



QUALITY[®]
made by **AAREAL**

Roadshow Presentation

July 2016

Aareal

Agenda

- Brief Overview
- Highlights Q1/16 and Environment
- Group results Q1 2016 at a glance
- Segment performance
- Group results Q1 2016
- B/S structure, capital & funding position
- Asset quality
- Outlook 2016

- Appendix
- Definitions and Contacts



Brief Overview

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 worldwide within a two pillar business model focusing on
 - Low-risk commercial real estate finance
 - IT solutions and transaction banking in the German and European housing market
- Aareal's balance sheet structure (~€ 52 bn) has a sound structure with a high quality and a well diversified credit portfolio (LTV: 62%), a stable deposit base and a sustainable long-term refinancing base, high liquidity buffers (NSFR: ~ 105%) and low leverage (CET1: 13.2% / TCR: 21.1% / LR: 5.1%)
- Aareal is #1 provider of ERP solutions for the institutional housing industry in Europe
- Transaction banking services are provided in Germany for the institutional housing industry plus other related industries
- Aareal is an independent public listed (MDAX) mid-sized company with high flexibility and adaptability
- The Aareal business model provides stable revenues and a positive risk management track record even under adverse market environments

Aareal Bank Group

One Bank – two segments

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Structured Property Financing	Consulting / Services for the property industry
International presence and business activities on three continents: Europe, North America, Asia	Market-leading IT systems for the management of residential and commercial properties in Europe
International real estate financing in more than 20 countries	Integrated payment transaction system for the housing industry (market-leading) and the utility sector
Industry experts for hotel, logistics and office properties as well as shopping centres	Around 7 million units under management in the key market Germany
Total portfolio: ~ € 30 billion	International presence: France, the Netherlands, the UK and Scandinavia

Aareal Bank Group

One Bank – two segments – three continents

Structured Property Financing



Consulting/Services



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

Structured Property Finance

Specialist for specialists

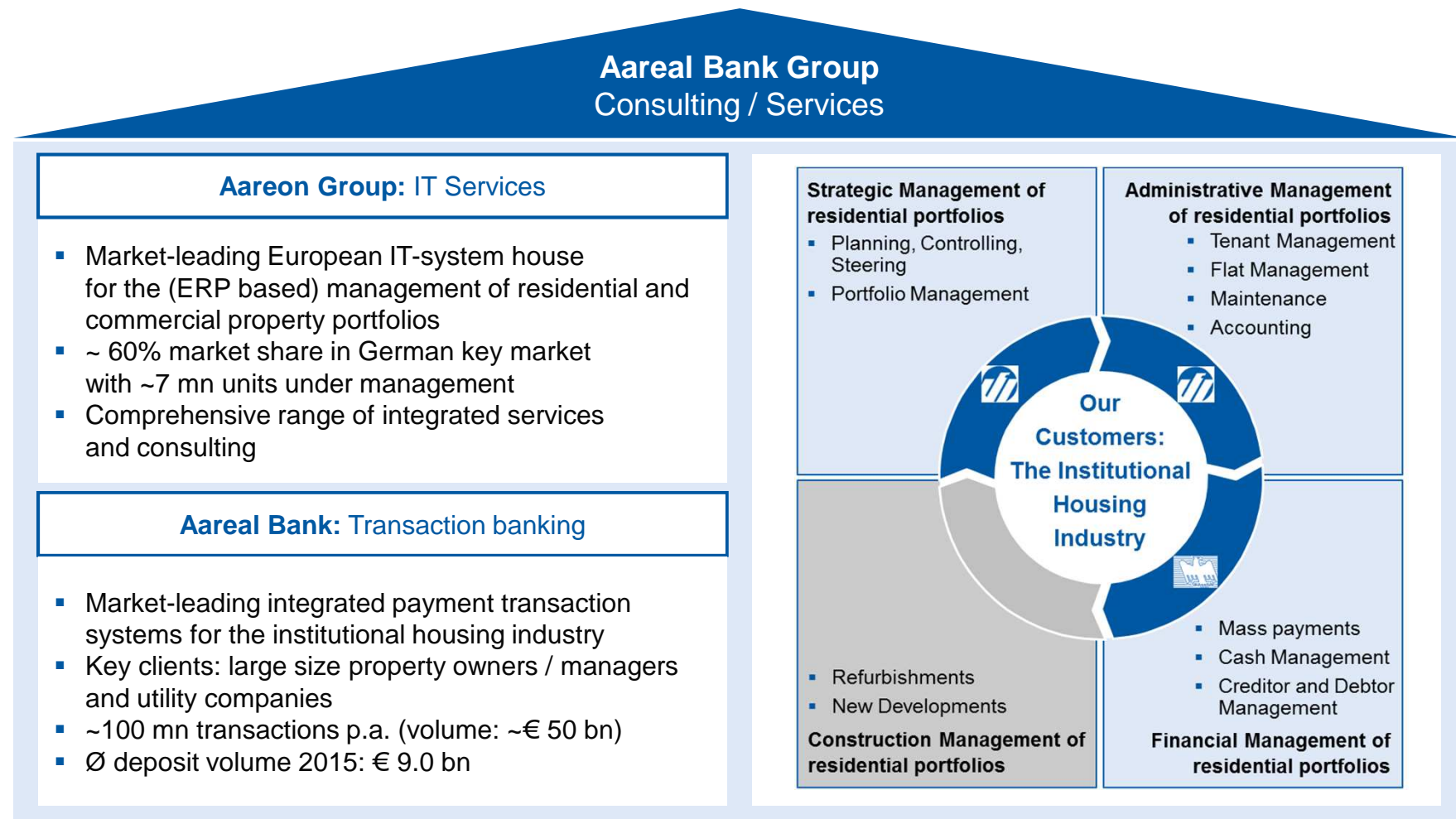
Aareal Bank Group Structured Property Financing

- Focus on senior lending
- Cash-flow driven collateralised business with focus on first-ranking mortgage loans
- Typical products, for example:
 - Single asset investment finance
 - Portfolio finance (local or cross-border)
- 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

~75% customer overlap with substantial cross-selling effects





Highlights Q1/16 and Environment

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Highlights Q1/16

Successful start into the financial year

Key facts and figures at a glance

- Consolidated operating profit increased to € 87 million, up by almost 30% vs. Q1/2015 in challenging competitive environment
- Successful development in both segments:
 - Robust net interest income and low risk costs in the Structured Property Financing segment
 - Increasing net commission income due to Aareon's positive development gives proof of the Consulting / Services segment's attractiveness and potential
- Reduction of non-core portfolio proceeding according to plan
- "Aareal 2020" future program launched successfully

Environment

Our actions adjusted to general developments

Expected environment 2016

- US-recovery is on the way, Europe stuck close to deflation, China's growth rate is shrinking
- Ongoing geopolitical risks and tensions e.g. in Russia and Turkey
- Increasing divergences in monetary policy between ECB and FED: but no major weakening of the EUR expected
- ECB has broadened QE, further steps possible: enormous impact on capital markets - risking asset bubbles and therefore risks from LTVs partly based on extreme low cap rates
- High liquidity on property market, but decreasing transaction volumes in Q1 2016, stable to moderately increasing property values and rents in most European countries as well as in North America
- Margins under pressure in particular in Europe, while signs for a stabilizing trend in the US
- Uncertainties about regulatory requirements
- ECB indicated to develop macro economic prudential steering tools

Main takeaways

- ➔ Main focus for new business in markets with attractive risk/return profile like North America
- ➔ In Turkey and Russia only renewals
- ➔ Partly tightened requirements for new business regarding LTV
- ➔ Regulatory projects in progress



Group results Q1 2016 at a glance

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Q1 2016 at a glance

Strong results despite very challenging environment

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Comments
€ mn						
Net interest income <i>(excl. unplanned effects from early repayments)</i>	180 <i>(180)</i>	198 <i>(183)</i>	214 <i>(192)</i>	191 <i>(181)</i>	178 <i>(173)</i>	NII decrease mainly due to <ul style="list-style-type: none"> Run down of NCA (as planned) Lower effects from early repayments (vs. Q4), FY-expectations of € 35 mn (vs. € 23 mn '15)
Allow. for credit losses	2	42	37	31	18	Within seasonal variation
Net commission income	46	52	40	42	41	Strong Q1-performance of Aareon supporting its FY-target
Admin expenses	146	138	147	136	132	Includes <ul style="list-style-type: none"> € 17 mn for European bank levy € 10 mn one-offs from integrations as well as from project / investment costs Operating admin expenses for WestImmo, phi-Consulting and Square DMS
Operating profit	87	92	82	229 ¹⁾ 79	67	Strong operating profit characterised by low risk costs
Earnings per share [€]	0.85	1.01	0.78	3.27 ¹⁾ 0.77	0.60	

1) Including negative goodwill from WestImmo takeover, adjusted



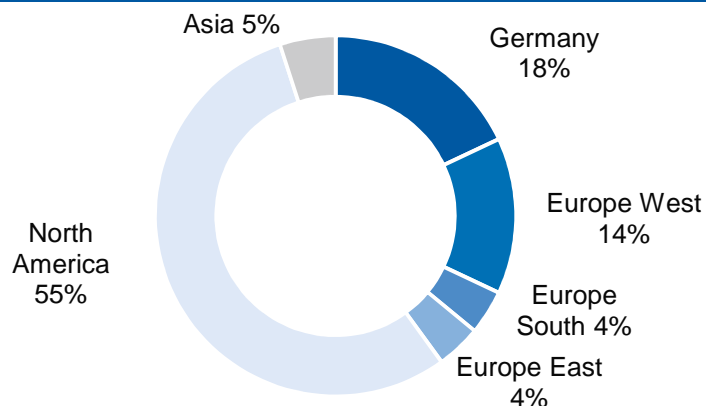
Segment performance

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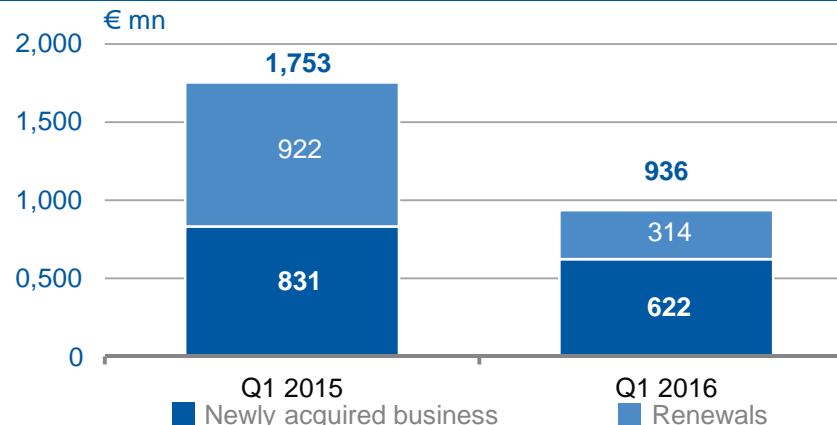
Structured property financing

New business with focus on US market

New business in Q1 2016 by region¹⁾



New business origination



P&L SPF Segment	Q1 '16	Q4 '15	Q3 '15	Q2 '15	Q1 '15
€ mn					
Net interest income	182	199	214	192	178
Loan loss provision	2	42	37	31	18
Net commission income	2	2	2	2	0
Net result from trading / non-trading / hedge acc.	10	6	-3	0	1
Admin expenses	95	85	101	89	84
Others	-1	14	14	12	-3
Negative goodwill				150 ²⁾	
Operating profit	96	94	89	236²⁾	74

1) Incl. renewals
2) Adjusted

- Gross margins in Q1 2016 at ~270 bps (~230 bps after FX costs) vs. FY-plan of ~220 bps due to new business allocation towards the US market
- Very selective new business activities in Europe
- No spill-over effects from 2015
- Renewals contractually driven and effected by high early prolongations in 2015
- Effects from early repayments slowing down but still on Q1 2015-level
- Promising deal pipeline
- Confirming new business target 2016
- Closing Aqvatrium / Fatburen in April 2016

Consulting / Services

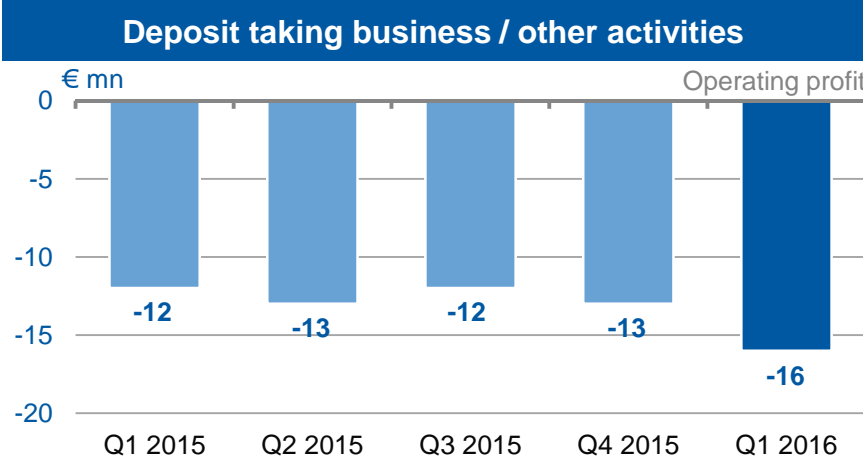
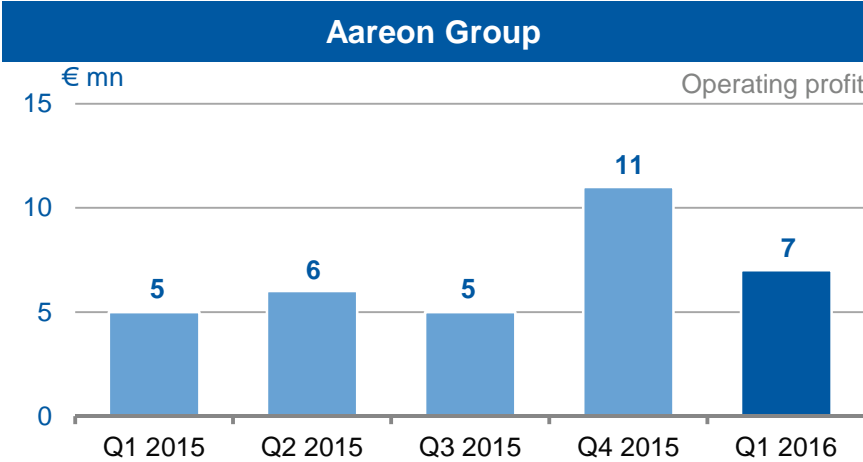
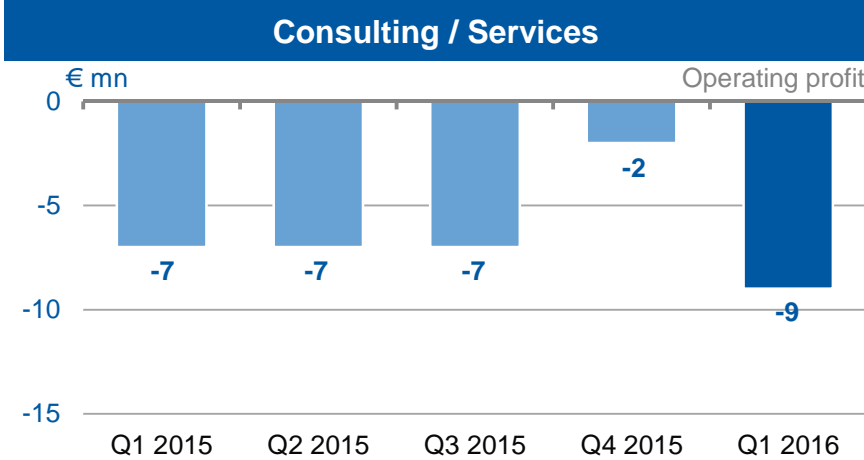
Aareon with increasing EBIT

P&L C/S Segment	Q1 '16	Q4 '15	Q3 '15	Q2 '15	Q1 '15
€ mn					
Sales revenue	49	56	44	47	46
Own work capitalised	1	0	2	1	1
Changes in inventory	0	0	0	0	0
Other operating income	1	4	2	2	1
Cost of material purchased	7	7	5	7	5
Staff expenses	36	37	35	33	34
D, A, impairment losses	3	3	3	3	3
Results at equity acc. investm.	0	0	0	0	0
Other operating expenses	14	15	12	14	13
Results from interest and similar	0	0	0	0	0
Operating profit	-9	-2	-7	-7	-7

- Aareon sales revenues of € 50 mn clearly above Q1 2015 (€ 45 mn)
- Aareon EBIT margin at ~14% in line with expectations, reflecting seasonal variation
- Deposit volume from housing industry of Ø € 9.3 bn on a high level (€ 9.0 bn Ø in Q4/2015)
- Deposit margins further burden segment result due to even lower interest environment
- Housing industry deposits generate a stable funding base, crisis-proven
- Various initiatives and projects with and for our clients of the institutional housing industry

Consulting / Services

Aareon with increasing EBIT (vs. Q1 2015)



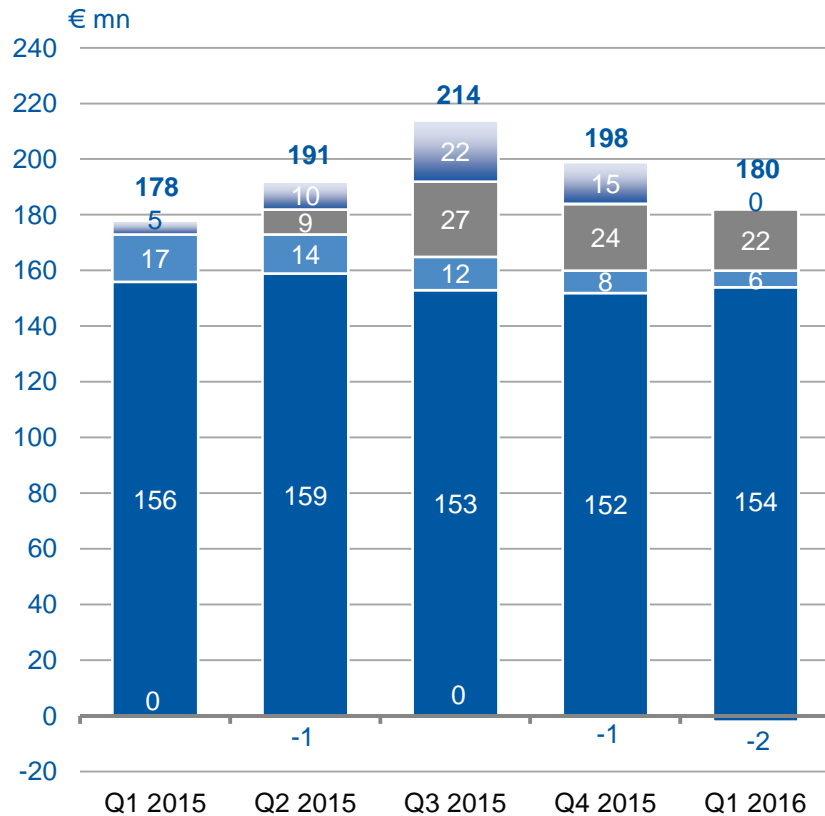


Group results Q1 2016

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Net interest income

Margin pressure defied by flexible new business allocation



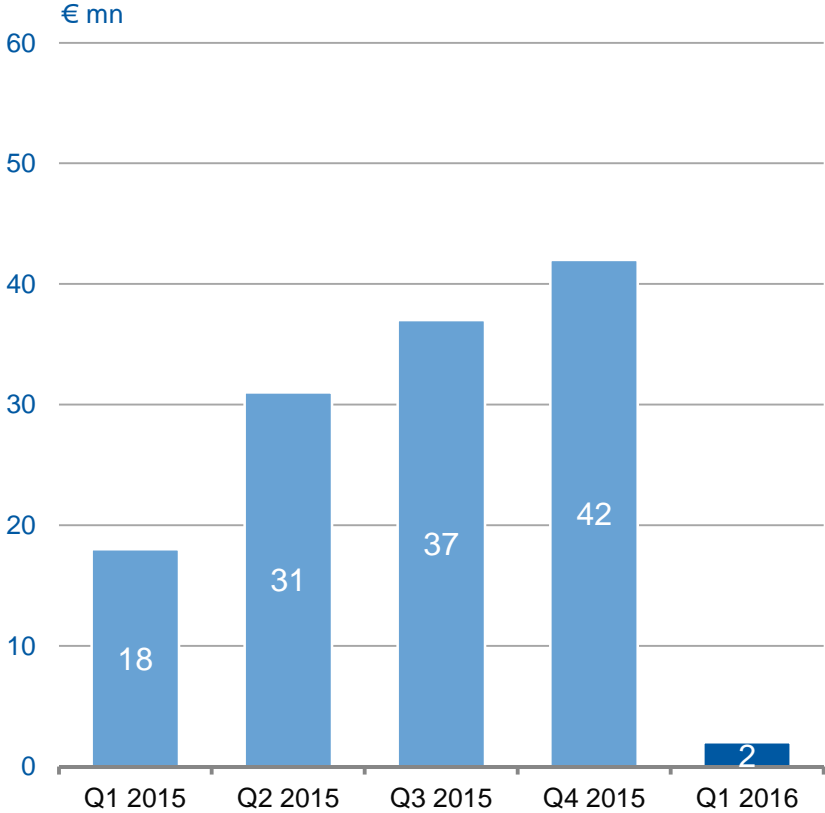
- NII effects from early repayments¹⁾
- NII WIB
- NII CCB (linear approximation since Q2 2015)
- NII ARL RSF
- NII ARL C/S

1) Additional effects exceeding originally planned repayments

- Gross margins in Q1 2016 at ~270 bps (~230 bps after FX costs) vs. FY-plan of ~220 bps due to new business allocation towards the US market
- NII effected by run down of NCA (as planned) and lower effects from early repayments (FY-expectations of € 35 mn vs. € 23 mn in 2015)
- Q1-portfolio of € 30.1 bn (Q4 2015: € 30.9 bn), thereof € 25.9 bn “ARL stand alone” portfolio in line with 2016-portfolio target of € 25 - 27 bn (Q4 2015: € 26.3 bn)
- Run down of credit portfolio as planned:
 - CCB: € 1.1 bn (Q4 2015: € 1.3 bn)
 - WIB: € 3.1 bn (Q4 2015: € 3.3 bn)
- Full contribution of WestImmo since Q3/2015
- NII Consulting / Services still burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements

Allowance for credit losses (LLP)

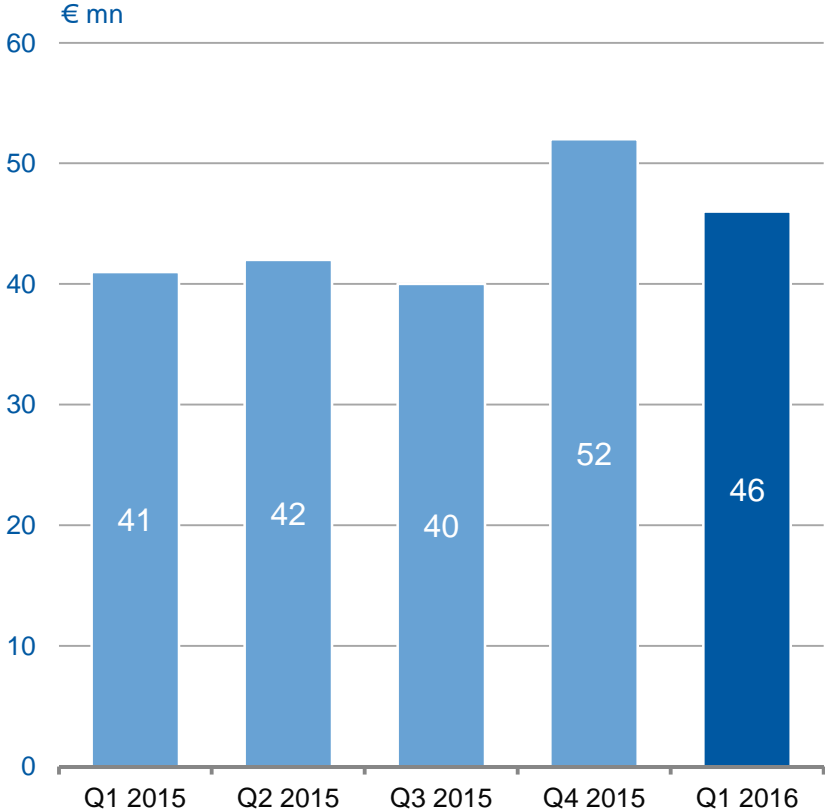
Within seasonal variation



- LLP with seasonal effects
- LLP in line with reduced FY-guidance
- No additional burden from Italian portfolio

Net commission income

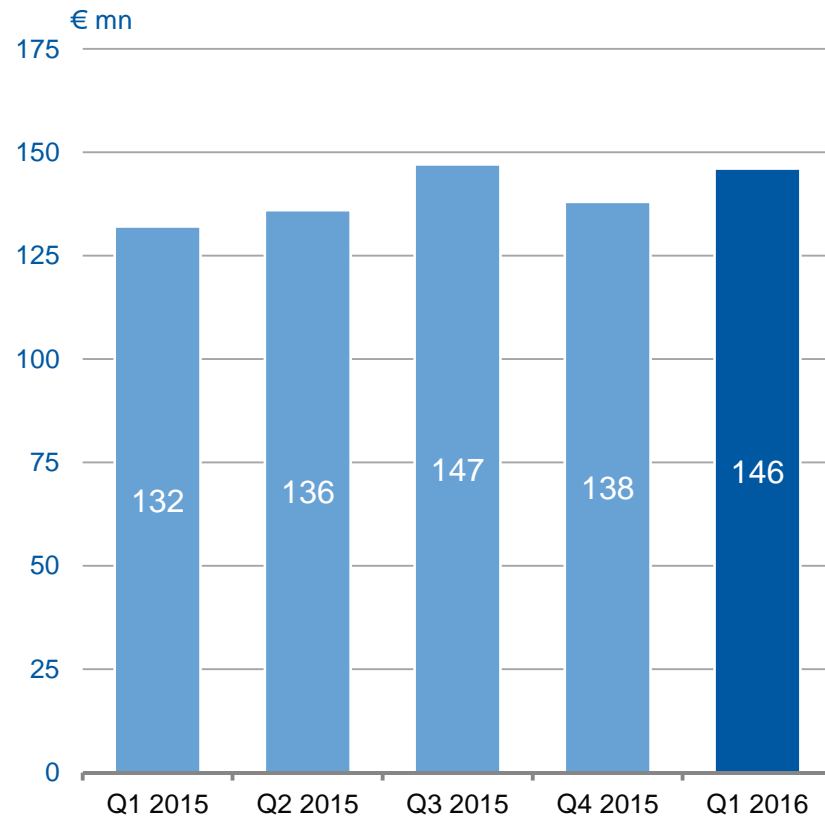
Aareon with strong performance in Q1



- Aareon in line with guidance
- Q4/2015 with seasonal effects
- First time consolidation of Aareon's new acquisitions in Q4 2015 (phi-Consulting, Square DMS)

Admin expenses

Burdened by FY European bank levy



- Q1 figures include € 17 mn for the European bank levy for the fiscal year 2016 (€ 9 mn in Q1/2015; € 14 mn for FY 2015)
- Admin expenses include
 - € 10 mn one-offs from integrations as well as from project / investment costs
 - Operating admin expenses for Aareon's new acquisitions phi-Consulting and Square DMS (since Q4/2015)

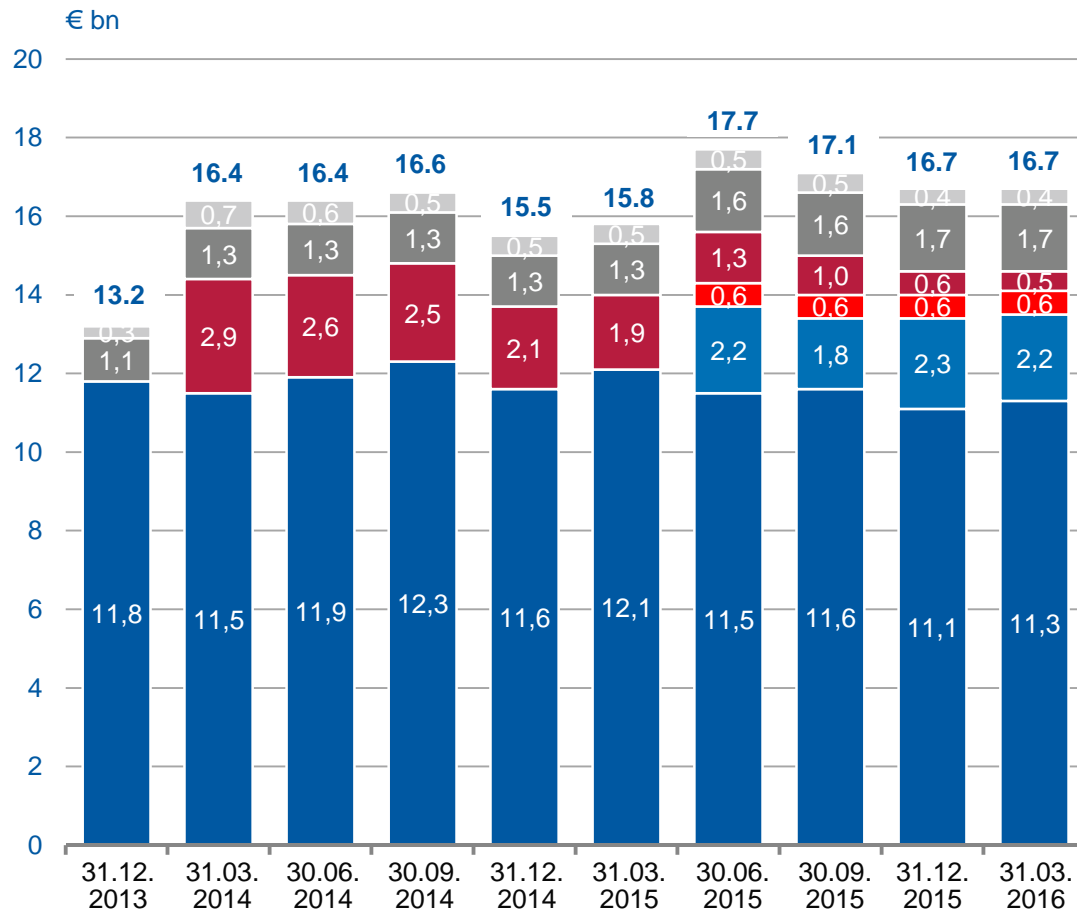


B/S structure, capital & funding position

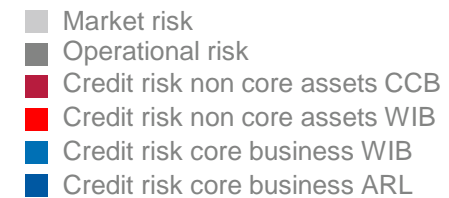
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RWA development

Successful run down of non core assets

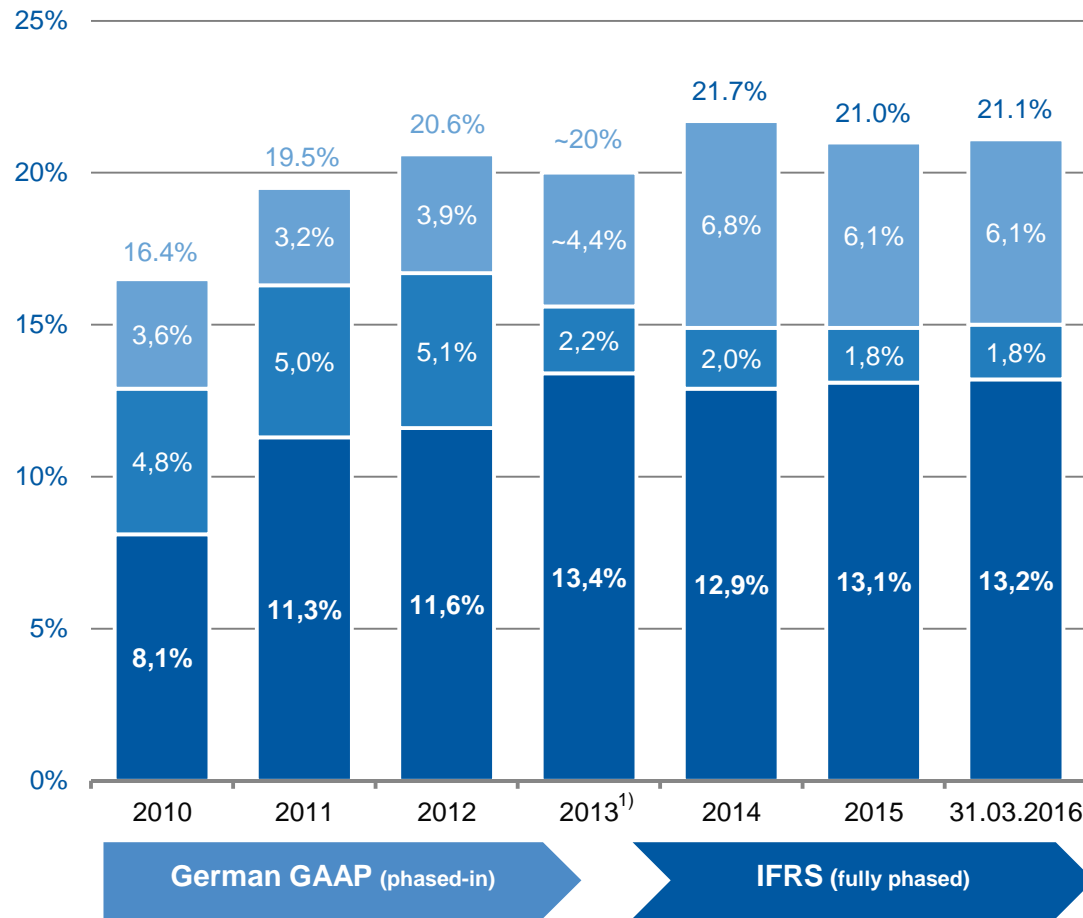


- Decreasing RWA from planned NCA reduction
- Increasing RWA partly from higher portfolio risks (e.g. Turkey)



Capital ratios

Strong development



1) As at 01.01.2014, published 20.02.2014

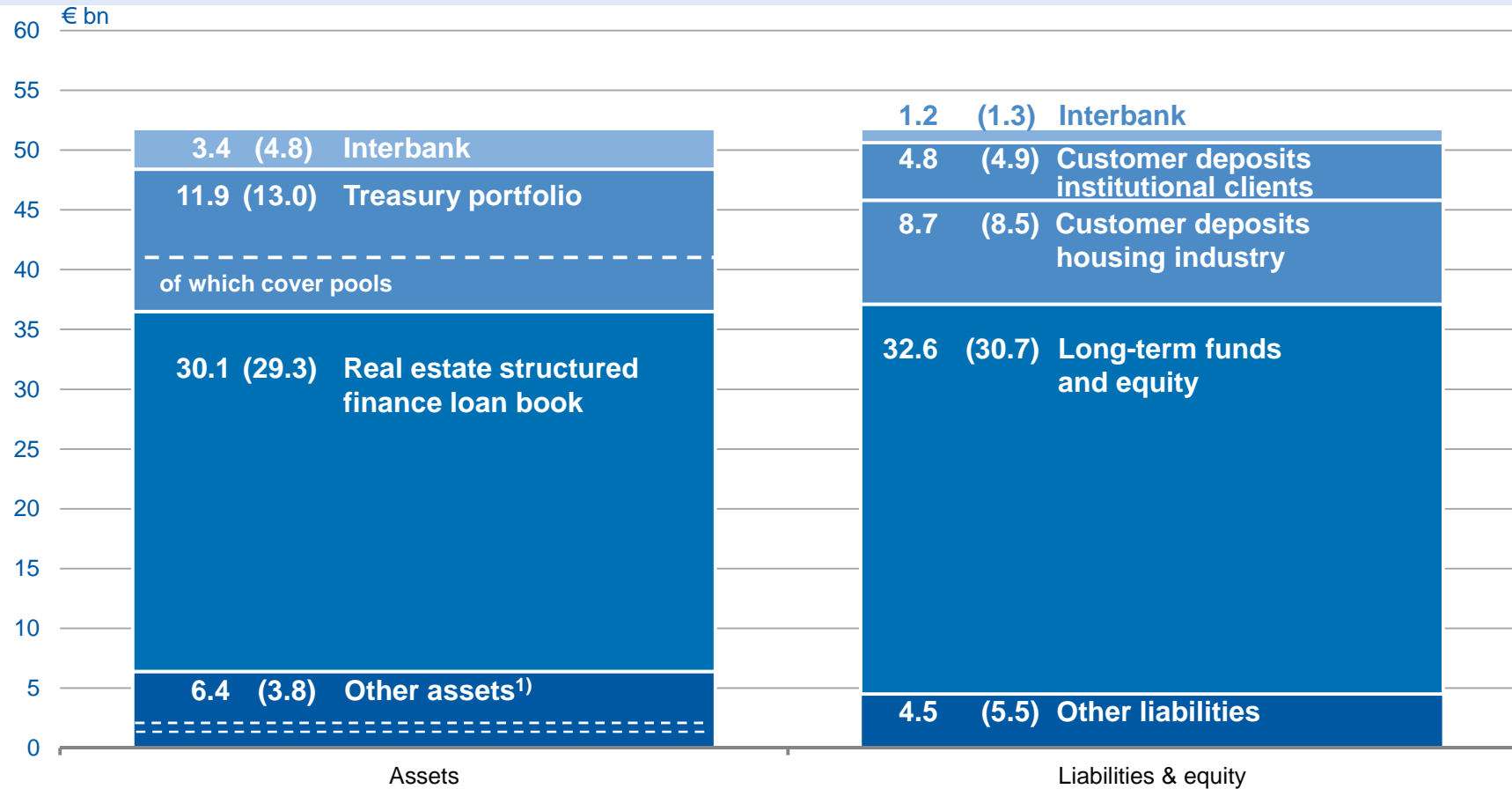
- Regulatory uncertainties buffered by very strong capital ratios
- Instruments assumed to mature 2018 (planning period) are excluded from the fully phased ratios
- Bail-in capital ratio (acc. to our definition): above 8%
- T1-Leverage ratio as at 31.03.2016: 5.1% (fully phased)

■ Tier 2 (T2)
■ Additional Tier 1 (AT1)
■ Common Equity Tier 1 (CET1)

Asset- / Liability structure according to IFRS

As at 31.03.2016: € 51.8 bn (31.03.2015: € 50.9 bn ex.WIB)

- Conservative balance sheet with structural over borrowed position
- Average maturity of long term funding > average maturity of RSF loans

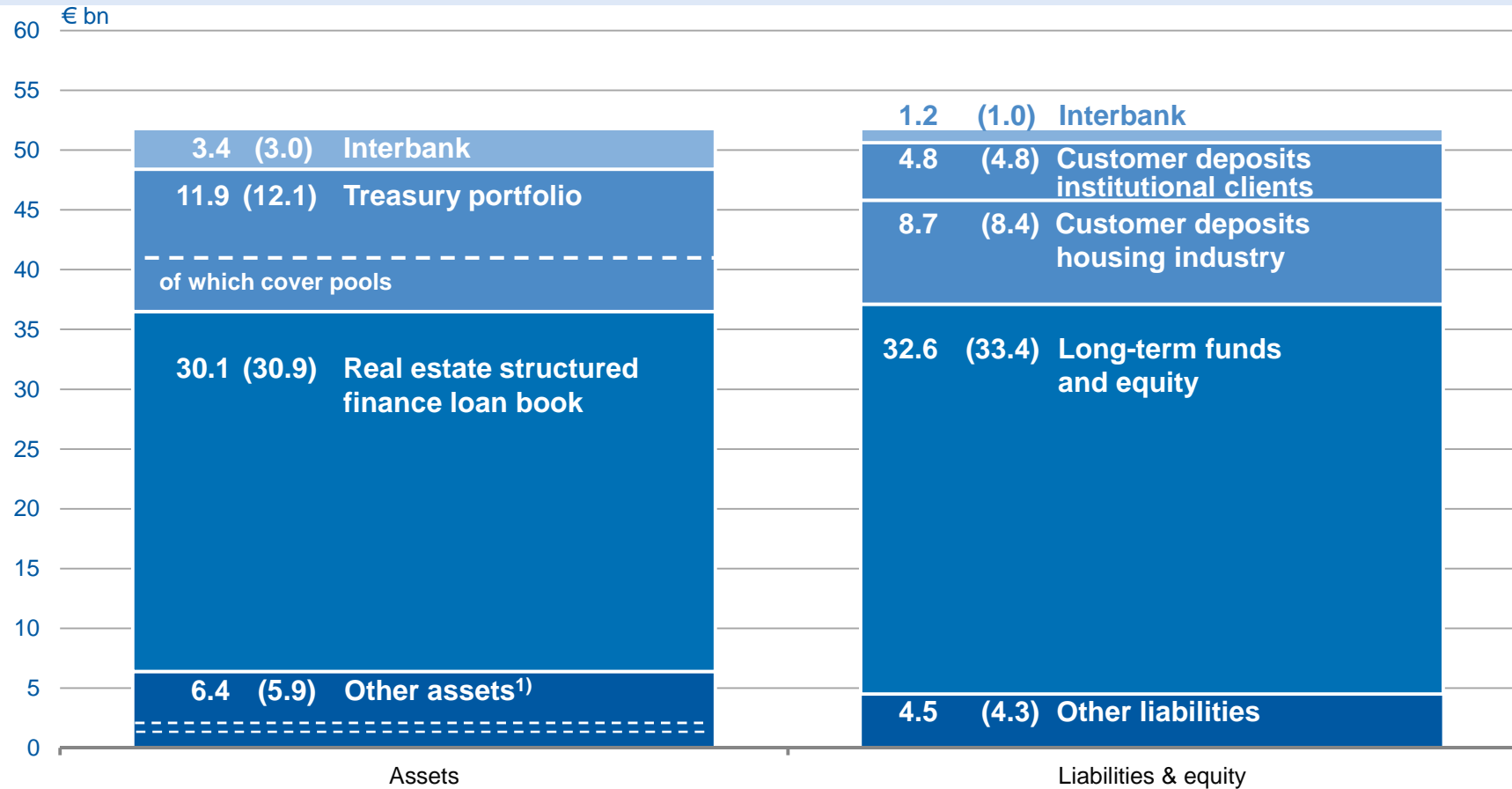


1) Other assets includes € 1.4 bn private client portfolio and WIB's € 0.6 bn public sector loans

Asset- / Liability structure according to IFRS

As at 31.03.2016: € 51.8 bn (31.12.2015: € 51.9 bn incl WIB)

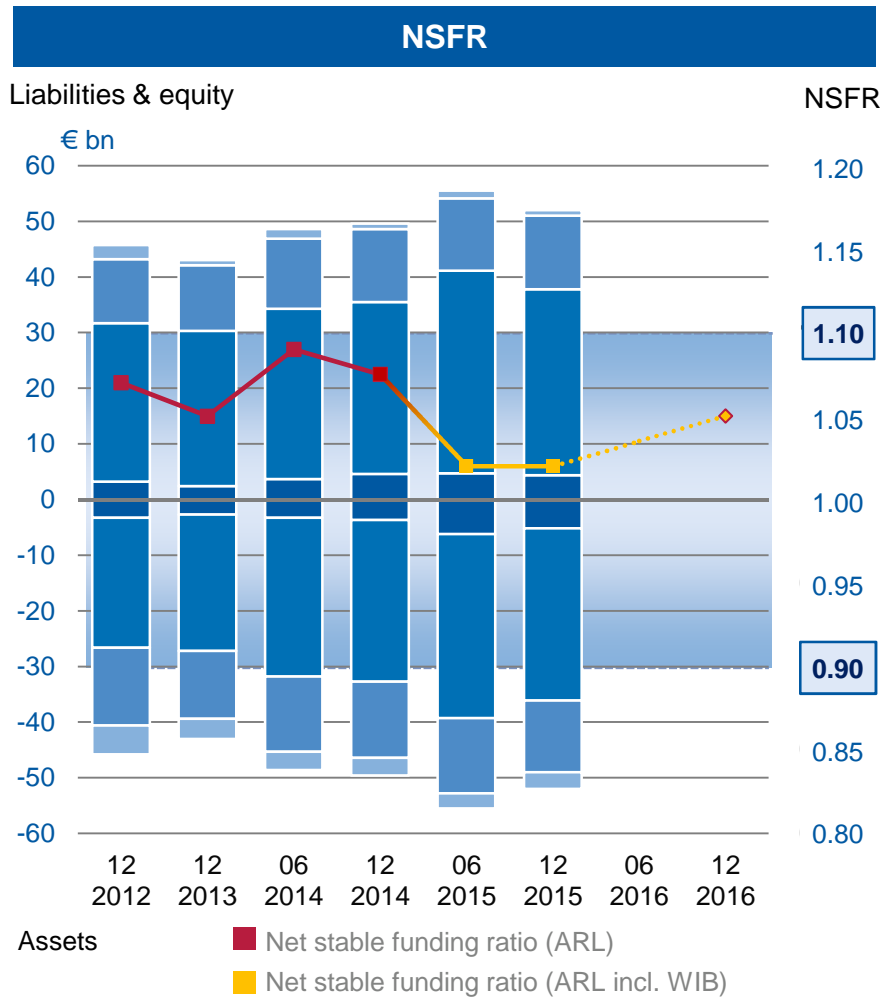
- Conservative balance sheet with structural over borrowed position
- Average maturity of long term funding > average maturity of RSF loans



1) Other assets includes € 1.4 bn private client portfolio and WIB's € 0.6 bn public sector loans

Net stable funding- / liquidity coverage ratio

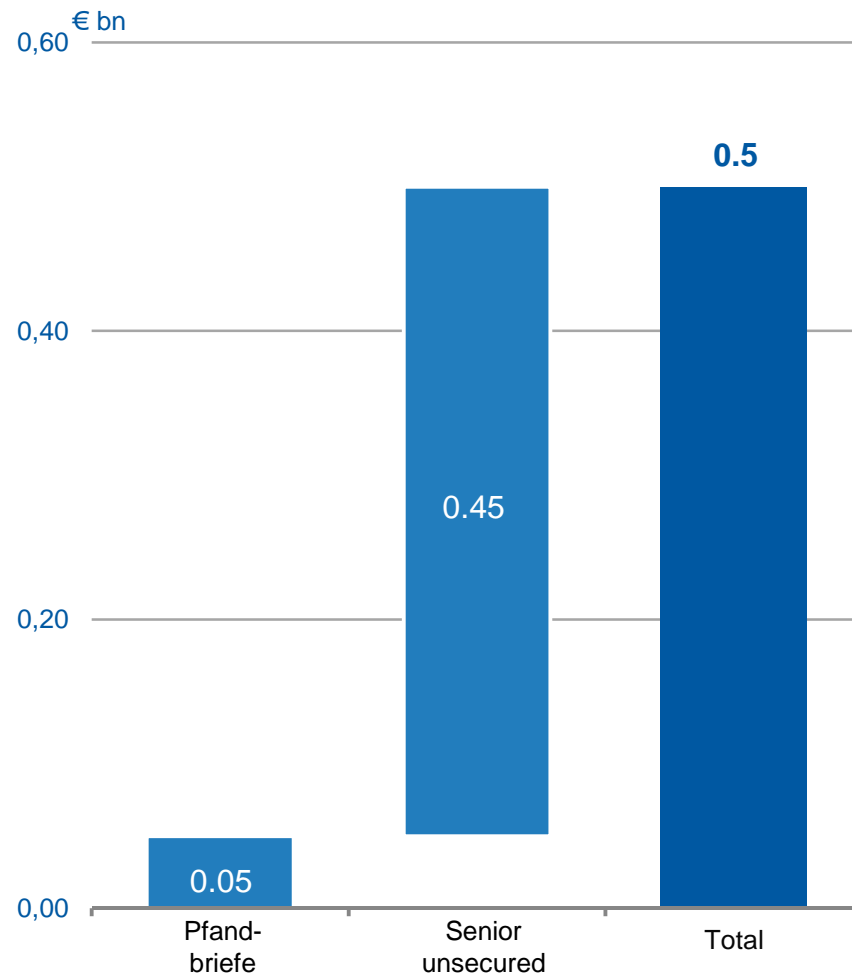
Sound liquidity position despite WestImmo takeover



- Aareal Bank already fulfils future requirements
 - NSFR > 1.0
 - LCR >> 1.0
- Basel III and CRR require adherence of specific liquidity ratios starting end 2018
- As intended, additional funding requirements from acquisition of WestImmo covered by NSFR surplus

Refinancing situation Q1 2016

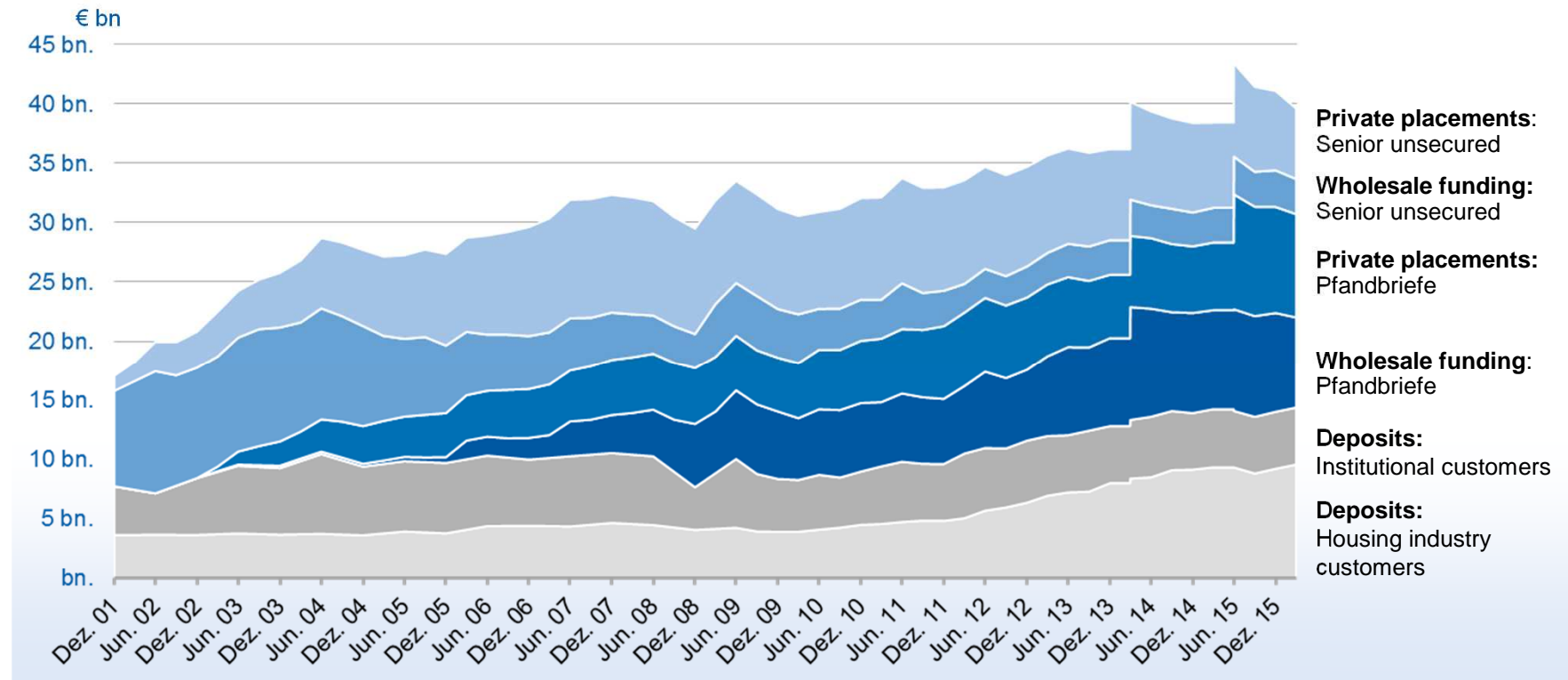
Successful funding activities



- Total funding of € 0.5 bn in Q1 2016: mainly senior unsecured (€ 450 mn)
- Low Pfandbrief issuance due to acquisition of Westlmmo
- Backbone of capital market funding is a loyal, granular, domestic private placement investor base
 - Hold-to-maturity investors: over 600
 - Ticket size: € 10 mn - € 50 mn

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 31.03.2016, this share has fallen below 30% (or even below 10% without Pfandbriefe)

As at 31.03.2016



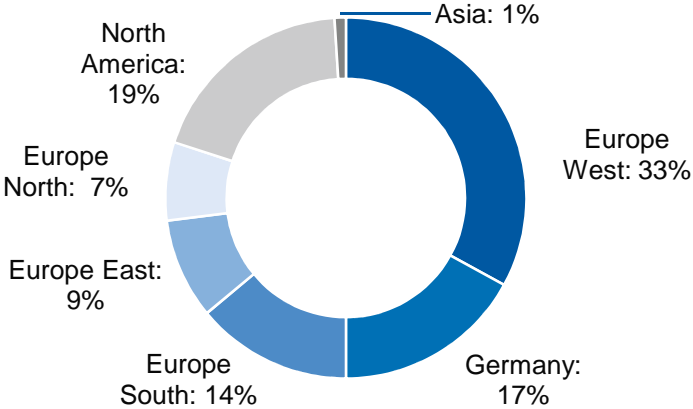
Asset quality

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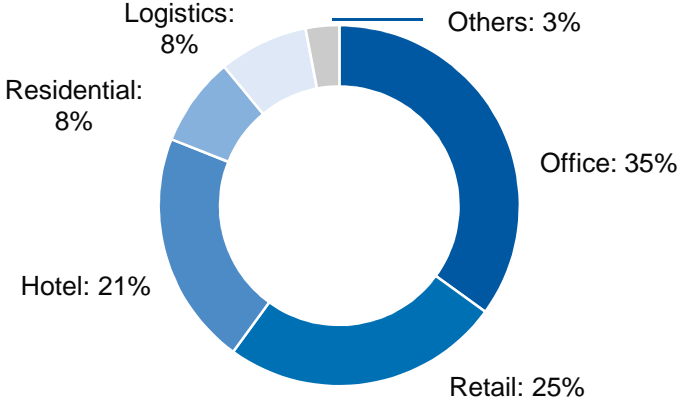
Property finance portfolio¹⁾

€ 30.1 bn highly diversified and sound

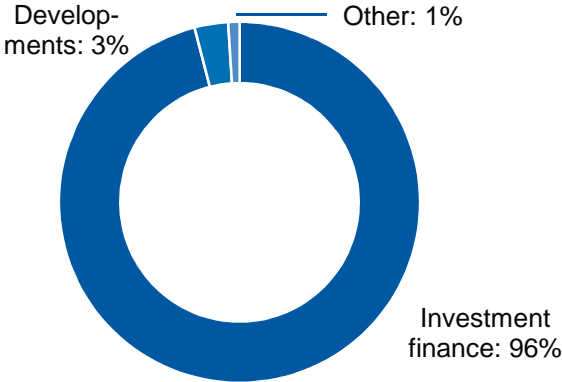
Portfolio by region



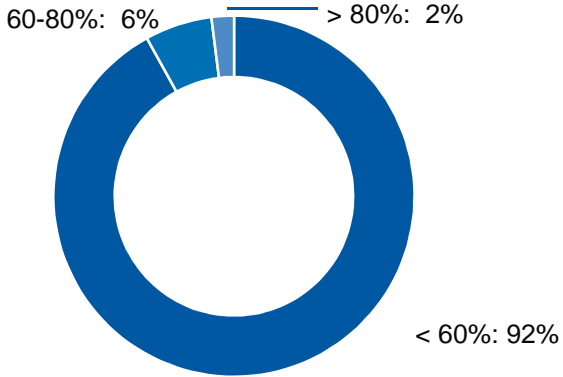
Portfolio by property type



Portfolio by product type



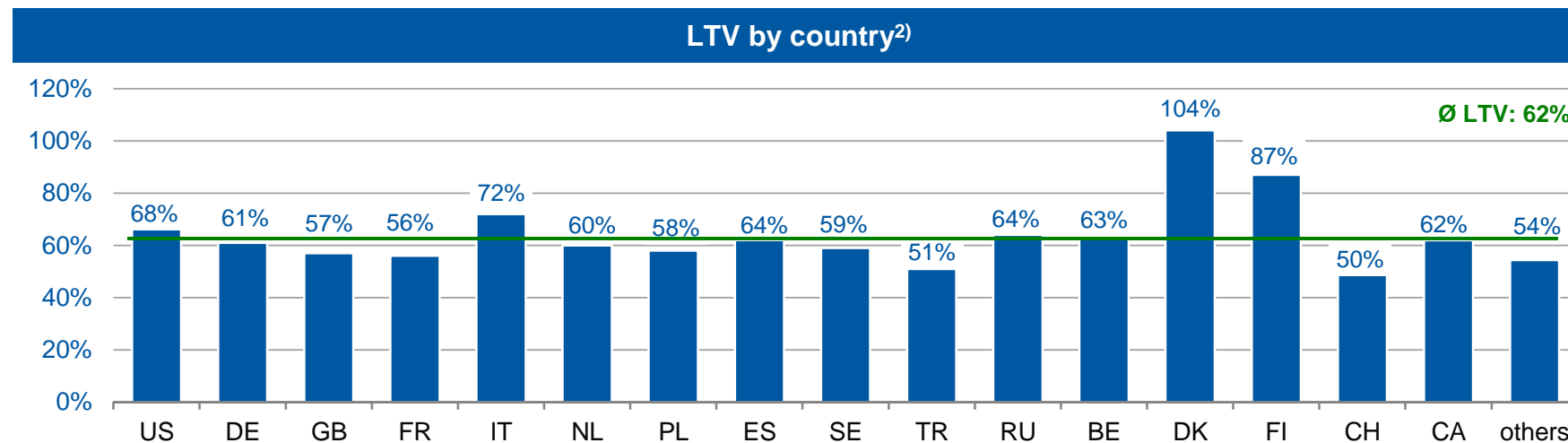
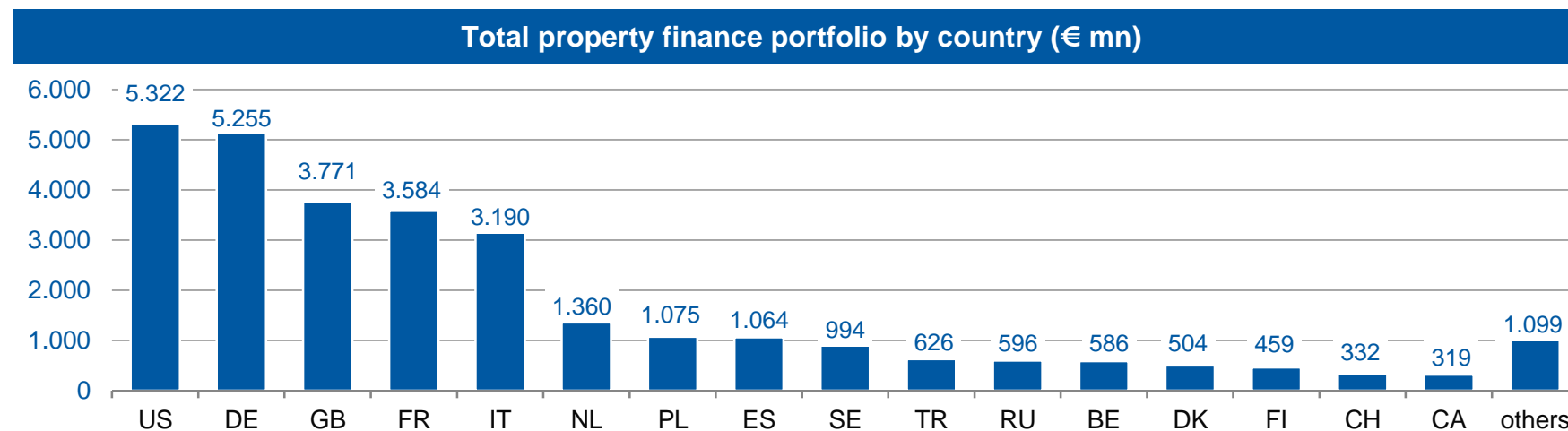
Portfolio by LTV ranges²⁾



1) CRE business only, private client business (€ 1.4 bn) and WIB's public sector loans (€ 0.6 bn) not included
 2) Performing business only, exposure as at 31.03.2016

Property finance portfolio¹⁾

Portfolio details

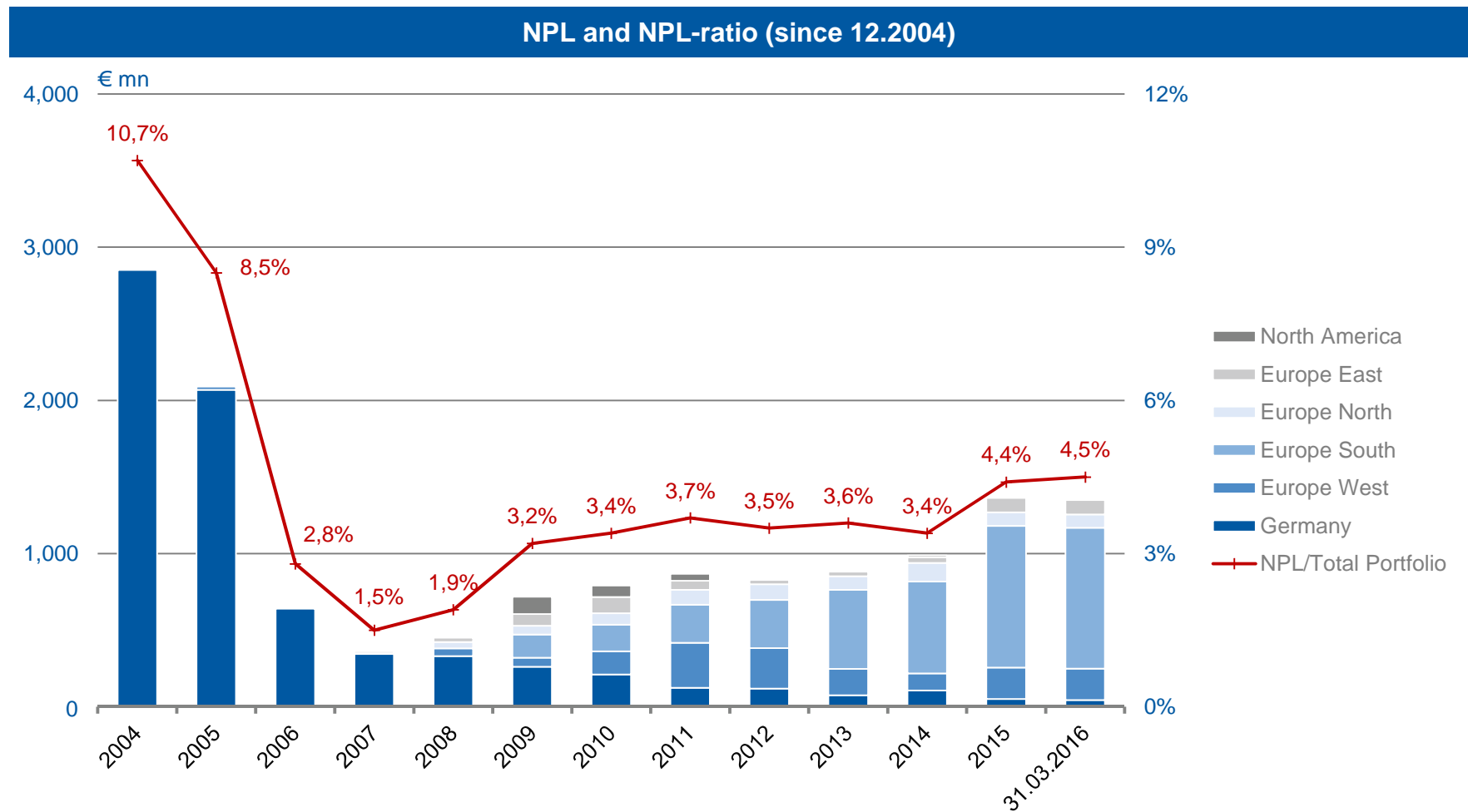


1) CRE business only, private client business (€ 1.4 bn) and WIB's public finance (€ 0.6 bn) not included

2) Performing business only, exposure as at 31.03.2016

Property finance portfolio

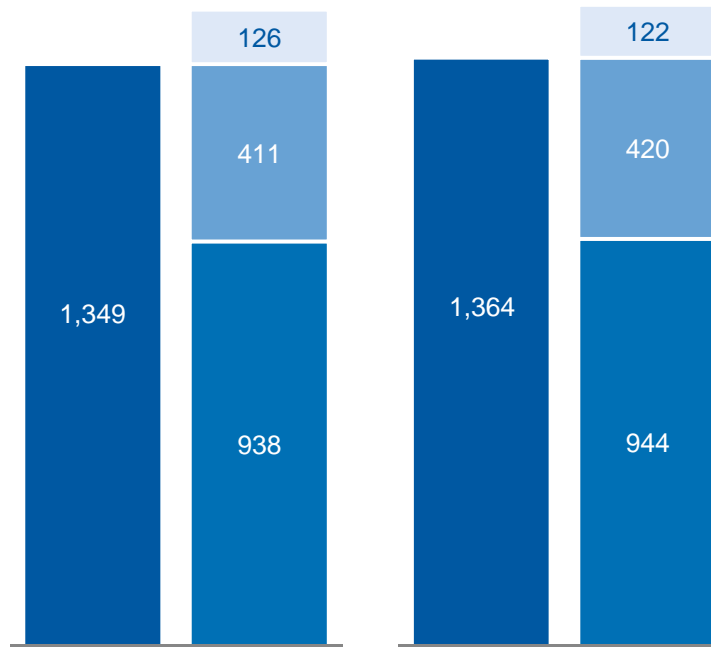
Italian NPLs expected to have peaked in Q4 2015



Property finance portfolio

NPL exposure fully covered including collaterals

NPL- and LLP development (€ mn)



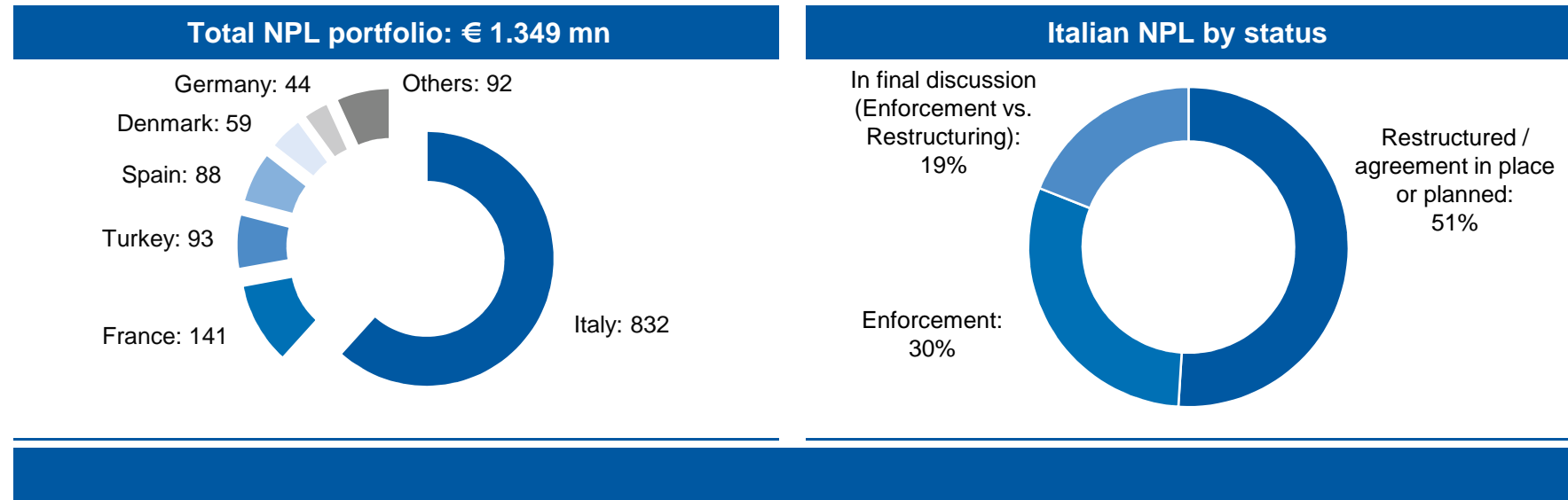
	31.03.2016	31.12.2015
Coverage ratio specific allowance	30%	31%
Coverage ratio including portfolio allowance	40%	40%

- NPL exposure
- Portfolio allowance
- Specific allowance
- Collaterals



Spotlight Italy

Italian NPLs: clear going forward strategy



- 51% already restructured or agreement in place / planned
- 30% already in “enforcement”
- Only 2 deals (19%) in final discussions

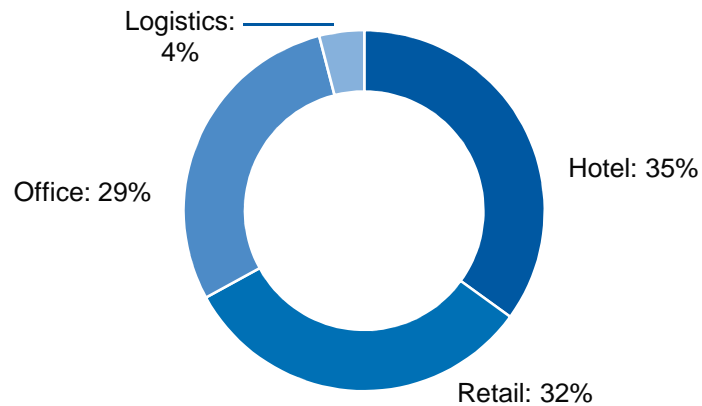


All NPLs are fully covered despite being in different workout-stages

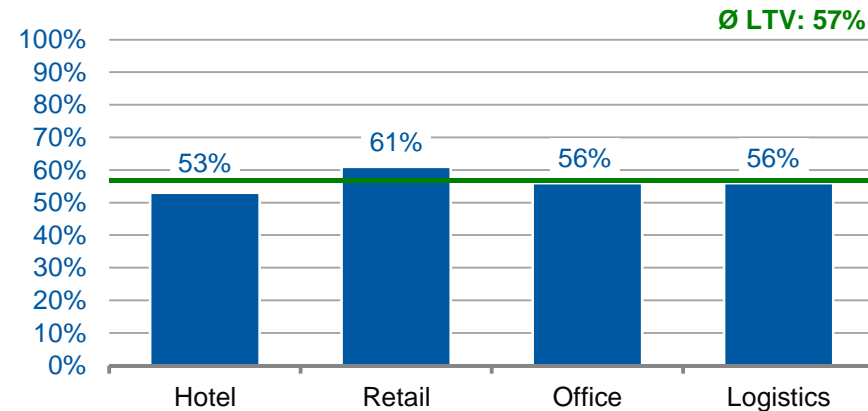
Spotlight: UK Property finance portfolio (as at 31.03.2016)

€ 3.8 bn highly diversified and sound assets (~13% of total CRE portfolio)

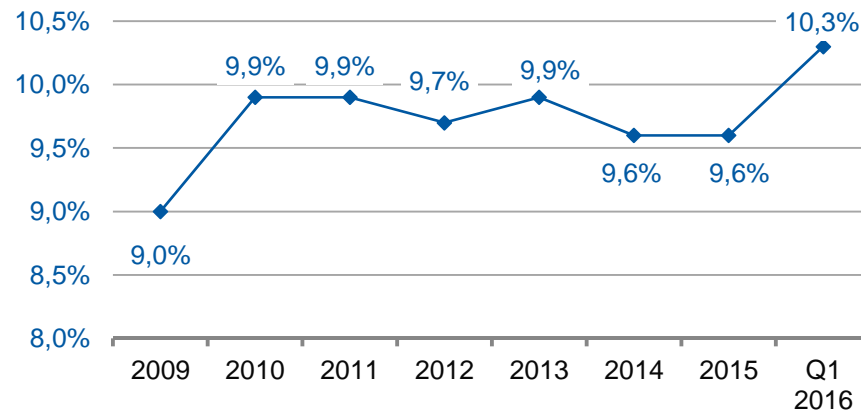
Portfolio by property type



Average LTV by property type¹⁾



Yield on debt



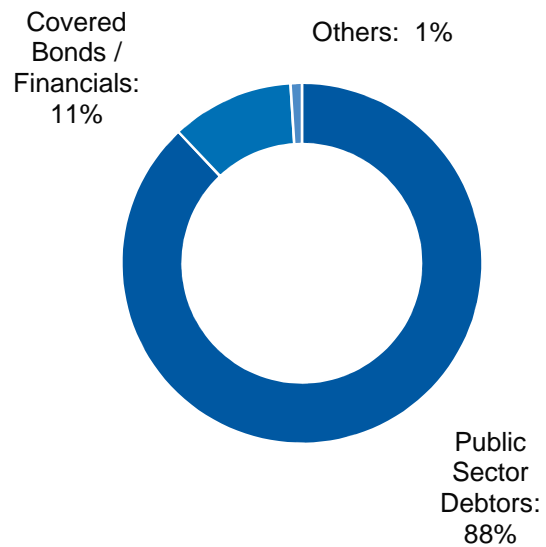
1) Performing business only, exposure as at 31.03.2016

- No developments
- ~ 55% of total UK portfolio in “Greater London”, emphasising on hotels
- ~ 80 objects
- € 143 mn with a LTV > 60%
- € 68 mn “on watch”
- € 13 mn NPL

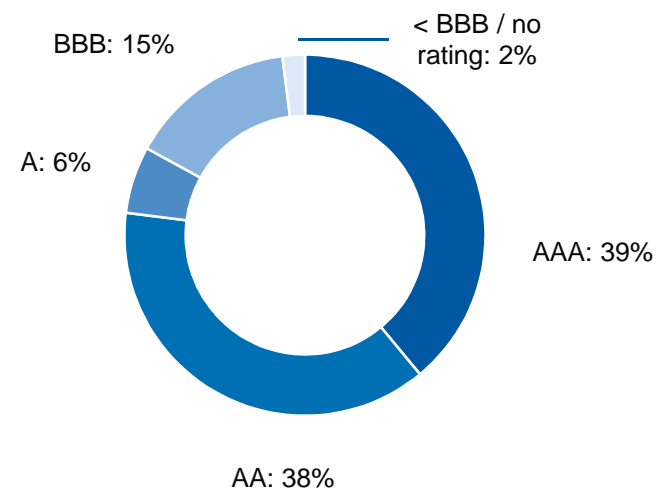
Treasury portfolio

€ 9.7 bn of high quality and highly liquid assets

by asset class



by rating¹⁾



As at 31.03.2016 – all figures are nominal amounts
1) Composite Rating



Outlook 2016

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Outlook 2016

2016	
Net interest income	<ul style="list-style-type: none"> ▪ € 700 mn - € 740 mn incl. effects from early repayments (Original plan 2016: € 35 mn / FY 2015: € 75 mn)
Allow. for credit losses¹⁾	<ul style="list-style-type: none"> ▪ € 80 mn - € 120 mn
Net commission income	<ul style="list-style-type: none"> ▪ € 190 mn - € 200 mn
Admin expenses	<ul style="list-style-type: none"> ▪ € 520 mn - € 550 mn incl. expenses for integration / projects and investments
Operating profit	<ul style="list-style-type: none"> ▪ € 300 mn - € 330 mn
Pre-tax RoE	<ul style="list-style-type: none"> ▪ ~ 11%
EpS²⁾	<ul style="list-style-type: none"> ▪ € 2.85 - € 3.19
Target portfolio size (ARL core portfolio)	<ul style="list-style-type: none"> ▪ € 25 bn - € 27 bn
New business origination	<ul style="list-style-type: none"> ▪ € 7 bn - € 8 bn
Operating profit Aareon³⁾	<ul style="list-style-type: none"> ▪ € 33 mn - € 35 mn

1) As in 2015, the bank cannot rule out additional allowances for credit losses

2) Earnings per ordinary share, tax rate of ~31% assumed

3) After segment adjustments

Conclusion

Aareal Bank Group remains on successful course

Key takeaways at a glance



Aareal Bank Group continues successful development of recent years also in the first quarter of the current financial year, despite an even lower interest rate environment



Target operating profit for the full year confirmed after good start into the 2016 financial year



Exploiting new earnings potential via the "Aareal 2020" program



Appendix
Aareal 2020

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Strategic background

Assumptions

General environment



Tougher competition and changing clients' needs



Volatile markets (interest rates / exchange rates, oil)



Increasingly stringent regulation, historically low interest rate environment



Technological change and digitalisation



Geopolitical risks

As published February 25, 2016

Basic planning assumption: high volatility, low growth

Regulation



- Basel IV effects in line with our expectations
- Increasing regulation does not lead to additional (material) burdens

Property markets



- Property values: stable (EU), slightly increasing (US)
- Ongoing liquidity driven property markets, therefore increasingly inherent portfolio risks (esp. in Europe)

Macro-economic environment

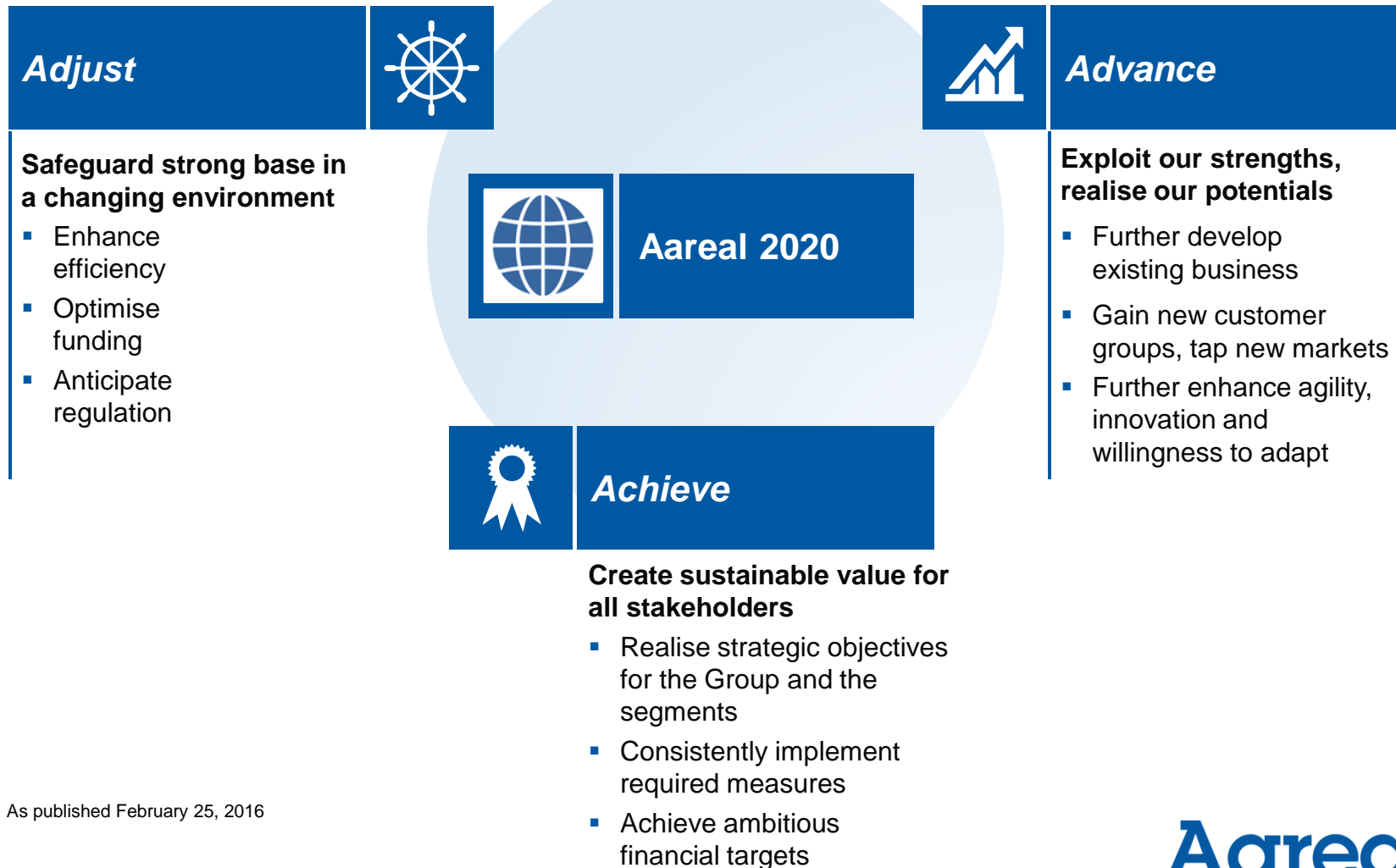


- Economic development:
 - Euro zone sideways
 - US and some EU countries more dynamic
- Interest rates:
 - Euro zone: moderate increase starting '17
 - US: continued increase this year
- No euro zone break-up, no "Brexit", no strengthening of nationalistic tendencies in Europe
- No adverse development of geopolitical conflicts

ASSUMPTIONS APPLY TO FOLLOWING PAGES

Aareal 2020 – *Adjust. Advance. Achieve.*

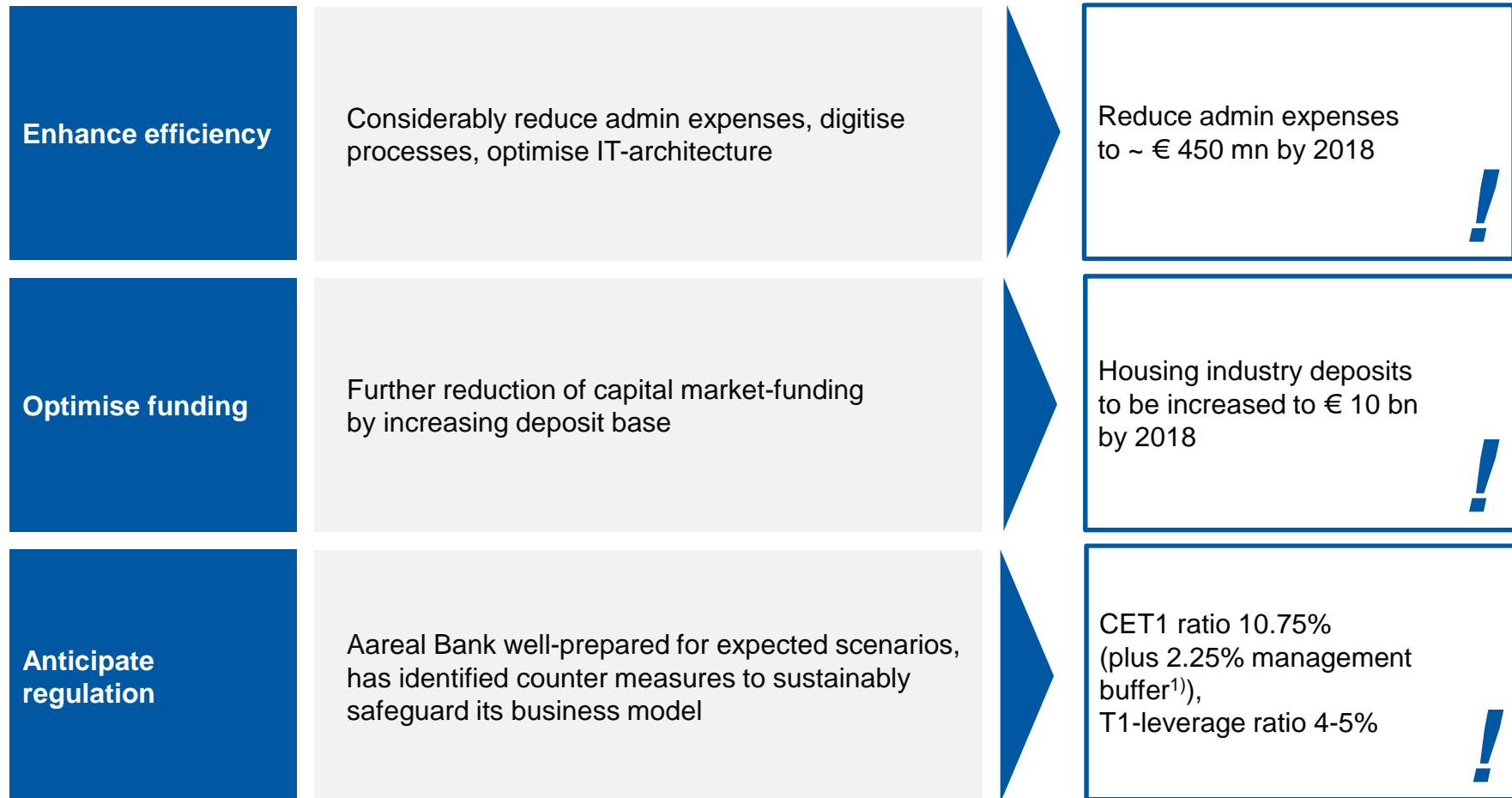
Our way ahead



As published February 25, 2016



Adjust. Maintain strategy, optimise set-up



As published February 25, 2016

1) Management buffer of 2.25% planned until regulatory environment is sufficiently stable



Advance: Structured Property Financing.

Safeguard core business in adverse environment

**Further develop
existing business**

**Gain new
customer groups,
tap new markets**

- In the medium term, expansion in markets with an attractive risk / return and macroeconomic growth potential, e.g. grow North America portfolio to € 6.0 bn - € 6.5 bn
- Active portfolio- and balance-sheet management e.g. by syndication
- Use digitisation potential with clients, identify and realise new digital business opportunities
- Examine additional business opportunities along the value chain of commercial property financing, e.g. in the area of servicing

Further enhance agility, innovation and willingness to adapt

As published February 25, 2016



Advance: Consulting / Services.

Leverage position as leading provider of ERP solutions in Europe to achieve future growth

Further develop existing business

Gain new customer groups, tap new markets

- Expanding “ecosystem housing industry”: international cross-selling, develop add-on products for ERP systems and new digital products
- Utilise existing know-how to expand “ecosystem utilities” by offering specific products (e.g. for transaction services) and IT services / consulting
- Further development of existing platform products for the management of housing companies for their B2C business
- Push our payment transaction services and IT products, targeting small-sized housing enterprises and COA-Manager

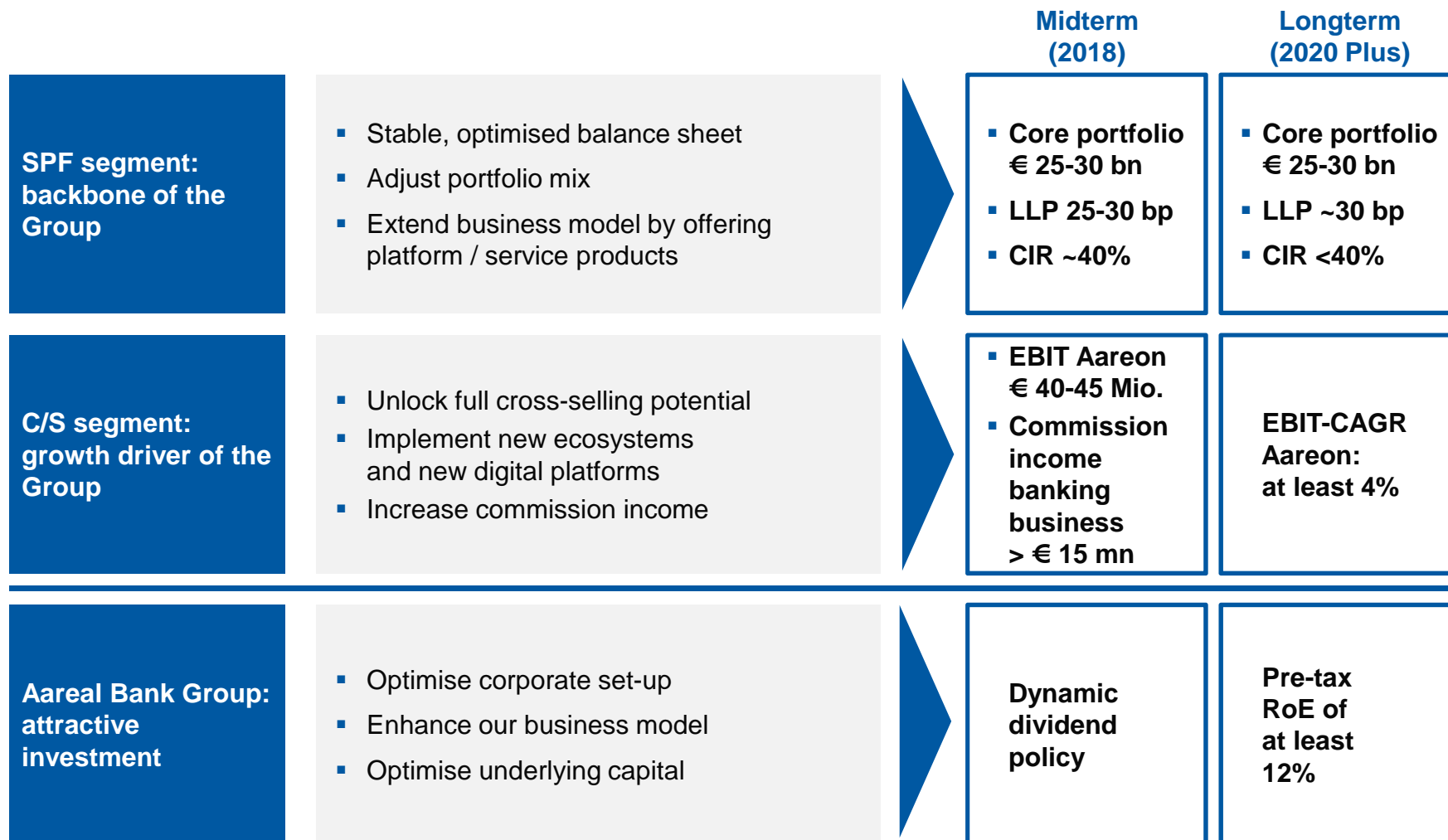
Further enhance agility, innovation and willingness to adapt

As published February 25, 2016



Achieve.

What we are targeting



As published February 25, 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		⬆️ Significant 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	~10% +
Excess capital		⬆️ Adjustment or allocation of underlying capital depending on opportunities and challenges in the markets	⬆️
Pre-tax RoE 2018	~ 12%	+/- 1%	~12% +

As published February 25, 2016

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

Aareal



Achieve.

Increase payout ratio (up to 80%) and dividend¹⁾

Base dividend

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

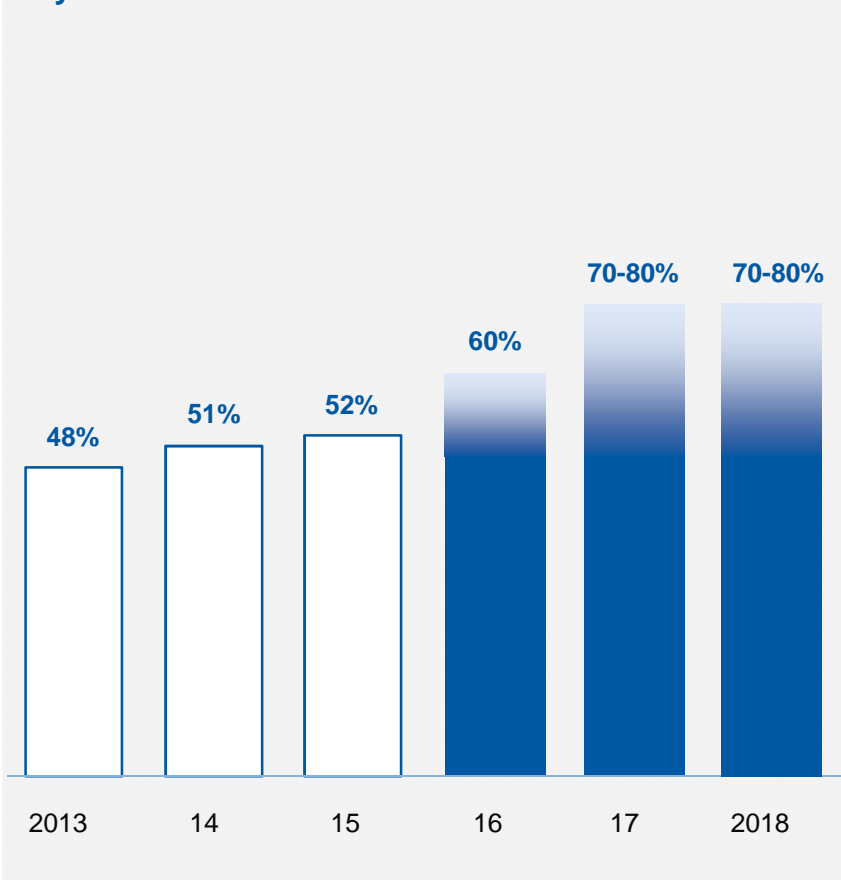
Supplementary dividend

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

Prerequisites:

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

Payout ratio 2013 - 2018



As published February 25, 2016

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
Group results

Aareal

Aareal Bank Group

Results Q1 2016

	01.01.- 31.03.2016 € mn	01.01.- 31.03.2015 € mn	Change
Profit and loss account			
Net interest income	180	178	1%
Allowance for credit losses	2	18	-89%
Net interest income after allowance for credit losses	178	160	11%
Net commission income	46	41	12%
Net result on hedge accounting	1	11	-91%
Net trading income / expenses	9	-7	
Results from non-trading assets	0	-3	
Results from investments accounted for at equity	0	0	
Administrative expenses	146	132	11%
Net other operating income / expenses	-1	-3	
Negative goodwill			
Operating Profit	87	67	30%
Income taxes	27	22	23%
Consolidated net income	60	45	33%
Consolidated net income attributable to non-controlling interests	5	5	0%
Consolidated net income attributable to shareholders of Aareal Bank AG	55	40	38%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	55	40	38%
of which: allocated to ordinary shareholders	51	36	42%
of which: allocated to AT1 investors	4	4	0%
Earnings per ordinary share (in €) ²⁾	0.85	0.60	42%
Earnings per ordinary AT1 unit (in €) ³⁾	0.04	0.04	0%

- 1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
- 2) 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.
- 3) 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 Q1 2016 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.03. 2016	01.01.- 31.03. 2015	01.01.- 31.03. 2016	01.01.- 31.03. 2015	01.01.- 31.03. 2016	01.01.- 31.03. 2015	01.01.- 31.03. 2016	01.01.- 31.03. 2015
	€ mn							
Net interest income	182	178	0	0	-2	0	180	178
Allowance for credit losses	2	18					2	18
Net interest income after allowance for credit losses	180	160	0	0	-2	0	178	160
Net commission income	2	0	42	41	2	0	46	41
Net result on hedge accounting	1	11					1	11
Net trading income / expenses	9	-7					9	-7
Results from non-trading assets	0	-3					0	-3
Results from investments accounted for at equity			0	0			0	0
Administrative expenses	95	84	51	48	0	0	146	132
Net other operating income / expenses	-1	-3	0	0	0	0	-1	-3
Negative goodwill								
Operating profit	96	74	-9	-7	0	0	87	67
Income taxes	30	24	-3	-2			27	22
Consolidated net income	66	50	-6	-5	0	0	60	45
Allocation of results								
Cons. net income attributable to non-controlling interests	4	4	1	1			5	5
Cons. net income attributable to shareholders of Aareal Bank AG	62	46	-7	-6	0	0	55	40

Aareal Bank Group

Results – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
€ mn																				
Net interest income	182	199	214	192	178	0	0	0	0	0	-2	-1	0	-1	0	180	198	214	191	178
Allowance for credit losses	2	42	37	31	18											2	42	37	31	18
Net interest income after allowance for credit losses	180	157	177	161	160	0	0	0	0	0	-2	-1	0	-1	0	178	156	177	160	160
Net commission income	2	2	2	2	0	42	49	39	40	41	2	1	-1	0	0	46	52	40	42	41
Net result on hedge accounting	1	3	-3	-3	11											1	3	-3	-3	11
Net trading income / expenses	9	5	13	2	-7	0	0									9	5	13	2	-7
Results from non-trading assets	0	-2	-13	1	-3											0	-2	-13	1	-3
Results from results accounted for at equity			0			0	0	0	0	0						0	0	0	0	0
Administrative expenses	95	85	101	89	84	51	54	47	48	48	0	-1	-1	-1	0	146	138	147	136	132
Net other operating income / expenses	-1	14	14	12	-3	0	3	1	1	0	0	-1	0	0	0	-1	16	15	13	-3
Negative goodwill				150 ¹⁾															150 ¹⁾	
Operating profit	96	94	89	236¹⁾	74	-9	-2	-7	-7	-7	0	0	0	0	0	87	92	82	229¹⁾	67
Income taxes	30	27	29	26	24	-3	-3	-3	-2	-2						27	24	26	24	22
Consolidated net income	66	67	60	210¹⁾	50	-6	1	-4	-5	-5	0	0	0	0	0	60	68	56	205¹⁾	45
Cons. net income attributable to non-controlling interests	4	3	5	4	4	1	1	0	1	1						5	4	5	5	5
Cons. net income attributable to shareholders of Aareal Bank AG	62	64	55	206 ¹⁾	46	-7	0	-4	-6	-6	0	0	0	0	0	55	64	51	200 ¹⁾	40

1) Adjusted



Appendix
AT1: ADI of Aareal Bank AG

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Interest payments and ADI of Aareal Bank AG

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

	31.12. 2015	31.12. 2014	31.12. 2013
€ mn			
Net Retained Profit	99	77	50
▪ <i>Net income</i>	99	77	50
▪ <i>Profit carried forward from previous year</i>	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-
+ Other revenue reserves after net income attribution	720	715	710
= Total dividend potential before amount blocked ¹⁾	819	792	760
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	287	240	156
= Available Distributable Items ¹⁾	532	552	604
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	46	57	57
= 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 ¹⁾	578	609	661

1) Unaudited figures for information purposes only

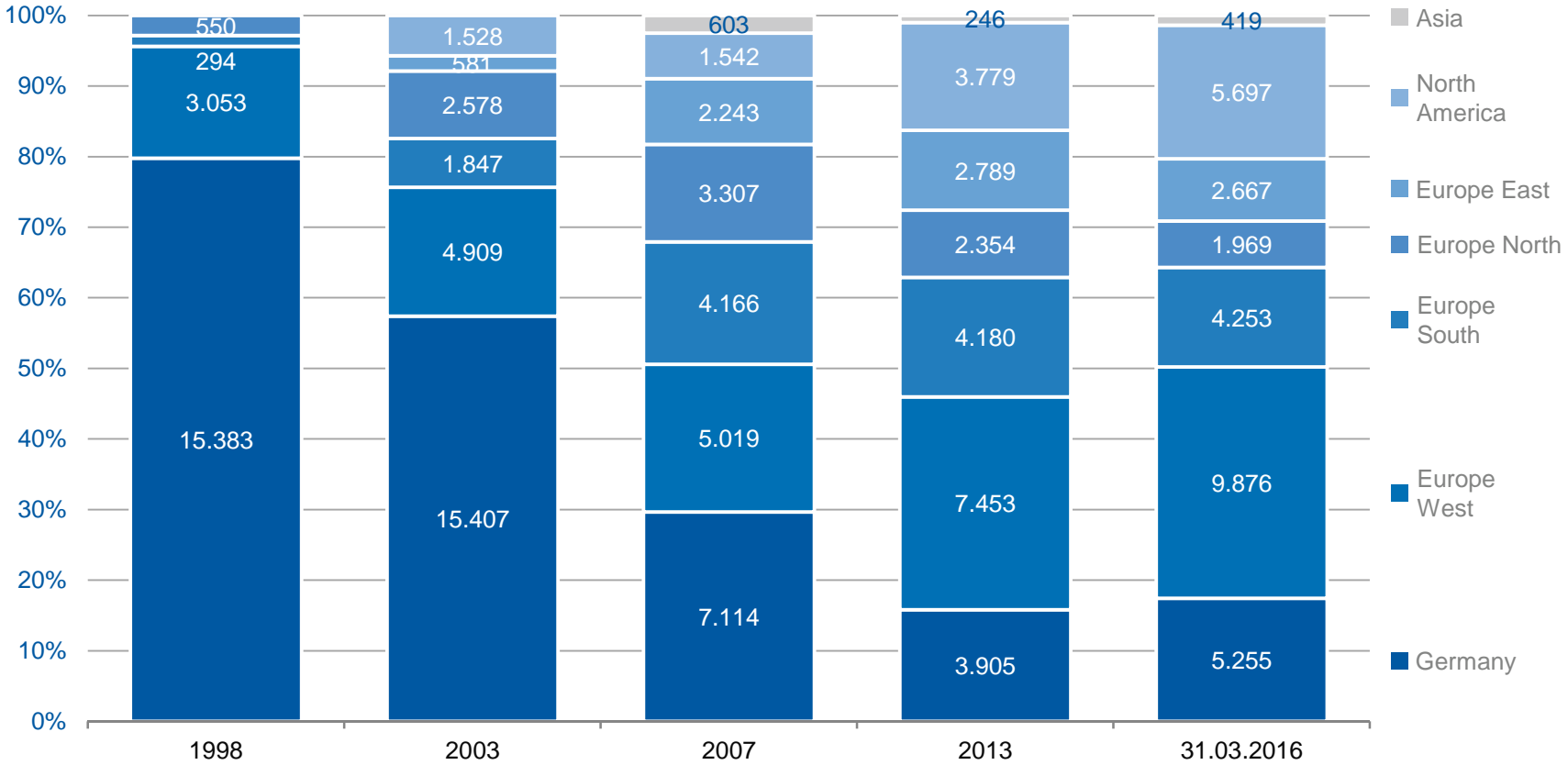


Appendix
Development property finance portfolio

Aareal

Development property finance portfolio

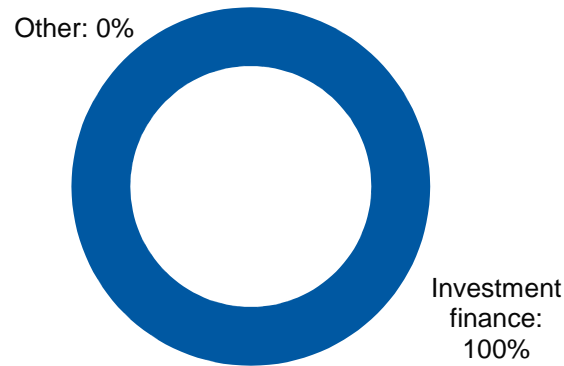
Diversification continuously strengthened (in € mn)



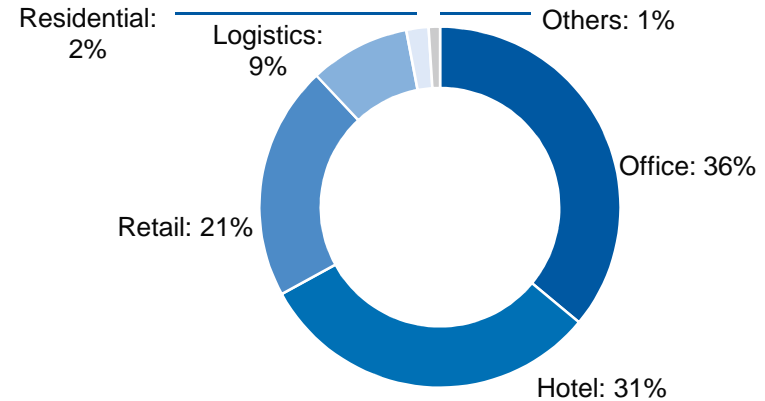
Western Europe (ex Germany) credit portfolio

Total volume outstanding as at 31.03.2016: € 9.9 bn

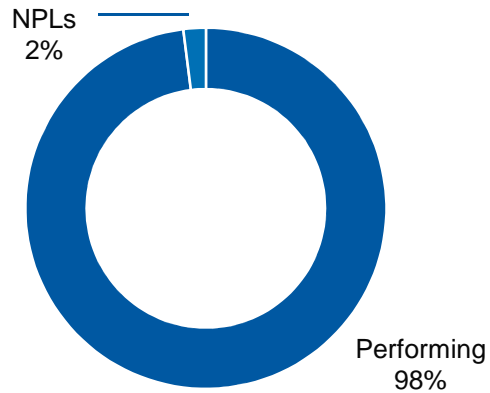
by product type



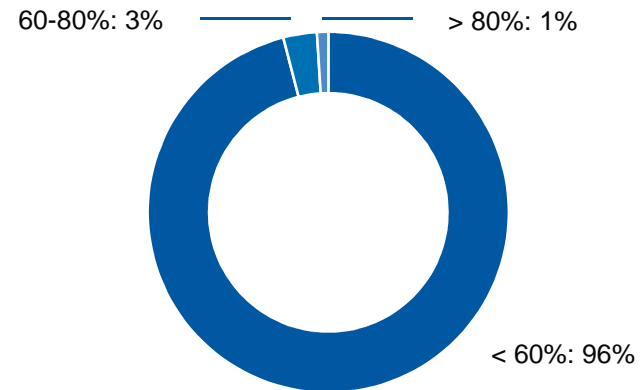
by property type



by performance



by LTV ranges¹⁾

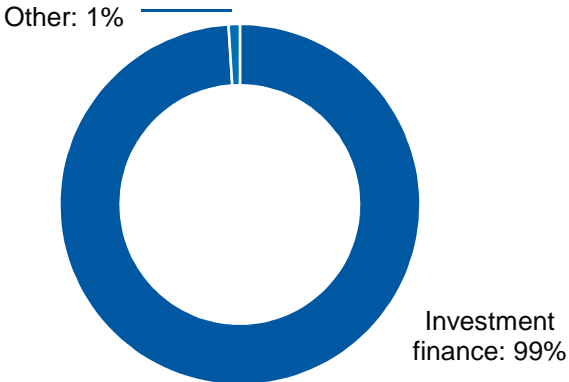


1) Performing business only, exposure as at 31.03.2016

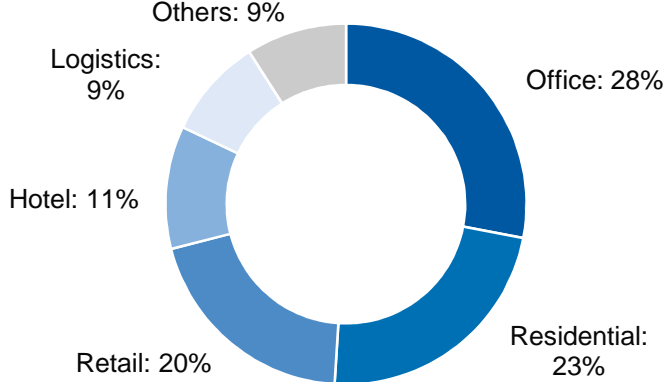
German credit portfolio

Total volume outstanding as at 31.03.2016: € 5.3 bn

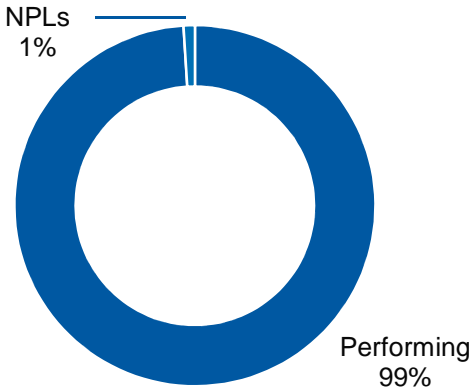
by product type



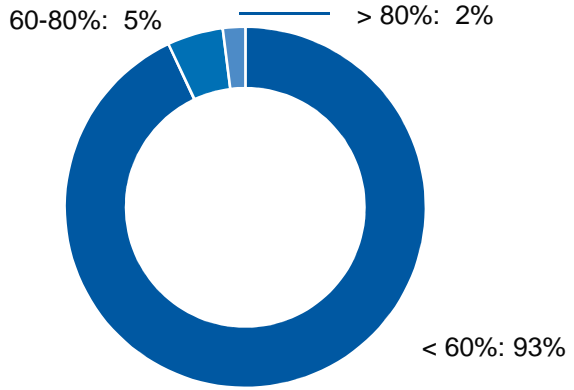
by property type



by performance



by LTV ranges¹⁾

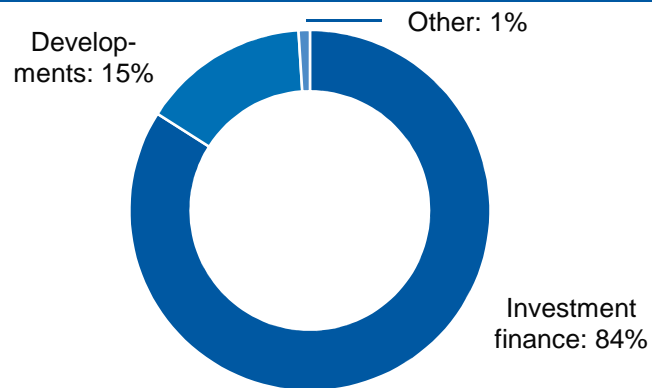


1) Performing business only, exposure as at 31.03.2016

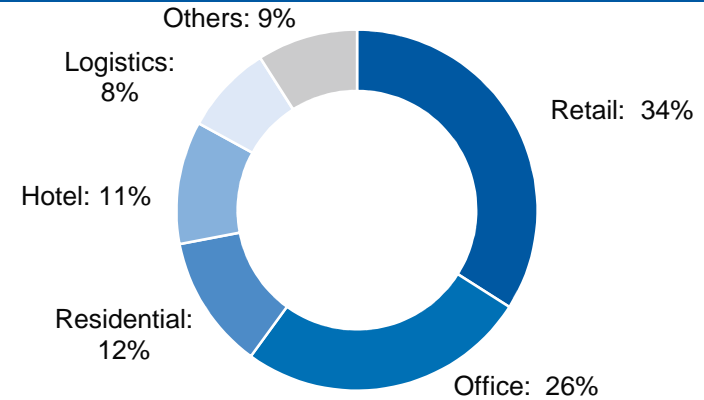
Southern Europe credit portfolio

Total volume outstanding as at 31.03.2016: € 4.3 bn

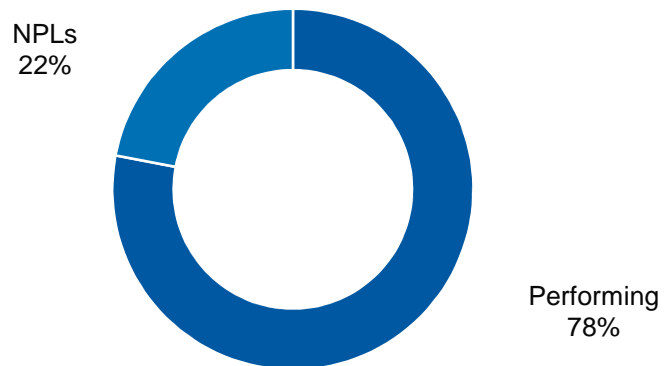
by product type



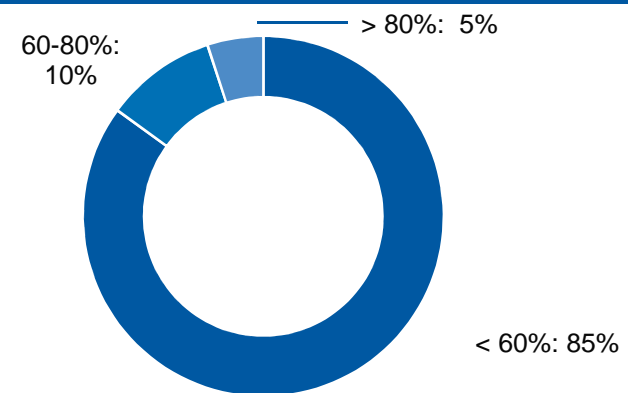
by property type



by performance



by LTV ranges¹⁾

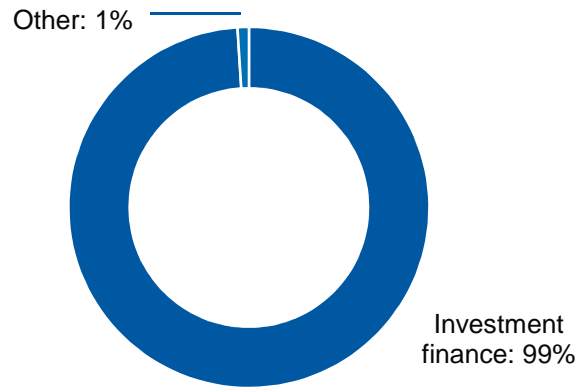


1) Performing business only, exposure as at 31.03.2016

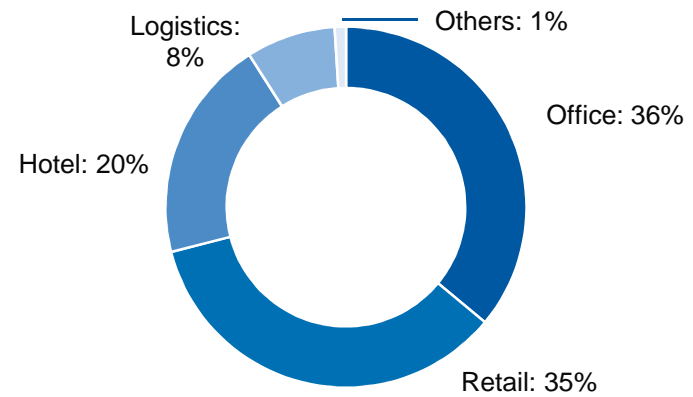
Eastern Europe credit portfolio

Total volume outstanding as at 31.03.2016: € 2.7 bn

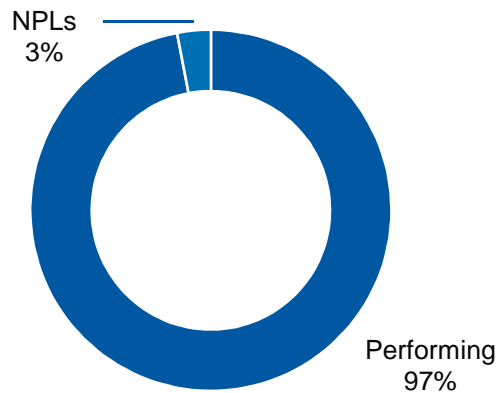
by product type



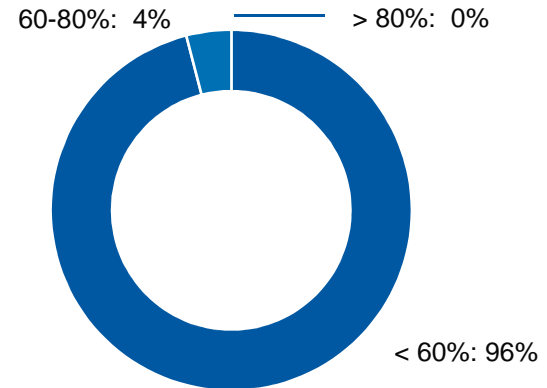
by property type



by performance



by LTV ranges¹⁾

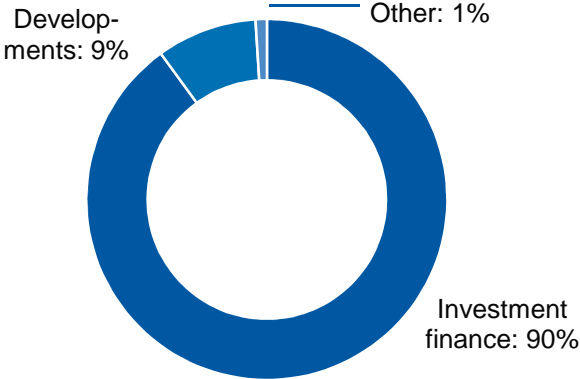


1) Performing business only, exposure as at 31.03.2016

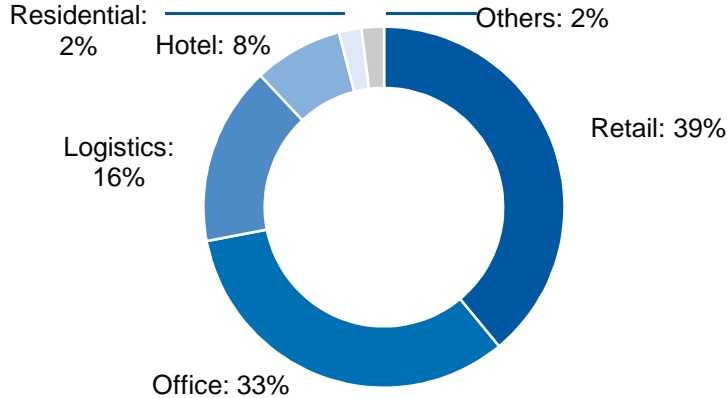
Northern Europe credit portfolio

Total volume outstanding as at 31.03.2016: € 2.0 bn

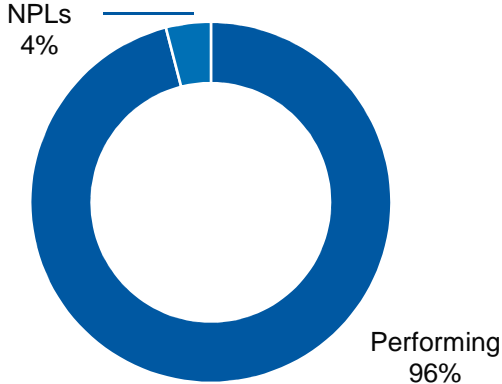
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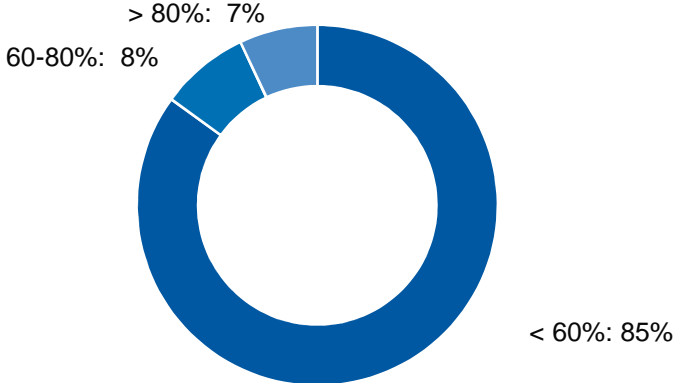
by property type



by performance



by LTV ranges¹⁾

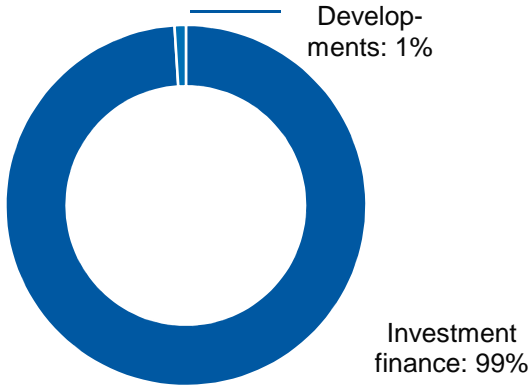


1) Performing business only, exposure as at 31.03.2016

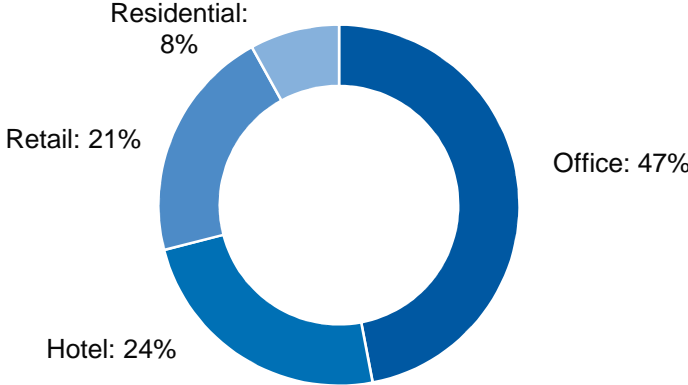
North America credit portfolio

Total volume outstanding as at 31.03.2016: € 5.7 bn

by product type



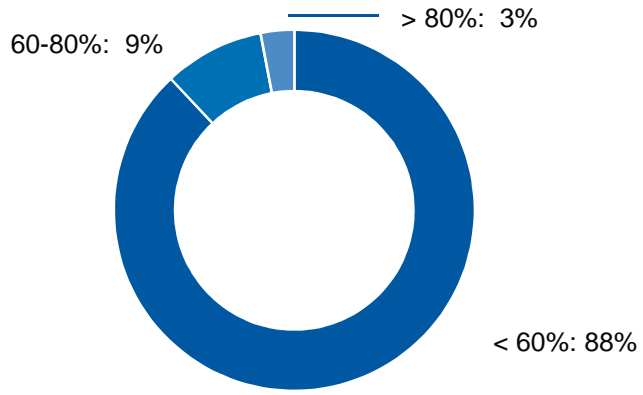
by property type



by performance



by LTV ranges¹⁾

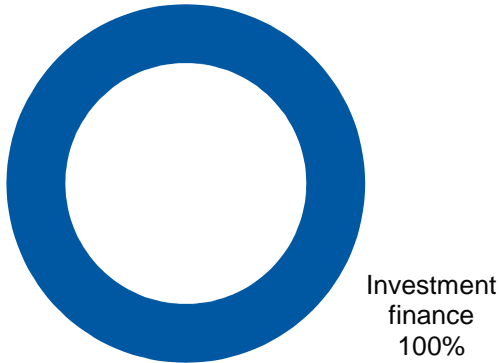


1) Performing business only, exposure as at 31.03.2016

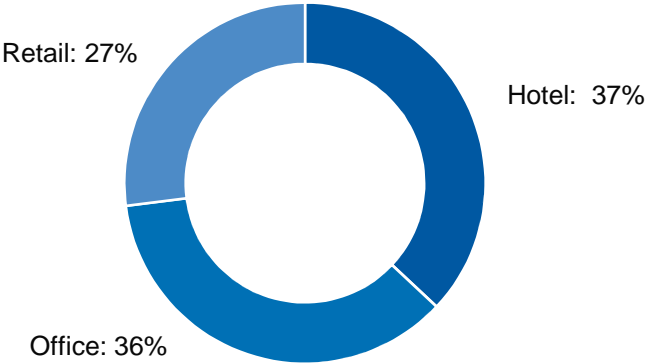
Asia credit portfolio

Total volume outstanding as at 31.03.2016: € 0.4 bn

by product type



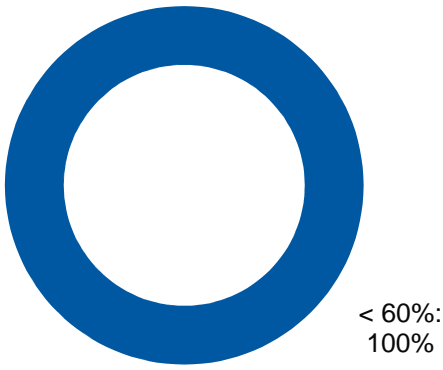
by property type



by performance



by LTV ranges¹⁾



1) Performing business only, exposure as at 31.03.2016

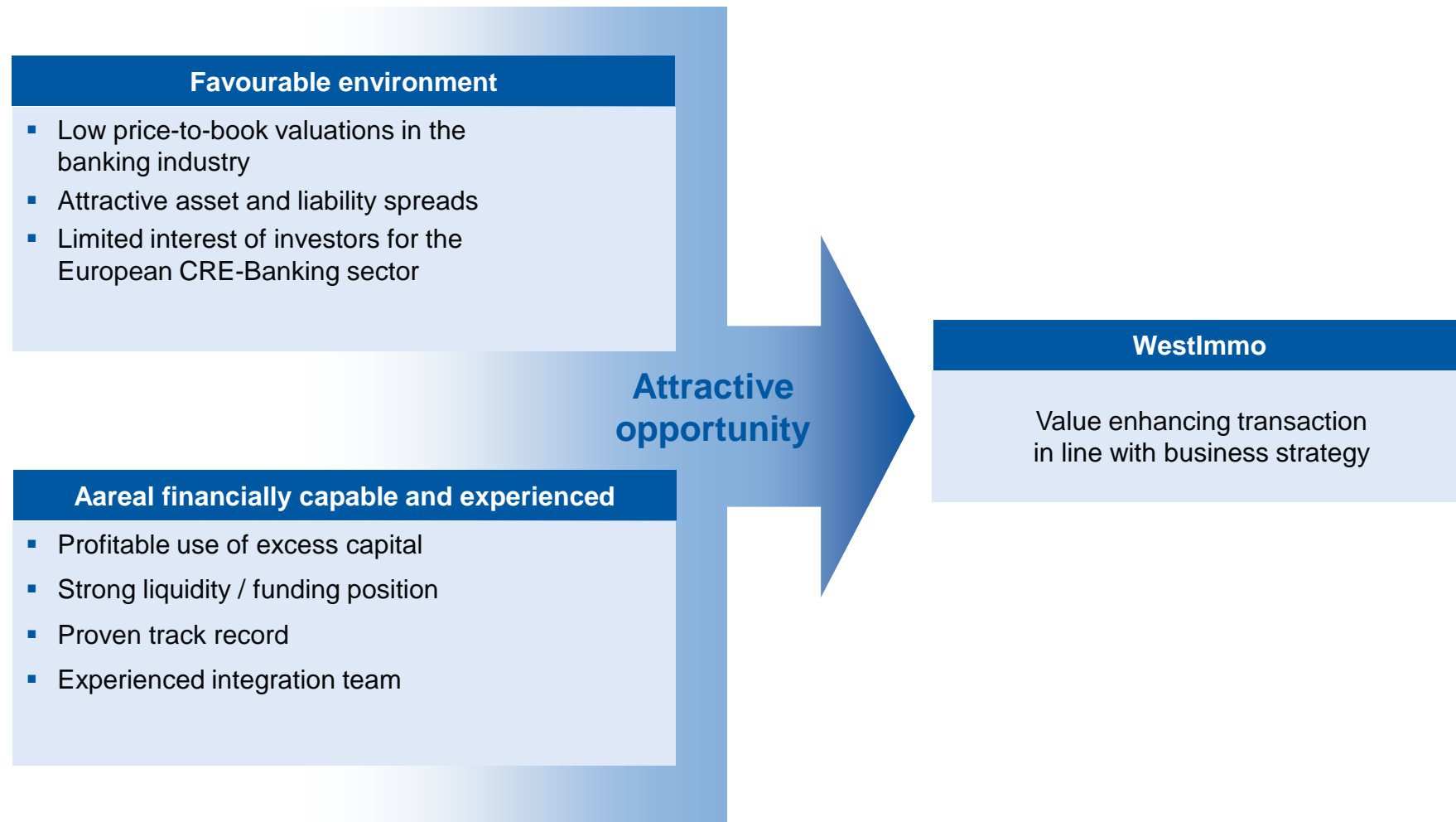


Appendix
Acquisition of WestImmo

Aareal

Acquisition of WestImmo¹⁾: Strategic rationale

Attractive opportunity to pursue inorganic growth



1) As published February 22, 2015

Acquisition of WestImmo¹⁾: Strategic rationale

Value enhancing transaction in line with business strategy

- ➔ Transaction represents attractive opportunity for Aareal Bank to pursue inorganic growth as it is EpS accretive and creating shareholder value from day one while mid-term targets unchanged
- ➔ Acquisition using existing excess capital demonstrates strength and strategic capacity while generating further excess capital and therefore dividend distribution potential at the same time
- ➔ Immediate (inorganic) growth of interest earning asset base in times of increasing competition
- ➔ Perfect overlap to Aareal's core business further strengthens position as a specialised commercial real estate lender
- ➔ International well experienced staff and platform maintained despite currently not being allowed to write new business (acc. to EU-regulations) and therefore in run-down mode
- ➔ High diversification of CRE portfolio and conservative risk profile remains unchanged
- ➔ Optimisation of capital structure in line with communicated strategy

1) As published February 22, 2015

Acquisition of WestImmo¹⁾: Strategic rationale

Business ability even without new business origination

Strategy and business modell

- WestImmo is a specialist in international commercial real estate financing focussing on office, shopping center, hotel and logistics, headquartered in Mainz / Münster
- Additional activities for private clients and public sector
- Originally focussing on Europe, the US and Asia with international locations
- Balance sheet of ~ € 8.1 bn (~ € 3.3 bn RWA), thereof CRE business ~ € 4.3 bn, private clients ~ € 1.6 bn, public sector ~ € 0.8 bn (pro forma extrapolated as at 31.03.2015)
- 280 employees (~ 255 FTE)

History

- WestImmo was a subsidiary of former WestLB
- After the split of former WestLB into Portigon AG and Erste Abwicklungsanstalt (EAA) in September 2012, WestImmo became a 100%-subsidiary of EAA
- WestImmo has either to be sold or to be wind down (acc. to EU-regulations) and therefore was not allowed to write new business since H2 2012
- In order to prepare an open, transparent and non-discriminatory bidding process in H1 2014 non Pfandbriefbank “suitable” assets and liabilities were transferred to EAA via carve out

1) As published February 22, 2015

Acquisition of WestImmo¹⁾: Transaction structure

Attractive terms and conditions

Transaction

- All cash transaction to acquire 100% of the shares
- Via pre-closing carve out, all funding provided and financial guarantees given from EAA to WestImmo will be terminated.
At the same time specific assets will be transferred from WestImmo to EAA.
In addition Aareal Bank provides WestImmo an external credit- / liquidity-line
- Profit until closing to be paid to EAA
- Fair / conservative valuation; attractive asset and liability spreads logged in
- Extensive due diligence carried out
- Attractive purchase price of € 350 mn²⁾

Closing conditions

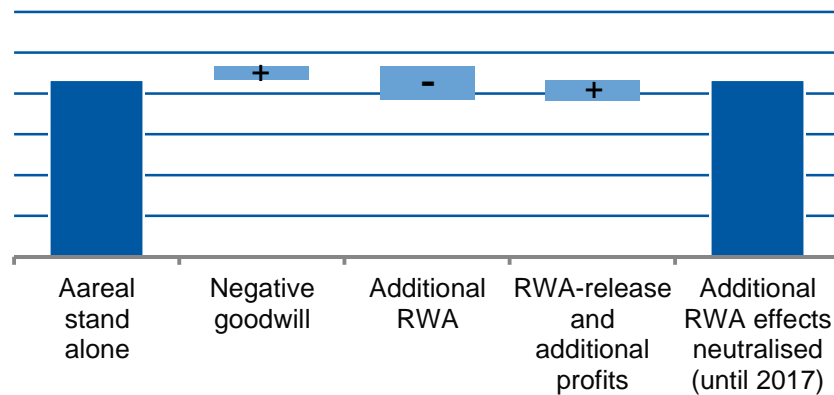
- Subject to BaFin / ECB approval
- Subject to anti-trust approval

1) As published February 22, 2015
2) Subject to further adjustments

Acquisition of WestImmo¹⁾: Financials

Impact on capital ratios, EpS, and RoE²⁾

Expected CET1 effects (Basel III fully phased)



EpS

- Transaction is EpS accretive from day 1
- Expected cumulative EpS for the next three years > 3 €
- Substantial part of the capital currently absorbed by acquired RWA already to be released until 2017
- No capital relief from switch of rating model (WestImmo already on AIRBA)

Capital ratios:

- All cash transaction
 - Allocation of excess capital
 - RWA increase partly compensated by negative goodwill
- Expected pro forma CET1 as at 31.12.2015: 11.8%
- Bail in capital ratio expected above target (~8%)

RoE

- Transaction in line with mid term RoE target
- Pre-tax RoE target confirmed at ~12%

Dividend policy

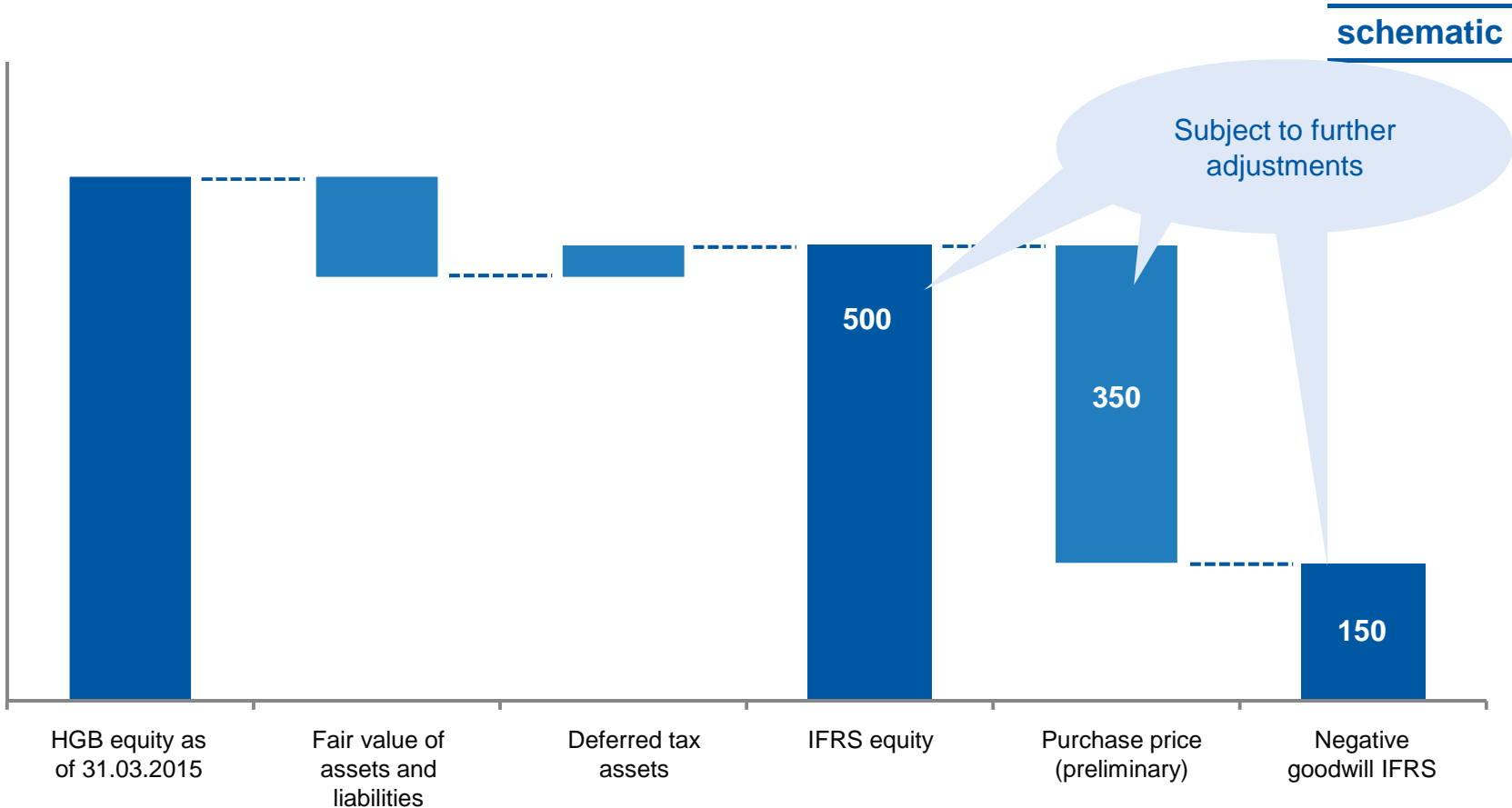
- Reconfirming active dividend policy with payout ratios of ~50% (excl. negative goodwill)

1) As published February 22, 2015

2) Pro forma extrapolated, assumed closing 31.03.2015

Acquisition of WestImmo¹⁾: Financials

Purchase price illustration²⁾



1) As published February 22, 2015
 2) Pro forma extrapolated, assumed closing 31.03.2015

Acquisition of WestImmo¹⁾: Private client loans and Public sector loans²⁾

Private client loans

- Volume of € 1.6 bn extrapolated as at 31.03.2015
- All non performing loans have been carved out, purely performing business with average LtV < 60%
- Outstandings < 100 T€: 58%, 100 – 150 T€: 24%, 150 – 200 T€: 10%, 200 – 250 T€: 4%; 250 – 500: <4%; > 500 T€: <1% > 50% in Baden Wuerttemberg, Bayern, Hessen, and NRW
- Historical defaults on that portfolio in the very, very low double digit area (bp)
- Potential risks from clawbacks regarding loan fees (“Rückforderungen von Bearbeitungsgebühren”) and faulty revocation clause (“fehlerhafte Widerrufsbelehrungen”) will be covered by the seller

Public sector loans

- Volume of € 0.8 bn extrapolated as at 31.03.2015
- Loans, warranties or guaranties to German sub-sovereign bodies

1) As published February 22, 2015

2) Pro forma extrapolated as at 31.03.2015

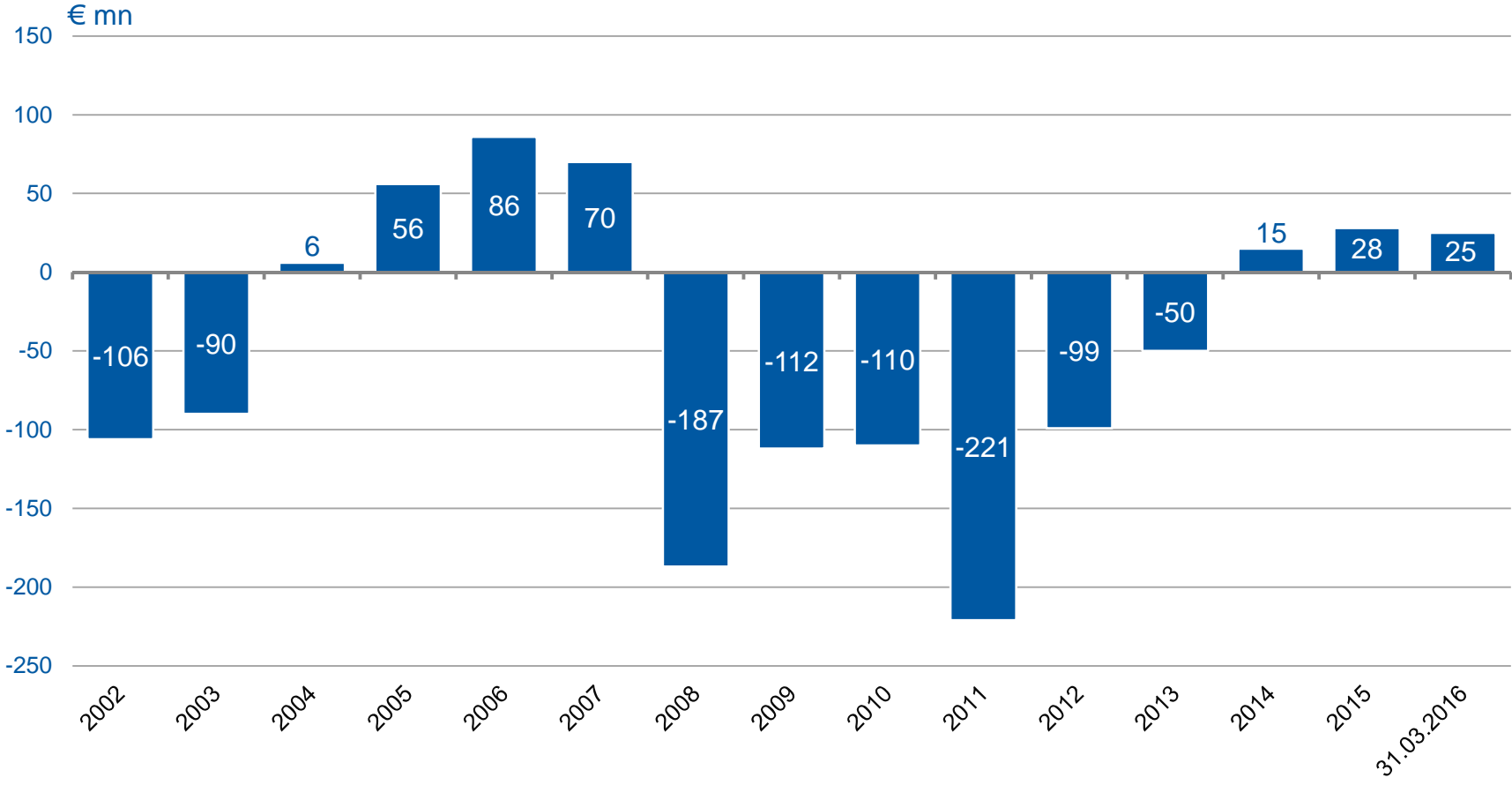


Appendix
Revaluation surplus

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Revaluation surplus

Change mainly driven by asset spreads



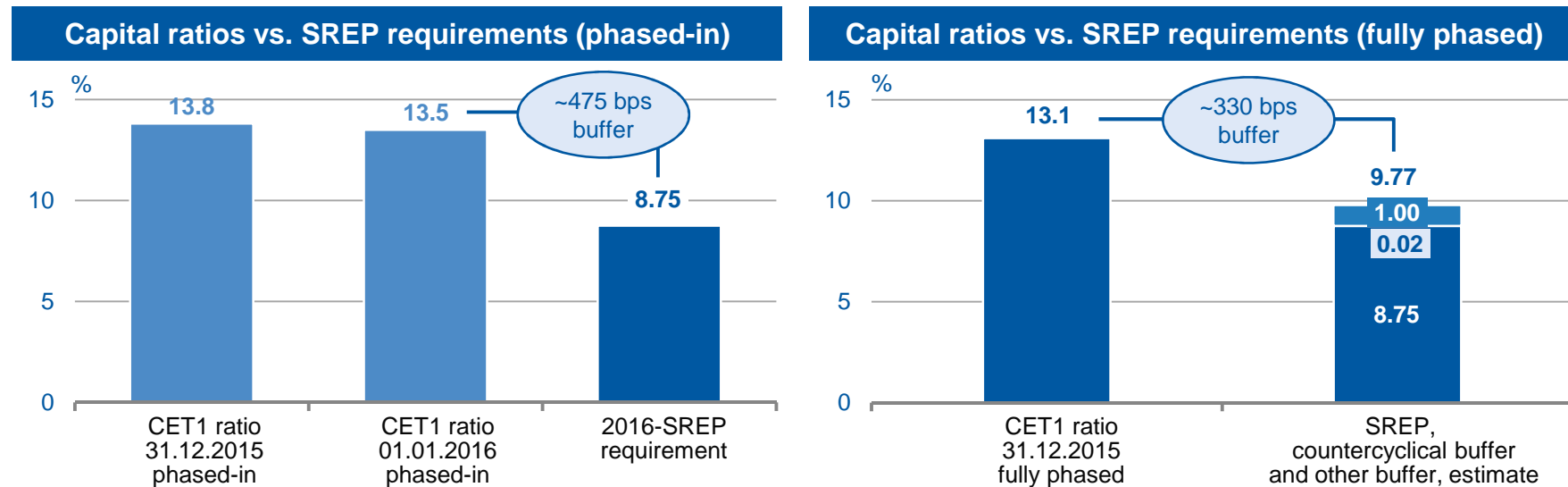


Appendix
Capital ratios, CET1 development and RWA-split

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Capital ratios

SREP¹⁾ requirements



Main takeaways

- Aareal Bank's SREP requirement according to ECB notification: 8.75% CET1 including capital conservation buffer
- Other buffer of 1% (estimated - not yet announced); actual countercyclical buffer: 0.02%
- CET1 ratio of 13.1% (fully phased) as at 31.12.2015: ~330 bps above SREP requirement (including capital conservation buffer AND estimated other buffer)
- ~330 bps buffer currently available to cover uncertainties coming from regulatory environment

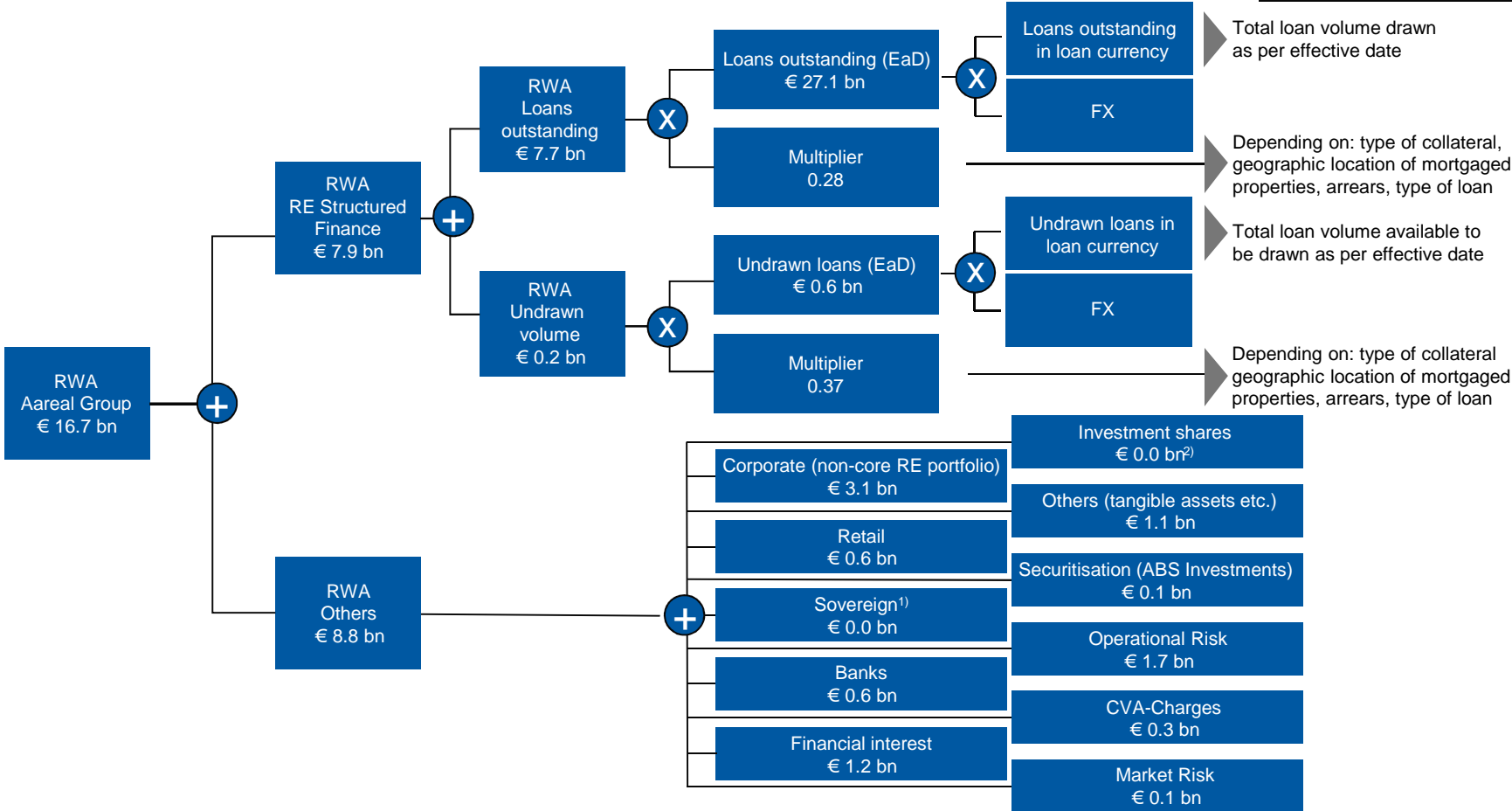
■ Other buffer, estimate
■ Countercyclical buffer
■ SREP requirement

1) Supervisory Review and Evaluation Process (SREP)

From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 31/03/2016



1) Amounts to € 36 mn
 2) Amounts to € 4 mn



Definitions and contacts

Aareal

Definitions

- **Structured Property Financing Portfolio** = Paid-out financings on balance sheet
- **New Business** = Newly acquired business incl. renewals + Contract is signed by customer + Fixed loan value and margin
- **Common Equity Tier 1 ratio** =
$$\frac{\text{CET1}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit } ./ \text{ income/loss attributable to non-controlling interests } ./ \text{ AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **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** =
$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$$
- **Liquidity coverage ratio** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}} \geq 100\%$$
- **Bail-in capital ratio** =
$$\frac{\text{Equity + subordinated capital}}{(\text{Long + short term funding}) - (\text{Equity + subordinated capital})}$$
- **Earnings per share** =
$$\frac{\text{operating profit } ./ \text{ income taxes } ./ \text{ income/loss attributable to non controlling interests } ./ \text{ net AT1 coupon}}{\text{Number of ordinary shares}}$$

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