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## **Correction: (Aareal Bank Group posts a solid start into the 2012 financial year)**

Wiesbaden (ots) -

Correction notice: In the penultimate paragraph of the press release "consolidated net income" has to be replaced by "consolidated operating profit".

(Updated Press Release:) -----

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

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

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 EUR 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 (EUR 47 million each). Consolidated net income was EUR 21 million, compared to EUR 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 EUR 4.5 billion to EUR 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 EUR 40 million, after EUR 43 million the year before; the figure for the fourth quarter of 2011 was EUR 39 million.

Net interest income was EUR 121 million, compared to EUR 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 EUR 12 million (Q1 2011: EUR 18 million). It was therefore significantly lower than the pro rata forecast range of EUR 110 to 140 million for the financial year, but within the range the bank had predicted.

Net commission income of EUR 4 million (Q1 2011: EUR -5 million) included running costs of EUR 3 million (Q1 2011: EUR 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 EUR 0.5 billion (Q1 2011: EUR 1.4 billion).

Consulting/Services segment: volume of deposits increased further

Operating profit in the Consulting/Services segment totalled EUR 3 million during the first quarter (Q1 2011: EUR 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 EUR 4.9 billion in the previous quarter, to EUR 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 EUR 2.0 billion in long-term funds on the capital market during the first quarter. This comprises Mortgage Pfandbriefe in the amount of EUR 1.0 billion as well as unsecured refinancing of EUR 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, EUR 500 million Mortgage Pfandbrief issue. In addition, the bank successfully placed a EUR 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, EUR 300 million of the silent participation is what remains of the original commitment of EUR 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 EUR 129 million after EUR 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 EUR 12 million (Q1 2011: EUR 18 million).

Net commission income of EUR 40 million (Q1 2011: EUR 30 million) reflected running costs of EUR 3 million (Q1 2011: EUR 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 EUR -26 million resulted largely from the measurement of derivatives used to hedge interest rate and currency risk.

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

Consolidated operating profit for the first three months of 2012 thus totalled EUR 43 million (Q1 2011: EUR 47 million). Taking into consideration taxes of EUR 12 million and non-controlling interest income of EUR 5 million, net income attributable to shareholders of Aareal Bank AG amounted to EUR 26 million. After deduction of net interest payable on the SoFFin silent participation, consolidated net income stood at EUR 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 EUR 110 million to EUR 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 operating profit 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.

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