total property finance portfolio

Continuing conservative approach

NPL- and LLP development			
	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances ²⁾
€ mn			
As at 31.12.2012	827	227	91
Utilisation 2013	-289	-62	-23
Addition 2013	343	136	-
As at 31.12.2013	881	301	68
Coverage ratio specific allowances	34.2%		
		301	68
As at 31.12.2013	881	369	
Coverage ratio incl. portfolio allowances	41.9%		

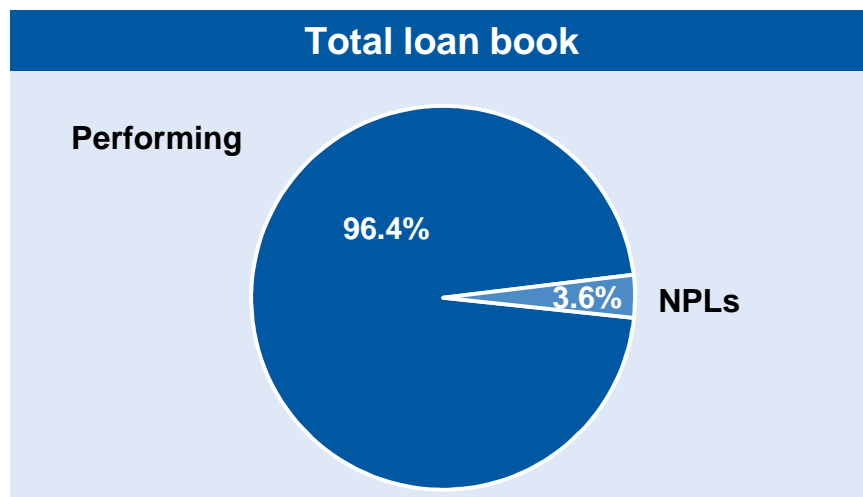
1) Incl. property finance portfolio still on DEPFA's balance sheet

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



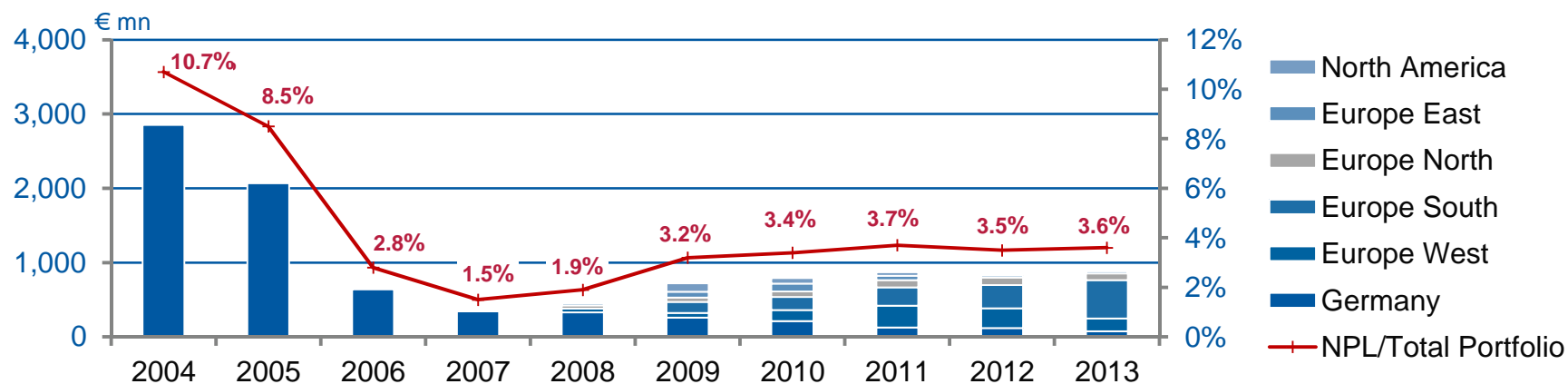
Total property finance portfolio

€ 24.7 bn of high quality real estate assets



	Nominal (in € mn)	Average LTV	NPL (in € mn)
Greece	-	-	-
Ireland	-	-	-
Italy	3,138	67.9%	423
Portugal	-	-	-
Spain	1,042	89.0%	92

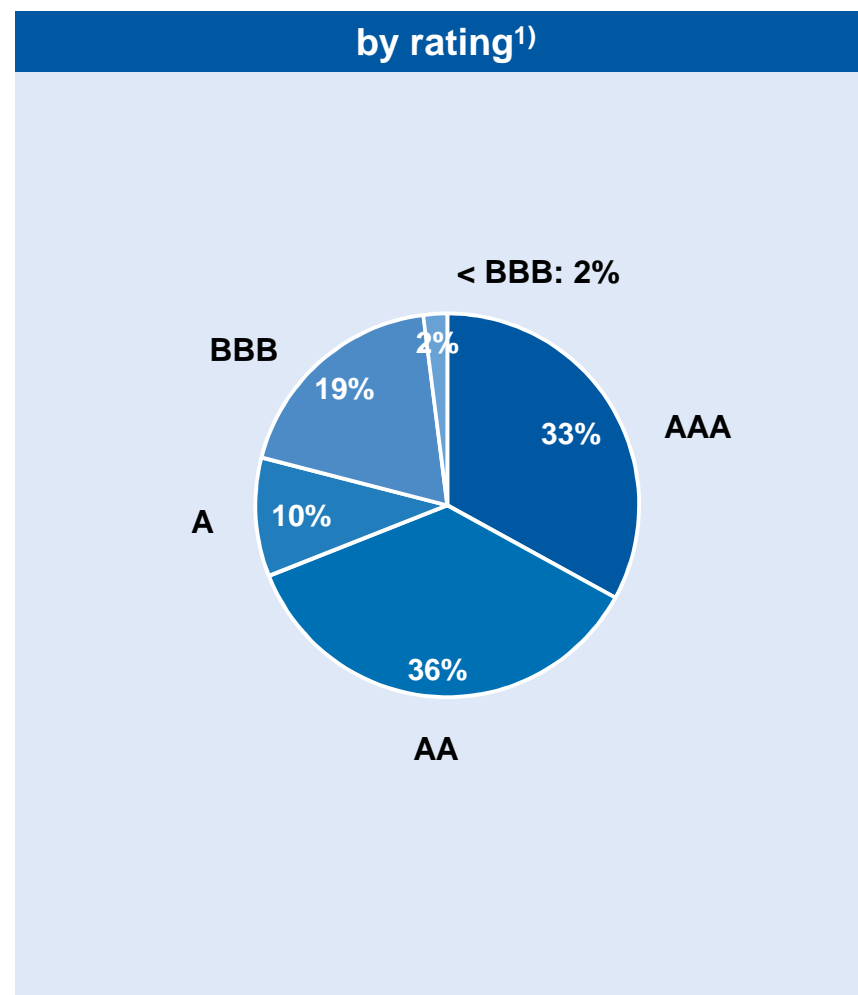
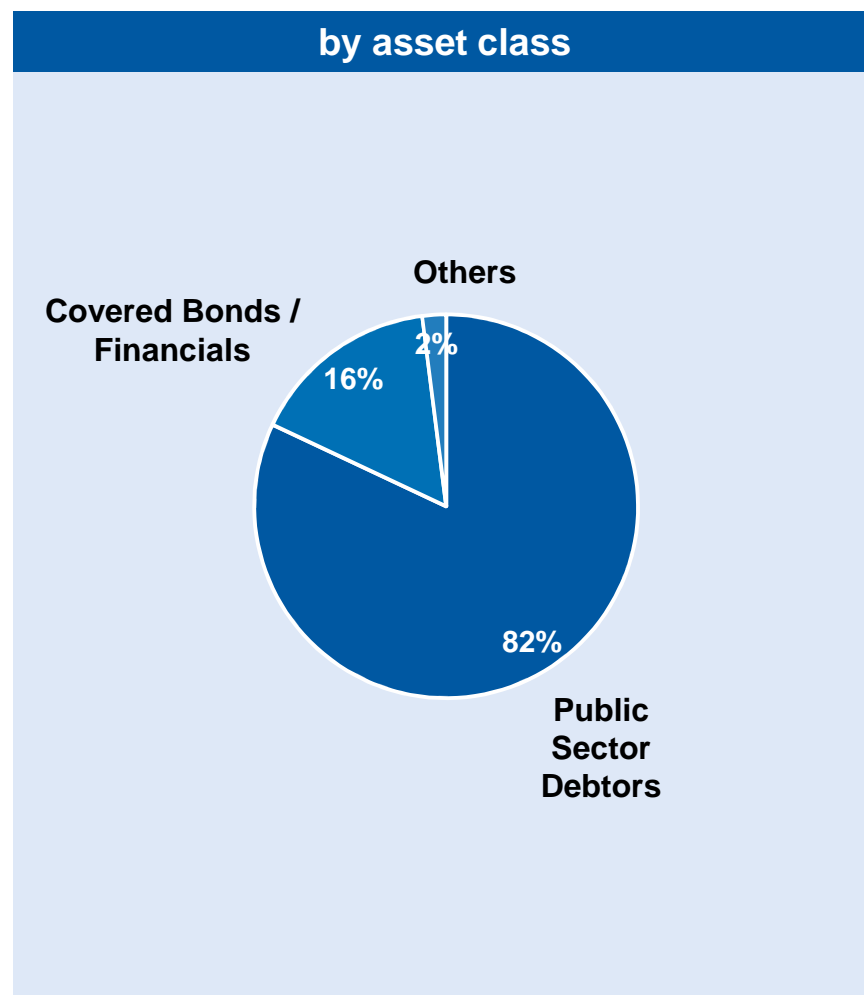
NPL and NPL-ratio (since 12.2004)



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Treasury portfolio

€ 10.8 bn of high quality and highly liquid assets

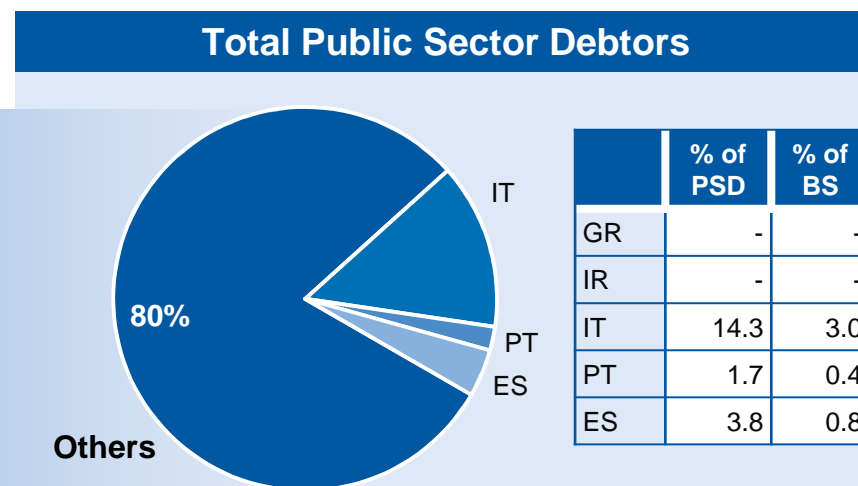
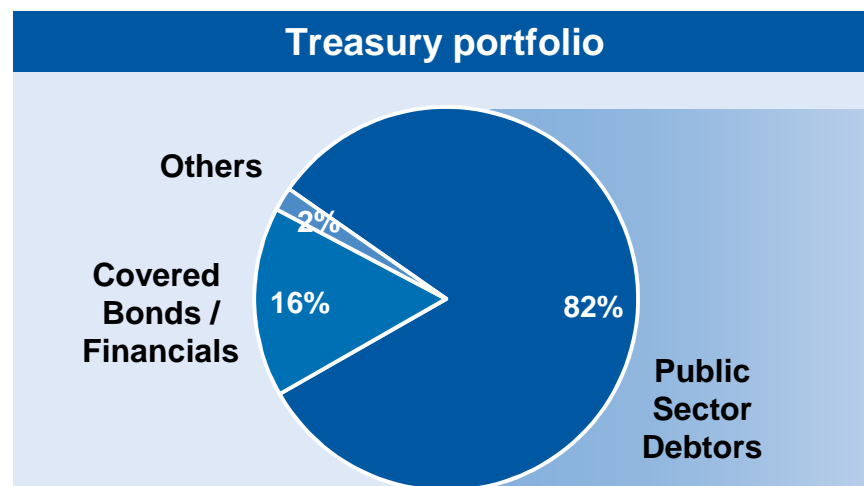


As at 31.12.2013 – all figures are nominal amounts
1) Composite Rating



Treasury portfolio

€ 8.9 bn Public Sector Debtors



Sovereign

	Nominal	Revaluation reserve ¹⁾	Hidden reserves / burdens ²⁾
€ mn			
Greece	-	-	-
Ireland	-	-	-
Italy	1,269	-60	-119
Portugal	100	-9	-
Spain	-	-	-

Sub-Sovereign¹⁾

	Nominal	Revaluation reserve ¹⁾	Hidden reserves / burdens ²⁾
€ mn			
Greece	-	-	-
Ireland	-	-	-
Italy	-	-	-
Portugal	55	0	-12
Spain	337	2	-52

1) Incl. exposure of € 50 mn which is additionally guaranteed by the Sovereign

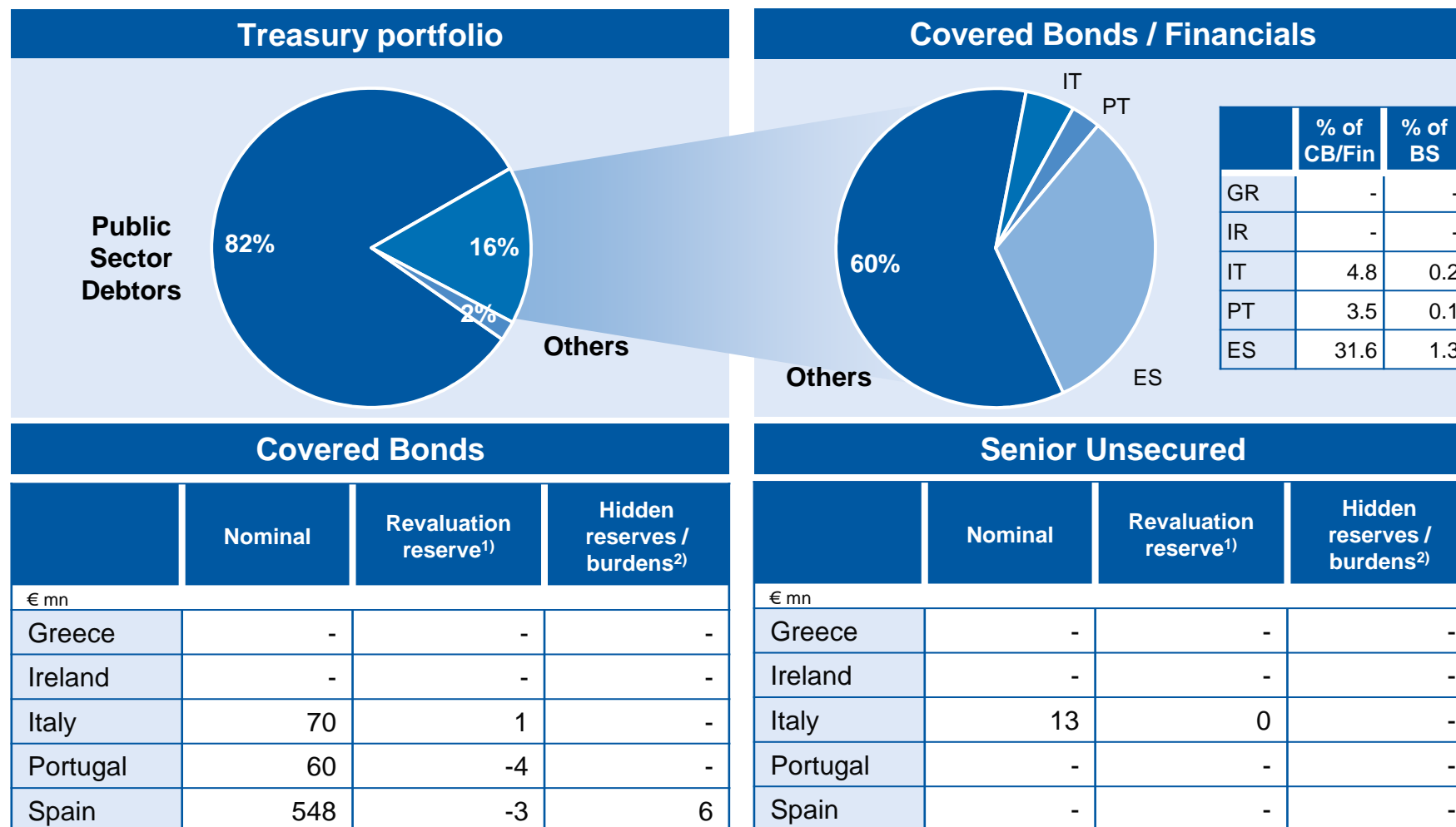
2) Incl. securities of the AfS- and the LaR-category after tax

3) Incl. securities of the LaR-category after tax



Treasury portfolio

€ 1.7 bn Covered Bonds / Financials



1) Incl. securities of the AfS- and the LaR-category after tax
2) Incl. securities of the HtM- and the LaR-category after tax



Acquisition of Coreal, Outlook 2014 & Midterm Outlook



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Strategic rationale for acquisition of Coreal

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 Corealcredit Bank AG, which has been successfully realigned and refocused on its core business by its previous owner, in a favourable market environment at a conservative price
- ➔ Corealcredit Bank AG 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 Corealcredit Bank AG, Aareal Bank Group further strengthens its position as a leading commercial real estate lender
- ➔ The acquisition of Corealcredit Bank AG from existing excess capital demonstrates the strength and strategic capacity of Aareal Bank Group



Acquisition of Coreal

Impact on capital ratios, EpS, and RoE



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⁾ 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
 - 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 assuming closing date 31.03.2014






Environment 2014

General environment, challenges still ahead

- Capital markets will continue to ease - backed by central bank measures in Europe and the US, but 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
- Generally, we expect a slight world economic recovery during 2014, but different speed of economical recovery in Europe, North American will recover faster, Asian economies will continue to grow but further development still uncertain
- Regulatory environment more predictable, AQR may cause some uncertainty

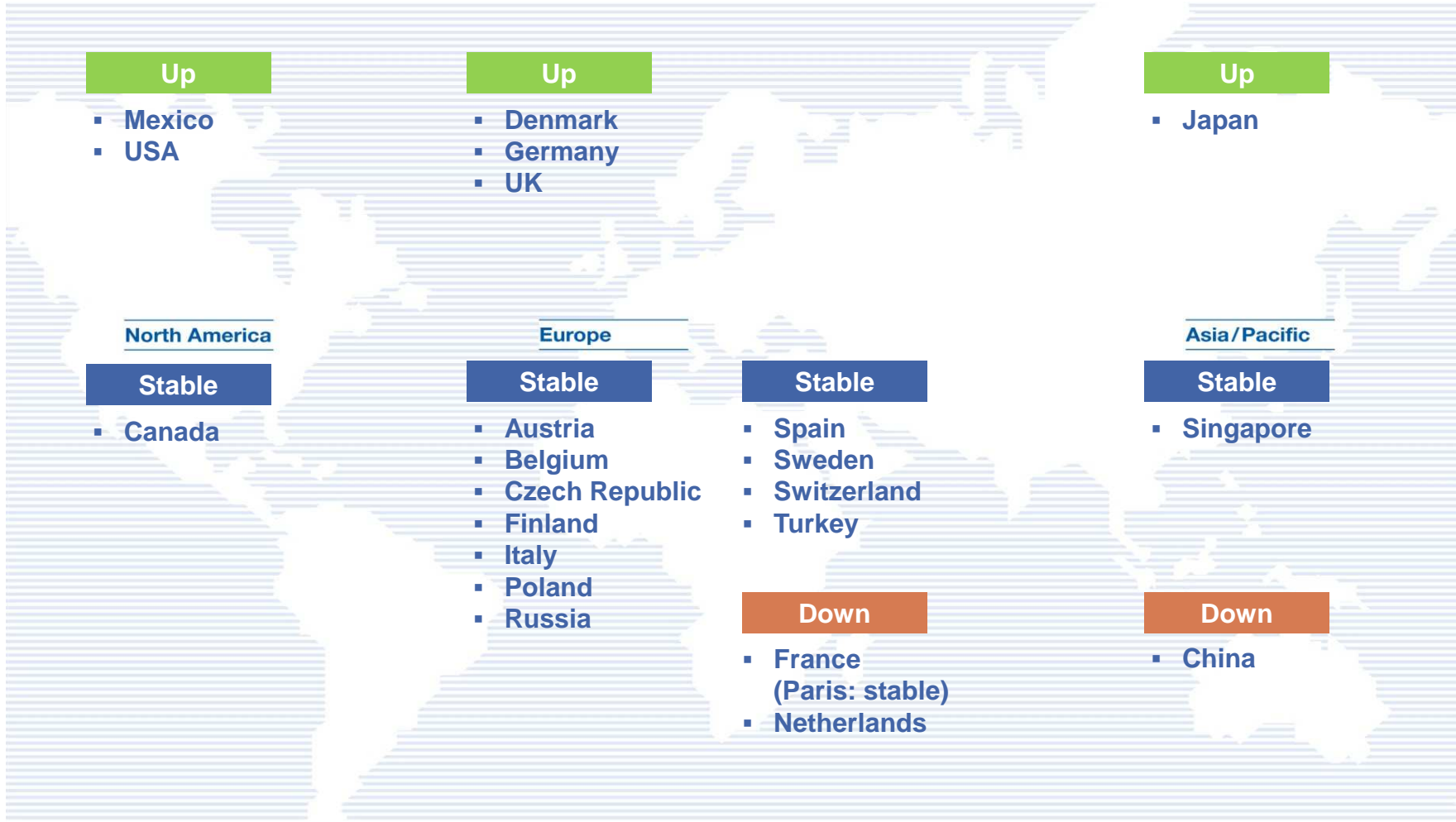
Main takeaways

-  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



Aareal Bank's CRE market expectations

Expected value changes¹⁾ in 2014²⁾



1) Here shown average market value changes across all property types and regions
 2) The individual market value of a single property may vary, change end 2013 to end 2014

Outlook 2014

Driven by operating performance and Coreal take-over¹⁾

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 Bank
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) Closing as at 31.03.2014 assumed and recognition of interest payments for AT1 in H2 2014

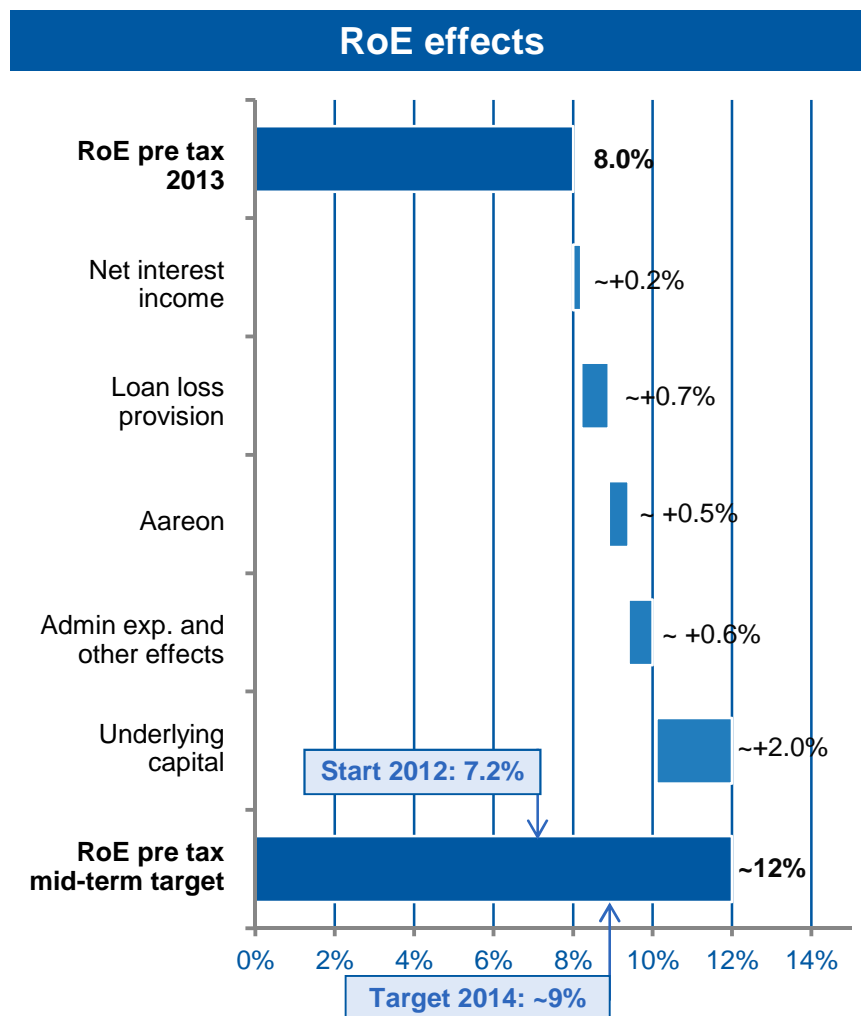
2) As in 2013, the bank cannot rule out additional allowances for credit losses

3) Incl. negative goodwill



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

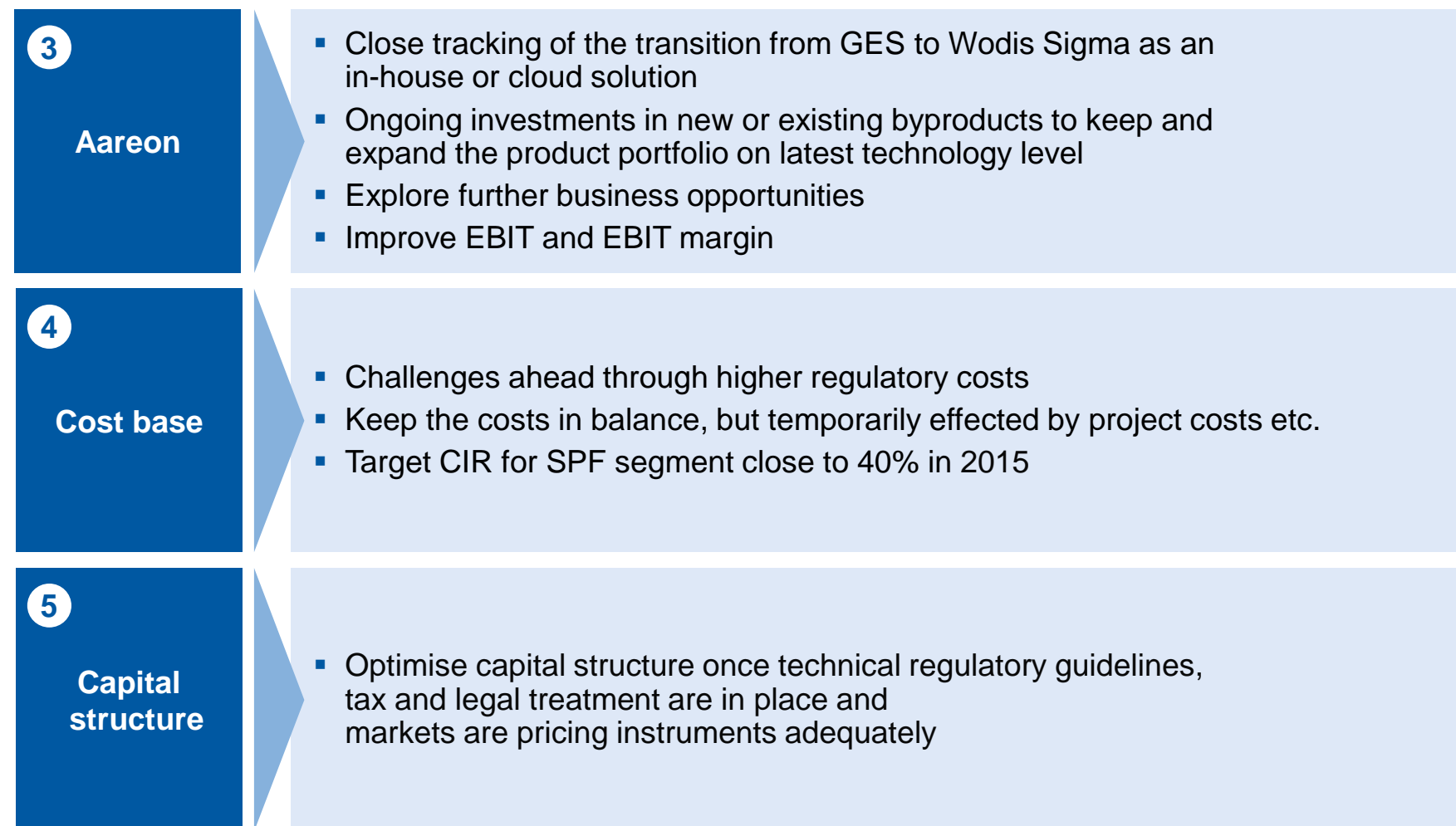
CRE new business

- 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)



Outlook 2014 & Midterm Outlook

Summary and Prerequisites

	2014	2015 / 2016
Tier 1 ratio IFRS & CRD IV fully loaded	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
- No additional burdens
- Interest rate environment starts to reflect the recovery with moderate increase



Appendix



**Aareal Bank
Group**

Aareal Bank Group

Key figures 2013

	01.01.- 31.12.2013	01.01.- 31.12.2012	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	527	486	8%
Allowance for credit losses	113	106	7%
Net interest income after allowance for credit losses	414	380	9%
Net commission income	165	169	-2%
Net result on hedge accounting	-6	-4	-
Net trading income / expenses	18	-10	-
Results from non-trading assets	-8	1	-
Results from companies accounted for at equity	0	0	-
Results from investment properties	-	5	-
Administrative expenses	375	358	5%
Net other operating income / expenses	-10	-7	-
Impairment of goodwill	-	-	-
Operating Profit	198	176	13%
Income taxes	62	52	19%
Net income / loss	136	124	10%
Allocation of results			
Net income / loss attributable to non-controlling interests	19	19	-
Net income / loss attributable to shareholders of Aareal Bank AG	117	105	11%
Appropriation of profits			
Silent partnership contribution by SoFFin	24	20	20%
Consolidated retained profit / accumulated loss	93	85	9%



Aareal Bank Group

Key figures 2013 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.12. 2013	01.01.- 31.12. 2012	01.01.- 31.12. 2013	01.01.- 31.12. 2012	01.01.- 31.12. 2013	01.01.- 31.12. 2012	01.01.- 31.12. 2013	01.01.- 31.12. 2012
€ mn								
Net interest income	519	463	0	0	8	23	527	486
Allowance for credit losses	113	106					113	106
Net interest income after allowance for credit losses	406	357	0	0	8	23	414	380
Net commission income	10	21	165	173	-10	-25	165	169
Net result on hedge accounting	-6	-4					-6	-4
Net trading income / expenses	18	-10					18	-10
Results from non-trading assets	-8	1					-8	1
Results from companies accounted for at equity		0	0				0	0
Results from investment properties		5						5
Administrative expenses	201	191	177	169	-3	-2	375	358
Net other operating income / expenses	-10	-9	1	2	-1	0	-10	-7
Impairment of goodwill								
Operating profit	209	170	-11	6	0	0	198	176
Income taxes	65	51	-3	1			62	52
Net income / loss	144	119	-8	5	0	0	136	124
Allocation of results								
Net income / loss attributable to non-controlling interests	161	17	3	2			19	19
Net income / loss attributable to shareholders of Aareal Bank AG	128	102	-11	3	0	0	117	105



Aareal Bank Group

Key figures Q4 2013

	Quarter 4 2013	Quarter 4 2012	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	147	116	27%
Allowance for credit losses	39	39	0%
Net interest income after allowance for credit losses	108	77	40%
Net commission income	48	50	-4%
Net result on hedge accounting	-3	3	-
Net trading income / expenses	4	7	-
Results from non-trading assets	0	3	-
Results from companies accounted for at equity	0	0	-
Results from investment properties	0	0	-
Administrative expenses	99	88	13%
Net other operating income / expenses	-	-6	-
Impairment of goodwill	0	-	-
Operating Profit	58	46	26%
Income taxes	18	19	-5%
Net income / loss	40	27	48%
Allocation of results			
Net income / loss attributable to non-controlling interests	4	4	0%
Net income / loss attributable to shareholders of Aareal Bank AG	36	23	57%
Appropriation of profits			
Silent partnership contribution by SoFFin	9	5	80%
Consolidated retained profit / accumulated loss	27	18	50%



**Aareal Bank
Group**

Aareal Bank Group

Key figures Q4 2013 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.10.- 31.12. 2013	01.10.- 31.12. 2012	01.10.- 31.12. 2013	01.10.- 31.12. 2012	01.10.- 31.12. 2013	01.10.- 31.12. 2012	01.10.- 31.12. 2013	01.10.- 31.12. 2012
€ mn								
Net interest income	146	113	0	0	1	3	147	116
Allowance for credit losses	39	39					39	39
Net interest income after allowance for credit losses	107	74	0	0	1	3	108	77
Net commission income	3	5	47	49	-2	-4	48	50
Net result on hedge accounting	-3	3					-3	3
Net trading income / expenses	4	7					4	7
Results from non-trading assets	0	3					0	3
Results from companies accounted for at equity		0	0				0	0
Results from investment properties	0	0					0	0
Administrative expenses	54	44	47	45	-2	-1	99	88
Net other operating income / expenses	-1	-4	2	-2	-1	0	0	-6
Impairment of goodwill	0						0	
Operating profit	56	44	2	2	0	0	58	46
Income taxes	18	19	0	0			18	19
Net income / loss	38	25	2	2	0	0	40	27
Allocation of results								
Net income / loss attributable to non-controlling interests	3	4	0	0			4	4
Net income / loss attributable to shareholders of Aareal Bank AG	35	21	2	2	0	0	36	23



Aareal Bank Group

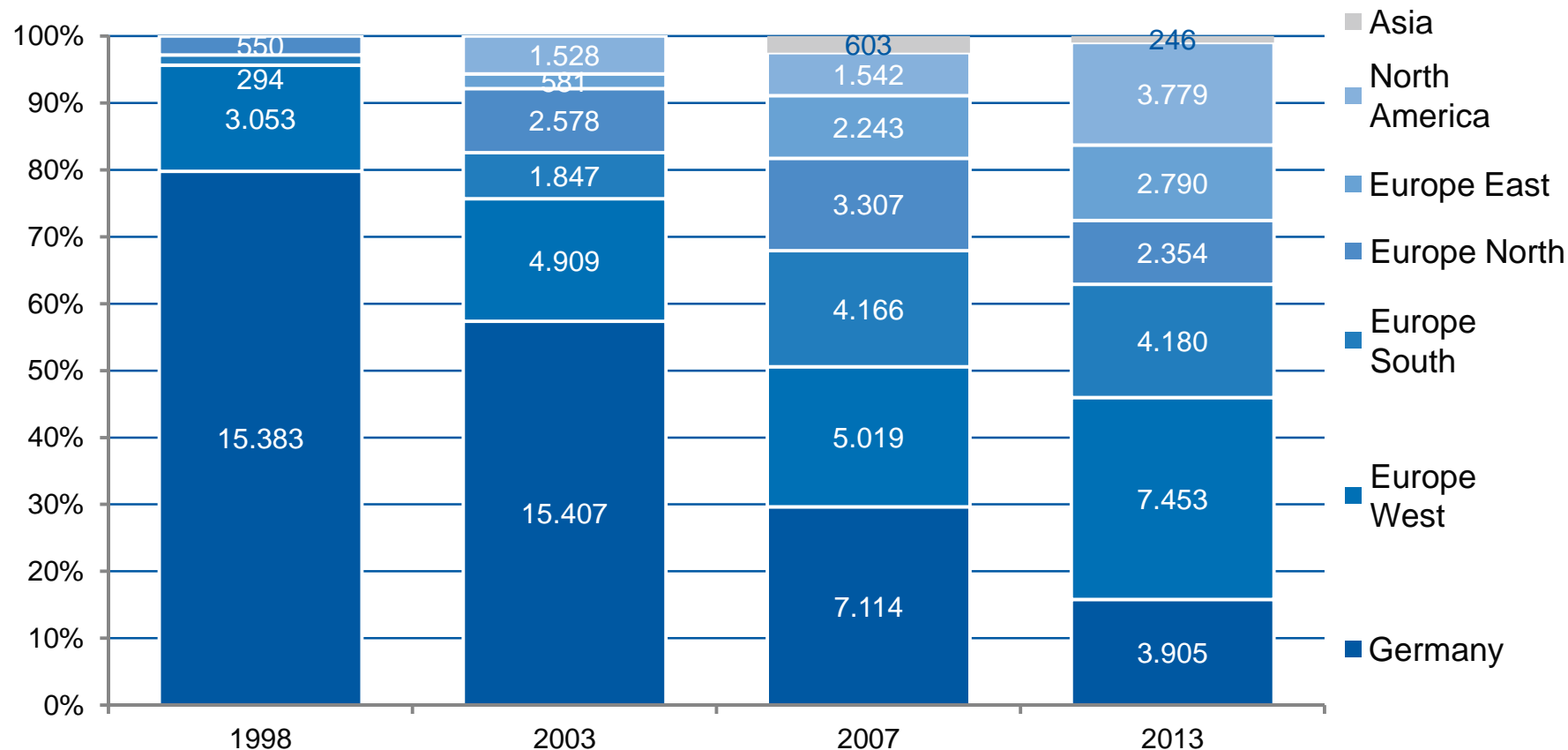
Key figures – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Euro mn																				
Net interest income	146	131	124	118	113	0	0	0	0	0	1	2	2	3	3	147	133	126	121	116
Allowance for credit losses	39	29	28	17	39											39	29	28	17	39
Net interest income after allowance for credit losses	107	102	96	101	74	0	0	0	0	0	1	2	2	3	3	108	104	98	104	77
Net commission income	3	2	3	2	5	47	40	39	39	49	-2	-2	-3	-3	-4	48	40	39	38	50
Net result on hedge accounting	-3	0	0	-3	3											-3	0	0	-3	3
Net trading income / expenses	4	3	5	6	7											4	3	5	6	7
Results from non-trading assets	0	-2	-5	-1	3											0	-2	-5	-1	3
Results from companies accounted for at equity					0	0										0				0
Results from investment properties	0	0	0	0	0											0	0	0	0	0
Administrative expenses	54	50	47	50	44	47	44	44	42	45	-2	0	-1	0	-1	99	94	90	92	88
Net other operating income / expenses	-1	-3	-2	-4	-4	2	0	0	-1	-2	-1	0	0	0	0	0	-3	-2	-5	-6
Impairment of goodwill	0	0	0	0												0	0	0	0	
Operating profit	56	52	50	51	44	2	-4	-5	-4	2	0	0	0	0	0	58	48	45	47	46
Income taxes	18	16	15	16	19	0	-1	-1	-1	0						18	15	14	15	19
Net income / loss	38	36	35	35	25	2	-3	-4	-3	2	0	0	0	0	0	40	33	31	32	27
Allocation of results																				
Net income / loss attributable to non-controlling interests	3	4	5	4	4	1	1	0	1	0						4	5	5	5	4
Net income / loss attributable to shareholders of Aareal Bank AG	35	32	30	31	21	1	-4	-4	-4	2	0	0	0	0	0	36	28	26	27	23



Development property finance portfolio

Diversification continuously strengthened (in € mn)

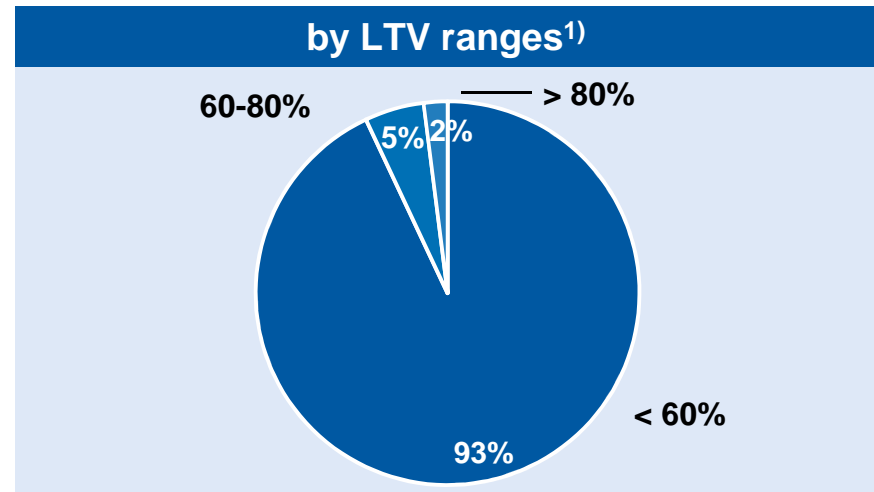
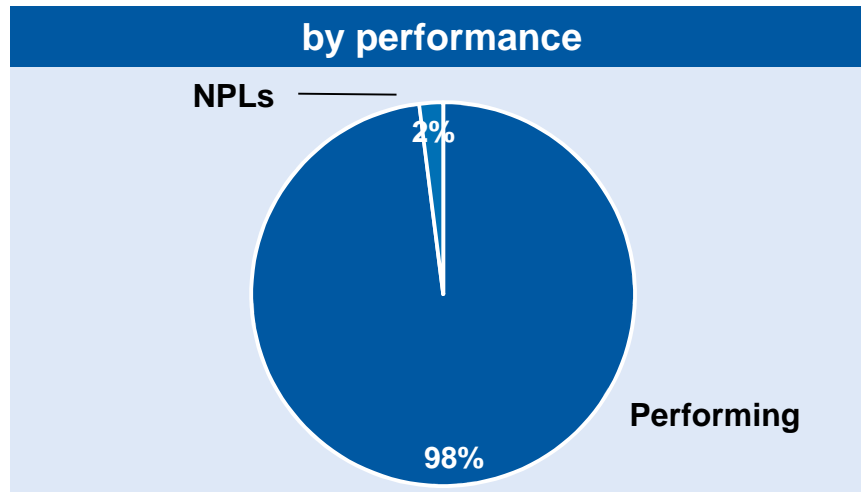
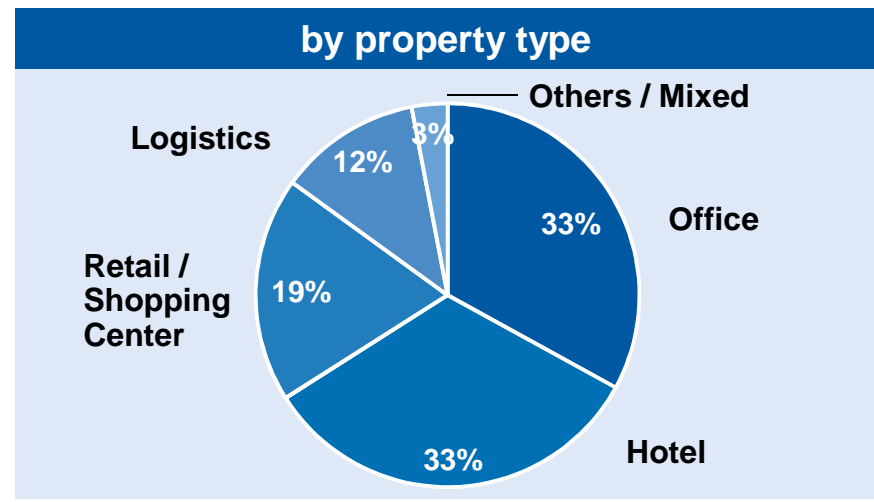
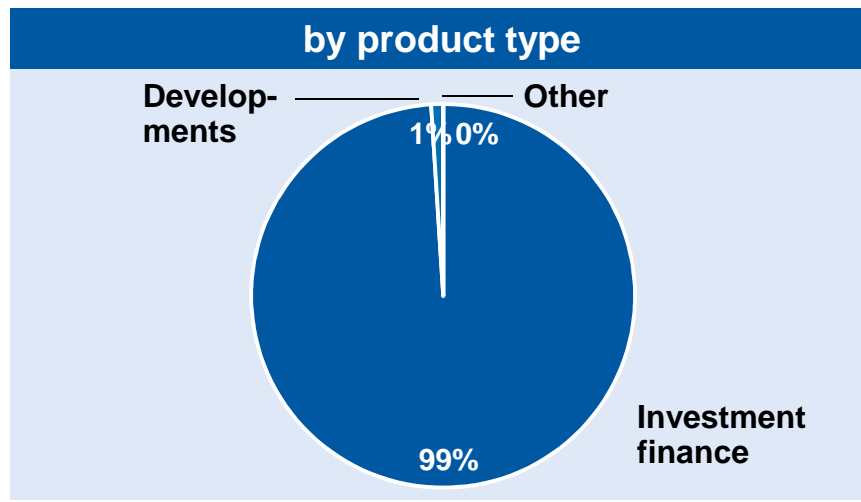


Property finance under management



Western Europe (ex Germany) credit portfolio

Total volume outstanding as at 31.12.2013: € 7.5 bn



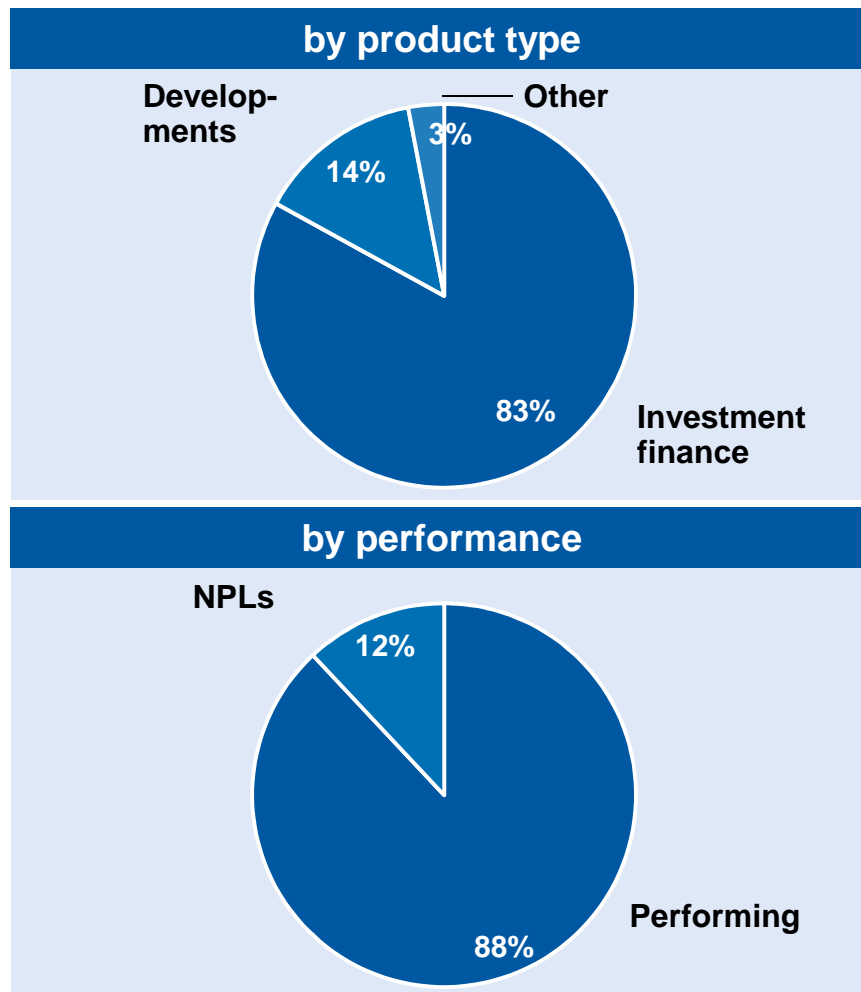
1) Performing business only, exposure as at 31.12.2013



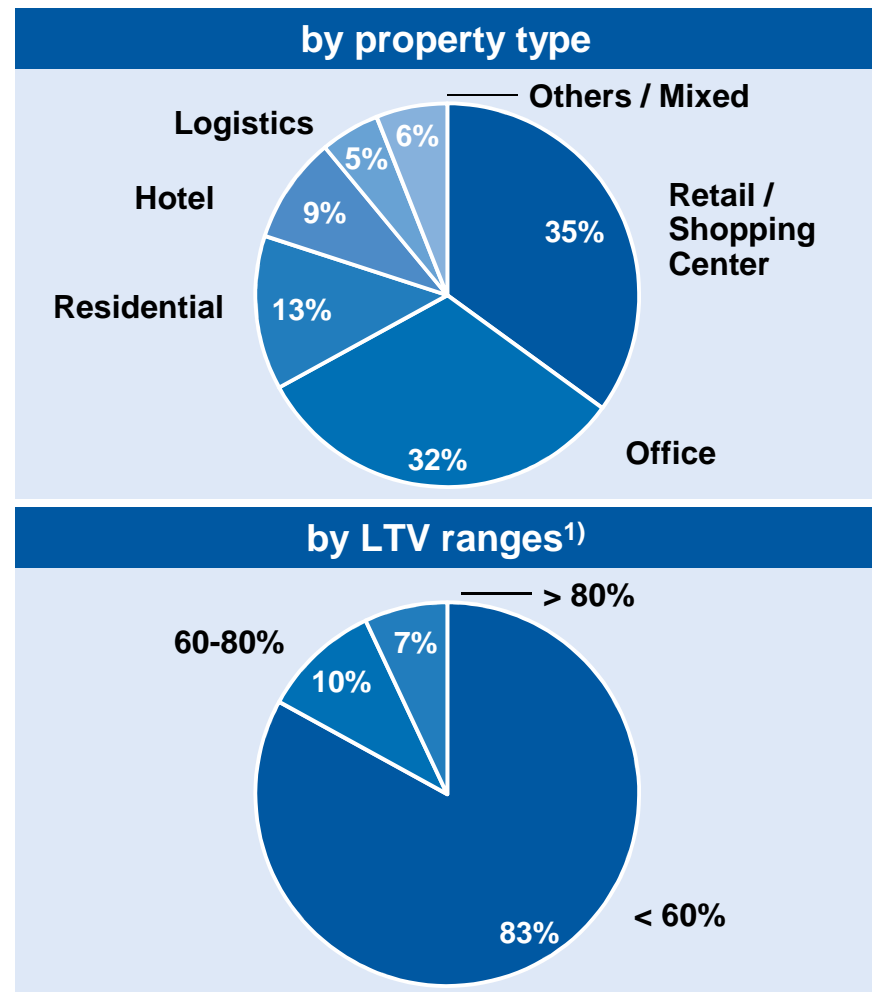
Aareal Bank Group

Southern Europe credit portfolio

Total volume outstanding as at 31.12.2013: € 4.2 bn



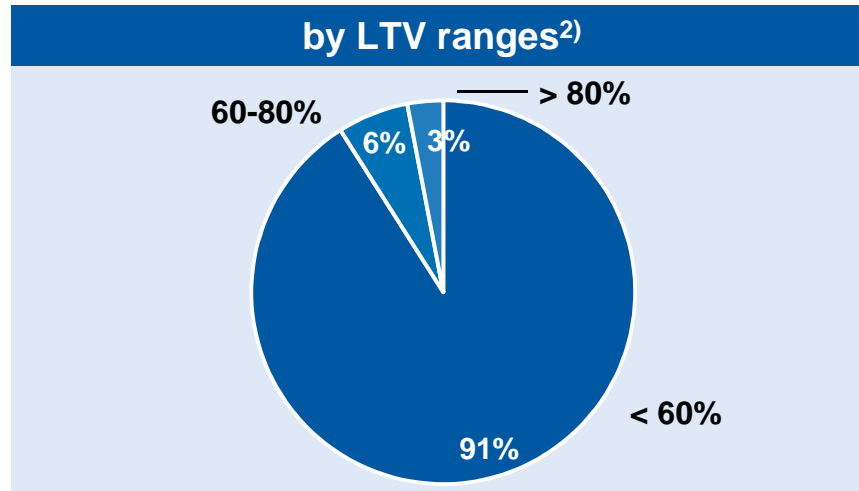
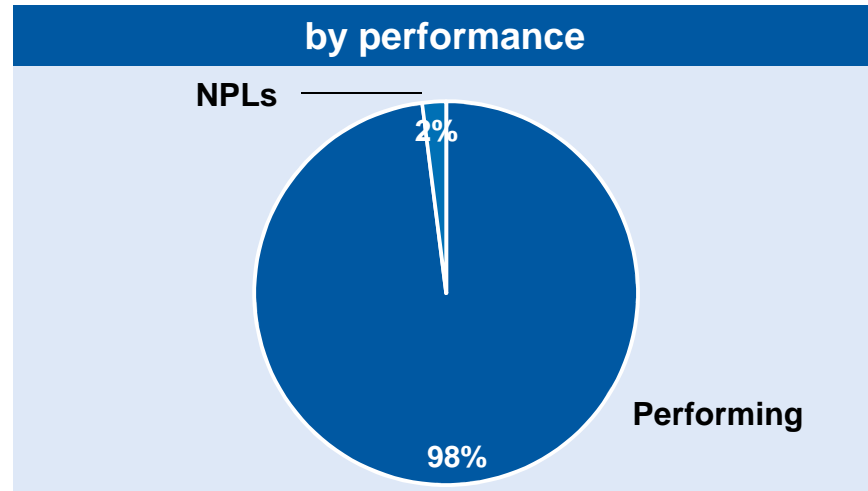
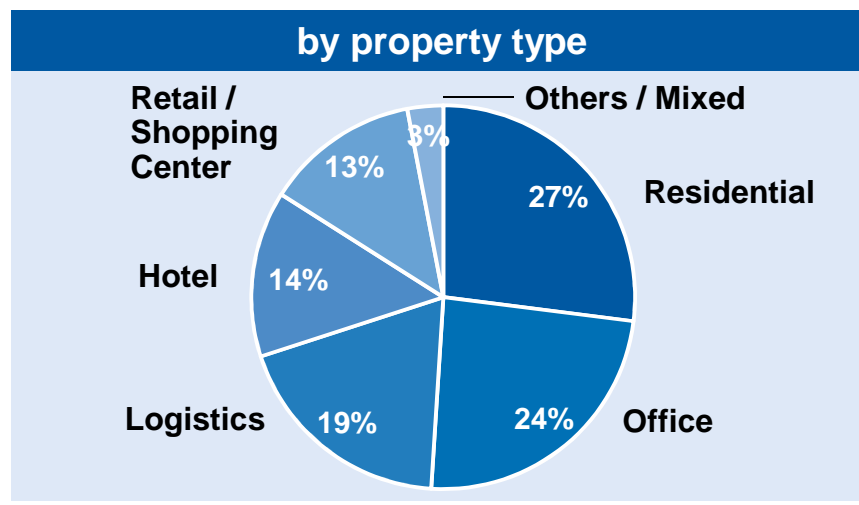
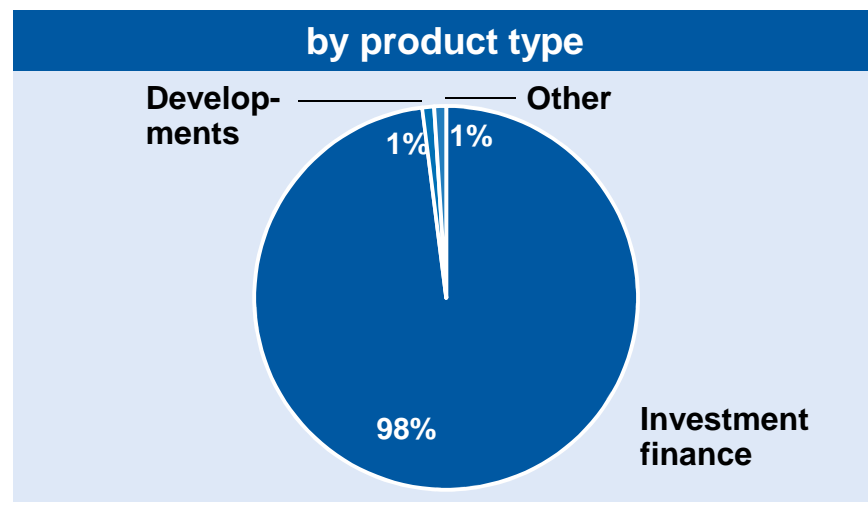
1) Performing business only, exposure as at 31.12.2013



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German Europe credit portfolio

Total volume outstanding as at 31.12.2013: € 3.9 bn¹⁾

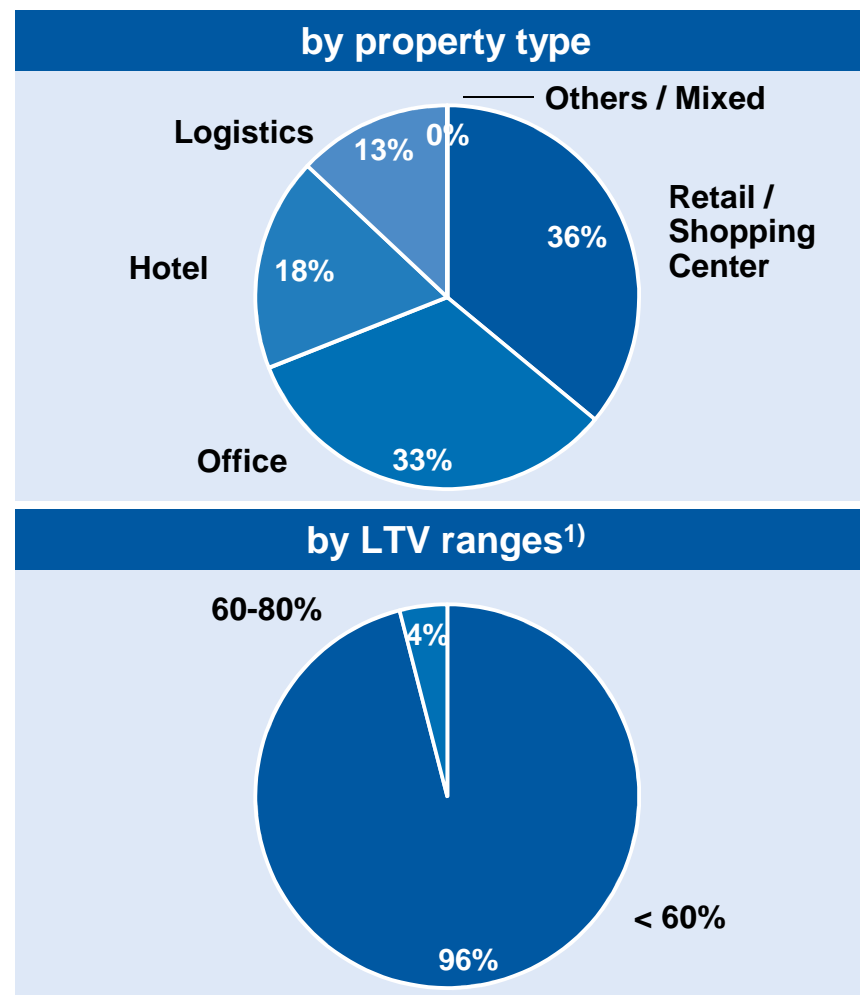
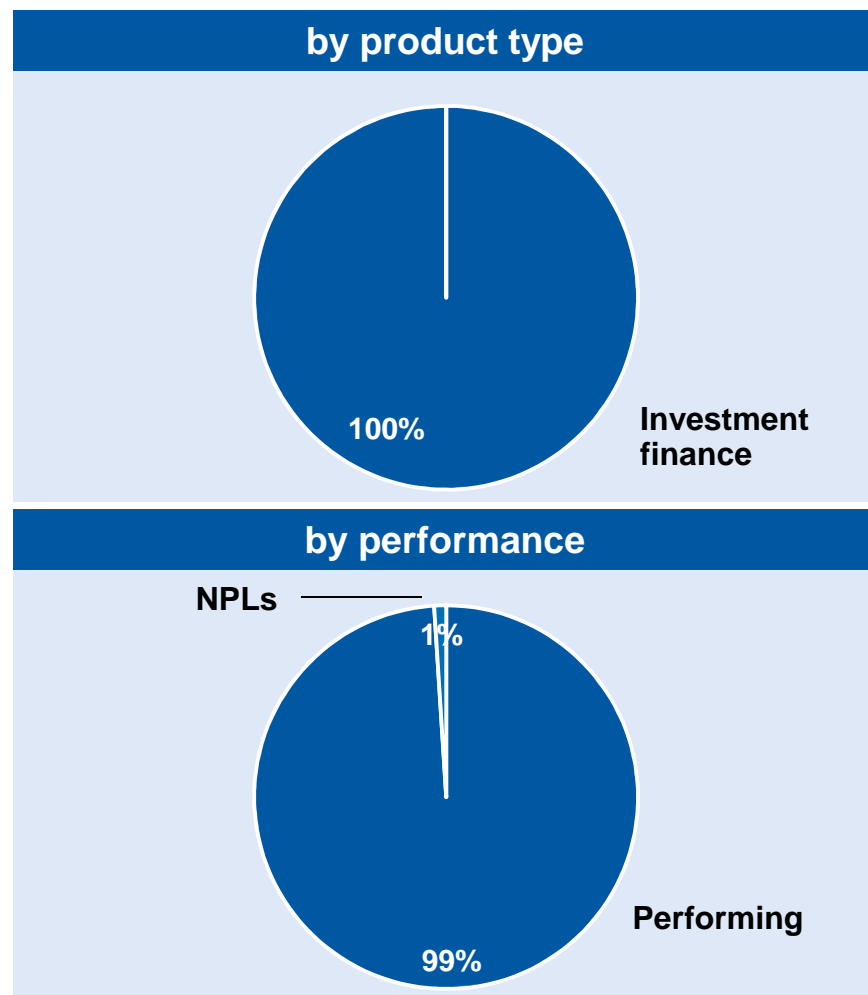


1) Including € 0.2 bn property loans managed on behalf of Deutsche Pfandbriefbank AG
 2) Performing business only, exposure as at 31.12.2013



Eastern Europe credit portfolio

Total volume outstanding as at 31.12.2013: € 2.8 bn



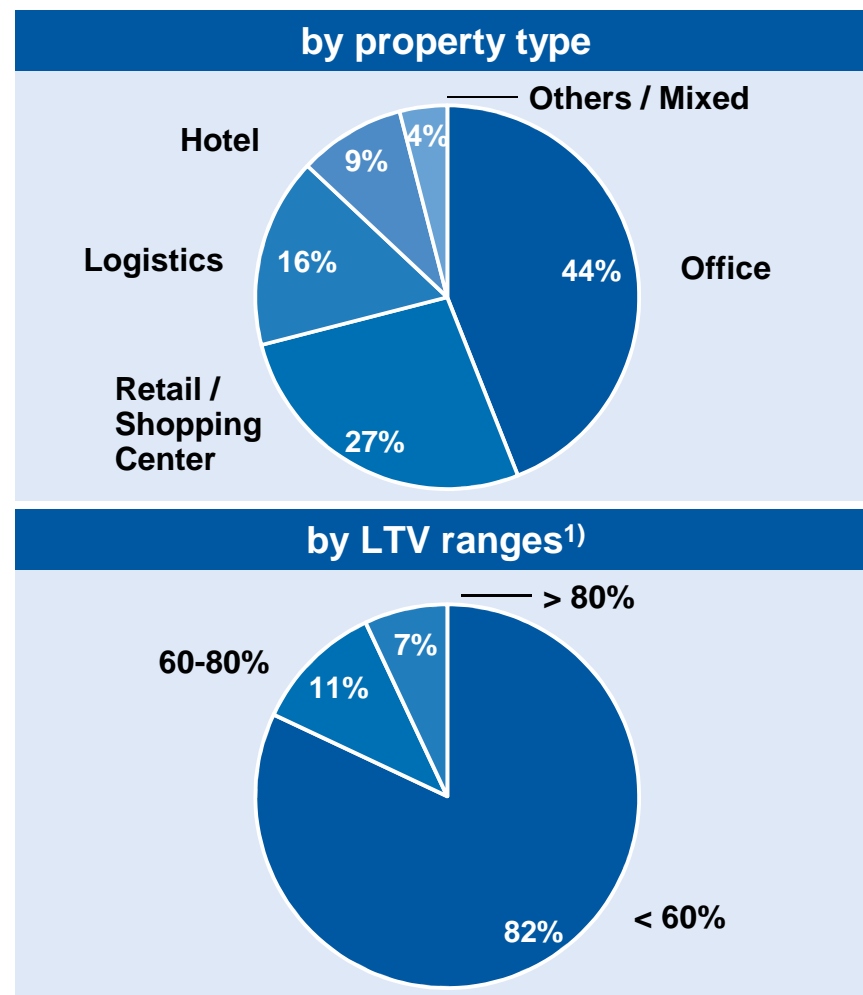
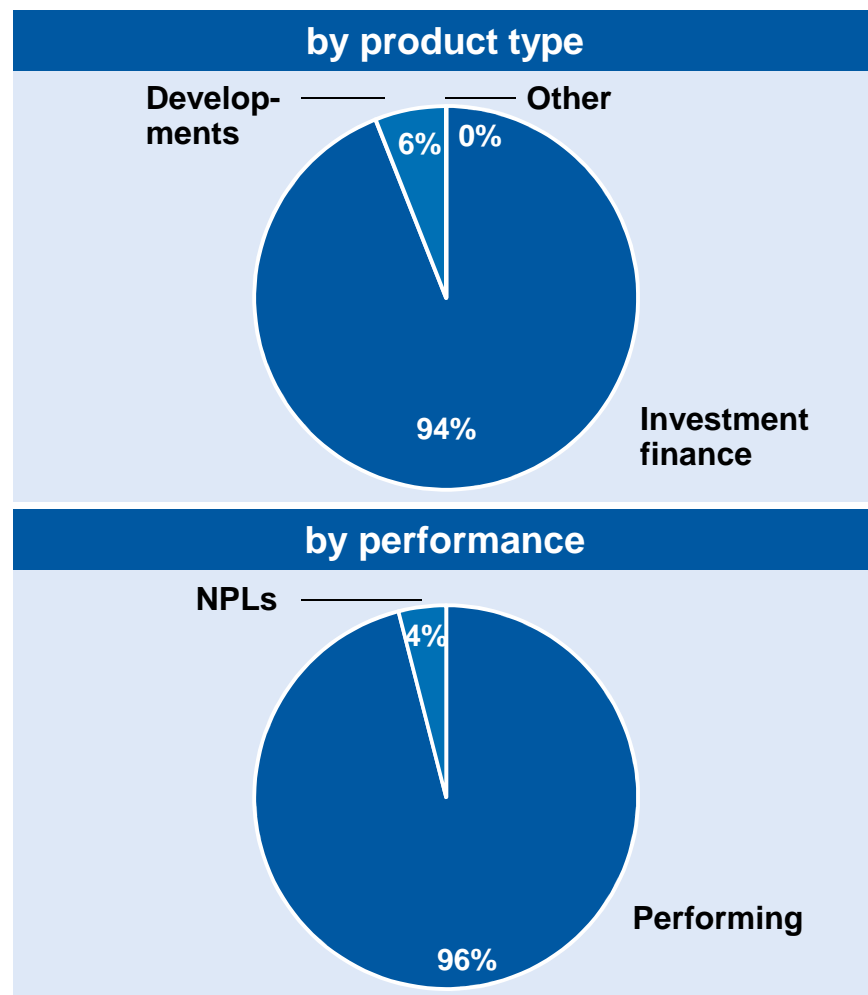
1) Performing business only, exposure as at 31.12.2013



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Northern Europe credit portfolio

Total volume outstanding as at 31.12.2013: € 2.4 bn

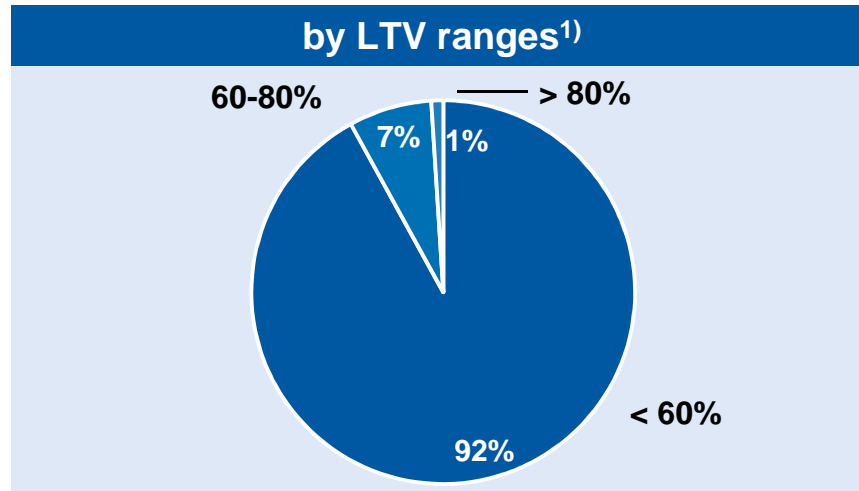
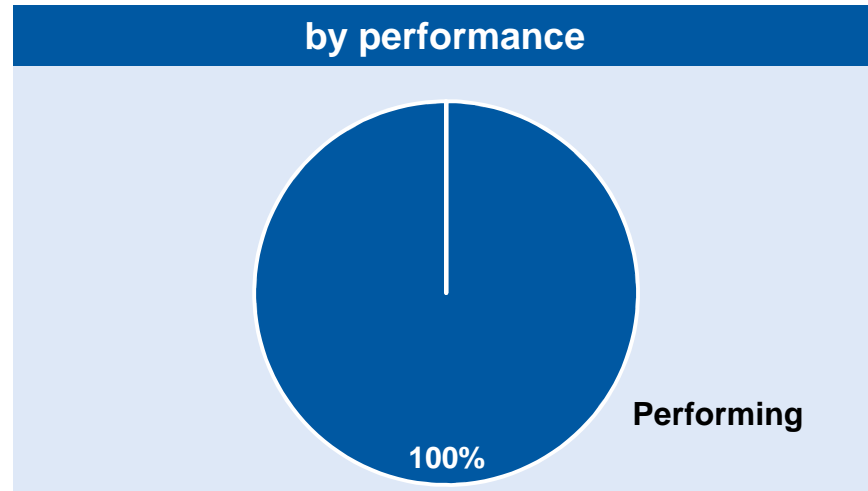
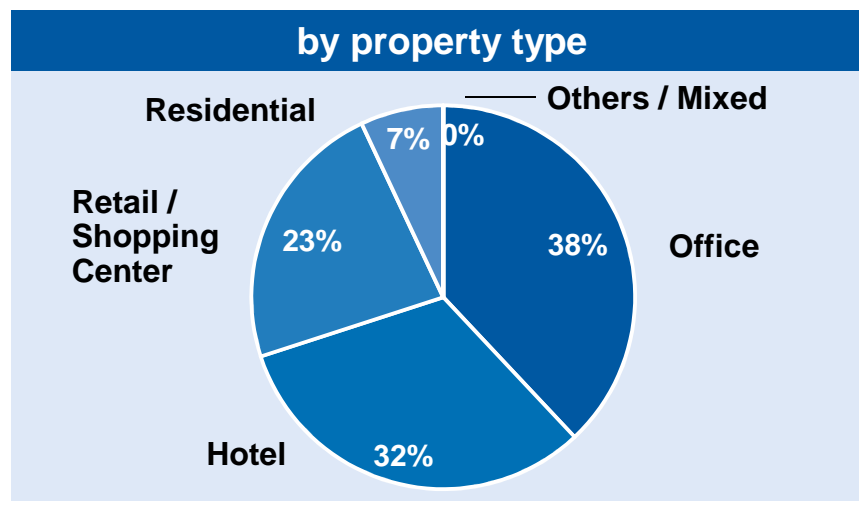
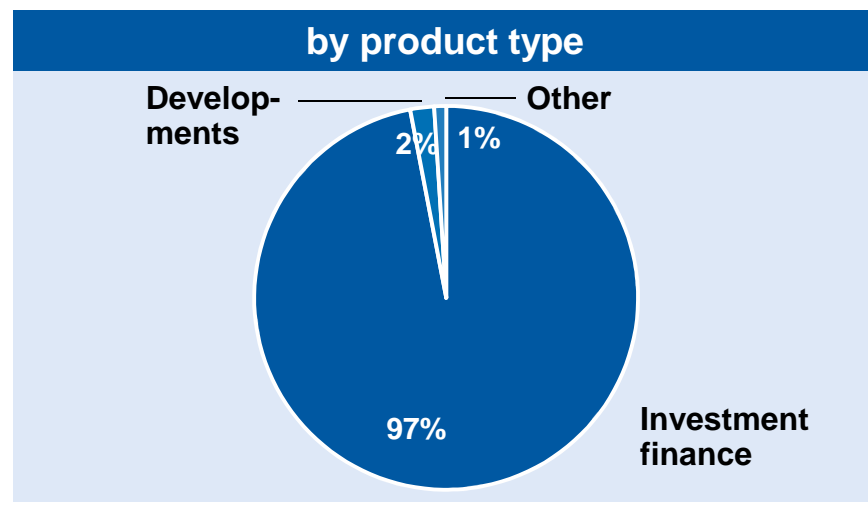


1) Performing business only, exposure as at 31.12.2013



North America credit portfolio

Total volume outstanding as at 31.12.2013: € 3.8 bn



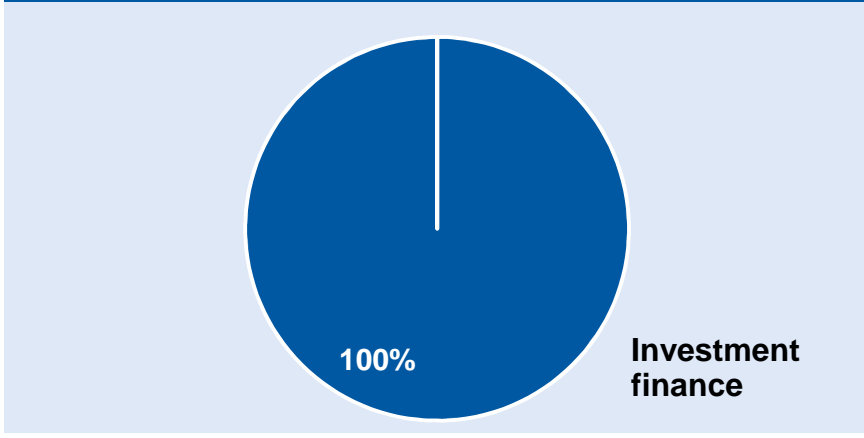
1) Performing business only, exposure as at 31.12.2013



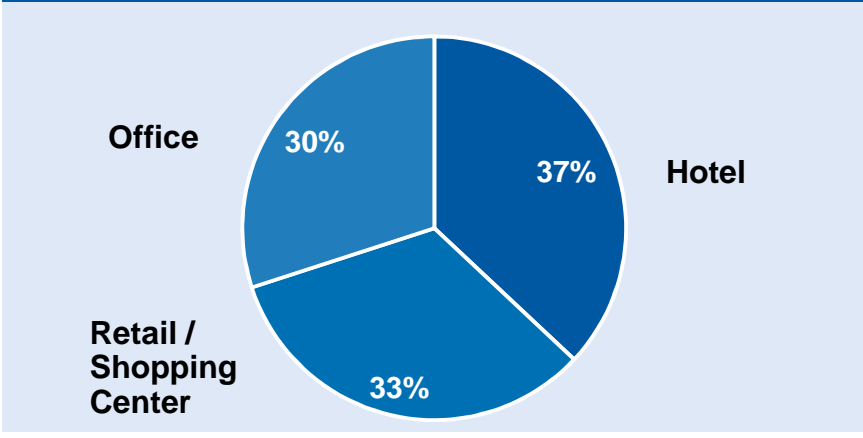
Asia credit portfolio

Total volume outstanding as at 31.12.2013: € 0.2 bn

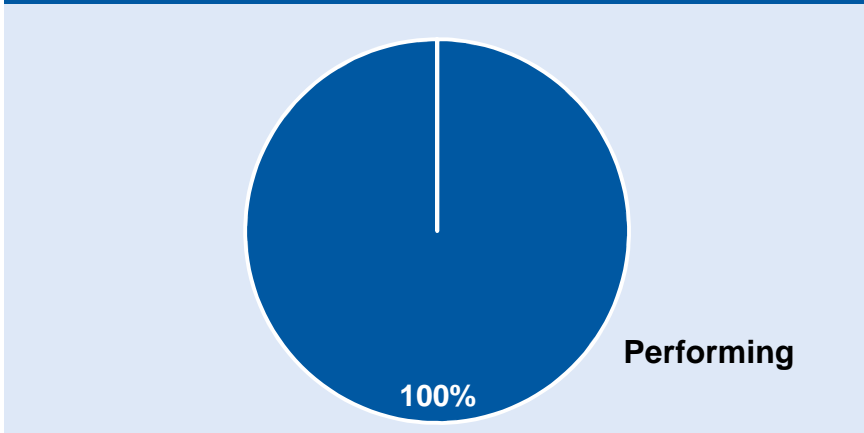
by product type



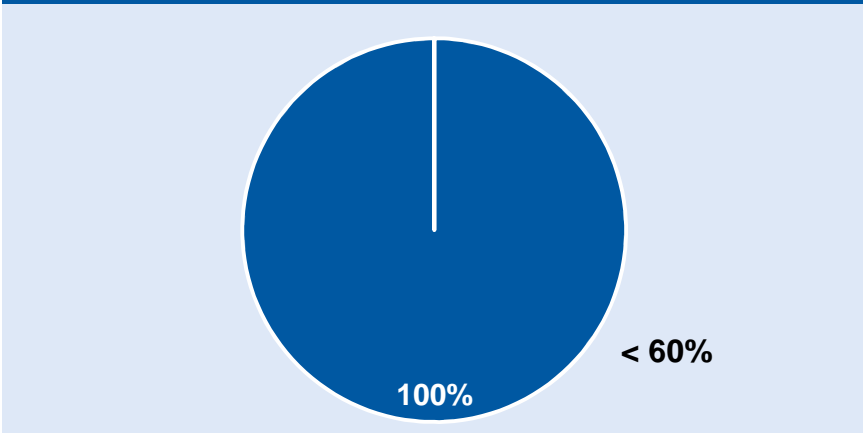
by property type



by performance



by LTV ranges¹⁾



1) Performing business only, exposure as at 31.12.2013

Forbearance Reporting Background

Status quo

- EBA consultation paper on supervisory reporting on forbearance and non-performing exposures
 - Final draft paper published 22.10.2013
 - Implementation deadline: 30.09.2014
- ECB already requests declaration of forborne assets according to EBA final draft in the AQR
- EBA draft definition of forbearance:
„forborne exposures are debt contracts in respect of which forbearance measures have been executed. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments (“financial difficulties”)”
 - Forborne assets are therefore naturally to be found in the badly rated part of the portfolio

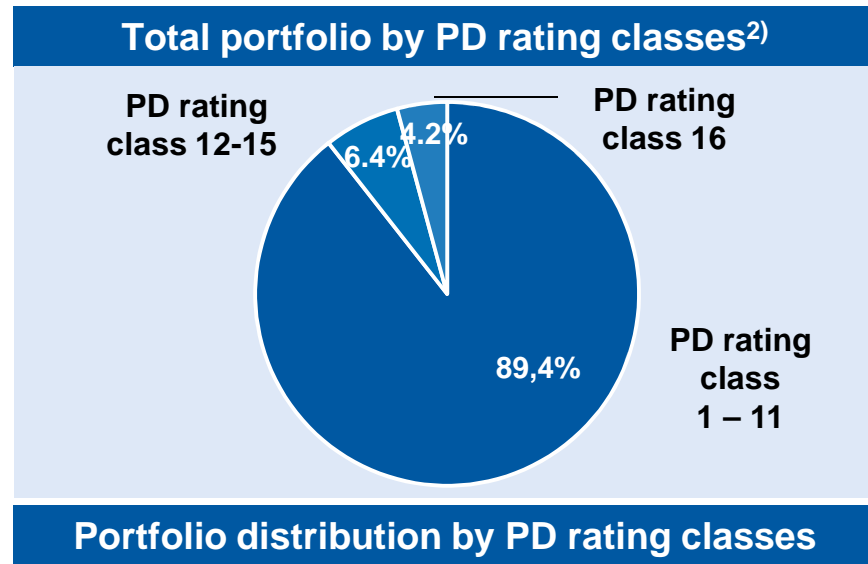
Outlook

- We plan to publish forborne asset volumes in the 2013 annual report and going forward

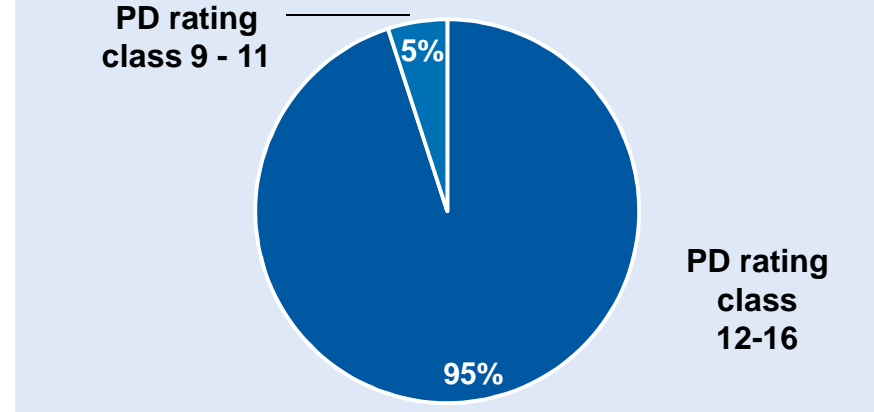
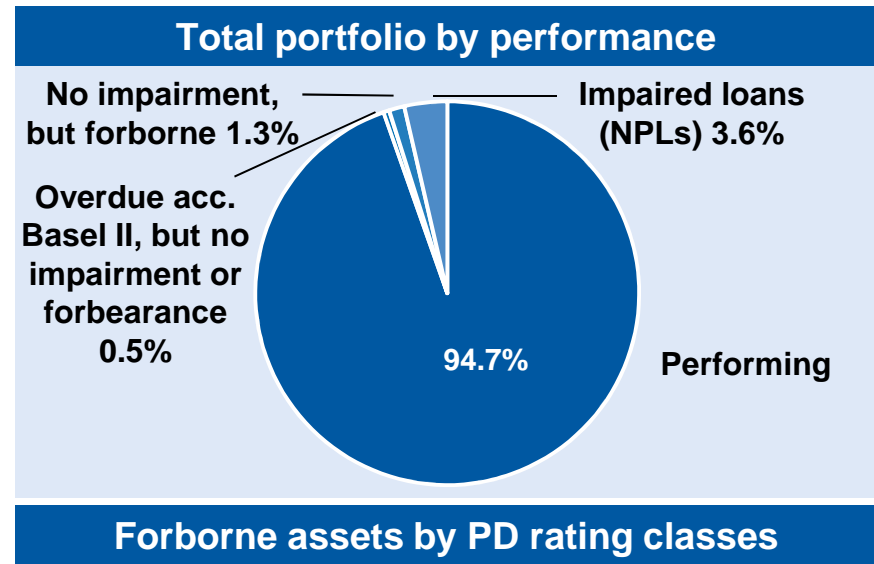


Forborne assets¹⁾

Total volume outstanding as at 31.12.2013: € 0.3 bn



- Reflects solely probability of default of respective counterparties
- Does not take into account collateral, which will regularly cover debt and interest payments even in the case of counterparty default

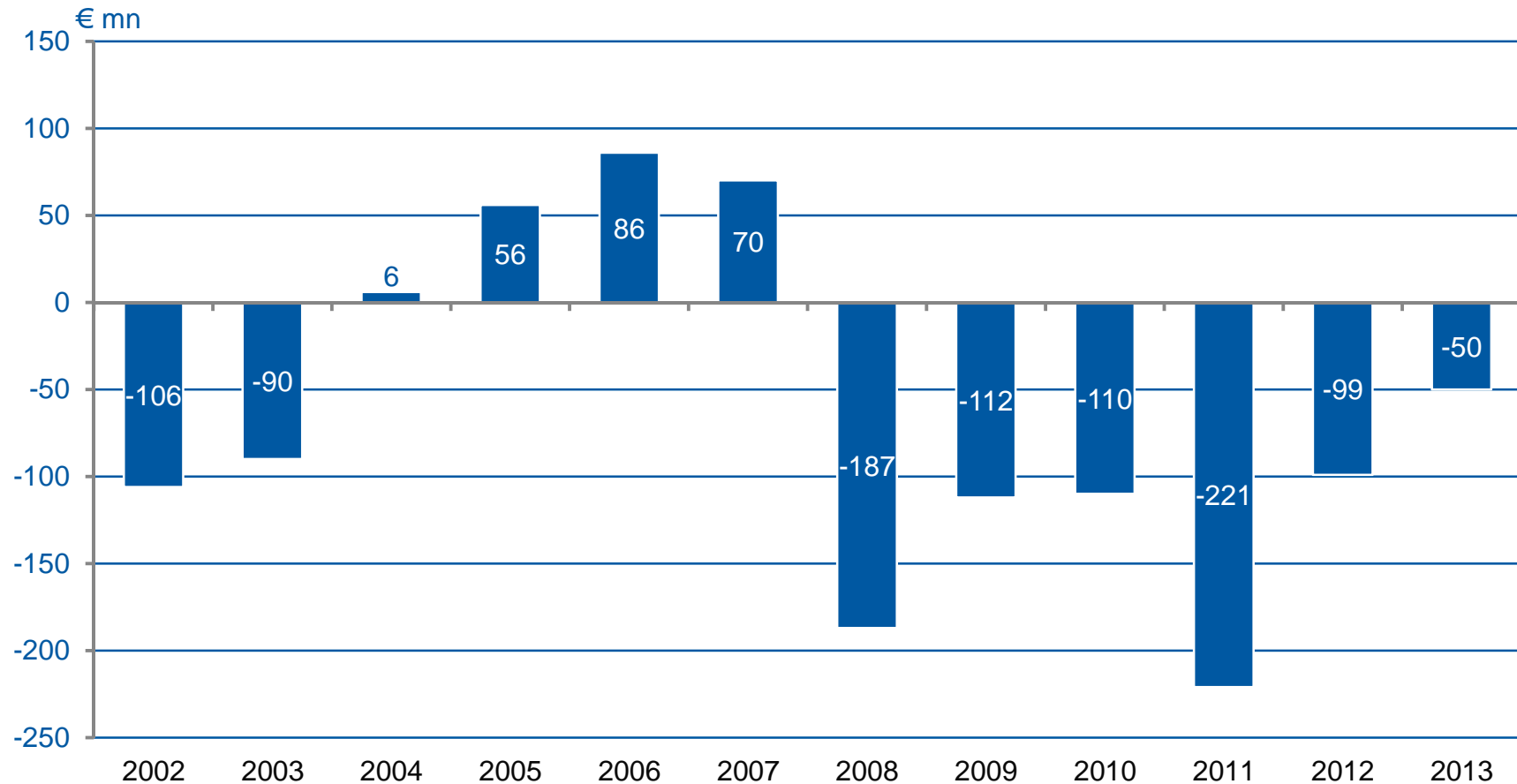


1) According to EBA draft definition (EBA final draft Implementing Technical Standards on supervisory reporting on forbearance and non-performing exposures under article 99 (4) of Regulation (EU) No 575/2013)
 2) AIRBA portfolio only, excluding DEPFA



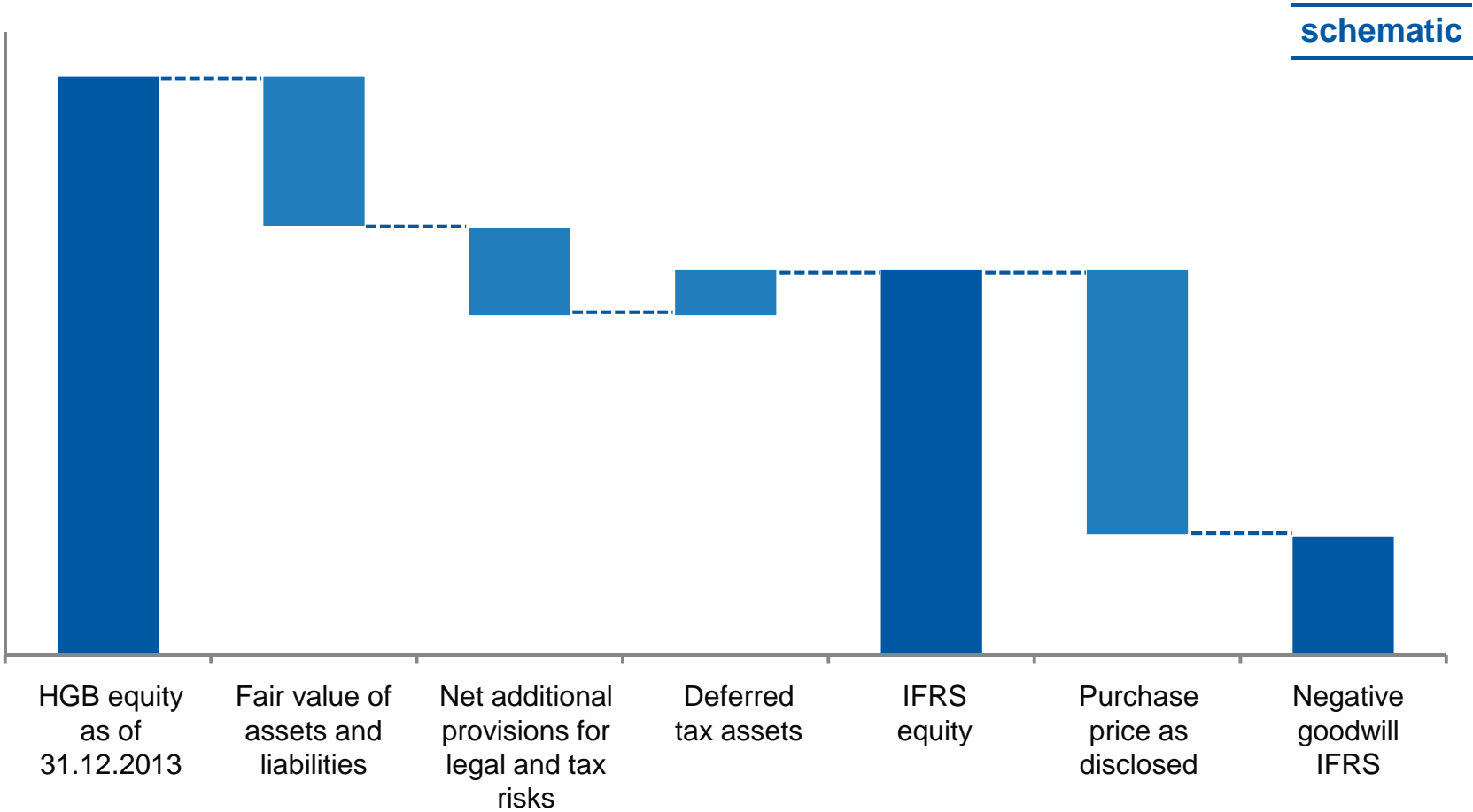
Revaluation surplus

Change mainly driven by asset spreads



Coreal acquisition: Purchase price determination

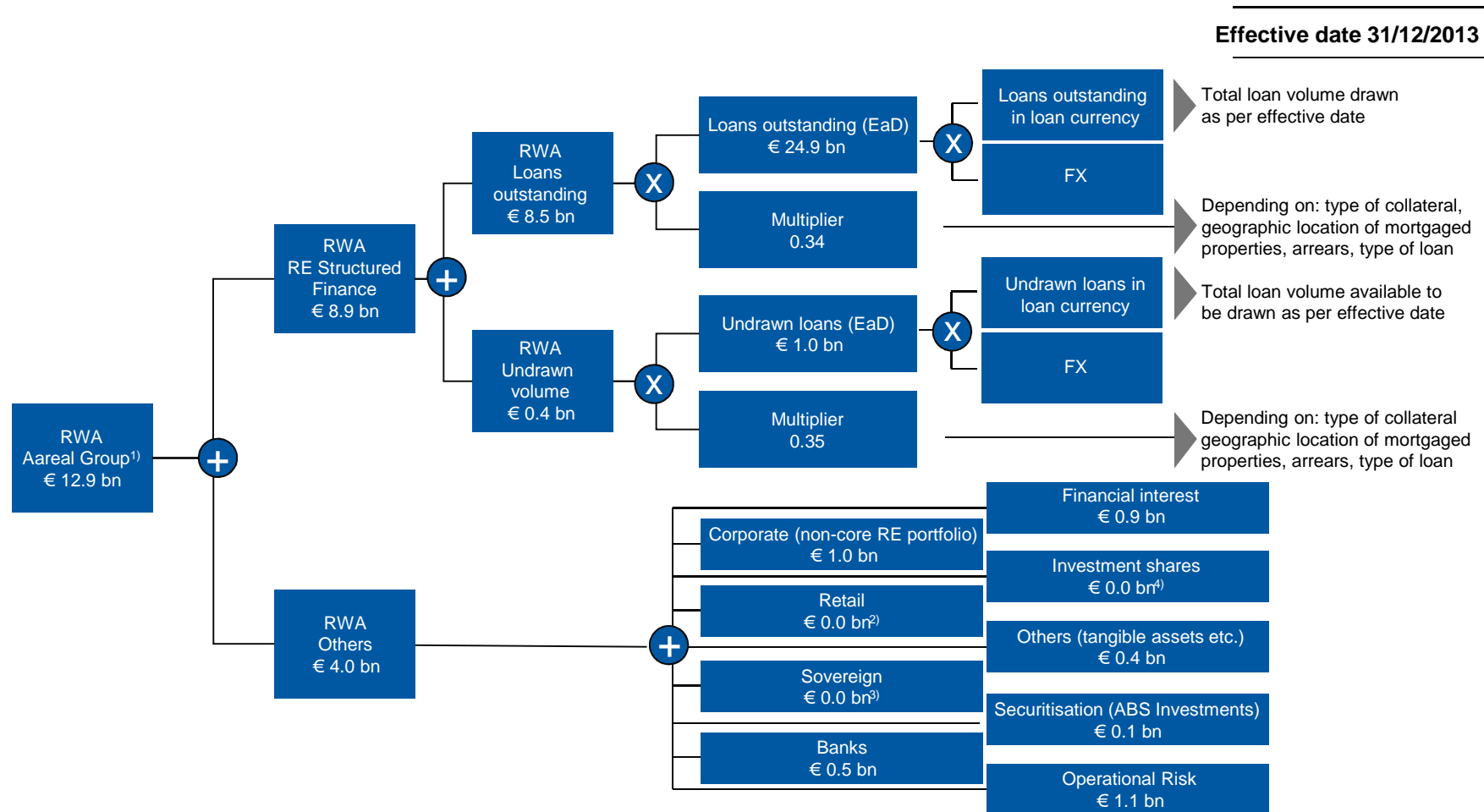
Assumed closing date 31.03.2014



schematic

From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA



- 1) Excl. market risk
 - 2) Exposure to Retail amounts to € 15 mn
 - 3) Exposure to Sovereigns amounts to € 19 mn
 - 4) Exposure to investment shares amounts to € 16 mn
- Note: All 2013 figures preliminary and unaudited



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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