



Press Release

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Aareal Bank Group remains successfully on track during the third quarter of 2011

- **Third-quarter consolidated operating profit up 42 per cent year-on-year, to € 47 million**
- **At € 138 million, nine-month consolidated operating profit already exceeds the full-year figure for 2010**
- **Tier 1 ratio at 16.6 per cent – core Tier 1 ratio at 11.5 as at 30 September 2011**

Wiesbaden, 8 November 2011 – Aareal Bank Group maintained its positive business development throughout the third quarter of 2011, in a challenging market environment. Consolidated operating profit of € 47 million exceeded the figure posted for the same period of the previous year by some 42 per cent (Q3 2010: € 33 million) and was also higher than in the previous quarter (Q2 2011: € 44 million). At € 138 million, Aareal Bank Group's nine-month consolidated operating profit has already exceeded the full-year figure for 2010 (€ 134 million).

"During the third quarter, we were again able to exploit opportunities for high-margin new business, and to further strengthen our market position", said CEO Dr Wolf Schumacher. "The moderate level of allowance for credit losses, which is expected to remain at the lower end of our projected range for the full year, affirms the prudent business policy which we have been pursuing over recent years. Looking back on the first nine months of the year, we are thus confident that we will be able to maintain our positive business performance."

Aareal Bank's capitalisation remains solid. The bank's comfortable Tier 1 ratio of 16.6 per cent (up from 15.8 per cent at the mid-year point) is also good by international standards. Aareal Bank was thus able to maintain the ratio at a high level, whilst having grown its new business volume as planned. The core Tier 1 ratio – defined as the Tier 1 ratio excluding hybrid capital and the remaining SoFFin silent participation – stood at 11.5 per cent. Furthermore, despite persistent uncertainty on the capital markets, Aareal Bank successfully carried

out its funding activities as planned during the third quarter, fulfilling its full-year funding requirements ahead of schedule.

Aareal Bank is not exposed to Greek government bonds, and is thus not affected by the Greek debt reduction agreed upon at the special summit in Brussels at the end of October. "Thanks to its good business development during the year to date, Aareal Bank is in a position to take adequate measures, if required, to respond to any renewed escalation of the market situation within the framework of its active portfolio management – and thus to strictly contain the impact of the European sovereign debt crisis on the bank", Dr Schumacher explained.

Structured Property Financing: operating profit once again significantly exceeds the previous year's figure

Aareal Bank once again boosted operating profit in the Structured Property Financing segment year-on-year: at € 42 million for the third quarter of 2011, operating profit was up by 50 per cent from the previous year's figure of € 28 million, also exceeding the level posted in the previous quarter (Q2 2011: € 41 million) – despite the non-recurring burden from the partial repurchase of the remaining SoFFin-guaranteed notes maturing in March 2012. Allowance for credit losses was € 36 million in the third quarter, and was therefore consistent with the quarterly volatility expected by the bank.

Nine-month operating profit in the Structured Property Financing segment was up by more than 60 per cent to € 126 million. The increase was largely due to a marked increase in net interest income, and also to a lower allowance for credit losses. Aggregate allowance for credit losses after three quarters is € 78 million and is therefore at the lower end of the pro rata forecast range of € 110 to € 140 million for the full year.

During the course of 2011 to date the property sector has largely been stable, even improving slightly relative to the previous year, reflecting the still-robust performance of the economy as a whole. This statement also applies to the third quarter, even though the momentum of the recovery on the property markets has eased recently. However, in an economic environment that has slowed down slightly, the business framework for the commercial property markets was stable to slightly positive.

Aareal Bank remains well positioned in the current economic environment to take advantage of attractive opportunities for high-margin new business – whilst maintaining its risk-sensitive lending policy. New business totalled € 3.0 billion from July to September, thus exceeding the figures for both the previous quarter (€ 1.8 billion) and for Q3 2010 (€ 1.2 billion). During the first nine months of 2011, the volume of new business originated by Aareal Bank amounted to € 6.2 billion, which equates to growth of more than 50 per cent over the first three quarters of the previous year (€ 4.1 billion). The share of initial loan issues relative to the volume of new business increased significantly.

Consulting / Services: volume of deposits remaining on a high level

Operating profit in the Consulting / Services segment for the third quarter of 2011 amounted to € 5 million, matching the figure for the same period of the previous year.

Averaging € 4.8 billion, the volume of deposits from clients from the institutional housing industry remained at a high level during the third quarter of 2011. Aareal Bank's clients make strong use of the bank's combined offer of cash investment schemes, specialist services for automated mass electronic payments processing, and the optimisation of downstream processes (together with related advice). This enables the bank to maintain a strong position in the market, despite high competitive pressure.

The performance of the IT subsidiary Aareon AG was also on schedule during the third quarter. In particular, Aareon's enterprise resource planning software Wodis Sigma continued to develop positively; with 35 clients signing new contracts this year, a total of 356 clients have now opted for Wodis Sigma. Most of the existing Wodis Sigma clients previously used the Aareon ERP products Wodis and WohnData. To do justice to the strong market demand, Aareon invested further in expanding its advisory and support capacities.

Funding activities successfully executed

Aareal Bank Group continued to successfully carry out its funding activities as planned during the third quarter of 2011. It raised a total of € 0.9 billion in long-term funds on the capital market between July and September 2011. Mortgage Pfandbriefe accounted for just under € 0.6 billion of new issuance, and unsecured refinancing for € 0.3 billion. Despite the still-challenging situation on the capital and financial markets, Aareal Bank was thus able to execute all of its funding activities planned year-to-date and during the third quarter, and already achieved its funding targets for the year as a whole.

The bank raised a total of € 3.7 billion in long-term funds on the capital market through private and public transactions during the first nine months of the 2011 financial year, comprising € 2.2 billion in Mortgage Pfandbriefe, € 100 million in Public Sector Pfandbriefe, and € 1.4 billion in unsecured refinancing. The bank has therefore maintained its long-term funding inventory at a high level. The comfortable liquidity situation is also highlighted by the early partial redemption of the remaining SoFFin-guaranteed notes maturing in March 2012.

Notes to Group financial performance

Net interest income for the third quarter of 2011 was € 133 million (Q3 2010: € 131 million). For the first nine months of the 2011 financial year, net interest income thus totalled € 401 million (9m 2010: € 370million), an 8 per cent increase. Net interest income after allowance for credit losses amounted to € 323 million (9m 2010: € 273 million).

Net commission income for the third quarter was € 38 million (Q3 2010: € 24 million). The year-on-year increase was largely due to lower cost for SoFFin-guaranteed notes and to commission income generated by SG | automatisering bv, Aareon AG's Dutch subsidiary acquired in the fourth quarter of 2010. Nine-month net commission income of € 99 million was also up year-on-year (9m 2010: € 86 million). The net figure includes costs of € 18 million (9m 2010: € 20 million) incurred for bonds guaranteed by SoFFin.

Burdens in the result from non-trading assets were fully compensated by the positive net trading income/expenses figure, and by the positive net result from hedge accounting. Net trading income/expenses amounted to € 20 million for the third quarter (Q3 2010: € 2 million), totalling € 14 million for the first nine months of 2011 (9m 2010: € -5 million). Both the quarterly and the nine-month figure were primarily attributable to the measurement of derivatives used to hedge interest rate and currency risks, as well as from unrealised changes in value from the sale of hedging instruments on selected EU sovereign countries.

Results from non-trading assets amounted to € -22 million in the third quarter (Q3 2010: € -3 million); the figure for the first nine months of the year was € -18 million (9m 2010: € 11 million). These results were largely attributable to sales of fixed-income securities.

Consolidated administrative expenses totalled € 93 million for the third quarter (Q3 2010: € 88 million) and € 280 million for the first nine months of the year; the figure for the second quarter was € 96 million. This development highlights the Group's continued strict cost discipline.

Net other operating income and expenses in the third quarter amounted to € 2 million (Q3 2010: € 1 million), and € -10 million for the first nine months of the year (9m 2010: € -7 million), reflecting in particular expenses incurred with one individual property.

Consolidated operating profit for the third quarter thus totalled € 47 million (Q3 2010: € 33 million). Taking into consideration € 13million in income taxes and € 5 million in income attributable to non-controlling interests, consolidated net income after non-controlling interests for the quarter stood at € 29 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated income stood at € 24 million (Q3 2010: € 10 million).

Consolidated operating profit for the first nine months of the current financial year thus totalled € 138 million (9m 2009: € 94 million). Taking into consideration taxes of € 39 million and non-controlling interest income of € 14 million, net income attributable to shareholders of Aareal Bank AG amounted to € 85 million. After

deduction of the net interest payable on the SoFFin silent participation, consolidated net income stood at € 69 million (9m 2010: € 27 million).

Outlook: year-to-date results already exceed the full-year figures for 2010

The European sovereign debt crisis is likely to remain at the top of the agenda on the financial and capital markets during the remainder of the 2011 financial year. It is thus fair to expect that market volatility will remain high for the time being, and that the resulting risks in the financial system will persist.

Given the good year-to-date performance and its solid capital and liquidity base, Aareal Bank Group believes that it is in a good position to act accordingly on anticipated changes in the market environment. This applies both to the active management of the securities portfolio and to the internal organisation, which is subject to a continuous review regarding potential efficiency enhancements in all areas.

Aareal Bank continues to expect net interest income for the full 2011 financial year to exceed the previous year's level. New business for the year as a whole is expected within the upper half of the forecast range of between € 7 billion and € 8 billion. Regarding allowance for credit losses, the bank maintains its forecast range of between € 110 million and € 140 million for the year as a whole. Based on developments during the first nine months, however, allowance for credit losses is expected to be at the lower end of the range. As in previous years, the bank cannot rule out additional allowances for unexpected credit losses in 2011.

A marked year-on-year increase in net commission income for 2011 is expected, thanks predominantly to the relief arising from lower guarantee fees through the redemption of a large proportion of the SoFFin-guaranteed notes. Administrative expenses continue to be defined by the bank's unchanged cost discipline, and the figure for the current year is expected to be marginally higher than in the previous year, including the burden associated with the special bank levy (Bankenabgabe).

Looking ahead, economic risks and future developments on financial markets are difficult to assess for the coming months. Generally, Aareal Bank remains in a position to further exceed consolidated operating profit of the 2010 financial year during the current year – having matched the previous year's results after nine months already.

Moreover, Aareal Bank continues to believe that it is able to match its target return on equity before taxes of between 12 per cent and 13 per cent, in normalised markets.

"Aareal Bank Group continues to perform strongly in its operative business. Moreover, its medium-sized business structure also means that it has the necessary flexibility to hold its own, time and again, in a rapidly-changing market environment. After all, as a premium provider, our goal is to always offer our clients the best solutions in both our segments. In this way, we will secure the bank's successful development in the future", Schumacher summarised.

Note to editors:

The full interim report for the third quarter of 2011 is available on <http://www.aareal-bank.com/en/investor-relations/financial-reports/>.

Aareal Bank

Aareal Bank AG is one of the leading international specialist property banks. The Aareal Bank share is included in Deutsche Börse's mid-cap MDAX index. Aareal Bank operates on three continents: leveraging its successful European business model, the bank has established similar platforms in North America and in the Asia-Pacific region. It provides property financing solutions in more than 20 countries.

Aareal Bank Group: consolidated results for the first nine months of the 2011 financial year
(figures in accordance with IFRS)

	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010	Change
	€ mn	€ mn	%
Profit and loss account			
Net interest income	401	370	8
Allowance for credit losses	78	97	-20
Net interest income after allowance for credit losses	323	273	18
Net commission income	99	86	15
Net result on hedge accounting	2	2	0
Net trading income / expenses	14	-5	
Results from non-trading assets	-18	11	
Results from investments accounted for using the equity method	1	5	-80
Results from investment properties	7	0	
Administrative expenses	280	271	3
Net other operating income / expenses	-10	-7	43
Impairment of goodwill	0	0	
Operating Profit	138	94	47
Income taxes	39	29	34
Net income / loss	99	65	52
Allocation of results			
Net income / loss attributable to non-controlling interests	14	14	0
Net income / loss attributable to shareholders of Aareal Bank AG	85	51	67
Appropriation of profits			
Net income / loss attributable to shareholders of Aareal Bank AG	85	51	67
Silent partnership contribution by SoFFin	16	24	-33
Consolidated retained profit/accumulated loss	69	27	156

	30 Sep 2011	31 Dez 10	Change
	€ mn	€ mn	%
Portfolio data			
Property financing	22,885	22,884	0
of which: international	19,732	19,195	3
Property finance under management	23,150	23,251	0
of which: international	19,732	19,195	3
Equity	2,184	1,985	10
Total assets	41,551	41,217	1

	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Key financial indicators		
Cost/Income ratio (%) *)	43.9	47.9
Earnings per share (€)	1.63	1.19
RoE before taxes (%) **)	8.3	5.7
RoE after taxes (%) **)	5.7	3.6

*) Structured Property Financing segment only

**) on an annualised basis

Segment results for the first nine months of 2011 (in accordance with IFRS)

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
€ mn								
Net interest income	372	338	0	0	29	32	401	370
Allowance for credit losses	78	97					78	97
Net interest income after allowance for credit losses	294	241	0	0	29	32	323	273
Net commission income	-3	-8	132	127	-30	-33	99	86
Net result on hedge accounting	2	2					2	2
Net trading income / expenses	14	-5					14	-5
Results from non-trading assets	-18	10	0	1			-18	11
Results from investments accounted for using the equity method		5	1				1	5
Results from investment properties	7	0					7	0
Administrative expenses	159	161	122	112	-1	-2	280	271
Net other operating income / expenses	-11	-7	1	1	0	-1	-10	-7
Impairment of goodwill	0	0					0	0
Operating profit	126	77	12	17	0	0	138	94
Income taxes	36	24	3	5			39	29
Net income / loss	90	53	9	12	0	0	99	65
Allocation of results								
Net income / loss attributable to non-controlling interests	12	12	2	2			14	14
Net income / loss attributable to shareholders of Aareal Bank AG	78	41	7	10	0	0	85	51
Allocated equity	1,373	1,399	80	75	524	409	1,977	1,883
Cost/income ratio in %	43.9	47.9	91.2	86.8			56.5	58.6
RoE before taxes in % *)	11.0	6.2	16.6	26.9			8.3	5.7

*) on an annualised basis

Segment Reporting (Quarterly Development, in accordance with IFRS)

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	Quarter 3 2011	Quarter 3 2010	Quarter 3 2011	Quarter 3 2010	Quarter 3 2011	Quarter 3 2010	Quarter 3 2011	Quarter 3 2010
€ mn								
Net interest income	123	121	0	0	10	10	133	131
Allowance for credit losses	36	32					36	32
Net interest income after allowance for credit losses	87	89	0	0	10	10	97	99
Net commission income	4	-5	45	39	-11	-10	38	24
Net result on hedge accounting	2	-2					2	-2
Net trading income / expenses	20	2					20	2
Results from non-trading assets	-22	-4		1			-22	-3
Results from investments accounted for using the equity method								
Results from investment properties	3	0					3	0
Administrative expenses	54	54	40	35	-1	-1	93	88
Net other operating income / expenses	2	2	0	0	0	-1	2	1
Impairment of goodwill	0						0	
Operating profit	42	28	5	5	0	0	47	33
Income taxes	12	10	1	1			13	11
Net income / loss	30	18	4	4	0	0	34	22
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	1	1			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	26	14	3	3	0	0	29	17
Allocated equity	1,373	1,399	80	75	524	409	1,977	1,883
Cost/income ratio in %	40.9	47.2	88.3	87.4			52.9	57.8
RoE before taxes in % *)	10.8	6.6	23.7	24.1			8.3	5.9

*) on an annualised basis