

LOCAL EXPERTISE  
MEETS GLOBAL EXCELLENCE

# Analyst Conference Call

## Q3 2012 results

November 13, 2012

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



**Aareal Bank  
Group**

# Agenda

- 
- Economic, regulatory & political environment
  - Q3 2012 results at a glance
  - Segment performance
  - B/S structure, capital & funding position
  - Group figures Q3 2012
  - Asset quality
  - Outlook
- 
- Appendix
  - Definitions and Contacts
- 



# Economic, regulatory & political environment

No need to change cautious expectations...

...but clear political direction is of utmost importance

H2 2011					
EU / US debt crisis	<ul style="list-style-type: none"> <li>Volatility / uncertainties of the financial market</li> <li>Rating agencies</li> </ul>	Environment February 2012			
Development real economy	<ul style="list-style-type: none"> <li>Mitigating</li> </ul>	Macro-economic	<ul style="list-style-type: none"> <li>Deteriorating</li> </ul>	Environment 9M 2012	
Regulation, authorities, levies, etc.	<ul style="list-style-type: none"> <li>Implementing unsolved</li> <li>Cumulative unpredictable</li> <li>Distortion by single</li> </ul>	Regulatory	<ul style="list-style-type: none"> <li>Uncertain cumulative effects of the different reform proposals on real economy</li> </ul>	Macro-economic	<ul style="list-style-type: none"> <li>Deteriorating economic outlook</li> <li>Recession in Europe</li> <li>On-going discussions about the situation in Greece / Spain</li> </ul>
		Political	<ul style="list-style-type: none"> <li>Uncertain political and regulatory framework</li> </ul>	Regulatory	<ul style="list-style-type: none"> <li>Uncertainty regarding the cumulative effects of the different reform proposals on banks and real economy continues</li> </ul>
				Political	<ul style="list-style-type: none"> <li>Decisions regarding political and regulatory framework postponed</li> </ul>



# Q3 2012 results at a glance



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# Q3 2012 results at a glance

## Solid development

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Comments
€ mn						
Net interest income	119	122	129	146	133	<ul style="list-style-type: none"> <li>▪ Strong H1-funding activities</li> <li>▪ Uncertain NSFR/LCR guidelines</li> <li>▪ Market volatility still high</li> <li>→ Ø Q3-position with central banks: € 4.2 bn</li> </ul>
Allowance for credit losses	30	25	12	34	36	<ul style="list-style-type: none"> <li>▪ Within normal quarterly variation</li> <li>▪ FY-guidance at the lower end of the given range</li> </ul>
Net commission income	39	40	40	45	38	Soffin bond relief
Net result from trading / non-trading/ hedge accounting	5	-5	-26	-7	0	Reflecting market volatility
Admin expenses	90	89	91	102	93	Efficiency measures will continue to materialise
Operating profit	42	45	43	47	47	Solid development despite challenging environment



# Segment performance

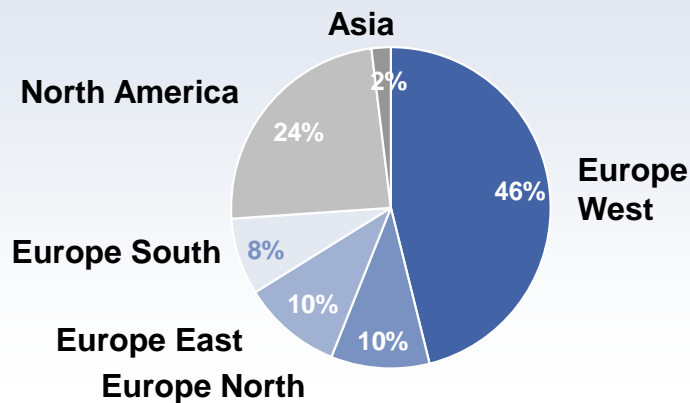


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# Structured property financing

## New business activities as planned

New business by region 9M 2012



New business origination



P&L SPF Segment	Q3 '12	Q2 '12	Q1 '12	Q4 '11	Q3 '11
€ mn					
Net interest income	114	115	121	136	123
Loan loss provision	30	25	12	34	36
Commission income	6	6	4	5	4
Net result from trading/ non-trading/ hedge accounting	5	-5	-26	-7	0
Admin expenses	51	47	49	58	54
Others	-2	0	2	-3	5
<b>Operating profit</b>	<b>42</b>	<b>44</b>	<b>40</b>	<b>39</b>	<b>42</b>

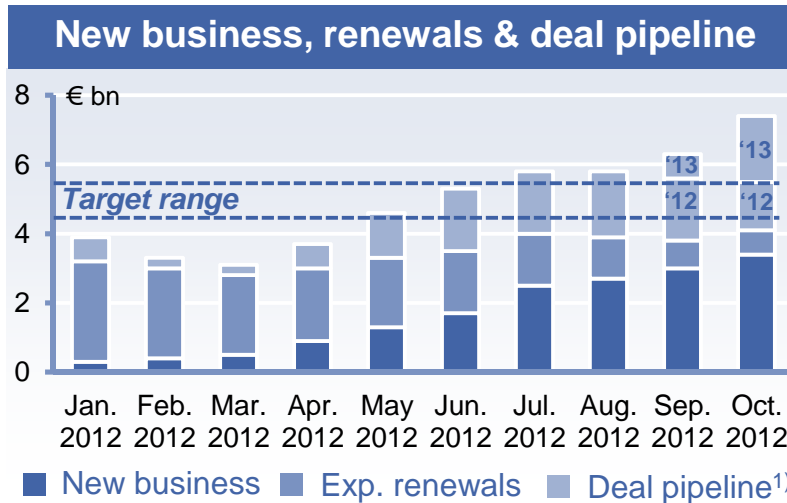
- Newly acquired business increased over the year
- Taking advantage of new business opportunities
- Continuing funding on an opportunistic basis after very successful H1 activities
- Confident to meet upper end of given FY-target of € 4.5 bn to € 5.5 bn



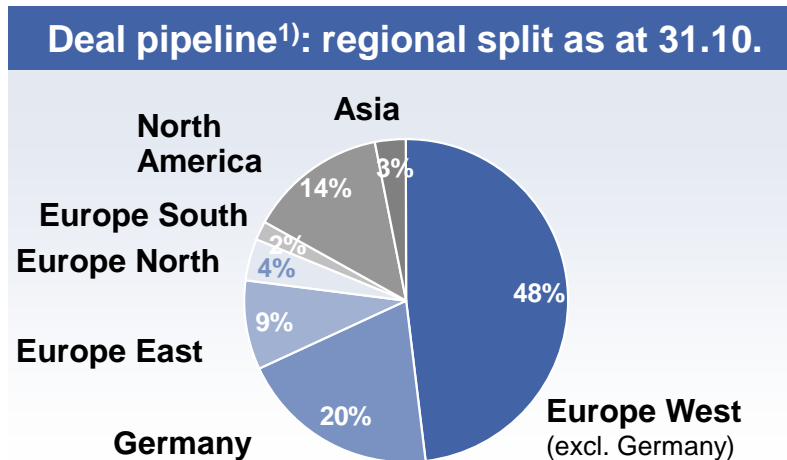
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# Structured property financing

## Promising deal pipeline



- Target to build up deal pipeline for H2 2012 (already communicated in early 2012)
- Constantly analysing options to realise the chances the deal pipeline is offering
- Based on the current deal pipeline (as well as current capital, funding and liquidity position) and our new business origination after 9M we are confident to meet our new business target in 2012



1) Newly acquired business, probability weighted





# Consulting / Services

Solid in IT & volumes – weak in deposit margins

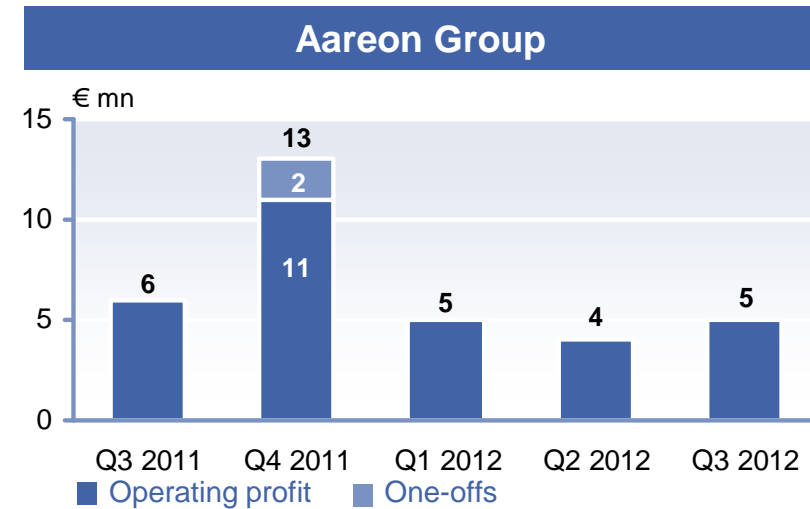
P&L C/S Segment (industry format)	Q3 '12	Q2 '12	Q1 '12	Q4 '11	Q3 '11
€ mn					
Sales revenue	44	47	49	56	50
Own work capitalised	0	1	0	1	0
Changes in inventory	0	0	0	0	0
Other operating income	1	3	2	3	2
Cost of material purchased	5	6	5	5	5
Staff expenses	27	28	28	29	27
D, A, impairment losses	3	3	3	4	3
Results at equity acc. investm.	-	-	-	-	-
Other operating expenses	10	13	12	14	12
Results from interest and similar	0	0	0	0	0
<b>Operating profit</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>5</b>

- Performance of Aareon within guidance
- Lower than expected interest rate environment burdens segment results
- Deposit volume of the housing industry has increased further to € 5.8 bn on average in Q3 2012
- The strategic importance of the housing industry deposits as an additional source of funding exceeds the importance of the interest income shown in the segment



# Consulting / Services

Aareon within plan – deposit taking business burdened

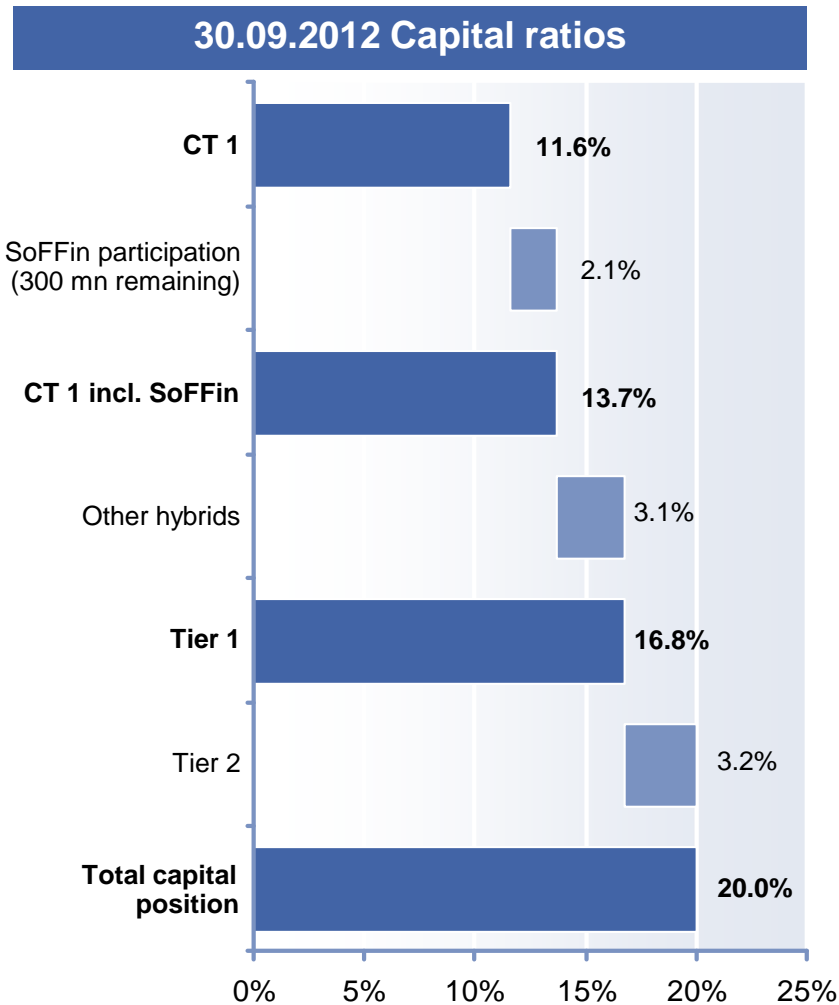


# B/S structure, capital & funding position



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# Strong capital ratios & stable capital structure



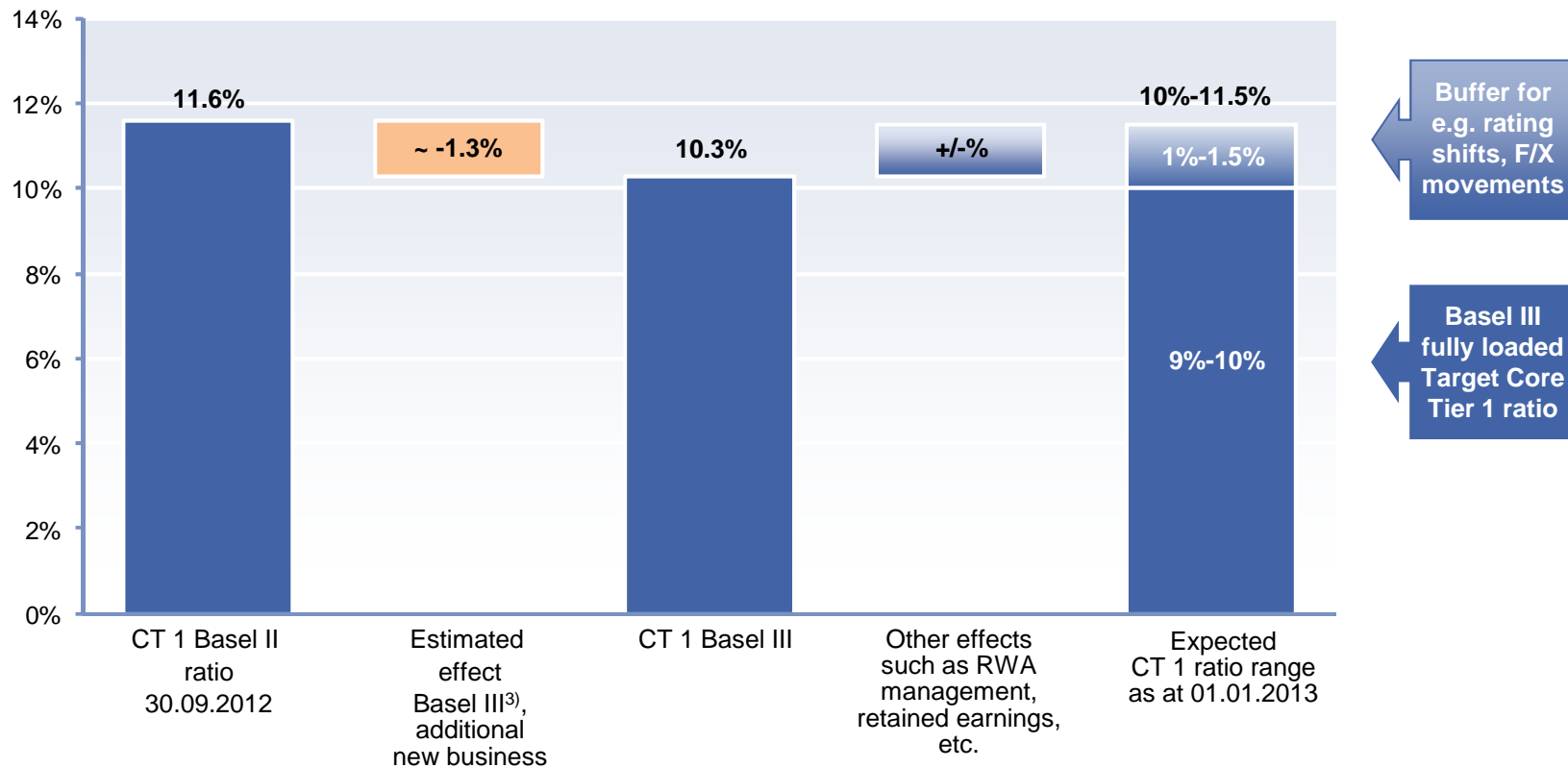
- Strong capital ratios enable us to take new business on board
- Strong capital ratios in line with business model, company size and capital market expectations
- Full repayment of remaining SoFFin silent participation possible without further capital increase
- Recently issued Basel II compliant LT2 (structured as 'bail-inable' capital) only partly compensates no longer eligible profit participation certificates (maturing 08/2014)



# Core Tier 1 Basel III fully loaded<sup>1)</sup>

## Temporarily raised to 9% - 10%

Simulation: estimated Basel III effects per 30.09.2012<sup>2)</sup>



1) ex SoFFin and ex hybrids

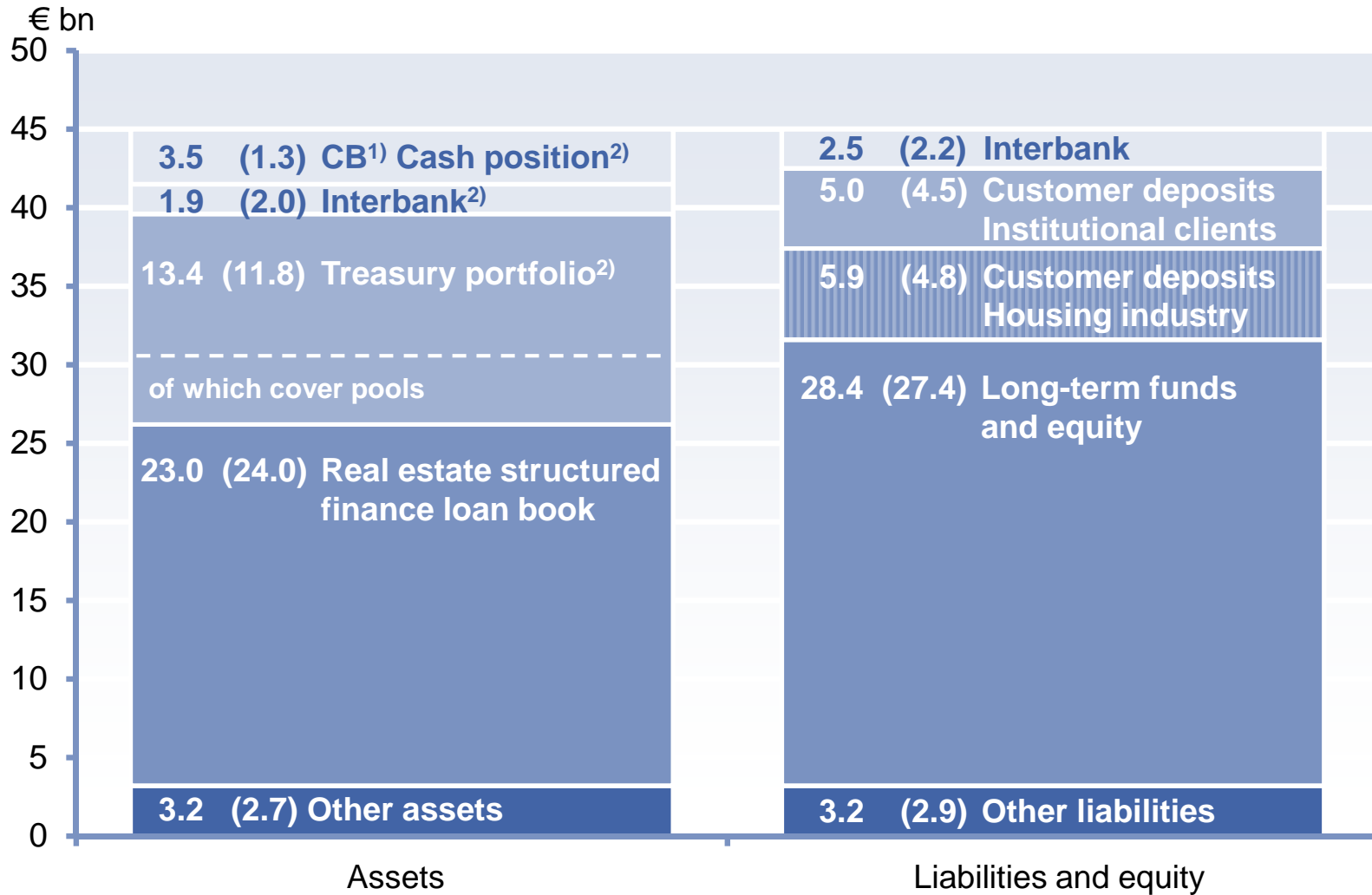
2) Actual figures may vary significantly from estimates

3) Estimated impact of Basel III implementation due to capital deductions and counterparty credit risk



# Asset- / Liability structure according to IFRS

As at 30.09.2012: € 45.0 bn (31.12.2011: € 41.8 bn)



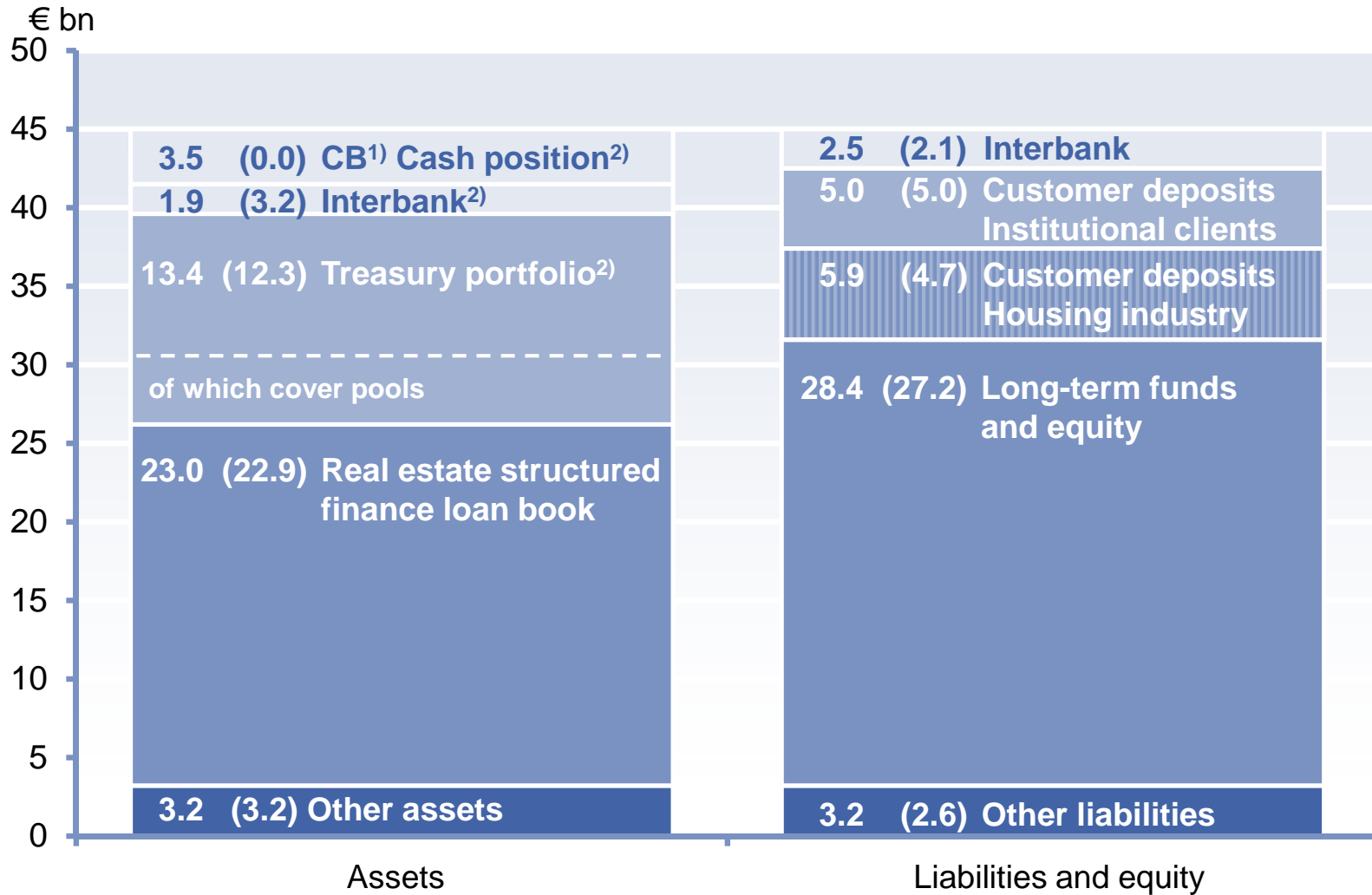
1) CB: Central banks

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



# Asset- / Liability structure according to IFRS

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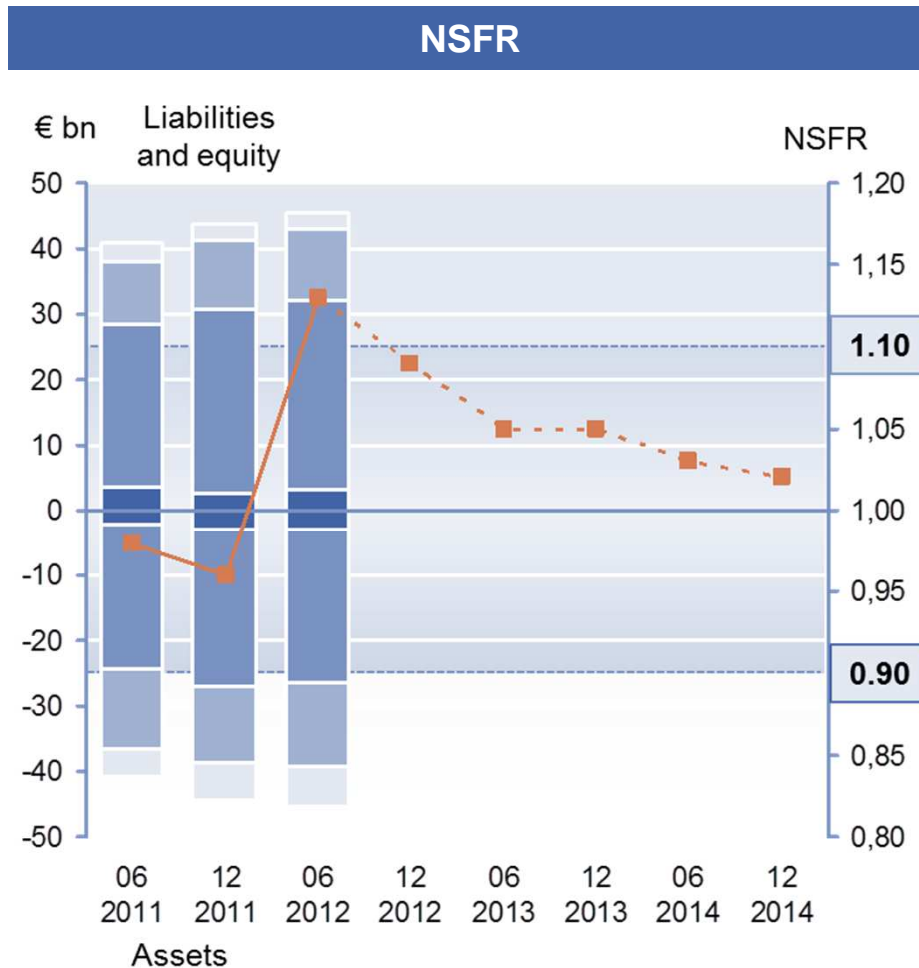
1) CB: Central banks

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



# Net stable funding- / Liquidity coverage ratio

## Fulfilling Basel III requirements



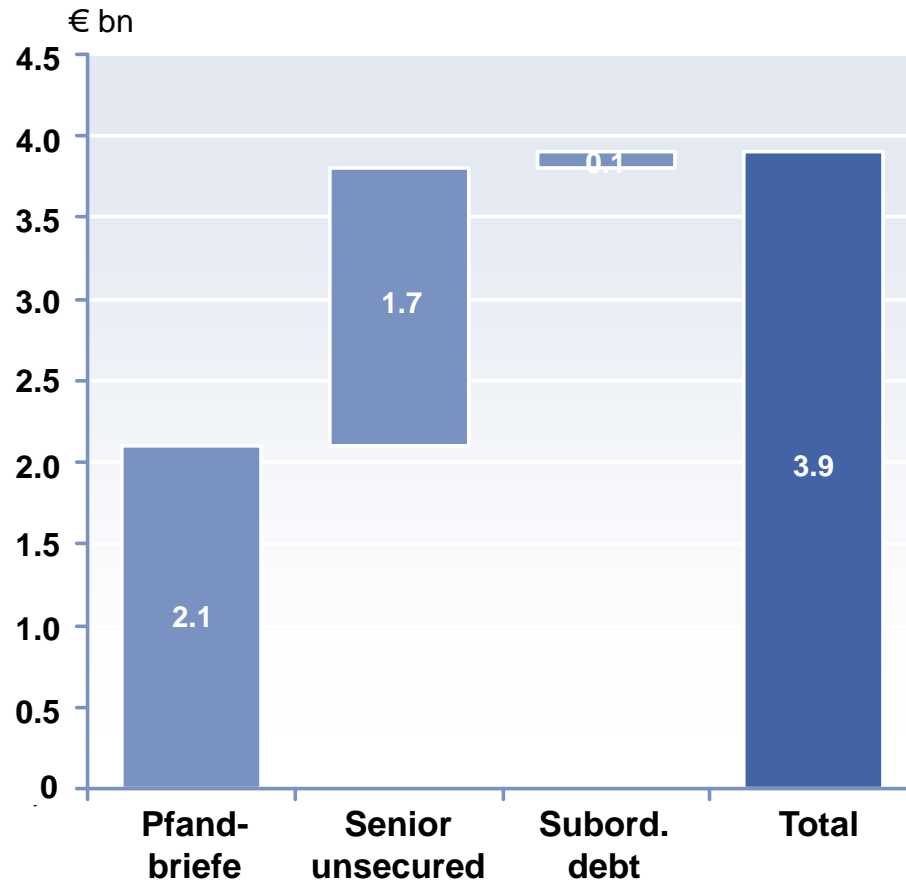
- Aareal Bank already fulfils future requirements
  - NSFR > 1.0
  - LCR >> 1.0
- Basel III and CRD IV require specific liquidity ratios starting end 2018
- NSFR (net stable funding ratio) reflects long term funding situation
- LCR (liquidity coverage ratio) reflects short term liquidity
- Due to uncertain NSFR / LCR guidelines and market volatility a considerable part of the bank's liquidity is parked instead of being invested into treasury assets
- High NSFR ratio due to successful funding activities in H1





# Refinancing situation 2012

## Successful funding activities



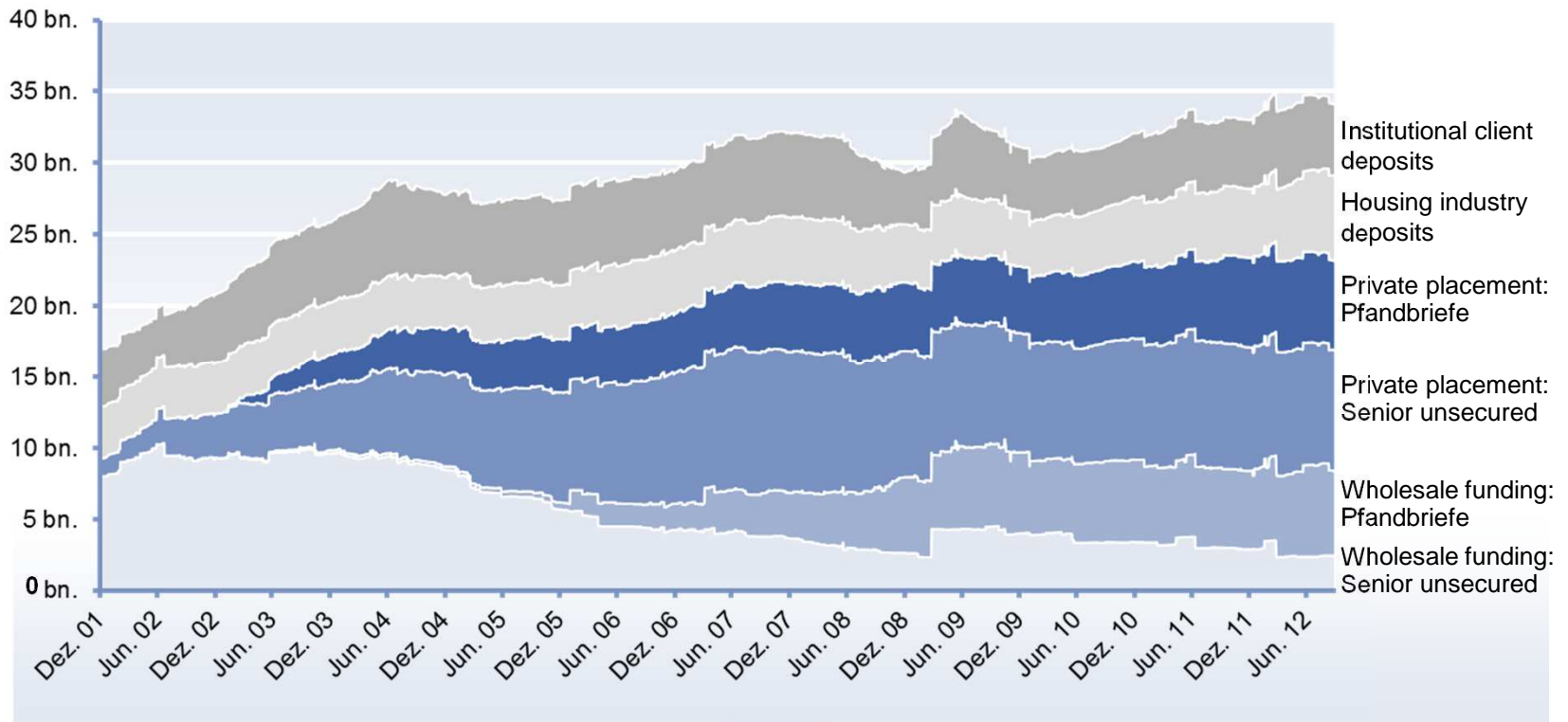
### Total funding of € 3.9 bn in 9M 2012

- Pfandbriefe:  
€ 2.1 bn  
thereof two € 500 mn benchmark mortgage Pfandbriefe
- Senior unsecured:  
€ 1.7 bn  
thereof one € 500 mn Senior unsecured benchmark
- Subordinated debt (LT2):  
€ 110 mn
- Fitch confirmed the AAA-rating of our covered bonds even after significant changes of the rating methodology



# 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 30.09.2012, this share has fallen to 25% (or even below 10% without Pfandbriefe)

As at 30.09.2012



# Group figures Q3 2012



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# Net interest income

## Burdened by cautious liquidity and investment strategy



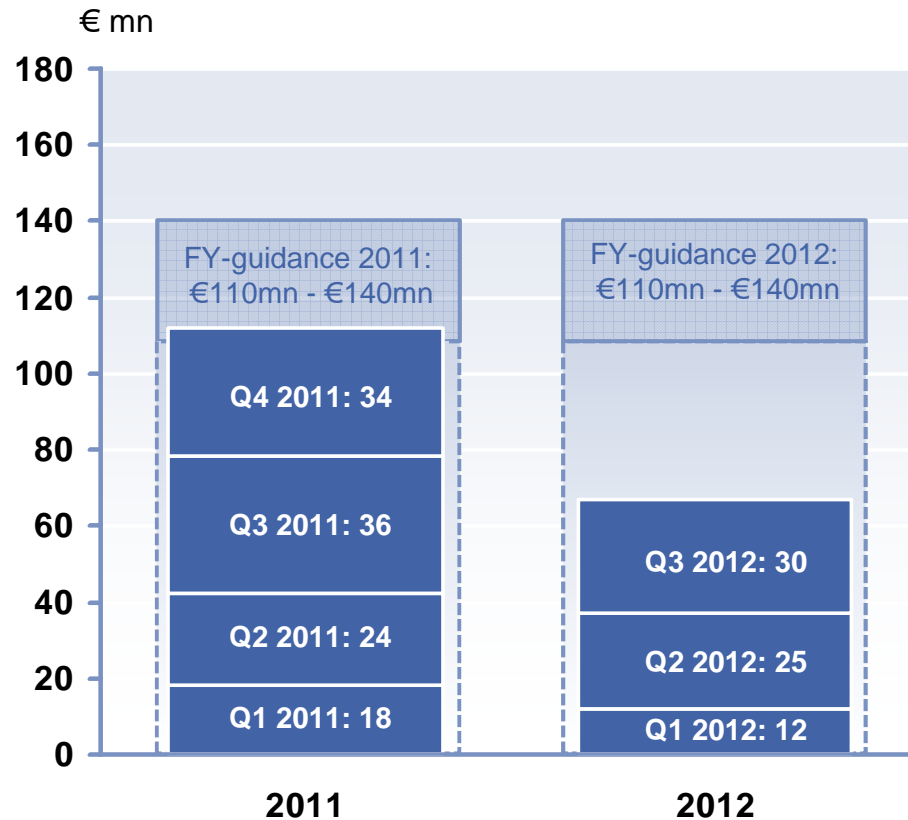
- The positive impact of higher margins from new business is offset by the burden from the very cautious liquidity and investment strategy
- Aareal Bank already fulfils future NSFR / LCR requirements
- A considerable part of liquidity (Ø of € 4.2 bn in Q3) is parked with central banks instead of being invested into treasury assets due to uncertain NSFR/ LCR guidelines and market volatility
- NII Consulting / Services burdened by lower than expected interest rate environment
- Successful funding in 9M
- One-offs:
  - Q1 2012: positive € 2 mn impact
  - Q4 2011: boosted by € 9 mn



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# Loan loss provisions

## Within normal quarterly variation



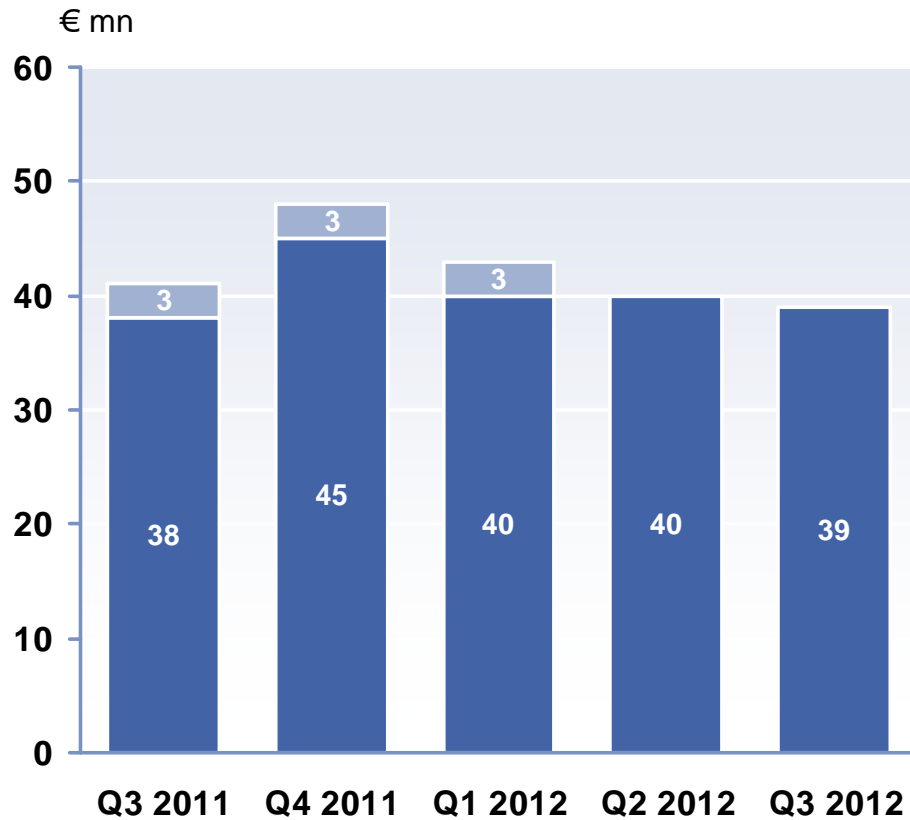
- € 30 mn LLP in Q3 2012 proves high portfolio quality
- FY guidance expected at the lower end of the given range of € 110 mn to € 140 mn, with normal quarterly variation during the year
- Close monitoring of our loan portfolio and successful restructuring efforts resulted in only 48 bp risk costs on average loan book in 2011

■ FY guidance



# Net commission income

## Relief of costs for SoFFin guarantees



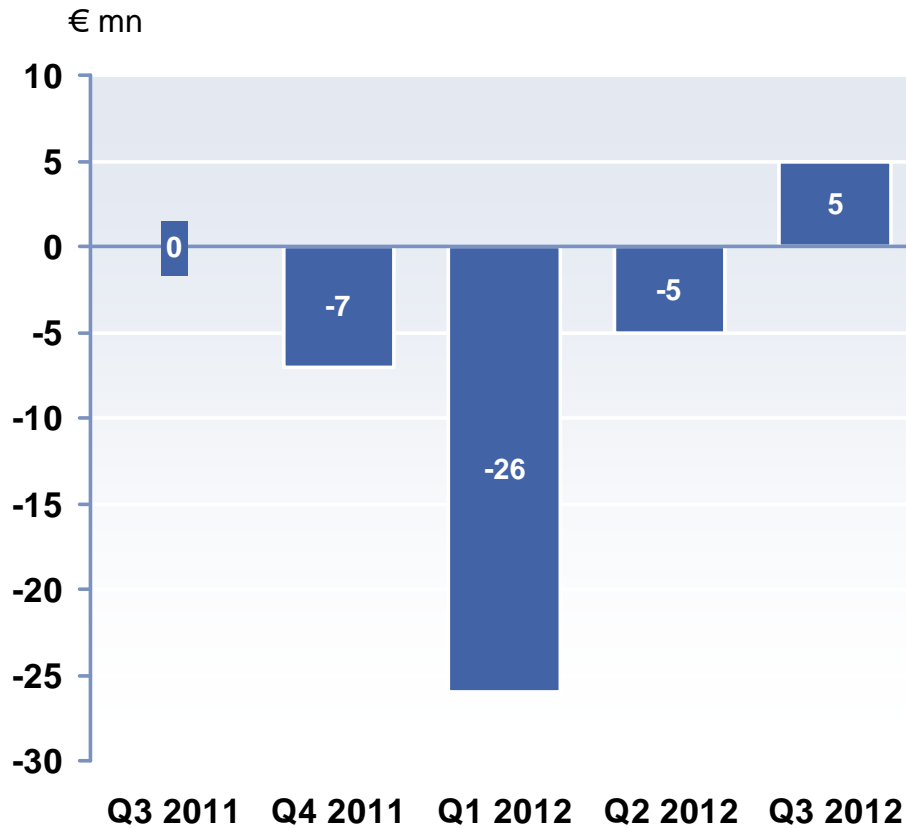
- Total net commission income
- Burden from fees paid for Soffin guarantees

- No more burdens from SoFFin guaranteed bonds from Q2 2012 onwards
  - Early redemption of the second € 2 bn SoFFin guaranteed bond (held in own books) disburdens NCI starting in Q2 2011, full effect showing in Q3 2011
  - € 800 mn part repurchase of the first € 2 bn SoFFin guaranteed bond disburdens NCI starting in Q3 2011, full effect showing in Q4 2011
  - Last guarantee fee payments of € 3 mn made in Q1 2012



# Trading, non trading and hedge accounting

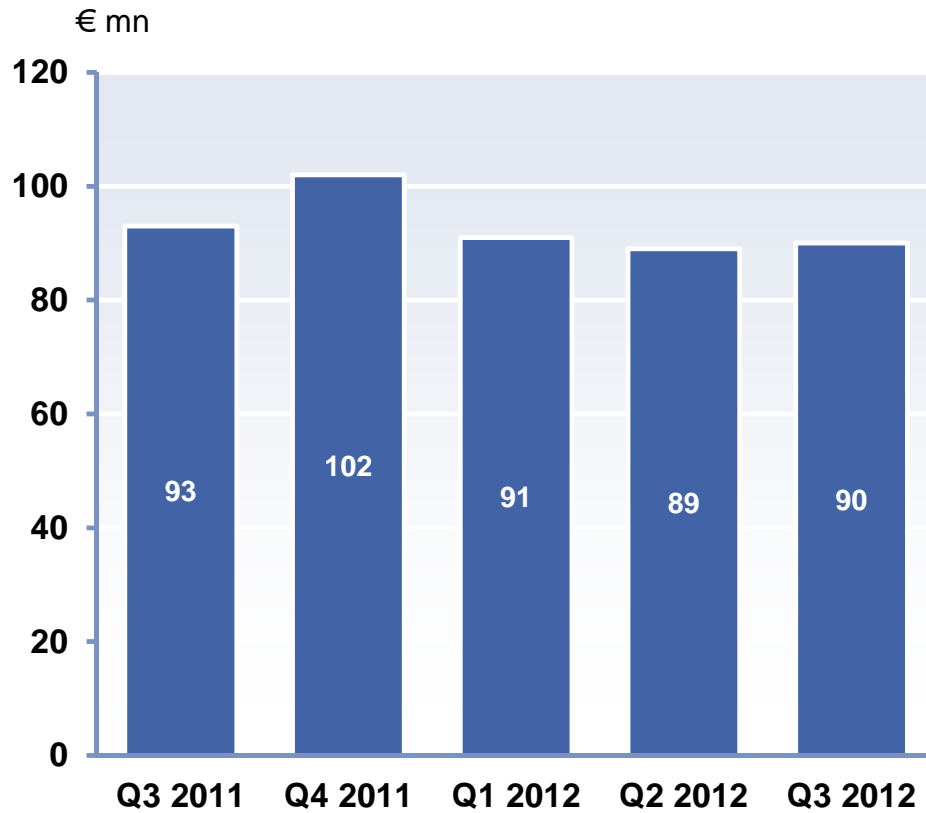
## Result reflects volatile markets



- High market volatility reflected in trading and hedge result
- Q1 2012: positive market development results in tightening basis spreads of the derivatives used to hedge interest and currency risks

# Admin expenses

## Efficiency measures will continue to materialise



- Q4 2011 includes € 12 mn one-offs for efficiency measures
- Positive effects from efficiency measures





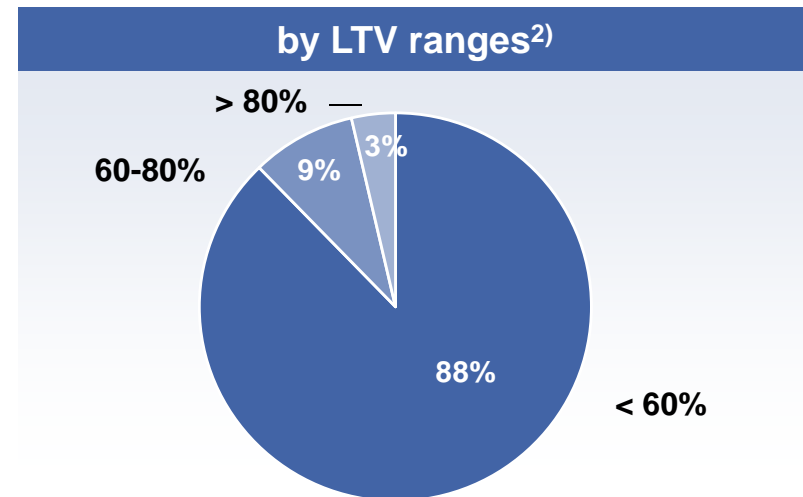
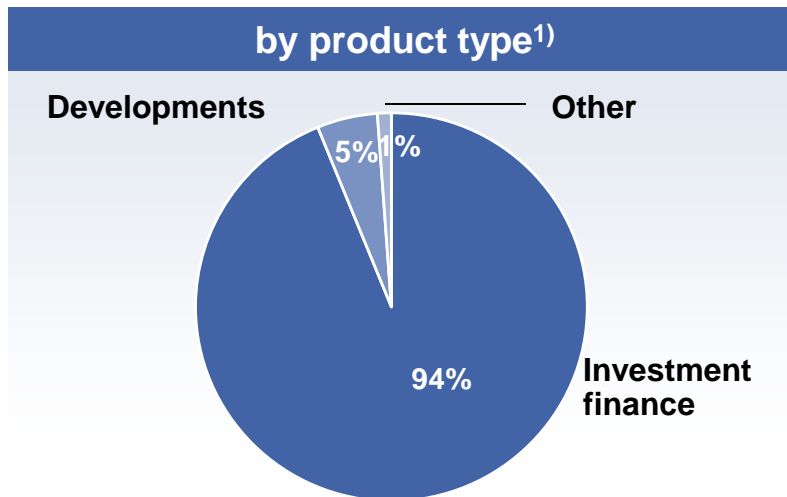
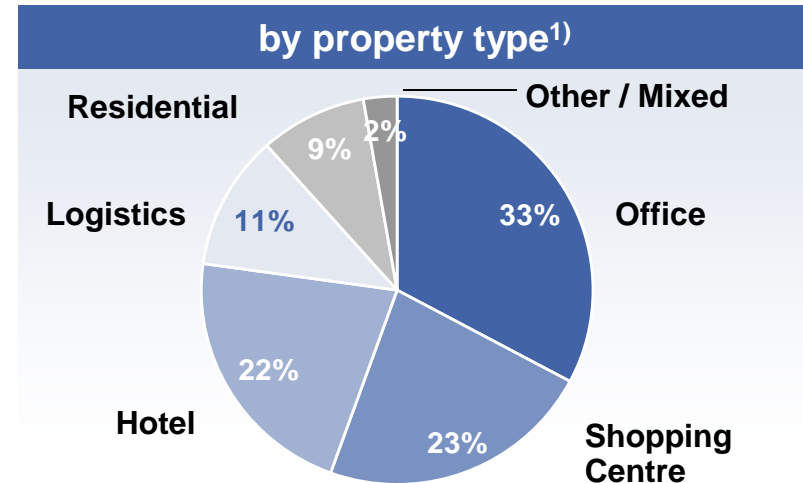
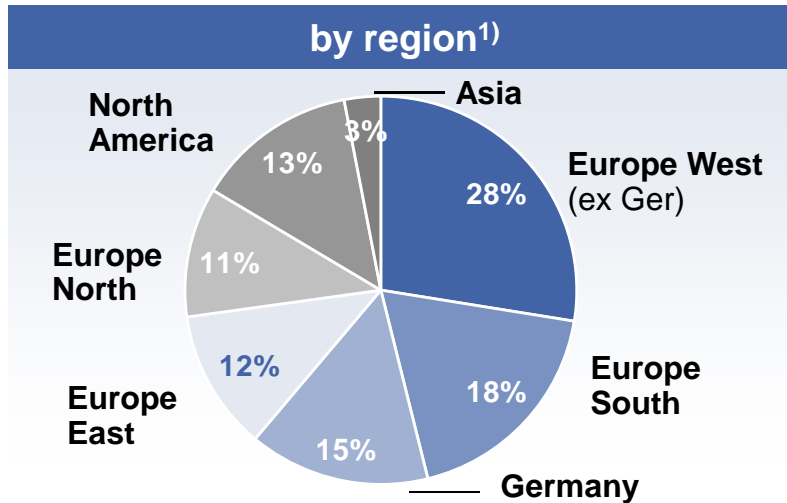
# Asset quality



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# Total property finance portfolio

## High diversification and sound asset quality



1) Total volume under management: € 23.2 bn as at 30.09.2012  
(consisting of € 23.0 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; values as at 30.09.2012



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# Total property finance portfolio

## Continuing conservative approach

### LLP- and NPL development

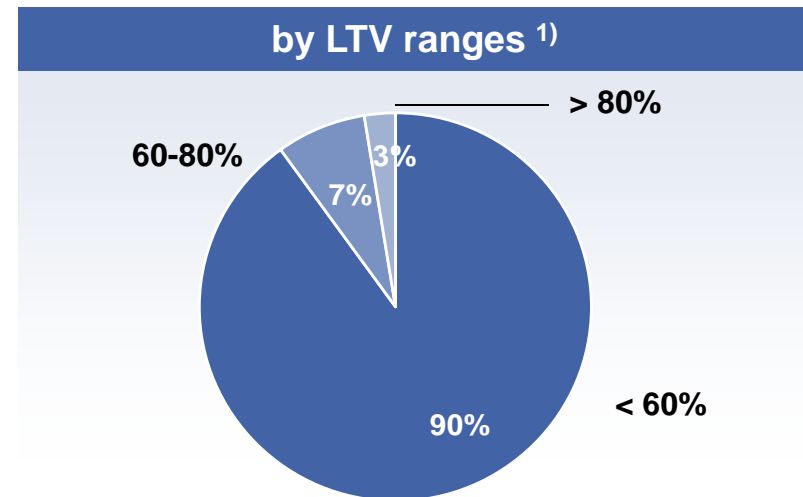
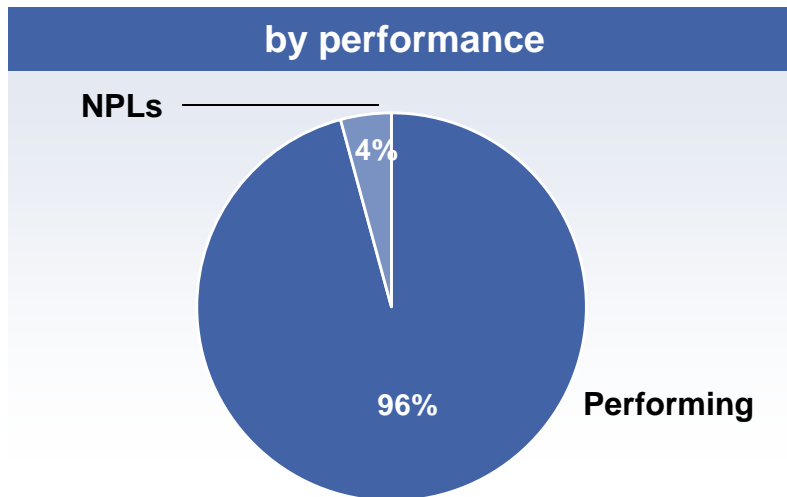
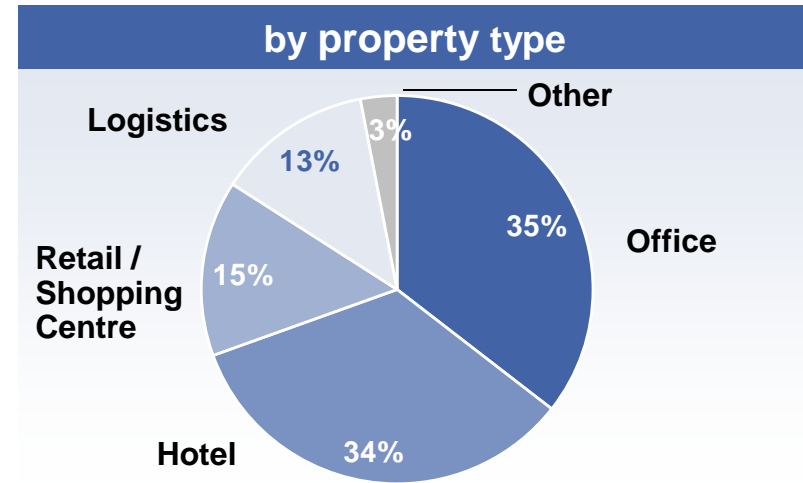
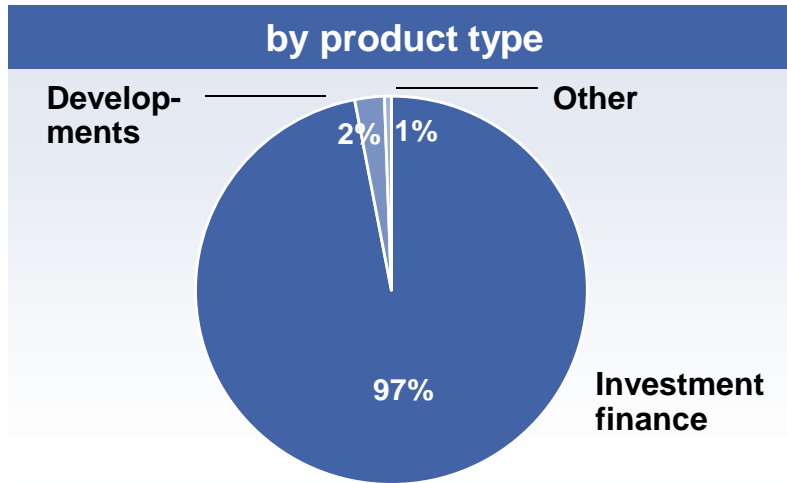
	NPL Exposure <sup>1)</sup>	Specific Allowances <sup>1)</sup>	Portfolio Allowances <sup>2)</sup>
€ mn			
As at 31.12.2011	898	252	80
Utilisation 9M 2012	-214	-86	-
Addition 9M 2012	153	66	1
As at 30.09.2012	837	232	81
<b>Coverage ratio specific allowances</b>		<b>27.7%</b>	
		232	81
As at 30.09.2012	837	313	
<b>Coverage ratio incl. portfolio allowances</b>		<b>37.4%</b>	

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



# Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 30.09.2012: € 6.4 bn

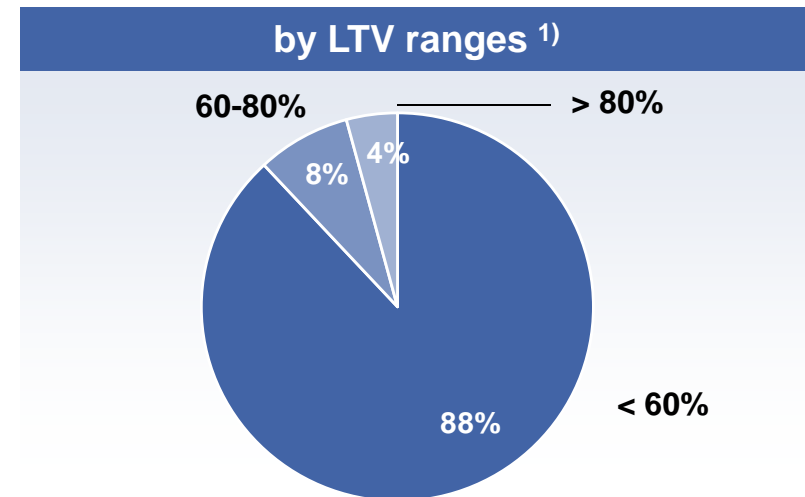
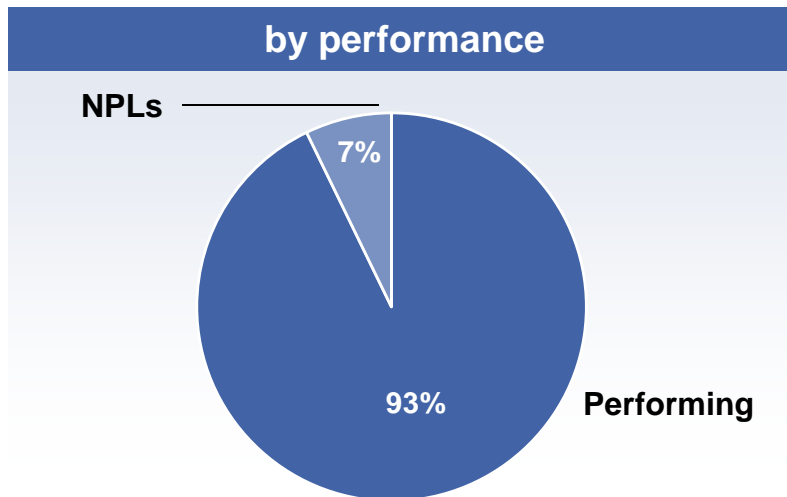
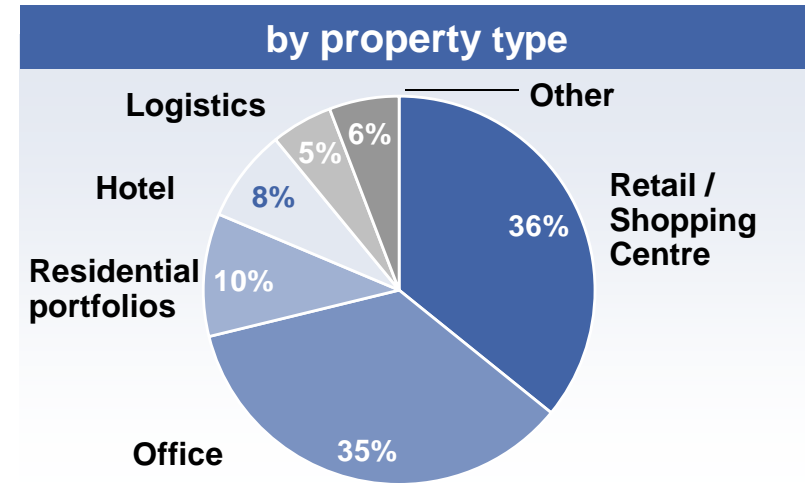
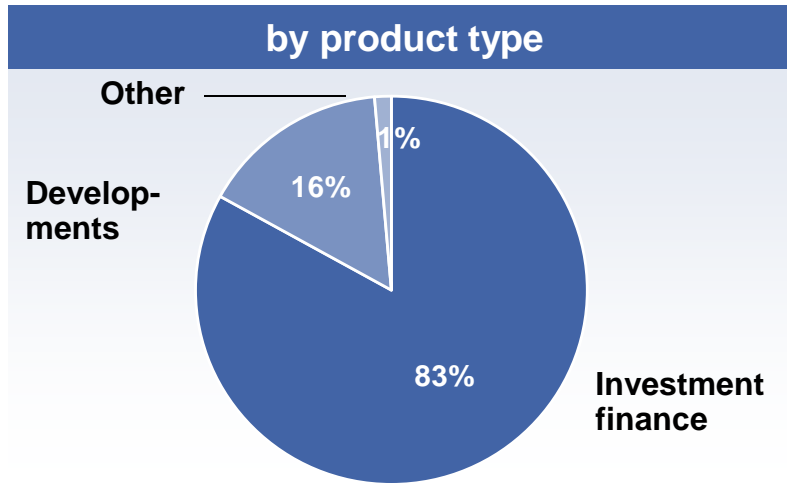


1) Performing business only



# Southern Europe credit portfolio

Total volume outstanding as at 30.09.2012: € 4.3 bn

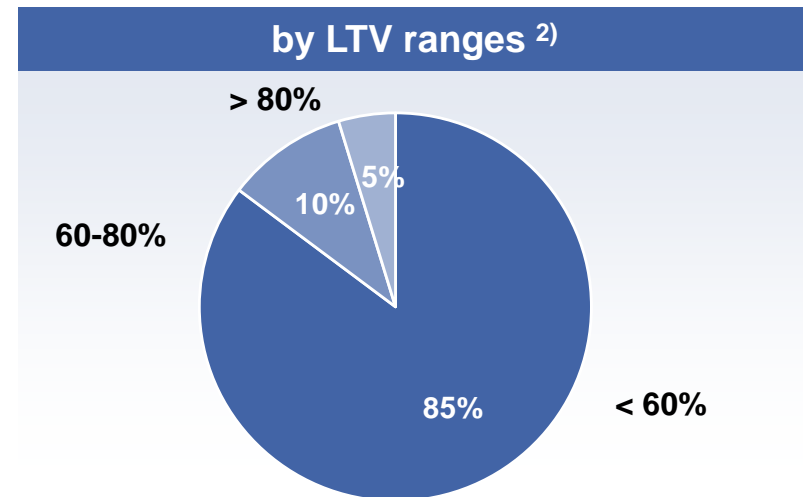
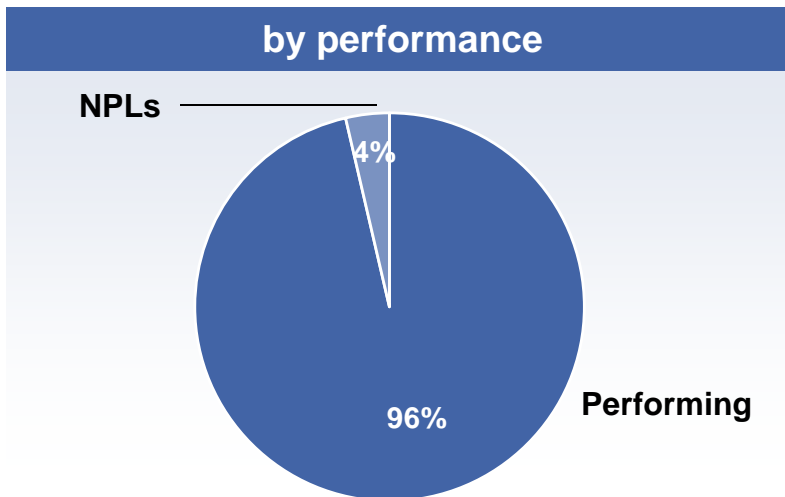
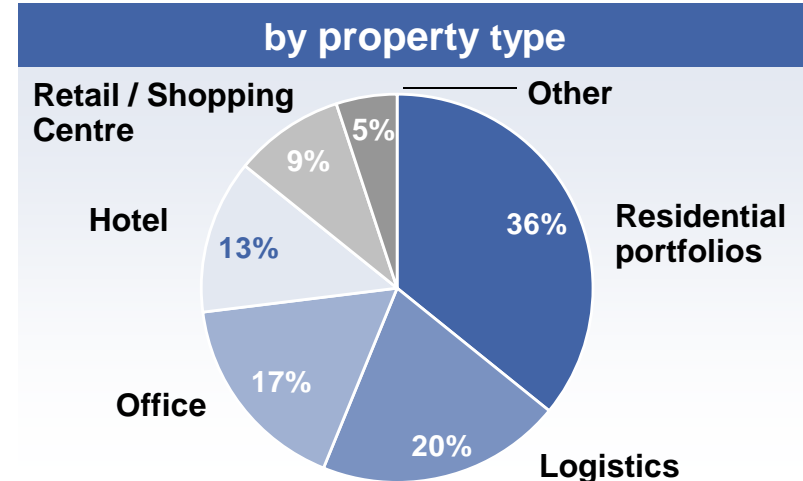
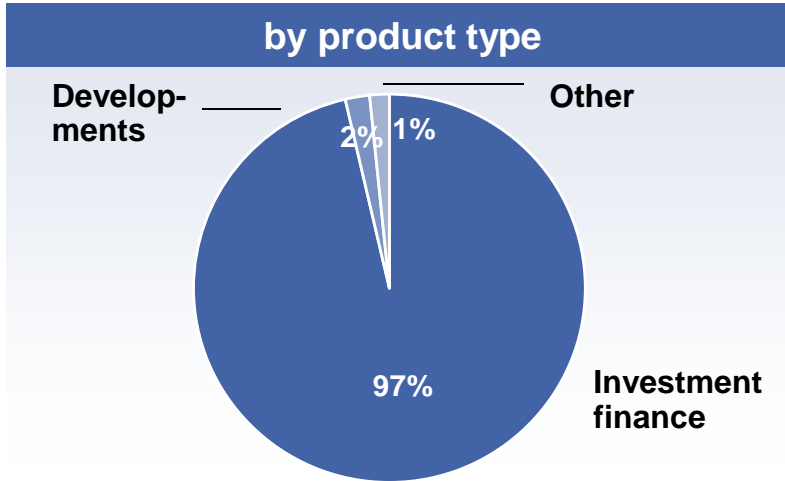


1) Performing business only



# German credit portfolio

Total volume outstanding as at 30.09.2012: € 3.5 bn<sup>1)</sup>

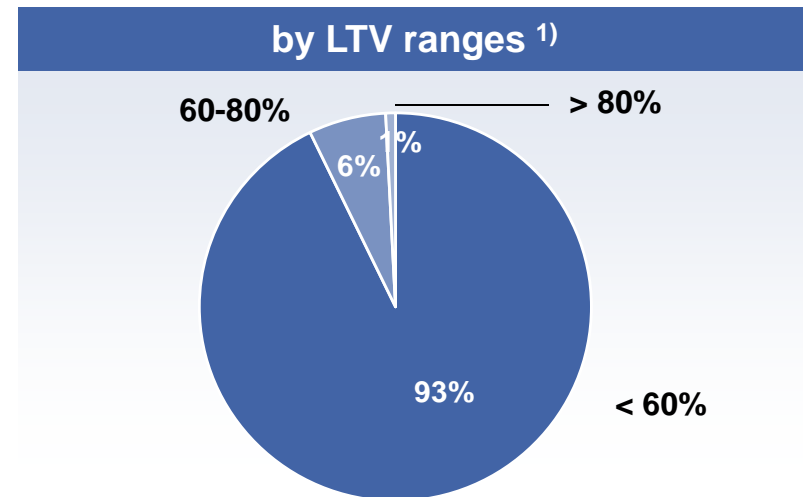
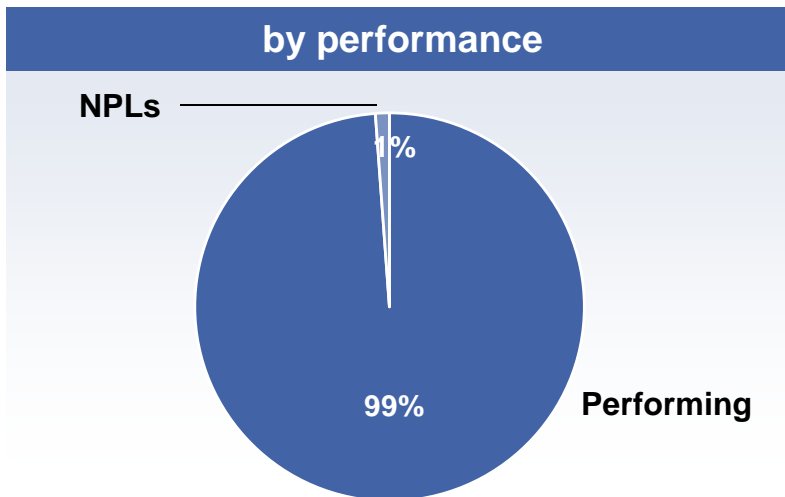
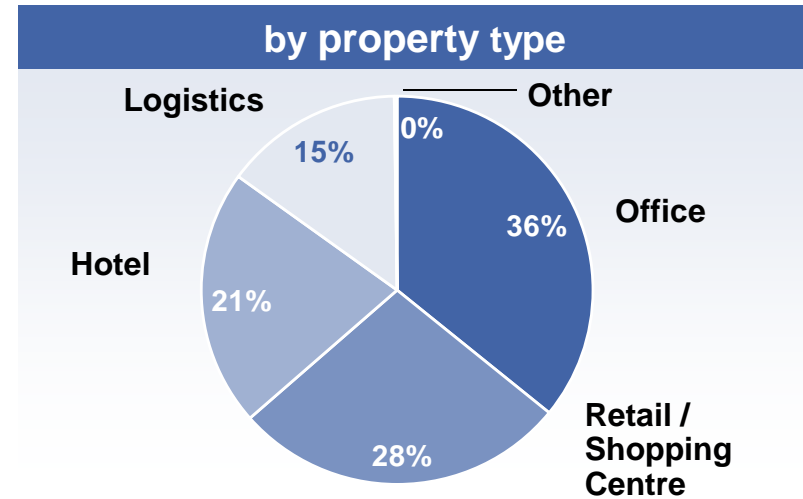
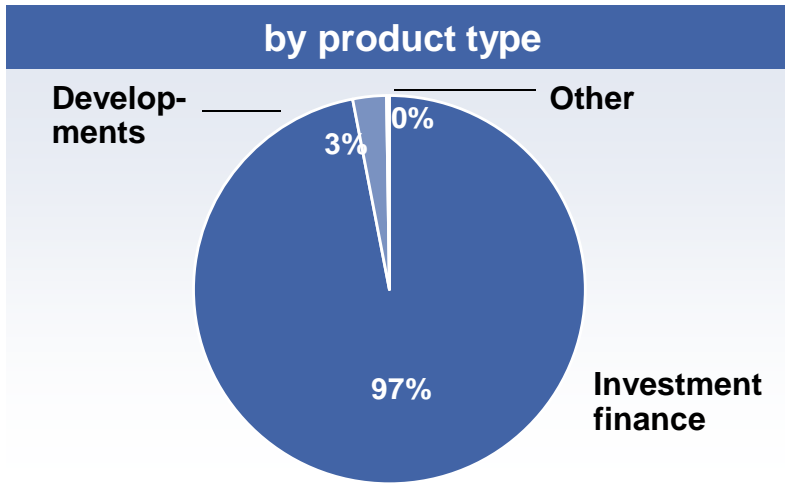


1) Including € 0.2 bn property loans managed on behalf of Deutsche Pfandbriefbank AG  
 2) Performing business only



# Eastern Europe credit portfolio

Total volume outstanding as at 30.09.2012: € 2.7 bn

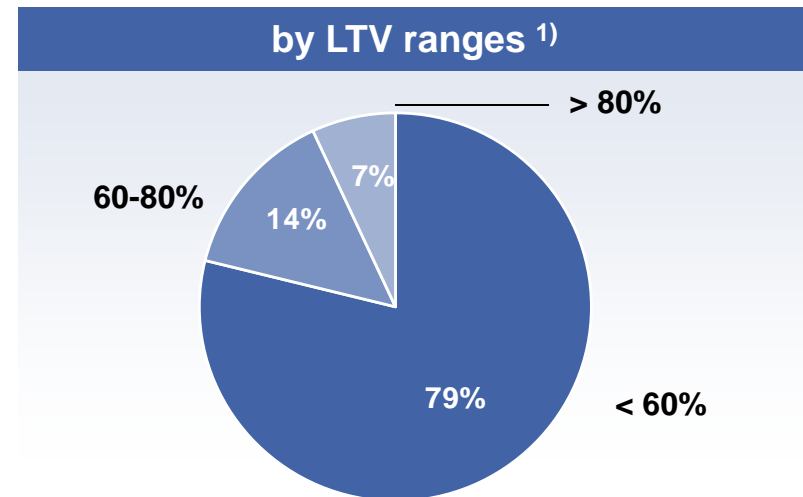
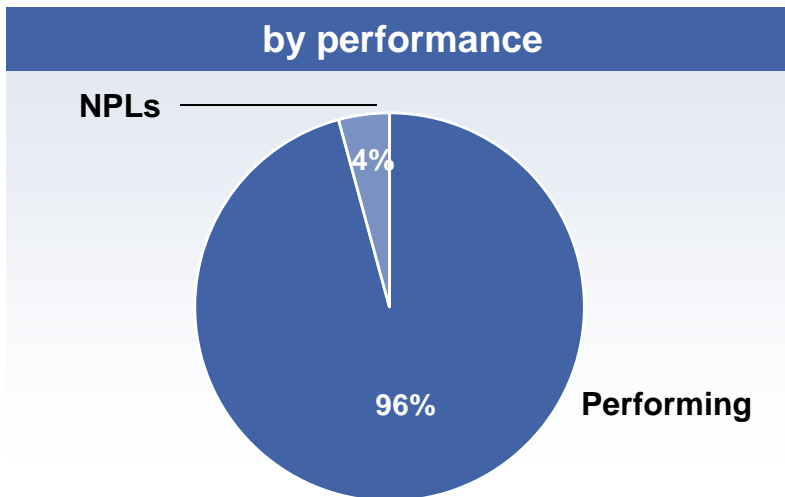
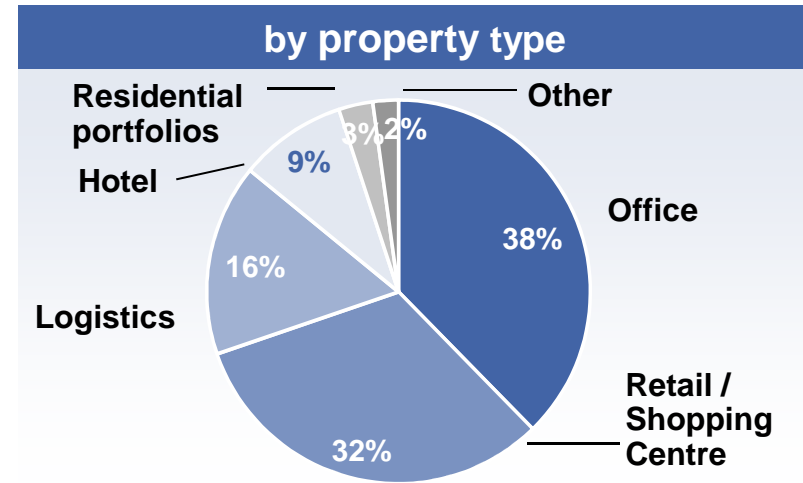
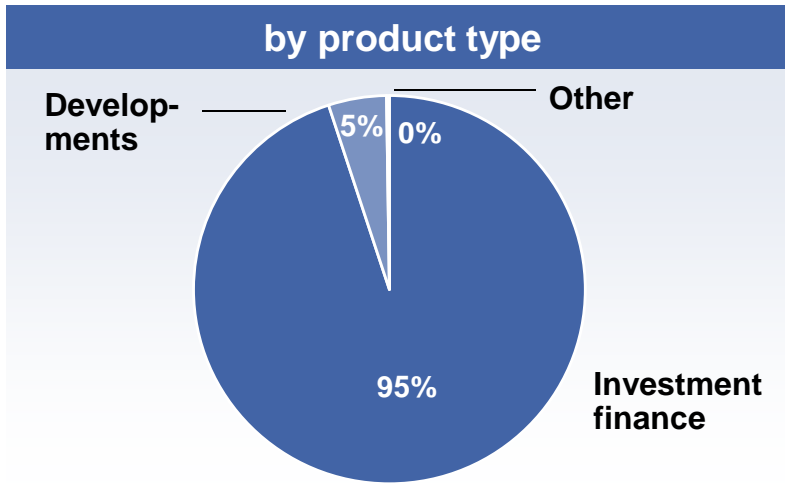


1) Performing business only



# Northern Europe credit portfolio

Total volume outstanding as at 30.09.2012: € 2.6 bn



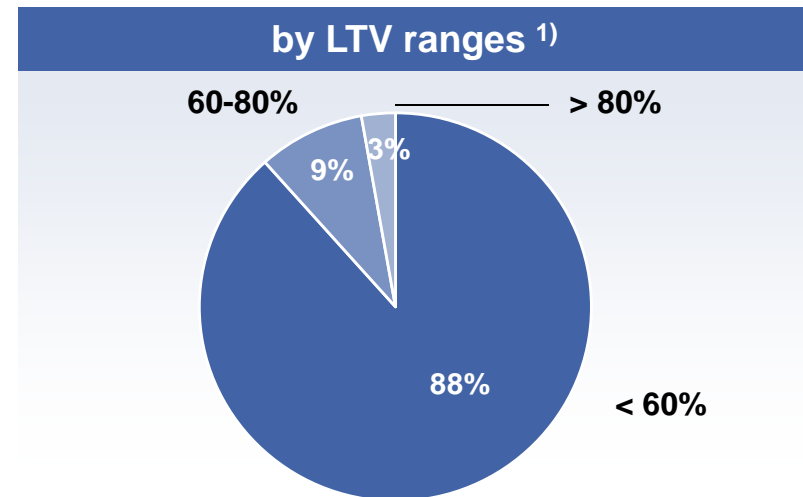
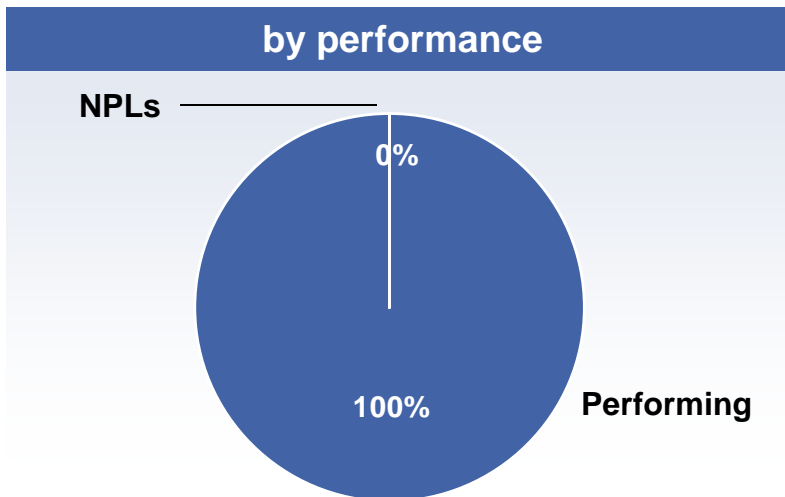
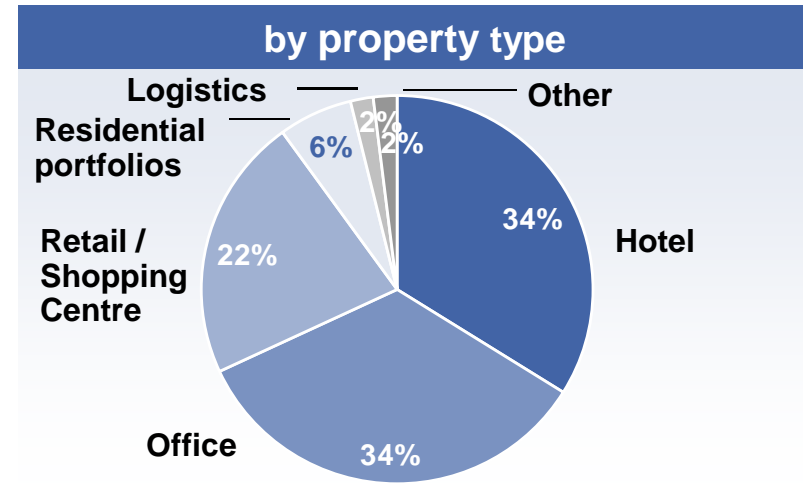
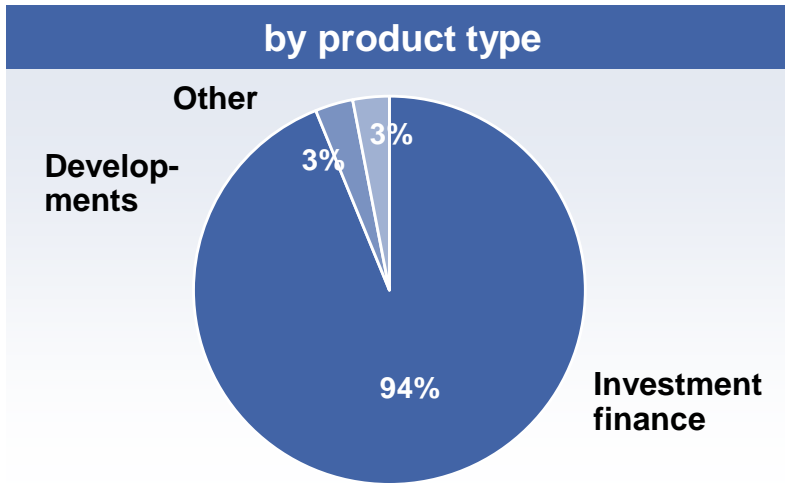
1) Performing business only





# North America credit portfolio

Total volume outstanding as at 30.09.2012: € 3.1 bn

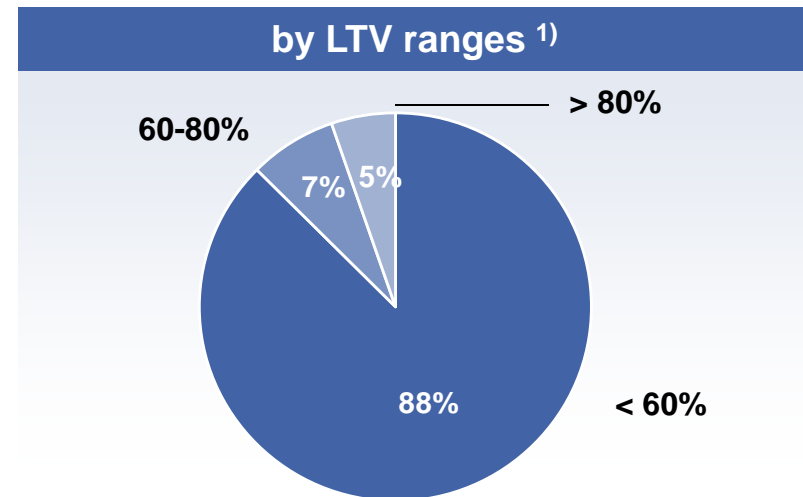
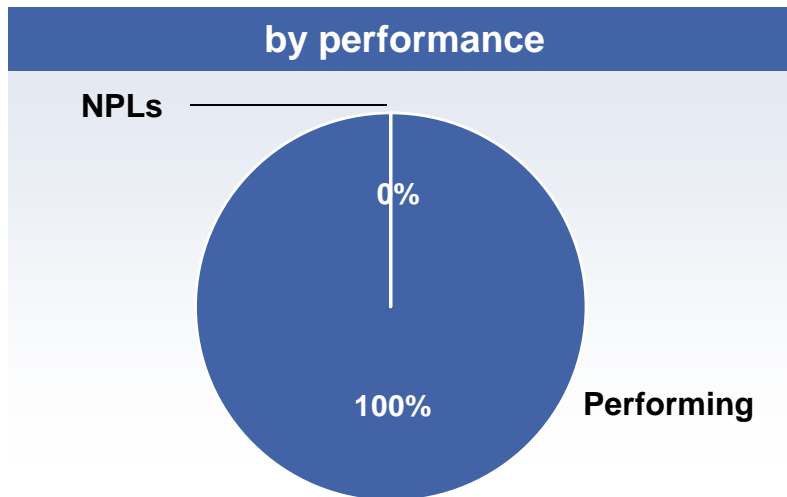
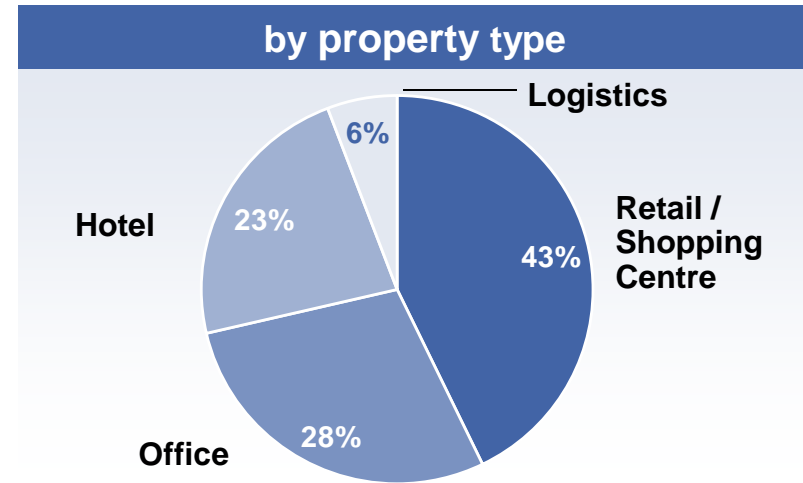
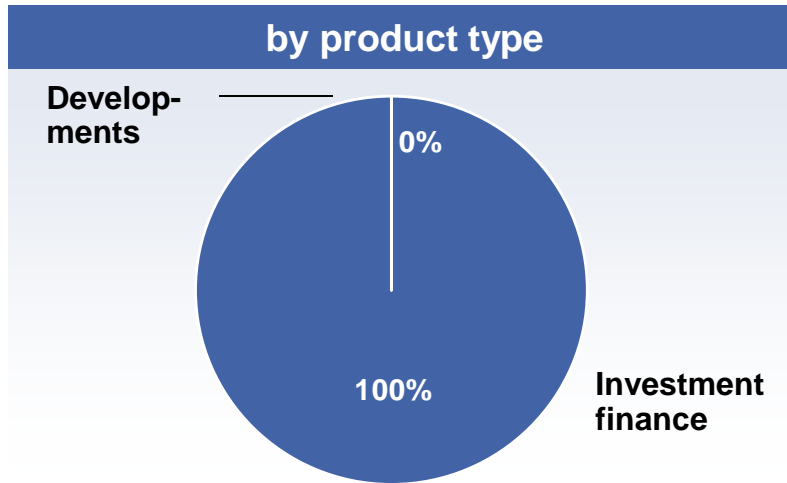


1) Performing business only



# Asia credit portfolio

Total volume outstanding as at 30.09.2012: € 0.7 bn



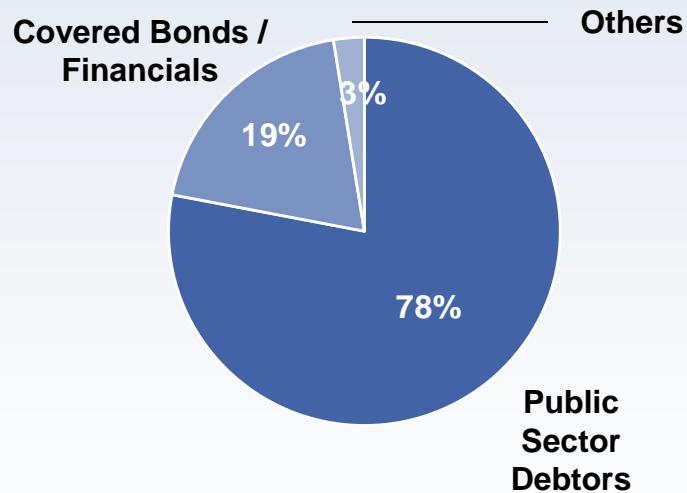
1) Performing business only



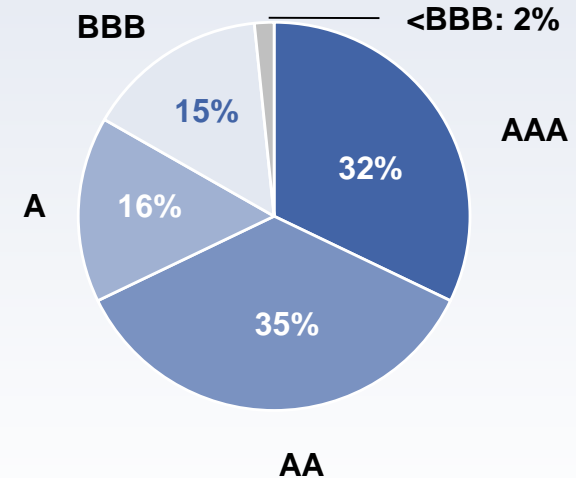
# Treasury portfolio

€ 11.6 bn of high quality and highly liquid assets

by asset class



by rating <sup>1)</sup>



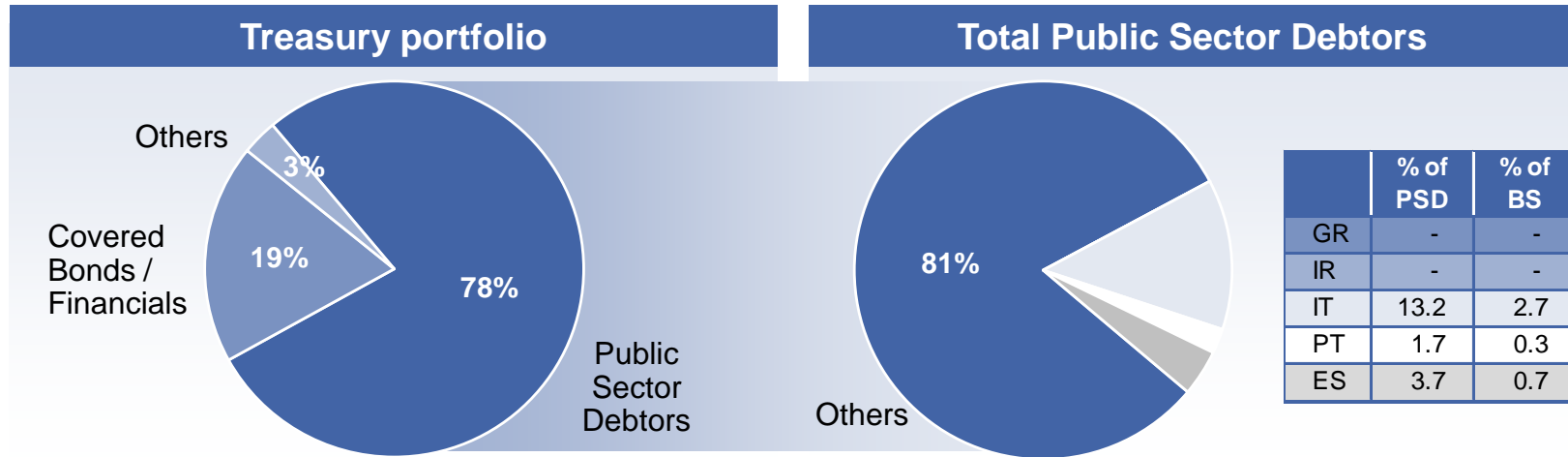
As at 30.09.2012 – all figures are nominal amounts

1) Composite Rating



# Treasury portfolio

## € 9.1 bn Public Sector Debtors



Sovereign			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	1,199	-94	-245
Portugal	100	-21	0
Spain	-	-	-

Sub-Sovereign <sup>1)</sup>			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	-	-	-
Portugal	55	-1	-20
Spain	337	-1	-83

As at 30.09.2012 – all figures are nominal amounts

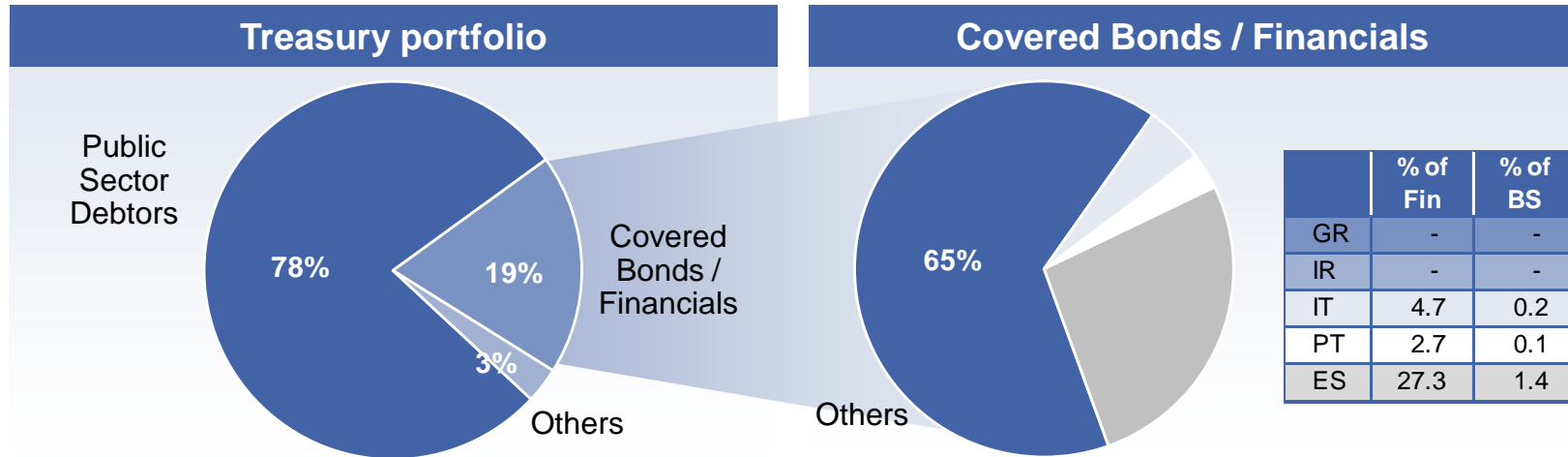
- 35
- 1) Incl. exposure of € 50 mn which is additionally guaranteed by the Sovereign
  - 2) Incl. securities of the AfS- and the LaR-category after tax
  - 3) Incl. securities of the LaR-category after tax



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# Treasury portfolio

## € 2.3 bn Covered Bonds and Financials



Covered Bonds			
€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	70	-2	-
Portugal	60	-14	-
Spain	616	-9	-31

Senior Unsecured			
€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	36	0	0
Portugal	-	-	-
Spain	-	-	-

As at 30.09.2012 – all figures are nominal amounts

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

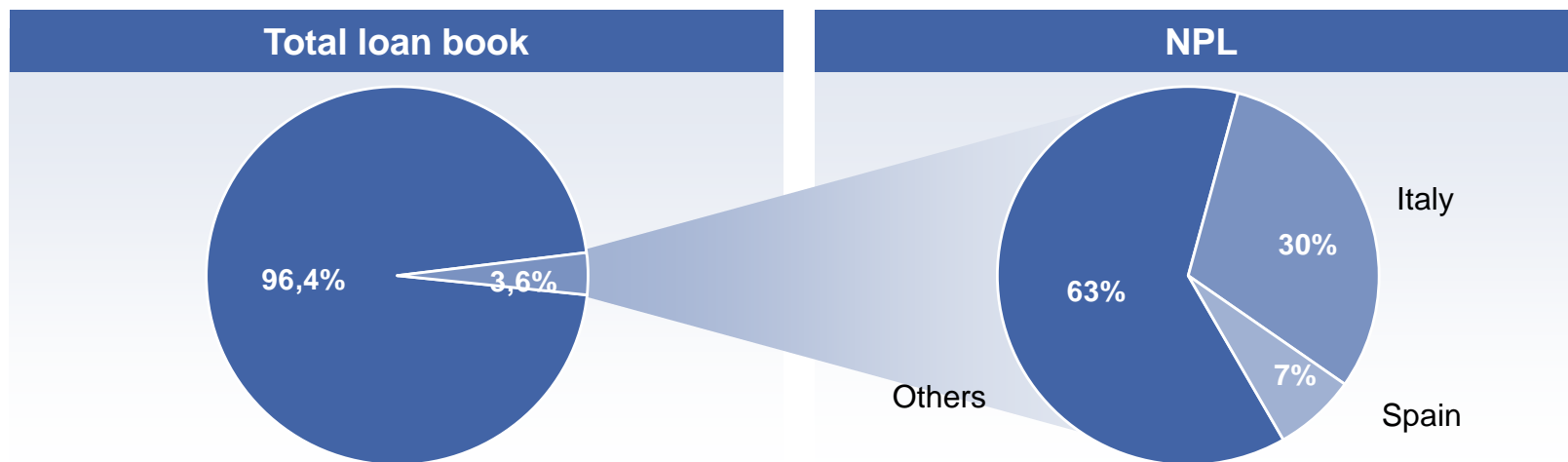
36 2) Incl. securities of the HtM- and the LaR-category after tax



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# Total Structured Property Financing Portfolio

€ 23.2 bn of high quality real estate assets



	Nominal (in mn €)	Average LTV	NPLs (in mn €)
Greece	-	-	-
Ireland	-	-	-
Italy	3,209	60.2%	254
Portugal	-	-	-
Spain	1,070	83.7%	59

As at 30.09.2012 – all figures are nominal amounts



# Outlook



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# FY-2012 outlook assumptions still valid

## Influenced by considerable uncertainties (1/2)

### Macro-economic environment

AND

#### Deteriorating economic outlook

- Significant slow down in 2012, recession in the Euro-Zone, some slightly positive trends starting 2013<sup>1)</sup>
- Uncertain development of some commodities, in particular oil price
- Further increase of unemployment, particularly in Europe
- Low short term interest environment, increase in the midterm

AND

### Regulatory environment

AND

#### Cumulative effects of the different reform proposals on banks and real economy - uncertainties burden more than originally expected

- Regulatory patchwork
- Distortion of competition
- Increasing admin expenses for banks

AND

### Political environment

#### Clear political direction is of utmost importance

- Sovereign debt crisis
- Cost cutting programs
- EBA stress testing
- EBA guidelines
- Bank resolution
- Transaction tax

1) IMF, OECD, Oxford Economics





# FY-2012 outlook assumptions still valid

## Influenced by considerable uncertainties (2/2)

### Current risks...

- Further increased risks regarding the economic development
- Still lack of economic stimulation in Europe
- Pressure on real estate prices
- Market volatilities and risks in the financial system continue to determine the economic environment
- Further market distortions cannot be ruled out (e.g. caused by the sovereign debt crisis)

### ...but we are well prepared to take advantage of increasing opportunities!

Our mid-sized corporate structure combined with our high flexibility puts us into position to anticipate and quickly implement upcoming market and regulatory requirements

- Maintaining our very conservative capital base
- Conservative funding assumptions / successful funding activities in H1
- Conservative liquidity position
- Lower average entry LTV



# Outlook

2012	
<b>Net interest income</b>	<ul style="list-style-type: none"> <li>▪ Considerably below 2011 level due to cautious liquidity management</li> </ul>
<b>Net loan loss provisions</b>	<ul style="list-style-type: none"> <li>▪ € 110 mn - € 140 mn<sup>1)</sup></li> </ul>
<b>Net commission income</b>	<ul style="list-style-type: none"> <li>▪ € 150 mn - € 160 mn expected, mainly due to ceasing burden from SoFFin guaranteed bonds</li> </ul>
<b>Net trading result / results from non-trading assets</b>	<ul style="list-style-type: none"> <li>▪ Unpredictable / no impairments from non-trading assets expected / possibly moderate loss realisation</li> </ul>
<b>Admin expenses</b>	<ul style="list-style-type: none"> <li>▪ Reduction due to efficiency measures: € 350 mn - € 360mn incl. German banking levy</li> </ul>
<b>Operating profit</b>	<ul style="list-style-type: none"> <li>▪ <b>Despite assumption of highly challenging environment: slightly below 2011 level</b></li> </ul>
<b>New business origination</b>	<ul style="list-style-type: none"> <li>▪ € 4.5 bn – € 5.5 bn</li> </ul>
<b>Consulting / Services</b>	<ul style="list-style-type: none"> <li>▪ Contrary to our expectations, interest rate levels - and therefore deposit margins - have declined further</li> <li>▪ Operating profit: below 2011-level</li> </ul>

1) As in 2011, the bank cannot rule out additional allowances for credit losses



# Appendix



**Aareal Bank  
Group**

# Aareal Bank Group

## Key figures Q3 2012

	Quarter 3 2012	Quarter 3 2011	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	119	133	-11%
Allowance for credit losses	30	36	-17%
<b>Net interest income after allowance for credit losses</b>	<b>89</b>	<b>97</b>	<b>-8%</b>
Net commission income	39	38	3%
Net result on hedge accounting	-2	2	-
Net trading income / expenses	6	20	-
Results from non-trading assets	1	-22	-
Results from companies accounted for at equity	-	-	-
Results from investment properties	0	3	-
Administrative expenses	90	93	-3%
Net other operating income / expenses	-1	2	-
Impairment of goodwill	-	0	-
<b>Operating Profit</b>	<b>42</b>	<b>47</b>	<b>-11%</b>
Income taxes	10	13	-23%
<b>Net income / loss</b>	<b>32</b>	<b>34</b>	<b>-6%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	5	5	0%
Net income / loss attributable to shareholders of Aareal Bank AG	27	29	-7%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	5	5	0%
<b>Consolidated retained profit / accumulated loss</b>	<b>22</b>	<b>24</b>	<b>-8%</b>



**Aareal Bank  
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# Aareal Bank Group: Segment Reporting

## Key figures Q3 2012 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.07.- 30.09. 2012	01.07.- 30.09. 2011	01.07.- 30.09. 2012	01.07.- 30.09. 2011	01.07.- 30.09. 2012	01.07.- 30.09. 2011	01.07.- 30.09. 2012	01.07.- 30.09. 2011
	Euro mn							
Net interest income	114	123	0	0	5	10	119	133
Allowance for credit losses	30	36					30	36
<b>Net interest income after allowance for credit losses</b>	<b>84</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>89</b>	<b>97</b>
Net commission income	6	4	39	45	-6	-11	39	38
Net result on hedge accounting	-2	2					-2	2
Net trading income / expenses	6	20					6	20
Results from non-trading assets	1	-22					1	-22
Results from companies accounted for at equity								
Results from investment properties	0	3					0	3
Administrative expenses	51	54	40	40	-1	-1	90	93
Net other operating income / expenses	-2	2	1	0	0	0	-1	2
Impairment of goodwill		0						0
<b>Operating profit</b>	<b>42</b>	<b>42</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>47</b>
Income taxes	10	12	0	1			10	13
<b>Net income / loss</b>	<b>32</b>	<b>30</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>34</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	5	4	0	1			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	27	26	0	3	0	0	27	29



# Aareal Bank Group

## Key figures 9M 2012

	01.01.- 30.09.2012	01.01.- 30.09.2011	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	370	401	-8%
Allowance for credit losses	67	78	-14%
<b>Net interest income after allowance for credit losses</b>	<b>303</b>	<b>323</b>	<b>-6%</b>
Net commission income	119	99	20%
Net result on hedge accounting	-7	2	-
Net trading income / expenses	-17	14	-
Results from non-trading assets	-2	-18	-
Results from companies accounted for at equity	-	1	-
Results from investment properties	5	7	-29%
Administrative expenses	270	280	-4%
Net other operating income / expenses	-1	-10	-
Impairment of goodwill	0	0	-
<b>Operating Profit</b>	<b>130</b>	<b>138</b>	<b>-6%</b>
Income taxes	33	39	-15%
<b>Net income / loss</b>	<b>97</b>	<b>99</b>	<b>-2%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	15	14	7%
Net income / loss attributable to shareholders of Aareal Bank AG	82	85	-4%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	15	16	-6%
<b>Consolidated retained profit / accumulated loss</b>	<b>67</b>	<b>69</b>	<b>-3%</b>



**Aareal Bank  
Group**

# Aareal Bank Group: Segment Reporting

## Key figures 9M 2012 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.09. 2012	01.01.- 30.09. 2011	01.01.- 30.09. 2012	01.01.- 30.09. 2011	01.01.- 30.09. 2012	01.01.- 30.09. 2011	01.01.- 30.09. 2012	01.01.- 30.09. 2011
	Euro mn							
Net interest income	350	372	0	0	20	29	370	401
Allowance for credit losses	67	78					67	78
<b>Net interest income after allowance for credit losses</b>	<b>283</b>	<b>294</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>29</b>	<b>303</b>	<b>323</b>
Net commission income	16	-3	124	132	-21	-30	119	99
Net result on hedge accounting	-7	2					-7	2
Net trading income / expenses	-17	14					-17	14
Results from non-trading assets	-2	-18		0			-2	-18
Results from companies accounted for at equity				1				1
Results from investment properties	5	7					5	7
Administrative expenses	147	159	124	122	-1	-1	270	280
Net other operating income / expenses	-5	-11	4	1	0	0	-1	-10
Impairment of goodwill		0						0
<b>Operating profit</b>	<b>126</b>	<b>126</b>	<b>4</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>130</b>	<b>138</b>
Income taxes	32	36	1	3			33	39
<b>Net income / loss</b>	<b>94</b>	<b>90</b>	<b>3</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>97</b>	<b>99</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	13	12	2	2			15	14
Net income / loss attributable to shareholders of Aareal Bank AG	81	78	1	7	0	0	82	85



# Aareal Bank Group: Segment Reporting

## Key figures - quarter by quarter

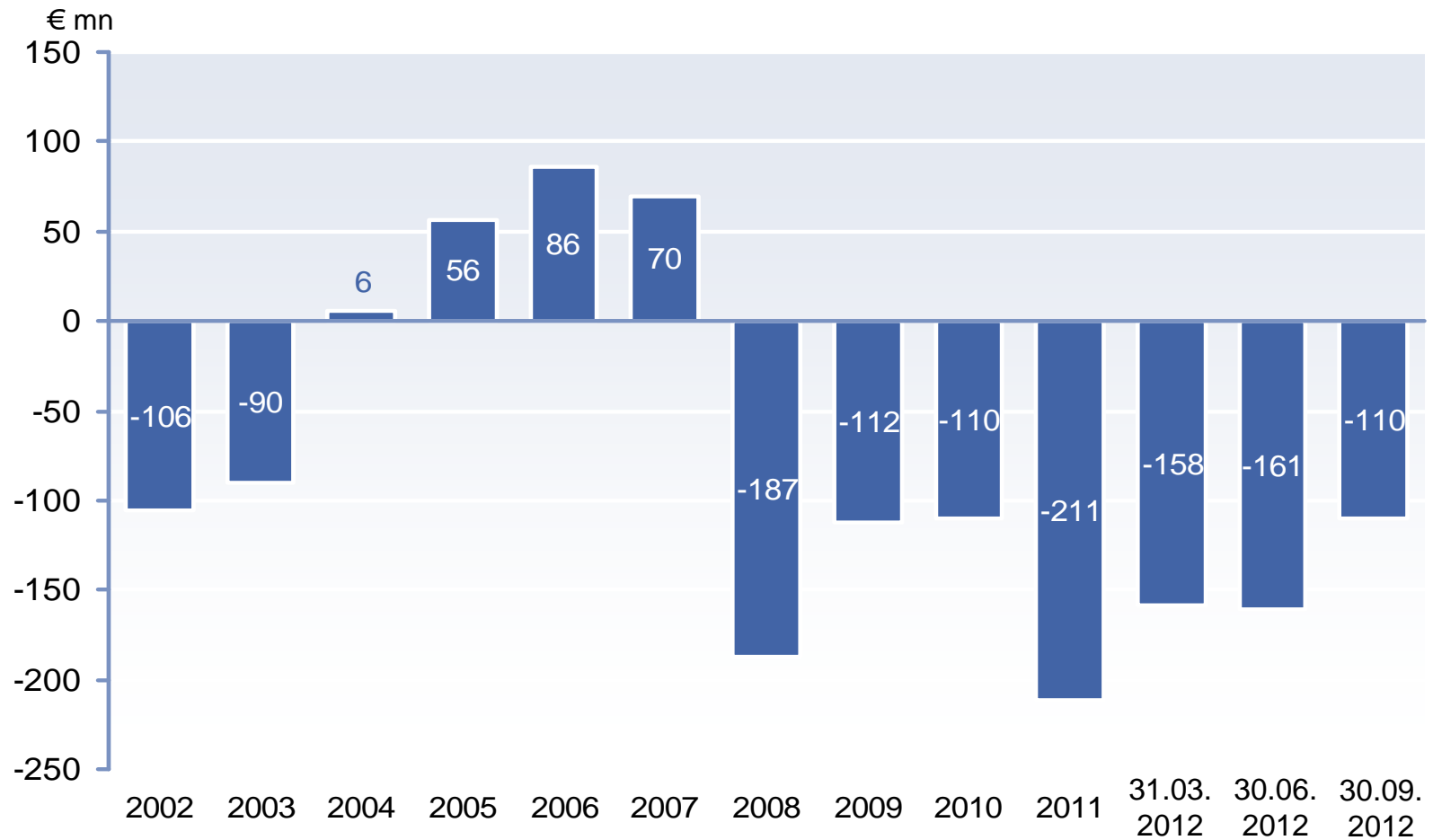
	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3
	2012	2012	2012	2011	2011	2012	2012	2012	2011	2011	2012	2012	2012	2011	2011	2012	2012	2012	2011	2011
Euro mn																				
Net interest income	114	115	121	136	123	0	0	0	0	0	5	7	8	10	10	119	122	129	146	133
Allowance for credit losses	30	25	12	34	36											30	25	12	34	36
<b>Net interest income after allowance for credit losses</b>	<b>84</b>	<b>90</b>	<b>109</b>	<b>102</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>89</b>	<b>97</b>	<b>117</b>	<b>112</b>	<b>97</b>
Net commission income	6	6	4	5	4	39	41	44	51	45	-6	-7	-8	-11	-11	39	40	40	45	38
Net result on hedge accounting	-2	5	-10	4	2											-2	5	-10	4	2
Net trading income / expenses	6	-7	-16	0	20											6	-7	-16	0	20
Results from non-trading assets	1	-3	0	-11	-22				0	0						1	-3	0	-11	-22
Results from companies accounted for at equity				0															0	
Results from investment properties	0	2	3	3	3											0	2	3	3	3
Administrative expenses	51	47	49	58	54	40	42	42	45	40	-1	0	0	-1	-1	90	89	91	102	93
Net other operating income / expenses	-2	-2	-1	-6	2	1	2	1	2	0	0	0	0	0	0	-1	0	0	-4	2
Impairment of goodwill		0	0	0	0												0	0	0	0
<b>Operating profit</b>	<b>42</b>	<b>44</b>	<b>40</b>	<b>39</b>	<b>42</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>45</b>	<b>43</b>	<b>47</b>	<b>47</b>
Income taxes	10	11	11	10	12	0	0	1	3	1						10	11	12	13	13
<b>Net income / loss</b>	<b>32</b>	<b>33</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>34</b>	<b>31</b>	<b>34</b>	<b>34</b>
<b>Allocation of results</b>																				
Net income / loss attributable to non-controlling interests	5	4	4	5	4	0	1	1	0	1						5	5	5	5	5
Net income / loss attributable to shareholders of Aareal Bank AG	27	29	25	24	26	0	0	1	5	3	0	0	0	0	0	27	29	26	29	29





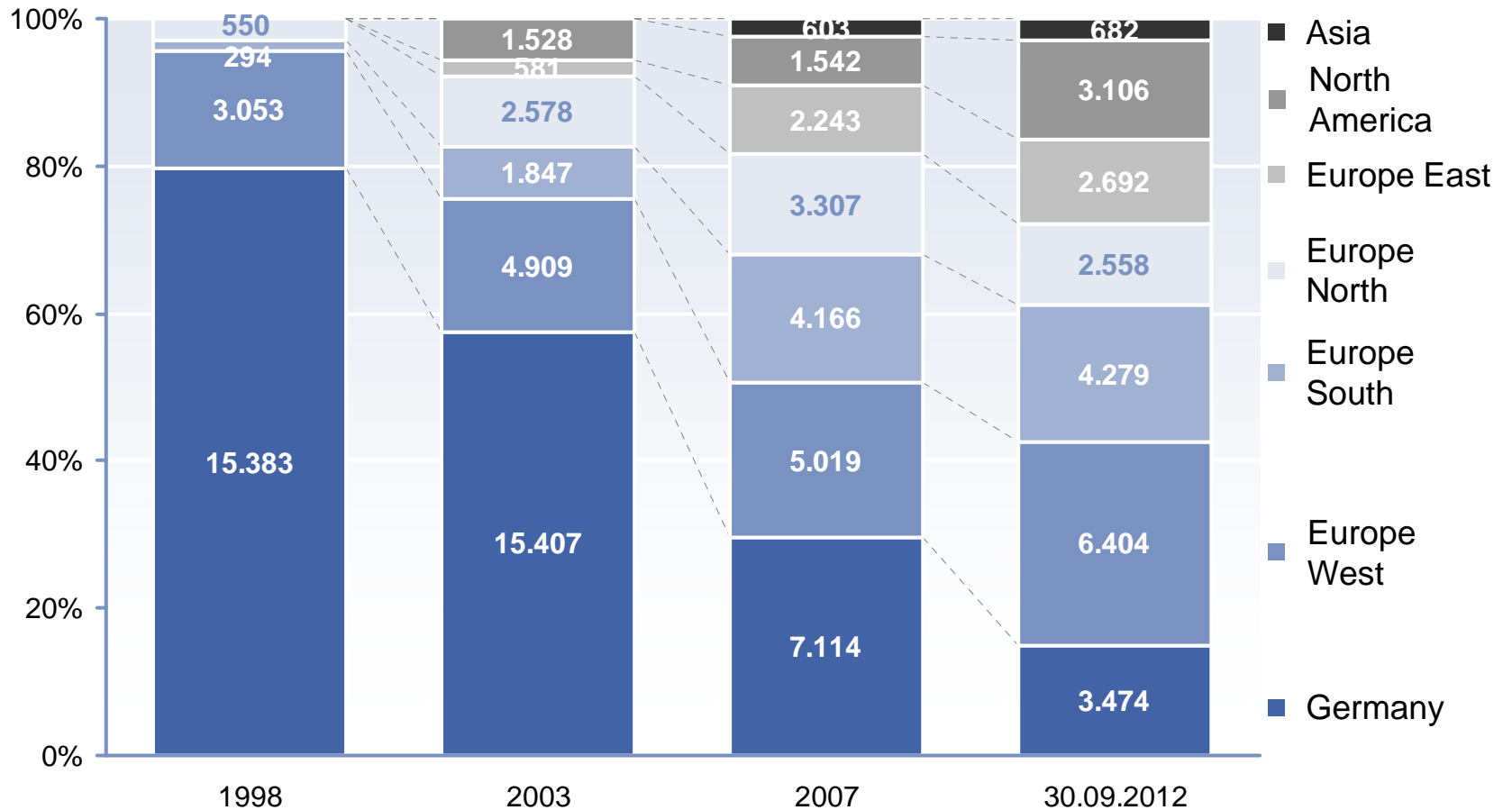
# Revaluation surplus

Change mainly driven by asset spreads



# Development property finance portfolio

## Diversification continuously strengthened (in € mn)



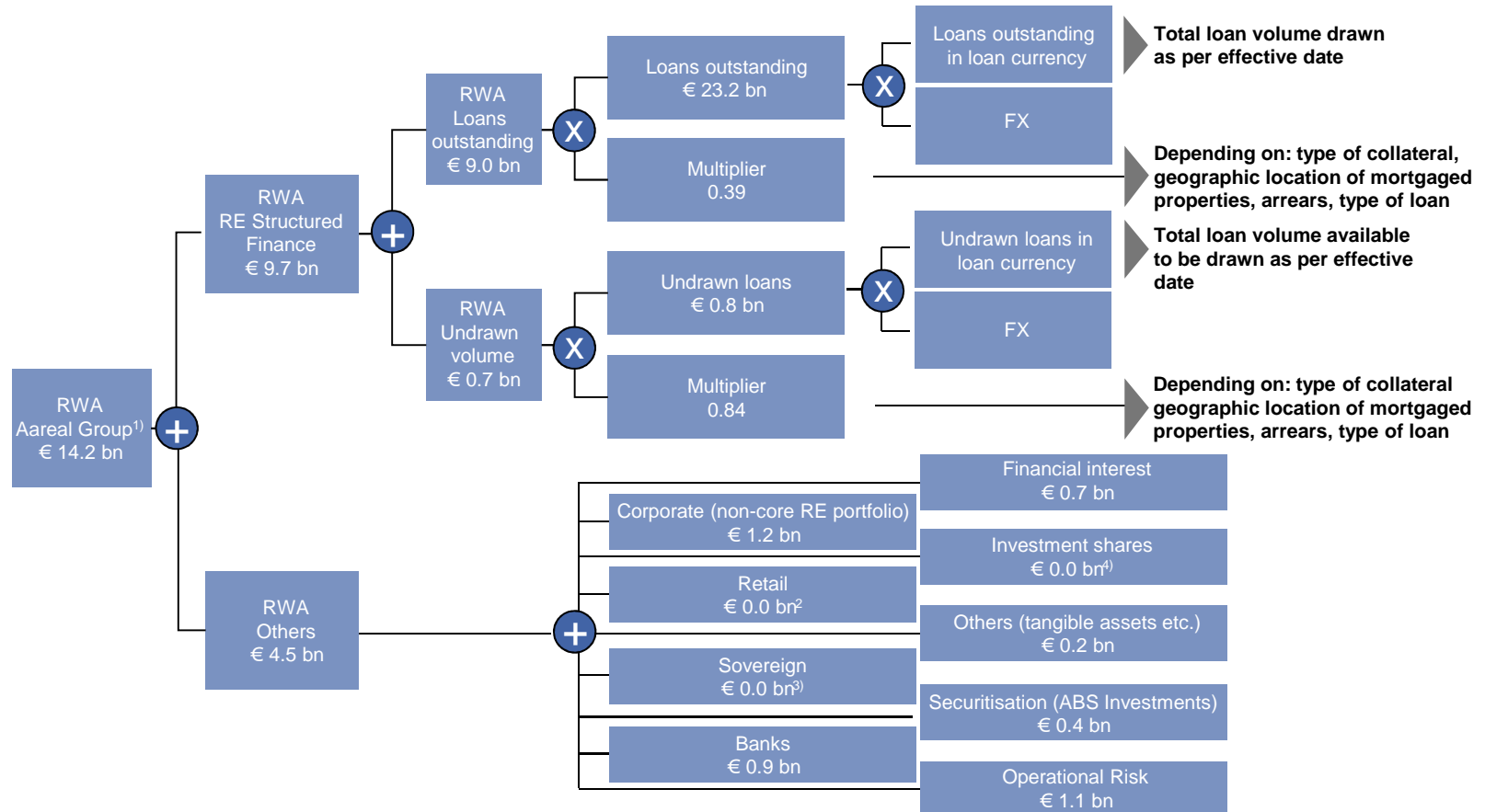
Property finance under management



# From asset to risk weighted asset (RWA)

## Essential factors affecting volume of RWA

Effective date 30/09/2012



- 1) Excl. of market risk
- 2) Exposure to Retail amounts to € 27 mn
- 3) Exposure to Sovereigns amounts to € 18 mn
- 4) Exposure to investment shares amounts to € 13 mn



# Definitions and contacts



**Aareal Bank  
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# 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** =  $\frac{\text{Tier 1 capital ./. hybrids ./. SoFFin silent participation}}{\text{Risk weighted assets}}$
- **Pre tax RoE** =  $\frac{\text{Operating profit ./. Net income/loss attributable to non-controlling interests}}{\text{Allocated (average) equity}}$
- **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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