

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Q3 2013 results

TRUSTED
SINCE 1923
90
YEARS

November 12, 2013
Dr. Wolf Schumacher, CEO – Hermann J. Merkens, CFO



**Aareal Bank
Group**

Agenda

- Environment Q3 2013
 - Q3 2013 results at a glance
 - Segment performance
 - B/S structure, capital & funding position
 - Group figures Q3 2013
 - Asset quality
 - Outlook 2013
 - Midterm outlook

 - Appendix
 - Definitions and Contacts
-



Environment Q3 2013

Growth momentum: fundamental or liquidity driven?

Environment Q3 2013

- Different speed of recovery in Europe
- North American economic recovery faster than in Europe but substantial resolution of financial policy issues are still missing (e.g. tapering)
- Asian economies keep growing, China's economy accelerated slightly. However, further development still uncertain
- Sovereign crisis will only occasionally affect markets
- Central Banks still lender of last resort / monetary policy still expansive
- Start of European Supervisory Authorities (ESA) will strengthen the banking system
- Continued very low interest rate levels will help to stabilise sovereign crisis and European economies but burdens the net interest income

- **As CRE-lending business is “the” remaining segment for high margins, competition is increasing in core markets**
- **Institutional housing industry remains stable**



Q3 2013 results at a glance



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Q3 2013 results at a glance

Good development in 2013

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Comments
€ mn						
Net interest income	133	126	121	116	119	<ul style="list-style-type: none"> Further NII improvement due to sound CRE lending margins and lower funding costs, despite high cash position: Ø Q3 '13: € 4.4 bn (Ø Q2 '13: € 4.5 bn / Ø Q3'12: € 4.2 bn)
Net loan loss provisions	29	28	17	39	30	<ul style="list-style-type: none"> Within normal quarterly variation FY: lower end of range expected
Net commission income	40	39	38	50	39	<ul style="list-style-type: none"> Aareon on track Q4 with regular seasonal effects
Net result from trading/ non-trading/ hedge accounting	1	0	2	13	5	<ul style="list-style-type: none"> Reflecting market volatility
Admin expenses	94	90	92	88	90	<ul style="list-style-type: none"> Slightly above guided range due to LTIP, reg. projects and Incit
Operating profit	48	45	47	46	42	<ul style="list-style-type: none"> Positive development continues



Segment performance

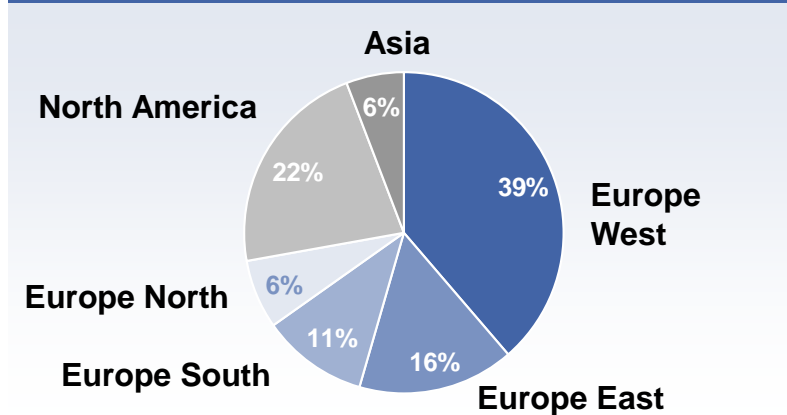


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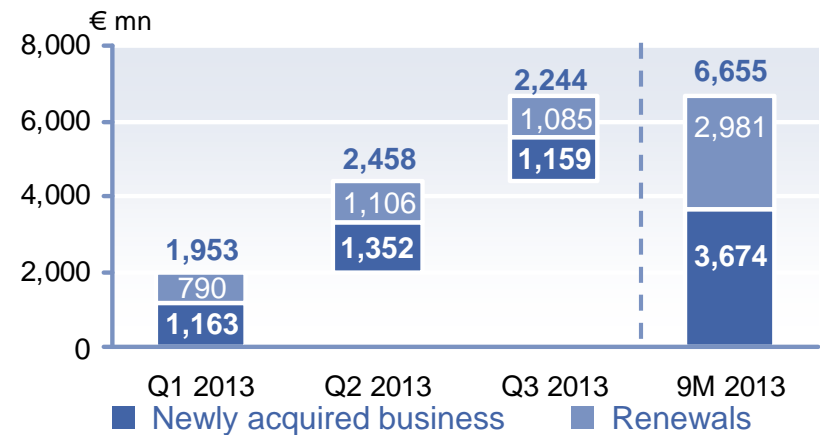
Structured property financing

New business origination compensating high repayments

New business by region 9M 2013¹⁾



New business origination



P&L SPF Segment	Q3 '13	Q2 '13	Q1 '13	Q4 '12	Q3 '12
€ mn					
Net interest income	131	124	118	113	114
Loan loss provision	29	28	17	39	30
Net commission income	2	3	2	5	6
Net result from trading / non-trading / hedge accounting	1	0	2	13	5
Admin expenses	50	47	50	44	51
Others	-3	-2	-4	-4	-2
Operating profit	52	50	51	44	42

1) Incl. renewals

- New target > € 8 bn (org. target: € 6 bn - € 7 bn)
- Higher repayments driven by more liquidity in the markets are compensated by higher new business origination
- Increasing competition in core markets / for prime locations
- Targeted CRE book end 2013: ~ € 25 bn



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Consulting / Services

Solid in IT & volumes – weak in deposit margins

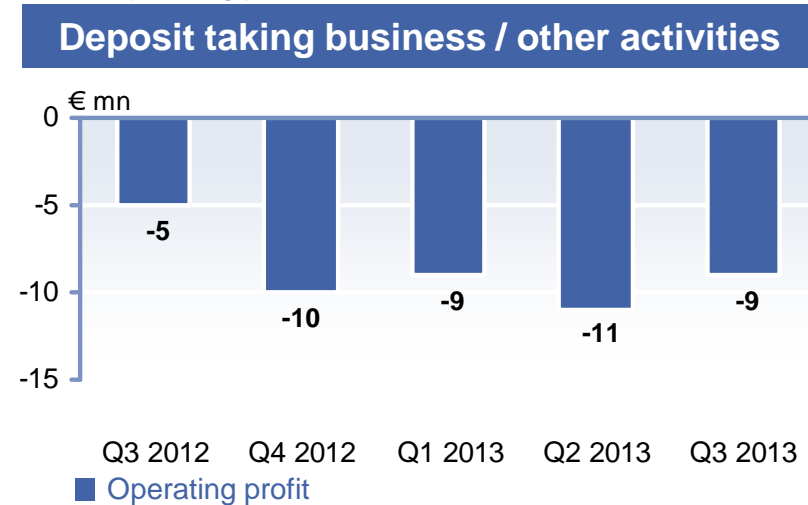
P&L C/S Segment (industry format)	Q3 '13	Q2 '13	Q1 '13	Q4 '12	Q3 '12
€ mn					
Sales revenue	46	44	44	54	44
Own work capitalised	1	1	1	1	0
Changes in inventory	0	0	0	0	0
Other operating income	1	1	0	1	1
Cost of material purchased	6	5	5	5	5
Staff expenses	30	29	29	31	27
D, A, impairment losses	4	4	3	4	3
Results at equity acc. investm.	-	-	-	-	-
Other operating expenses	12	13	12	14	10
Results from interest and similar	0	0	0	0	0
Operating profit	-4	-5	-4	2	0

- Aareon on track
- Interest rate environment burdens segment results
- Under a group perspective the housing industry deposits have a strategic importance as additional source of funding for the lending business
- Stable deposit volume of the housing industry:
 - Ø Q3 '13: € 7.1 bn
 - Ø Q2 '13: € 7.2 bn
 - Ø Q3 '12: € 5.8 bn



Consulting / Services

Deposit taking business burdens segment performance

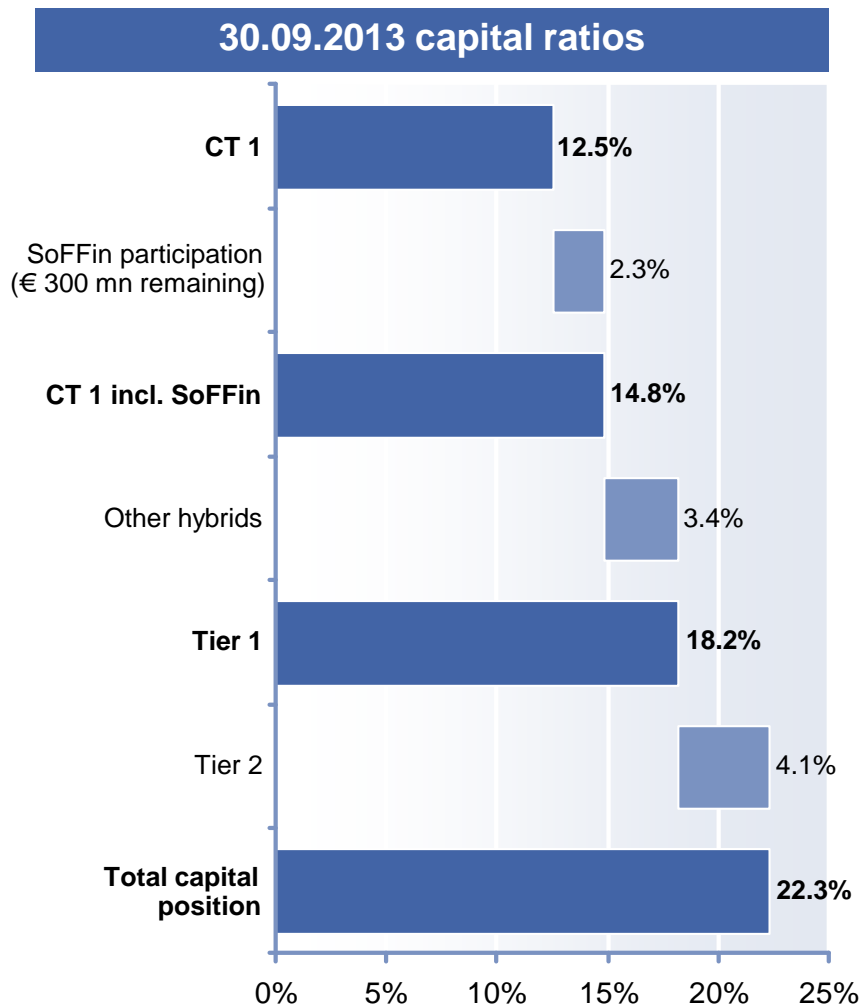


B/S structure, capital & funding position



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Strong capital ratios & stable capital structure



- 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 further capital increase
- Leverage ratio acc. to QIS (30.06.2013)
 - 3.9% (CT 1 excl. SoFFin)
 - 4.6% (CT 1 incl. SoFFin)
- Bail-in capital ratio of 9% (acc. to our definition)
- Total capital position incl. § 340f (HGB¹⁾-reserve recognised as Tier II helping to absorb potential intra-year adverse market development of GIIPS countries.

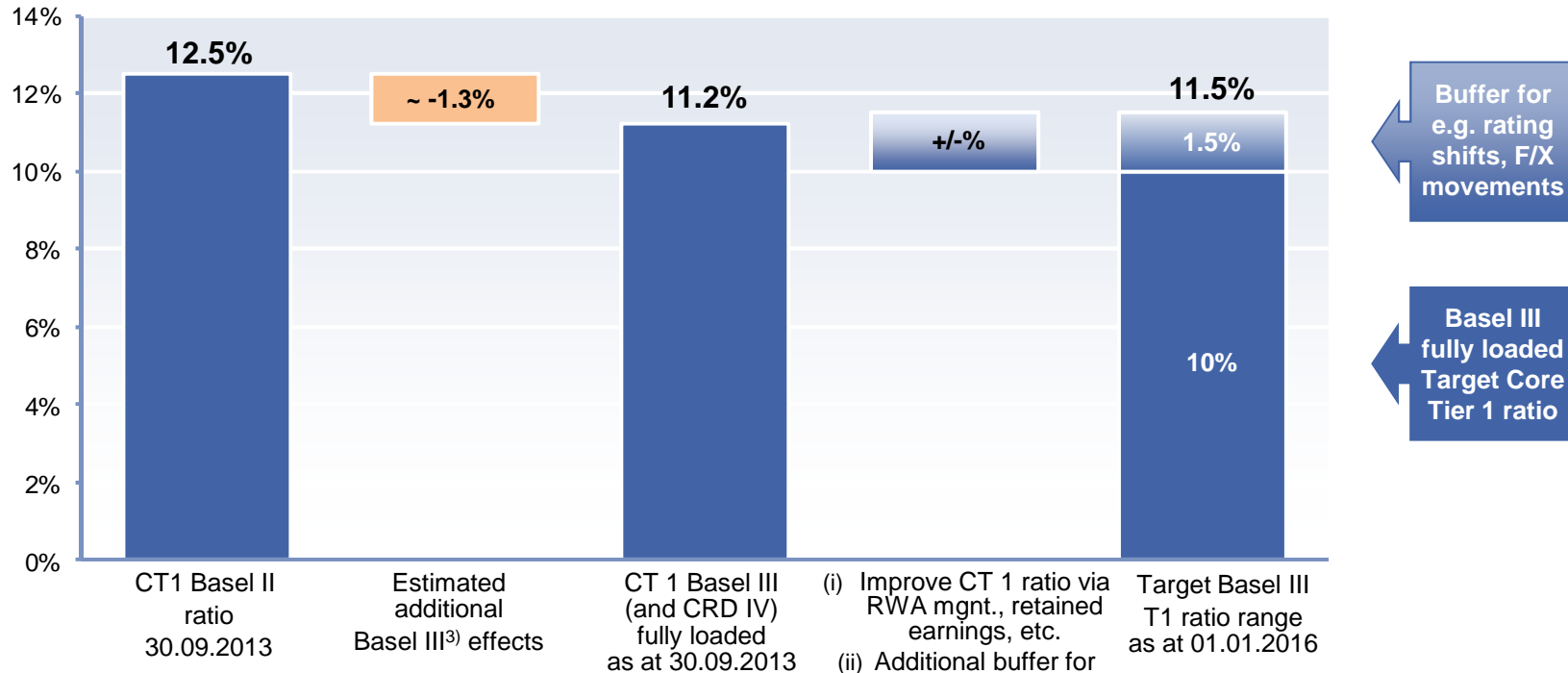
1) HGB (Handelsgesetzbuch) = German-GAAP



Core Tier 1 under Basel III fully loaded¹⁾

Target Tier 1 as at 01.01.2016: 11.5%

Simulation: estimated Basel III effects per 30.09.2013²⁾



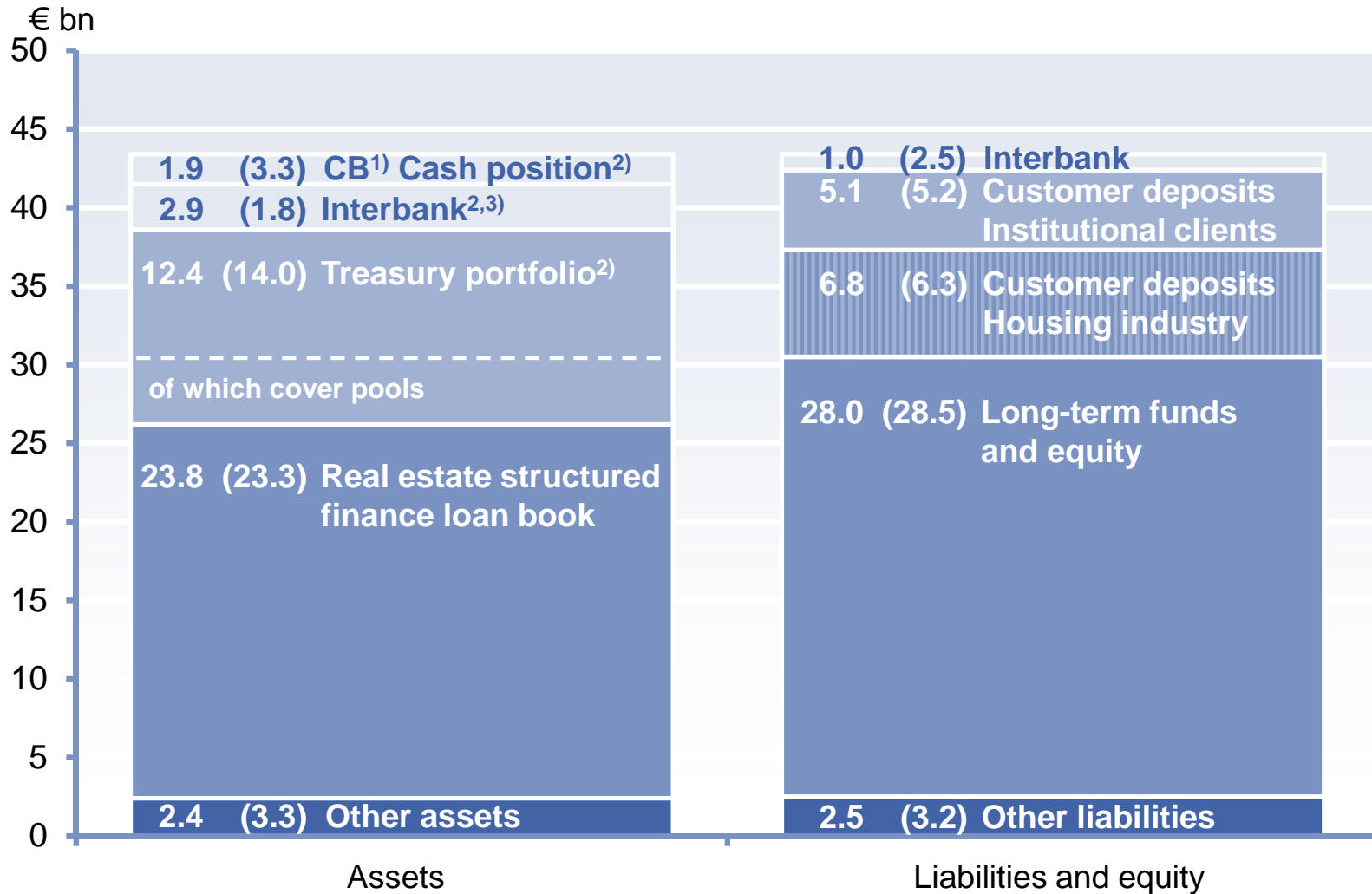
- (i) Improve CT 1 ratio via RWA mgnt., retained earnings, etc.
- (ii) Additional buffer for further deterioration of Southern European markets and regulatory framework volatility
- (iii) to be replaced partly by AT 1 over time depending on market conditions and requirements

1) ex SoFFin and ex Basel II-hybrids
 2) Actual figures may vary significantly from estimates
 3) Estimated impact of Basel III and CRD IV implementation and related effects



Asset- / Liability structure according to IFRS

As at 30.09.2013: € 43.4 bn (31.12.2012: € 45.7 bn)



1) CB: Central banks

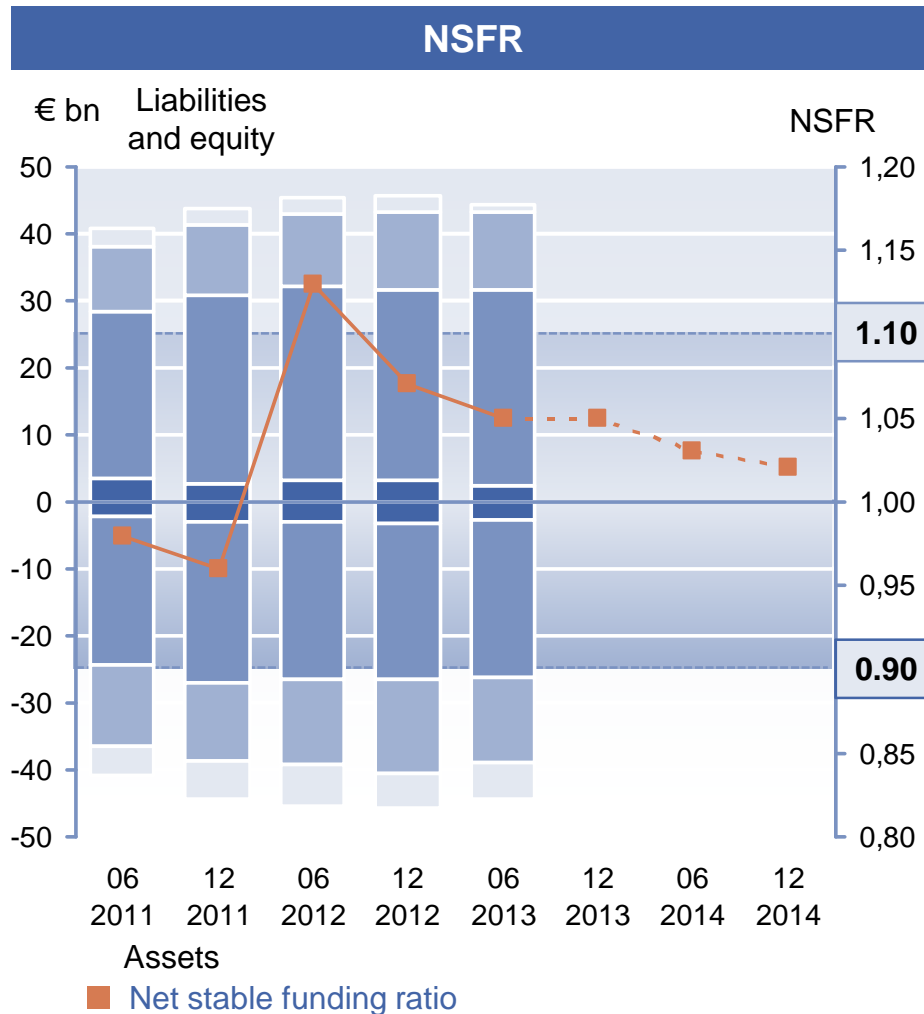
2) Liquidity position clearly exceeds 15% of the total balance sheet. This includes unencumbered ECB-eligible assets, available excess cash at other banks as well as highly liquid government securities

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



Net stable funding- / Liquidity coverage ratio

Fulfilling Basel III requirements



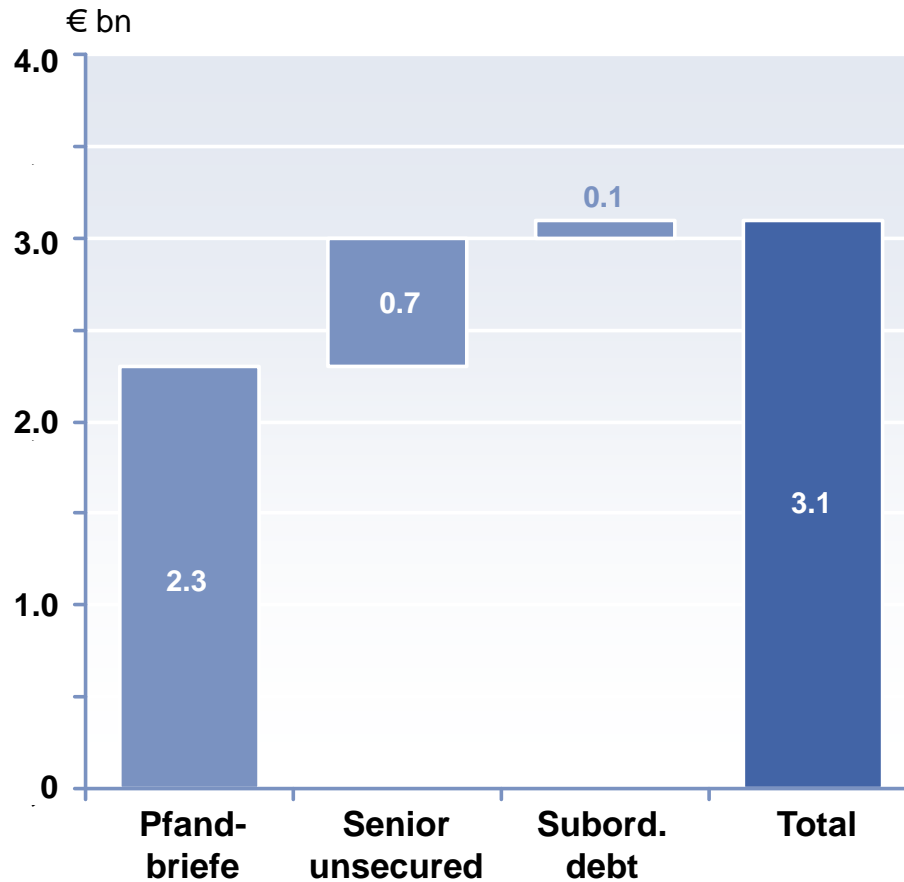
- Aareal Bank already fulfils future requirements
 - NSFR > 1.0
 - LCR >> 1.0
- Basel III and CRD IV require specific liquidity ratios starting end 2018
- NSFR (net stable funding ratio) reflects long term funding situation
- LCR (liquidity coverage ratio) reflects short term liquidity
- High NSFR ratio reflects successful funding activities



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Refinancing situation 2013

Successful funding activities



Total funding of € 3.1 bn in 9M 2013

- Pfandbriefe:
 - € 2.3 bn
 - thereof two benchmark mortgage Pfandbriefe:
 - € 625 mn and € 500 mn
 - thereof one foreign currency mortgage Pfandbrief:
 - £ 200 mn
- Senior unsecured:
 - € 0.7 bn
- Additional subordinated debt (LT2):
 - € 0.1 bn

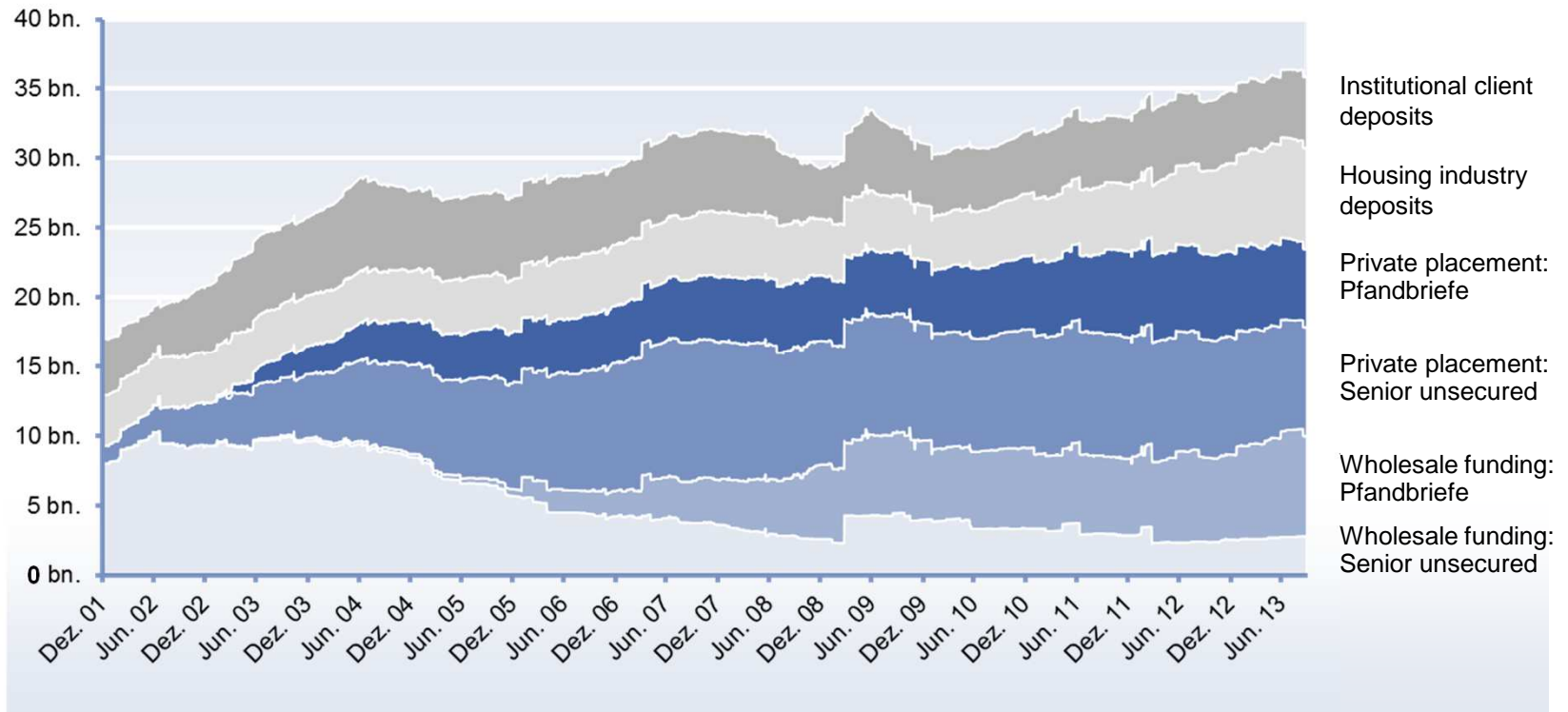
Current trends

- Continuous demand for all types of products



Refinancing situation

Diversified funding sources and distribution channels



- Aareal Bank has clearly reduced its dependency on wholesale funding
- 2002 long term wholesale funding accounted for 47% of overall funding volumes – by 30.09.2013, this share has fallen below 28% (or even below 10% without Pfandbriefe)

As at 30.09.2013



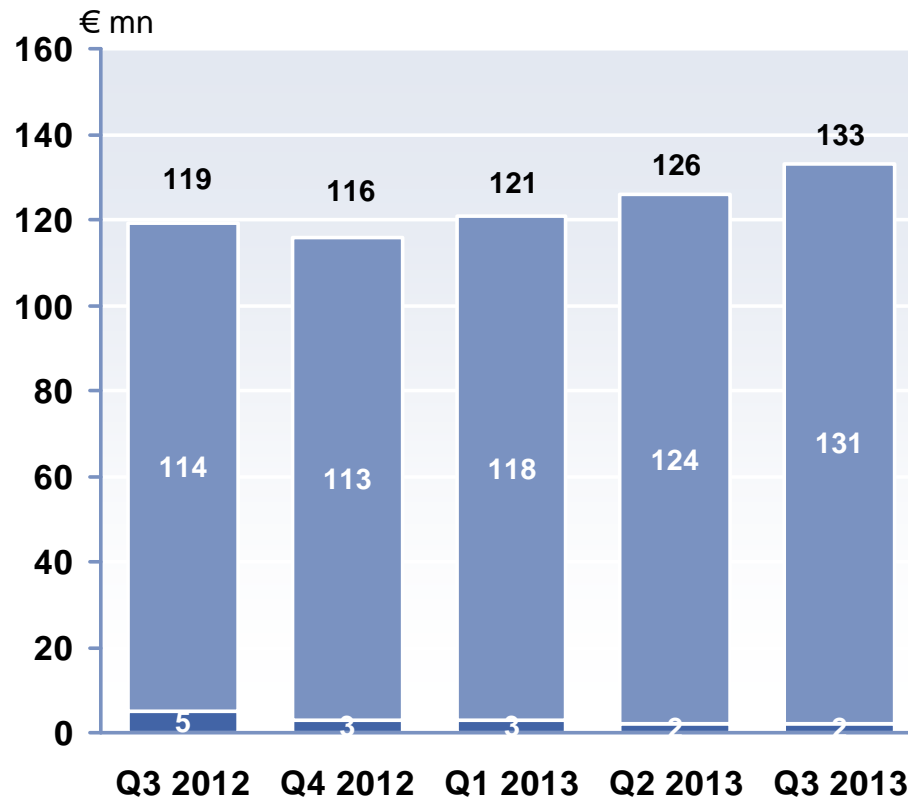
Group figures Q3 2013



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Net interest income

NII picking up further



- Sound margins from the CRE business and lower funding costs pushing the NII, 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 Q3: € 4.4 bn)
- NII Consulting / Services further burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements

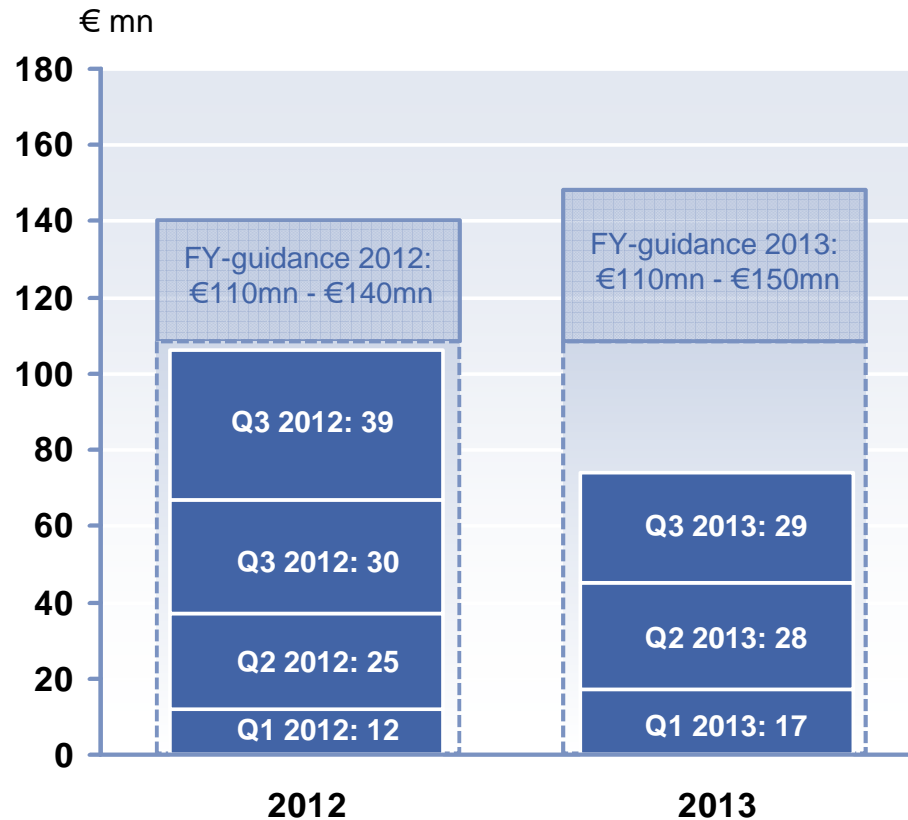
■ NII Structured Property Financing
 ■ NII Consulting / Services



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Loan loss provisions

Within normal quarterly variation



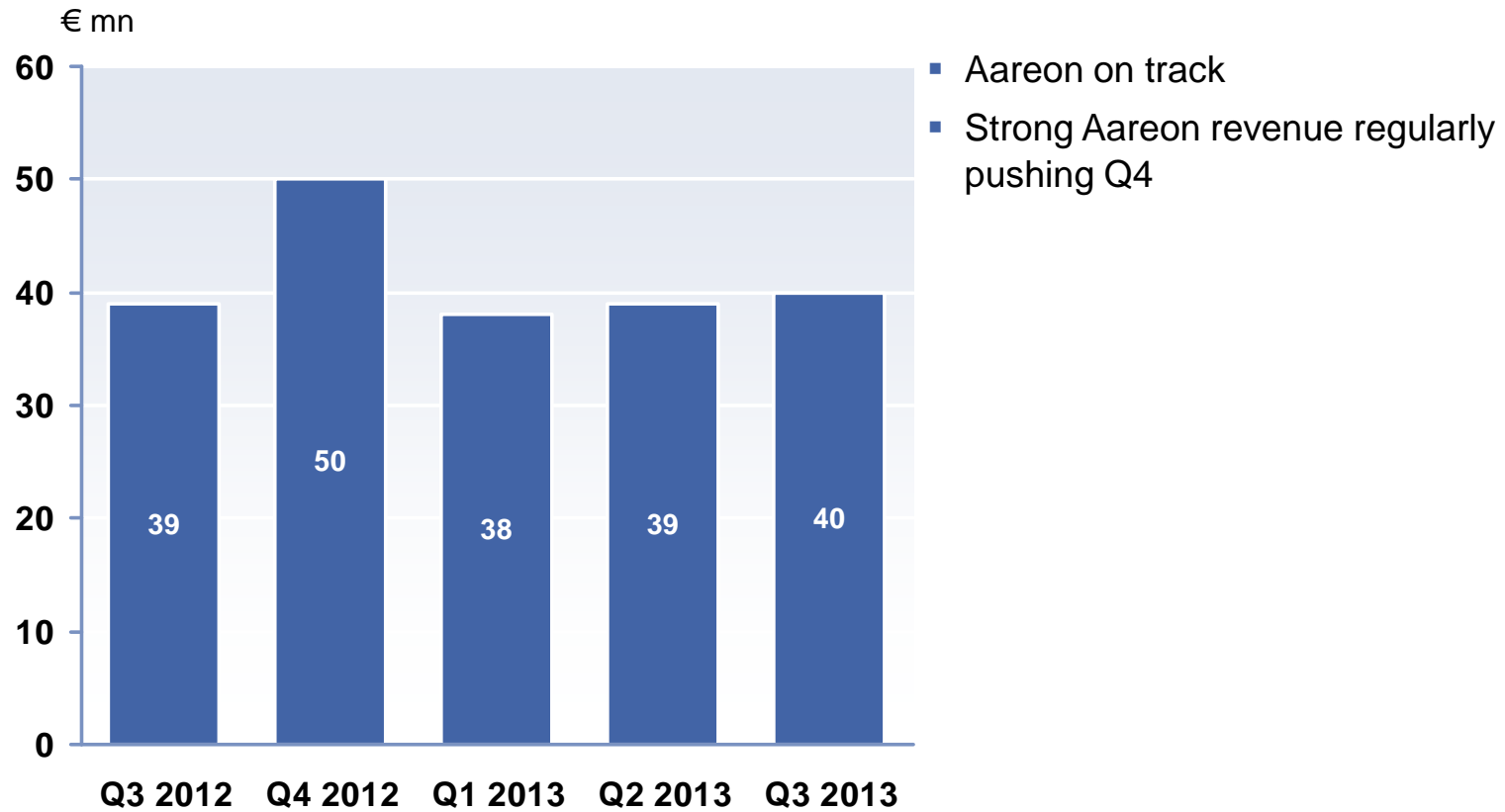
- Close monitoring of the loan portfolio and successful restructuring efforts resulted in only 44 bp risk costs on average loan book in 2012
- Q3-LLP of € 29 mn
 - (€ 11 mn) general allowances allocated to specific loans “switched” to specific allowances (P/L neutral)
 - + € 34 mn new specific allowances
 - - € 5 mn general allowances (released)
- Originally wider FY-range due to expected portfolio growth and recessive economies: € 110 mn - € 150 mn
- As of today: lower end expected

■ FY guidance



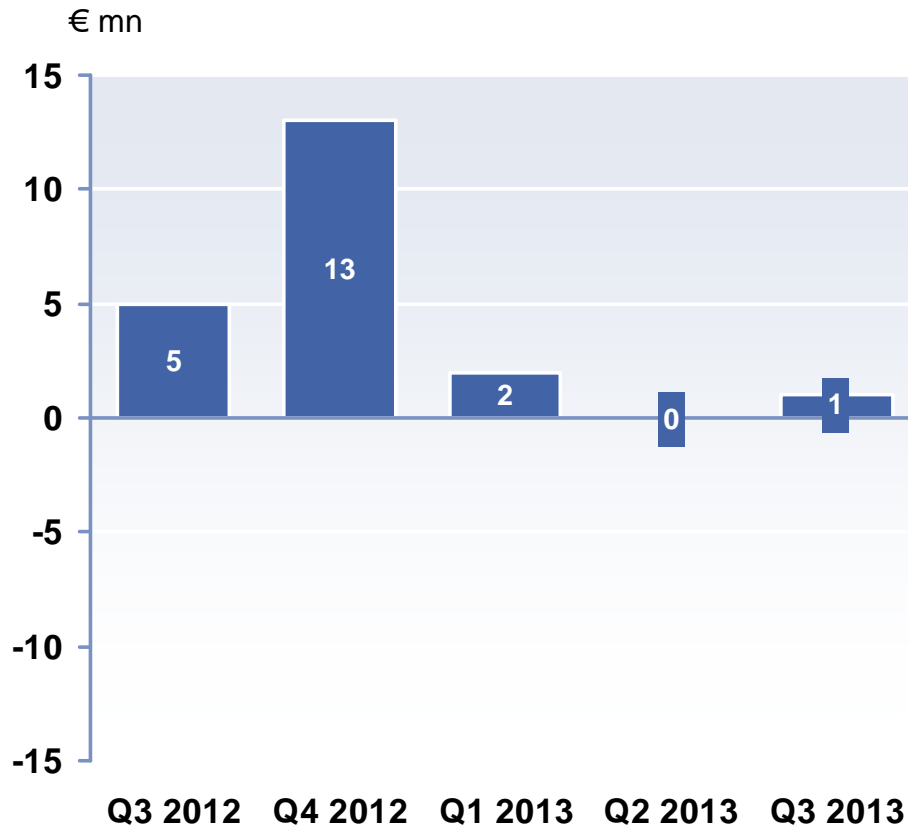
Net commission income

Within expectation



Net result: trading/non trading/hedge accounting

Result reflects volatile markets

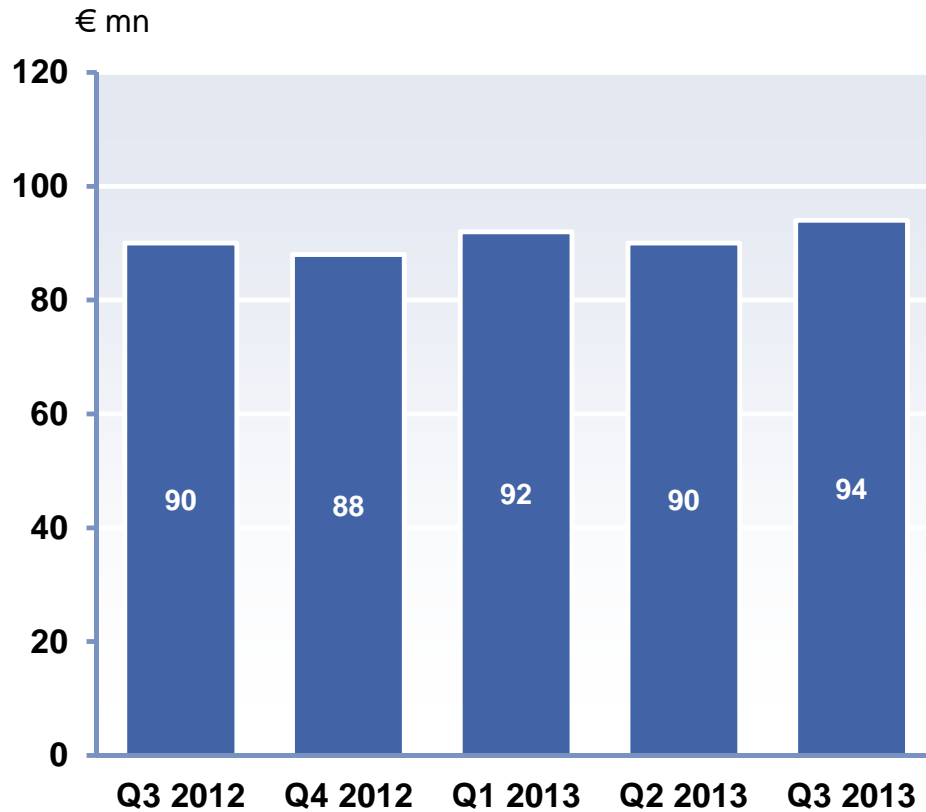


- High market volatility reflected in net result from trading, non-trading and hedge accounting



Admin expenses

Slightly higher than expected



- Positive effects from efficiency measures (carried out in the previous years)
- Provisions for long-term incentive plan reflecting the share price development
- Regulatory projects
- Acquisition of Incit AB



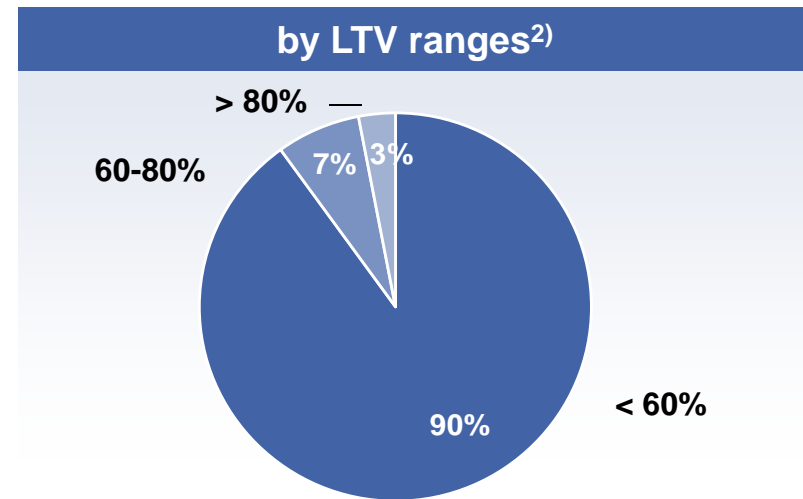
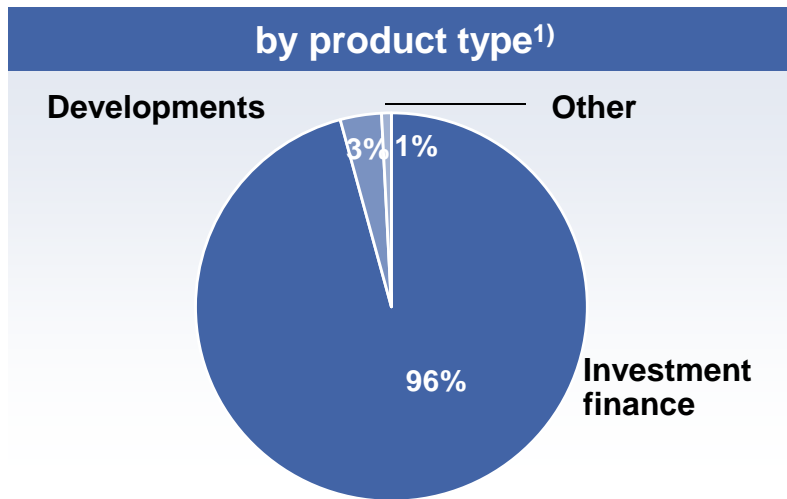
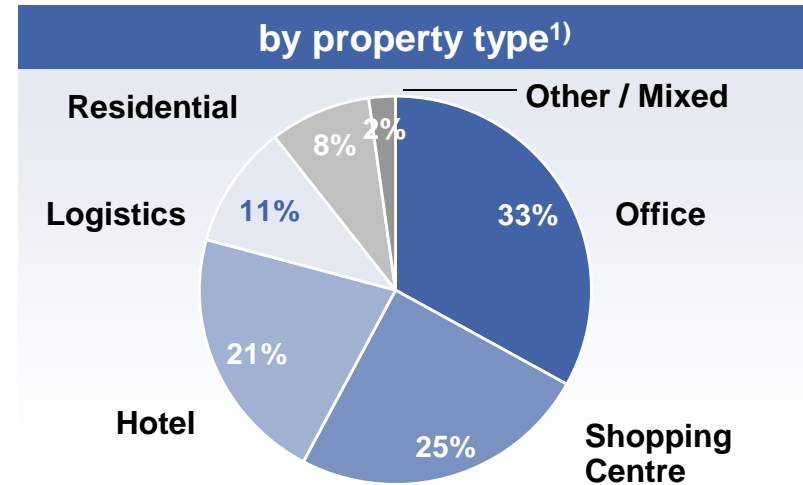
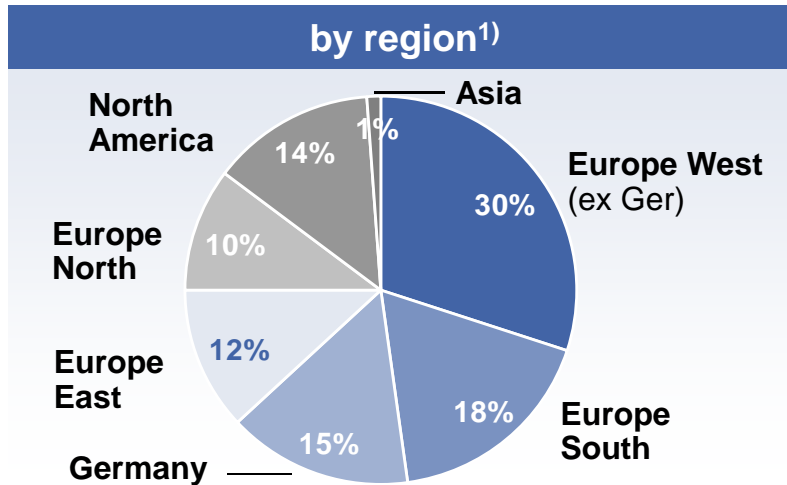
Asset quality



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Total property finance portfolio

High diversification and sound asset quality



1) Total volume under management: € 23.9 bn as at 30.09.2013
(consisting of € 23.7 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 30.09.2013



Aareal Bank Group

Total property finance portfolio

Continuing conservative approach

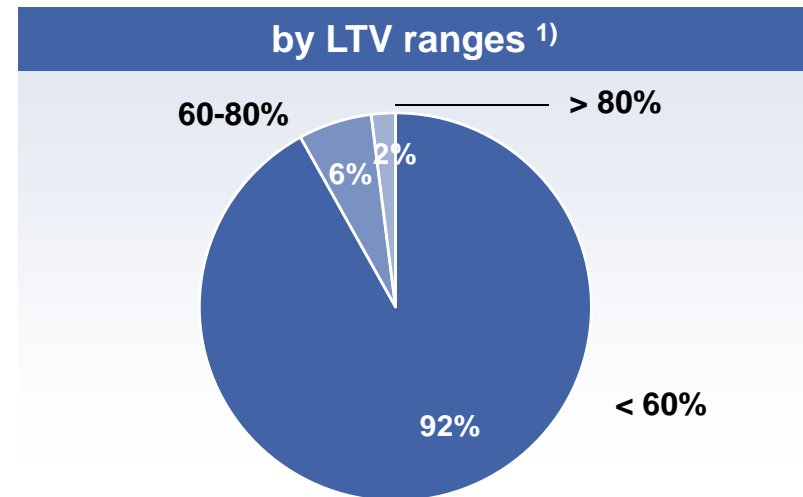
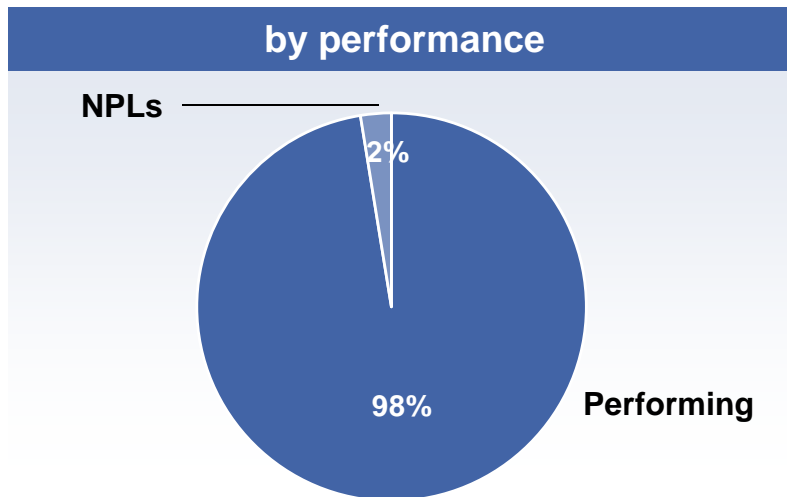
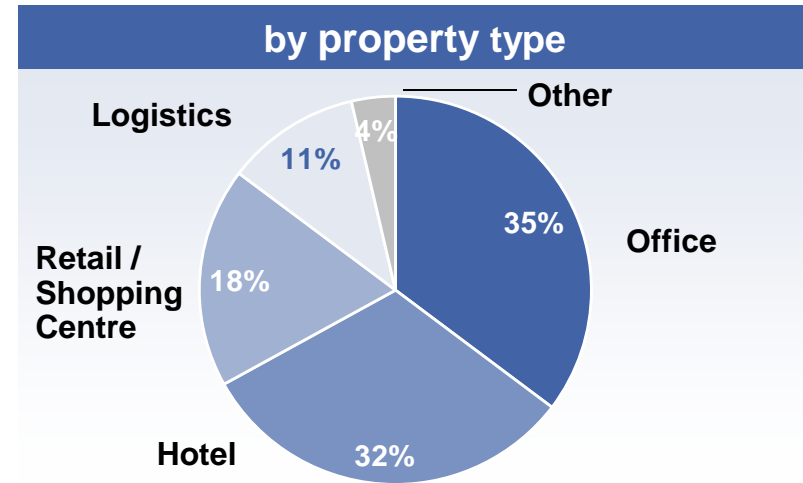
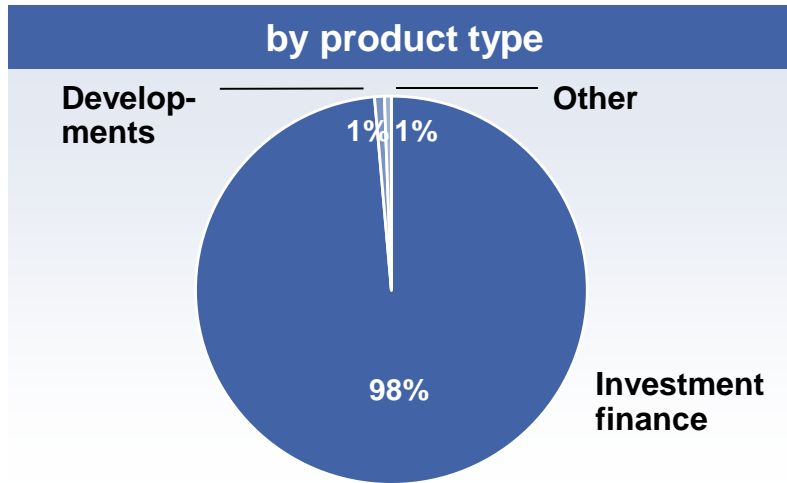
NPL- and LLP development			
	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances ²⁾
€ mn			
As at 31.12.2012	827	227	91
Utilisation 9M 2013	-271	-55	-16
Addition 9M 2013	192	90	-
As at 30.09.2013	748	262	75
Coverage ratio specific allowances		35.0%	
		262	75
As at 30.09.2013	748	337	
Coverage ratio incl. portfolio allowances		45.1%	

- 1) Incl. property finance portfolio still on DEPFA's balance sheet
- 2) Portfolio allowances mainly reflect Basel II expected losses which are calculated on the bases of specific loans in most cases



Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 30.09.2013: € 7.2 bn

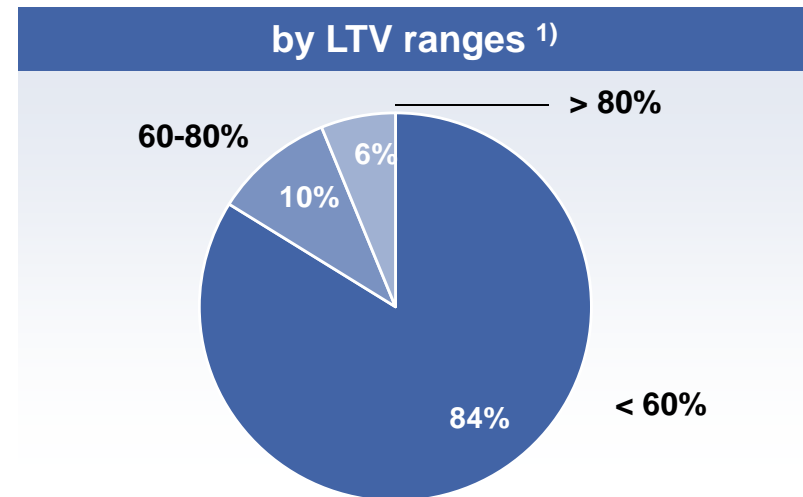
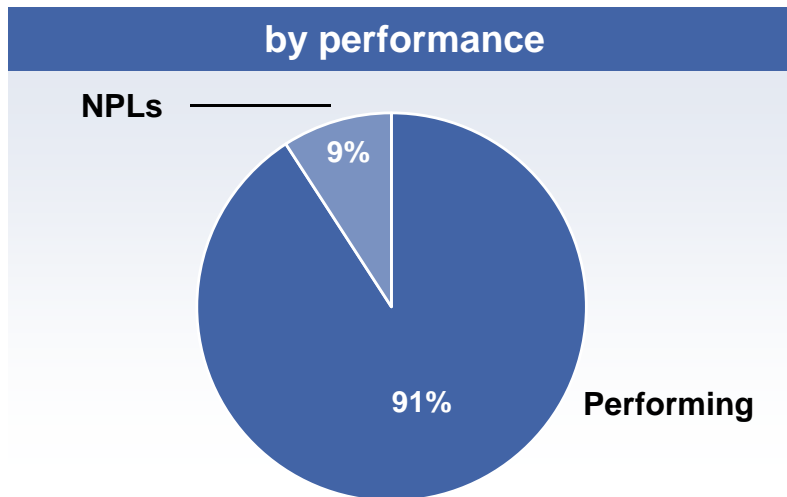
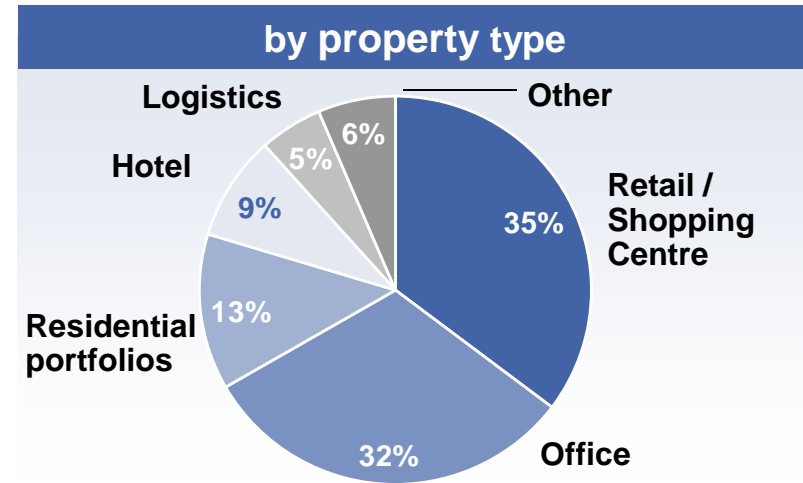
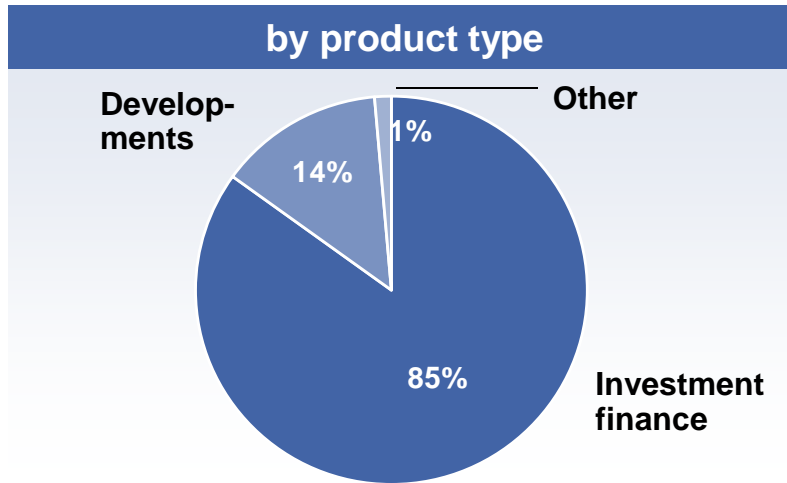


1) Performing business only, exposure



Southern Europe credit portfolio

Total volume outstanding as at 30.09.2013: € 4.2 bn

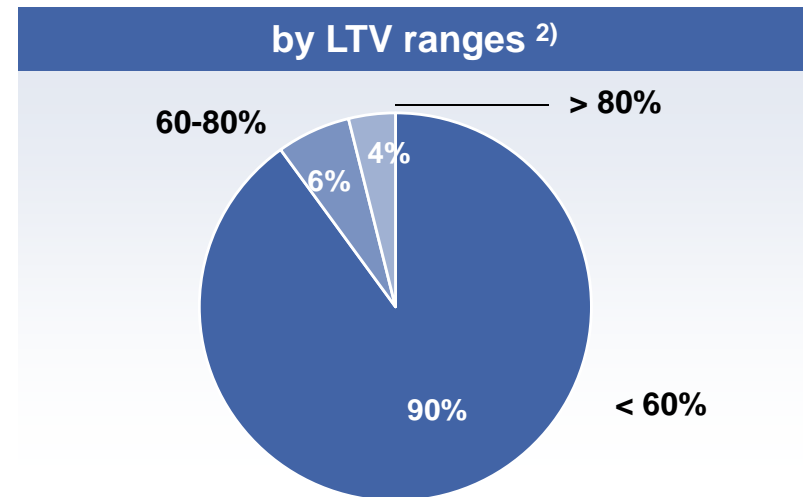
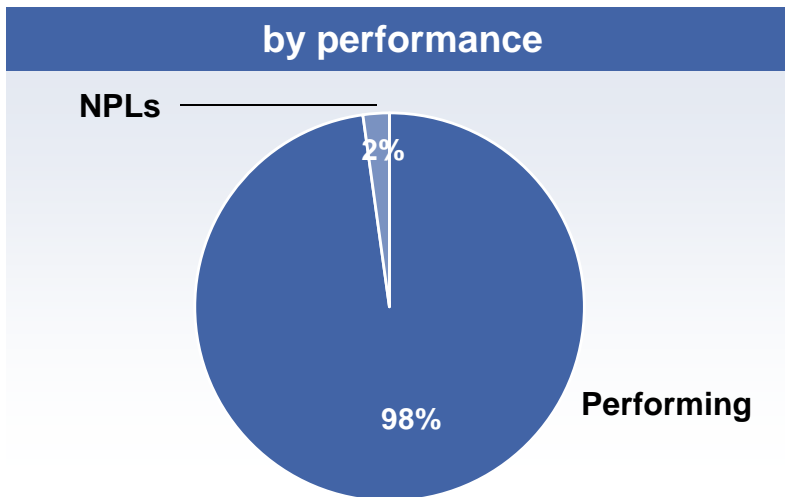
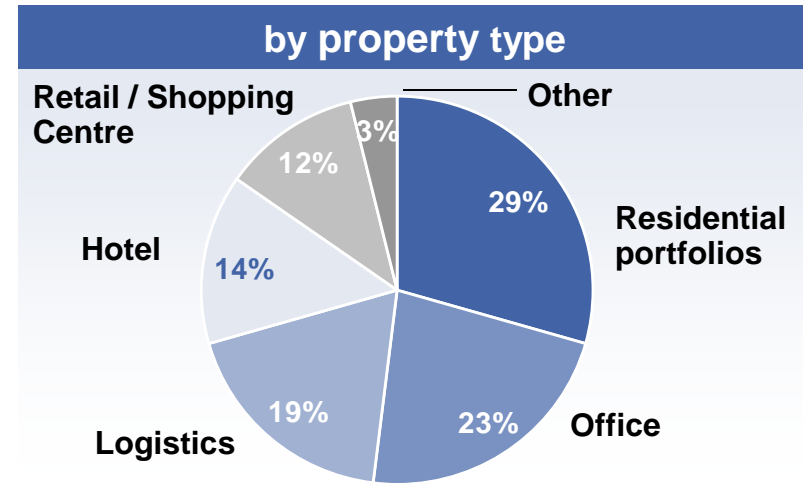
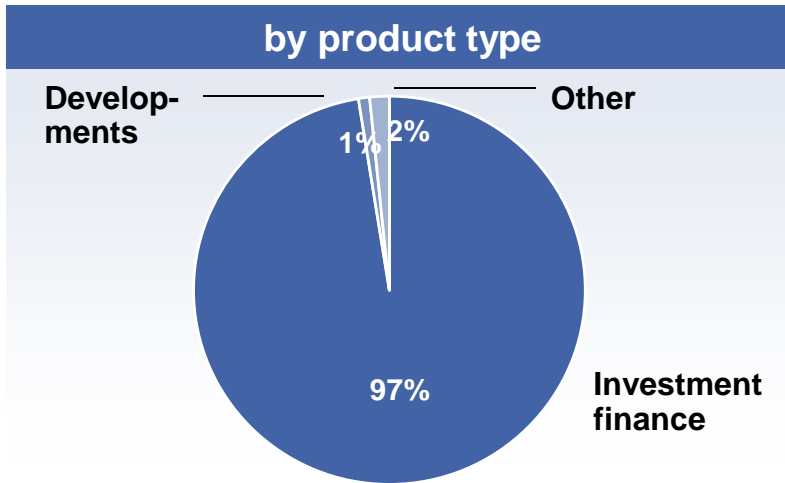


1) Performing business only, exposure



German credit portfolio

Total volume outstanding as at 30.09.2013: € 3.7 bn¹⁾

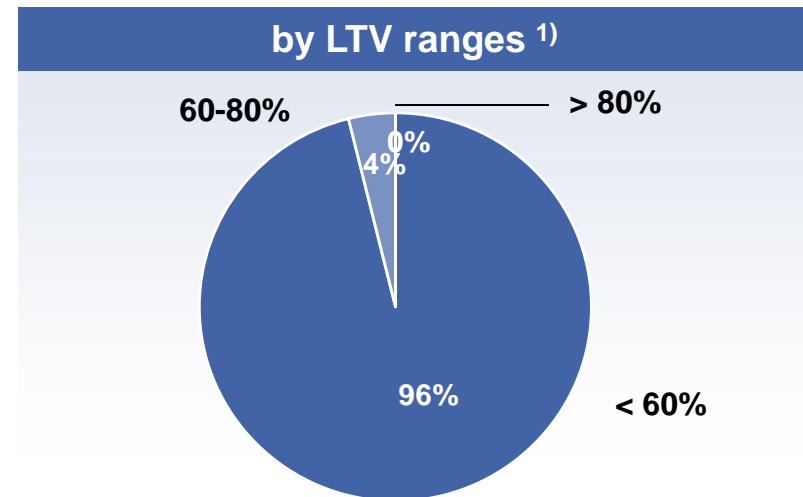
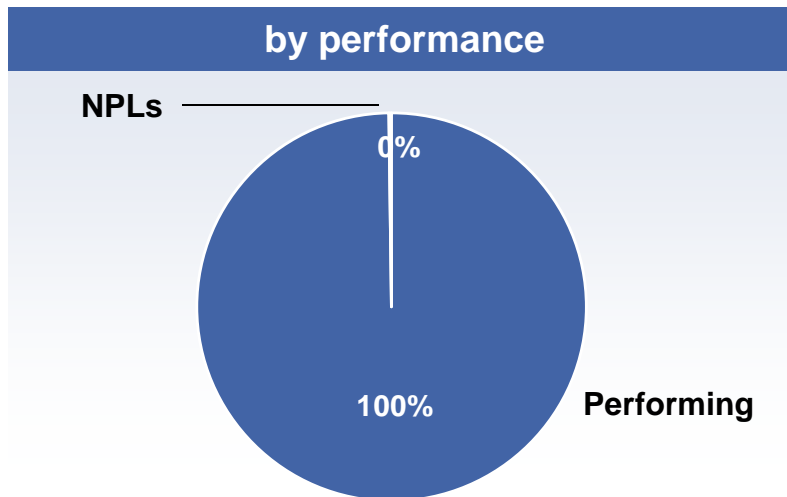
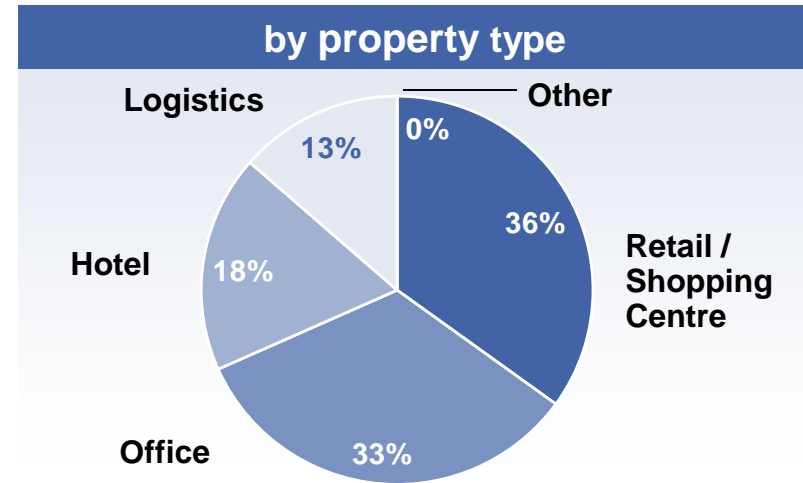
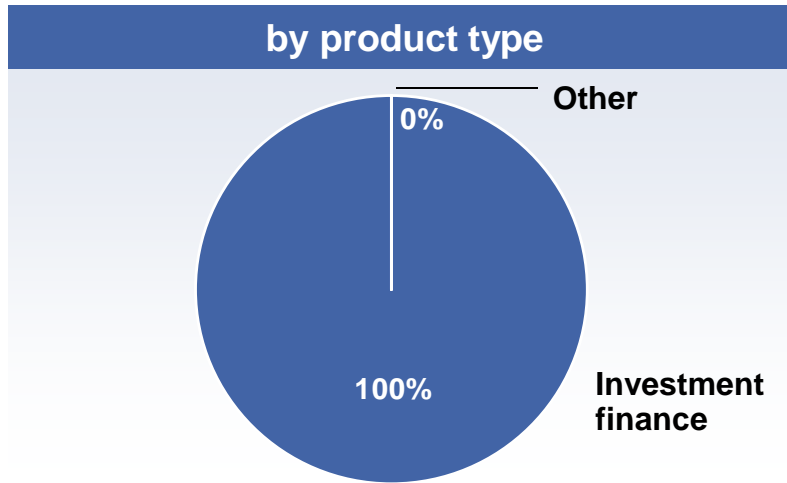


1) Including € 0.2 bn property loans managed on behalf of Deutsche Pfandbriefbank AG
 2) Performing business only, exposure



Eastern Europe credit portfolio

Total volume outstanding as at 30.09.2013: € 2.9 bn

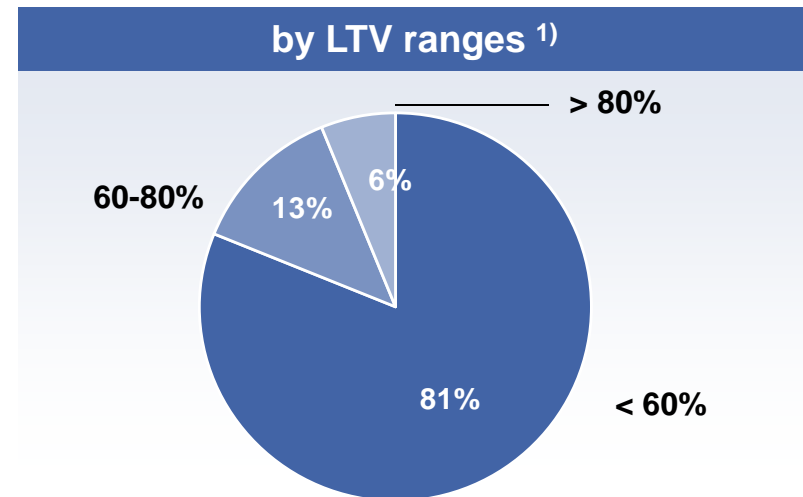
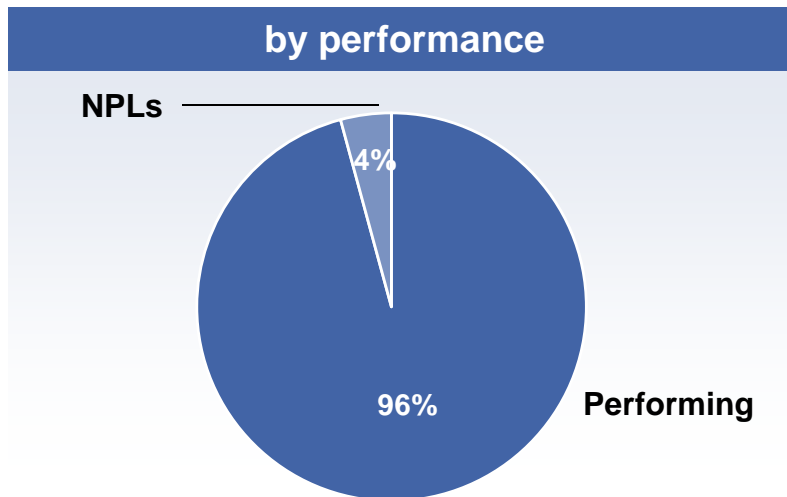
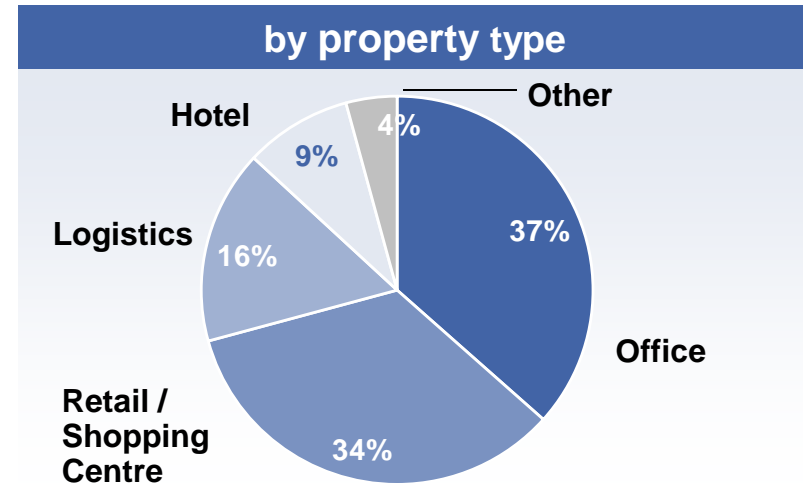
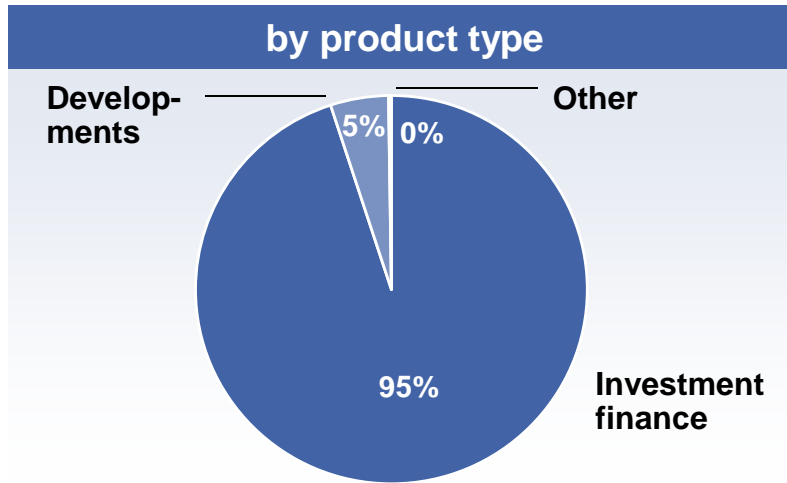


1) Performing business only, exposure



Northern Europe credit portfolio

Total volume outstanding as at 30.09.2013: € 2.4 bn

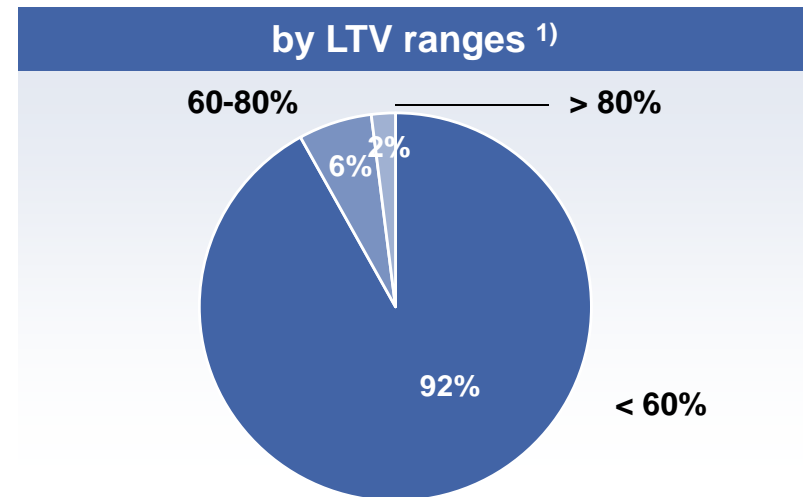
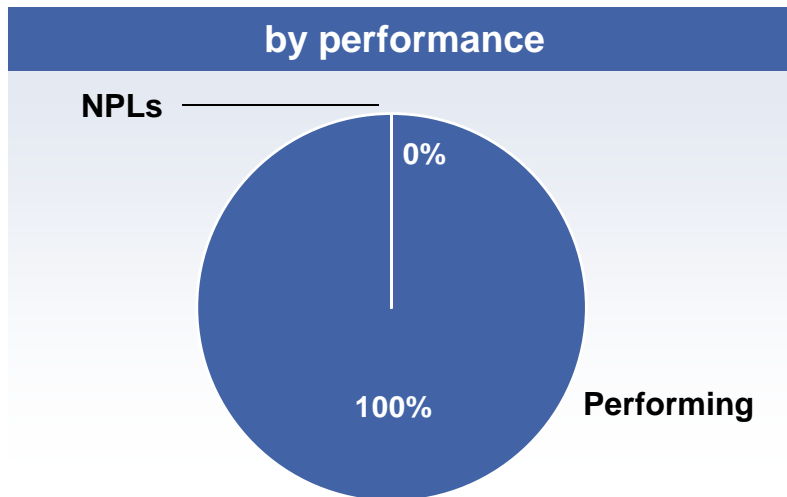
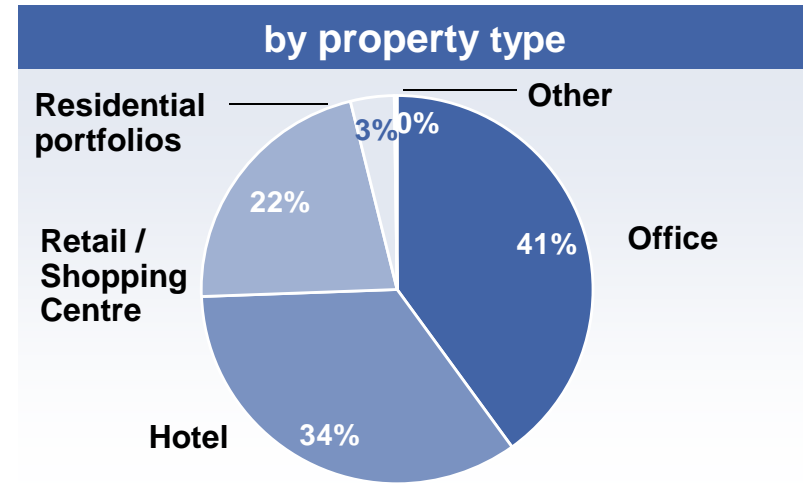
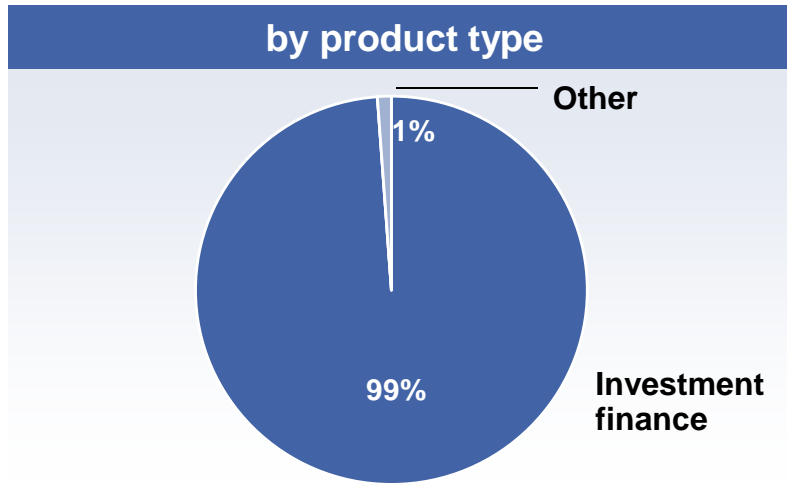


1) Performing business only, exposure



North America credit portfolio

Total volume outstanding as at 30.09.2013: € 3.2 bn

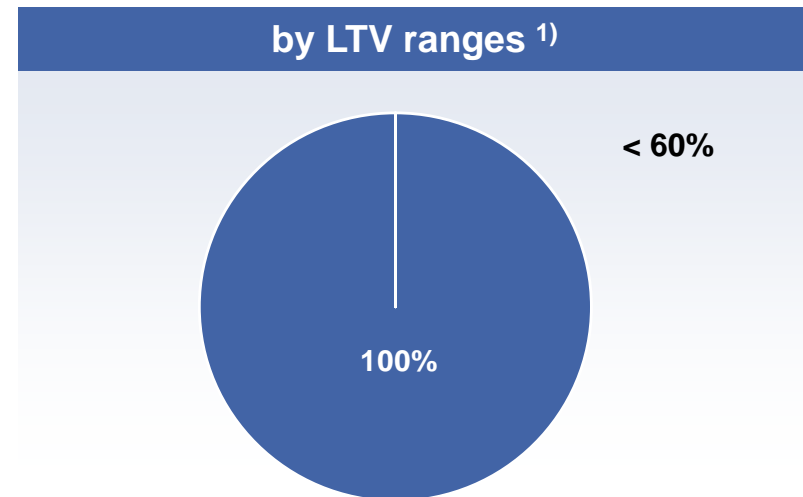
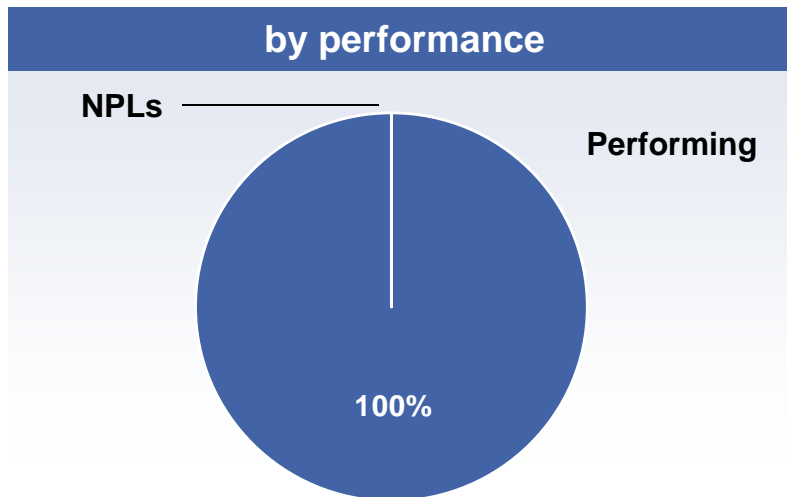
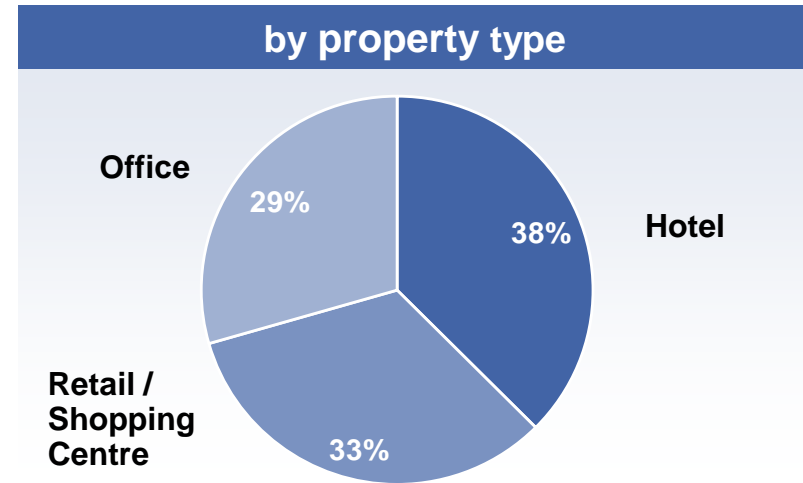
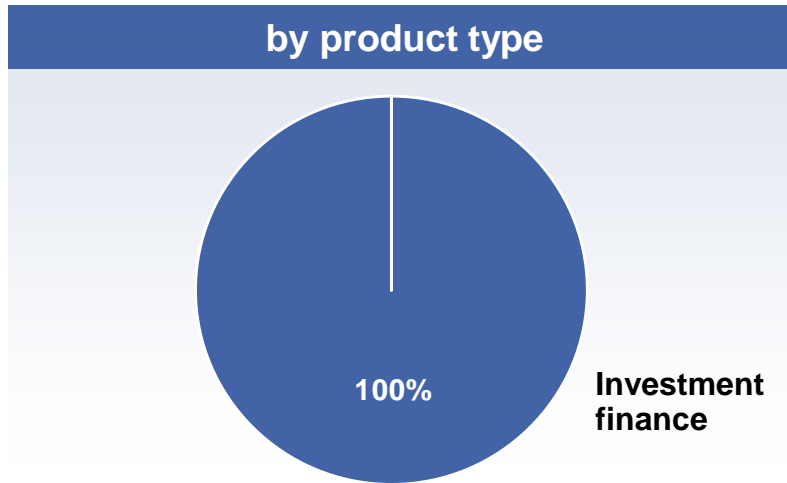


1) Performing business only, exposure



Asia credit portfolio

Total volume outstanding as at 30.09.2013: € 0.3 bn

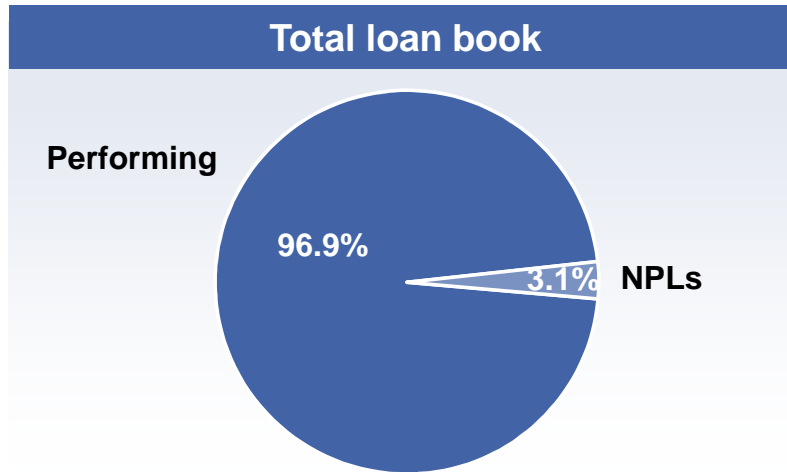


1) Performing business only, exposure



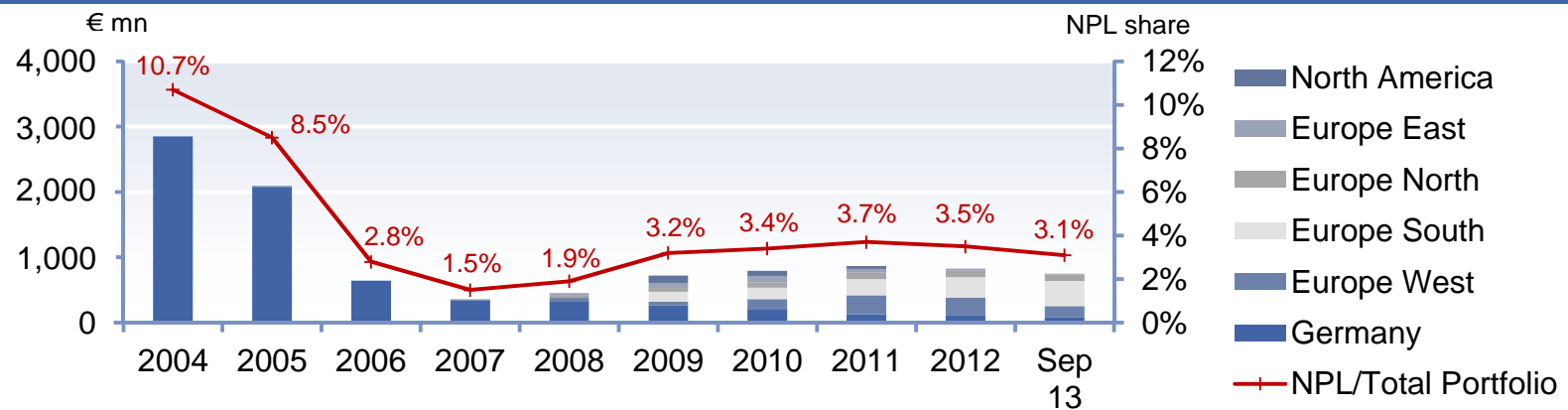
Total property finance portfolio

€ 23.9 bn of high quality real estate assets



	Nominal (in mn €)	Average LTV	NPLs (in mn €)
Greece	-	-	-
Ireland	-	-	-
Italy	3,148	66.9%	296
Portugal	-	-	-
Spain	1,061	88.0%	92

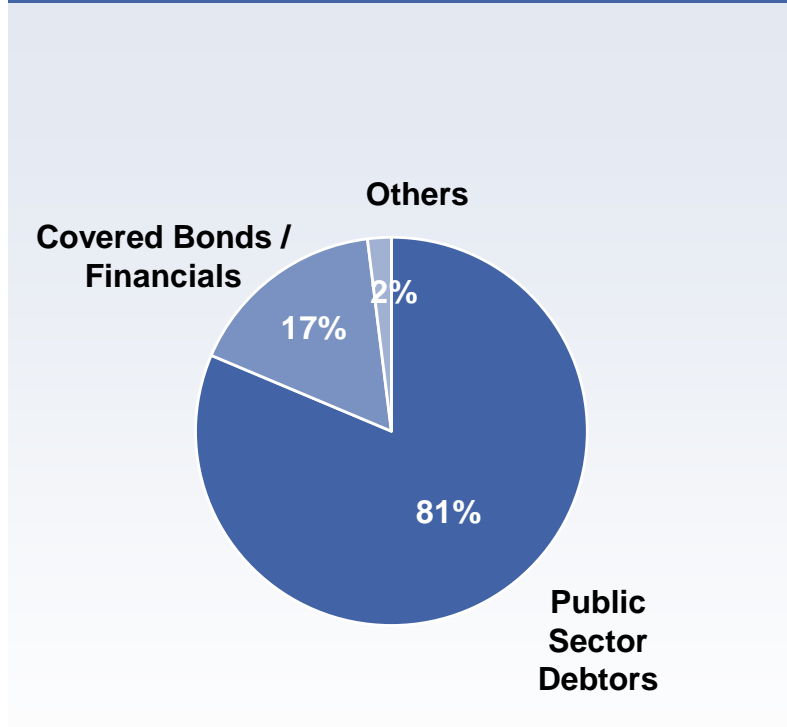
NPL and NPL-ratio (since 12.2004)



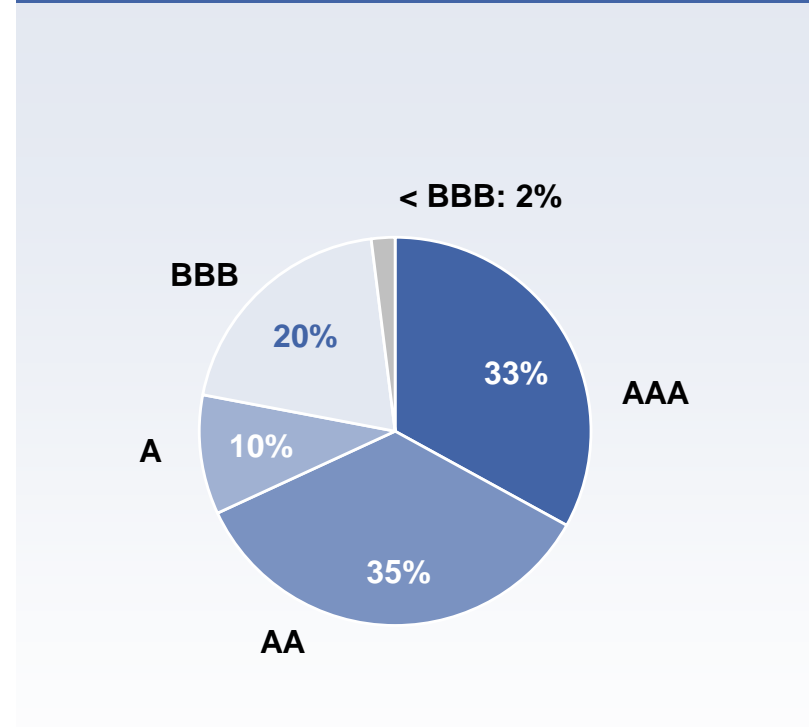
Treasury portfolio

€ 10.9 bn of high quality and highly liquid assets

by asset class



by rating ¹⁾



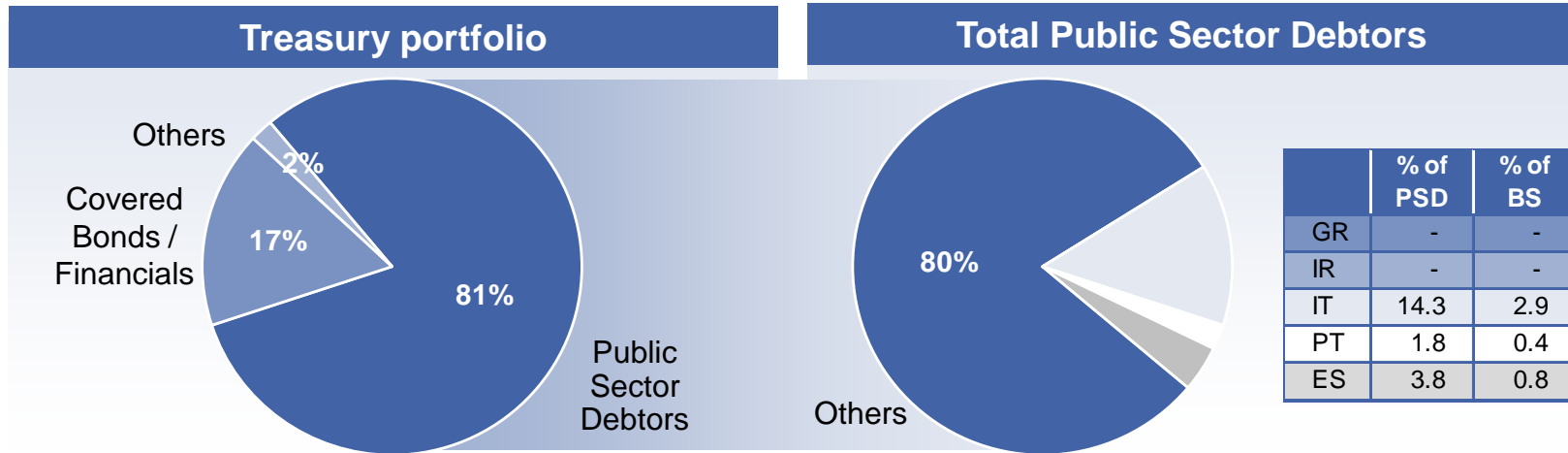
As at 30.09.2013 – all figures are nominal amounts

1) Composite Rating



Treasury portfolio

€ 8.8 bn Public Sector Debtors



Sovereign			
€ mn	Nominal	Revaluation reserve ²⁾	Hidden reserves / burdens ³⁾
Greece	-	-	-
Ireland	-	-	-
Italy	1,269	-71	-155
Portugal	100	-13	-
Spain	-	-	-

Sub-Sovereign ¹⁾			
€ mn	Nominal	Revaluation reserve ²⁾	Hidden reserves / burdens ³⁾
Greece	-	-	-
Ireland	-	-	-
Italy	-	-	-
Portugal	55	0	-14
Spain	337	1	-57

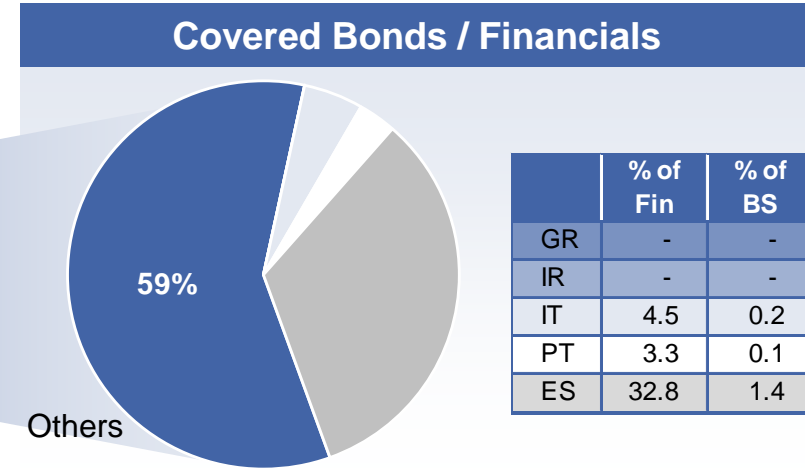
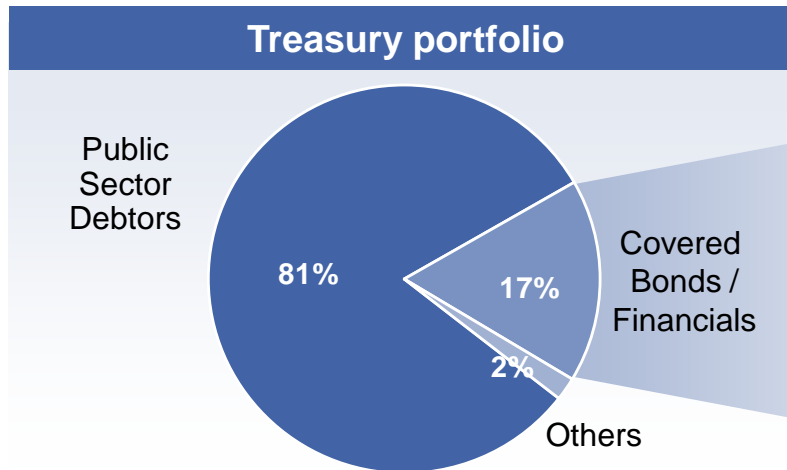
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- 1) Incl. exposure of € 50 mn which is additionally guaranteed by the Sovereign
 - 2) Incl. securities of the AfS- and the LaR-category after tax
 - 3) Incl. securities of the LaR-category after tax



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Treasury portfolio

€ 1.8 bn Covered Bonds / Financials



	% of Fin	% of BS
GR	-	-
IR	-	-
IT	4.5	0.2
PT	3.3	0.1
ES	32.8	1.4

Covered Bonds

€ mn	Nominal	Revaluation reserve ¹⁾	Hidden reserves / burdens ²⁾
Greece	-	-	-
Ireland	-	-	-
Italy	70	1	-
Portugal	60	-6	-
Spain	601	-4	-3

Senior Unsecured

€ mn	Nominal	Revaluation reserve ¹⁾	Hidden reserves / burdens ²⁾
Greece	-	-	-
Ireland	-	-	-
Italy	13	0	-
Portugal	-	-	-
Spain	-	-	-

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

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



Outlook 2013



**Aareal Bank
Group**

Outlook 2013

Operating profit in the range of 2011

2013	
Net interest income	▪ More than € 500 mn
Net loan loss provisions	▪ Lower end of given range (€ 110 mn - € 150 mn ¹⁾) expected
Net commission income	▪ € 165 mn - € 175 mn
Net result from trading / non-trading / hedge accounting	▪ Unpredictable / no impairments from non-trading assets expected / possibly moderate loss realisation
Admin expenses	▪ ~ € 375 mn expected due to long-term incentive plan (share performance '13), regulatory projects and acquisition of Incit AB
Operating profit	▪ Operating profit in the range of 2011
New business origination	▪ More than € 8 bn
Operating profit Aareon	▪ On 2012 level

1) As in 2012, the bank cannot rule out additional allowances for unexpected credit losses

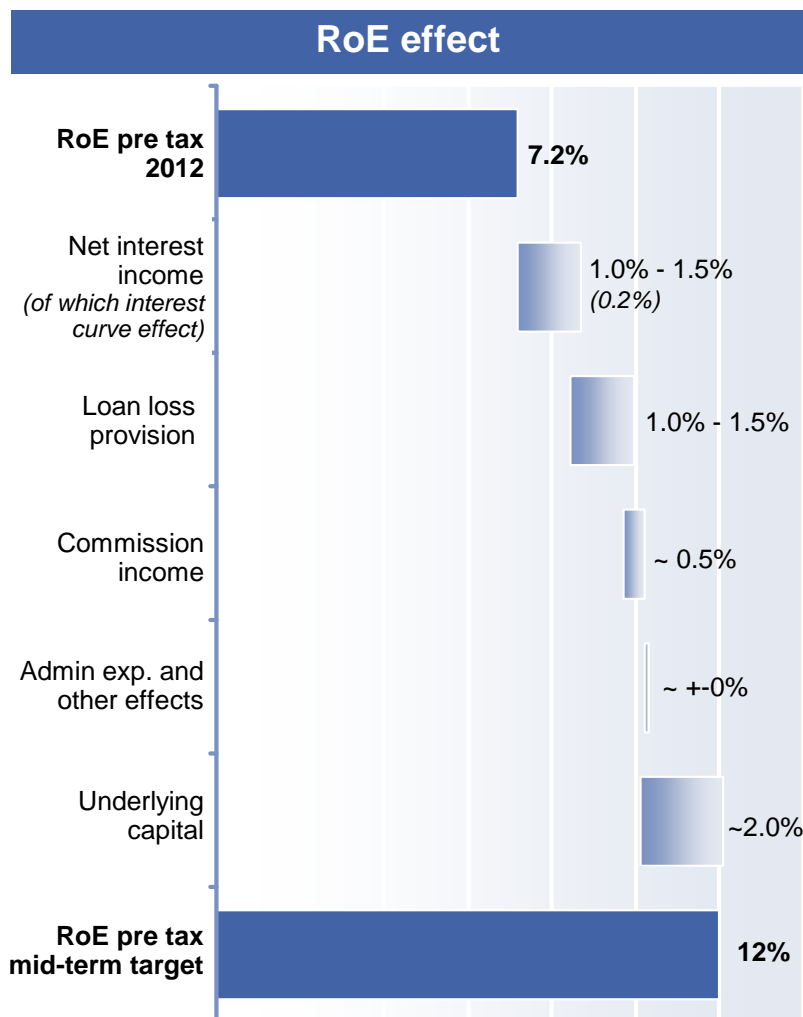


Midterm outlook



**Aareal Bank
Group**

Key RoE drivers from Aareal's action plan



Aareal action plan

- Optimisation funding structure / liquidity portfolio 1.
- Slight loan portfolio growth 2.
- *Expected Euribor increase* 3.
- Reduction of average LTVs and risk weightings 2.
- Increase in Aareon revenues via organic and inorganic growth 4.
- Keep cost base under control 5.
- Reduction of average risk weighting resulting in reduction of relative underlying capital 2.
- Optimisation of regulatory capital structure 6.
- Alignment or allocation of underlying capital 7.



Perspective until 2015 / 2016

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 lower RWA consumption and higher CB-funding share
- 3. Origination capacity:**
Strengthen client relationships by leveraging new business through stronger cooperation via club deals and syndication
- 4. Aareon:**
Enhance profit contribution
- 5. Cost base:**
Continue cost discipline
- 6. Capital structure:**
Optimise capital structure once technical regulatory guidelines are in place and markets are pricing instruments adequately
- 7. Dividends:**
Plan to start active dividend policy in 2014 (for FY 2013, depending on market conditions)
- 8. RoE:**
Pre-tax RoE target of approx.12% in 2015 / 2016



Aareal Bank's action plan in detail (1/3)

1

Funding strategy

- Increase deposits from the institutional housing industry from ~ € 6 bn 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%), despite ability to place € 1-2 bn p.a. throughout the financial crisis this volume will likely not be required in 2013 and 2014

2 3

CRE business

- Keep originating new business with max. 60%-70% LTV
- Target av. new business with 60-65% 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 in detail (2/3)

4 Aareon business

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

5 Cost discipline

- Challenges ahead through higher regulatory costs
- Keep the costs in balance
 - Adjustments following portfolio changes and back office workflow efficiency increases
 - Further measures concerning non-personnel costs to be implemented
- Target CIR for SPF segment close to 40% in 2015



Aareal Bank's action plan in detail (3/3)

6

Regulation and capital requirements

- Continuing successful risk-averse liquidity management
 - LCR and NSFR > 1
- Continue to fulfil the upcoming Basel III capital requirements
 - Tier 1 (ex SoFFin) including buffers: ~11.5 % (Minimum 10%)
- Strong total capital ratio is key for unsecured investors
- Total capital ratio including buffers: ~19% (Minimum 16%)

7 - 8

Profitability

- Improve balance sheet structure to offset low interest environment
- Start to manage Basel III Tier I ratio of 11,5% more efficiently (once technical regulatory guidelines are in place and markets start to price instruments adequately)
 - Plan to swap up to 1.5%-points Basel III T1 ratio from core capital to additional Tier 1 capital.
Based on the assumption that regulators see 9% CT 1 as minimum required level and markets 10% as acceptable level.
- Plan to start active dividend policy in 2014 (for FY 2013, depending on market conditions)
- Target pre-tax ROE level of ~12% in 2015 / 2016 matching cost of equity



Summary and Prerequisites

As published Feb. 2013

	2013	2015 / 2016
Tier 1 ratio Basel III fully loaded	10.3% (CT 1)	11.5%
CIR	~40% (SPF)	~40% (SPF)
EBIT margin	~16% (Aareon)	>17.5% (Aareon)
Pre-tax ROE	>7%	~12%
Cost of equity (net)	10 – 11%	↓

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 Q3 2013

	Quarter 3 2013	Quarter 3 2012	Change
	Euro mn	Euro mn	
Profit and loss account			
Net interest income	133	119	12%
Allowance for credit losses	29	30	-3%
Net interest income after allowance for credit losses	104	89	17%
Net commission income	40	39	3%
Net result on hedge accounting	0	-2	-
Net trading income / expenses	3	6	-50%
Results from non-trading assets	-2	1	-
Results from companies accounted for at equity		-	-
Results from investment properties	0	0	0%
Administrative expenses	94	90	4%
Net other operating income / expenses	-3	-1	-
Impairment of goodwill	0	-	-
Operating Profit	48	42	14%
Income taxes	15	10	50%
Net income / loss	33	32	3%
Allocation of results			
Net income / loss attributable to non-controlling interests	5	5	0%
Net income / loss attributable to shareholders of Aareal Bank AG	28	27	4%
Appropriation of profits			
Silent partnership contribution by SoFFin	5	5	0%
Consolidated retained profit / accumulated loss	23	22	5%



**Aareal Bank
Group**

Aareal Bank Group: Segment Reporting

Key figures Q3 2013 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.07.- 30.09. 2013	01.07.- 30.09. 2012	01.07.- 30.09. 2013	01.07.- 30.09. 2012	01.07.- 30.09. 2013	01.07.- 30.09. 2012	01.07.- 30.09. 2013	01.07.- 30.09. 2012
Euro mn								
Net interest income	131	114	0	0	2	5	133	119
Allowance for credit losses	29	30					29	30
Net interest income after allowance for credit losses	102	84	0	0	2	5	104	89
Net commission income	2	6	40	39	-2	-6	40	39
Net result on hedge accounting	0	-2					0	-2
Net trading income / expenses	3	6					3	6
Results from non-trading assets	-2	1					-2	1
Results from companies accounted for at equity								
Results from investment properties	0	0					0	0
Administrative expenses	50	51	44	40	0	-1	94	90
Net other operating income / expenses	-3	-2	0	1	0	0	-3	-1
Impairment of goodwill	0						0	0
Operating profit	52	42	-4	0	0	0	48	42
Income taxes	16	10	-1	0			15	10
Net income / loss	36	32	-3	0	0	0	33	32
Allocation of results								
Net income / loss attributable to non-controlling interests	4	5	1	0			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	32	27	-4	0	0	0	28	27



Aareal Bank Group

Key figures 9M 2013

	01.01.- 30.09.2013	01.01.- 30.09.2012	Change
	Euro mn	Euro mn	
Profit and loss account			
Net interest income	380	370	3%
Allowance for credit losses	74	67	10%
Net interest income after allowance for credit losses	306	303	1%
Net commission income	117	119	-2%
Net result on hedge accounting	-3	-7	-
Net trading income / expenses	14	-17	-
Results from non-trading assets	-8	-2	-
Results from companies accounted for at equity		-	-
Results from investment properties	0	5	-100%
Administrative expenses	276	270	2%
Net other operating income / expenses	-10	-1	-
Impairment of goodwill	0	0	-
Operating Profit	140	130	8%
Income taxes	44	33	33%
Net income / loss	96	97	-1%
Allocation of results			
Net income / loss attributable to non-controlling interests	15	15	0%
Net income / loss attributable to shareholders of Aareal Bank AG	81	82	-1%
Appropriation of profits			
Silent partnership contribution by SoFFin	15	15	0%
Consolidated retained profit / accumulated loss	66	67	-1%



**Aareal Bank
Group**

Aareal Bank Group: Segment Reporting

Key figures 9M 2013 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.09. 2013	01.01.- 30.09. 2012	01.01.- 30.09. 2013	01.01.- 30.09. 2012	01.01.- 30.09. 2013	01.01.- 30.09. 2012	01.01.- 30.09. 2013	01.01.- 30.09. 2012
Euro mn								
Net interest income	373	350	0	0	7	20	380	370
Allowance for credit losses	74	67					74	67
Net interest income after allowance for credit losses	299	283	0	0	7	20	306	303
Net commission income	7	16	118	124	-8	-21	117	119
Net result on hedge accounting	-3	-7					-3	-7
Net trading income / expenses	14	-17					14	-17
Results from non-trading assets	-8	-2					-8	-2
Results from companies accounted for at equity								
Results from investment properties	0	5					0	5
Administrative expenses	147	147	130	124	-1	-1	276	270
Net other operating income / expenses	-9	-5	-1	4	0	0	-10	-1
Impairment of goodwill	0						0	
Operating profit	153	126	-13	4	0	0	140	130
Income taxes	47	32	-3	1			44	33
Net income / loss	106	94	-10	3	0	0	96	97
Allocation of results								
Net income / loss attributable to non-controlling interests	13	13	2	2			15	15
Net income / loss attributable to shareholders of Aareal Bank AG	93	81	-12	1	0	0	81	82



Aareal Bank Group: Segment Reporting

Key figures - quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3
	2013	2013	2013	2012	2012	2013	2013	2013	2012	2012	2013	2013	2013	2012	2012	2013	2013	2013	2012	2012
Euro mn																				
Net interest income	131	124	118	113	114	0	0	0	0	0	2	2	3	3	5	133	126	121	116	119
Allowance for credit losses	29	28	17	39	30											29	28	17	39	30
Net interest income after allowance for credit losses	102	96	101	74	84	0	0	0	0	0	2	2	3	3	5	104	98	104	77	89
Net commission income	2	3	2	5	6	40	39	39	49	39	-2	-3	-3	-4	-6	40	39	38	50	39
Net result on hedge accounting	0	0	-3	3	-2											0	0	-3	3	-2
Net trading income / expenses	3	5	6	7	6											3	5	6	7	6
Results from non-trading assets	-2	-5	-1	3	1											-2	-5	-1	3	1
Results from companies accounted for at equity				0															0	
Results from investment properties	0	0	0	0	0											0	0	0	0	0
Administrative expenses	50	47	50	44	51	44	44	42	45	40	0	-1	0	-1	-1	94	90	92	88	90
Net other operating income / expenses	-3	-2	-4	-4	-2	0	0	-1	-2	1	0	0	0	0	0	-3	-2	-5	-6	-1
Impairment of goodwill	0	0	0													0	0	0		
Operating profit	52	50	51	44	42	-4	-5	-4	2	0	0	0	0	0	48	45	47	46	42	
Income taxes	16	15	16	19	10	-1	-1	-1	0	0					15	14	15	19	10	
Net income / loss	36	35	35	25	32	-3	-4	-3	2	0	0	0	0	0	33	31	32	27	32	
Allocation of results																				
Net income / loss attributable to non-controlling interests	4	5	4	4	5	1	0	1	0	0					5	5	5	4	5	
Net income / loss attributable to shareholders of Aareal Bank AG	32	30	31	21	27	-4	-4	-4	2	0	0	0	0	0	28	26	27	23	27	



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
- EBA draft definition of forbearance:
„Debts with forbearance measures are contracts the terms of which the debtor is considered unable to comply with due to its financial difficulties so that the institution decides either to modify the terms and conditions of the contract to enable the debtor to service the debt or to refinance, totally or partially, the contract. Refinancing refers to the use of contracts to ensure the total or partial payment of other contracts the current terms of which the debtor is unable to comply with. (...) ”
 - Forborne assets are therefore naturally to be found in the badly rated part of the portfolio

Outlook:

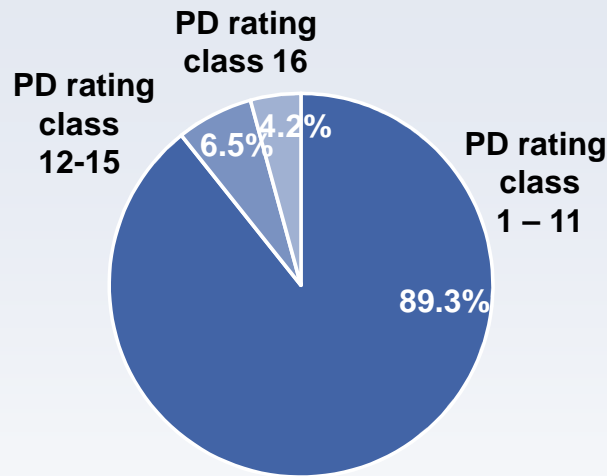
- We plan to publish forborne asset volumes in the 2013 annual report and going forward



Forborne assets¹⁾

Total volume outstanding as at 30.06.2013: € 0.3 bn

Total portfolio by PD rating classes²⁾

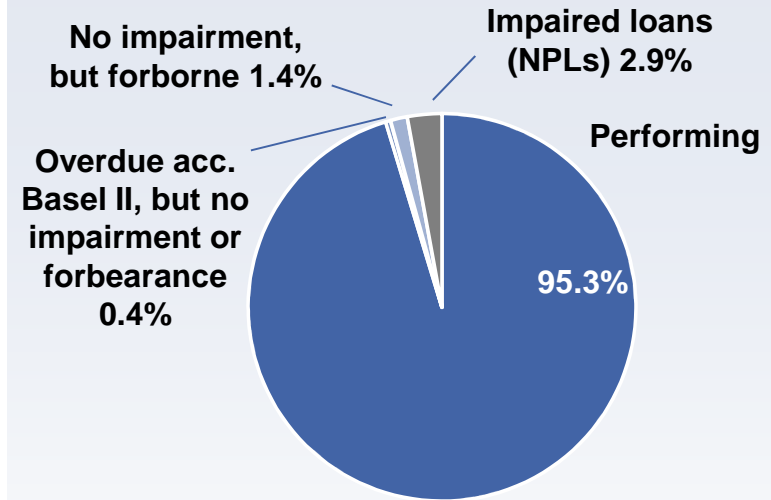


Portfolio distribution by PD rating classes

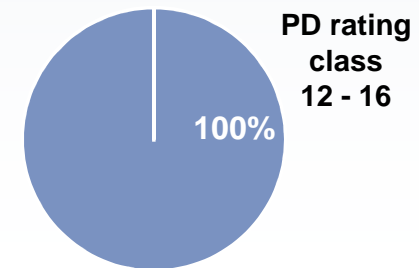
- Reflects solely probability of default of respective counterparties
- Does not take into account collateral, which will regularly cover debt and interest payments even in the case of counterparty default

1) According to EBA draft definition (EBA consultation paper on supervisory reporting on forbearance and non-performing exposures under article 95 of the draft Capital Requirements Regulation)
 2) AIRBA portfolio only, excluding DEPFA

Total portfolio by performance

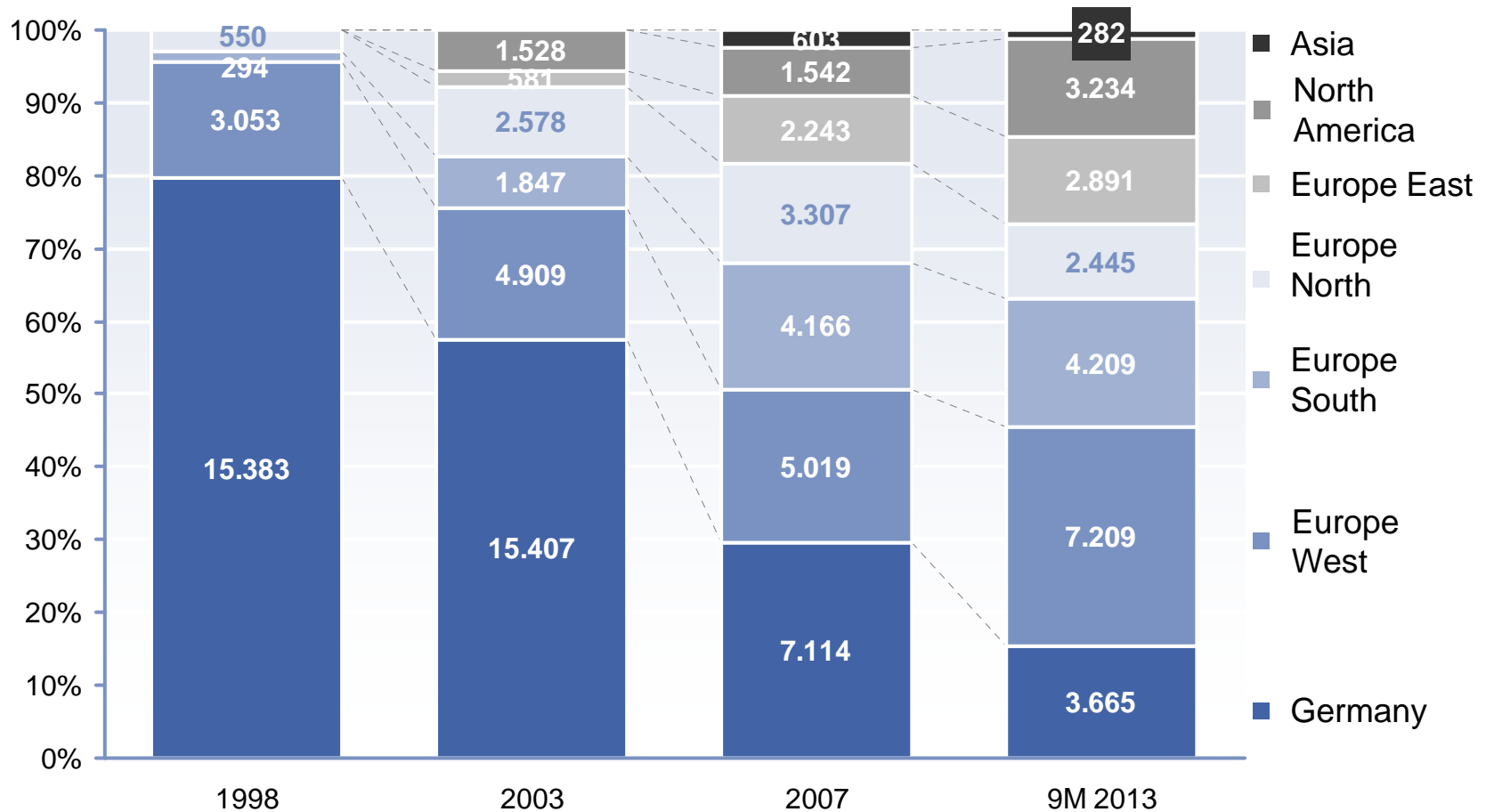


Forborne assets by PD rating classes



Development property finance portfolio

Diversification continuously strengthened (in € mn)

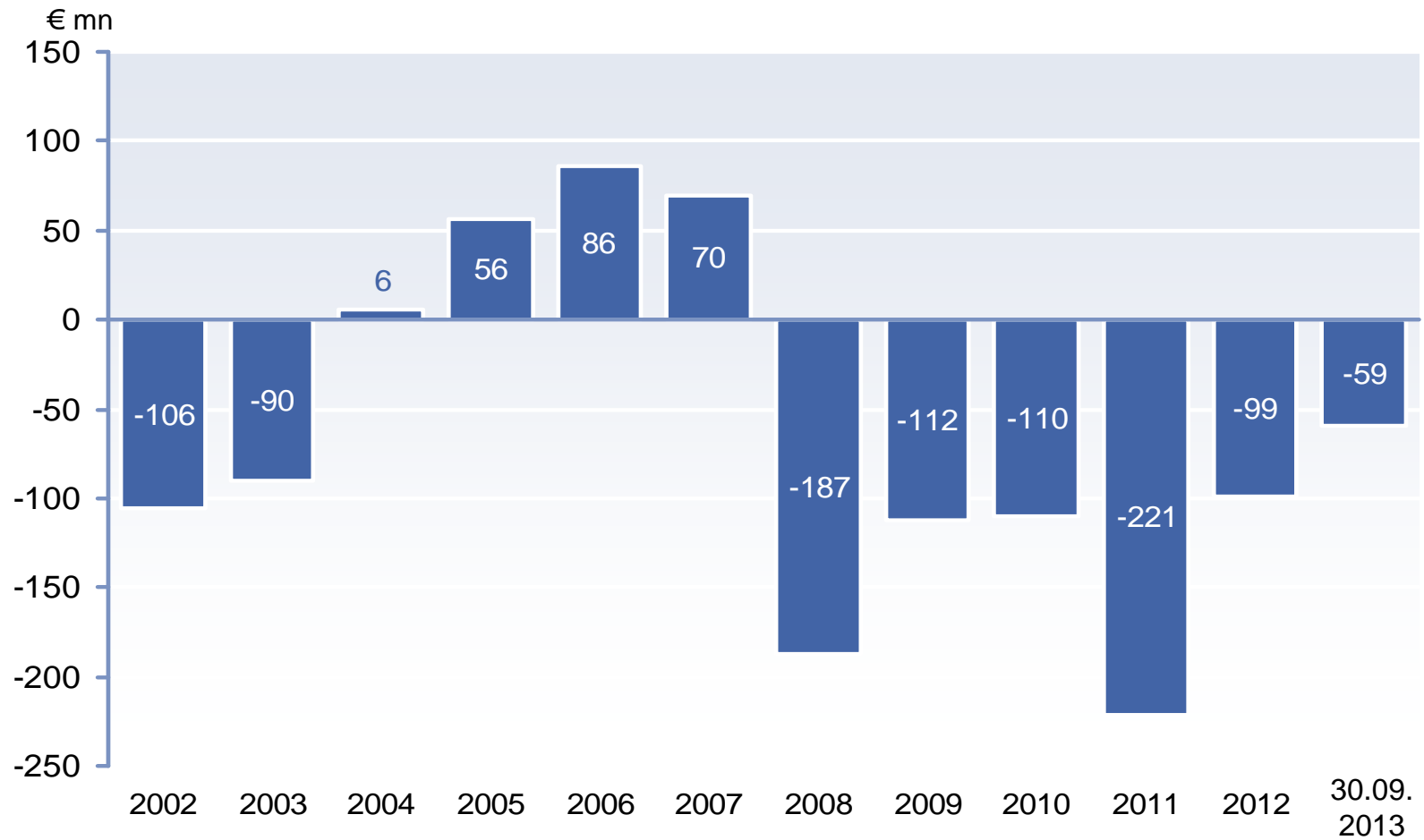


Property finance under management



Revaluation surplus

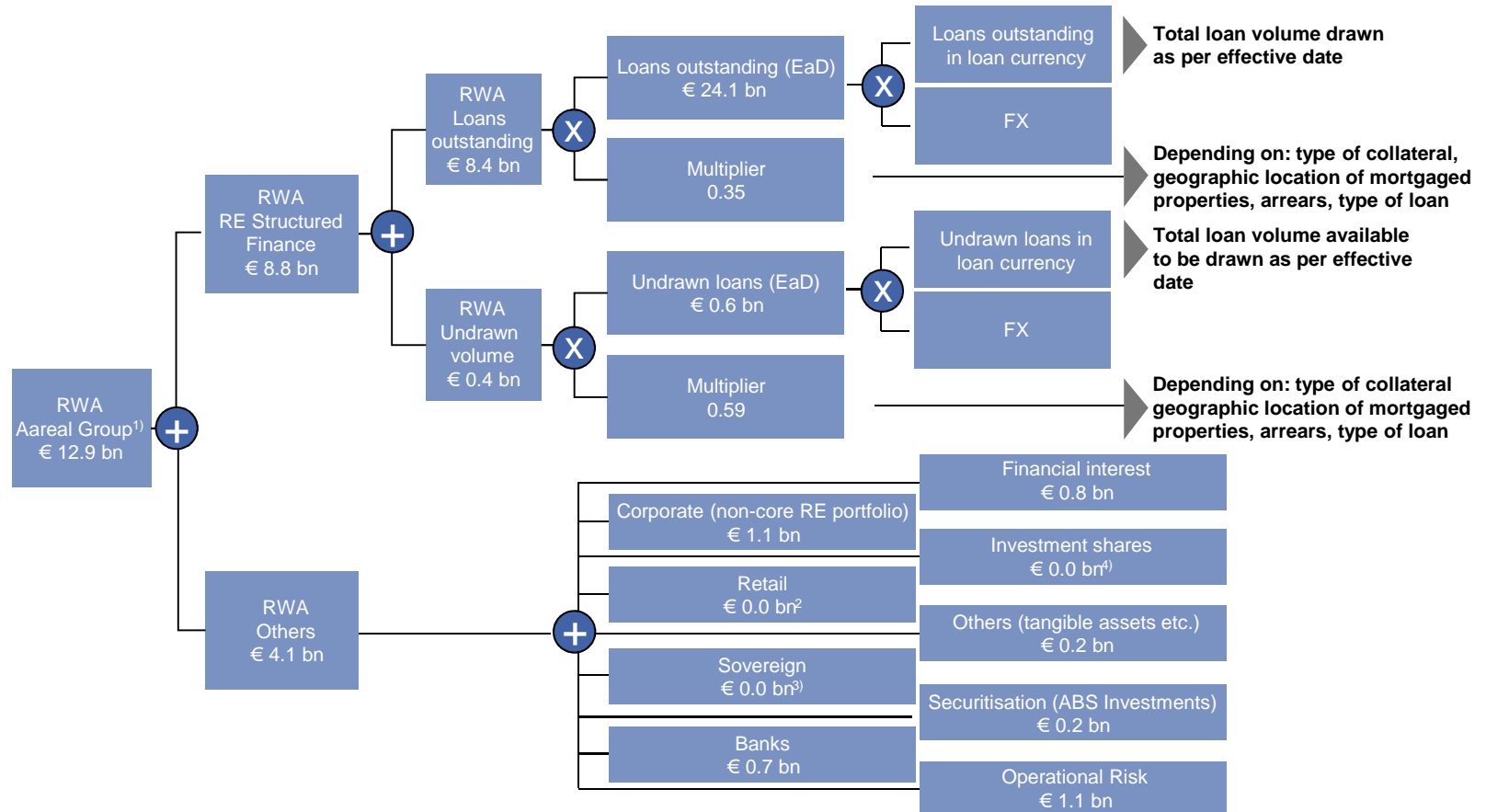
Change mainly driven by asset spreads



From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 30/09/2013



- 1) Excl. market risk
- 2) Exposure to Retail amounts to € 17 mn
- 3) Exposure to Sovereigns amounts to € 17 mn
- 4) Exposure to investment shares amounts to € 15 mn



Definitions and contacts



**Aareal Bank
Group**

Definitions

- **Structured Property Financing Portfolio**
 - Paid-out financings on balance sheet
 - Incl. remaining property loans on DEPFA books
- **New Business**
 - Newly acquired business incl. renewals
 - Contract is signed by customer
 - Fixed loan value and margin
- **Core Tier I Ratio** =
$$\frac{\text{Tier 1 capital} \text{ ./. hybrids} \text{ ./. SoFFin silent participation}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit} \text{ ./. Net income/loss attributable to non-controlling interests}}{\text{Allocated (average) equity}}$$
- **Allocated Equity**

Average of:

 - Equity (excluding minorities and revaluation surplus but including silent participation by SoFFin) start of period less dividends and
 - Equity (excluding minorities and revaluation surplus but including silent participation by SoFFin) end of period less expected dividends
- **CIR** =
$$\frac{\text{Admin expenses}}{\text{Net income}}$$
- **Net income**
 - net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
- **Net stable funding ratio** =
$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$$
- **Liquidity coverage ratio** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}} \geq 100\%$$



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