



Press Information

Contacts:

Media

Sven H. Korndörffer

Phone: +49 611 348-2306

sven.korndoerffer@aareal-bank.com

Christian Feldbrügge

Phone: +49 611 348-2280

christian.feldbruegge@aareal-bank.com

Heinrich Frömsdorf

Phone: +49 611 348 2061

heinrich.froemsdorf@aareal-bank.com

Aareal Bank Group acquires Westdeutsche ImmobilienBank AG

- **Preliminary purchase price amounts to €350 million**
- **The acquisition will have a distinctly positive effect on earnings, thanks to negative goodwill of approx. €150 million – long-term RoE target of around 12 per cent before taxes remains unchanged**
- **Aareal Bank further strengthens its market position in commercial property financing on strategically important core markets**
- **CEO Dr Wolf Schumacher: "We have exploited an attractive opportunity to execute a value-creating transaction"**

Wiesbaden, 22 February 2015 – Aareal Bank Group acquires all of the shares of Westdeutsche ImmobilienBank AG (WestImmo), which specialises in commercial property financing. A corresponding sale and purchase agreement was signed today with the previous owner Erste Abwicklungsanstalt (EAA). The purchase price amounts to €350 million, subject to contractually agreed adjustments until the closing date. According to current planning, the transaction – which is subject to the approval of the respective authorities – is expected to be completed during the first half of 2015.

Following the acquisition of COREALCREDIT BANK AG in the spring of 2014, Aareal Bank has once again effected a targeted investment in its core Structured Property Financing business by acquiring WestImmo, expanding its strong position on key target markets. Having already spun off non-strategic assets, and following the divestiture of all participations and further balance-sheet items (as agreed with the seller), WestImmo is now a Pfandbrief issuer with a clear focus on its core business. WestImmo's high-quality, low-risk commercial property financing portfolio, which is broadly diversified – both geographically and in terms of the type of financed properties – supplements Aareal Bank's activities in line with the Bank's strategy. Based on a pro-forma extrapolation as at 31 March 2015, WestImmo has total assets of €8.1 billion. The volume of commercial property financings amounts to €4.3 billion, with around one-third in Germany, approx. 38 per cent in Western Europe, and around 9 per cent in North America. The remainder of the portfolio is related to selected other markets.

Due to conditions imposed by the EU Commission in connection with the government-funded stabilisation of its former parent entity WestLB (now trading as "Portigon"), WestImmo had to cease originating new business in 2012 and has no longer been active on the market, except for renewals of existing exposures. Despite this restriction and the resulting reduction in business activities, WestImmo is profitable and has a fully functional international banking platform. Its staff have significant expertise in the international property financing business. WestImmo has a solid capitalisation and funding base. Funding liabilities vis-à-vis the current owner will be repaid, all financial guarantees covering parts of WestImmo's portfolio returned and further assets transferred, upon acquisition by Aareal Bank. Furthermore, Aareal Bank will provide a liquidity facility to WestImmo. Aareal Bank aims to integrate WestImmo into the Group as swiftly as possible. Nonetheless, the intention is to retain a significant number of jobs at WestImmo, at least over the medium term.

Dr Wolf Schumacher, Chairman of the Management Board of Aareal Bank AG, said: "We have exploited an attractive opportunity – in line with our strategic objectives – to execute a value-creating transaction. At the same time, the fact that we have made a second acquisition – financed from the Bank's own funds – within a period of just over one year is renewed evidence of Aareal Bank Group's strength, and its ability to take strategic action in a rapidly-changing market and competitive environment."

Transaction creates value from the outset

According to the agreement entered into today, Aareal Bank Group is acquiring WestImmo at a price reflecting a discount compared to WestImmo's equity in accordance with IFRSs. This leads to negative goodwill which will amount to approx. € 150 million on a preliminary basis. Aareal Bank will be able to realise this negative goodwill, as a one-off profit, on the closing date. On top of this non-recurring effect, WestImmo – which is operating profitably – will provide a positive contribution to Aareal Bank Group's consolidated operating profit, and is expected to generate a cumulative contribution to earnings per share (EPS) of more than € 3.00 over the next three years. Aareal Bank affirms its medium-term target return on equity (RoE) before taxes of approximately 12 per cent, even taking effects of the transaction into account. After completion of the transaction, Aareal Bank will also continue to significantly exceed the various regulatory requirements concerning equity and liquidity, as well as its own medium-term target of 10.75 per cent for its Common Equity Tier 1 ratio.

"With the agreed acquisition of WestImmo, we are employing excess capital to create value in the interests of our shareholders. At the same time, we adhere to our dividend policy, strengthening our potential for distributions in the future", Hermann J. Merkens, Aareal Bank's CFO, added.

Aareal Bank Group

Aareal Bank Group, headquartered in Wiesbaden, Germany, is one of the leading international property specialists. With a staff base comprising employees from more than 30 nations, it is represented across three continents: in Europe, North America, and in Asia. Aareal Bank AG, whose shares are included in Deutsche Börse's MDAX index, is the Group's parent entity. It manages the various entities organised in the Group's two business segments: Structured Property Financing and Consulting /Services. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. In this segment, the Bank facilitates property investment projects for its domestic and international clients, within the framework of a three-continent strategy covering Europe, North America and Asia. In the Consulting/Services segment, Aareal Bank Group offers clients – particularly from the housing industry and the commercial property sector – services and products for managing residential property portfolios and processing payment flows.