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## Aareal Bank Group is well-positioned for the future

Wiesbaden (ots) -

- Market environment is expected to gradually improve, returning to normal as of 2012
- Outlook for 2010 confirmed - first-quarter performance on schedule
- Sound results achieved in 2009
- CEO Dr Wolf Schumacher: "We are well-positioned to master the current challenges we face, and to consistently exploit future growth opportunities."

Aareal Bank Group expects a gradual improvement in the market environment, both during the current year and in 2011. The bank assumes that markets will return to normal again as of 2012. Commenting on the results, the Chairman of Aareal Bank's Management Board, Dr Wolf Schumacher, explained that Aareal Bank Group will derive above-average benefits, thanks to a lending policy that is focused on soundness and sustainability, the bank's dedicated proximity to clients and markets, a prudent funding policy and a sound balance sheet structure. He added that Aareal Bank Group survived the crisis relatively unscathed, pointing out that it is one of the few finance providers to have retained its flexibility to act - both strategically and in operative terms. "Thanks to our coherent and viable business model, we are in a good position to deal with current challenges, to further sustainably expand our market position in key markets and to establish ourselves as a leading player in our business", Schumacher added.

Allowance for credit losses remains manageable

Aareal Bank Group affirmed its outlook for the current year. Accordingly, the property financing specialist - active on three continents - sees good potential for improving consolidated operating profit. Net interest income is expected to increase to between EUR 460 million and EUR 480 million. Allowance for credit losses recognised in income is expected to range between EUR 117 million and EUR 165 million, which means that it will remain at a clearly manageable level. From today's perspective, new business generated in the Structured Property Financing segment is expected to increase to between EUR 4 billion and EUR 5 billion - with a reduction in the share of loan renewals. Operating profit in the Consulting/Services segment is expected to increase slightly over adjusted 2009 operating profit. Consolidated administrative expenses are expected to remain in line with the previous year, reflecting the Group's continued strict cost discipline.

This outlook is confirmed by the business development to date in the current year: Aareal Bank's performance was on schedule during the first months of 2010, in spite of a market environment that continued to be challenging.

Against the background of a sound operating performance and a very satisfactory capitalisation, the Management Board is aiming to already start repaying the silent participation from the German Financial Markets Stabilisation Fund (SoFFin) by early 2011.

The Management Board anticipates a further improvement in consolidated operating profit for the 2011 financial year, with both segments expected to contribute to this result. Net interest income is expected to continue to rise next year; at present, allowance for credit losses and administrative expenses are both expected to remain

roughly at 2010 levels.

Significant increase in return on equity targeted in the medium-term

"We believe in the future of commercial property financing, and expect markets to return to normal from 2012 onwards. This view is supported by the long-term increase in demand for property and property financings, as well as the changes in the competitive environment and client behaviour as a consequence of the crisis. Against this background, our competitive advantages - proximity to clients, flexibility provided by our mid-sized structure, sector expertise and our two-pillar business model - will be particularly effective", Dr Schumacher stated.

Aareal Bank Group is aiming for sustained profitable growth and a significant improvement in its financial indicators, expecting a return to normal conditions in the markets. For the Structured Property Financing segment, consistent implementation of its three-continent growth strategy will lead to significant growth in the credit portfolio, and accordingly, in income. Contributions from the Consulting/Services segment are also expected to increase significantly, thanks to anticipated improvement in the interest rate environment for its deposit-taking business. Exploring new client groups, for example in the energy sector, will contribute to this scenario. All in all, the Management Board expects that as of 2012, enhanced cost-efficiency amongst others will allow the bank to generate a consolidated return on equity before taxes of at least 12 to 13 per cent.

"The winners in the crisis will be those banks that combine property-specific expertise with prudent judgement in their risk policy. We have proven our success in this respect in the past, and will continue to consistently exploit the growth opportunities presented to us in the future", Dr Schumacher continued.

Successful crisis management in the 2009 financial year; sound results generated at Group level

Despite the difficult market environment, Aareal Bank Group posted a sound result for the 2009 financial year. Having achieved a positive result in all quarters since the outbreak of the financial markets crisis in summer of 2007, the bank remained on course, even in conditions that continue to remain challenging for the financial services industry. According to the audited figures, Aareal Bank Group concluded the 2009 financial year with a pre-tax result of EUR 87 million (2008: EUR 110 million). This means that Aareal Bank will service all of its subordinated refinancing vehicles for the 2009 financial year. This includes the silent participation by SoFFin.

Comparative figures for the full year 2008 differ from the values published in the 2008 Annual Report. This marks the successful conclusion of an IFRS accounting project Aareal Bank has conducted over several years: the related accounting change required minor adjustments to prior periods' results.

Net interest income for the 2009 financial year amounted to EUR 460 million (2008: EUR 500 million). Higher margins in the lending business were offset by the impact of the low interest rate environment on the very comfortable liquidity reserve. Moreover, the unfavourable interest rate environment for the deposit-taking business with institutional housing industry clients had a negative effect on results. The figure for the previous year was characterised by an extraordinarily strong net interest income for the fourth quarter, reflecting the favourable interest rate environment at the time.

Allowance for credit losses was recognised in an amount of EUR 150 million (2008: EUR 80 million), in line with projections. Additional allowance for credit losses in an amount of EUR 34 million, recognised in 2008 on account of the difficult market environment,

was not utilised in the financial year under review; in fact, it was increased by an additional EUR 14 million, bringing the total additional allowance to EUR 48 million.

Net commission income of EUR 133 million (previous year: EUR 149 million) reflected - amongst other things - EUR 17 million in running costs for the guarantee facility extended by SoFFin.

Net trading income/expenses of EUR 44 million (2008: EUR -31 million) was mainly accounted for by the measurement of financial instruments in the trading portfolio. This figure was due primarily to a recovery in the value of credit derivatives.

Restructuring the securities portfolio - conducted at the beginning of 2009 within the scope of the conservative risk policy adopted - was a main influencing factor upon the result from non-trading assets of EUR -22 million (2008: EUR -102 million). No further material burdens to non-trading assets were recognised during the remainder of 2009.

Administrative expenses of EUR 361 million were virtually unchanged year-on-year (2008: EUR 364 million). This reflects the strict cost discipline pursued within the Group.

Taking into account net other operating income and expenses of EUR -14 million (2008: EUR 30 million), consolidated operating profit for the 2009 financial year totalled EUR 87 million, after EUR 110 million in 2008. Taking into account taxes of EUR 20 million and non-controlling interest income of EUR 18 million, net income attributable to shareholders of Aareal Bank AG amounted to EUR 49 million (2008: EUR 47 million). After deduction of the net EUR 26 million cost of the SoFFin silent participation (taking into account the related tax effects), consolidated net income stood at EUR 23 million.

Both of the business segments contributed to Aareal Bank Group's satisfactory results for 2009 in the face of difficult market conditions.

In the Structured Property Financing segment, Aareal Bank continued to pursue its conservative policy, with a strict focus on quality. A positive result was achieved here, despite the impact of the crisis affecting financial markets and the economy.

The focus for originating new business was on the existing client base, and on renewing facilities for existing financing projects. At EUR 3.8 billion, the volume of new business, including loan renewals, exceeded the target corridor of EUR 2 to 3 billion originally announced.

Net interest income posted by the segment for the financial year under review amounted to EUR 410 million (2008: EUR 431 million).

Overall, operating profit for the Structured Property Financing segment was EUR 67 million, and thus slightly higher than last year's figure of EUR 66 million. Taking into consideration tax expenses of EUR 13 million and EUR 16 million attributable to non-controlling interests, the segment result was EUR 38 million (2008: EUR 19 million).

The Consulting/Services segment also highlighted its importance as Aareal Bank Group's second pillar in the difficult environment during 2009. The volume of deposits from the institutional housing industry remained virtually stable, averaging around EUR 4.0 billion in the 2009 financial year. This reflects the high level of confidence that institutional housing industry clients in Germany have been placing in Aareal Bank - as their long-standing, sound and reliable banking partner - for decades.

Sales revenue amounted to EUR 209 million in the 2009 financial year (2008: EUR 229 million). The decline was largely due to the low interest rate environment, which impacted unfavourably on

profitability of the deposit-taking business with the institutional housing industry. Revenue generated by the Aareon Group subsidiary remained stable, thanks to its continued successful multi-product strategy, and despite the general economic weakness, which led to lower volumes of project tenders in the market - especially in the first half-year. The new Wodis Sigma product, which was launched in the second quarter, was met with great interest.

On balance, operating profit for the Consulting/Services segment was

EUR 20 million (2008: EUR 44 million). The year-on-year decline was on the one hand due to the effects of the historically low interest rate environment, which significantly impacted on the results generated in the deposit-taking business. On the other hand, non-recurring expenses for capacity adjustments at Aareon, as well as expenditure for the suspension of non-core activities, also affected results. Taking into account these non-recurring effects, which amounted to an aggregate EUR 6 million, the segment's operating profit was within the communicated range of EUR 25-30 million.

After deduction of EUR 7 million in taxes and EUR 2 million in non-controlling interest income, the segment result stood at EUR 11 million (2008: EUR 28 million).

Solid refinancing situation and good capitalisation

Aareal Bank continued to adhere to its forward-looking refinancing policy during the year under review. Several private placements as well as public issues were successfully distributed to a broad investor base over the course of the year. Pfandbriefe totalling EUR 2.3 billion were issued during the 2009 financial year. Aareal Bank benefited from an easing of market sentiment that was evident from mid-year onwards, to increase its placements of unsecured bonds and promissory note loans. The issuing volume for the year as a whole amounted to EUR 1.1 billion, plus a EUR 2 billion unsecured bond issue guaranteed by SoFFin.

As at 31 December 2009, Aareal Bank's Tier 1 ratio - measured in accordance with the Credit Risk Standard Approach (CRSA) - was 11.0 %, which is high by international standards. The Tier 1 ratio is thus clearly above the medium-term target ratio of 10 %, as defined by the Management Board. Good capitalisation provides Aareal Bank with the necessary scope to continue to act as a reliable financing partner for its existing clients, and also to increasingly exploit the market opportunities presented to it.

Note to editors: the full 2009 Annual Report is available for download at <http://www.aareal-bank.com/financialreports>.

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 25 countries.

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