Aareal Bank AG

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term Rating	AAA

Outlooks

Foreign-Currency Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Aareal Bank AG

	31 Mar 16	31 Dec 15
Total assets (USDm)	58,959	56,557
Total assets (EURm)	51,784	51,948
Total equity (EURm)	2,779	2,744
Net interest margin (%)	1.5	1.5
Cost/income ratio (%)	62	55
Operating ROAE (%)	12.7	12.3
LICs/gross loans (%)	0.0	0.4
NPL ratio (%)	4.7	4.4
Fitch Core Capital ratio (%)	14.4	14.1
Tier 1 capital ratio (%)	16.9	17.2
CET1 ratio (fully loaded) (%)	13.2	13.1
Total capital ratio (%)	23.7	23.8

Related Research

Aareal Bank AG - Ratings Navigator (May 2016)

Fitch Affirms Aareal and WestImmo at 'BBB+' (April 2016)

Global Economic Outlook (March 2016)

2016 Outlook: German Banks (December 2015)

Global Housing and Mortgage Outlook - 2016 (January 2016)

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Key Rating Drivers

VR Drives IDRs: Aareal Bank AG's Issuer Default Ratings (IDRs) are driven by its standalone strength as expressed in its Viability Rating (VR). The VR primarily reflects Aareal's company profile as a specialised lender concentrating on the inherently cyclical commercial real-estate (CRE) sector. This is mitigated by the bank's resilient performance and solid capitalisation.

Resilient Business Model: Aareal has a solid record of meeting or exceeding its business and financial targets with limited volatility through the economic cycle and during the financial crisis. It was one of very few German monoline CRE lenders that did not need parent or state support or restructuring during the crisis, thanks to its solid risk management.

Solid Capitalisation: We view Aareal's public commitment to maintaining solid capital ratios of at least 13% common equity Tier 1 (CET1) and 20% total capital fully loaded as realistic in light of its adequate internal capital generation. At end-1Q16, Aareal's 13.2% fully loaded CET1 ratio was materially above its regulatory requirement. The run-off of assets inherited from WI and Coreal should allow the bank to maintain solid capital buffers over the coming years despite its plans to revert to a more shareholder-friendly dividend policy.

No IDR Uplift: Fitch Ratings equalises Aareal's IDR with its VR despite significant layers of "qualifying junior debt". The Long-Term IDR is not notched above the VR because the bank would not achieve a higher VR if its junior debt buffer was in the form of Fitch Core Capital (FCC). In addition, we believe that the bank's resolution plan is still evolving, which means that the likely resolution tool and level of capitalisation after a bail-in are still uncertain.

Solid Underlying Profits: Performance has been resilient and fairly stable over the business cycle. In 2015, large early loan repayments, a EUR150m one-off gain from Westdeutsche ImmobilienBank AG's (WI) acquisition, the modest but rising profit contribution of the consulting and services business, and higher-margin foreign lending mitigated margin erosion in Germany. We expect a moderate increase in loan-impairment charges (LICs) in the medium term.

Lower Medium-Term Growth: More-selective underwriting to address WI's integration and intense competition reduced new business in 1Q16. The loan book will shrink in the medium term as WI and ex-Coreal's non-core assets run off, even though loan prepayments seem to be abating. Unlike some peers, capitalisation does not constrain Aareal's new business.

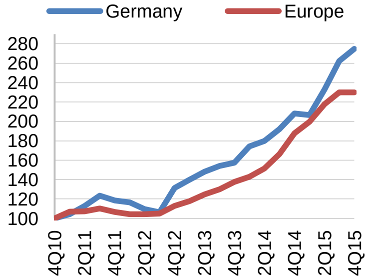
High Italian NPLs: Aareal's focus on Pfandbrief-eligible assets fosters its underwriting discipline. Loan quality is robust, except for Italy (11% of total loans), where 26% of loans were non-performing but fully reserved at end-1Q16. Restructuring should bring some relief in 2016.

Competitive Strength Housing Deposits: Aareal's funding mix includes a large and rising share of short-term institutional housing deposits. Cheap and resilient during the financial crisis, they greatly reduce the bank's reliance on unsecured market funding. Their market-insensitive pricing should increase Aareal's cost advantage in the longer term when interest rates rise.

Rating Sensitivities

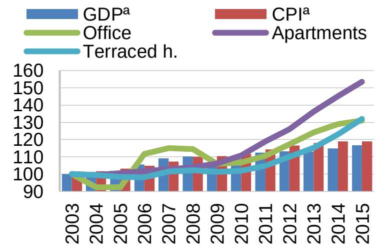
Business Model Constrains VR: An upgrade of Aareal's VR is unlikely as we believe that its monoline business model, which inevitably entails high concentration risk, is not commensurate with the 'a' category, despite the bank's solid asset quality and rising earnings diversification. In the medium term, the VR and IDRs will be mainly vulnerable to asset-quality deterioration.

Strong Investment Inflow
Rolling last 12-month CRE investment turnover
(rebased: End-2010 = 100)



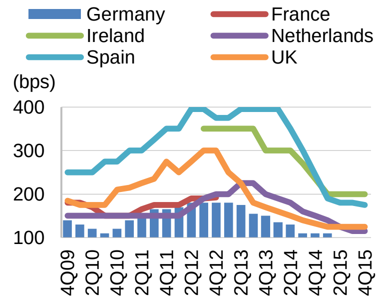
Source: CB Richard Ellis, Fitch

Strong Price Growth in Urban Areas
Rebased: End-2003 = 100



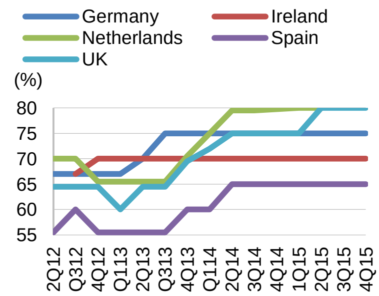
[a] Germany; GDP is inflation adjusted
Source: VdP, Bundesbank, Destatis, Bulwiengesa
Source: Fitch

Decreasing Margins...
Margin trends in key CRE markets[a]



[a] 5yr loan based on the max. underwriting ability of a single lender; margin over euribor
Source: CB Richard Ellis

...Despite Rising LTVs
Maximum LTVs[a] in key CRE markets



[a] New 5yr loan based on the maximum underwriting ability of a single lender
Source: CB Richard Ellis

Related Criteria
Global Bank Rating Criteria (March 2015)

Operating Environment

Strong Investment Flows in Europe

CRE investments in Europe reached a new high of EUR269bn in 2015 (+27% yoy) and growth should remain particularly strong in southern Europe in 2016. Foreign buyers accounted for over half of all transactions in 2015. US buyers are the main source of non-European capital but the share of Asian and Middle Eastern buyers is rising.

Overheating Fuels Investors' Focus on Non-Core German Assets

Germany is Aareal's second-largest market but its importance is declining as the assets inherited from Coreal and WI run off. The country's size and economic strength make it one of the most active property investment markets in Europe. Domestic CRE investments (excluding large acquisitions of CRE firms) remained high at EUR53bn in 2015, almost half of which came from foreign buyers. Attractive asset prices and rental yields are the main demand drivers beside low interest rates disconnected from the solid economy. High demand for prime assets in core locations makes overheating a rising concern in some large cities' residential segments.

The resulting compression of prime yields close to pre-crisis levels, limited supply of quality prime assets in core markets and the lack of adequately yielding alternative asset classes drive investor appetite for higher-risk non-prime markets, where yields are stabilising. This creates additional long-term risk as Germany's stagnating population gradually migrates to larger urban areas, which may pressure valuations in less attractive non-core locations.

Robust Domestic Residential Property Market

Valuations and demand for mortgage loans have risen strongly in Germany since 2010 for the first time in nearly two decades after a long phase of stagnation and underinvestment in residential property since the late 1990s. New building permits have risen by 60% since 2010 and are now close to their pre-crisis level of almost 300,000 units a year, which partly mitigates the upward pressure on valuations. At 5.3% in 4Q15 yoy, the growth of the property price index from the German Association of Pfandbrief issuers is still above its sustainable long-term growth potential. We expect property prices to continue to grow at a fairly high rate in the medium term. Favourable demographic trends (high immigration, falling average household size and the need for accommodation designed for elderly people) mitigate the low birth rate.

Pfandbrief Regulation Limits Erosion of Underwriting Standards

New lending loan-to-value (LTV) ratios (based on market values) in Germany were stable at 55%-75% in 2015 as valuation and eligibility criteria for Pfandbrief cover pools encourage underwriting discipline. But the persisting low-interest-rate environment boosts demand for German CRE assets. The resulting margin erosion in new domestic lending since 2013 suggests that credit risk is ever more likely to be mispriced as margins above 100bp-150bp are becoming increasingly rare.

Shrinking Domestic Peer Group

Most German monoline CRE lenders have become reliant on the backing of strong universal banks to operate in the re-regulated environment as low profits prevent their tight leverage from improving materially. Thus, most independent CRE lenders have restructured or shrunk heavily and some are being wound down. CRE is one of few asset classes where German banks retain large (but declining) foreign exposures of about a third of total their CRE assets.

Dynamic US Market Offers Higher Margins

US direct CRE investments reached USD111bn in 1Q16, down 20% from 1Q15. This is due to the fact that acquisitions have moderated from 2015's peak and the transaction volume in 1Q15 was the highest in the past 15 years. Overall, cap rates remained fairly stable but have slightly widened for some transactions. Over the past few years, access to cheap funding and rising valuations have triggered a loosening of underwriting standards to LTVs of 65%-75%.

Company Profile

Independent, Listed German Pfandbrief Issuer

Aareal operates two core segments. Structured Property Financing provides CRE loans in excess of EUR50m and structuring in 26 countries in Europe, the US and Asia, originating new business primarily in the US (Aareal's largest market). Target clients include property firms, institutional investors and residential portfolio owners.

In the Consulting/Services division, Aareal's unit Aareon is the leading provider of IT services and integrated payment systems for the institutional housing sector and, increasingly, utilities. Outside Germany, where its 2,800 clients managing 10 million housing units represent a 60% market share, Aareon operates in France, the Netherlands, the UK and Scandinavia.

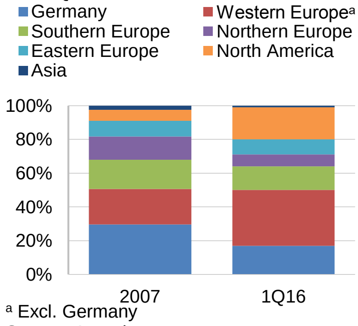
Solid Business Model and Margins

We expect Aareal to continue to originate loans with solid margin/LTV profiles despite the low-margin growth potential in CRE lending. The bank has exploited the failure and subsequent restructuring, shrinkage or wind-down of several of its German peers to consolidate its market positions during the crisis. Nevertheless, in light of the fragmented nature of the market, Aareal's share of European CRE investment lending remains modest at about 3%.

Geographically Diversified

Aareal operates through 14 CRE offices on three continents (11 in Europe and one each in New York, Singapore and Shanghai). Its moderate reliance on single markets allows flexible capital allocation to property markets with solid risk/return profiles. Its exposure to more volatile markets than its more German-focused peers results in higher non-performing loans (NPLs). This is adequately mitigated by its prudent underwriting standards and higher margins. The acquisition of WI adds EUR1.4bn to Aareal's traditionally moderate German CRE exposure.

CRE Book by Region
End-1Q16: EUR30.1bn



[a] Excl. Germany
Source: Aareal

Small Opportunistic Acquisitions Characterised by One-Off Gains

WI has been consolidated since 2Q15 and its integration is progressing according to plan. Prior to its acquisition by Aareal, WI had been in wind-down since 2012 and had carved out to its former owner in 1H14 its assets and liabilities that were unsuitable for a Pfandbrief-focused business model. Coreal returned its banking licence in 2015 after 95% of its assets and liabilities and its banking operations were transferred to Aareal. The latter may benefit from WI's expertise in some key foreign markets. However, both acquisitions were characterised by one-off gains totalling about EUR300m (13% of Aareal's FCC prior to the acquisitions).

Management and Strategy

Strong Track Record

We believe that operating an independent CRE lender without contingent support from the state or a large parent will remain structurally challenging in the re-regulated environment. Ensuring the bank's viability in reasonable stress scenarios is likely to rely on a strong management team.

Management's high degree of depth and experience has played a pivotal role in Aareal's resilient, above-average profits since the start of the financial crisis. Two members were appointed recently to the enlarged management board, but we believe that the former chief financial officer's promotion to chief executive in 2015 ensures strategic stability. We also view positively the bank's commitment to reducing its CRE portfolio to a reasonable volume of EUR25bn-EUR30bn.

This enables close monitoring of operations and risks and limits the reliance on unsecured market funding. The acquisitions of Coreal and WI show the ability of Aareal's management to seize growth opportunities within a peer group that has been predominantly focused on asset shrinkage. The smooth integration of both banks also indicates solid execution capabilities.

Risk Appetite

CRE is a volatile, high-risk asset class. However, we view Aareal's crisis-tested underwriting standards as reasonably prudent and better than average industry practices. The bank revises its lending policies at least annually. The average LTV of Aareal's CRE loan stock has been fairly stable in recent years and amounted to 62% at end-1Q16. Loan concentration, interest rates and credit spreads are the main sources of risk.

Adequate Credit Approval Process

Aareal's adequate risk selection mitigates the low granularity of its loan book. A regional approach introduced in 2015 for Europe and Asia adapts risk criteria to distinctive market features and adds buffers for riskier assets, notably in Russia, Turkey and China. CRE loans' moderate average maturities (mostly up to five years) make regular prolongations necessary, notably under adverse market conditions when secondary-market transactions are scarce.

High Value-at-Risk (VaR) Reflects Conservative Calculation

Aareal is regulated as a trading institution but ceased to trade actively in 2009. It generally swaps its fixed-rate loans and debt issuance into floating rates. It funds its foreign-currency loans (about EUR17bn, mostly in US dollars, sterling and Swedish kronor) with matching volumes in the respective currencies, which results in modest foreign-currency sensitivity. The calculation of the banking book's VaR is inflated by the fact that Aareal ignores equity as mitigating factor for interest rate, foreign-currency and credit spread risks. Despite this, the banking book's maximum VaR (95% confidence level, 250-day holding period) at end-1Q16 was a moderate 11% of FCC.

Banking Book VaR

	Maximum	
(EURm)	1Q16	2014
Market price risks	69	64
Interest rates	49	60
FX	42	17
Specific risks[a]	24	38
Group aggregate	73	68

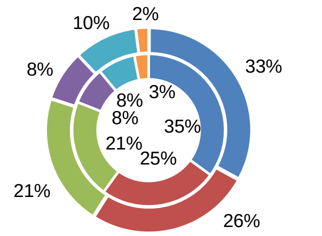
[a] Eg. counterparty and liquidity risk
99%, 10-day holding period
Includes Coreal but not WI
Source: Aareal

Moderate Interest-Rate Sensitivity

A 200bp upward shift of the term structure would have had a negative net present value impact of EUR266m (a downward shift to a minimum of zero would have increased it by EUR130m) at end-2015. This is higher than peers as Aareal's large overnight deposits and money-market funding drive higher mismatches of its assets and liabilities' maturities. However, the sensitivity is fairly stable and manageable in light of the housing deposits' inelasticity to market rates.

CRE Book by Asset Types

End-1Q16: EUR30.1bn (inner circle)
End-2014: EUR29.0bn (outer circle)



Source: Aareal

Asset Quality

Collateralisation Mitigates Risk Concentration

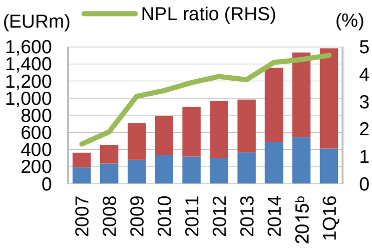
Like other specialised CRE lenders, Aareal's highly concentrated assets constrain its VR. The top 20 borrower groups account for roughly twice its FCC. Loan collateralisation and generally granular tenant structures mitigate this only partially. The average LTV of the overall loan stock was 62% at end-1Q16, in line with management's solid target of about 65% and slightly down from the previous year. The portfolio of unencumbered liquid assets (EUR9.7bn) focuses on highly rated public-sector issuers (EUR8.5bn) and ECB-eligible covered bonds (EUR1.2bn).

Above-Average Geographic Diversification

Aareal's significantly better diversified CRE portfolio than those of its direct peers mitigates its vulnerability to individual markets' cyclicality. Its exposure to Germany is moderate and decreasing as Coreal and WI's books run off, resulting in higher pre-impairment margins.

Rising NPLs[a]

Improved coverage



[a] 2007 - 2011: excl. 90 days overdue
[b] Including WestImmo
Source: Aareal, Fitch

Robust Asset Quality Despite WI's Acquisition

The consolidated NPL ratio has fluctuated within the 3%-5% range since 2009, which is solid for an international CRE lender. 33% of NPLs are covered by loan loss reserves. Including collateral, the NPL coverage amounted to 100% at end-1Q16.The risk arising from WI's legacy assets is limited by its modest size after several years of run-off, an NPL carve-out in 2014 and Aareal's thorough due diligence prior to the acquisition. WI's NPLs amounted to only EUR76m at the time of consolidation (the NPL ratio was 4.6% at end-2014 before the carve-out).

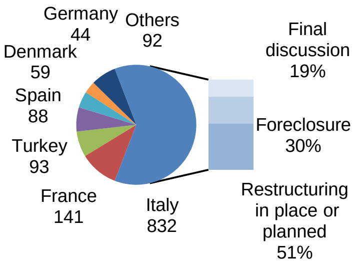
High Exposures in Southern Europe, Italian NPLs Likely to Decrease in 2016

Public-sector and interbank exposures to the eurozone periphery are shrinking but remain high

(EUR2.4bn at end-1Q16, of which EUR1.6bn is to Italy and EUR0.6bn to Spain). Aareal is not exposed to the Greek public sector or banks and its Portuguese assets declined to EUR178m.

CRE loans in southern Europe are predominantly in Italy (EUR3.1bn book value) and Spain (EUR1.1bn) and equivalent to 1.8x FCC at end-1Q16. The average LTV of performing loans in Spain declined to 64% from 66% in 2015 and was fairly stable in Italy at 72%, although low transaction volumes limit the reliability of property valuation in parts of the region. Having risen by 28% since end-1Q15, Italian NPLs now account for about half of total NPLs but stabilised at EUR832m in 1Q16. Moreover, they are all fully reserved despite being in different work-out stages and restructuring should bear fruit in 2016. Therefore, the Italian NPL ratio of 26% is likely to be close to its peak. In Spain, the NPL ratio of about 8% remains acceptable.

Italian Assets Under Pressure
NPLs at end 1Q16[a] (in EURm)



[a] Excl. 90 days overdue
Source: Aareal, Fitch

Small Development Book but Large Hotel Exposures

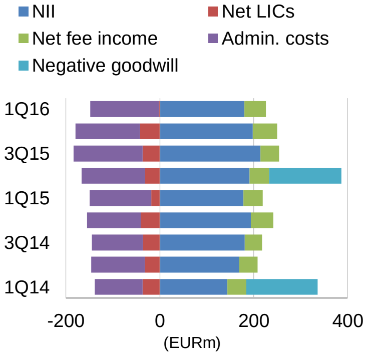
Of the CRE book, 96% is cash-flow generating investment loans secured by mortgages or share pledges in special-purpose vehicles as development loans amounted to less than 3% of the total. At EUR6.3bn, or a fifth of total loans, the exposure to hotels is particularly high relative to peers and includes several very large exposures. Subordinated loans are immaterial.

Earnings and Profitability

New Business Volume Normalisation in 2016 and 2017

New business origination declined by half to EUR0.8m (a third of which were prolongations) in 1Q16 from EUR1.8bn in 1Q15. However, Aareal maintains its guidance for the full year at EUR7bn-EUR8bn. Unlike some monoline peers, capitalisation does not constrain Aareal's new business. While 1Q15 was inflated by a new business pipeline carried over from 4Q14, WI's integration and pressure on margins and underwriting standards from intensified competition in core markets led Aareal to be more selective in 1Q16. The bank maintains conservative underwriting standards, as evidenced by its new business' stable average LTVs (below 65%).

Results at a Glance

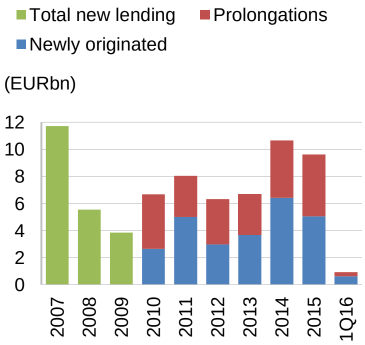


Source: Aareal, Fitch

Gross Margins to Flatten Out

Following a rise in 2009-2012 driven by the need for covered bond issuers to pass on higher funding costs to borrowers, Aareal's average gross new lending margins have declined slightly since 2012. At 230bp net of FX hedging costs, they remain solid despite strong competition and moderate average LTVs. However, net interest margins are likely to erode further as Aareal does not charge negative rates to its institutional housing depositors and its liquidity buffer yields increasingly low margins. It forecasts a net interest income (NII) of EUR700m-EUR740m in 2016 (including EUR35m from prepayments), which we view as realistic.

New Business Volume



Source: Aareal, Fitch

Successful Start in 2016 – WI's Integration Costs to Peak in 2016

In 1Q16, Aareal's pre-tax profit rose by 30% (EUR87m) thanks to a 12% increase yoy in net fee income and minimal LICs (EUR2m). This more than offset the rising administrative costs (+10%) driven by WI's integration and running costs, and the EUR17m contribution to the resolution fund. NII remained stable on the year but declined from the previous quarter due to the run-off of non-core assets and lower prepayments. We expect in 2016 a pre-tax ROAE moderately short of the 12.7% achieved in 1Q16. Aareal estimates WI's integration costs at a low double-digit million euros amount in 2016 and declining thereafter. WI's shrinkage should mitigate the likely market-wide medium-term rise in LICs from their unsustainably low level.

Solid Gross Margins Support Strong 2015 Performance

In 2015, the EUR470m pre-tax profit (+8% yoy) was boosted by a EUR150m negative goodwill from WI and a 14% increase in NII yoy to EUR781m. The latter was helped by EUR9.6bn new business, a EUR75m effect from prepayments and the consolidation of WI's EUR4.3bn loans, which increased monthly NII by EUR9m in 2H15. NII will decline as legacy assets run off and Aareal aims to reach a core portfolio size of EUR25bn-EUR30bn by 2018. Net fee income rose by 7% to EUR175m in 2015, mainly driven by Aareon. LICs fell by 12% to EUR128m in 2015 despite Coreal and WI's consolidation, in line with the average of EUR120m since 2009. In

Performance Outlook

(EURm)	2015	2016p
NII	781	700-740
Net LICs	128	80-120
Net fee income	175	190-200
Admin costs[a]	553	520-550
Negative goodwill	150	none
Operating profit[b]	470	300-330
Operating RoE[b] (%)	12.3	≈11
New loans (EURbn)	9.6	7-8
Aareon operat. profit	27	33-35

[a] Includes Coreal and WI's integration costs
[b] 2015: Excludes negative goodwill
Source: Aareal's management forecast

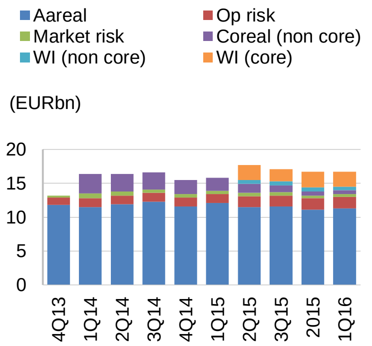
Bail-Inable Capital Buffer

(EURm)	1Q16	2015
Reported equity[a]	2,779	2,744
Additional Tier 1[b]	300	300
Sub debt[c]	1,432	1,411
Total capital	**4,511**	**4,455**
Bail-inable capital/ total assets (%)	**8.7**	**8.6**

Carrying values
[a] Excluding SoFFin silent participation
[b] SoFFin silent participation until 4Q14
[c] LT2 + legacy T1 hybrids
Source: Fitch

RWA Development

Legacy asset run-down



Source: Aareal

4Q15, Aareal announced the sale of a repossessed property in Stockholm, which will generate a one-off gain of about EUR70m, EUR12m of which was booked in 2015 and the rest in 2Q16.

Aareon Burdens Efficiency but Protects Against Rising Interest Rates

Aareon's low but slowly rising operating profit (1Q16: EUR7m; 2015: EUR27m; 2016 target: EUR33m-EUR35m) dilutes Aareal's RoAA. Its strategic importance lies in its stable, cheap funding from its institutional housing deposit business – essentially deposits that relate to rental payments. This includes account management for property managers (operating deposits), fixed-term deposits for maintenance reserves as well as rent deposits paid by tenants. At EUR80m per 100bp increase of the interest-rate curve, its estimated funding cost benefit relative to alternative unsecured sources exceeds by far the importance of the margins reflected in Aareon's segment performance. Hence, the current RoAA dilution is the price to pay for a natural hedge against future rate increases.

Capitalisation and Leverage

Comfortable Fully Applied Capitalisation

The fully applied CET1 ratio rose slightly to a solid 13.2% at end-1Q16. Management targets 10.75% plus a 225bp buffer for FX and portfolio rating volatility, which is reasonable in light of the benign CRE markets that drive moderate LTVs. It is also well above the 8.75% requirement arising from the ECB's 2015 Supervisory Review and Evaluation Process (SREP), which is low given the fairly high risk of CRE as an asset class. At 51%, the utilisation of Aareal's risk-bearing capacity remains stable and moderate despite RWA inflows from new lending and WI.

Negative Goodwill Strengthens Capital Buffers

Aareal intends to use the EUR150m negative goodwill from WI to strengthen its capitalisation instead of passing it on to shareholders, thus underpinning its commitment to solid capital buffers. In the coming years, WI's partial run-off will largely reverse the initial 20% RWA increase (EUR3.3bn) from its consolidation. WI's RWAs amounted to EUR2.8bn at end-1Q16 despite their switch to the standard approach for credit risk in 4Q15.

No IDR Uplift for Bail-Inable Capital Buffer

The total capital ratio, management's key steering measure, was a high 21.1% at end-1Q16 as Aareal is committed to maintaining at least 8% of CRR-compliant bail-inable capital through the cycle, which is credible in light of its performance record. This junior debt buffer but does not trigger an uplift of the Long-Term IDR above the VR because the business model would constrain the IDR at 'BBB+' even if the buffer was in the form of FCC rather than junior debt. In addition, Aareal's still evolving resolution plan makes the point at which it would be resolved, the resolution tool and the expected capitalisation after a bail-in is uncertain.

Rising Dividend Target Should Preserve Financial Flexibility

Aareal's dividend for 2015 results in a stable payout ratio of 52% (excluding negative goodwill). It also intends to increase its supplementary dividend from 10% to 20%-30% of net profit for 2016 to 2018, subject to a material market deterioration, acquisitions or strong organic growth.

Leverage not Constraining

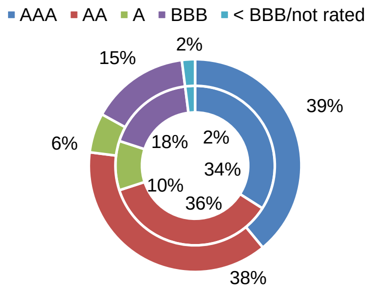
At 5.1% at end-1Q16, Aareal's pro-forma fully loaded regulatory leverage ratio significantly exceeds those of its generally highly leveraged German peers. Combined with its above-average capital generation, this creates a valuable competitive advantage as we expect some of the peers' new business to be constrained by Basel III's phasing-in over the next few years.

Funding and Liquidity

Key Funding Sources Pfandbriefe, Schuldscheine

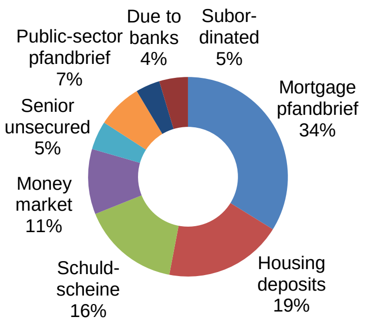
At end-1Q16, long-term debt was EUR30.1bn, or two thirds of total funding. Aareal relies on market funding for nearly half of its funding needs (or less than 20% if Pfandbriefe are

Treasury Portfolio Mix
Outer ring: End-1Q16 (EUR9.7bn)
Inner ring: End-2014 (EUR11.3bn)



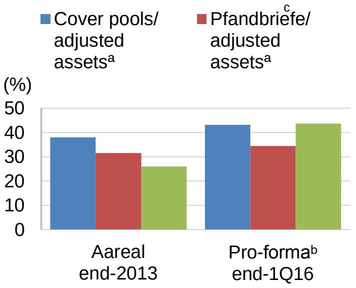
Source: Aareal

Funding-Split
End-1Q16: EUR45bn (excl. derivatives)



Source: Aareal, Fitch

Increased Encumbrance



[a] Excluding derivatives
[b] Including WI
[c] Over-collateralisation of Pfandbriefe
Source: Aareal, WI, VDP, Fitch

excluded), which is reasonable compared with peers. Long-term debt issuance (EUR0.5m in 1Q16) consists mainly of mortgage Pfandbriefe and Schuldscheine, whose sensitivity to market confidence is generally low (although Pfandbriefe's prices benefit strongly from the ECB's purchase programme). A possible (but unlikely) funding challenge could be a sharp tightening of the ECB's eligibility criteria or a closure of the repo market, but the bank reduced its usage of ECB funding to nil in 2015 from EUR1.3bn at end-2013.

Aareal accesses eurozone investors directly to issue private placements to fund a high share of its Pfandbriefe's overcollateralisation (OC). This limits its reliance on more expensive unsecured market debt. The resulting savings are partly offset by hedging costs for FX funding, which amounts to about 40% of total funding. From 2017, Germany's new senior subordination law will make such liabilities as large wholesale deposits and counterparties rank ahead of non-structured debt, including senior unsecured bonds and Schuldscheine, in insolvency.

Large ECB-Eligible Assets Mitigates Short-Term Funding

Aareal's regulatory liquidity coverage ratio and pro-forma net stable funding ratio (NSFR) has exceeded the fully loaded 100% threshold in recent years, respectively. Its liquid asset portfolio is funded by repos, money-market and institutional housing deposits with materially shorter nominal maturities. However, liquidity gaps and the risk of sudden short-term fund outflows are covered by EUR9.7bn of cash and unencumbered ECB-eligible assets, of which 98% are investment grade. WI triggers only moderate calls on Aareal's liquidity, given its assets and liabilities' broadly matching maturities, modest size and run-off leading to minimal new business.

Key Competitive Strength Housing Deposits

Short-term funds include EUR8.7bn of institutional housing deposits at end-1Q16. These are granular, cheap, stable and rising. They also diversify Aareal's funding mix and lower its reliance on market funds, thus benefitting the NSFR. They also protect against interest rate increases: their inelasticity to interest rate changes should increase Aareal's funding cost advantage relative to peers when interest rates normalise in the longer term.

Asset Encumbrance Inherent to Business Model

Like all monoline CRE lenders, Aareal's covered bonds result in material asset encumbrance. The latter increased following WI's consolidation due to the carve-out of a large share of WI's non-Pfandbrief business. More generally, OC above regulatory requirements increases encumbrance, compounding the effects of Germany's new senior subordination law from 2017. At end-1Q16, the bank's four Pfandbrief programmes (one public-sector and one mortgage pool for Aareal and WI each) had a total OC of EUR4.2bn, equivalent to 44% of the outstanding senior unsecured debt. Aareal will continue to shift assets to WI as the need arises to replenish WI's cover pools (public sector: EUR0.7bn; mortgage: EUR3.9bn).

Support

The European Union's Bank Recovery and Resolution Directive requires a bail-in of creditors before a bank under resolution can be recapitalised with state funds and the Single Resolution Mechanism provides resolution tools and mechanisms. Therefore, Fitch believes that extraordinary state support in the event that Aareal becomes non-viable can no longer be relied upon. A higher Support Rating and Support Rating Floor would be contingent on a positive change in Fitch's view of the sovereign's propensity to support its systemically important banks. While not impossible, the new regulatory environment makes this highly unlikely.

Debt Ratings

The lower Tier 2 subordinated notes are notched down once from the VR to reflect their higher loss severity relative to senior debt. The legacy, non-Basel III compliant hybrid securities issued by Capital Funding GmbH and Aareal Capital Funding LLC (Delaware), are notched down four times from the VR (two notches for high loss severity risk and two notches for high non-performance risk relative to that captured in the VR) to reflect their distributable profit trigger or annual profit trigger combined with a regulatory capital ratio trigger. The Basel III-compliant additional Tier 1 (AT1) hybrid securities are rated five notches below the VR, ie twice for loss severity to reflect their write-down on breach of their 7% trigger, and three times for non-performance risk. These ratings are sensitive to changes to the VR or to their notching.

Peer Group

		Aareal Bank AG bbb+		Berlin Hyp AG bbb-		NIBC Bank N.V. bbb-		Nykredit Realkredit A/S a		SNS Bank N.V. bbb+		Peer Group Median	
Viability rating		**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Jun 15**	**Dec 14**
Income statement	Net interest income (EURm)	781	688	223	219	287	248	1,611	1,539	994	1,024	534	468
	LICs (EURm)	128	146	-13	1	48	91	125	314	34	206	41	119
	Net income (EURm)	374	335	92	68	71	24	429	-37	348	151	220	64
Balance sheet	Gross loans (EURm)	34.6	30.5	20.8	20.9	16.7	15.8	158.0	161.2	49.6	53.3	27.7	25.7
	Impaired loans (EURm)	1.5	1.4	0.4	0.6	0.5	0.5	2.9	2.8	1.1	1.6	0.8	1.0
	Total assets (EURm)	51.9	49.6	28.5	30.4	23.0	23.1	186.1	196.1	62.7	68.2	40.2	40.0
	Fitch Core Capital (EURm)	2.4	2.1	1.0	1.0	1.9	1.6	8.3	7.5	3.2	2.7	2.1	1.8
Asset quality	Impaired loans/gross loans (%)	4.4	4.4	2.2	2.8	3.0	2.9	1.9	1.7	2.3	3.1	2.7	2.9
	NPL reserves/NPLs (%)	34.4	35.5	48.5	42.0	33.8	37.4	39.3	44.0	34.1	31.3	36.9	39.7
	RWA/total assets (%)	32.2	31.3	26.6	26.6	44.1	41.7	22.5	24.6	18.4	20.2	29.4	28.9
Earnings	NII/ earning assets (%)	1.5	1.5	0.8	0.7	1.3	1.2	0.9	0.8	1.6	1.6	1.1	1.0
	NIE/gross revenues (%)	55.2	50.6	52.2	48.8	52.5	55.4	55.7	73.4	54.4	45.3	53.5	49.7
	OpRoE (%)	12.3	12.1	10.2	13.5	5.5	2.7	7.7	-0.3	15.3	14.2	10.6	12.8
Capital	FCC/RWA	14.1	13.3	13.6	12.5	18.6	16.9	19.7	15.5	28.0	19.7	16.3	14.4
	CET1 Ratio (%)	13.8	13.6	13.3	11.3	15.6	15.5	19.4	15.4	25.3	18.3	0.1	0.1
	Internal capital generation (%)	10.0	10.9	0.0	0.0	3.8	1.3	5.2	-0.5	10.5	5.1	6.2	3.2

Source: Fitch

Aareal Bank AG
Income Statement

	31 Mar 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
	1st Quarter	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm	EURm
		Audited	Audited	Audited	Audited
	Unaudited	Unqualified	Unqualified	Unqualified	Unqualified
1. Interest Income on Loans	199	879	843	697	704
2. Other Interest Income	27	134	167	151	265
3. Dividend Income	0	0	0	0	1
4. Gross Interest and Dividend Income	**226**	**1,013**	**1,010**	**848**	**970**
5. Interest Expense on Customer Deposits	6	33	60	74	126
6. Other Interest Expense	40	199	262	247	358
7. Total Interest Expense	**46**	**232**	**322**	**321**	**484**
8. Net Interest Income	**180**	**781**	**688**	**527**	**486**
9. Net Gains (Losses) on Trading and Derivatives	10	21	7	12	(14)
10. Net Gains (Losses) on Other Securities	0	(17)	2	(8)	1
11. Net Gains (Losses) on Assets at FV through Income Statement	0	0	n.a.	0	n.a.
12. Net Insurance Income	0	0	n.a.	0	n.a.
13. Net Fees and Commissions	46	175	164	165	169
14. Other Operating Income	0	41	6	(10)	26
15. Total Non-Interest Operating Income	**56**	**220**	**179**	**159**	**182**
16. Personnel Expenses	79	332	261	233	221
17. Other Operating Expenses	68	221	178	142	170
18. Total Non-Interest Expenses	**147**	**553**	**439**	**375**	**391**
19. Equity-accounted Profit/ Loss - Operating	0	0	0	0	5
20. Pre-Impairment Operating Profit	**89**	**448**	**428**	**311**	**282**
21. Loan Impairment Charge	2	128	146	113	106
22. Securities and Other Credit Impairment Charges	0	0	n.a.	0	n.a.
23. Operating Profit	**87**	**320**	**282**	**198**	**176**
24. Equity-accounted Profit/ Loss - Non-operating	0	0	n.a.	0	n.a.
25. Non-recurring Income	0	150	154	0	n.a.
26. Non-recurring Expense	0	0	n.a.	0	0
27. Change in Fair Value of Own Debt	0	0	n.a.	0	n.a.
28. Other Non-operating Income and Expenses	0	0	n.a.	0	n.a.
29. Pre-tax Profit	**87**	**470**	**436**	**198**	**176**
30. Tax expense	27	96	101	62	52
31. Profit/Loss from Discontinued Operations	0	0	n.a.	0	n.a.
32. Net Income	**60**	**374**	**335**	**136**	**124**
33. Change in Value of AFS Investments	(3)	13	65	49	122
34. Revaluation of Fixed Assets	0	0	n.a.	0	n.a.
35. Currency Translation Differences	(2)	3	2	(2)	1
36. Remaining OCI Gains/(losses)	(13)	29	(39)	(5)	(50)
37. Fitch Comprehensive Income	**42**	**419**	**363**	**178**	**197**
38. Memo: Profit Allocation to Non-controlling Interests	5	19	19	19	19
39. Memo: Net Income after Allocation to Non-controlling Interests	55	355	316	117	105
40. Memo: Common Dividends Relating to the Period	0	99	72	45	n.a.
41. Memo: Preferred Dividends Related to the Period	0	0	n.a.	0	20

Exchange rate USD1 = EUR0.87Ↄ1 = EUR0.91Ↄ1 = EUR0.82Ↄ1 = EUR0.72Ↄ1 = EUR0.75790

Aareal Bank AG
Balance Sheet

	31 Mar 2016 1st Quarter EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm	31 Dec 2012 Year End EURm
Assets					
A. Loans					
1. Residential Mortgage Loans	0	0	n.a.	0	n.a.
2. Other Mortgage Loans	28,571	29,344	27,856	23,848	22,522
3. Other Consumer/ Retail Loans	0	0	n.a.	0	n.a.
4. Corporate & Commercial Loans	0	0	n.a.	0	n.a.
5. Other Loans	5,232	5,222	2,693	2,076	2,244
6. Less: Reserves for Impaired Loans	524	528	480	361	302
7. Net Loans	**33,279**	**34,038**	**30,069**	**25,563**	**24,464**
8. Gross Loans	**33,803**	**34,566**	**30,549**	**25,924**	**24,766**
9. Memo: Impaired Loans included above	1,585	1,533	1,354	984	971
10. Memo: Loans at Fair Value included above	0	0	n.a.	0	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	1,781	1,743	1,894	2,531	1,552
2. Reverse Repos and Cash Collateral	0	150	1,284	0	n.a.
3. Trading Securities and at FV through Income	0	0	0	0	3
4. Derivatives	3,548	3,136	3,032	2,145	2,941
5. Available for Sale Securities	6,086	6,273	6,856	6,409	6,464
6. Held to Maturity Securities	600	604	833	0	151
7. Equity Investments in Associates	1	1	1	1	1
8. Other Securities	3,546	3,630	4,313	4,259	5,668
9. Total Securities	**13,781**	**13,794**	**16,319**	**12,814**	**15,228**
10. Memo: Government Securities included Above	0	0	n.a.	0	n.a.
11. Memo: Total Securities Pledged	0	0	n.a.	0	n.a.
12. Investments in Property	263	263	444	413	412
13. Insurance Assets	0	0	n.a.	0	n.a.
14. Other Earning Assets	0	0	n.a.	0	n.a.
15. Total Earning Assets	**49,104**	**49,838**	**48,726**	**41,321**	**41,656**
C. Non-Earning Assets					
1. Cash and Due From Banks	1,849	1,282	184	1,222	3,667
2. Memo: Mandatory Reserves included above	0	0	n.a.	0	n.a.
3. Foreclosed Real Estate	0	0	n.a.	0	n.a.
4. Fixed Assets	267	267	96	98	103
5. Goodwill	75	75	66	66	54
6. Other Intangibles	49	51	44	41	36
7. Current Tax Assets	16	20	35	24	35
8. Deferred Tax Assets	243	239	240	110	96
9. Discontinued Operations	0	0	n.a.	0	9
10. Other Assets	181	176	166	99	94
11. Total Assets	**51,784**	**51,948**	**49,557**	**42,981**	**45,750**
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Customer Deposits - Current	13,463	6,646	6,072	4,891	5,167
2. Customer Deposits - Savings	0	0	n.a.	0	n.a.
3. Customer Deposits - Term	0	6,533	6,999	6,888	6,333
4. Total Customer Deposits	**13,463**	**13,179**	**13,071**	**11,779**	**11,500**
5. Deposits from Banks	2,112	1,898	1,807	1,589	2,389
6. Repos and Cash Collateral	0	0	n.a.	0	n.a.
7. Commercial Paper and Short-term Borrowings	0	0	n.a.	0	n.a.
8. Total Money Market and Short-term Funding	**15,575**	**15,077**	**14,878**	**13,368**	**13,889**
9. Senior Unsecured Debt (original maturity > 1 year)	27,232	28,000	25,895	23,821	25,234
10. Subordinated Borrowing	1,184	1,164	1,222	524	574
11. Covered Bonds	n.a.	n.a.	n.a.	n.a.	n.a.
12. Other Long-term Funding	0	0	n.a.	0	n.a.
13. Total LT Funding (original maturity > 1 year)	**28,416**	**29,164**	**27,117**	**24,345**	**25,808**
14. Derivatives	3,365	3,383	3,587	1,889	2,841
15. Trading Liabilities	0	0	n.a.	0	0
16. Total Funding	**47,356**	**47,624**	**45,582**	**39,602**	**42,538**
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	0	0	n.a.	0	n.a.
2. Credit impairment reserves	0	0	n.a.	0	n.a.
3. Reserves for Pensions and Other	826	783	713	289	290
4. Current Tax Liabilities	99	102	124	36	10
5. Deferred Tax Liabilities	34	34	21	9	28
6. Other Deferred Liabilities	0	14	n.a.	11	5
7. Discontinued Operations	0	0	n.a.	0	n.a.
8. Insurance Liabilities	0	0	n.a.	0	n.a.
9. Other Liabilities	142	100	127	192	108
10. Total Liabilities	**48,457**	**48,657**	**46,567**	**40,139**	**42,979**
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	248	247	267	392	454
2. Pref. Shares and Hybrid Capital accounted for as Equity	300	300	300	300	300
G. Equity					
1. Common Equity	2,588	2,534	2,258	2,013	1,921
2. Non-controlling Interest	241	242	242	242	243
3. Securities Revaluation Reserves	25	28	15	(50)	(99)
4. Foreign Exchange Revaluation Reserves	5	7	4	2	4
5. Fixed Asset Revaluations and Other Accumulated OCI	(80)	(67)	(96)	(57)	(52)
6. Total Equity	**2,779**	**2,744**	**2,423**	**2,150**	**2,017**
7. Total Liabilities and Equity	**51,784**	**51,948**	**49,557**	**42,981**	**45,750**
8. Memo: Fitch Core Capital	2,395	2,357	2,055	1,785	1,671
9. Memo: Fitch Eligible Capital	2,695	2,657	2,355	2,085	1,971

Exchange rate USD1 = EUR0.87Ↄ1 = EUR0.91Ↄ1 = EUR0.82Ↄ1 = EUR0.72Ↄ1 = EUR0.75790

Aareal Bank AG
Summary Analytics

	31 Mar 2016 1st Quarter	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	2.3	2.6	2.9	2.8	2.8
2. Interest Expense on Customer Deposits/ Av. Customer Deposits	0.2	0.3	0.5	0.6	1.2
3. Interest Income/ Average Earning Assets	1.8	2.0	2.2	2.1	2.3
4. Interest Expense/ Average Interest-bearing Liabilities	0.4	0.5	0.7	0.8	1.2
5. Net Interest Income/ Average Earning Assets	1.5	1.5	1.5	1.3	1.2
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.5	1.3	1.2	1.0	0.9
7. Net Interest Inc Less Preferred Stock Dividend/ Av. Earning Asset:	1.5	1.5	1.5	1.3	1.1
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	23.7	22.0	20.7	23.2	27.3
2. Non-Interest Expense/ Gross Revenues	62.3	55.2	50.6	54.7	58.5
3. Non-Interest Expense/ Average Assets	1.1	1.1	0.9	0.9	0.9
4. Pre-impairment Op. Profit/ Average Equity	13.0	17.2	18.3	14.9	14.4
5. Pre-impairment Op. Profit/ Average Total Assets	0.69	0.86	0.89	0.70	0.64
6. Loans and securities impairment charges/ Pre-impairment Op. Pr(	2.3	28.6	34.1	36.3	37.6
7. Operating Profit/ Average Equity	12.7	12.3	12.1	9.5	9.0
8. Operating Profit/ Average Total Assets	0.67	0.61	0.59	0.45	0.40
9. Operating Profit / Risk Weighted Assets	2.1	1.9	1.8	1.5	1.2
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	8.7	14.4	14.3	6.5	6.3
2. Net Income/ Average Total Assets	0.47	0.71	0.70	0.31	0.28
3. Fitch Comprehensive Income/ Average Total Equity	6.1	16.1	15.5	8.5	10.0
4. Fitch Comprehensive Income/ Average Total Assets	0.33	0.80	0.75	0.40	0.44
5. Taxes/ Pre-tax Profit	31.0	20.4	23.2	31.3	29.6
6. Net Income/ Risk Weighted Assets	1.5	2.2	2.2	1.0	0.9
D. Capitalization					
1. Fitch Core Capital/ Risk Weighted Assets	14.4	14.1	13.3	13.6	11.5
2. Fitch Eligible Capital/ Risk Weighted Assets	16.2	15.9	15.2	15.9	13.6
3. Tangible Common Equity/ Tangible Assets	5.1	5.0	4.7	4.5	4.2
4. Tier 1 Regulatory Capital Ratio	16.9	17.2	17.7	18.5	16.7
5. Total Regulatory Capital Ratio	23.7	23.8	24.7	23.4	20.6
6. Core Tier 1 Regulatory Capital Ratio	13.6	13.8	13.6	n.a.	11.6
7. Equity/ Total Assets	5.4	5.3	4.9	5.0	4.4
8. Cash Dividends Paid & Declared/ Net Income	n.a.	26.4	21.4	33.0	16.1
9. Internal Capital Generation	8.7	10.0	10.9	4.2	5.2
E. Loan Quality					
1. Growth of Total Assets	(0.3)	4.8	15.3	(6.1)	9.4
2. Growth of Gross Loans	(2.2)	13.2	17.8	4.7	(2.6)
3. Impaired Loans/ Gross Loans	4.7	4.4	4.4	3.8	3.9
4. Reserves for Impaired Loans/ Gross Loans	1.6	1.5	1.6	1.4	1.2
5. Reserves for Impaired Loans/ Impaired Loans	33.1	34.4	35.5	36.7	31.1
6. Impaired loans less Reserves for Impaired Loans/Fitch Core Capit:	44.3	42.6	42.5	34.9	40.0
7. Impaired Loans less Reserves for Impaired Loans/ Equity	38.2	36.6	36.1	29.0	33.2
8. Loan Impairment Charges/ Average Gross Loans	0.0	0.4	0.5	0.5	0.4
9. Net Charge-offs/ Average Gross Loans	(0.0)	0.2	0.1	0.2	0.4
10. Impaired Loans + Forecl. Assets/ Gross Loans + Forecl. Assets	4.7	4.4	4.4	3.8	3.9
F. Funding and Liquidity					
1. Loans/ Customer Deposits	251	262	234	220	215
2. Interbank Assets/ Interbank Liabilities	84	92	105	159	65
3. Customer Deposits/ Total Funding (excluding derivatives)	31	30	31	31	29
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Aareal Bank AG
Reference Data

	31 Mar 2016 1st Quarter EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm	31 Dec 2013 Year End EURm	31 Dec 2012 Year End EURm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	0	0	n.a.	0	n.a.
2. Other off-balance sheet exposure to securitizations	0	0	n.a.	0	n.a.
3. Guarantees	0	23	26	120	273
4. Acceptances and documentary credits reported off-balance sheet	0	0	n.a.	0	n.a.
5. Committed Credit Lines	1,051	1,227	920	1,328	1,521
6. Other Contingent Liabilities	162	139	546	524	458
7. Total Assets under Management	0	0	n.a.	0	n.a.
B. Average Balance Sheet					
Average Loans	34,185	33,628	29,182	25,046	24,919
Average Earning Assets	49,471	51,235	46,637	40,736	41,895
Average Assets	51,866	52,351	48,147	44,310	44,337
Average Managed Securitized Assets (OBS)	0	0	n.a.	0	n.a.
Average Interest-Bearing Liabilities	47,490	48,161	44,315	41,020	41,023
Average Common equity	2,561	2,397	2,167	1,942	1,876
Average Equity	2,762	2,602	2,337	2,087	1,962
Average Customer Deposits	13,321	13,124	12,676	11,761	10,646
C. Maturities					
Asset Maturities:					
Loans & Advances < 3 months	0	0	n.a.	0	n.a.
Loans & Advances 3 - 12 Months	0	0	n.a.	0	n.a.
Loans and Advances 1 - 5 Years	0	0	n.a.	0	n.a.
Loans & Advances > 5 years	0	0	n.a.	0	n.a.
Debt Securities < 3 Months	0	0	n.a.	0	n.a.
Debt Securities 3 - 12 Months	0	0	n.a.	0	n.a.
Debt Securities 1 - 5 Years	0	0	n.a.	0	n.a.
Debt Securities > 5 Years	0	0	n.a.	0	n.a.
Loans & Advances to Banks < 3 Months	0	0	n.a.	0	n.a.
Loans & Advances to Banks 3 - 12 Months	0	0	n.a.	0	n.a.
Loans & Advances to Banks 1 - 5 Years	0	0	n.a.	0	n.a.
Loans & Advances to Banks > 5 Years	0	0	n.a.	0	n.a.
Liability Maturities:					
Retail Deposits < 3 months	0	0	n.a.	0	n.a.
Retail Deposits 3 - 12 Months	0	0	n.a.	0	n.a.
Retail Deposits 1 - 5 Years	0	0	n.a.	0	n.a.
Retail Deposits > 5 Years	0	0	n.a.	0	n.a.
Other Deposits < 3 Months	0	0	n.a.	0	n.a.
Other Deposits 3 - 12 Months	0	0	n.a.	0	n.a.
Other Deposits 1 - 5 Years	0	0	n.a.	0	n.a.
Other Deposits > 5 Years	0	0	n.a.	0	n.a.
Deposits from Banks < 3 Months	0	0	n.a.	0	n.a.
Deposits from Banks 3 - 12 Months	0	0	n.a.	0	n.a.
Deposits from Banks 1 - 5 Years	0	0	n.a.	0	n.a.
Deposits from Banks > 5 Years	0	0	n.a.	0	n.a.
Senior Debt Maturing < 3 months	0	0	n.a.	0	n.a.
Senior Debt Maturing 3-12 Months	0	0	n.a.	0	n.a.
Senior Debt Maturing 1- 5 Years	0	0	n.a.	0	n.a.
Senior Debt Maturing > 5 Years	0	0	n.a.	0	n.a.
Total Senior Debt on Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
Fair Value Portion of Senior Debt	0	0	n.a.	0	n.a.
Subordinated Debt Maturing < 3 months	0	0	n.a.	0	n.a.
Subordinated Debt Maturing 3-12 Months	0	0	n.a.	0	n.a.
Subordinated Debt Maturing 1- 5 Year	0	0	n.a.	0	n.a.
Subordinated Debt Maturing > 5 Years	0	0	n.a.	0	n.a.
Total Subordinated Debt on Balance Sheet	1,184	1,164	1,222	524	574
Fair Value Portion of Subordinated Debt	0	0	n.a.	0	n.a.
D. Risk Weighted Assets					
1. Risk Weighted Assets	16,658	16,709	15,492	13,150	14,513
2. Fitch Adjustments to Risk Weighted Assets	0	0	n.a.	0	n.a.
3. Fitch Adjusted Risk Weighted Assets	16,658	16,709	15,492	13,150	14,513
E. Equity Reconciliation					
1. Equity	2,779	2,744	2,423	2,150	2,017
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	300	300	300	300	300
3. Add: Other Adjustments	0	0	n.a.	0	n.a.
4. Published Equity	3,079	3,044	2,723	2,450	2,317
F. Fitch Eligible Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	2,779	2,744	2,423	2,150	2,017
2. Fair value effect incl in own debt/borrowings at fv on B/S- CC only	0	0	0	0	0
3. Non-loss-absorbing non-controlling interests	241	242	242	242	243
4. Goodwill	75	75	66	66	54
5. Other intangibles	49	51	44	41	36
6. Deferred tax assets deduction	19	19	16	16	13
7. Net asset value of insurance subsidiaries	0	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0	0
9. Fitch Core Capital	**2,395**	**2,357**	**2,055**	**1,785**	**1,671**
10. Eligible weighted Hybrid capital	300	300	0	0	0
11. Government held Hybrid Capital	0	0	300	300	300
12. Fitch Eligible Capital	**2,695**	**2,657**	**2,355**	**2,085**	**1,971**

Exchange Rate USD1 = EUR0.87D1 = EUR0.91D1 = EUR0.82D1 = EUR0.72D1 = EUR0.75790

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.