

**QUALITY**®  
made by **AAREAL**

# Analyst Conference Call

## Q3 2018 results

November 13, 2018  
Hermann J. Merkens, CEO  
Marc Hess, CFO

**Aareal**

# Agenda

---

- Highlights
- Group results at a glance
- Segment performance
- Group results
- B/S structure, capital & funding position
- Asset quality
- Outlook 2018
  
- Appendix
- Definitions and contacts

# Highlights

## Good operating profit despite challenging environment



Robust economic environment but high uncertainties ahead



Good operating profit of € 70 mn (Q2/2018: € 62 mn).  
EpS of 0.70 € (Q2/2018: 0.62 €)



Strong new business origination - Raising FY target to € 8 - 9 bn (from € 7 - 8 bn)



Agreement on the acquisition of DHB signed.  
Positive one-off (neg. goodwill) of ~€ 52 mn expected<sup>1)</sup>



Confirming raised operating profit guidance<sup>1)</sup>

1) Assuming that closing of acquisition of DHB will take place in 2018 as planned



# Group results at a glance

**Aareal**

# Group results at a glance

## Good operating profit

| € mn  | Q3 '17    | Q4 '17    | Q1'18     | Q2'18     | Q3'18     | Comments  |
|---|-----------|-----------|-----------|-----------|-----------|---|
| Net interest income   | 144       | 135       | 133       | 136       | 131       | Solid quarters in line with expectations (€ 130-135 mn)   |
| Derecognition result  | 20        | 12        | 6         | 5         | 5         | Significantly below PY level and estimate                 |
| Loss allowance  | 26        | 29        | 0         | 19        | 14        | Within expected range                                     |
| Net commission income   | 48        | 61        | 50        | 51        | 51        | Stable q-on-q, continuously above PY-level                |
| FV- / hedge-result  | 11        | -1        | 1         | -5        | 1         |   |
| Admin expenses  | 120       | 123       | 128       | 109       | 107       | Slightly down q-on-q, including one-off effects           |
| <i>Others</i>   | 5         | 10        | 5         | 3         | 3         |   |
| <b>Operating profit</b>                                       | <b>82</b> | <b>66</b> | <b>67</b> | <b>62</b> | <b>70</b> | Confirming raised operating profit guidance <sup>1)</sup> |
| Income taxes  | 31        | 18        | 23        | 21        | 24        | FY 2018 tax ratio of ~34% assumed (excl. DHB)             |
| Minorities / AT1  | 4         | 4         | 5         | 4         | 5         |   |
| <b>Consolidated net income allocated to ord. shareholders</b> | <b>47</b> | <b>44</b> | <b>39</b> | <b>37</b> | <b>41</b> |   |
| Earnings per share [€]  | 0.78      | 0.74      | 0.65      | 0.62      | 0.70      |   |

1) Assuming that closing of acquisition of DHB will take place in 2018 as planned

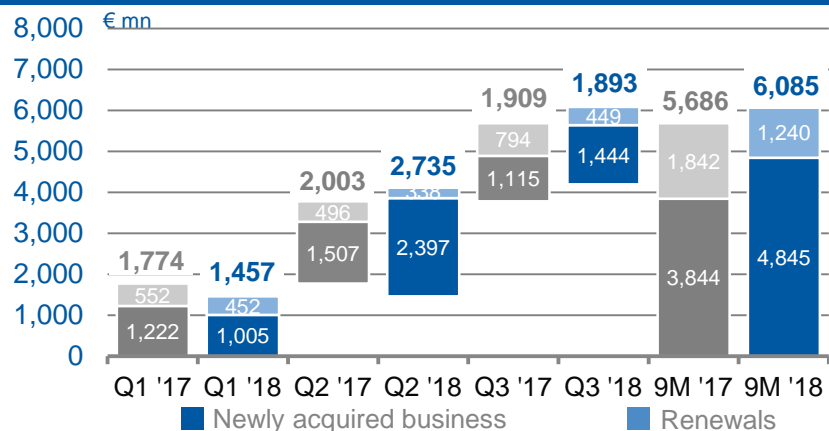


# Segment performance

# Structured Property Financing

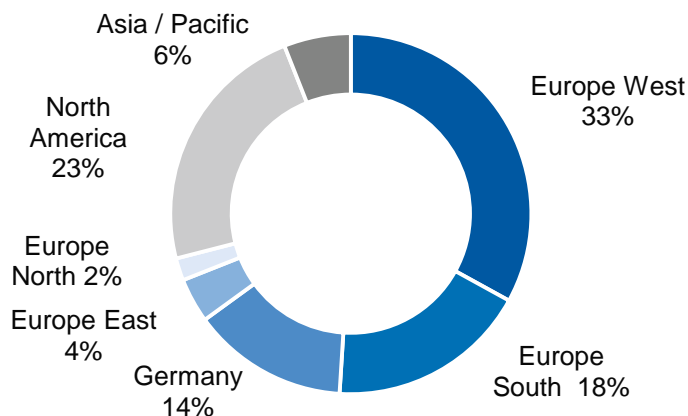
## Strong new business origination

### New business origination by quarter<sup>1)</sup>

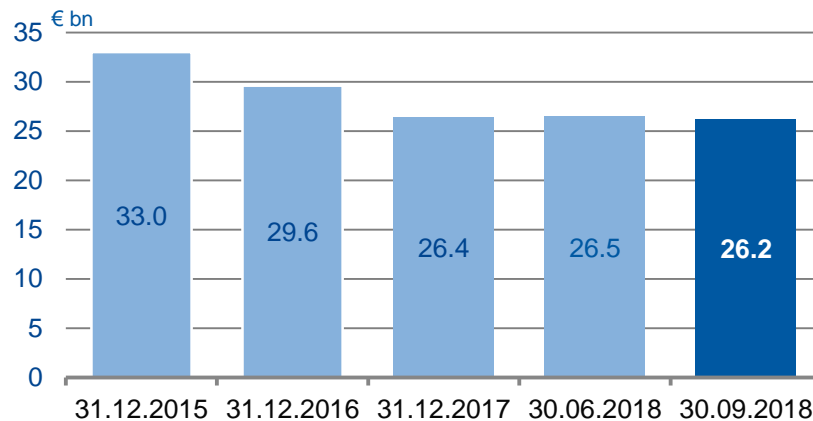


- Strong new business volume while retaining conservative risk policy: “Quality over Quantity”
- Newly acquired business:
  - Stable gross margins after FX: Q3 ~170 bps (vs. Q2 ~170 bps)
  - Pre-FX margins reflecting lower US share: Q3 ~180 bps (vs. Q2 ~190 bps)
  - Confirming FY margin- and portfolio target

### New business in Q3 2018 by region<sup>1)</sup>



### REF<sup>2)</sup> portfolio development



1) Incl. renewals

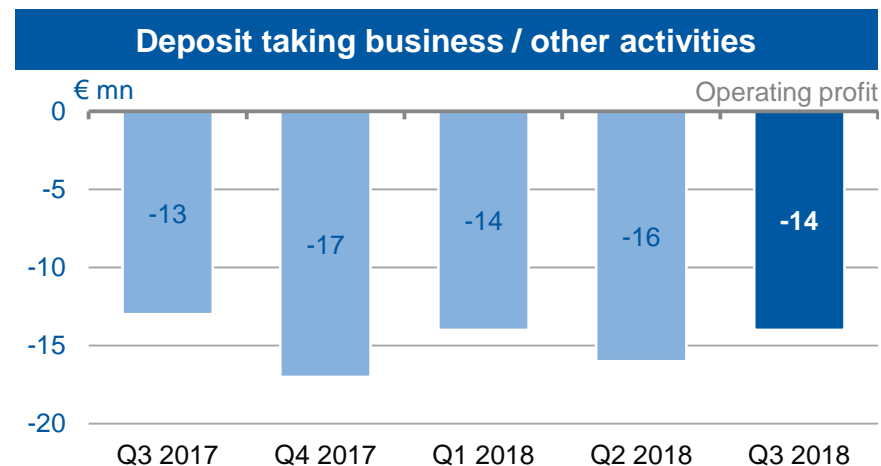
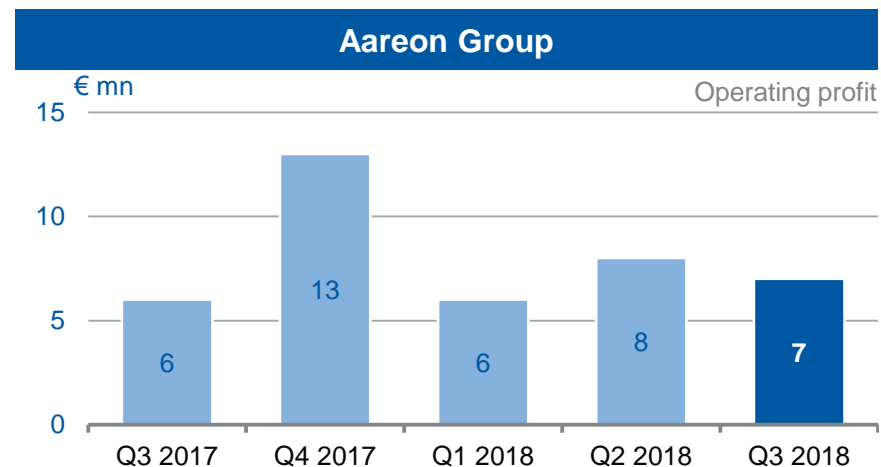
2) REF-portfolio incl. private client business (€ 0.6 bn) and WIB's public sector loans (€ 0.5 bn)

# Consulting / Services

## Aareon on track

| P&L C/S Segment         | Q3 '17    | Q4 '17    | Q1 '18    | Q2 '18    | Q3 '18    |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| € mn                    |           |           |           |           |           |
| Sales revenue           | 53        | 64        | 56        | 57        | 58        |
| Own work capitalised    | 1         | 2         | 1         | 2         | 2         |
| Other operating income  | 1         | 4         | 1         | 1         | 1         |
| Cost material purchased | 8         | 9         | 9         | 11        | 10        |
| Staff expenses          | 38        | 42        | 37        | 39        | 40        |
| D, A, impairment losses | 3         | 4         | 4         | 3         | 4         |
| Other operat. expenses  | 13        | 18        | 16        | 15        | 14        |
| Others                  | 0         | 0         | 0         | 0         | 0         |
| <b>Operating profit</b> | <b>-7</b> | <b>-4</b> | <b>-8</b> | <b>-8</b> | <b>-7</b> |

- Further growth of Aareon sales revenue to € 56 mn (Q3 2017: € 51 mn), EBT of € 7 mn, EBT margin ~13%
- Deposit volume on a high level (Ø of € 10.4 bn in Q3)
- Focussing on further shift into sustainable deposits
- Deposit margins still burdening segment result by interest rate environment







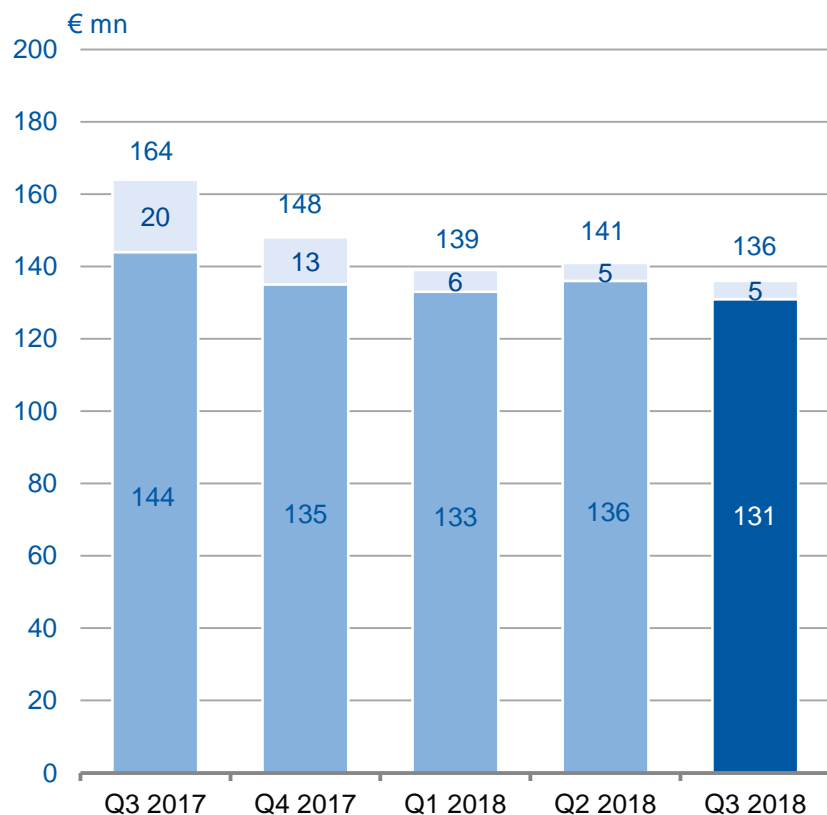
# Group results Q3 2018

**Aareal**

# Net interest income / Derecognition result

NII: Solid quarters in line with expectations /

DR: Significantly below PY level and estimate



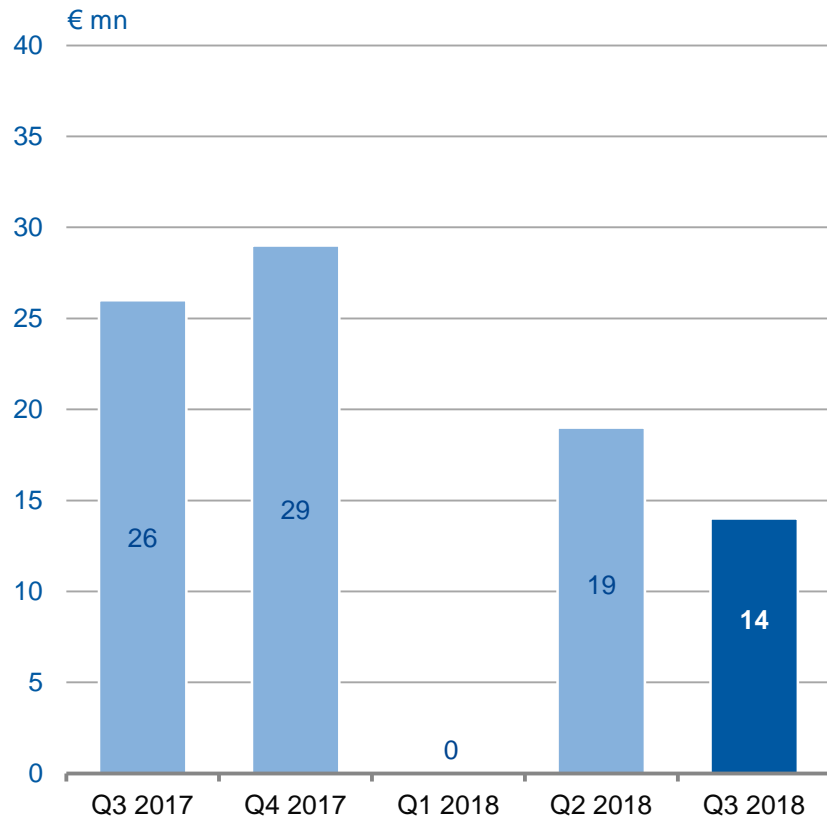
- Slight NII decrease vs. Q2 due to
  - Repayments of high-yield loans (e.g. Turkey)
  - Favourable market environment used for increased funding activities
  - Slightly reduced US-share in RSF portfolio
- Derecognition result significantly below PY level and estimate
- Newly acquired business:
  - Gross margins stable after FX: Q3: ~170 bps (vs. Q2 ~170 bps)
  - Pre-FX reflecting lower US share: Q3: ~180 bps (vs. Q2 ~190 bps)
  - Confirming FY margin- and portfolio target

■ Net interest income

■ Derecognition result - to be reported separately under IFRS 9 starting Q1/2018 (mainly effects from early repayments)

# Loss allowance (LLP)

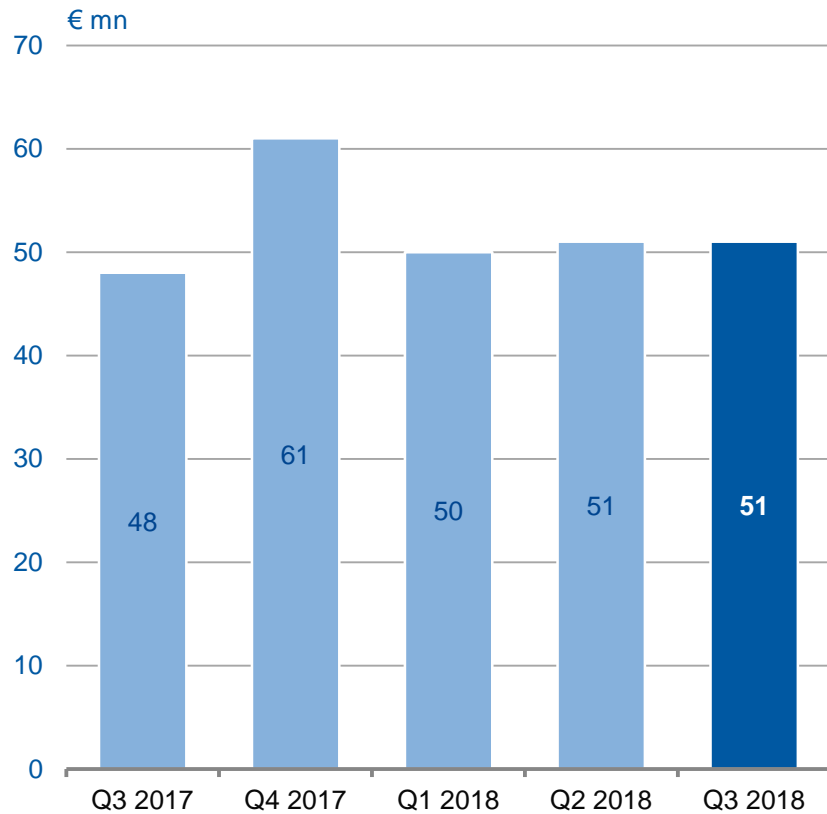
## Within expected range



- LLP significantly below last years' figures
- Confirming FY-guidance

# Net commission income

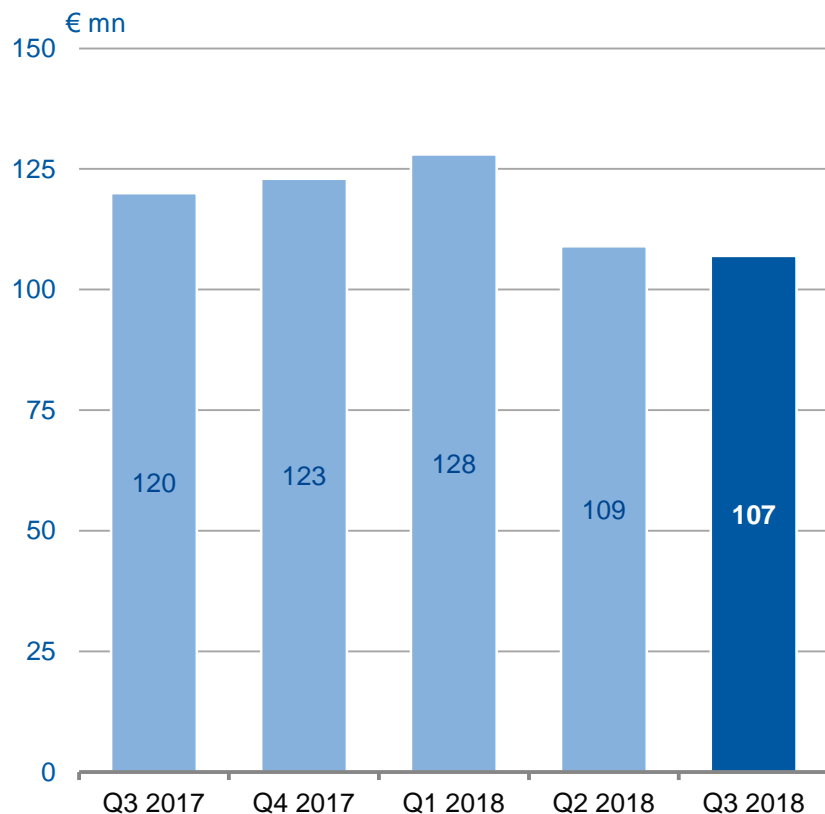
Stable q-on-q, continuously above PY-level



- Further growth of Aareon sales revenue to € 56 mn (Q3 2017: € 51 mn), EBT of € 7 mn, EBT margin ~13%
- Aareon revenues resulting from growth in all product lines, digital products with highest growth rates
- Q4 regularly includes positive seasonal effects

# Admin expenses

## Admin expenses down q-on-q, including one-off effects



- High likelihood to end up slightly better than guided range
- Transformation costs (FY 2018 plan: € 25 mn):
  - € 4 mn in Q3
  - € 4 mn in Q2
  - € 4 mn in Q1
- Reversal of provisions:
  - € 6 mn in Q3
  - € 4 mn in Q2
  - € 3 mn in Q1
- Admin expenses in Q1 2018 include
  - € 20 mn for the European bank levy and for the Deposit Protection Guarantee Schemes (both expensed in Q1)

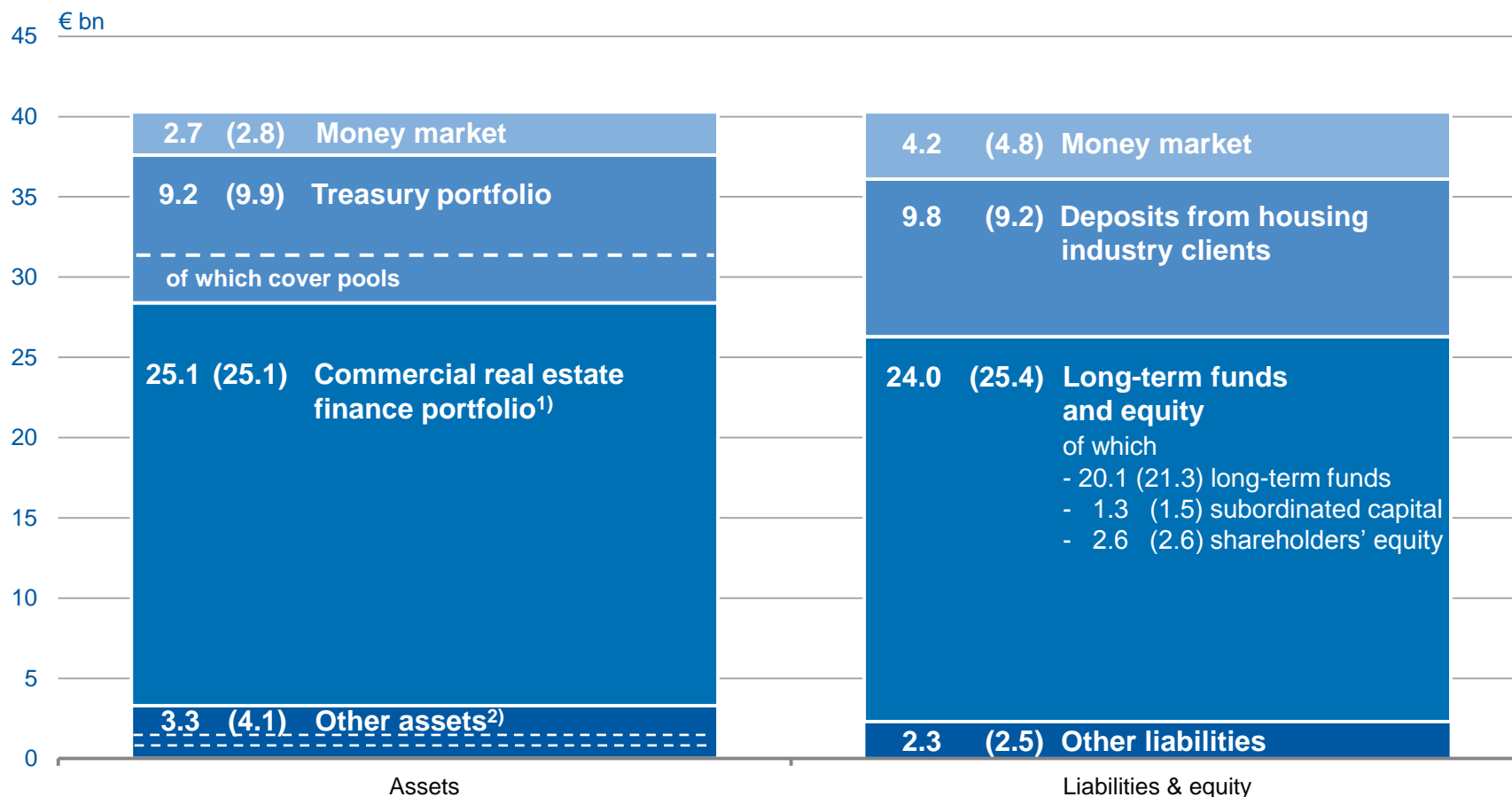


B/S structure, capital & funding position

**Aareal**

# B/S structure according to IFRS

As at 30.09.2018: € 40.3 bn (31.12.2017: € 41.9 bn)



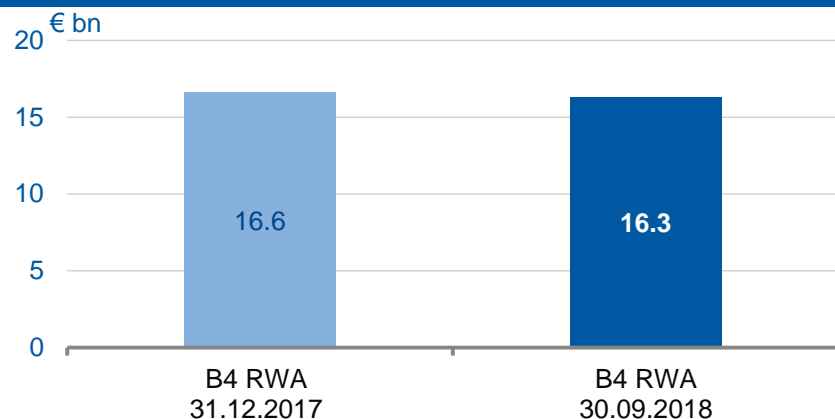
1) CREF-portfolio only, private client business (€ 0.6 bn) and WIB's public sector loans (€ 0.5 bn) not included

2) Other assets includes € 0.6 bn private client portfolio and WIB's € 0.5 bn public sector loans

# Capital position

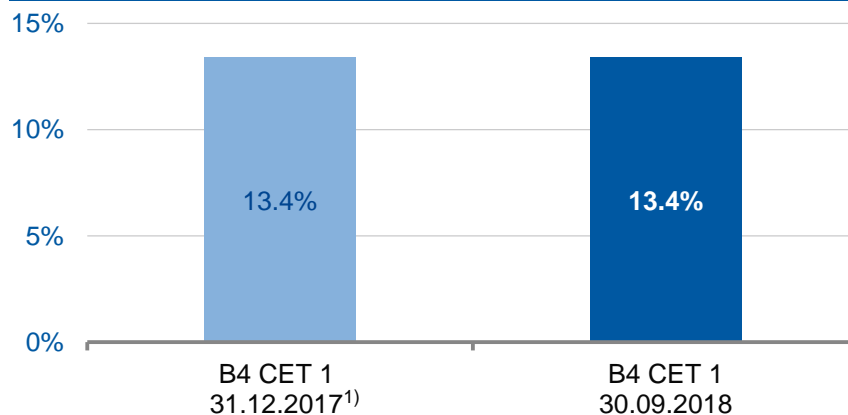
## Strong capital ratios

Estimated B4 RWA<sup>1)</sup>

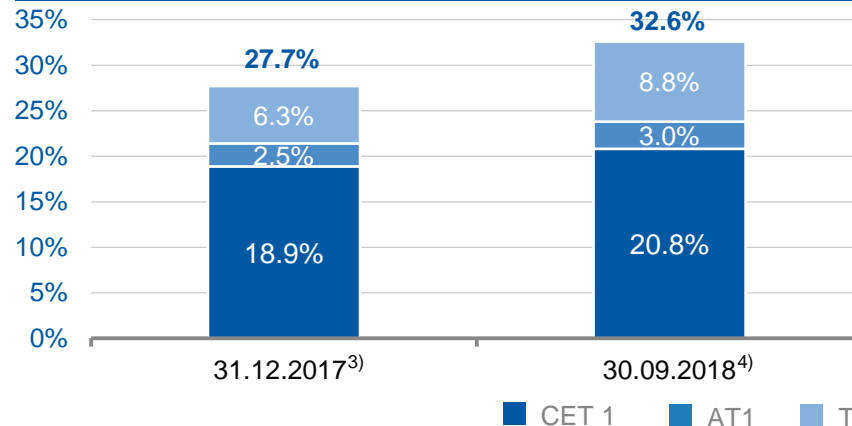


- Fulfilling Basel IV from day 1
- Remaining regulatory uncertainties well buffered (e.g. Hard test, CRR II)
- Capital ratios significantly above SREP requirements
- T1-Leverage ratio : 6.1%

Estimated B4 CET 1 ratio<sup>1, 2)</sup>



B3 capital ratios<sup>2)</sup>



1) Underlying RWA estimate, given a 72.5 % output floor based on the final Basel Committee framework dated 7 December 2017; Calculation of material impact for Aareal Bank, subject to outstanding EU implementation as well as the implementation of further regulatory requirements (CRR II, EBA requirements, TRIM, etc.)

2) No interim profit recognition in CET 1 capital in 2018

3) Fully loaded

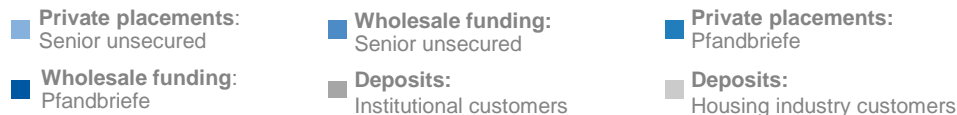
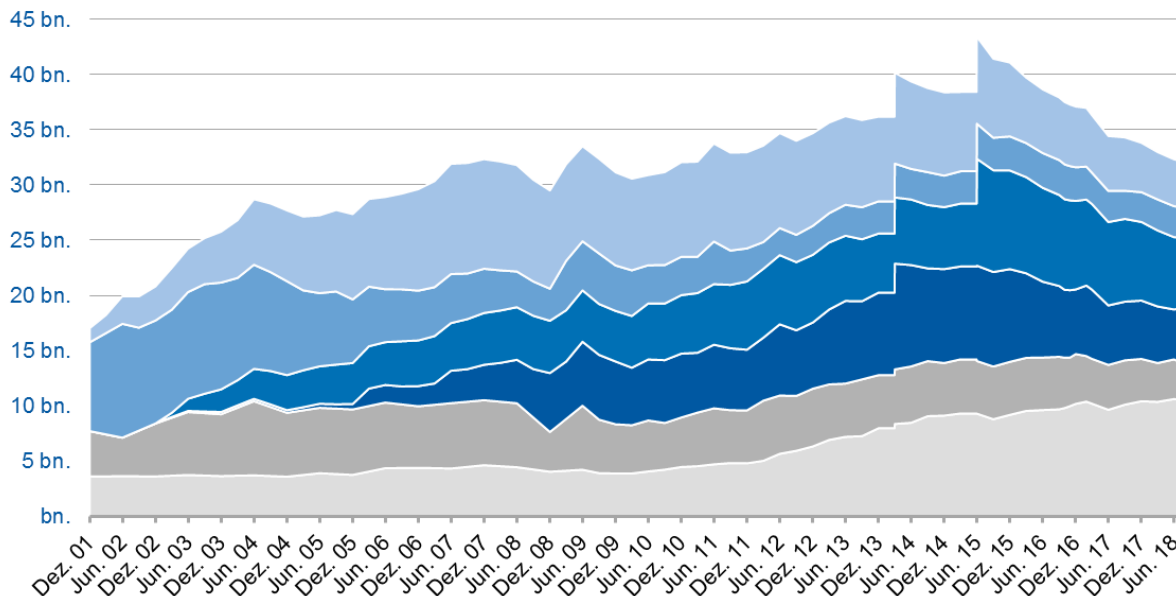
4) Acc. COREP



# Funding position

## Favourable market environment used for increased funding activities

### Diversified funding sources and distribution channels



- Strong deposit base
- 9M 2018 funding activities include:
  - Successful placement of four Pfandbrief benchmark transactions
    - EUR 500 mn 6.3Y
    - EUR 500 mn 7Y
    - EUR 500 mn 5Y
    - GBP 250 mn 4Y
  - Well diversified private placement activities
    - ~ € 200 mn Senior non pref.
    - ~ € 300 mn Senior preferred
    - ~ € 200 mn Pfandbriefe
- 21<sup>st</sup> July 2018: Introduction of new asset class “Senior preferred”, private placements successfully executed
- Fulfilling liquidity KPI’s
  - NSFR > 1
  - LCR >> 1



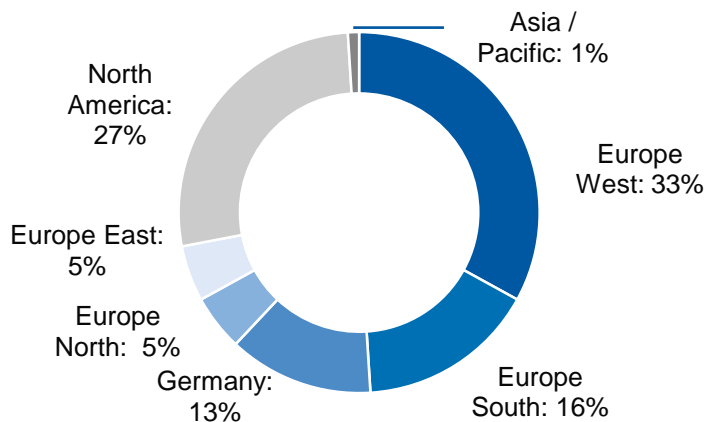
Asset quality

**Aareal**

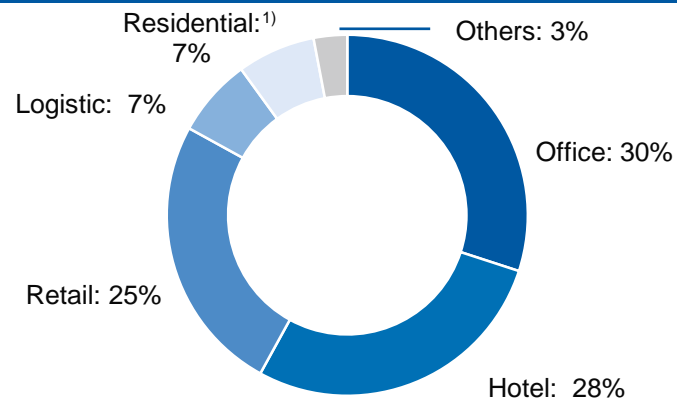
# Commercial real estate finance portfolio

## € 25.1 bn highly diversified and sound

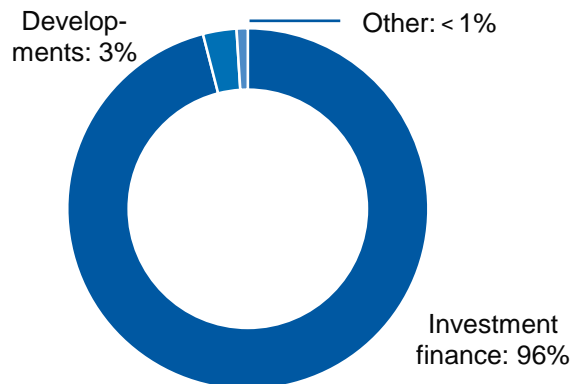
### Portfolio by region



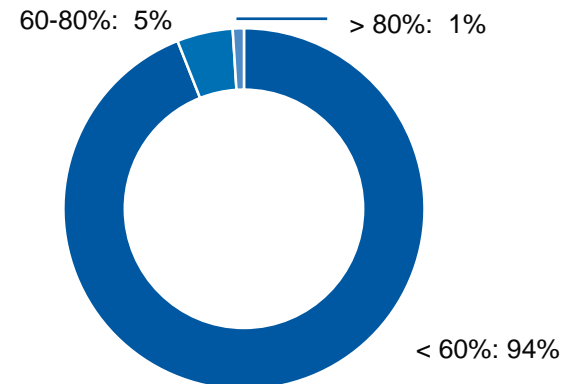
### Portfolio by property type



### Portfolio by product type



### Portfolio by LTV ranges<sup>2)</sup>



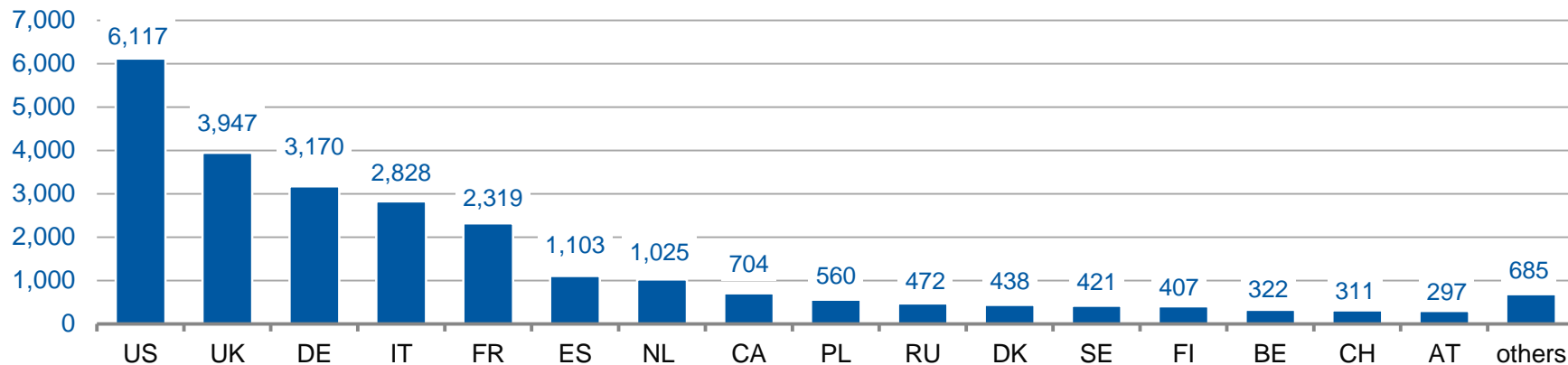
1) Incl. Student housing (UK only)

2) Performing CREF-portfolio only, exposure as at 30.09.2018

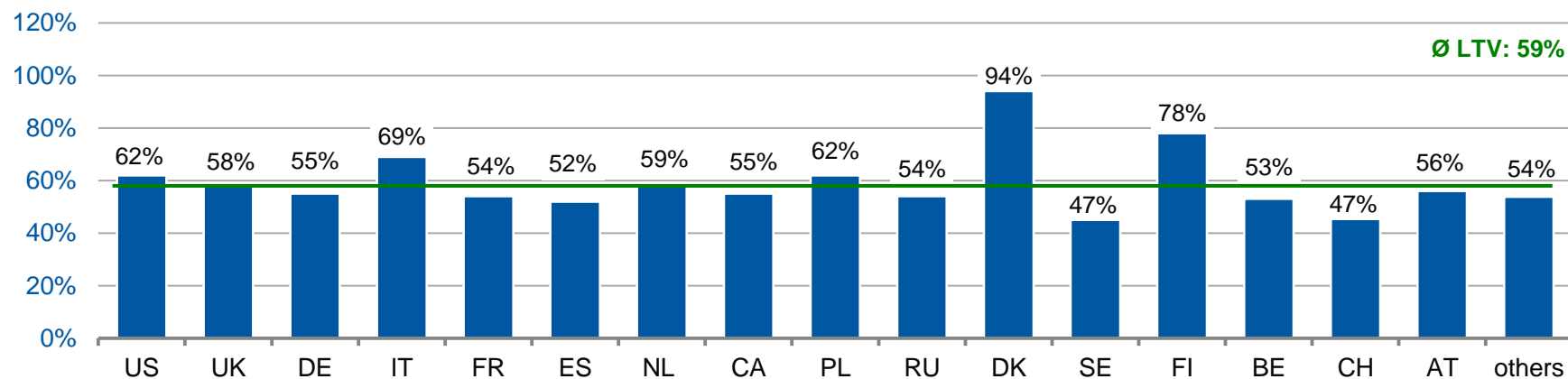
# Commercial real estate finance portfolio

## Portfolio details by country

Total commercial real estate finance portfolio (€ mn)



LTV<sup>1)</sup>

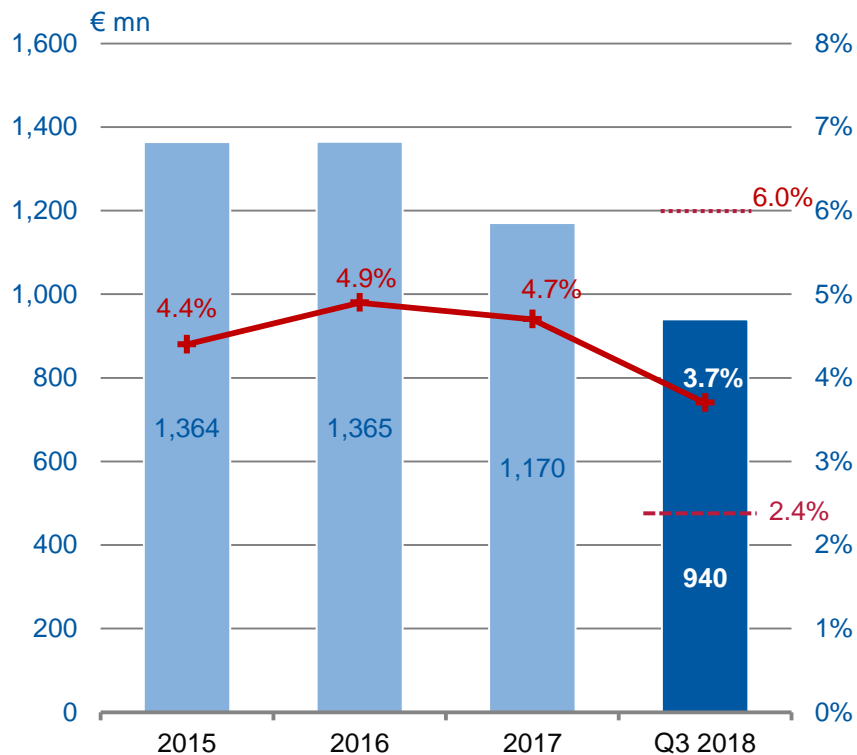


1) Performing CREFF-portfolio only, exposure as at 30.09.2018

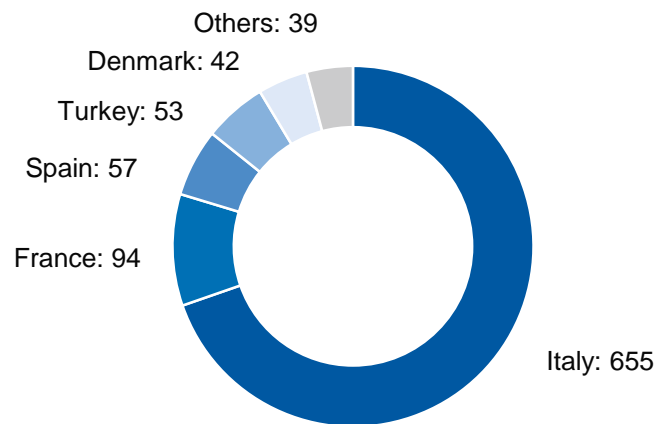
# NPL portfolio

NPL volume and NPL ratio decreased vs. 12/17, stable q-on-q

**NPL Portfolio development (Total: € 940 mn)**



**NPL Portfolio by country (Total: € 940 mn)**



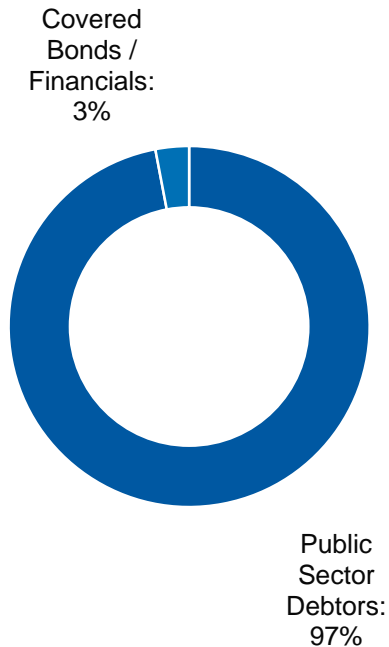
- + NPL/Total CREF-portfolio
- - - NPL ratio ex signed Italian restructured loans
- ..... NPL ratio acc. Reg. Disclosure Report

Considering collaterals, NPL's fully covered

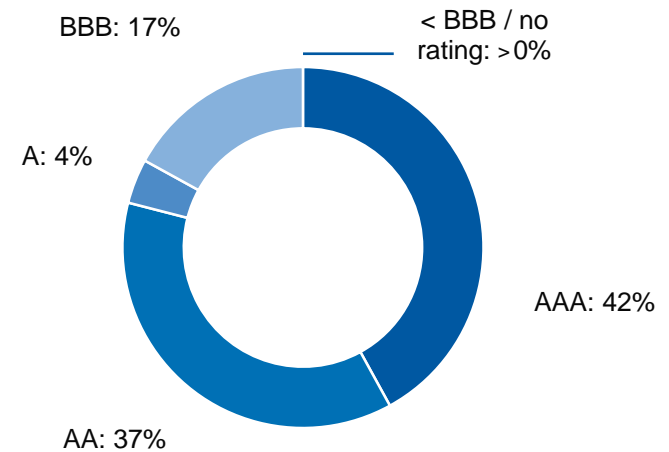
# Treasury portfolio

€ 7.7 bn of high quality and highly liquid assets

by asset class



by rating<sup>1)</sup>



As at 30.09.2018 – all figures are nominal amounts

1) Composite Rating



# Outlook 2018

**Aareal**

# Outlook 2018

## Confirming raised operating profit guidance

|   |   |
|---|---|
| Net interest income                                   | NII confirmed within range of € 520 mn - € 540 mn                                   |
| Derecognition result                                  | Clearly below estimate  |
| <b>Net interest income incl. derecognition result</b> | Guided range of € 570 mn - € 610 mn will be difficult to achieve                    |
| <b>Loss allowance<sup>1)</sup></b>                    | € 50 mn - € 80 mn   |
| <b>Net commission income</b>                          | € 215 mn - € 235 mn   |
| <b>Admin expenses</b>                                 | € 470 mn - € 500 mn:<br>High likelihood to end up slightly better than guided range |
| <b>Operating profit</b>                               | <b>€ 312 mn - € 352 mn<sup>2)</sup></b>   |
| <b>Pre-tax RoE</b>                                    | 11.5% - 13.0 <sup>2)</sup><br>(9.5% - 11.0% - ex DHB acquisition)                   |
| <b>EpS</b>  | € 3.47 - € 3.87 <sup>2)</sup>   |
| <b>Target portfolio size</b>                          | € 25 bn - € 28 bn   |
| <b>New business origination<sup>3)</sup></b>          | € 8 bn - € 9 bn<br>(Raised from original guidance of € 7 bn - € 8 bn)               |
| <b>Operating profit Aareon<sup>4)</sup></b>           | € 37 mn - € 38 mn   |

1) As in 2017, the bank cannot rule out additional loss allowance

2) Incl. expected ~ € 52 mn negative goodwill from DHB acquisition, assuming closing will take place in 2018 as planned

3) Incl. renewals

4) After segment adjustments



# Conclusion

## Aareal Bank stays on track

### Key takeaways



Aareal Bank Group continues to perform well in a challenging environment. Our operating performance continues to be very robust, and we are willing and able to exploit attractive, value-increasing opportunities at any time.



We are making good progress with the transformation we have initiated with 'Aareal 2020'.



We therefore remain on track not only to meet our raised earnings target for the current year, but also to safeguard a sustainable, positive long-term performance for Aareal Bank Group.



Appendix  
Group results

# Aareal Bank Group

## Results Q3 2018

|  | 01.07.-<br>30.09.2018<br>€ mn | 01.07.-<br>30.09.2017 <sup>1)</sup><br>€ mn | Change      |
|--|-------------------------------|---|-------------|
| <b>Profit and loss account</b>   |                               |   |             |
| Net interest income  | 131                           | 144   | -9%         |
| Loss allowance   | 14                            | 26  | -46%        |
| Net commission income  | 51                            | 48  | 6%          |
| Net derecognition gain or loss   | 5                             | 20  | -75%        |
| Net gain or loss from financial instruments (fvpl)                                   | 0                             | 10  |             |
| Net gain or loss on hedge accounting   | 1                             | 1   | 0%          |
| Net gain or loss from investments accounted for using the equity method              |                               |   |             |
| Administrative expenses  | 107                           | 120   | -11%        |
| Net other operating income / expenses  | 3                             | 5   | -40%        |
| <b>Operating Profit</b>  | <b>70</b>                     | <b>82</b>                                   | <b>-15%</b> |
| Income taxes   | 24                            | 31  | -23%        |
| <b>Consolidated net income</b>   | <b>46</b>                     | <b>51</b>                                   | <b>-10%</b> |
| Consolidated net income attributable to non-controlling interests                    | 1                             | 0   |             |
| Consolidated net income attributable to shareholders of Aareal Bank AG               | 45                            | 51  | -12%        |
| <b>Earnings per share (EpS)</b>  |                               |   |             |
| Consolidated net income attributable to shareholders of Aareal Bank AG <sup>2)</sup> | 45                            | 51  | -12%        |
| of which: allocated to ordinary shareholders   | 41                            | 47  | -13%        |
| of which: allocated to AT1 investors   | 4                             | 4   | 0%          |
| Earnings per ordinary share (in €) <sup>3)</sup>                                     | 0.70                          | 0.78  | -9%         |
| Earnings per ordinary AT1 unit (in €) <sup>4)</sup>                                  | 0.04                          | 0.04  | 0%          |

1) Comparative amounts reclassified according to the new classification format

2) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

3) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

4) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

# Aareal Bank Group

## Results Q3 2018 by segments

|   | Structured Property Financing |                                   | Consulting / Services |                                   | Consolidation/ Reconciliation |                                   | Aareal Bank Group   |                                   |
|---|-------------------------------|-----------------------------------|-----------------------|-----------------------------------|-------------------------------|-----------------------------------|---------------------|-----------------------------------|
|   | 01.07.- 30.09. 2018           | 01.07.- 30.09. 2017 <sup>1)</sup> | 01.07.- 30.09. 2018   | 01.07.- 30.09. 2017 <sup>1)</sup> | 01.07.- 30.09. 2018           | 01.07.- 30.09. 2017 <sup>1)</sup> | 01.07.- 30.09. 2018 | 01.07.- 30.09. 2017 <sup>1)</sup> |
|   | € mn                          |                                   |                       |                                   |                               |                                   |                     |                                   |
| Net interest income   | 134                           | 147                               | 0                     | 0                                 | -3                            | -3                                | 131                 | 144                               |
| Loss allowance  | 14                            | 26                                | 0                     |                                   |                               |                                   | 14                  | 26                                |
| Net commission income   | 2                             | 1                                 | 48                    | 45                                | 1                             | 2                                 | 51                  | 48                                |
| Net derecognition gain or loss  | 5                             | 20                                |                       |                                   |                               |                                   | 5                   | 20                                |
| Net gain or loss from financial instruments (fvp)                       | 0                             | 10                                |                       |                                   |                               |                                   | 0                   | 10                                |
| Net gain or loss on hedge accounting                                    | 1                             | 1                                 |                       |                                   |                               |                                   | 1                   | 1                                 |
| Net gain or loss from investments accounted for using the equity method |                               |                                   |                       |                                   |                               |                                   |                     |                                   |
| Administrative expenses   | 53                            | 68                                | 56                    | 53                                | -2                            | -1                                | 107                 | 120                               |
| Net other operating income / expenses                                   | 2                             | 4                                 | 1                     | 1                                 | 0                             | 0                                 | 3                   | 5                                 |
| <b>Operating profit</b>   | <b>77</b>                     | <b>89</b>                         | <b>-7</b>             | <b>-7</b>                         | <b>0</b>                      | <b>0</b>                          | <b>70</b>           | <b>82</b>                         |
| Income taxes  | 27                            | 34                                | -3                    | -3                                |                               |                                   | 24                  | 31                                |
| <b>Consolidated net income</b>  | <b>50</b>                     | <b>55</b>                         | <b>-4</b>             | <b>-4</b>                         | <b>0</b>                      | <b>0</b>                          | <b>46</b>           | <b>51</b>                         |
| <b>Allocation of results</b>  |                               |                                   |                       |                                   |                               |                                   |                     |                                   |
| Cons. net income attributable to non-controlling interests              | 0                             | 0                                 | 1                     | 0                                 |                               |                                   | 1                   | 0                                 |
| Cons. net income attributable to shareholders of Aareal Bank AG         | 50                            | 55                                | -5                    | -4                                | 0                             | 0                                 | 45                  | 51                                |

1) Comparative amounts reclassified according to the new classification format

# Aareal Bank Group

## Results 9M 2018

|  | 01.01.-<br>30.09.2018<br>€ mn | 01.01.-<br>30.09.2017 <sup>1)</sup><br>€ mn | Change      |
|--|-------------------------------|---|-------------|
| <b>Profit and loss account</b>   |                               |   |             |
| Net interest income  | 400                           | 449   | -11%        |
| Loss allowance   | 33                            | 53  | -38%        |
| Net commission income  | 152                           | 145   | 5%          |
| Net derecognition gain or loss   | 16                            | 37  | -57%        |
| Net gain or loss from financial instruments (fvpl)                                   | -1                            | 13  |             |
| Net gain or loss on hedge accounting   | -2                            | -5  |             |
| Net gain or loss from investments accounted for using the equity method              |                               |   |             |
| Administrative expenses  | 344                           | 388   | -11%        |
| Net other operating income / expenses  | 11                            | 64  | -83%        |
| <b>Operating Profit</b>  | <b>199</b>                    | <b>262</b>                                  | <b>-24%</b> |
| Income taxes   | 68                            | 97  | -30%        |
| <b>Consolidated net income</b>   | <b>131</b>                    | <b>165</b>                                  | <b>-21%</b> |
| Consolidated net income attributable to non-controlling interests                    | 2                             | 6   | -67%        |
| Consolidated net income attributable to shareholders of Aareal Bank AG               | 129                           | 159   | -19%        |
| <b>Earnings per share (EpS)</b>  |                               |   |             |
| Consolidated net income attributable to shareholders of Aareal Bank AG <sup>2)</sup> | 129                           | 159   | -19%        |
| of which: allocated to ordinary shareholders   | 117                           | 147   | -20%        |
| of which: allocated to AT1 investors   | 12                            | 12  | 0%          |
| Earnings per ordinary share (in €) <sup>3)</sup>                                     | 1.97                          | 2.46  | -20%        |
| Earnings per ordinary AT1 unit (in €) <sup>4)</sup>                                  | 0.12                          | 0.12  | 0%          |

1) Comparative amounts reclassified according to the new classification format

2) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

3) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

4) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

# Aareal Bank Group

## Results 9M 2018 by segments

|   | Structured Property Financing |                                   | Consulting / Services |                                   | Consolidation/ Reconciliation |                                   | Aareal Bank Group   |                                   |
|---|-------------------------------|-----------------------------------|-----------------------|-----------------------------------|-------------------------------|-----------------------------------|---------------------|-----------------------------------|
|   | 01.01.- 30.09. 2018           | 01.01.- 30.09. 2017 <sup>1)</sup> | 01.01.- 30.09. 2018   | 01.01.- 30.09. 2017 <sup>1)</sup> | 01.01.- 30.09. 2018           | 01.01.- 30.09. 2017 <sup>1)</sup> | 01.01.- 30.09. 2018 | 01.01.- 30.09. 2017 <sup>1)</sup> |
|   | € mn                          |                                   |                       |                                   |                               |                                   |                     |                                   |
| Net interest income   | 409                           | 457                               | 0                     | 0                                 | -9                            | -8                                | 400                 | 449                               |
| Loss allowance  | 33                            | 53                                | 0                     |                                   |                               |                                   | 33                  | 53                                |
| Net commission income   | 6                             | 4                                 | 141                   | 136                               | 5                             | 5                                 | 152                 | 145                               |
| Net derecognition gain or loss                                  | 16                            | 37                                |                       |                                   |                               |                                   | 16                  | 37                                |
| Gains / losses from financial instruments (fvpl)                | -1                            | 13                                |                       |                                   |                               |                                   | -1                  | 13                                |
| Net result on hedge accounting                                  | -2                            | -5                                |                       |                                   |                               |                                   | -2                  | -5                                |
| Results from investments accounted for at equity                |                               |                                   |                       |                                   |                               |                                   |                     |                                   |
| Administrative expenses   | 182                           | 234                               | 166                   | 157                               | -4                            | -3                                | 344                 | 388                               |
| Net other operating income / expenses                           | 9                             | 62                                | 2                     | 2                                 | 0                             | 0                                 | 11                  | 64                                |
| <b>Operating profit</b>   | <b>222</b>                    | <b>281</b>                        | <b>-23</b>            | <b>-19</b>                        | <b>0</b>                      | <b>0</b>                          | <b>199</b>          | <b>262</b>                        |
| Income taxes  | 77                            | 104                               | -9                    | -7                                |                               |                                   | 68                  | 97                                |
| <b>Consolidated net income</b>                                  | <b>145</b>                    | <b>177</b>                        | <b>-14</b>            | <b>-12</b>                        | <b>0</b>                      | <b>0</b>                          | <b>131</b>          | <b>165</b>                        |
| <b>Allocation of results</b>                                    |                               |                                   |                       |                                   |                               |                                   |                     |                                   |
| Cons. net income attributable to non-controlling interests      | 0                             | 4                                 | 2                     | 2                                 |                               |                                   | 2                   | 6                                 |
| Cons. net income attributable to shareholders of Aareal Bank AG | 145                           | 173                               | -16                   | -14                               | 0                             | 0                                 | 129                 | 159                               |

1) Comparative amounts reclassified according to the new classification format

# Aareal Bank Group

## Results – 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        |
|   | 2018                          |           | 2017 <sup>1)</sup> |           |           | 2018                  |           | 2017 <sup>1)</sup> |           |           | 2018                           |          | 2017 <sup>1)</sup> |          |          | 2018              |           | 2017 <sup>1)</sup> |           |           |
| € mn  |                               |           |                    |           |           |                       |           |                    |           |           |                                |          |                    |          |          |                   |           |                    |           |           |
| Net interest income   | 134                           | 139       | 136                | 139       | 147       | 0                     | 0         | 0                  | 0         | 0         | -3                             | -3       | -3                 | -4       | -3       | 131               | 136       | 133                | 135       | 144       |
| Loss allowance  | 14                            | 19        | 0                  | 29        | 26        | 0                     | 0         | 0                  |           |           |                                |          |                    |          |          | 14                | 19        | 0                  | 29        | 26        |
| Net commission income   | 2                             | 3         | 1                  | 3         | 1         | 48                    | 46        | 47                 | 55        | 45        | 1                              | 2        | 2                  | 3        | 2        | 51                | 51        | 50                 | 61        | 48        |
| Net derecognition gain or loss  | 5                             | 5         | 6                  | 13        | 20        |                       |           |                    |           |           |                                |          |                    |          |          | 5                 | 5         | 6                  | 13        | 20        |
| Net gain or loss from financial instruments (fvpl)                      | 0                             | -4        | 3                  | 1         | 10        |                       |           |                    |           |           |                                |          |                    |          |          | 0                 | -4        | 3                  | 1         | 10        |
| Net gain or loss on hedge accounting                                    | 1                             | -1        | -2                 | -2        | 1         |                       |           |                    |           |           |                                |          |                    |          |          | 1                 | -1        | -2                 | -2        | 1         |
| Net gain or loss from investments accounted for using the equity method |                               |           |                    |           |           |                       |           |                    |           |           |                                |          |                    |          |          |                   |           |                    |           |           |
| Administrative expenses   | 53                            | 55        | 74                 | 62        | 68        | 56                    | 55        | 55                 | 63        | 53        | -2                             | -1       | -1                 | -2       | -1       | 107               | 109       | 128                | 123       | 120       |
| Net other operating income / expenses                                   | 2                             | 2         | 5                  | 7         | 4         | 1                     | 1         | 0                  | 4         | 1         | 0                              | 0        | 0                  | -1       | 0        | 3                 | 3         | 5                  | 10        | 5         |
| <b>Operating profit</b>   | <b>77</b>                     | <b>70</b> | <b>75</b>          | <b>70</b> | <b>89</b> | <b>-7</b>             | <b>-8</b> | <b>-8</b>          | <b>-4</b> | <b>-7</b> | <b>0</b>                       | <b>0</b> | <b>0</b>           | <b>0</b> | <b>0</b> | <b>70</b>         | <b>62</b> | <b>67</b>          | <b>66</b> | <b>82</b> |
| Income taxes  | 27                            | 24        | 26                 | 19        | 34        | -3                    | -3        | -3                 | -1        | -3        |                                |          |                    |          |          | 24                | 21        | 23                 | 18        | 31        |
| <b>Consolidated net income</b>  | <b>50</b>                     | <b>46</b> | <b>49</b>          | <b>51</b> | <b>55</b> | <b>-4</b>             | <b>-5</b> | <b>-5</b>          | <b>-3</b> | <b>-4</b> | <b>0</b>                       | <b>0</b> | <b>0</b>           | <b>0</b> | <b>0</b> | <b>46</b>         | <b>41</b> | <b>44</b>          | <b>48</b> | <b>51</b> |
| Cons. net income attributable to non-controlling interests              | 0                             | 0         | 0                  | 0         | 0         | 1                     | 0         | 1                  | 0         | 0         |                                |          |                    |          |          | 1                 | 0         | 1                  | 0         | 0         |
| Cons. net income attributable to shareholders of Aareal Bank AG         | 50                            | 46        | 49                 | 51        | 55        | -5                    | -5        | -6                 | -3        | -4        | 0                              | 0        | 0                  | 0        | 0        | 45                | 41        | 43                 | 48        | 51        |

1) Comparative amounts reclassified according to the new classification format



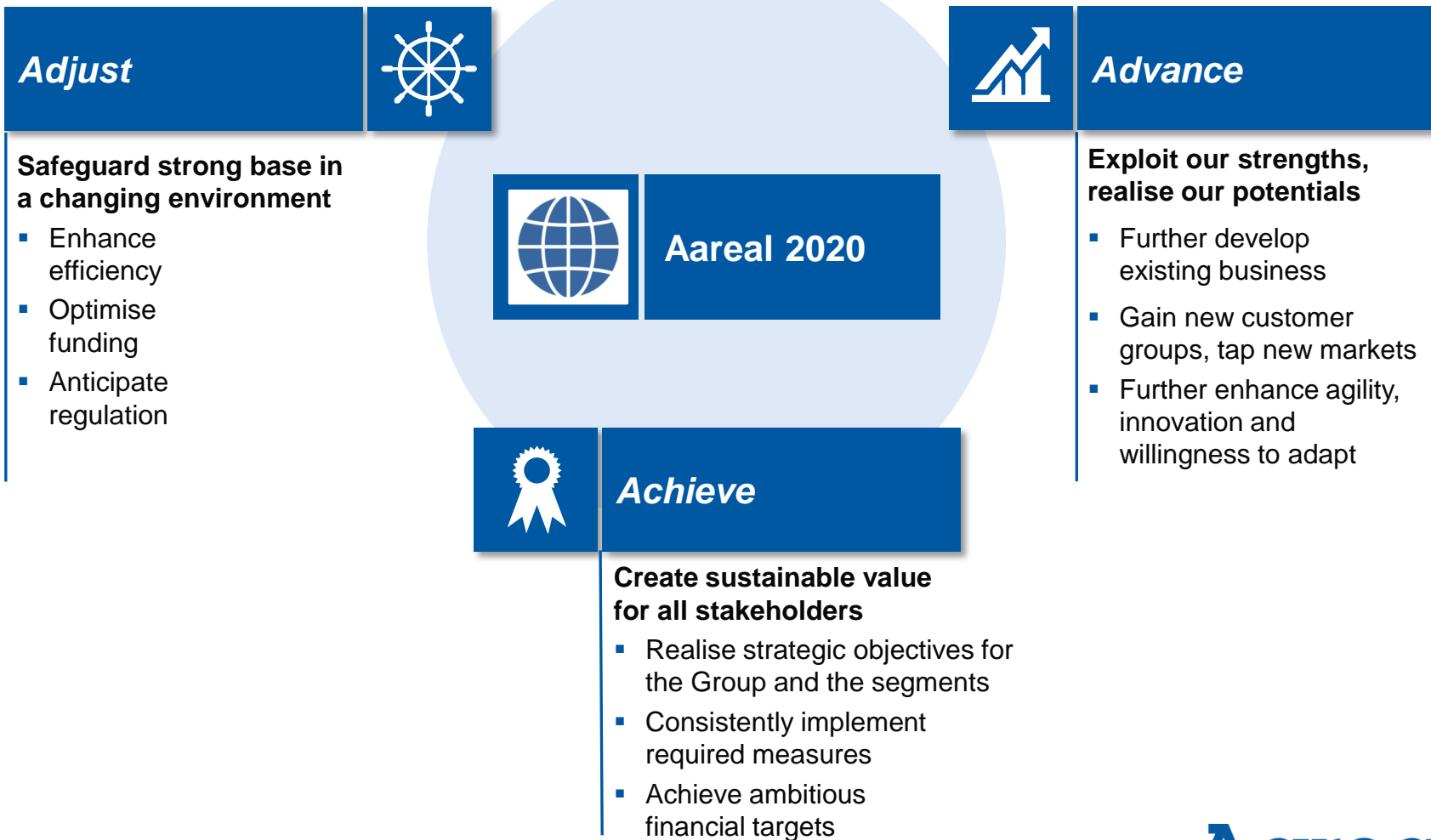
Aareal 2020

**Aareal**



# Aareal 2020 – *Adjust. Advance. Achieve.*

## Our way ahead



## Aareal 2020 – *Adjust. Advance. Achieve*

Our growth program is well on track – we have successfully adjusted our organisational structure...



### Achievements so far: (extract)

#### Adjust



- ✓ Alignment of structures and processes successfully implemented to increase efficiency
- ✓ Further development of the future IT-infrastructure
- ✓ Balance sheet structure / funding optimised: new investor groups made accessible
- ✓ Housing industry deposits stabilised as a crisis proven refinancing source – volume on forecasted high level (~ € 10 bn)
- ✓ Fulfilment of Basel IV requirements from day 1, capital ratios significantly increased, IFRS 9 implemented



### Targets: (extract)

- Continued alignment of structures and processes, further digitisation and ongoing optimisation of the IT-infrastructure
- Further increase of flexibility and efficiency, reduction of complexity
- Retention of broadly diversified funding sources
- Efficient use of capital
- Continuous screening of the regulatory environment and early anticipation of possible changes

# Aareal 2020 – *Adjust. Advance. Achieve.*

...for the strengthening of our basis to ensure an accelerated and successful implementation in both segments



## Achievements so far: (extract)

## Targets: (extract)

### Advance: Structured property financing

- ✓ Attractive markets further enhanced (e.g. USA)
- ✓ Existing exit channels enlarged, additional opportunities identified and cooperations gained
- ✓ NCA portfolio significantly reduced
- ✓ Digitisation of internal credit processes as well as clients' interface on track
- ✓ Mount Street cooperation established, expansion of servicing business

- Continuation of successful business development despite challenging environment with a focus on flexible allocation in the most attractive markets
- Expansion of existing and developing of new exit strategies
- Ongoing reduction of NCA-portfolio
- Tapping new (digital) business opportunities along the value added chain
- Identification and making use of additional potentials of the Mount Street cooperation



### Advance: Consulting/ Services

- ✓ Position within the environment of the housing industry further strengthened
- ✓ Utility market successfully tapped
- ✓ Successful CRE-growth strategy, e.g. two acquisitions in 2017
- ✓ Cross-selling activities of digital products in Europe launched, e.g. via digital platform
- ✓ Cooperations with start-ups intensified

- Further development of digital solutions portfolio
- Ongoing penetration of relevant eco systems and tapping into neighbouring markets
- Developing of new markets in cooperation with the housing industry (B2B2C; B2C)
- Intensifying cooperations focussing on start-ups, development of Aareon Ventures

# Outlook

## Main takeaways for upcoming years



### **CET1:**

Currently, management sees Basel IV CET1 target ratio of ~12.5% adequate



### **Excess capital:**

- Partial use in lending business to keep portfolio stable at ~ € 26.5 bn
- Further review in 2018



### **Performance:**

- Plan to stabilise NII on current level
- Future growth of total income mainly driven by NCI
- Operating profit will benefit from total income growth, successful transformation incl. efficiency improvements



### **RoE:**

Accordingly RoE minimum target level structure lifted from 10% to 11% pre-tax, well on track to achieve our sustainable ~12% pre-tax RoE target



### **Dividend:**

Confirming dividend policy



**Achieve.**

# RoE development: Our way ahead

2015 - 2018

2018 - 2020

Published  
Feb 2016

**Achieve.** Keep RoE on an attractive level despite difficult environment

| RoE-Development 2015 - 18  |      | 2020 Plus |
|--|------|-----------|
| Pre-tax RoE 2015 adjusted  | -10% | -         |
| Adjusted for (higher than planned) positive one off effects from early repayments and negative goodwill                  |      |           |
| Net interest income  | ⬇️   | ↔️        |
| Expected decline of net interest income  |      |           |
| Allowance for credit losses  | ⬇️   | ↔️        |
| Improve risk position through cautious risk policy   |      |           |
| Admin expenses bank  | ⬇️   | ↔️        |
| Reduce admin expenses by increasing efficiency   |      |           |
| Aareon and commission income banking business  | ⬆️   | ⬆️        |
| Increase   |      |           |
| Pre-tax RoE 2018 before adjusting capital structure  | -10% | +/- 1%    |
| RoE of approx. 10% achievable before disbursement of excess capital or potential realisation of investment opportunities |      |           |
| Excess capital   | ⬇️   | ↔️        |
| Adjustment or allocation of underlying capital depending on opportunities and challenges in the markets                  |      |           |
| Pre-tax RoE 2018   | -12% | +/- 1%    |

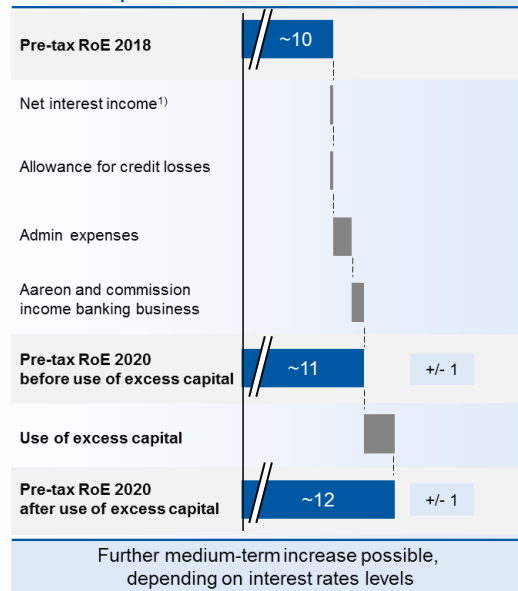
Further medium-term increase is possible on the basis of a positive development of interest rate levels



45

Note: All 2015 figures preliminary and unaudited

## RoE-Development 2018-2020



Further medium-term increase possible, depending on interest rates levels

### Achievements:

- Portfolio reduced: lowered NII and freed up equity
- LLP significantly reduced
- Admin expenses reduced
- NCI increased

1) incl. effects from derecognition of financial instruments

### Way ahead:

- Stabilising NII (but 'quality over quantity' still valid) and risk costs at 25-30 bps
- Continued reduction of admin expenses (lower transformational one-offs from 2020 onwards)
- Further growth of net commission income
- Future excess capital from NCA-run down to be invested in CRE portfolio (depending on market conditions)

# Dividend policy<sup>1)</sup>

## Confirmed

### Base dividend

We intend to distribute **approx. 50% of the earnings per ordinary share (EpS)** as base dividend

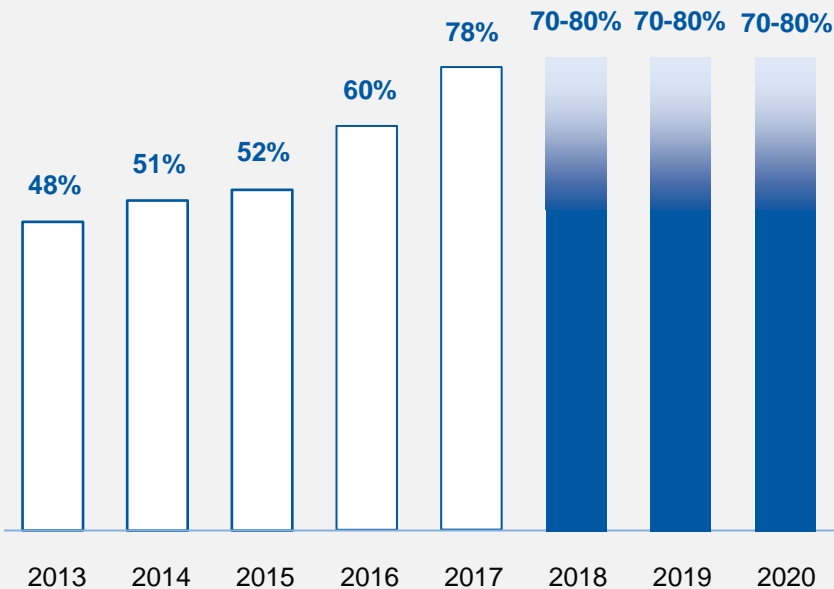
### Supplementary dividend

In addition, we plan to distribute **supplementary dividends, started in 2016 with 10% increasing up to 20-30% of the EpS**

#### Prerequisites:

- No material deterioration of the environment (with longer-term and sustainably negative effects)
- Neither attractive investment opportunities nor positive growth environment

### Payout ratio 2013 - 2020



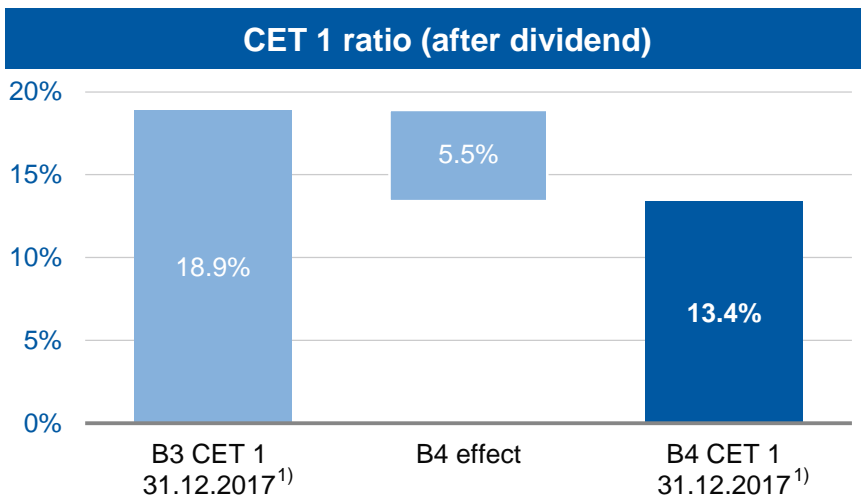
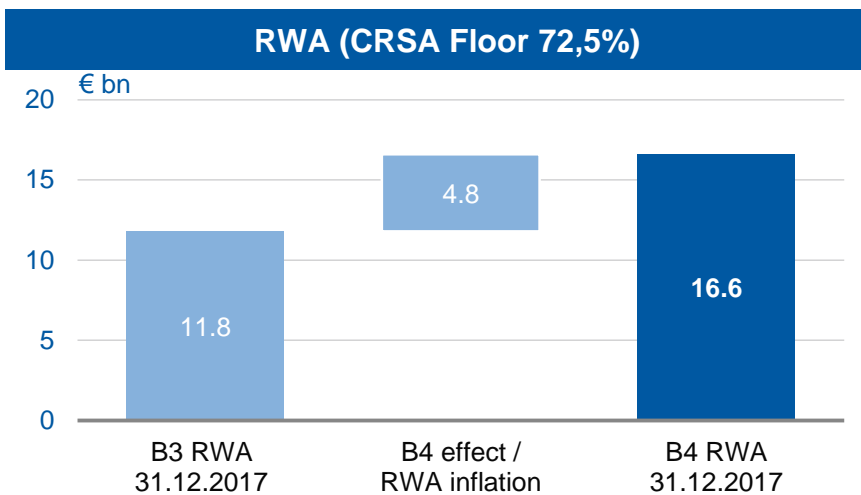
1) The future dividend policy applies provided that the dividend payments resulting from it are consistent with a long-term and sustained business development of Aareal Bank AG. In addition, the dividend payments are subject to the proviso that corresponding dividend proposals have been made by the Management Board and the Supervisory Board for the respective year.



Appendix  
Basel 4 / IFRS 9 / Defaulted exposure

# Basel IV effect

## Already fulfilling future Basel IV capital requirements



1) Incl. effects from first-time adoption of IFRS 9

B3 RWA of 11.8 bn with current risk density of 22% would be 13.2 bn (based on 31.12.2016's risk density of 28%)

Basel IV:

- New B4-regulation triggers significant RWA-inflation
- Low risk weighted CRE business excessively burdened
- Resulting capital needs precociously anticipated
- Remaining uncertainties:
  - EU implementation
  - Supervisors' decisions (e.g. on Hard test)

Others:

- 2018 stress test might result in new SREP guidance for 2019 onwards
- Combined efforts on internal models:
  - Final EBA requirements: Some parts delivered, QIS announced, some still open
  - TRIM exercise still ongoing
  - Internal models have to be adjusted / redesigned and approved until mid 2020 to meet EBA deadline



---

### First Time Application

- 1 January 2018
- Transition effects are recognised in equity

### Classification and Measurement

- New model for the classification and measurement of financial assets (ac, fvoci or fvpl) based on business models and cash flow characteristics
- Aareal Bank will change B/S structure to measurement categories

### Impairment

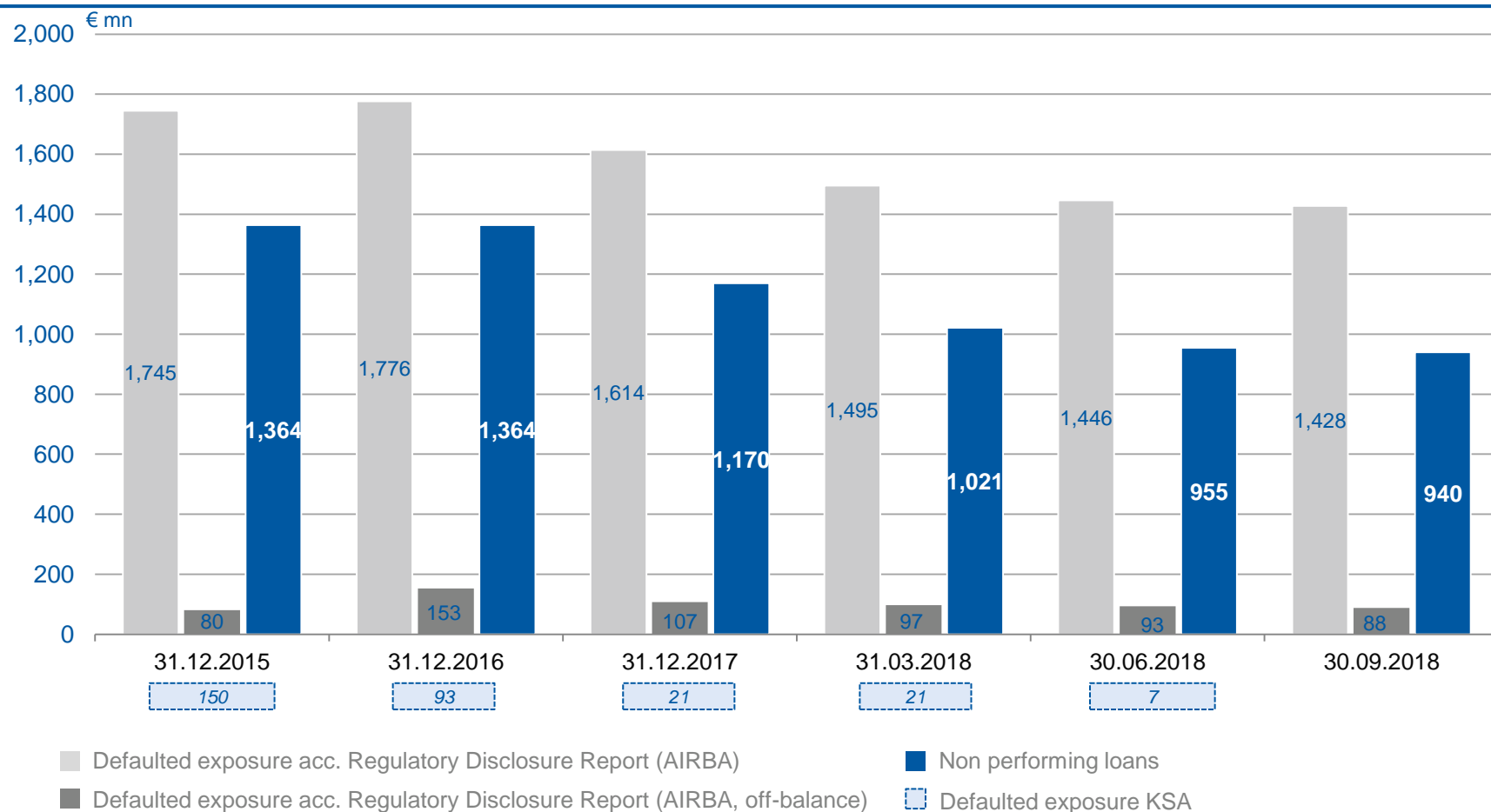
- Expected loss model:
  - Stage 1: LLP based on 12-Month expected credit losses on recognition
  - Stage 2: LLP based on lifetime expected credit losses on financial assets with significant increase in credit risk and
  - Stage 3: LLP based on lifetime expected credit losses on impaired financial assets
- No LLP for financial assets fvpl, as it is part of gains/losses on the corresponding line item

### Financial Statements

- B/S and P/L structure will change, eg. derecognition and modification gains / losses are added
- Extended Notes Disclosures for impairment and hedge accounting

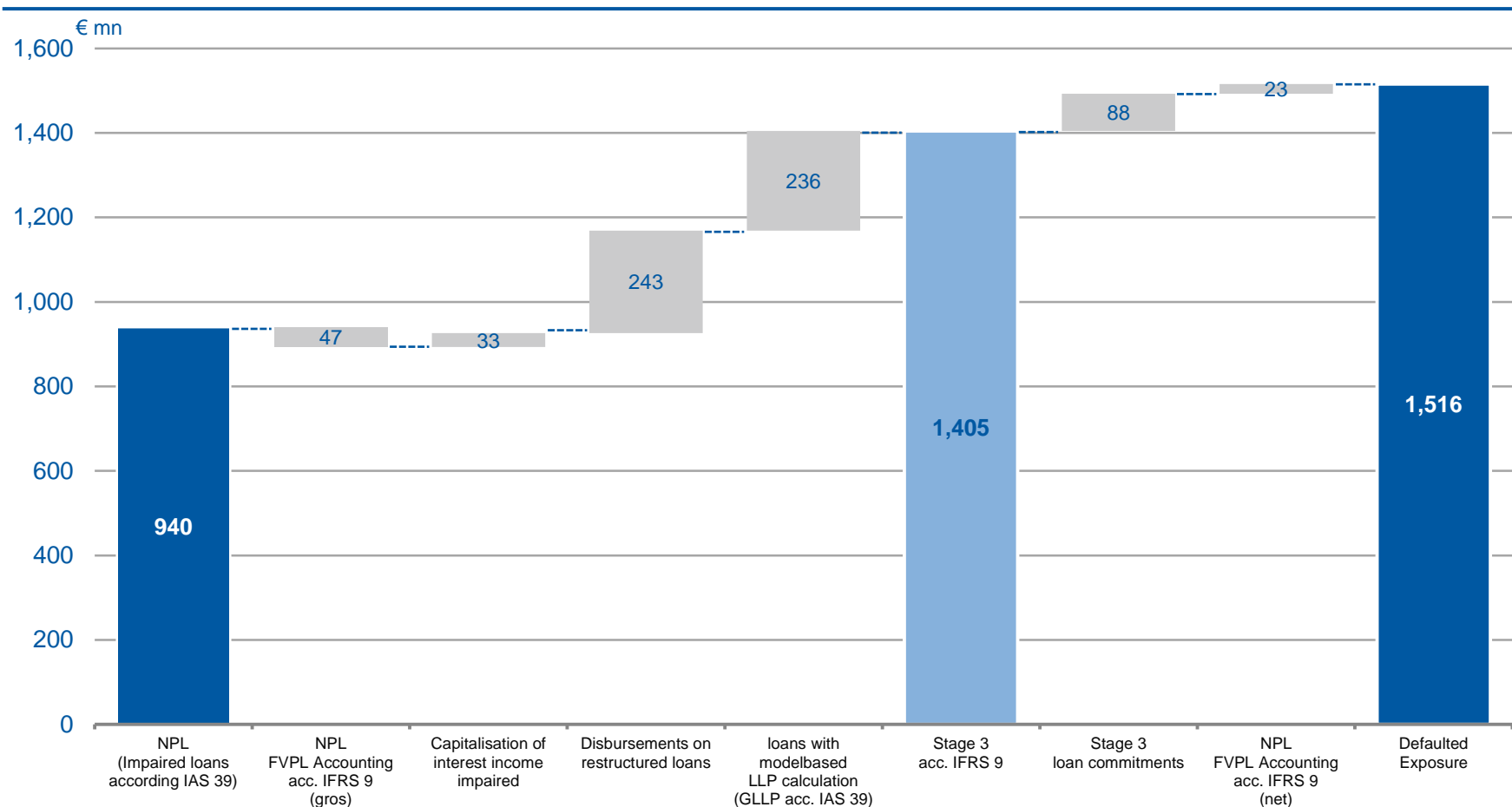
# Defaulted exposure

## NPL development vs. defaulted exposure acc. Reg. Disc. Report



# Defaulted Exposure

## NPL vs. Stage 3 (IFRS 9) vs. defaulted exposure acc. Reg. Disc. Report



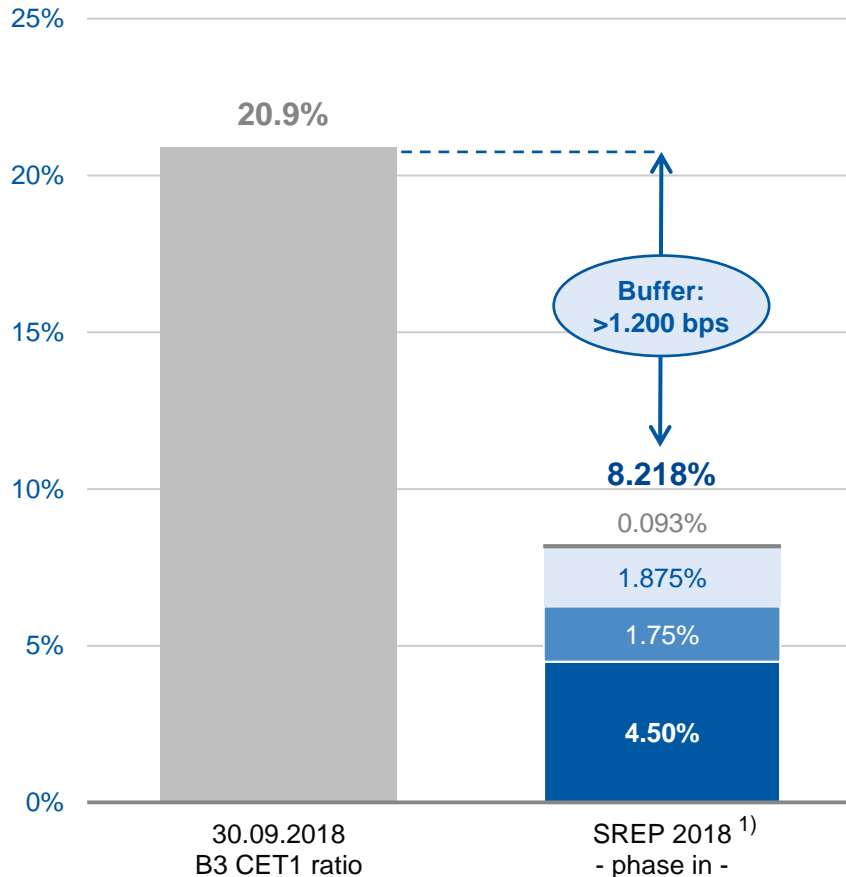


Appendix  
SREP / stress test

# SREP (CET 1) requirements

## Demonstrating conservative and sustainable business model

### B3 CET1 ratio vs. SREP (CET1) requirements



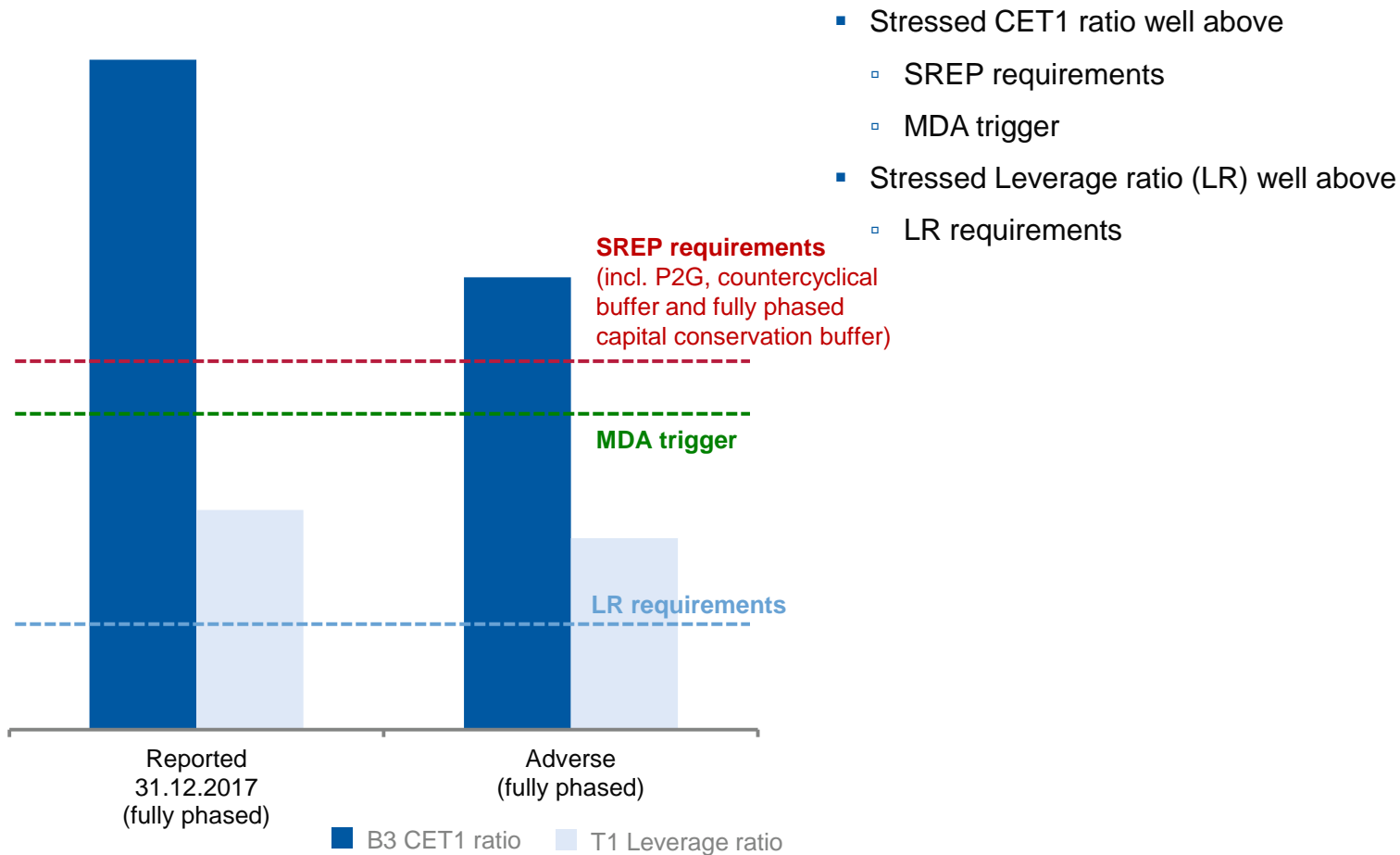
- Corresponding total capital requirement 2018 (Overall Capital Requirement (OCR) incl. buffers, phase-in) amounts to 11.718%
- As of 30 September 2018 total capital ratio amounts to 32.8%

- Countercyclical Buffer
- Capital Conservation Buffer
- Pillar 2 Requirement
- Pillar 1 Requirement

1) SREP-CET1 Requirements incl. buffers (Capital Conservation and Countercyclical)

# Stress Test 2018 (preliminary calculation)

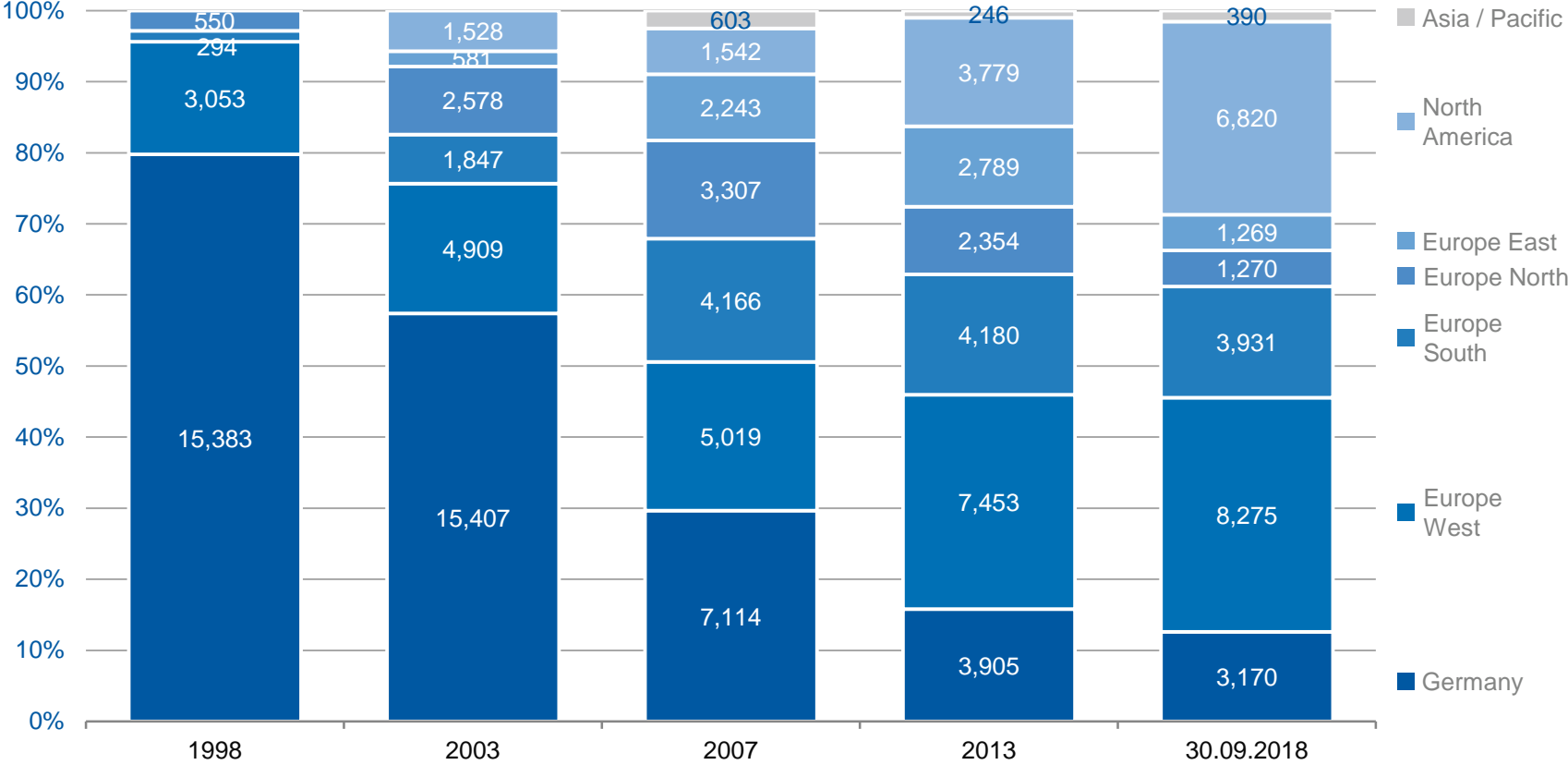
Even in adverse scenario capital ratios remain well above requirements





Appendix  
Development commercial  
real estate finance portfolio

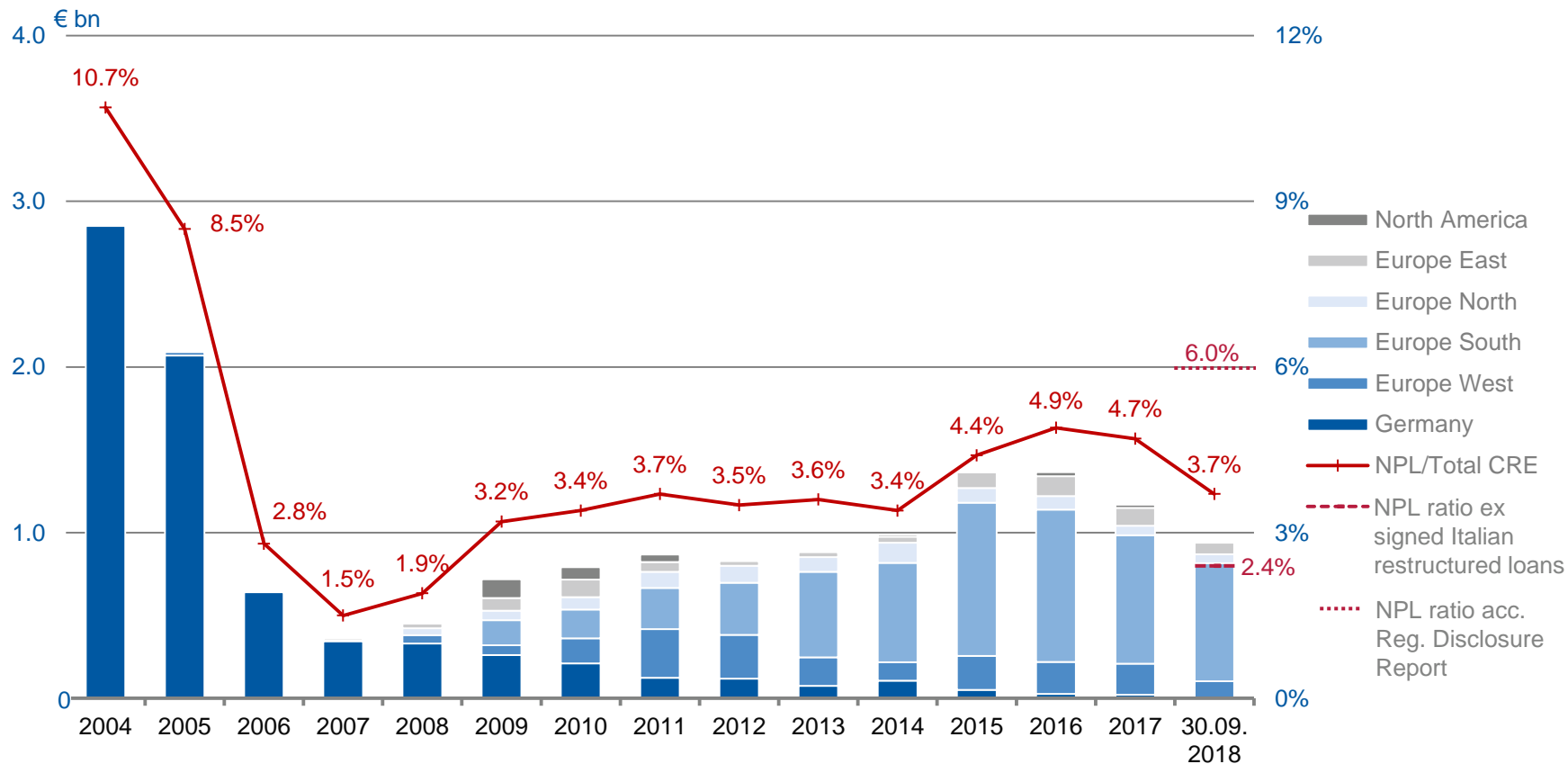
# Development commercial real estate finance portfolio





# Commercial real estate finance portfolio

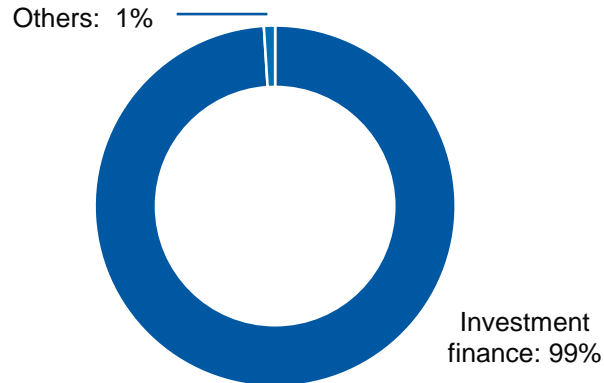
Further declining NPL volume and NPL ratio, stable q-on-q



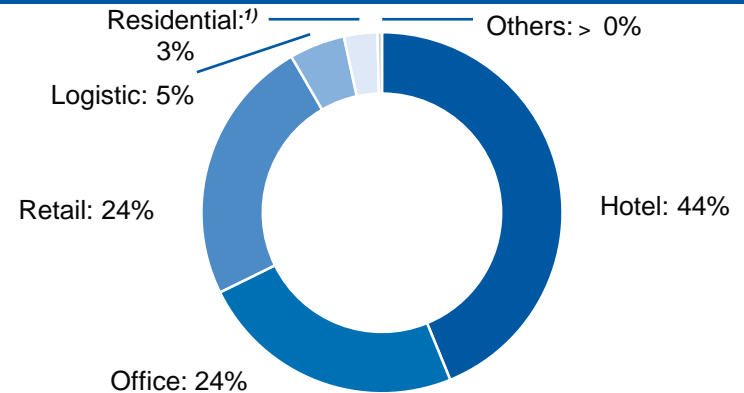
# Western Europe (ex Germany) CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 8.3 bn

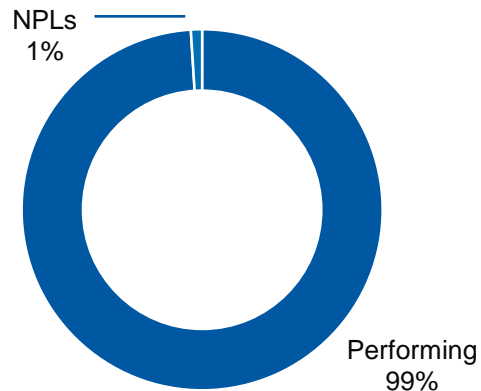
## by product type



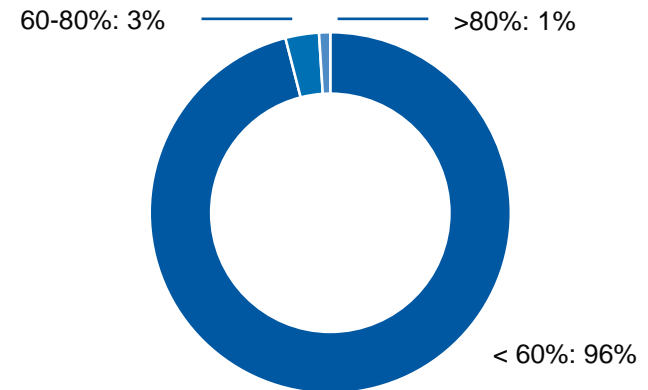
## by property type



## by performance



## by LTV ranges<sup>2)</sup>



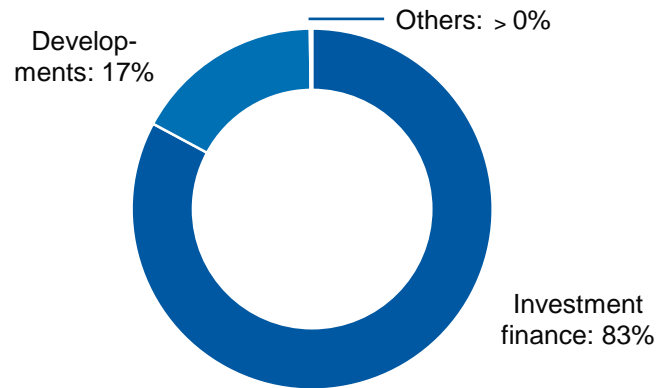
1) Incl. Student housing (UK only)

2) Performing CREF-portfolio only, exposure as at 30.09.2018

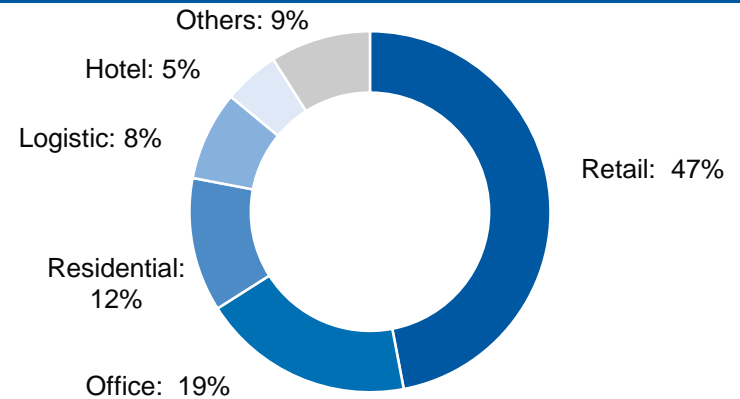
# Southern Europe CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 3.9 bn

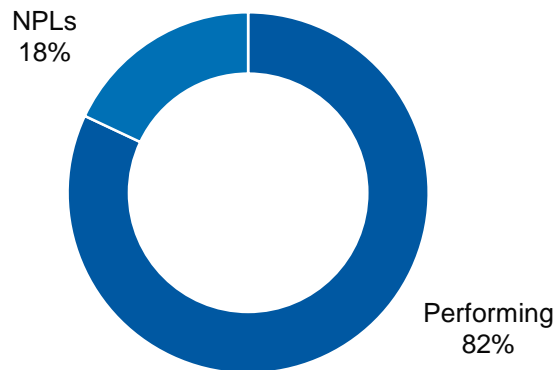
## by product type



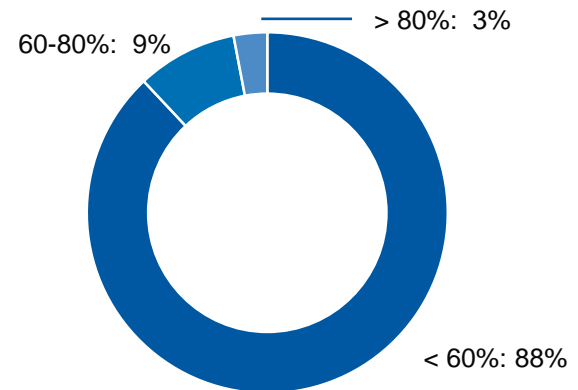
## by property type



## by performance



## by LTV ranges<sup>1)</sup>

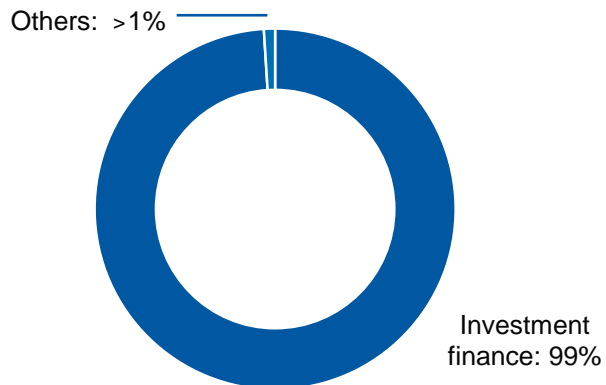


1) Performing CREFF-portfolio only, exposure as at 30.09.2018

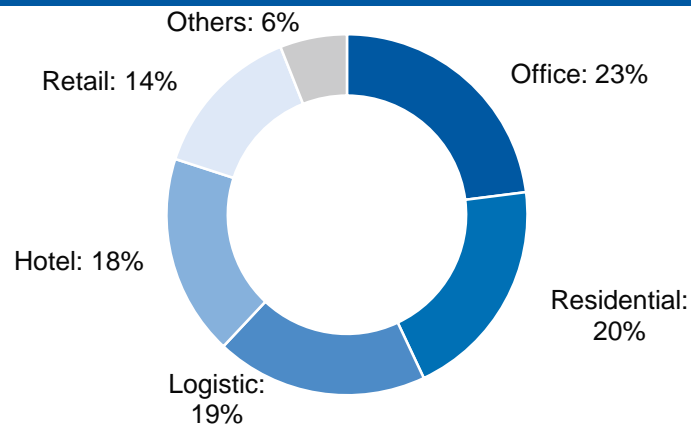
# German CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 3.2 bn

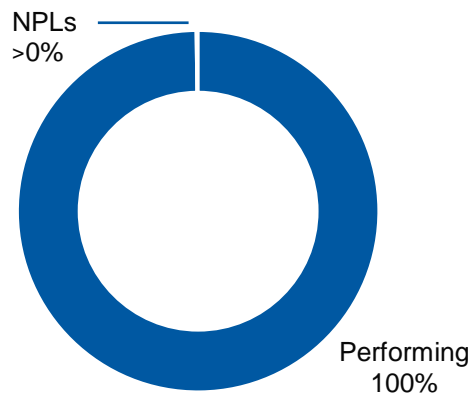
### by product type



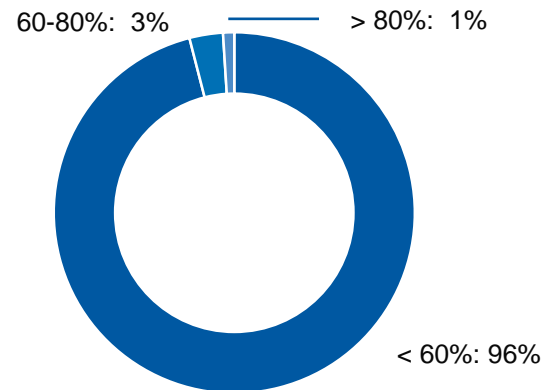
### by property type



### by performance



### by LTV ranges<sup>2)</sup>

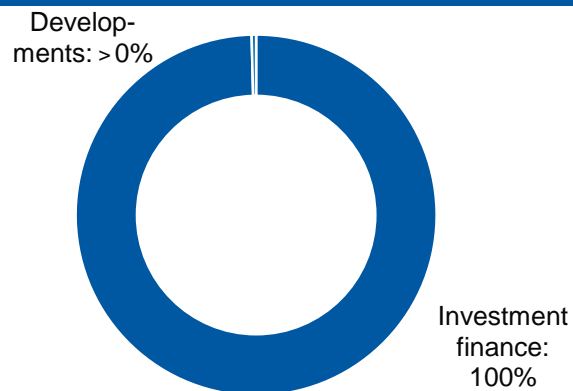


1) Performing CREFF-portfolio only, exposure as at 30.09.2018

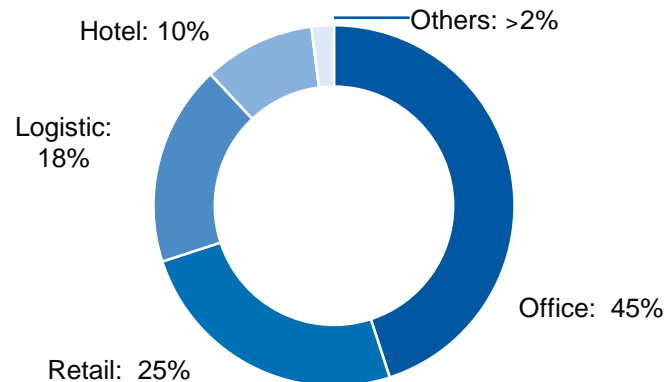
# Eastern Europe CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 1.3 bn

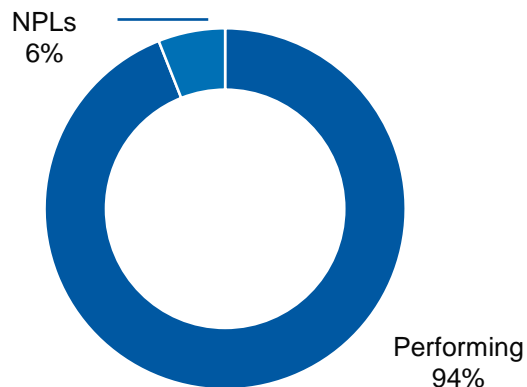
## by product type



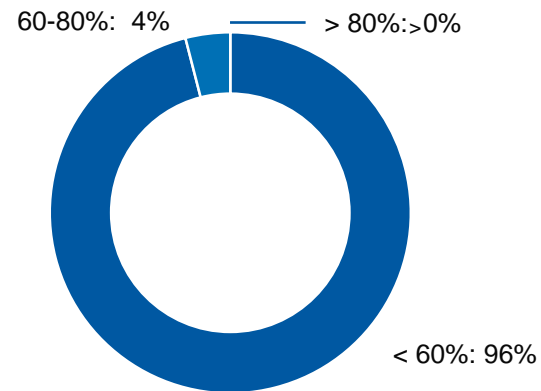
## by property type



## by performance



## by LTV ranges<sup>1)</sup>

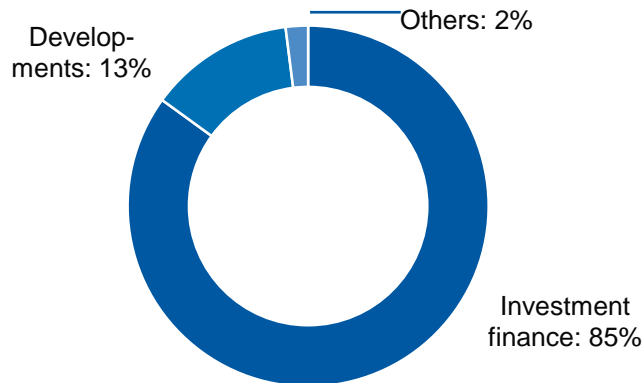


1) Performing CREFF-portfolio only, exposure as at 30.09.2018

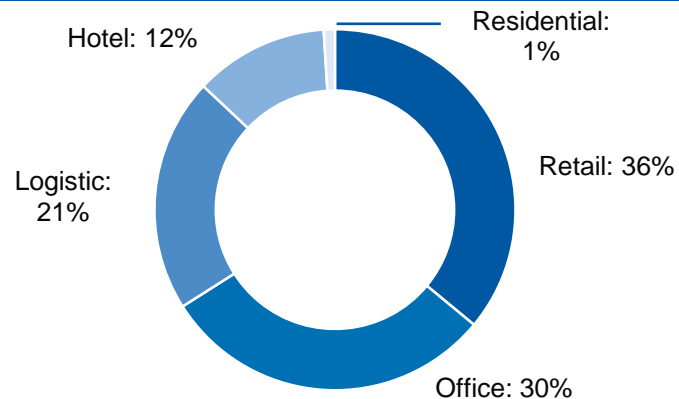
# Northern Europe CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 1.3 bn

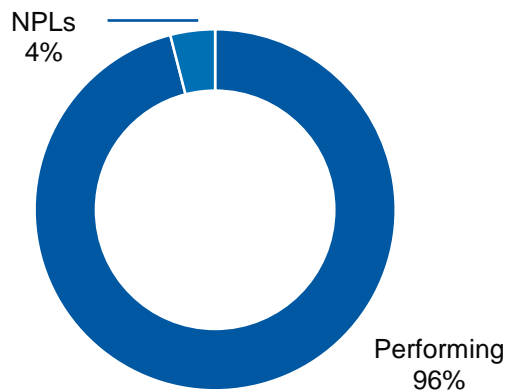
## by product type



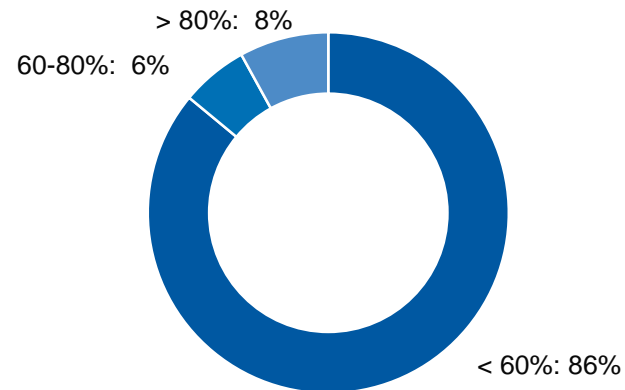
## by property type



## by performance



## by LTV ranges<sup>1)</sup>



1) Performing CRE portfolio only, exposure as at 30.09.2018

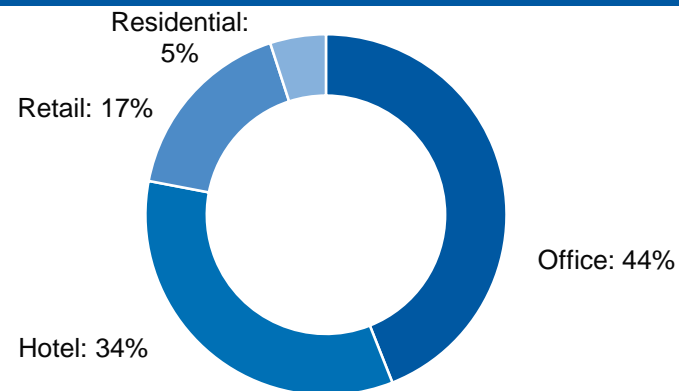
# North America CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 6.8 bn

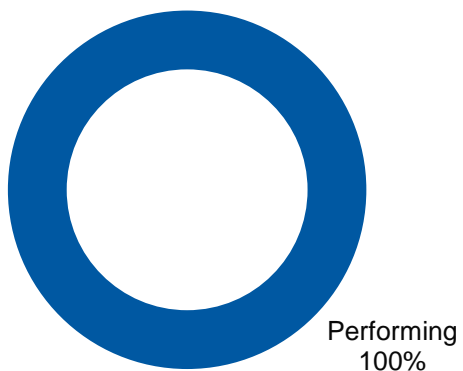
by product type



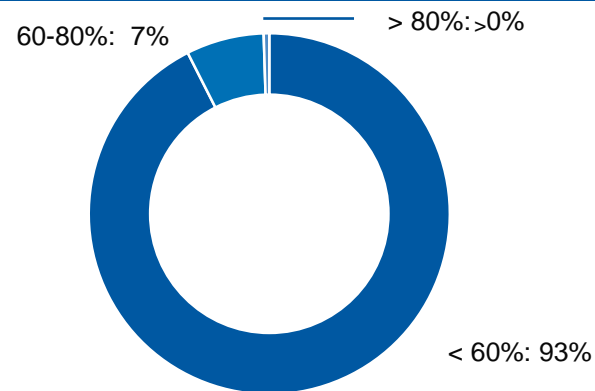
by property type



by performance



by LTV ranges<sup>1)</sup>



1) Performing CREF-portfolio only, exposure as at 30.09.2018

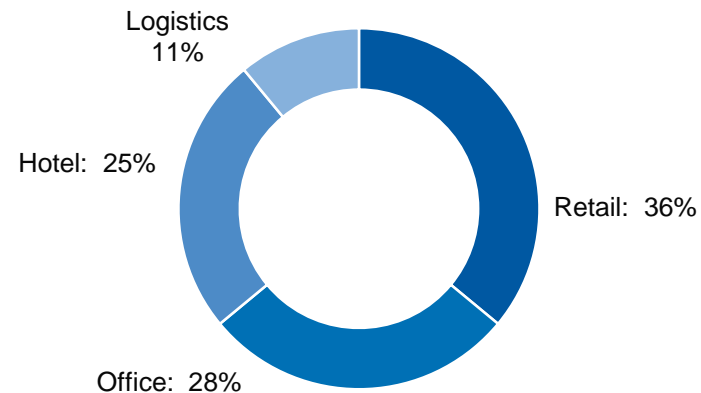
# Asia / Pacific CRE finance portfolio

Total volume outstanding as at 30.09.2018: € 0.4 bn

by product type



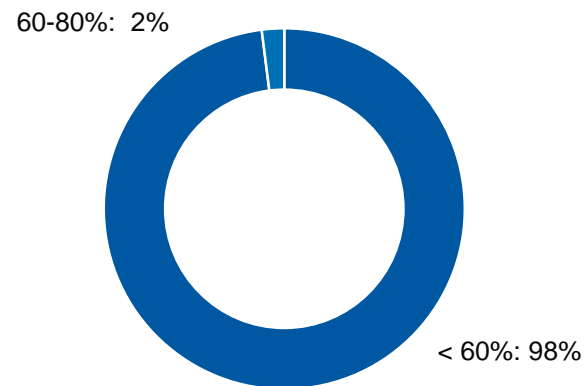
by property type



by performance



by LTV ranges<sup>1)</sup>



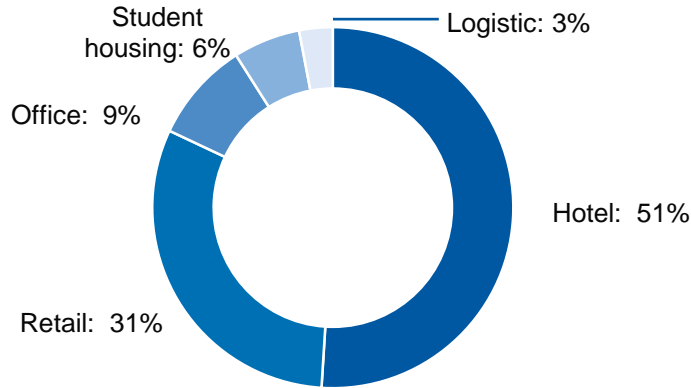
1) Performing CREF-portfolio only, exposure as at 30.09.2018



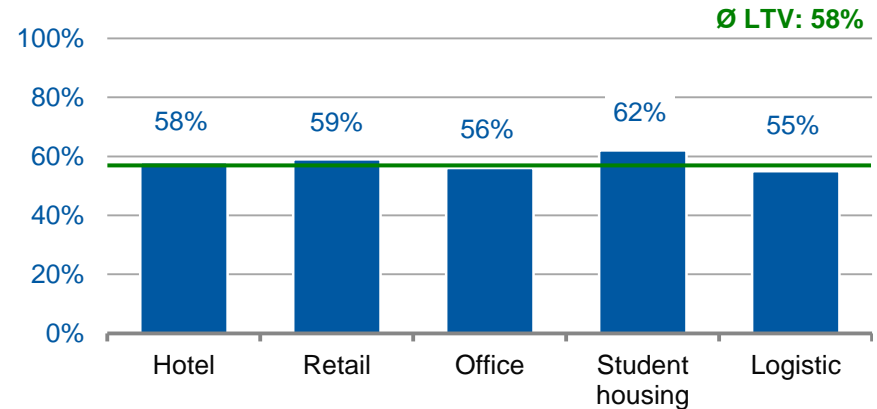
# Spotlight: UK CRE finance portfolio

€ 3.9 bn (~16% of total CRE-portfolio)

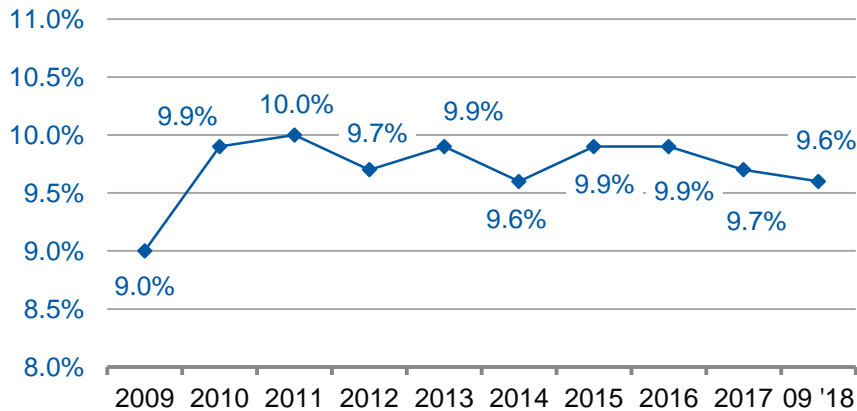
## Total portfolio by property type



## Average LTV by property type<sup>1)</sup>



## Yield on debt



1) Performing CREF-portfolio only, exposure as at 30.09.2018

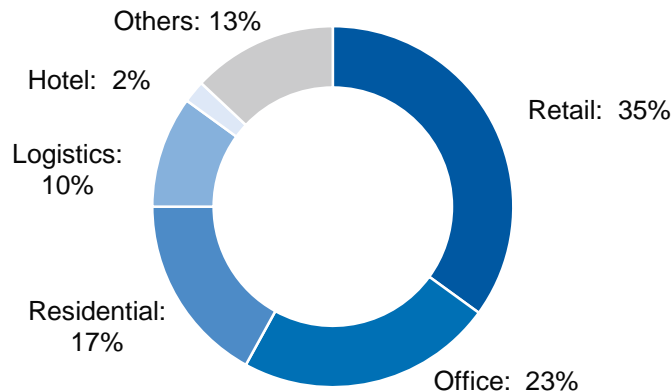
## Comments

- Performing:
  - Investment finance only, no developments
  - ~ 60% of total portfolio in Greater London area, emphasising on hotels
  - € 176 mn with LTV > 60%
  - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 73%
- No NPL

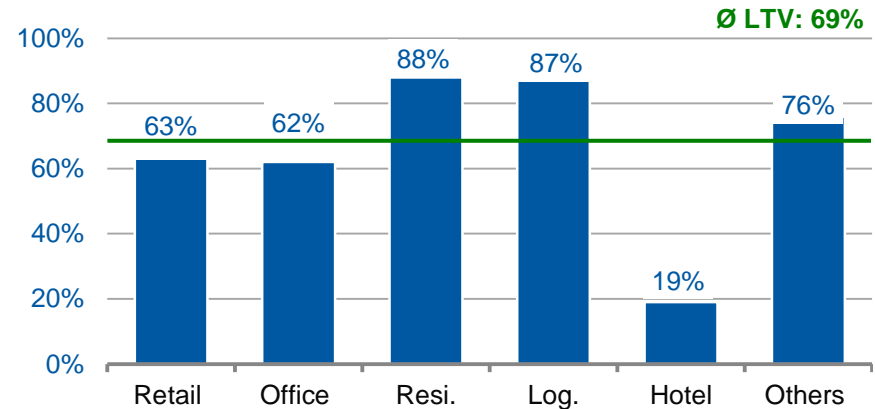
# Spotlight: Italian CRE finance portfolio

€ 2.8 bn (~11% of total portfolio)

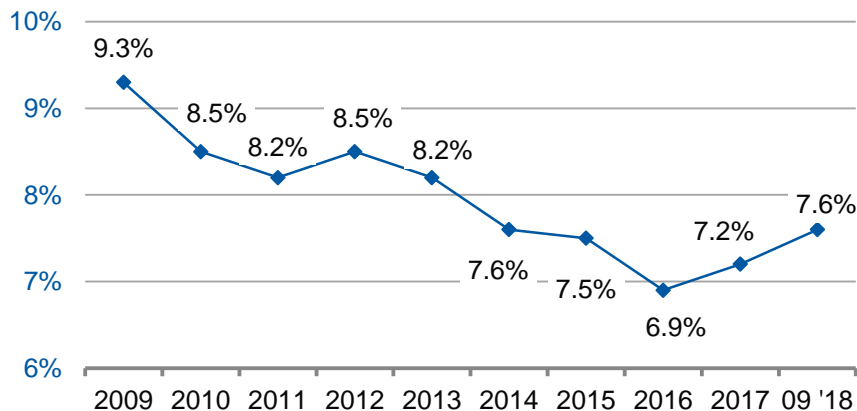
## Total portfolio by property type



## Average LTV by property type<sup>1)</sup>



## Yield on debt



## Comments

- Performing:
  - Share of developments financed below 10%
  - ~ 50% of total portfolio in Greater Rome or Milan area
  - € 325 mn with LTV > 60%
  - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 88%
- NPL: € 655 mn of which
  - ~ 70% restructured / agreement in place or planned
  - ~ 30% enforcement<sup>2)</sup>

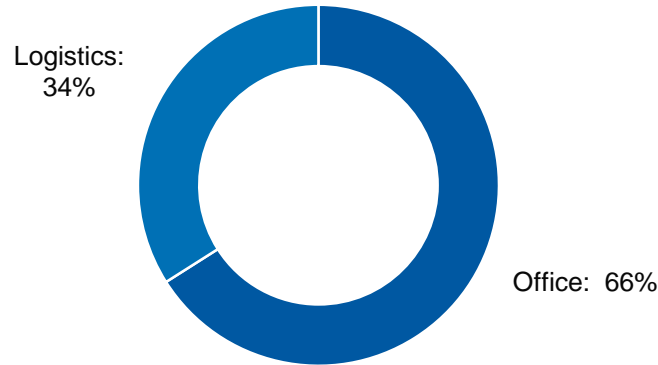
1) Performing CREF-portfolio only, exposure as at 30.09.2018

2) Current enforcement period 3-4 years, but improving due to new legislation

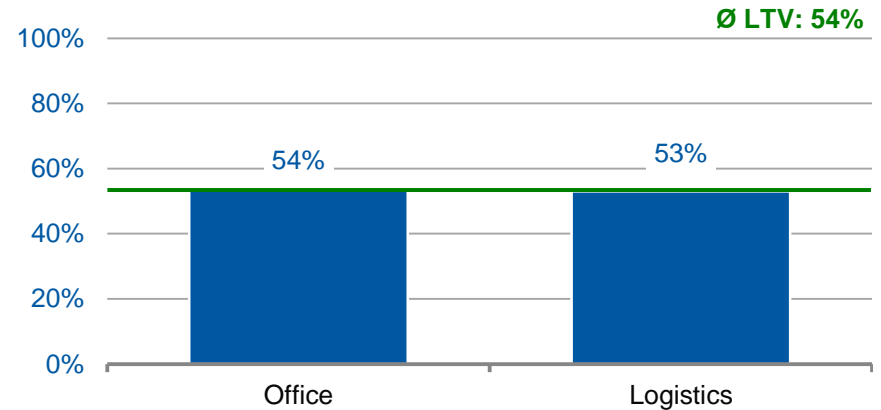
# Spotlight: Russian CRE finance portfolio

€ 0.5 bn (~2% of total portfolio)

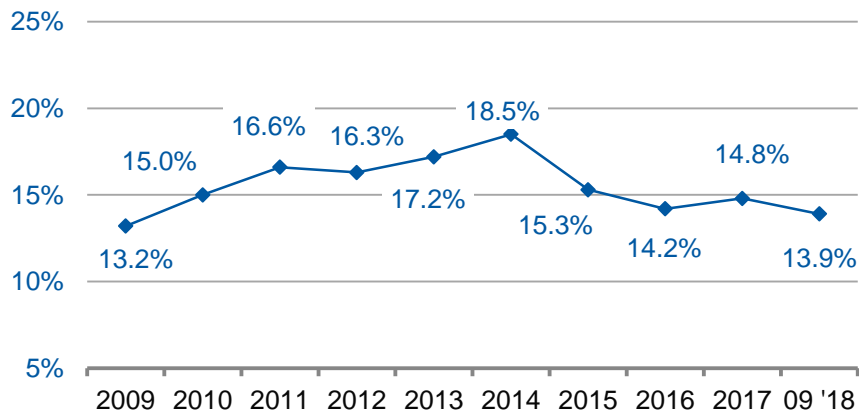
## Total portfolio by property type



## Average LTV by property type<sup>1)</sup>



## Yield on debt



## Comments

- Performing:
  - Investment finance only: 2 logistics and 1 office in Moscow
  - No Deals with LTV > 60%
  - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 67%
- NPL: € 18 mn, 1 office in St. Petersburg

1) Performing CREF-portfolio only, exposure as at 30.09.2018



Appendix  
AT1: ADI of Aareal Bank AG

# Interest payments and ADI of Aareal Bank AG

## Available Distributable Items (as of end of the relevant year)

Published  
Feb 2018

|  | 31.12.<br>2014 | 31.12.<br>2015 | 31.12.<br>2016 | 31.12.<br>2017 |
|--|----------------|----------------|----------------|----------------|
| <b>€ mn</b>  |                |                |                |                |
| Net Retained Profit  | 77             | 99             | 122            | 147            |
| ▪ <i>Net income</i>  | 77             | 99             | 122            | 147            |
| ▪ <i>Profit carried forward from previous year</i>   | -              | -              | -              | -              |
| ▪ <i>Net income attribution to revenue reserves</i>  | -              | -              | -              | -              |
| + Other revenue reserves after net income attribution  | 715            | 720            | 720            | 720            |
| = Total dividend potential before amount blocked <sup>1)</sup>   | 792            | 819            | 842            | 870            |
| ./. Dividend amount blocked under section 268 (8) of the German Commercial Code  | 240            | 287            | 235            | 283            |
| ./. Dividend amount blocked under section 253 (6) of the German Commercial Code  | -              | -              | 28             | 35             |
| = Available Distributable Items <sup>1)</sup>  | 552            | 532            | 579            | 552            |
| + Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments <sup>1)</sup>   | 57             | 46             | 46             | 32             |
| = Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments <sup>1)</sup> | 609            | 578            | 625            | 584            |

1) Unaudited figures for information purposes only

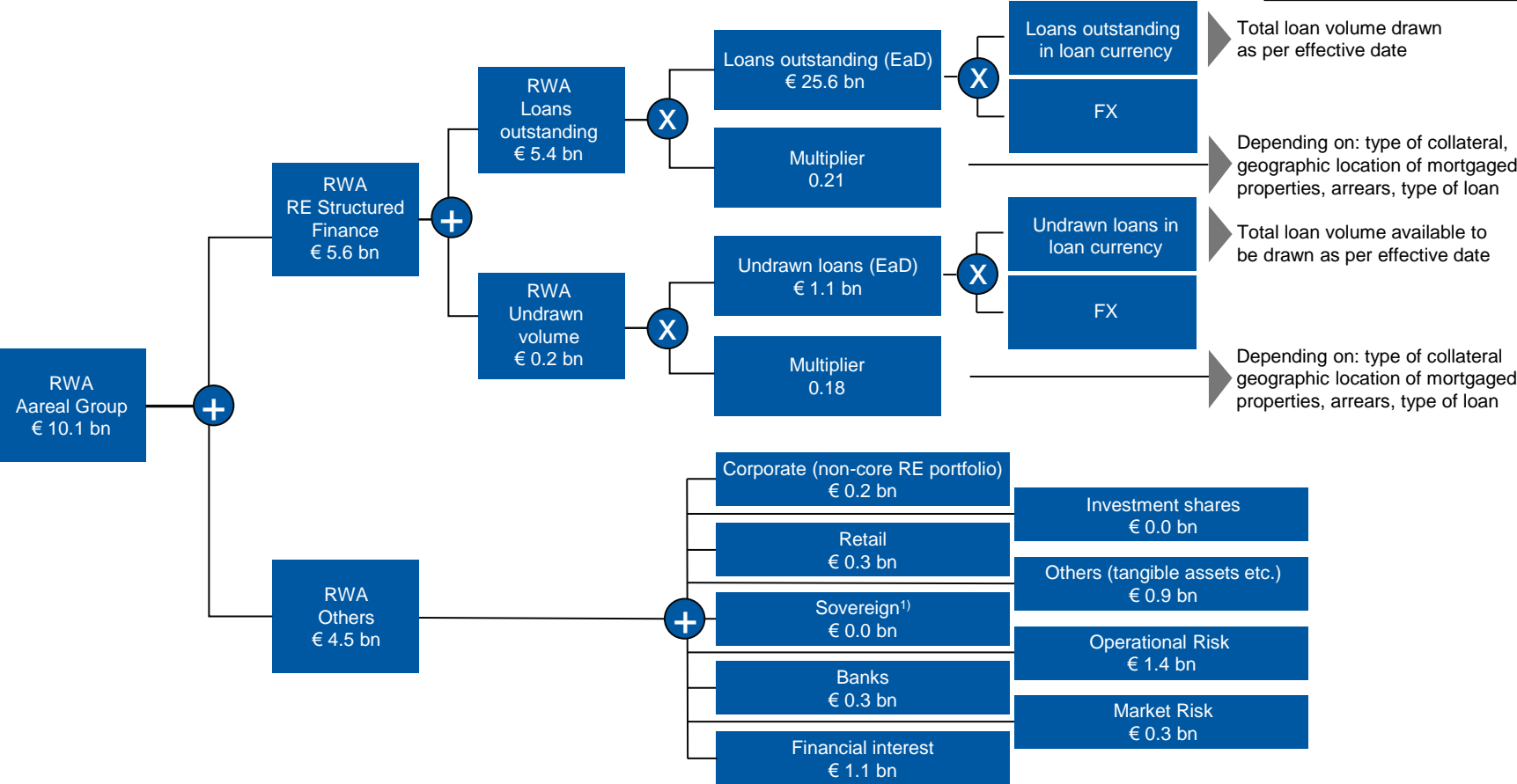


# Appendix

## RWA-split

# From asset to risk weighted asset (RWA)

Effective date 30/09/2018



1) Amounts to € 35 mn



# Sustainability Performance

**Aareal**



# Aareal Bank Group

## Stands for solidity, reliability and predictability

### Doing business sustainably

20.8% Common Equity Tier 1 ratio<sup>1)</sup>, exceeds the statutory requirements



€ 26.2 bn Valuable Real Estate Finance Portfolio<sup>2)</sup>



Aareon's products & services boost our client's sustainability records



Aareal Bank awarded as top employer for the 11<sup>th</sup> time in succession



Systematic approach: Code of Conduct for employees & suppliers



Solid refinancing base: Covered Bonds<sup>3)</sup> with best possible ratings



Aareal Bank & Aareon: Certified Ecoprofit companies, by using

**100%**  
green electricity<sup>4)</sup>

Positive results in sustainability ratings



1) Basel 3, as at 30.09.2018

2) REF-portfolio includes private client business (€ 0.6 bn) and WIB's public sector loans (€ 0.5 bn), as at 30.09.2018

3) Mortgage Pfandbriefe rated Aaa by Moody's

4) At our main locations in Wiesbaden and Mainz, selected other German and international sites

# Sustainability data

## Extends the financial depiction of the Group

### Key takeaways at a glance

#### Transparent Reporting – facilitating informed investment decisions

- “COMBINED SEPARATE NON-FINANCIAL REPORT 2017 FOR AAREAL BANK AG”<sup>1)</sup> and SUSTAINABILITY REPORT 2017 “THINK FUTURE. ACT NOW.”<sup>2)</sup> published on March 28, 2018
- PricewaterhouseCoopers performed a limited assurance engagement and issued an unqualified review opinion

#### Sustainability Ratings – confirming the company’s sustainability performance

|                |  |
|----------------|--|
| MSCI           | Aareal Bank Group with “AA Rating” in highest scoring range for all companies assessed relative to global peers reg. Corporate Governance practices [as per 01/2018] |
| ISS-oekom      | Aareal Bank Group holds “prime status”, ranking among the leaders in its industry [since 2012]   |
| Sustainalytics | Aareal Bank Group was classified as “outperformer”, ranking among the best 17% of its industry [as per 02/2017 <sup>3)</sup> ]                                       |
| GRESB          | Aareal Bank Group scores 35 out of 100 in GRESB Debt Assessment [as per 09/2018]   |
| imug           | Aareal Bank was rated “positive BB” in the category “Issuer Performance”; the second best result of all 60 rated Banks [as per 05/2018]                              |

1) [https://www.aareal-bank.com/fileadmin/05\\_Verantwortung/03\\_Other\\_PDF-files/Nichtfinanzieller\\_Bericht\\_2017\\_en.pdf](https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2017_en.pdf)

2) <https://cr.aareal-bank.com/2017>



# Introduction Aareal Bank

**Aareal**

# Aareal Bank Group

## Key messages

- Aareal is a leading finance and service provider to international property markets offering tailor-made products to a stable customer base within its two pillar business model focusing on
  - Structured Property Financing (SPF):  
Aareal provides low-risk commercial real estate financing solutions focusing on different property types in Europe, North-America and Asia/Pacific
  - Consulting/Services (C/S):  
Within the C/S segment Aareal is #1 provider of ERP solutions to the German and European institutional housing industry and additionally offering transaction banking services to the German housing market and related industries
- Aareal's balance sheet has a sound structure with a high quality and a well diversified credit portfolio, a stable deposit base and a sustainable long-term refinancing mix as well as a solid capital base
- Aareal is an independent publicly listed (MDAX) mid-sized company with high flexibility and adaptability
- The Aareal business model provides stable revenues and a risk management with a positive track record even under in an adverse market environment

# Aareal Bank Group

## One Bank – two segments

**QUALITY<sup>®</sup>**  
made by **AAREAL**

### Structured Property Financing

International presence and business activities on three continents: Europe, North America, Asia / Pacific

Providing commercial real estate financing solutions in more than 20 countries and different property types (hotel, logistic, office, retail, residential)

Additional industry experts in hotels, logistics and retail properties

Total real estate finance portfolio<sup>1)</sup>: ~ € 26 bn

### Consulting / Services for the property industry

Market-leading IT systems for the management of residential and commercial properties in Europe

Integrated payment transaction system for the housing industry (market-leading) and the utility sector

More than 10 mn units under management in Europe, thereof ~ 7 mn in the key market Germany

International presence:  
France, the Netherlands, the UK and Scandinavia

1) REF-portfolio incl. private client business (€ 0.6 bn) and WIB's public sector loans (€ 0.5 bn)

# Aareal Bank Group

One Bank – two segments – three continents



International property financing in more than 20 countries –  
Europe, North America and Asia / Pacific

# Structured Property Finance

## Specialist for specialists

### Aareal Bank Group Structured Property Finance

- Cash-flow driven collateralised business
  - Focus on senior lending
  - Based on first-ranking mortgage loans
- Typical products, e.g.:
  - Single asset investment finance
  - Portfolio finance (local or cross-border /-currency)
  - Value add-finance
- In-depth know-how in local markets and special properties
  - Local expertise at our locations
  - Additional industry expertise (head offices)
- International experience with employees from more than 30 nations



# Consulting / Services

High customer overlap with substantial cross-selling effects

## Aareal Bank Group Consulting / Services

### Aareon Group: IT Services

- Market-leading European IT-system house for the (ERP based) management of residential and commercial property portfolios
- ~ 60% market share in German key market with ~7 mn units under management
- Comprehensive range of integrated services and consulting

### Aareal Bank: Transaction banking

- Market-leading integrated payment transaction systems for the housing industry
- Key clients: large size property owners / managers and utility companies
- ~100 mn transactions p.a. (volume: ~€ 50 bn)
- Ø deposit volume of € 10.4 bn in Q3 2018

### Strategic Management of residential portfolios

- Planning, Controlling, Steering
- Portfolio Management

### Administrative Management of residential portfolios

- Tenant Management
- Flat Management
- Maintenance
- Accounting



- Refurbishments
- New Developments

### Construction Management of residential portfolios

- Mass payments
- Cash Management
- Creditor and Debtor Management

### Financial Management of residential portfolios





# Definitions and contacts

## Definitions

- **New Business** = Newly acquired business + renewals
- **Common Equity Tier 1 ratio** = 
$$\frac{\text{CET1}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** = 
$$\frac{\text{Operating profit ./. income/loss attributable to non-controlling interests ./. AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **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** = 
$$\frac{\text{Available stable funding}}{\text{Required stable funding}}$$
- **Liquidity coverage ratio** = 
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$$
- **Earnings per share** = 
$$\frac{\text{operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. net AT1 coupon}}{\text{Number of ordinary shares}}$$
- **Yield on Debt** = 
$$\frac{\text{Net operating income (NOI) x 100}}{\text{Current commitment incl. prior / pari-passu loans}}$$
- **CREF-portfolio** = Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
- **REF-portfolio** = Real estate finance portfolio incl. private client business and WIB's public sector loans

# Contacts

- **Jürgen Junginger**  
Managing Director Investor Relations  
Phone: +49 611 348 2636  
[juergen.junginger@aareal-bank.com](mailto:juergen.junginger@aareal-bank.com)
- **Sebastian Götzken**  
Director Investor Relations  
Phone: +49 611 348 3337  
[sebastian.goetzken@aareal-bank.com](mailto:sebastian.goetzken@aareal-bank.com)
- **Carsten Schäfer**  
Director Investor Relations  
Phone: +49 611 348 3616  
[carsten.schaefer@aareal-bank.com](mailto:carsten.schaefer@aareal-bank.com)
- **Karin Desczka**  
Manager Investor Relations  
Phone: +49 611 348 3009  
[karin.desczka@aareal-bank.com](mailto:karin.desczka@aareal-bank.com)
- **Julia Taeschner**  
Group Sustainability Officer  
Director Investor Relations  
Phone: +49 611 348 3424  
[julia.taeschner@aareal-bank.com](mailto:julia.taeschner@aareal-bank.com)
- **Daniela Thyssen**  
Sustainability Management  
Phone: +49 611 348 3554  
[daniela.thyssen@aareal-bank.com](mailto:daniela.thyssen@aareal-bank.com)

# Disclaimer

© 2018 Aareal Bank AG. All rights reserved.

- This document has been prepared by Aareal Bank AG, exclusively for the purposes of a corporate presentation by Aareal Bank AG. The presentation is intended for professional and institutional customers only.
- It must not be modified or disclosed to third parties without the explicit permission of Aareal Bank AG. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law.
- This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to purchase securities. Aareal Bank AG has merely compiled the information on which this document is based from sources considered to be reliable – without, however, having verified it. The securities of Aareal Bank AG are not registered in the United States of America and may not be offered or sold except under an exemption from, or pursuant to, registration under the United States Securities Act of 1933, as amended. Therefore, Aareal Bank AG does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Aareal Bank AG accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation. The securities of Aareal Bank AG are not registered in the United States of America and may not be offered or sold except under an exemption from, or pursuant to, registration under the United States Securities Act of 1933, as amended.
- This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Aareal Bank AG's control. This could lead to material differences between the actual future results, performance and / or events and those expressed or implied by such statements.
- Aareal Bank AG assumes no obligation to update any forward-looking statement or any other information contained herein.