



Press Release

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Aareal Bank Group posts a solid start into the 2012 financial year

- **First-quarter consolidated operating profit of € 43 million**
- **Core Tier 1 ratio of 11.6 per cent as at 31 March 2012**
- **Full-year outlook affirmed**

Wiesbaden, 10 May 2012 – Aareal Bank Group retained its positive business development during the first quarter of 2012, in a market environment that continued to be difficult. Consolidated operating profit amounted to € 43 million in the first three months of the financial year – only slightly below the strong figures posted for the first as well as the last quarter of 2011 (€ 47 million each). Consolidated net income was € 21 million, compared to € 24 million in the previous quarter, and the same amount in the first quarter of the previous year.

"The first three months of the 2012 financial year once again presented a great challenge to Aareal Bank Group and the banking sector as a whole. This relates to a macro-economic environment that continues to be shaped by uncertainty concerning economic growth as well as the situation on the financial and capital markets, which continues to be burdened by the European debt crisis. The uncertain political framework and cumulative effects of forthcoming changes to the regulatory environment, which have not yet been clarified, present further challenges. Against this background, we are very satisfied with our performance during the first quarter: in our view, this once again confirms the robustness of our business model", said Dr Wolf Schumacher, Chairman of the Management Board.

As announced, Aareal Bank responded to the challenging environment by pursuing a cautious liquidity and investment strategy – which burdened net interest income during the period under review. Thanks to the bank's conservative business policy over the past several years, allowance for credit losses was once again lower than in the same quarter of the previous year (which was already very low), thus remaining at a clearly manageable level. Aareal Bank was very successful in its funding activities, thereby preserving its good liquidity status.

The bank adopted a cautious stance with regard to new business, and concentrated on renewals. "We affirm our target for new business of € 4.5 billion to € 5.5 billion for the full year 2012, and will exploit opportunities in new lending business more vigorously during the remainder of the year", Schumacher emphasised.

Structured Property Financing segment: Aareal Bank maintains its focus on quality and returns

Consolidated operating profit in the Structured Property Financing segment amounted to € 40 million, after € 43 million the year before; the figure for the fourth quarter of 2011 was € 39 million.

Net interest income was € 121 million, compared to € 125 million in the first quarter of the previous year. The figure was burdened, in particular, by the bank's cautious liquidity and investment strategy, as announced.

Allowance for credit losses for the first quarter of 2012 amounted to € 12 million (Q1 2011: € 18 million). It was therefore significantly lower than the pro rata forecast range of € 110 to 140 million for the financial year, but within the range the bank had predicted.

Net commission income of € 4 million (Q1 2011: € -5million) included running costs of € 3 million (Q1 2011: € 9 million) for the bonds guaranteed by the German Financial Markets Stabilisation Fund (SoFFin); the remaining bond matured in the first quarter of 2012.

In its new business, Aareal Bank continued to pursue a selective approach that is oriented strictly on quality, return and risk. New business originated during the first quarter totalled € 0.5 billion (Q1 2011: € 14 billion).

Consulting/Services segment: volume of deposits increased further

Operating profit in the Consulting/Services segment totalled € 3 million during the first quarter (Q1 2011: € 4 million).

Aareon AG's business activities developed on schedule during the period, with sales revenues in line with the previous year. The company was able to continue the success story of its Wodis Sigma product line. A total of 380 property companies have already opted for Wodis Sigma to date. Responding to the strong market demand, Aareon has further invested in expanding its advisory and support capacities for this product line. Development in Aareon's international business was also positive.

Banking operations in the segment continued to be defined by two developments in the first quarter. On the one hand, the prevailing low interest rate environment burdened margins in the deposit-taking business. Against this background, the development in the deposit volumes from institutional housing industry clients was all the more positive. Aareal Bank further improved on the already high average level of € 4.9 billion in the previous quarter, to € 5.0 billion. Comprehensive market coverage, the extensive range of products and services

and many years of experience as the lead bank to the German institutional housing industry are all key factors that have contributed to the bank's success.

Refinancing activities: very successful issuance

Aareal Bank raised a total of € 2.0 billion in long-term funds on the capital market during the first quarter. This comprises Mortgage Pfandbriefe in the amount of € 1.0 billion as well as unsecured refinancing of € 1.0 billion. Aareal Bank's outstanding reputation as a regular issuer was evident in the success of two benchmark issues placed during the first quarter: the bank opened the German Pfandbrief market in January, with a four-year, € 500 million Mortgage Pfandbrief issue. In addition, the bank successfully placed a € 500 million senior unsecured bearer bond with a three-year term on the capital market.

The remaining SoFFin-guaranteed notes still outstanding matured, and were redeemed at the end of March. Aareal Bank therefore no longer uses any SoFFin guarantees: the guarantee fees will therefore no longer apply as of the second quarter. Following the full return of the issuance guarantees extended by SoFFin, € 300 million of the silent participation is what remains of the original commitment of € 525 million by SoFFin to Aareal Bank, which the bank continues to service properly.

Aareal Bank believes that its capital ratios not only meet the forthcoming demanding requirements of the Basel III regime, but they are also excellent by industry standards. As at 31 March 2012 the Tier 1 ratio was 16.6 per cent, which is comfortable on an international level. The core Tier 1 ratio was 11.6 per cent. Aareal Bank therefore remains very solidly financed.

Notes to Group financial performance

Net interest income in the first quarter was € 129 million after € 134 million in the same period of the previous year. As mentioned earlier, the cautious liquidity and investment strategy burdened net interest income.

Allowance for credit losses during the first quarter of 2012 amounted to € 12 million (Q1 2011: € 18 million).

Net commission income of € 40 million (Q1 2011: € 30 million) reflected running costs of € 3 million (Q1 2011: € 9 million) for the bonds guaranteed by SoFFin that were still outstanding in 2012.

Net trading income/expenses and the net result on hedge accounting of € -26 million resulted largely from the measurement of derivatives used to hedge interest rate and currency risk.

At € 91 million, administrative expenses were unchanged year-on-year.

Consolidated operating profit for the first three months of 2012 thus totalled € 43 million (Q1 2011: € 47 million). Taking into consideration taxes of € 12 million and non-controlling interest income of € 5 million, net income attributable to shareholders of Aareal Bank AG amounted to € 26 million. After deduction of net

interest payable on the SoFFin silent participation, consolidated net income stood at € 21 million.

Outlook: full-year forecasts affirmed

The Management Board continues to expect the uncertain environment to persist for the entire banking sector during the current year. In the wake of the still-unresolved sovereign debt crisis, Aareal Bank believes financial markets will remain volatile during the current year, and therefore expects the risks in the financial system to persist. Economic development will continue to face significant risks and uncertainties. The uncertain political framework and cumulative effects of the forthcoming changes to the regulatory environment (which have not yet been clarified) present further challenges.

Against this background, Aareal Bank affirms its forecasts already communicated for the full year 2012. Reflecting the cautious liquidity and investment strategy, net interest income is expected to decline considerably compared to 2011, whilst a significant increase in net commission income is anticipated in 2012, particularly since the charges pertaining to the SoFFin-guaranteed notes will no longer apply. The Management Board continues to forecast allowance for credit losses in a range of € 110 million to € 140 million, which is unchanged from last year. As in previous years, the bank cannot rule out additional allowances for unexpected credit losses in 2012. It anticipates a marked reduction in administrative expenses, due to the cost-cutting measures that resulted in charges last year.

All in all, the Management Board continues to see good potential for achieving consolidated net income that is only slightly below last year's very good result.

"We are cautious business people that take the uncertain economic framework into account. Nevertheless, our considerable flexibility will allow us to consistently take advantage of available opportunities. Overall, we are in an excellent position to further exploit our very good market position, in a changing competitive environment", Schumacher explained.

Note to editors:

The full interim report for the first quarter of 2012 is available on <http://www.aareal-bank.com/en/investor-relations/financial-reports/>.

Aareal Bank

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

Aareal Bank Group: Consolidated results for the first quarter of 2012
(in accordance with IFRS)

	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011	Change
	€ mn	€ mn	%
Profit and loss account			
Net interest income	129	134	-4
Allowance for credit losses	12	18	-33
Net interest income after allowance for credit losses	117	116	1
Net commission income	40	30	33
Net result on hedge accounting	-10	-2	400
Net trading income / expenses	-16	-8	100
Results from non-trading assets	0	2	
Results from investments accounted for using the equity method	-	0	
Results from investment properties	3	2	50
Administrative expenses	91	91	0
Net other operating income / expenses	0	-2	
Impairment of goodwill	0	-	
Operating Profit	43	47	-9
Income taxes	12	12	0
Net income / loss	31	35	-11
Allocation of results			
Net income / loss attributable to non-controlling interests	5	5	0
Net income / loss attributable to shareholders of Aareal Bank AG	26	30	-13
Appropriation of profits			
Net income / loss attributable to shareholders of Aareal Bank AG	26	30	-13
Silent partnership contribution by SoFFin	5	6	-17
Consolidated retained profit/accumulated loss	21	24	-13

	31 Mar 2012	31 Dez 2011	Change
	€ mn	€ mn	%
Portfolio data			
Property finance	23.323	23.986	-3
of which international	19.880	20.425	-3
Property finance under management	23.567	24.239	-3
of which international	19.880	20.425	-3
Equity	2.233	2.169	3
Total assets	43.679	41.814	4

	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011
Key financial indicators		
Cost/Income ratio (%) ^{*)}	48.5	45.6
Earnings per share (€)	0.43	0.7
RoE before taxes (%) ^{**)}	7.1	9.1
RoE after taxes (%) ^{**)}	4.8	6.5

*) Structured Property Financing segment only

**) on an annualised basis

Segment results for the first quarter of 2012 (in accordance with IFRS)

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011	1 Jan - 31 Mar 2012	1 Jan - 31 Mar 2011
€ mn								
Net interest income	121	125	0	0	8	9	129	134
Allowance for credit losses	12	18					12	18
Net interest income after allowance for credit losses	109	107	0	0	8	9	117	116
Net commission income	4	-5	44	44	-8	-9	40	30
Net result on hedge accounting	-10	-2					-10	-2
Net trading income / expenses	-16	-8					-16	-8
Results from non-trading assets	0	2					0	2
Results from investments accounted for using the equity method				0				0
Results from investment properties	3	2					3	2
Administrative expenses	49	51	42	40	0	0	91	91
Net other operating income / expenses	-1	-2	1	0	0	0	0	-2
Impairment of goodwill	0						0	
Operating profit	40	43	3	4	0	0	43	47
Income taxes	11	11	1	1			12	12
Net income / loss	29	32	2	3	0	0	31	35
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	1	1			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	25	28	1	2	0	0	26	30
Allocated equity								
Cost/income ratio in %	48.5	45.6	94.7	91.8			62.3	58.3
RoE before taxes in % ^{*)}	11.4	11.1	6.6	13.7			7.1	9.1

*) on an annualised basis