



QUALITY®
made by **AAREAL**

Analyst Conference Call

Q3 2017 results

November 14, 2017
Hermann J. Merkens, CEO

Aareal

Agenda

- Highlights
- Group results at a glance
- Segment performance
- Group results
- B/S structure, capital & funding position
- Asset quality
- Outlook 2017

- Appendix
- Definitions and contacts

Highlights

Confirming FY-guidance after good third quarter

Highlights

- ➔ Political, economic as well as regulatory risks and uncertainties characterizing the actual environment, unchanged high competition in the commercial real estate lending business
- ➔ Despite further uncertainty and strong competition good operating performance in both segments
- ➔ Good quarter, operating profit of € 82 mn
- ➔ FY-outlook 2017 confirmed:
Operating profit in a range of € 310 mn - € 350 mn expected
- ➔ Future program Aareal 2020 „on track“



Group results at a glance

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Group results at a glance

Good operative performance in Q3

€ mn	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Comments
Net interest income	175	169	164	158	164	Further portfolio reduction, high effects from early repayments
Allowance for credit losses	33	33	2	25	26	LLP below last year's figure and in line with full year target
Net commission income	44	56	48	49	48	Above previous year's level
Net result from trading / non-trading / hedge acc.	12	-5	-4	1	11	
Admin expenses	127	130	139	129	120	Focus on strategic projects and investments
<i>Others</i>	3	28	4	55	5	
Operating profit	74	85	71	109	82	Good quarterly operating performance
Income taxes	23	44	24	42	31	FY 2017e: 37% due to reversal of CCB provisions FY 2017e: 34% excl. reversal of CCB provisions
Minorities / AT1	9	8	9	5	4	Savings from redemption of hybrid instrument from Q2 2017 onwards
Consolidated net income allocated to ord. shareholders	42	33	38	62	47	
Earnings per share [€]	0.70	0.55	0.63	1.05	0.78	



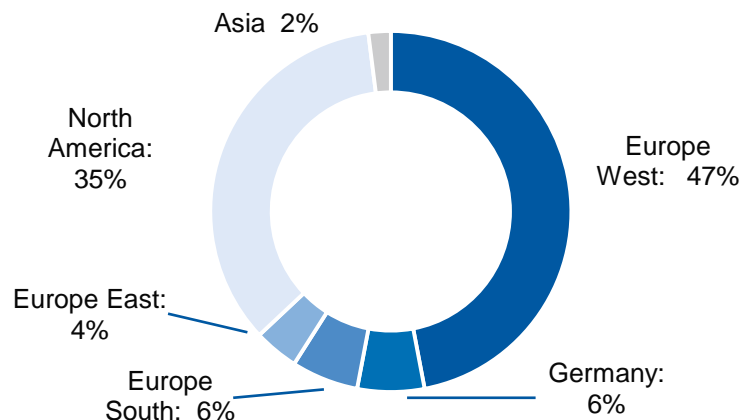
Segment performance

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Structured property financing

Strong new business margins, high early repayments

New business in Q3 2017 by region¹⁾

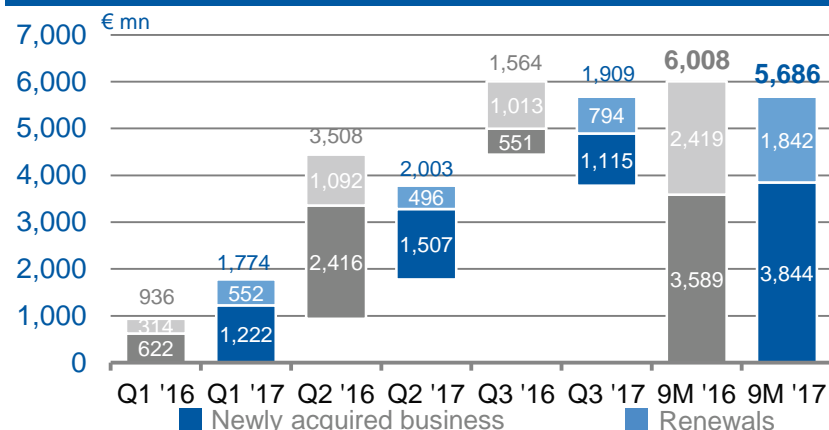


P&L SPF Segment	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
€ mn					
Net interest income	179	174	167	160	167
Allowance for credit losses (LLP)	33	33	2	25	26
Net commission income	2	5	1	2	1
Net result from trading / non-trading / hedge acc.	12	-6	-4	1	11
Admin expenses	77	80	89	77	68
Others	2	26	4	54 ²⁾	4
Operating profit	85	86	77	115²⁾	89

1) Incl. renewals

2) Incl. € 50 mn reversal of provisions set aside within the scope of the acquisition of Corealcredit Bank AG

New business origination



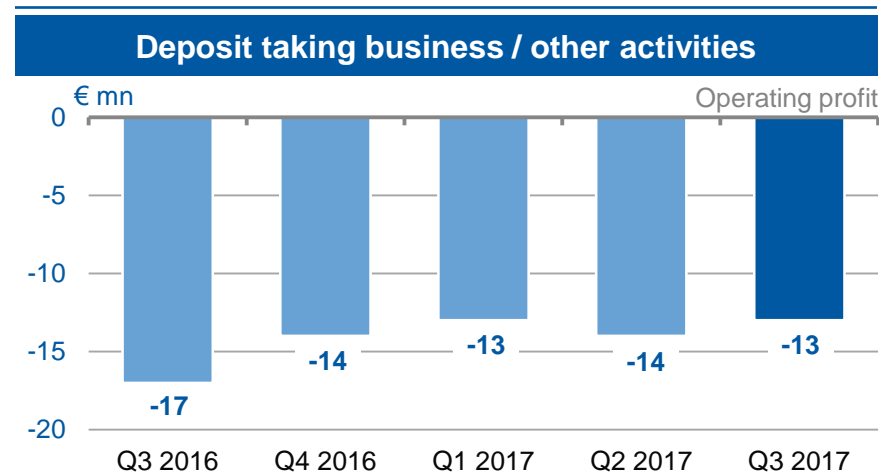
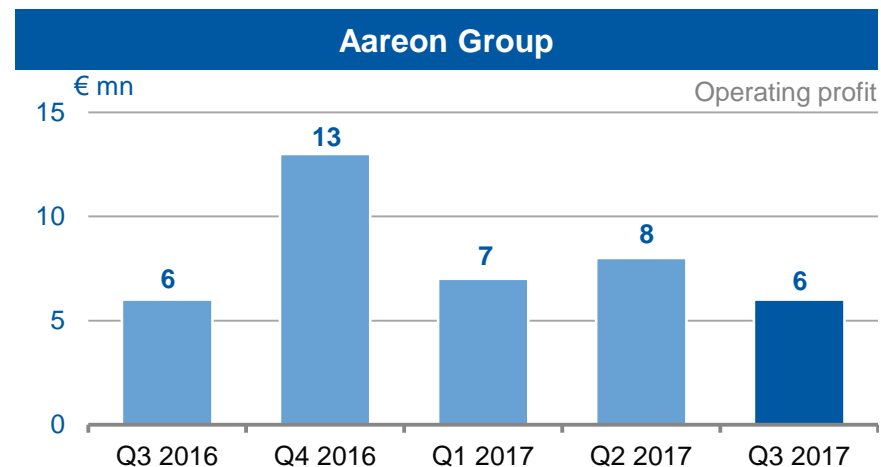
- New business origination on previous quarters level, confirming FY-target
- Newly acquired business:
 - Continued strong North American business
 - Gross margins in 9M above 250 bps (> 230 bps after FX)
 - FY-margin target expected to be outperformed
- High early repayments
- € 27.1 bn RE finance portfolio (of which € 25.6 bn CRE) in line with FY-guidance

Consulting / Services

Aareon on track

P&L C/S Segment	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
€ mn					
Sales revenue	47	58	54	55	53
Own work capitalised	1	2	1	1	1
Other operating income	2	4	1	1	1
Cost material purchased	8	11	9	9	8
Staff expenses	36	37	35	36	38
D, A, impairment losses	3	2	3	3	3
Other operat. expenses	14	15	15	15	13
Others	0	0	0	0	0
Operating profit	-11	-1	-6	-6	-7

- Aareon revenues of € 51 mn (Q3 2016: € 49 mn), EBT of € 6 mn, EBT margin ~12%
- Aareon revenues resulting from growth in all product lines, digital and additional products with highest growth rates
- Deposit volume acc. to Aareal 2020 at Ø of € 9.7 bn in Q3 '17 (€ 9.6 mn in Q2 '17 / € 9.5 bn in Q3 '16)
- Focussing on further shift into sustainable deposits



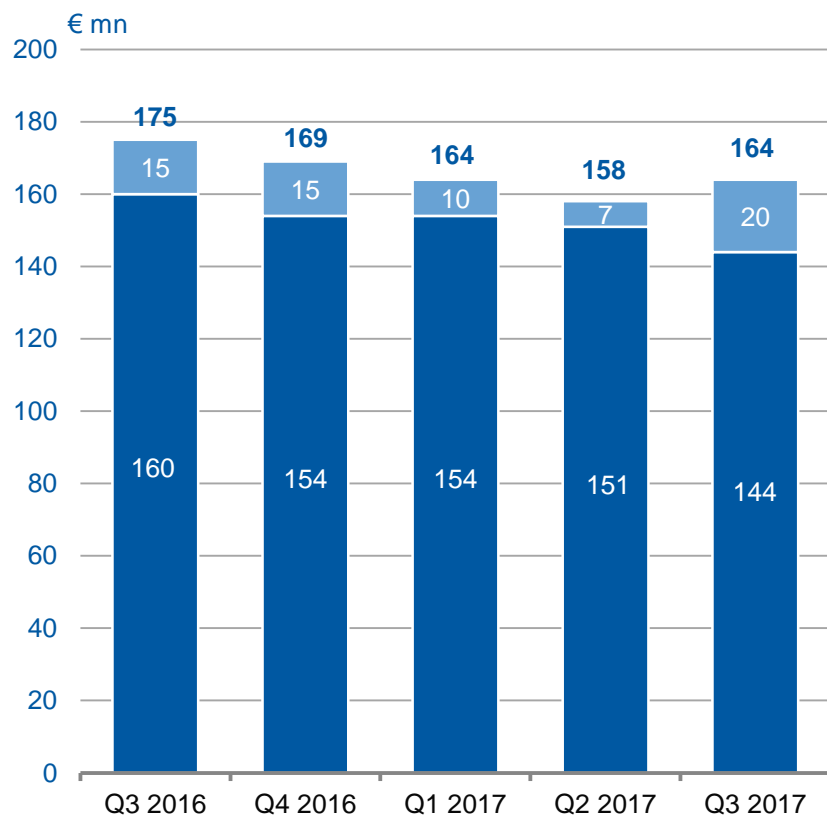


Group results Q3 2017

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Net interest income

Further portfolio reduction, high effects from early repayments

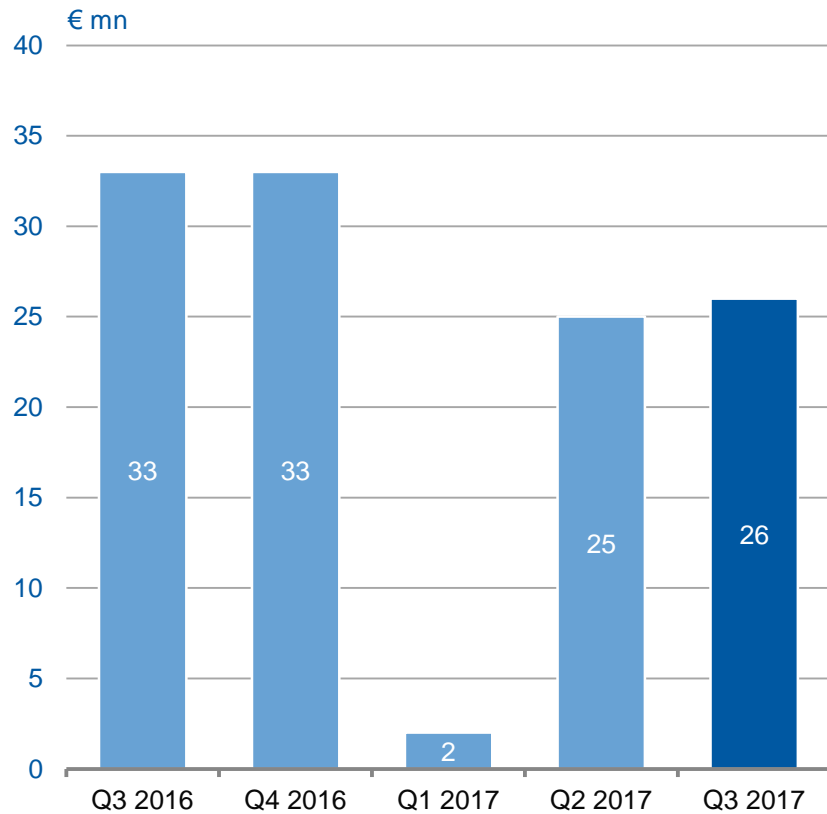


- Portfolio reduction by € 1.6 bn (vs. Q2 2017) due to
 - High early repayments
 - Rundown of CCB / WIB portfolio
 - FX-effects
- Q3 pushed by effects from early repayments of € 20 mn in Q3 (€ 33 mn in 9M vs. expected FY-range of € 35 mn - € 75 mn)
- Deposit margins further burdened by interest rate environment

■ Effects from derecognition of financial instruments to be reported separately under IFRS 9 starting 2018 (mainly effects from early repayments)
■ NII without effects from derecognition of financial instruments to be reported separately under IFRS 9 starting 2018

Allowance for credit losses (LLP)

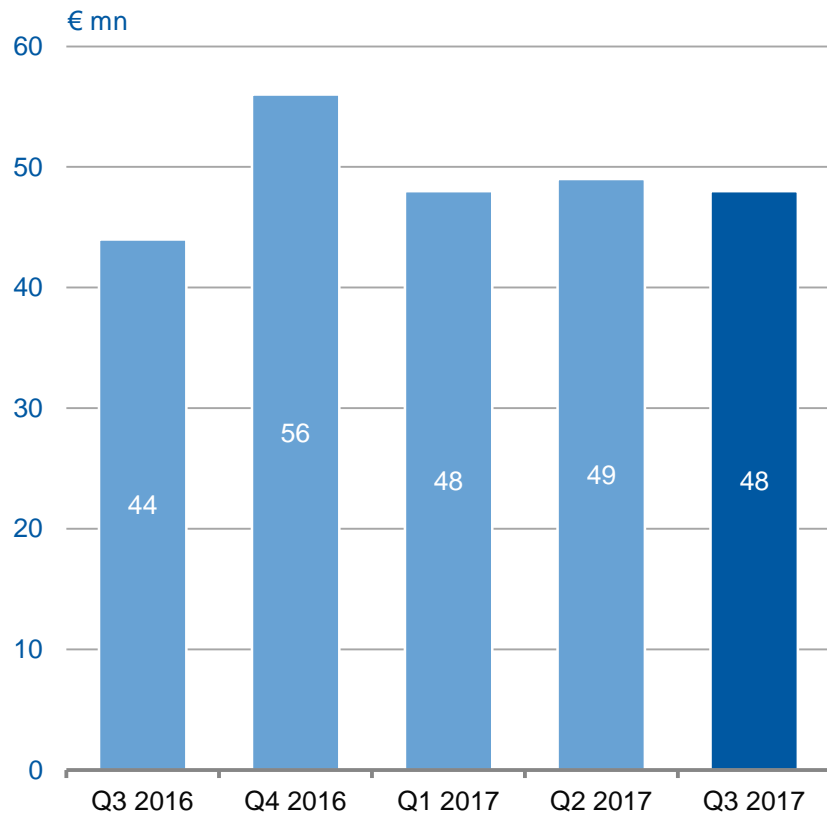
LLP below last year's figure and in line with full year target



- Conservative lending policies paying off

Net commission income

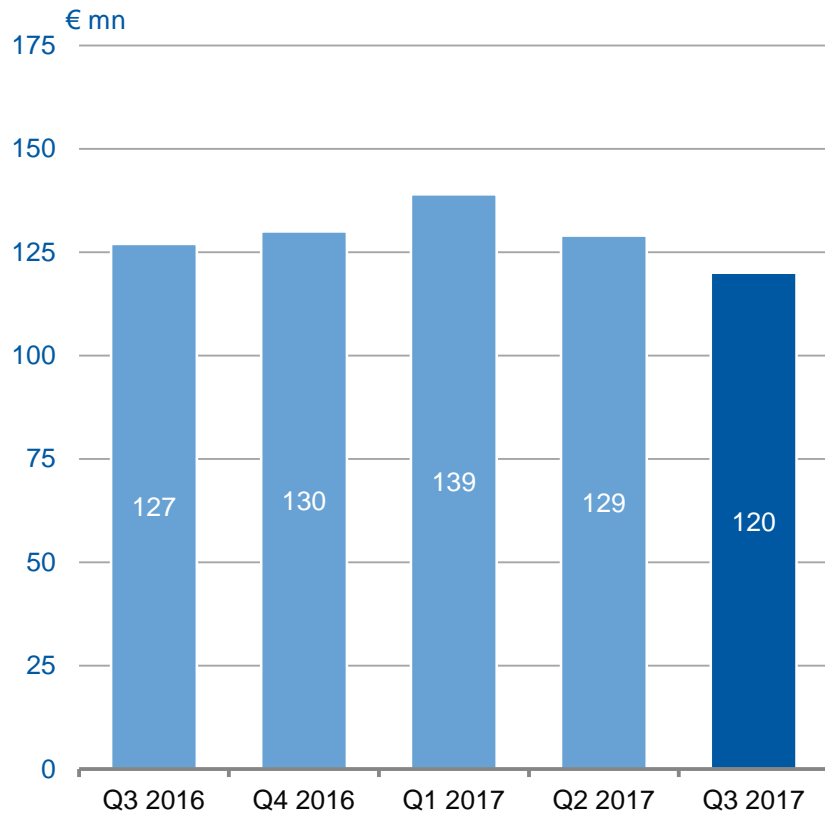
Above previous year's level



- Aareon revenues of € 51 mn (Q3 '16: € 49 mn) resulting from growth in all product lines, digital and additional products with highest growth rates
- Q4 regularly includes positive seasonal effects

Admin expenses

Focus on strategic projects and investments



- 9M includes (€ 388 mn vs. 9M 2016 of € 417 mn)
 - € 22 mn for the European bank levy and for the Deposit Protection Guarantee Schemes
 - € 24 mn for optimisation of processes and structures
 - € 13 mn for projects and investments

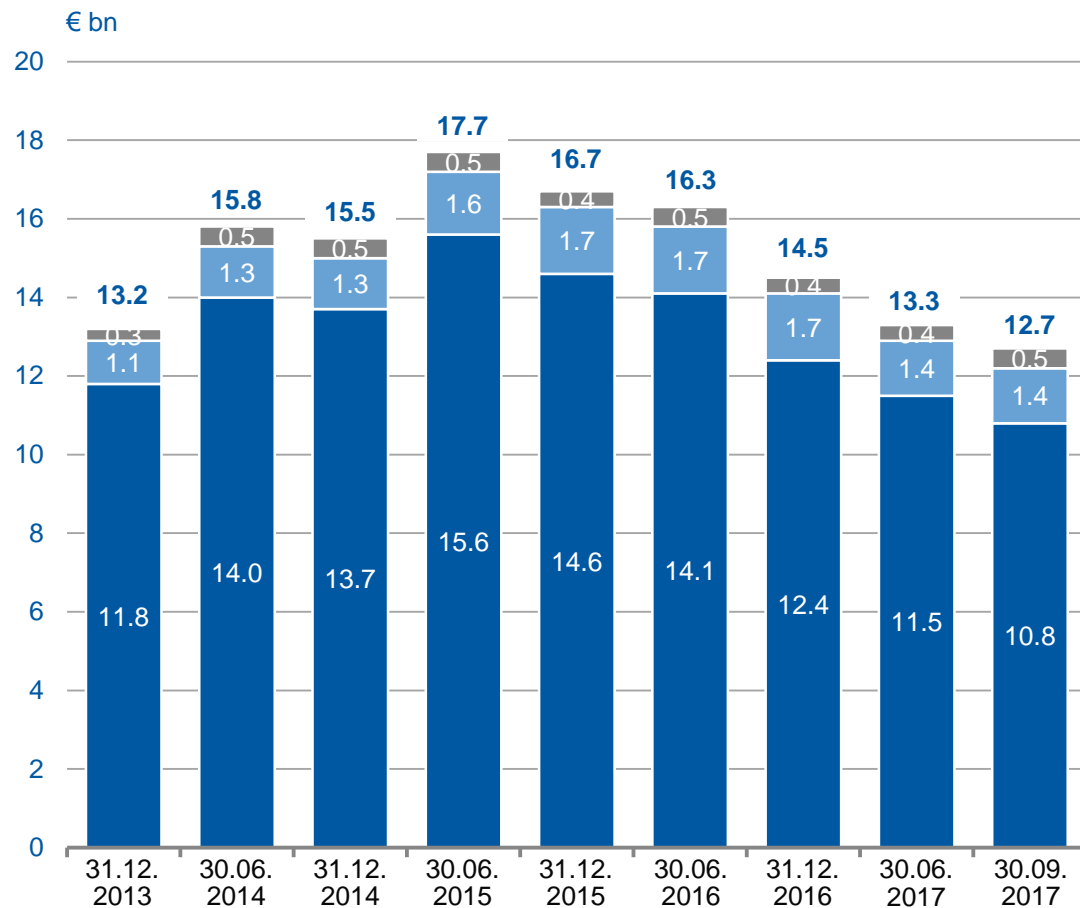


B/S structure, capital & funding position

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RWA development

Successful RWA run down

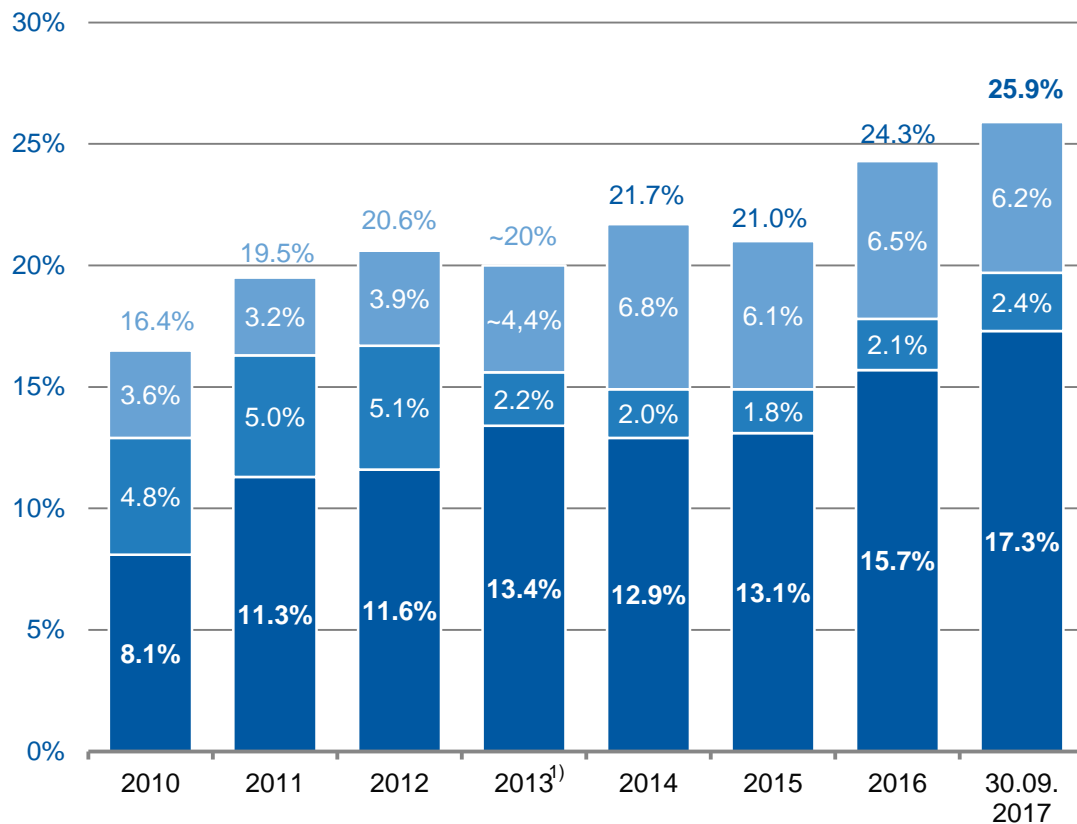


- Reduction from
 - High early repayments
 - Rundown of CCB / WIB portfolio
 - FX-effects
- Lower RWA density vs 12/2016
- Operational risk reduction mainly due to model update caused by regulatory changes in Q1
- Operational risk already based on standardised approach

■ Market risk
 ■ Operational risk
 ■ Credit risk

Capital ratios

Strong development



1) As at 01.01.2014, published 20.02.2014

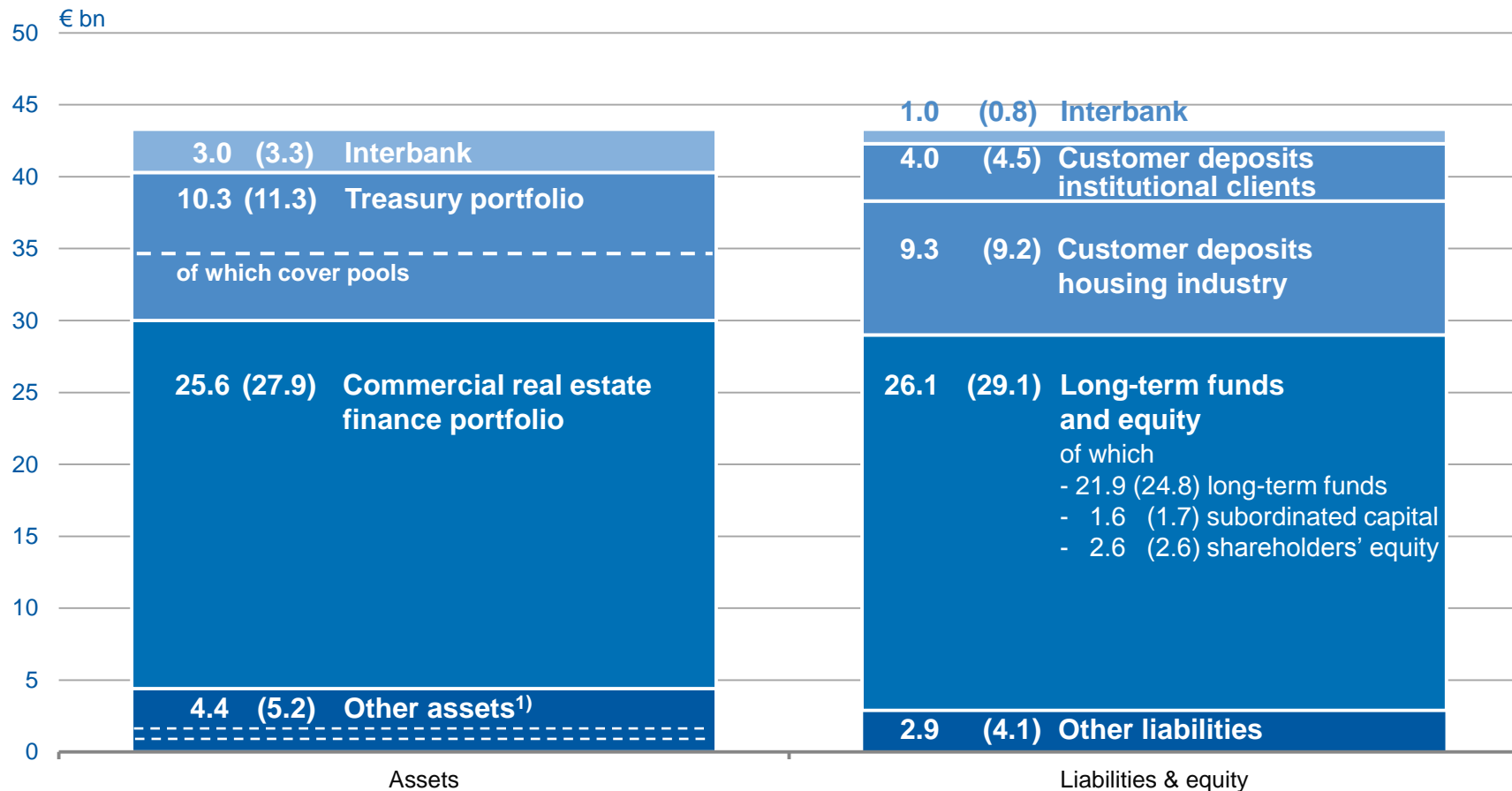
- Regulatory uncertainties buffered by very strong capital ratios
- Instruments assumed to mature until 2019 (planning period) are excluded from the fully phased ratios
- Bail-in capital ratio (acc. to our definition): above 8%
- T1-Leverage ratio as at 30.09.2017: 6.0% (fully phased)

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

Asset- / Liability structure according to IFRS

As at 30.09.2017: € 43.3 bn (31.12.2016: € 47.7 bn)

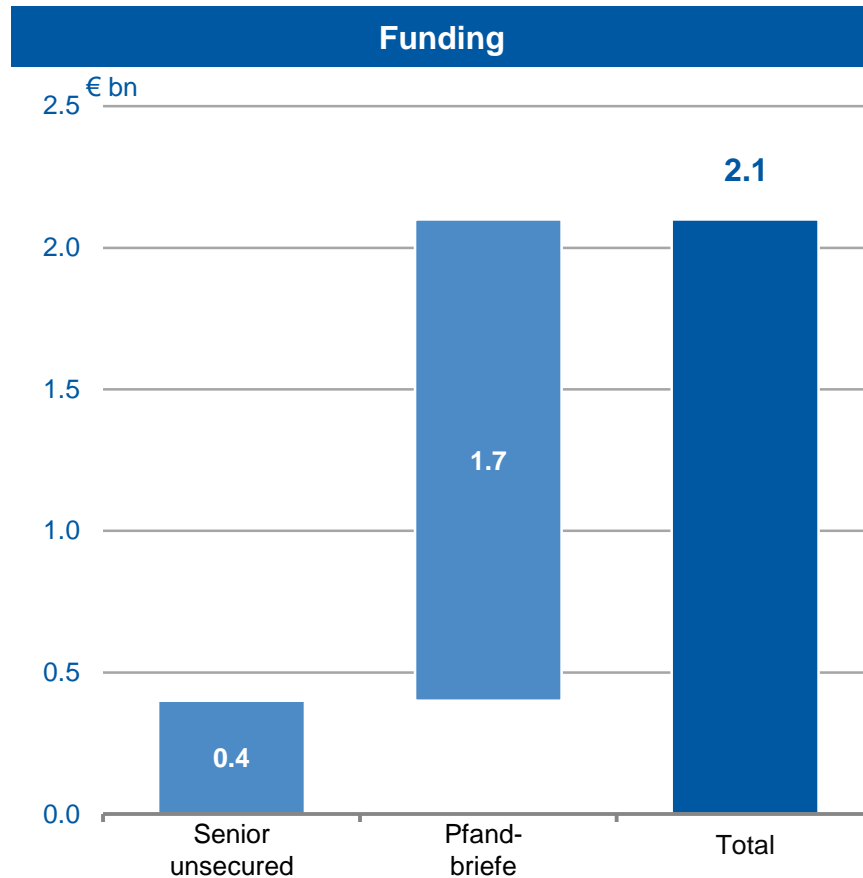
- Conservative balance sheet with structural over borrowed position
- Average maturity of long term funding > average maturity of RSF loans



1) Other assets includes € 0.9 bn private client portfolio and WIB's € 0.6 bn public sector loans

Capital market funding

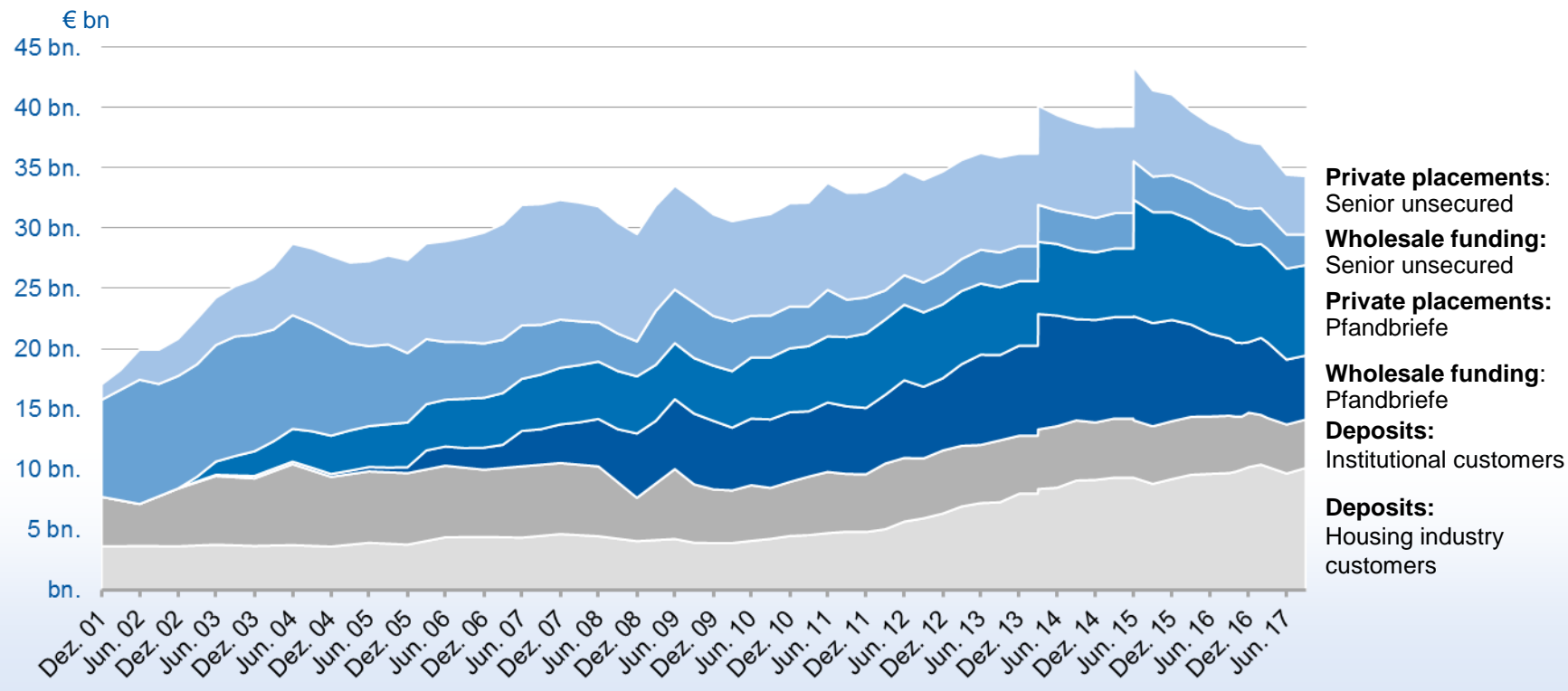
Sound liquidity position



- Total funding raised in 9M of 2017: € 2.1 bn, mainly driven by Pfandbriefe of € 1.7 bn
- Very successful placement of two Pfandbrief benchmark transactions in US-Dollar and British Pounds:
 - USD 625 mn 3Y
 - GBP 250 mn 3Y
- Additional USD 250 mn 3Y senior unsecured (October 2017)
- Transactions show strong distribution power also in other currencies than Euro
- Fulfilling liquidity-KPIs
 - NSFR > 1
 - LCR >> 1

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 30.09.2017, this share has fallen below 25% (or even below 10% without Pfandbriefe)

As at 30.09.2017



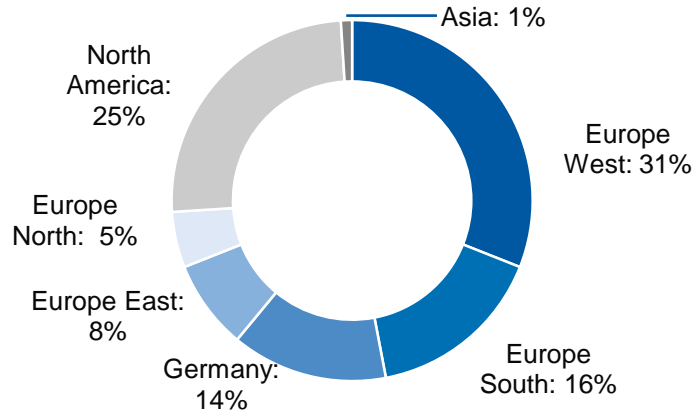
Asset quality

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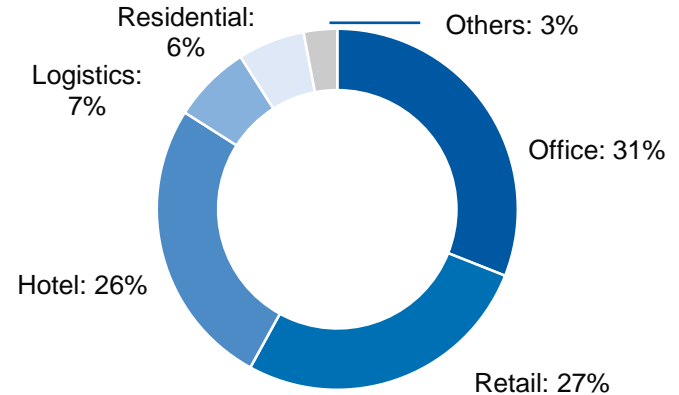
Commercial real estate finance portfolio¹⁾

€ 25.6 bn highly diversified and sound

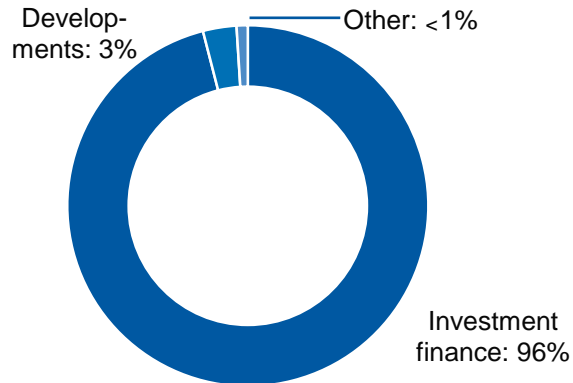
Portfolio by region



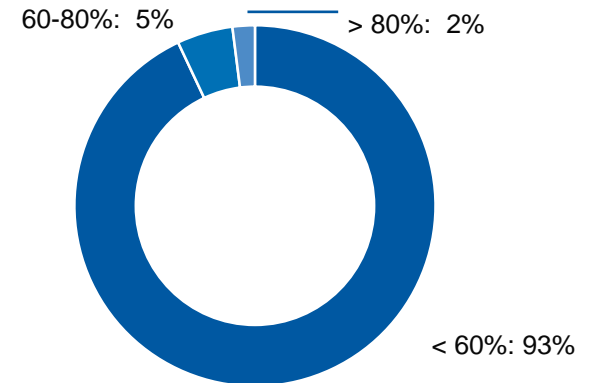
Portfolio by property type



Portfolio by product type



Portfolio by LTV ranges²⁾



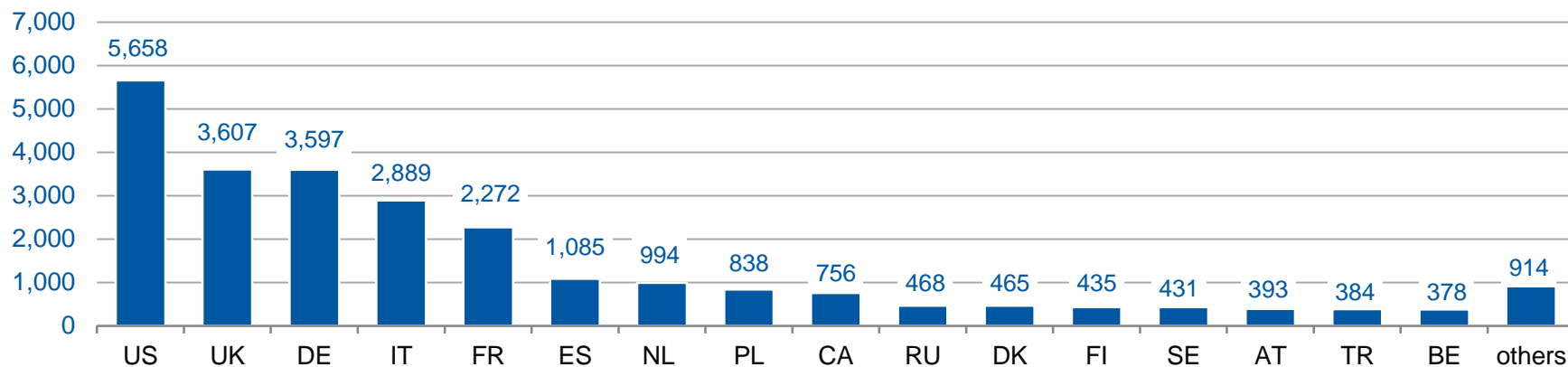
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

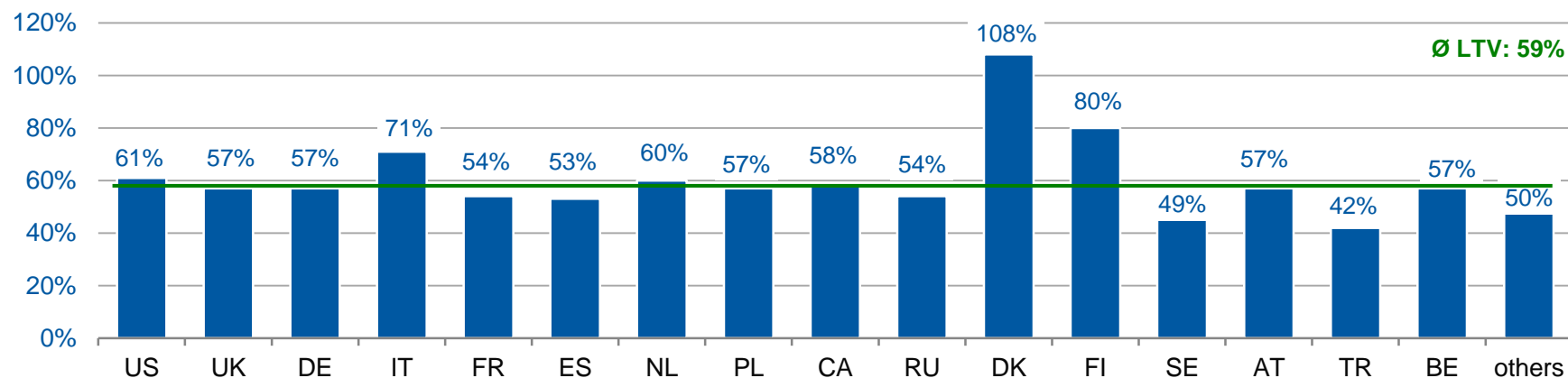
Commercial real estate finance portfolio¹⁾

Portfolio details

Total commercial real estate finance portfolio by country (€ mn)



LTV by country²⁾



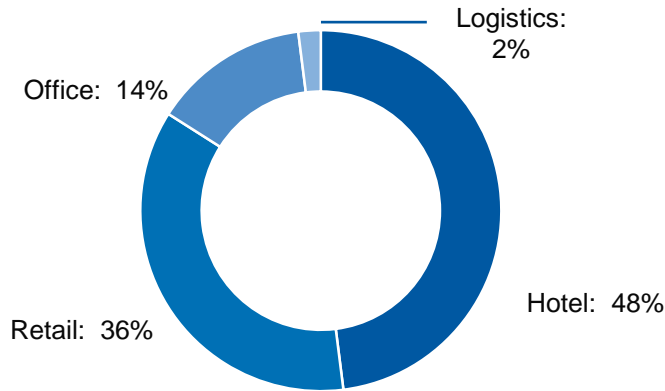
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

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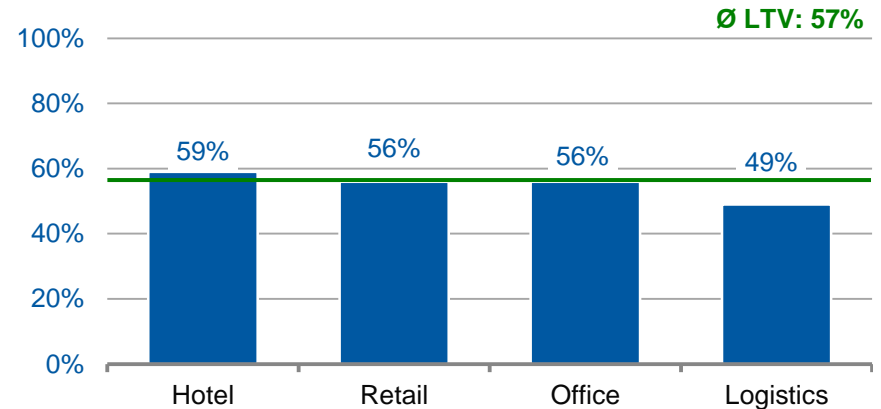
Spotlight: UK CRE finance portfolio¹⁾

€ 3.6 bn (~14% of total portfolio)

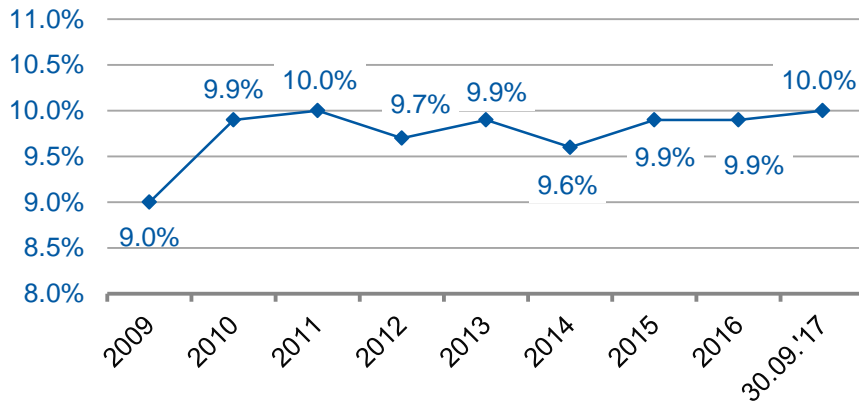
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - ~ 110 properties financed, no developments
 - ~ 55% of total portfolio in Greater London area, emphasising on hotels
 - € 152 mn with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 69%
- No NPL

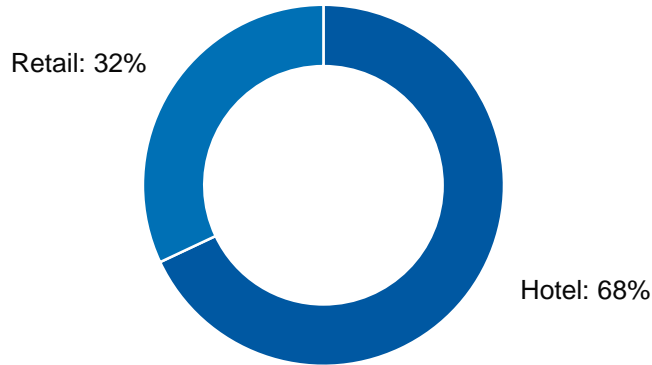
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

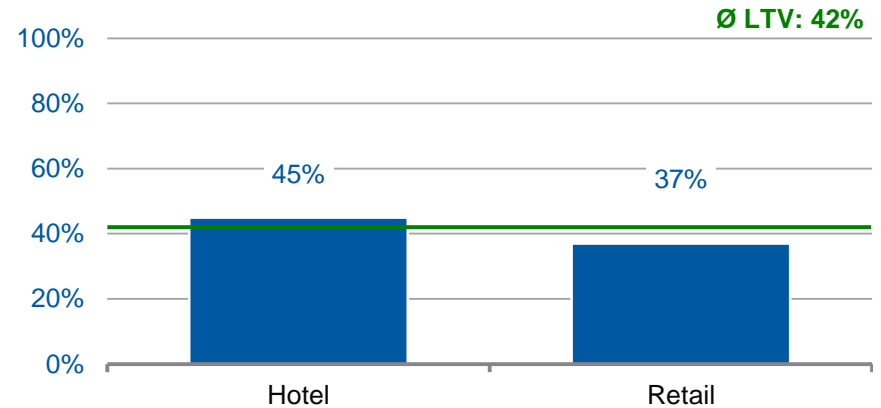
Spotlight: Turkey CRE finance portfolio¹⁾

€ 0.4 bn (~2% of total portfolio)

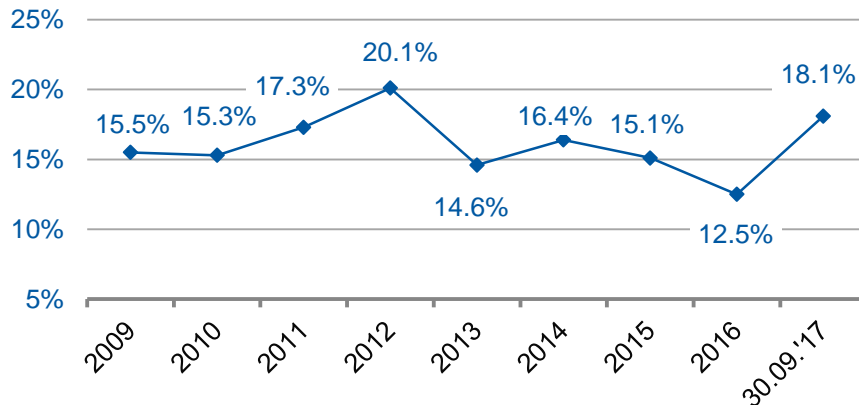
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - 7 properties financed: 5 hotels, 2 retail, no logistics, no developments
 - ~ 70% of total portfolio in Istanbul / Antalya
 - No Deals with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 58%
- NPL: € 91 mn, 2 deals (hotel, retail)

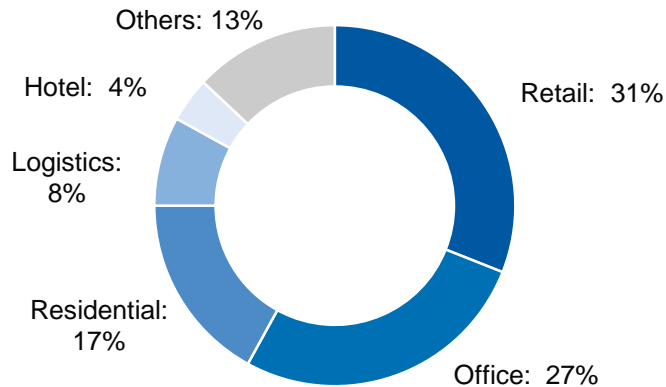
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

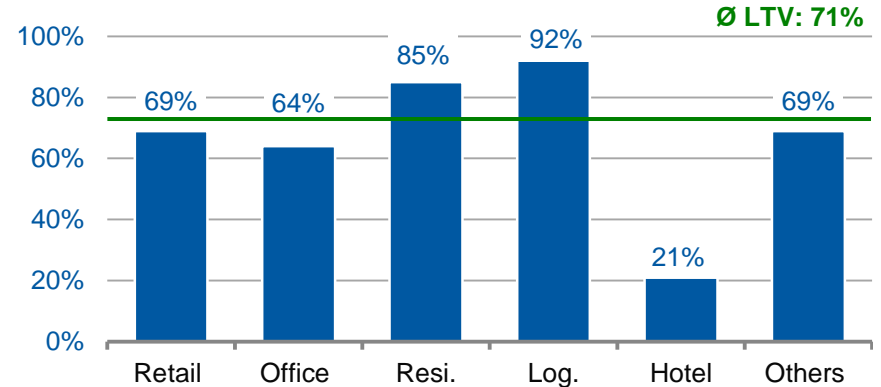
Spotlight: Italian CRE finance portfolio¹⁾

€ 2.9 bn (~11% of total portfolio)

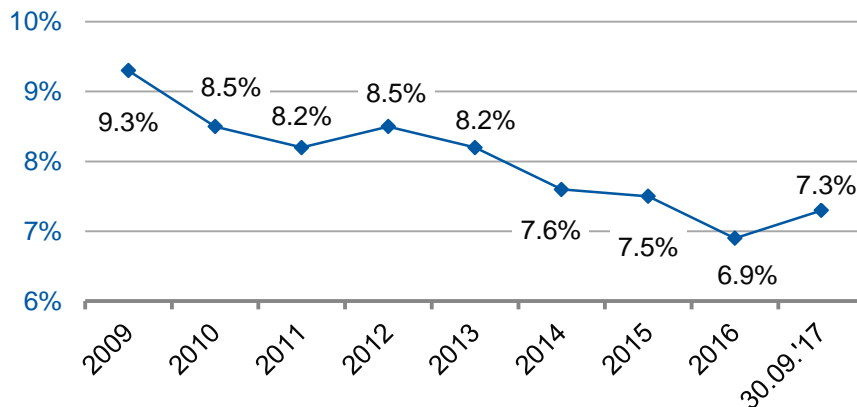
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - ~ 200 properties financed, < 10% developments
 - ~ 60% of total portfolio in Greater Rome or Milan area
 - € 339 mn with LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 91%
- NPL: € 764 mn

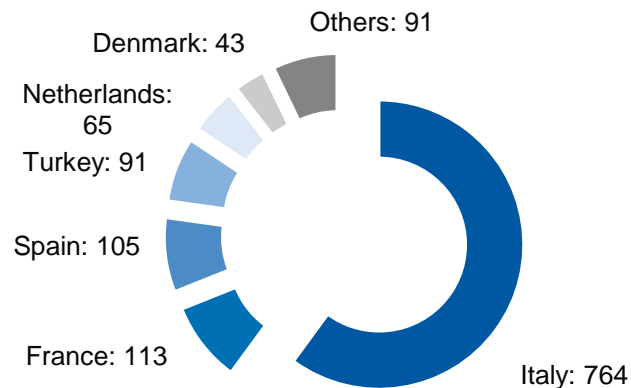
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

Spotlight Italy

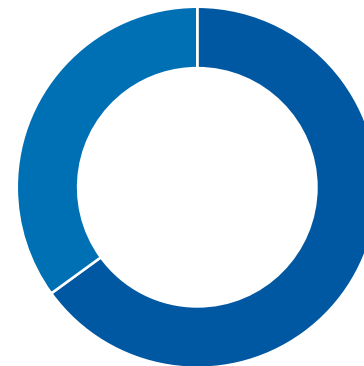
Italian NPL: clear going forward strategy

Total NPL portfolio: € 1,272 mn



Italian NPL by status

Enforcement:
~1/3



Restructured /
agreement in place
or planned:
~2/3

Italian NPL

- Restructuring period: vast majority to be solved till 2020
- Current enforcement period 3-4 years, but improving due to new legislation

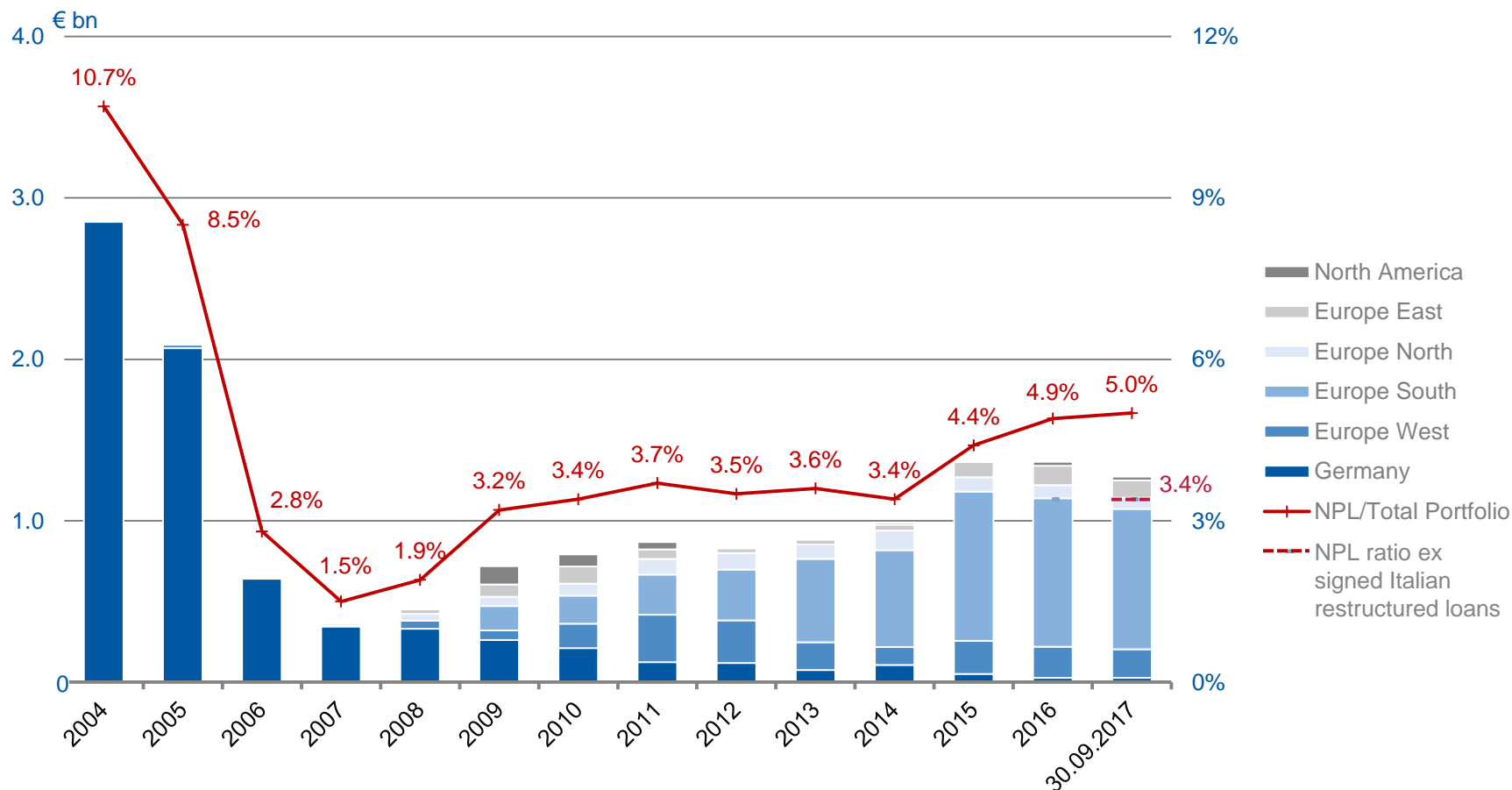


All Italian NPL are fully covered despite being in different workout-stages

Commercial real estate finance portfolio¹⁾

Declining NPL volume but stable ratio

NPL and NPL-ratio (since 12.2004)

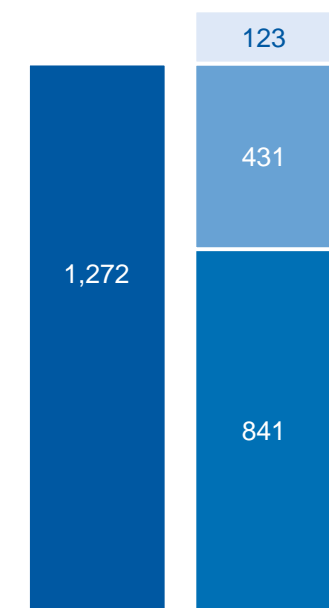
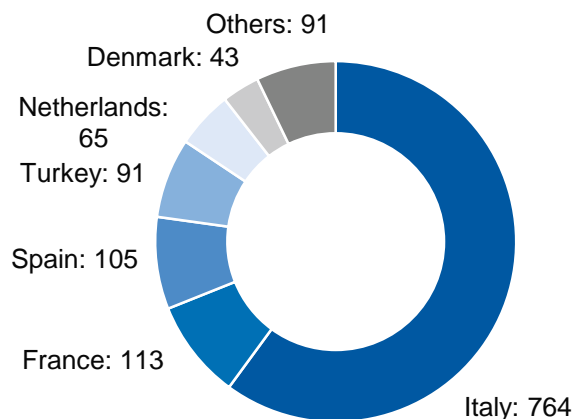


1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

Commercial real estate finance portfolio

NPL exposure fully covered including collaterals

NPL-split and coverage (€ mn)



	30.09.2017
Coverage ratio specific allowance	34%
Coverage ratio including portfolio allowance	44%

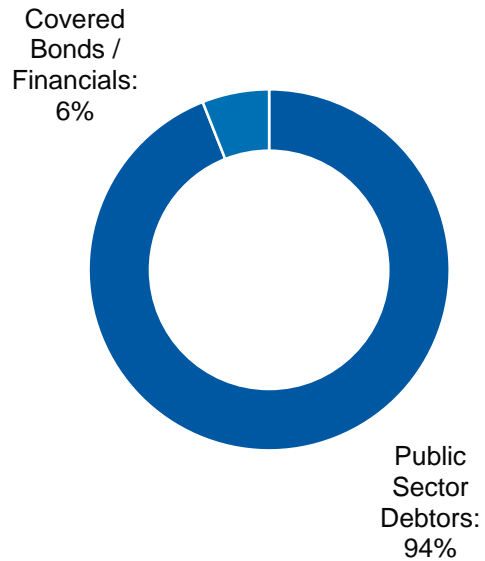
- NPL exposure
- Portfolio allowance
- Specific allowance
- Collaterals

1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

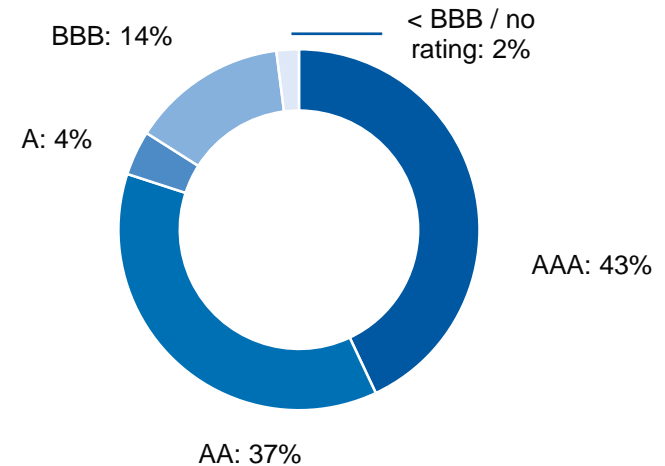
Treasury portfolio

€ 8.6 bn of high quality and highly liquid assets

by asset class



by rating¹⁾



As at 30.09.2017 – all figures are nominal amounts

1) Composite Rating



Outlook 2017

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Outlook 2017

Confirming guidance

2017	
Net interest income	▪ € 620 mn - € 660 mn incl. planned effects from early repayments (€ 35 mn - € 75 mn)
Allow. for credit losses¹⁾	▪ € 75 mn - € 100 mn
Net commission income	▪ € 195 mn - € 210 mn
Admin expenses	▪ € 470 mn - € 510 mn incl. expenses for projects and investments / effects from integration
Operating profit	▪ € 310 mn - € 350 mn
Pre-tax RoE	▪ 11% - 12.5% (9% - 10.5% excl. one-off from reversal of provisions related to CCB acquisition)
EpS	▪ € 2.85 - € 3.30
Target portfolio size	▪ € 25 bn - € 28 bn
New business origination²⁾	▪ € 7 bn - € 8 bn
Operating profit Aareon³⁾	▪ € 34 mn - € 35 mn

1) As in 2016, the bank cannot rule out additional allowances for credit losses

2) Incl. renewals

3) After segment adjustments

Conclusion

Well positioned to continue our successful development

Key takeaways

➔ Aareal Bank Group continues consequently its path in a unchanged challenging environment

➔ The good third quarter results proof once more the operative performance of Aareal Bank Group as well as its solid and sound financial strength

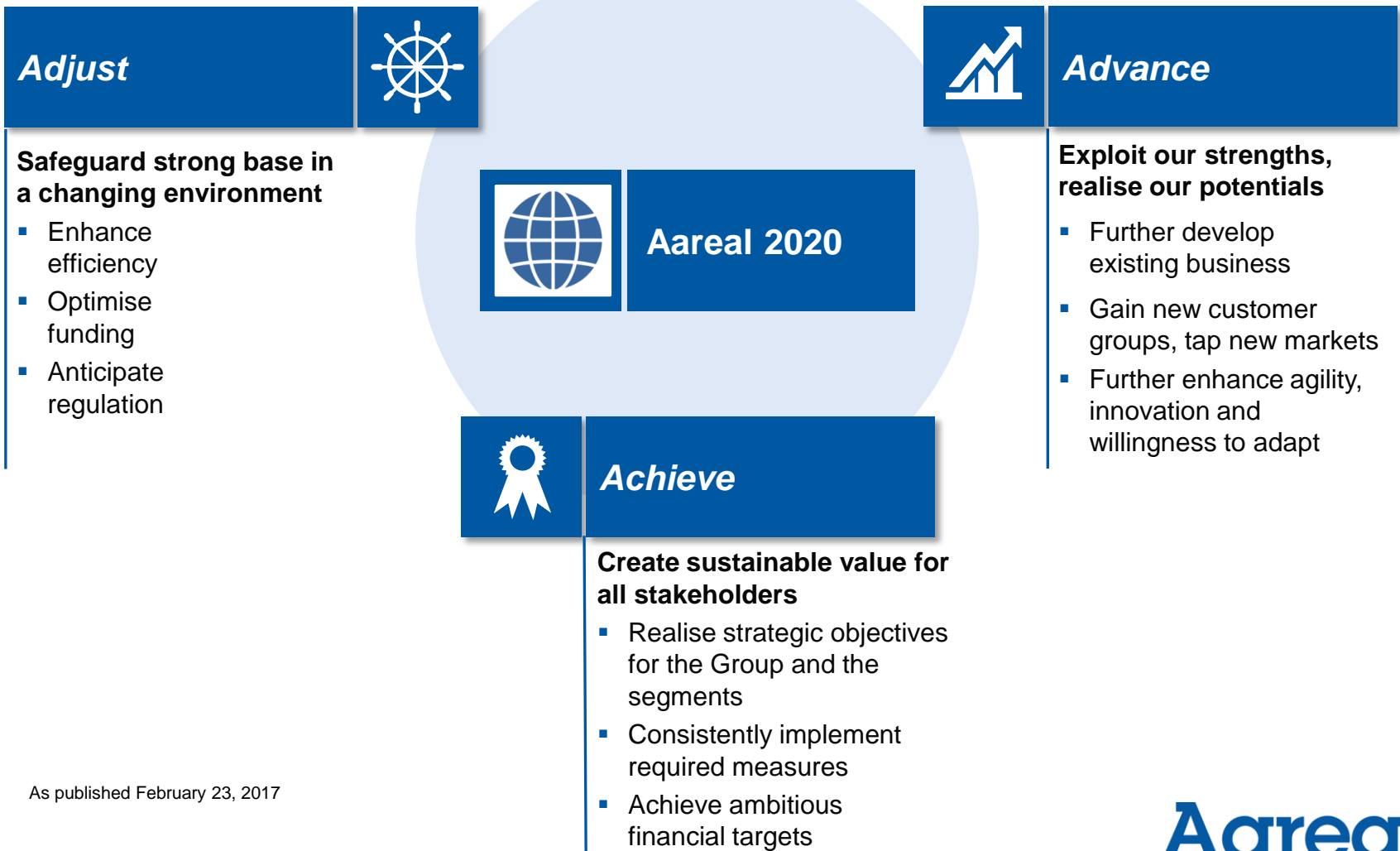
➔ Out of a position of strength, Aareal Bank Group safeguards its sustainable future development



Appendix
Aareal 2020

Aareal 2020 – *Adjust. Advance. Achieve.*


Our way ahead



As published February 23, 2017

Aareal 2020 – Adjust. Advance. Achieve.





We successfully started – in our operational business ...

	Achievements so far 	Focus 2017 	Targets 2020 Plus 
Structured Property Finance 	<ul style="list-style-type: none"> ✓ US-portfolio enhanced ✓ Non-core assets reduced ✓ Syndication volume increased ✓ Servicing platform, cooperation signed 	<ul style="list-style-type: none"> ▪ Further enhancing of attractive markets, e.g. USA ▪ Further reduction of non-core assets ▪ Further increasing syndication, enhancing investor bases and product scope ▪ Digitalisation of internal processes as well as clients' interface 	<ul style="list-style-type: none"> ▪ Expansion in markets with attractive risk return profile ▪ Strengthened portfolio- and balance sheet management ▪ New (digital) opportunities taken by enhancing value chain
Consulting/ Services	<ul style="list-style-type: none"> ✓ Core business successfully enhanced ✓ Digital platform developed and new digital solutions launched ✓ International cross-selling increased ✓ Network with start-ups enlarged, first cooperation signed 	<ul style="list-style-type: none"> ▪ Enlarging digital solutions portfolio ▪ Tapping joint markets and customer groups, e.g. utilities and CRE ▪ Intensifying cooperation, in particular with start-ups 	<ul style="list-style-type: none"> ▪ Eco system housing industry and utilities expanded ▪ Existing platform products for the B2C business for the housing industry further developed ▪ Further development of our payment transaction system and IT products as well as enlarging our customer base

As published February 23, 2017

Aareal 2020 – *Adjust. Advance. Achieve*

... and investing in our organisation and IT

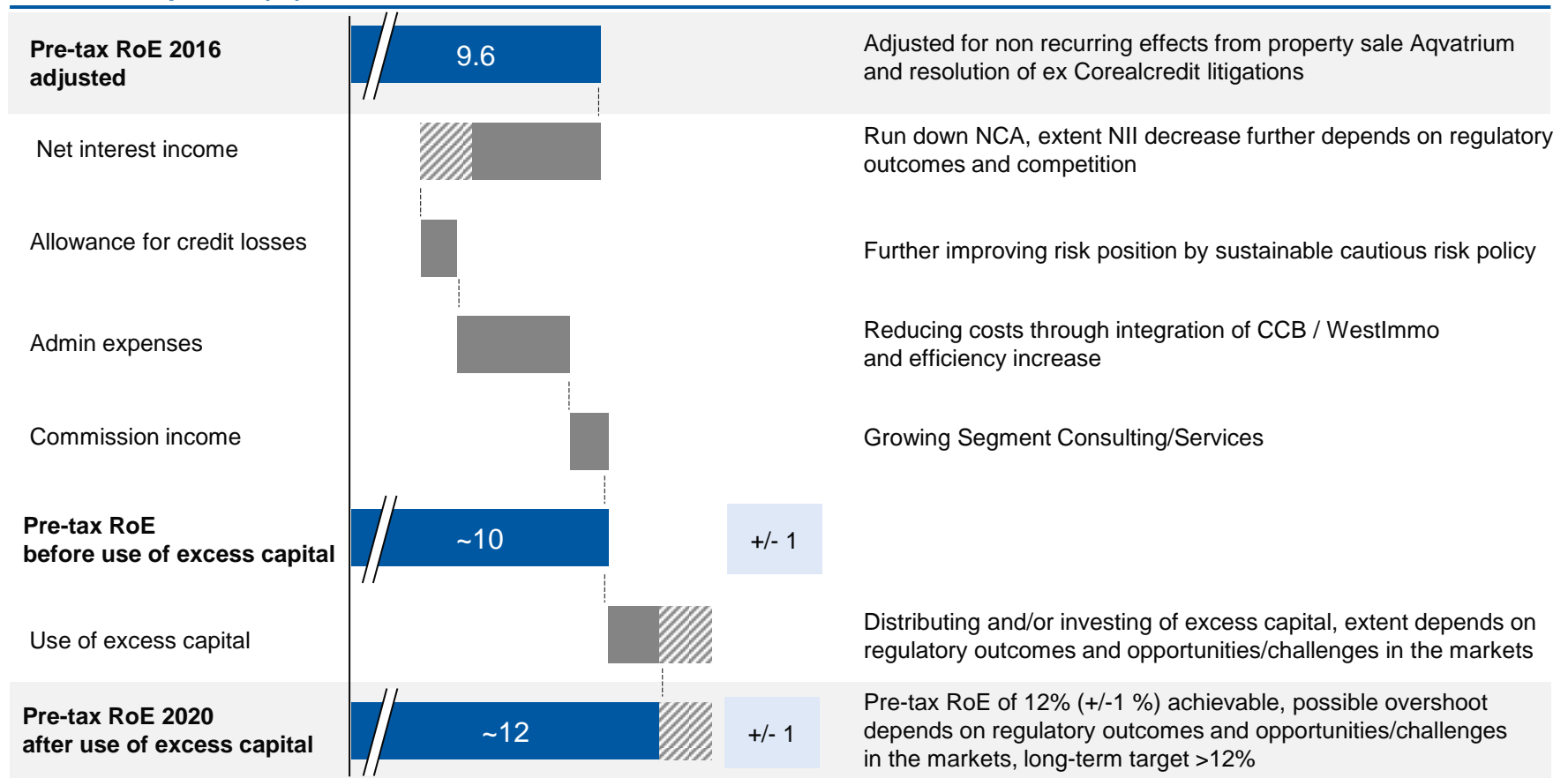
	Achievements so far 	Focus 2017 	Targets 2020 Plus 
	<ul style="list-style-type: none"> ✓ New governance model established ✓ Requirement of new IT-infrastructure defined ✓ WIB integration faster than originally planned ✓ Funding optimised and flexibility via second rating gained ✓ Regulation anticipated, Basel III requirements already fulfilled 	<ul style="list-style-type: none"> ▪ Optimising group structure and exploiting synergies ▪ Set-up of new IT-infrastructure ▪ Optimising deposit structure and making use of second rating ▪ Constant monitoring of regulation and anticipation possible changes 	<ul style="list-style-type: none"> ▪ Enhancing flexibility and efficiency ▪ Reducing complexity ▪ Optimising IT and digital processes ▪ Equilibrating capital structure ▪ Safeguarding broadly diversified funding base



Achieve.

Keep RoE on an attractive level despite difficult environment

RoE-Development (%)



As published February 23, 2017

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



Achieve.

Increase payout ratio (up to 80%)¹⁾

Base dividend

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

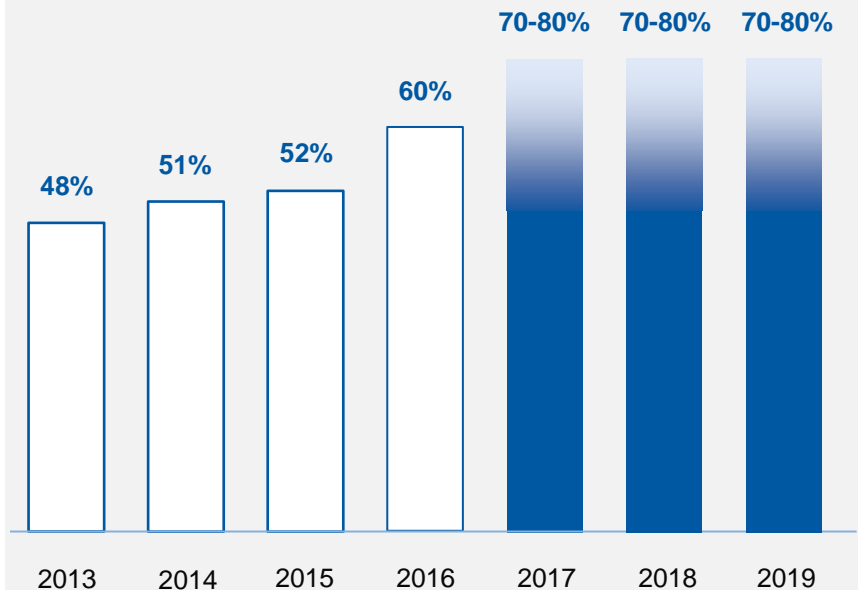
Supplementary dividend

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 - 2019



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 Bank Group

Results Q3 2017

	01.07.- 30.09.2017 € mn	01.07.- 30.09.2016 € mn	Change
Profit and loss account			
Net interest income	164	175	-6%
Allowance for credit losses	26	33	-21%
Net interest income after allowance for credit losses	138	142	-3%
Net commission income	48	44	9%
Net result on hedge accounting	1	3	-67%
Net trading income / expenses	10	4	150%
Results from non-trading assets	0	5	
Results from investments accounted for at equity		0	
Administrative expenses	120	127	-6%
Net other operating income / expenses	5	3	67%
Operating Profit	82	74	11%
Income taxes	31	23	35%
Consolidated net income	51	51	0%
Consolidated net income attributable to non-controlling interests	0	5	
Consolidated net income attributable to shareholders of Aareal Bank AG	51	46	11%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	51	46	11%
of which: allocated to ordinary shareholders	47	42	12%
of which: allocated to AT1 investors	4	4	0%
Earnings per ordinary share (in €) ²⁾	0.78	0.70	11%
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 Q3 2017 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.07.- 30.09. 2017	01.07.- 30.09. 2016	01.07.- 30.09. 2017	01.07.- 30.09. 2016	01.07.- 30.09. 2017	01.07.- 30.09. 2016	01.07.- 30.09. 2017	01.07.- 30.09. 2016
€ mn								
Net interest income	167	179	0	0	-3	-4	164	175
Allowance for credit losses	26	33					26	33
Net interest income after allowance for credit losses	141	146	0	0	-3	-4	138	142
Net commission income	1	2	45	39	2	3	48	44
Net result on hedge accounting	1	3					1	3
Net trading income / expenses	10	4					10	4
Results from non-trading assets	0	5					0	5
Results from investments accounted for at equity				0				0
Administrative expenses	68	77	53	51	-1	-1	120	127
Net other operating income / expenses	4	2	1	1	0	0	5	3
Operating profit	89	85	-7	-11	0	0	82	74
Income taxes	34	27	-3	-4			31	23
Consolidated net income	55	58	-4	-7	0	0	51	51
Allocation of results								
Cons. net income attributable to non-controlling interests	0	5	0	0			0	5
Cons. net income attributable to shareholders of Aareal Bank AG	55	53	-4	-7	0	0	51	46

Aareal Bank Group

Results 9M 2017

	01.01.- 30.09.2017 € mn	01.01.- 30.09.2016 € mn	Change
Profit and loss account			
Net interest income	486	532	-9%
Allowance for credit losses	53	64	-17%
Net interest income after allowance for credit losses	433	468	-7%
Net commission income	145	137	6%
Net result on hedge accounting	-5	4	
Net trading income / expenses	13	21	-38%
Results from non-trading assets	0	66	
Results from investments accounted for at equity		0	
Administrative expenses	388	417	-7%
Net other operating income / expenses	64	2	
Operating Profit	262	281	-7%
Income taxes	97	88	10%
Consolidated net income	165	193	-15%
Consolidated net income attributable to non-controlling interests	6	15	-60%
Consolidated net income attributable to shareholders of Aareal Bank AG	159	178	-11%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	159	178	-11%
of which: allocated to ordinary shareholders	147	166	-11%
of which: allocated to AT1 investors	12	12	0%
Earnings per ordinary share (in €) ²⁾	2.46	2.78	-12%
Earnings per ordinary AT1 unit (in €) ³⁾	0.12	0.12	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 9M 2017 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.09. 2017	01.01.- 30.09. 2016	01.01.- 30.09. 2017	01.01.- 30.09. 2016	01.01.- 30.09. 2017	01.01.- 30.09. 2016	01.01.- 30.09. 2017	01.01.- 30.09. 2016
€ mn								
Net interest income	494	542	0	0	-8	-10	486	532
Allowance for credit losses	53	64					53	64
Net interest income after allowance for credit losses	441	478	0	0	-8	-10	433	468
Net commission income	4	5	136	124	5	8	145	137
Net result on hedge accounting	-5	4					-5	4
Net trading income / expenses	13	21		0			13	21
Results from non-trading assets	0	66					0	66
Results from investments accounted for at equity				0				0
Administrative expenses ¹⁾	234	266	157	153	-3	-2	388	417
Net other operating income / expenses	62	1	2	1	0	0	64	2
Operating profit	281	309	-19	-28	0	0	262	281
Income taxes	104	98	-7	-10			97	88
Consolidated net income	177	211	-12	-18	0	0	165	193
Allocation of results								
Cons. net income attributable to non-controlling interests	4	13	2	2			6	15
Cons. net income attributable to shareholders of Aareal Bank AG	173	198	-14	-20	0	0	159	178

1) € 24 million in provisions for staff-related measures, resulting from the optimisation of processes and structures within the scope of the "Aareal 2020" programme for the future, was allocated to the Structured Property Financing segment in full.

Aareal Bank Group

Results – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
€ mn																				
Net interest income	167	160	167	174	179	0	0	0	0	0	-3	-2	-3	-5	-4	164	158	164	169	175
Allowance for credit losses	26	25	2	33	33											26	25	2	33	33
Net interest income after allowance for credit losses	141	135	165	141	146	0	0	0	0	0	-3	-2	-3	-5	-4	138	133	162	136	142
Net commission income	1	2	1	5	2	45	46	45	47	39	2	1	2	4	3	48	49	48	56	44
Net result on hedge accounting	1	-3	-3	-4	3											1	-3	-3	-4	3
Net trading income / expenses	10	4	-1	-2	4											10	4	-1	-2	4
Results from non-trading assets	0	0		0	5				1							0	0		1	5
Results from results accounted for at equity									0	0									0	0
Administrative expenses	68	77	89	80	77	53	53	51	51	51	-1	-1	-1	-1	-1	120	129	139	130	127
Net other operating income / expenses	4	54	4	26	2	1	1	0	2	1	0	0	0	0	0	5	55	4	28	3
Operating profit	89	115	77	86	85	-7	-6	-6	-1	-11	0	0	0	0	0	82	109	71	85	74
Income taxes	34	44	26	45	27	-3	-2	-2	-1	-4						31	42	24	44	23
Consolidated net income	55	71	51	41	58	-4	-4	-4	0	-7	0	0	0	0	0	51	67	47	41	51
Cons. net income attributable to non-controlling interests	0	0	4	3	5	0	1	1	1	0						0	1	5	4	5
Cons. net income attributable to shareholders of Aareal Bank AG	55	71	47	38	53	-4	-5	-5	-1	-7	0	0	0	0	0	51	66	42	37	46



Appendix
IFRS 9 / Defaulted exposure

IFRS 9

Remarks

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

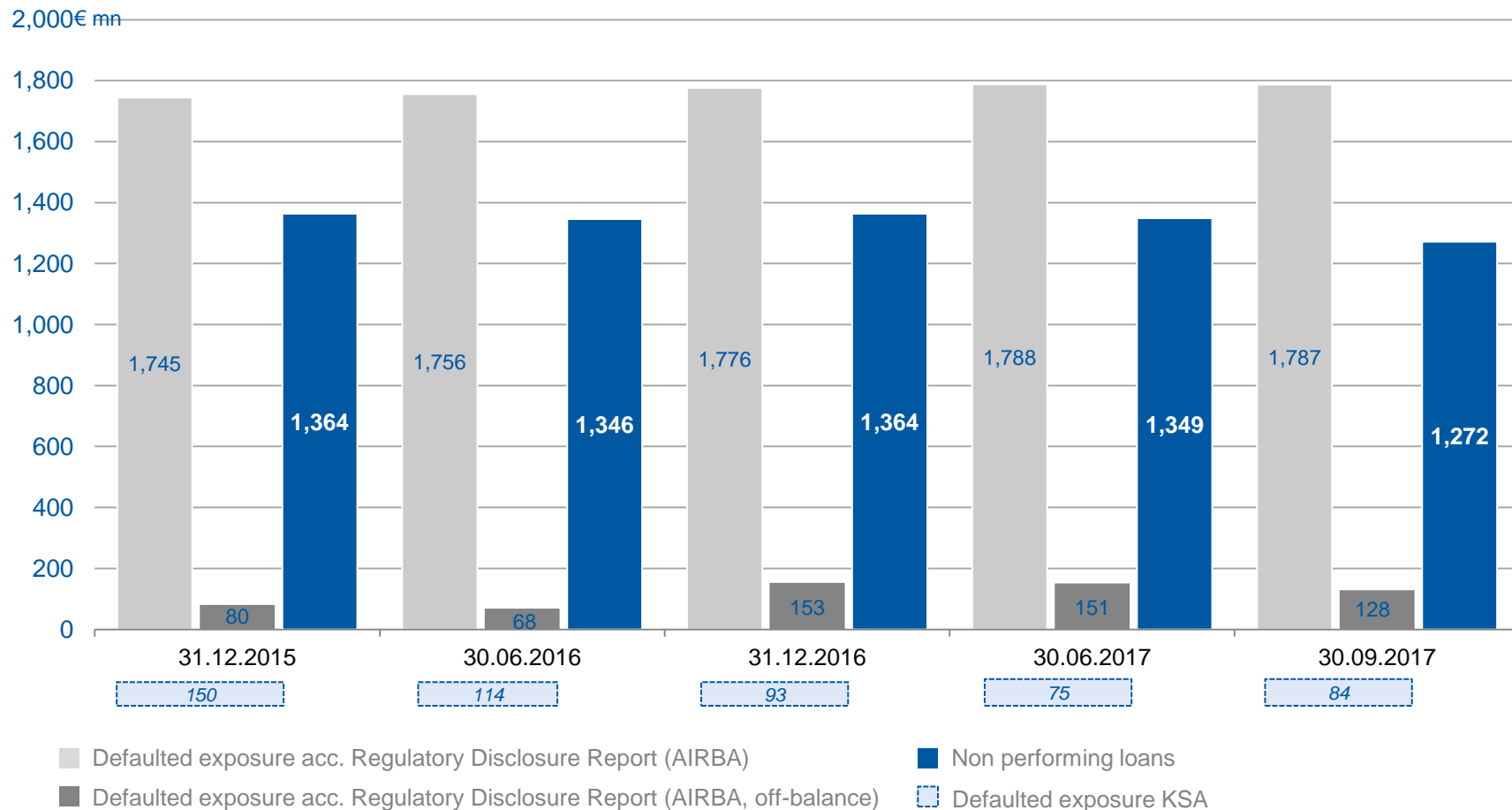
- Expected loss model:
 - Stage 1: LLP based on 12-Month expected credit losses on recognition
 - Stage 2: LLP based on lifetime expected credit losses on financial assets with significant increase in credit risk and
 - Stage 3: LLP based on lifetime expected credit losses on impaired financial assets
- 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. Disclosure Report





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)

	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013
€ mn				
Net Retained Profit	122	99	77	50
▪ <i>Net income</i>	122	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	720	715	710
= Total dividend potential before amount blocked ¹⁾	842	819	792	760
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	235	287	240	156
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	28	-	-	-
= Available Distributable Items ¹⁾	579	532	552	604
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	46	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⁾	625	578	609	661

1) Unaudited figures for information purposes only

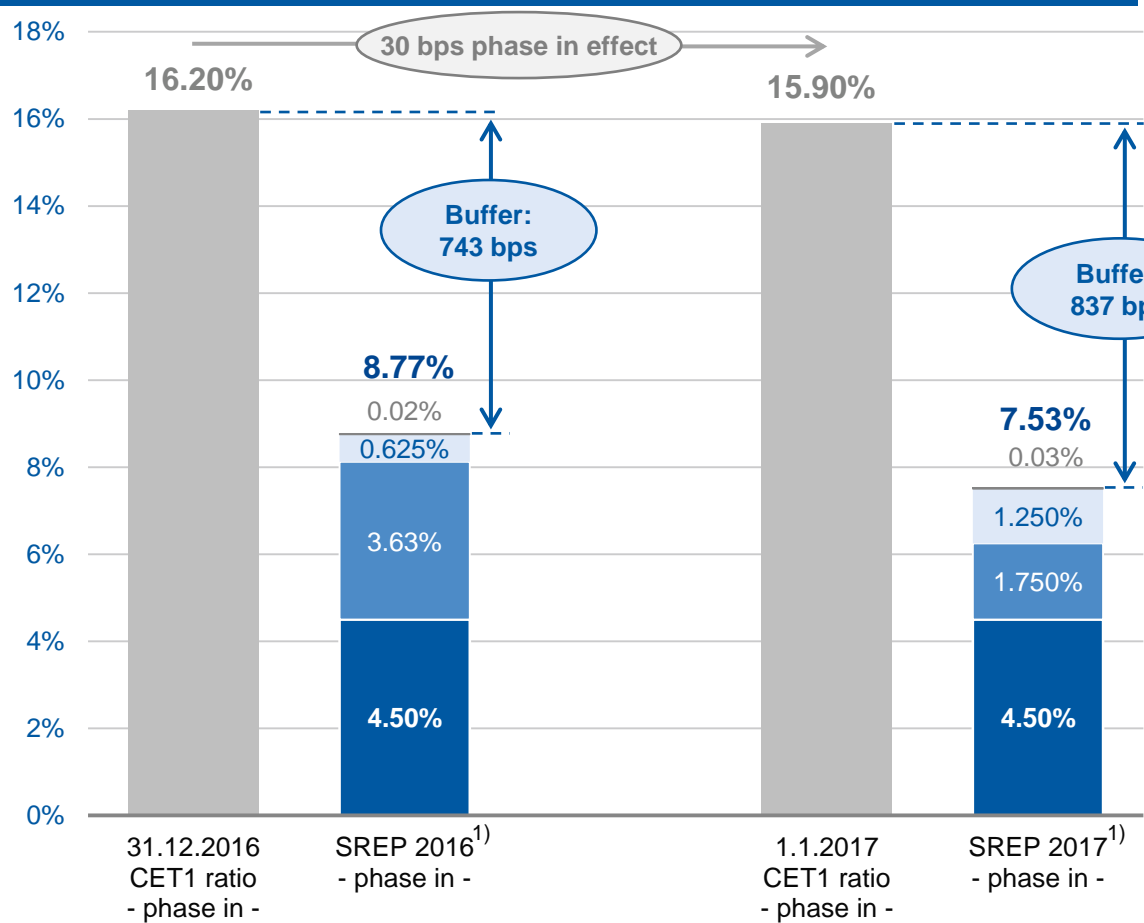


Appendix
SREP

SREP (CET 1) requirements

Demonstrating conservative and sustainable business model

Current CET1 ratio vs. SREP (CET1) requirements



- SREP requirement 2017 conceptual adjusted from CET1 approach to total SREP capital requirements (TSCR) approach
- Corresponding total capital requirement 2017 (Overall Capital Requirement (OCR) incl. buffers, phase-in) amounts to 11.03%. As of 31 Dec 2016 total capital ratio (phase-in) amounts to 27.5%

- Current CET 1 ratio
- Counter-cyclical Buffer
- Capital Conservation Buffer
- Pillar 2 Requirement
- Pillar 1 Requirement

1) SREP-CET1 Requirements incl. buffers (Capital Conservation and Counter-cyclical)
As published February 23, 2017

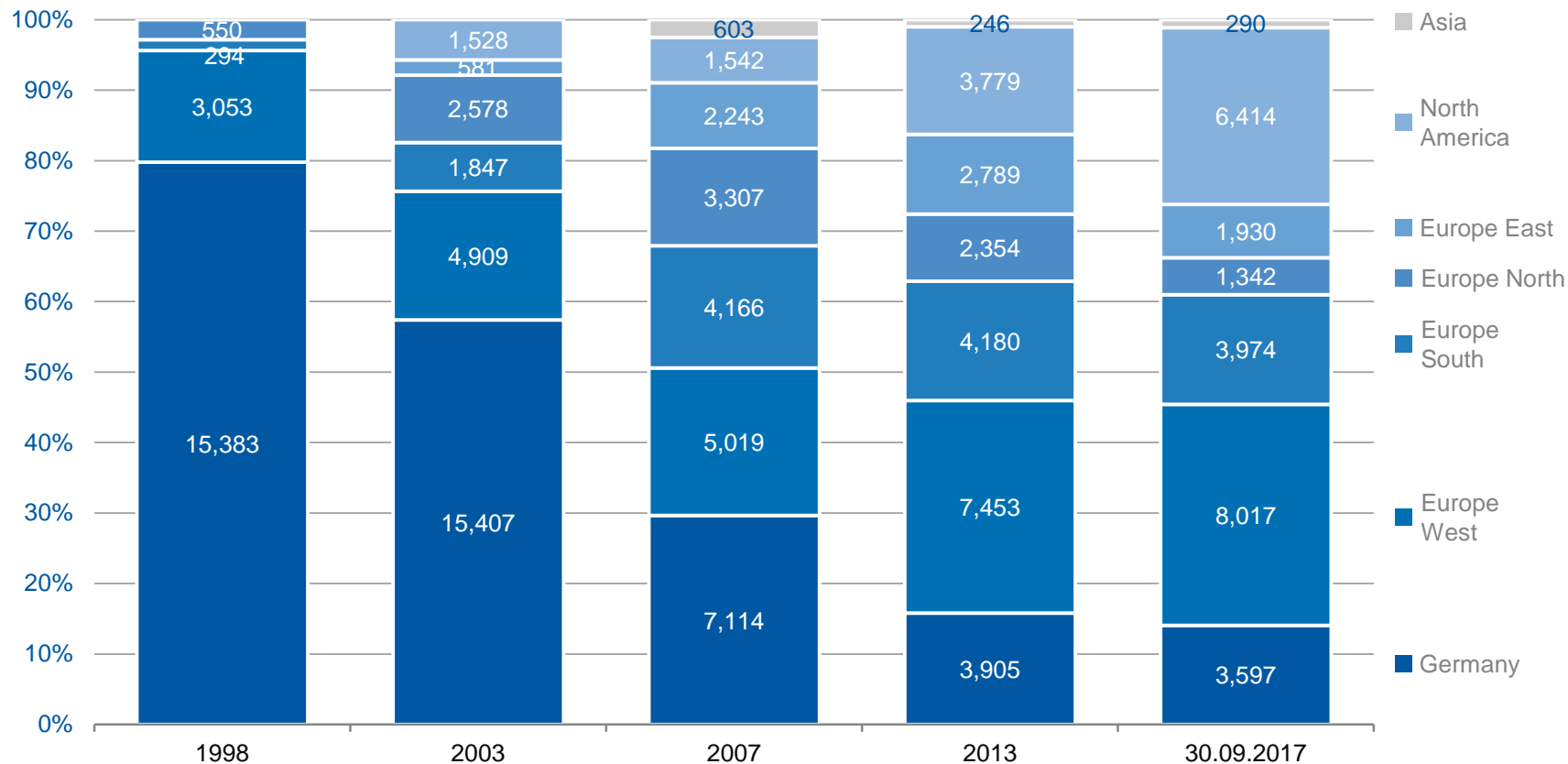


Appendix

Development commercial real estate
finance portfolio

Development commercial real estate finance portfolio¹⁾

Diversification continuously strengthened (in € mn)

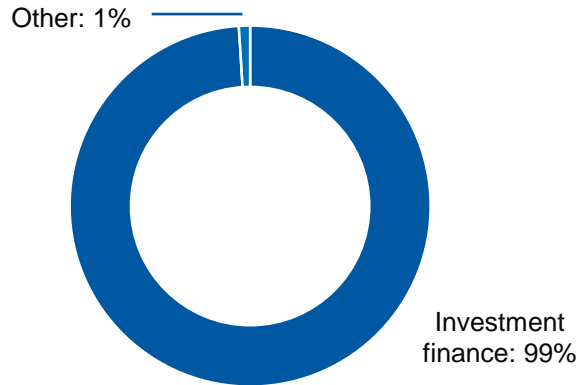


1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

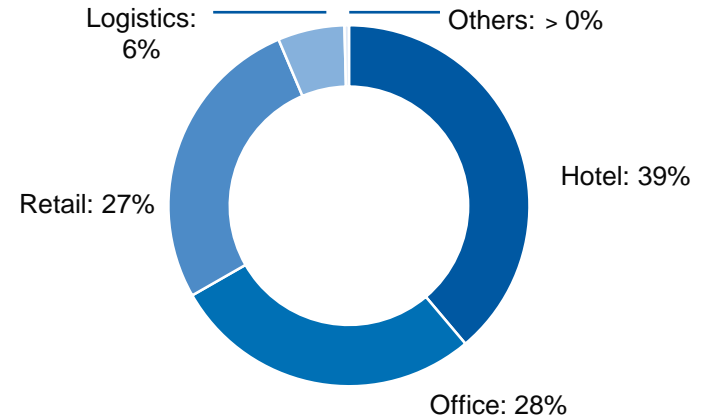
Western Europe (ex Germany) CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 8.0 bn

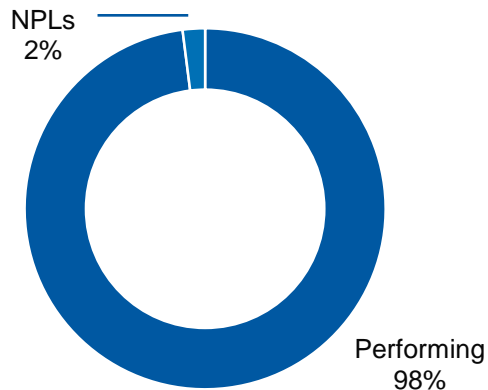
by product type



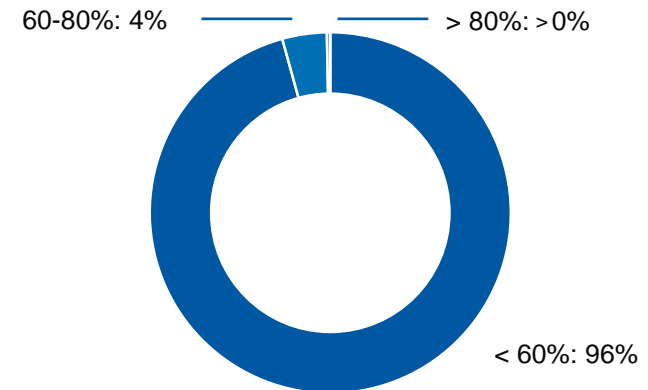
by property type



by performance



by LTV ranges²⁾



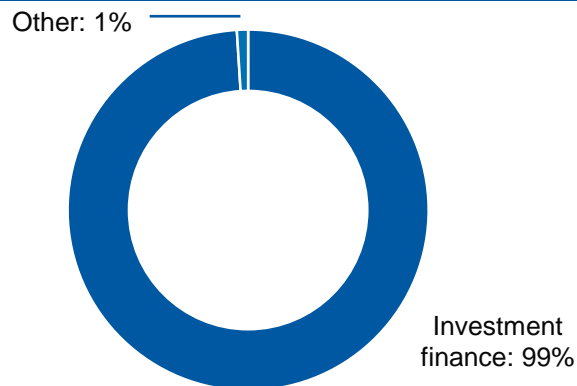
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

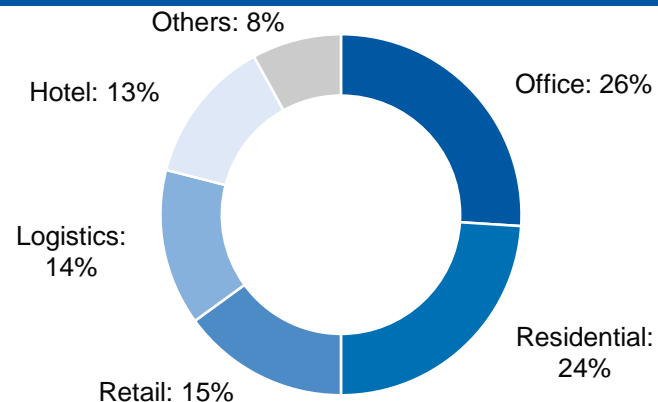
German CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 3.6 bn

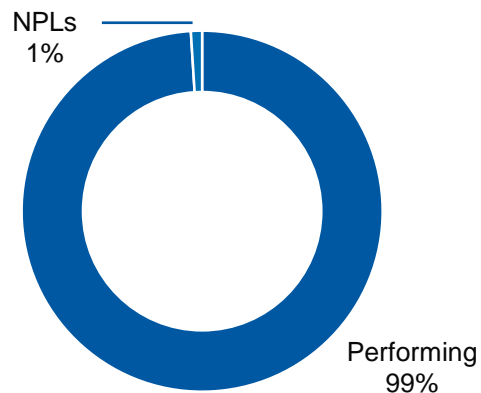
by product type



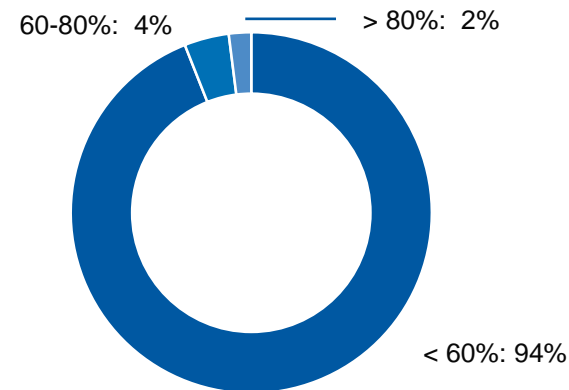
by property type



by performance



by LTV ranges²⁾



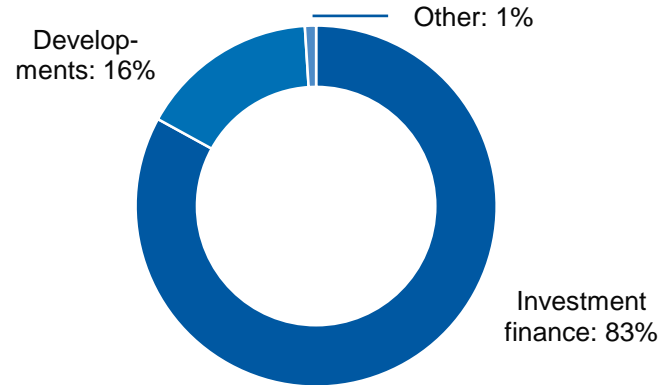
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

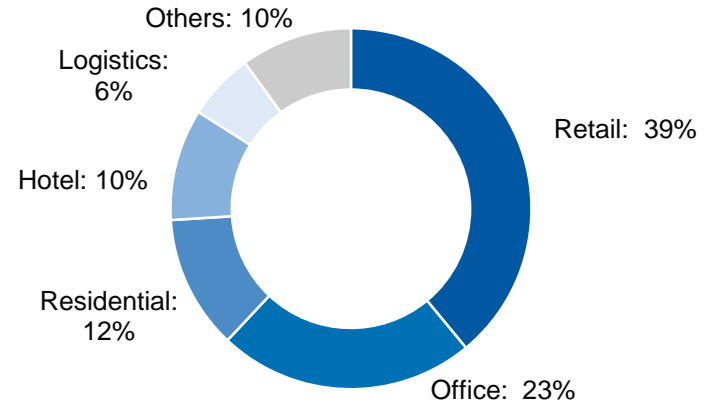
Southern Europe CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 4.0 bn

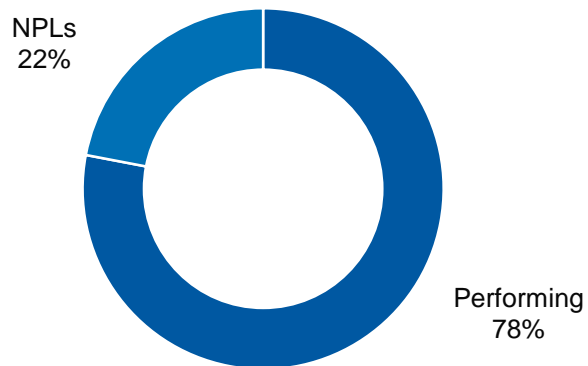
by product type



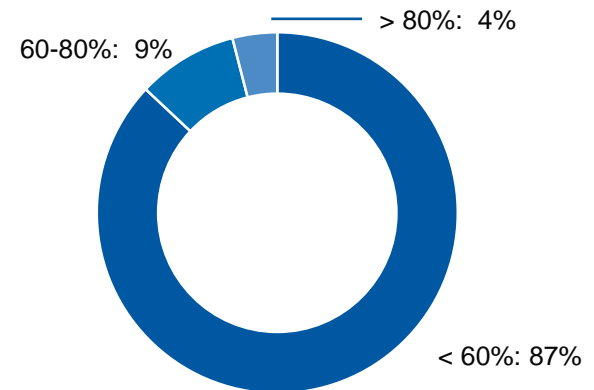
by property type



by performance



by LTV ranges²⁾



1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

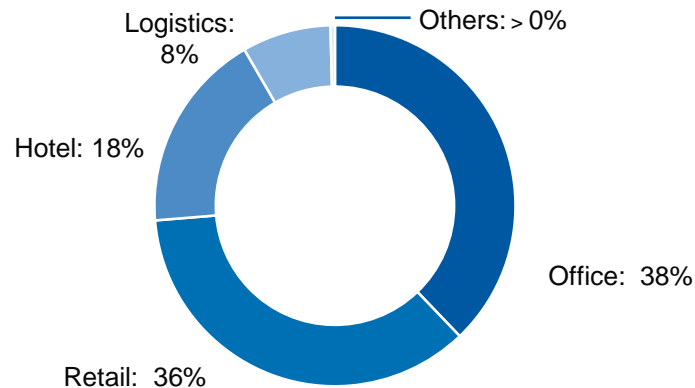
Eastern Europe CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 1.9 bn

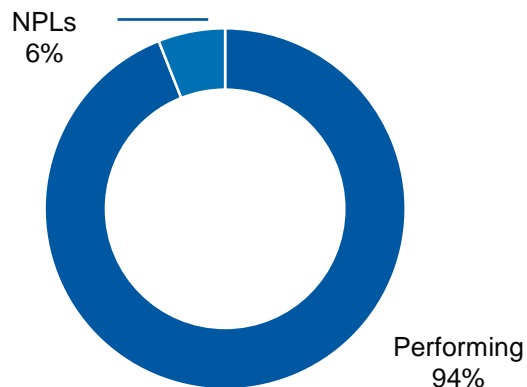
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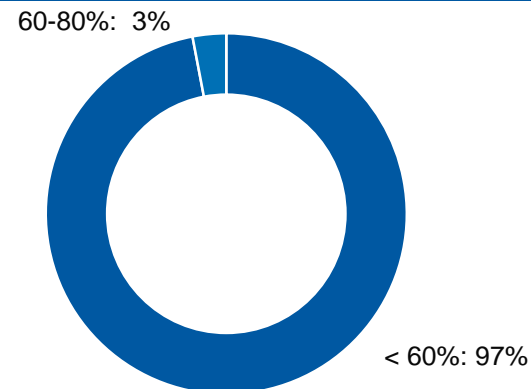
by property type



by performance



by LTV ranges²⁾



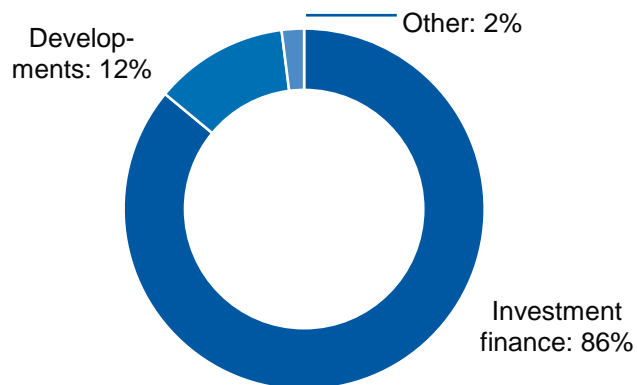
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

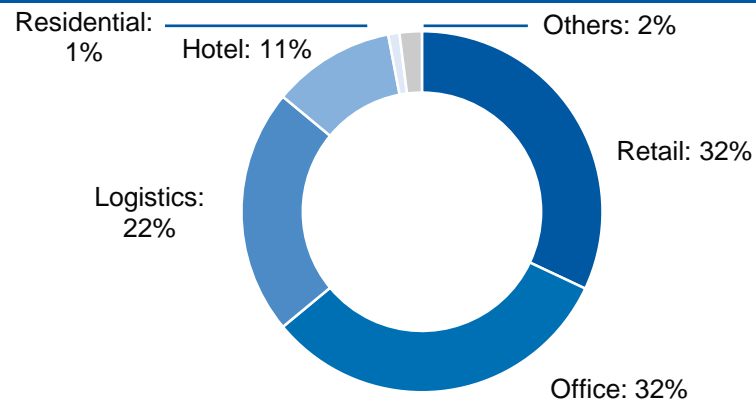
Northern Europe CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 1.3 bn

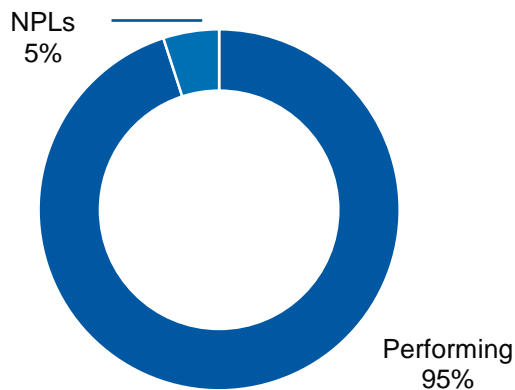
by product type



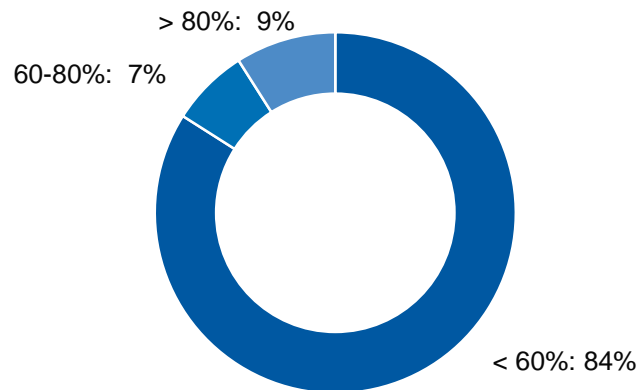
by property type



by performance



by LTV ranges²⁾



1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

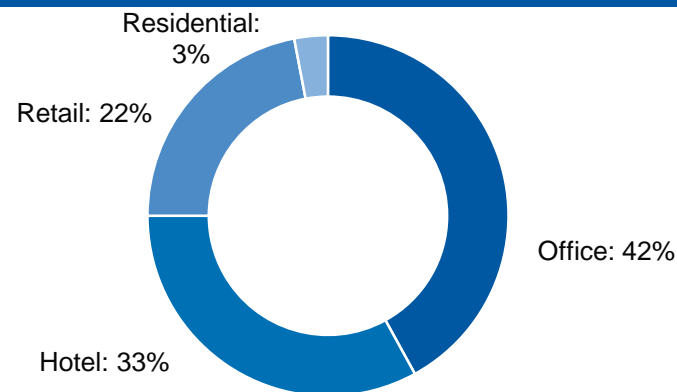
North America CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 6.4 bn

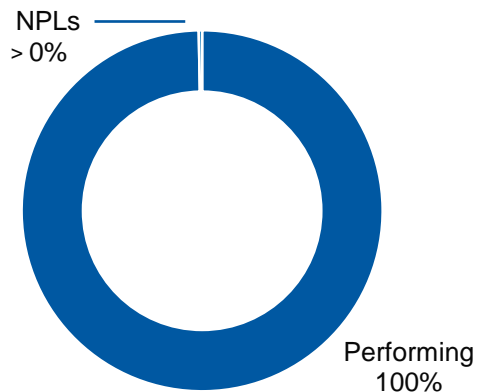
by product type



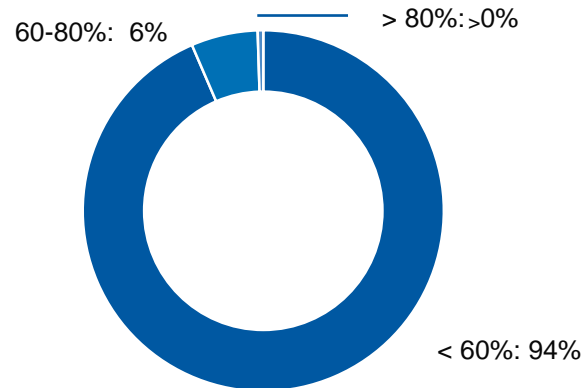
by property type



by performance



by LTV ranges²⁾



1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017

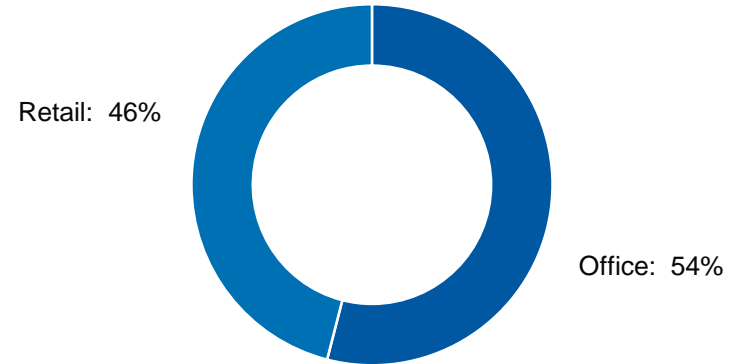
Asia CRE finance portfolio¹⁾

Total volume outstanding as at 30.09.2017: € 0.3 bn

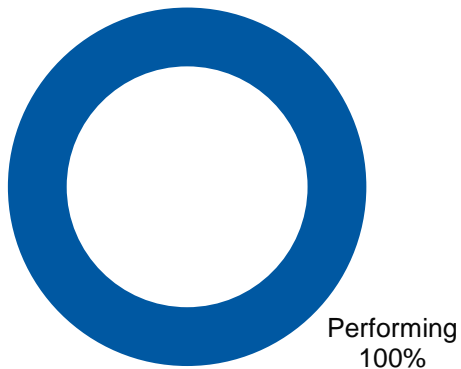
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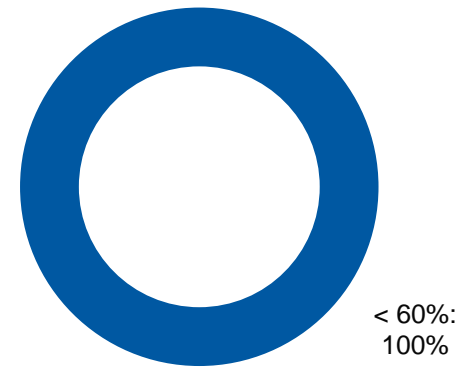
by property type



by performance



by LTV ranges²⁾



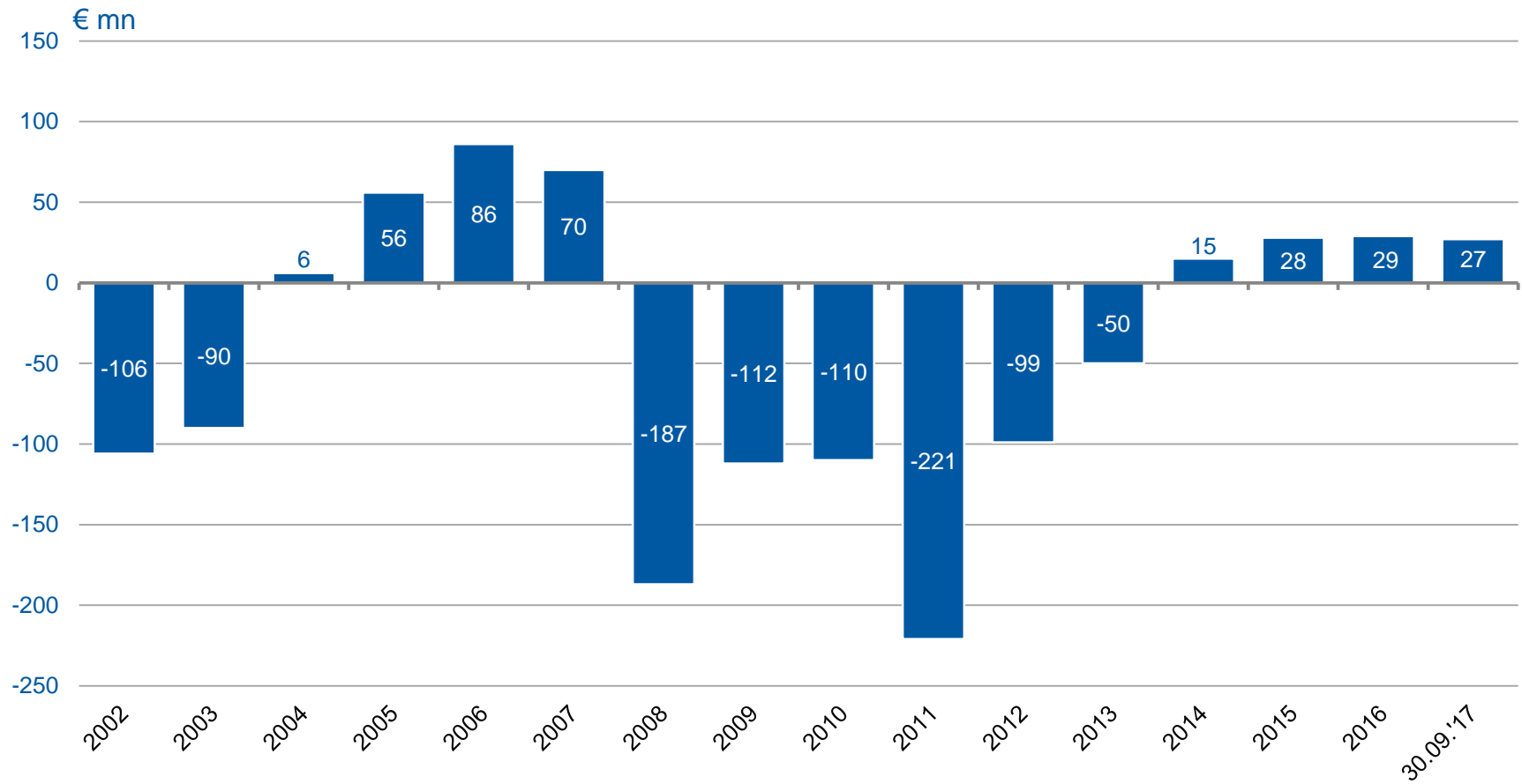
1) CRE-business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 30.09.2017



Appendix
Revaluation surplus

Revaluation surplus



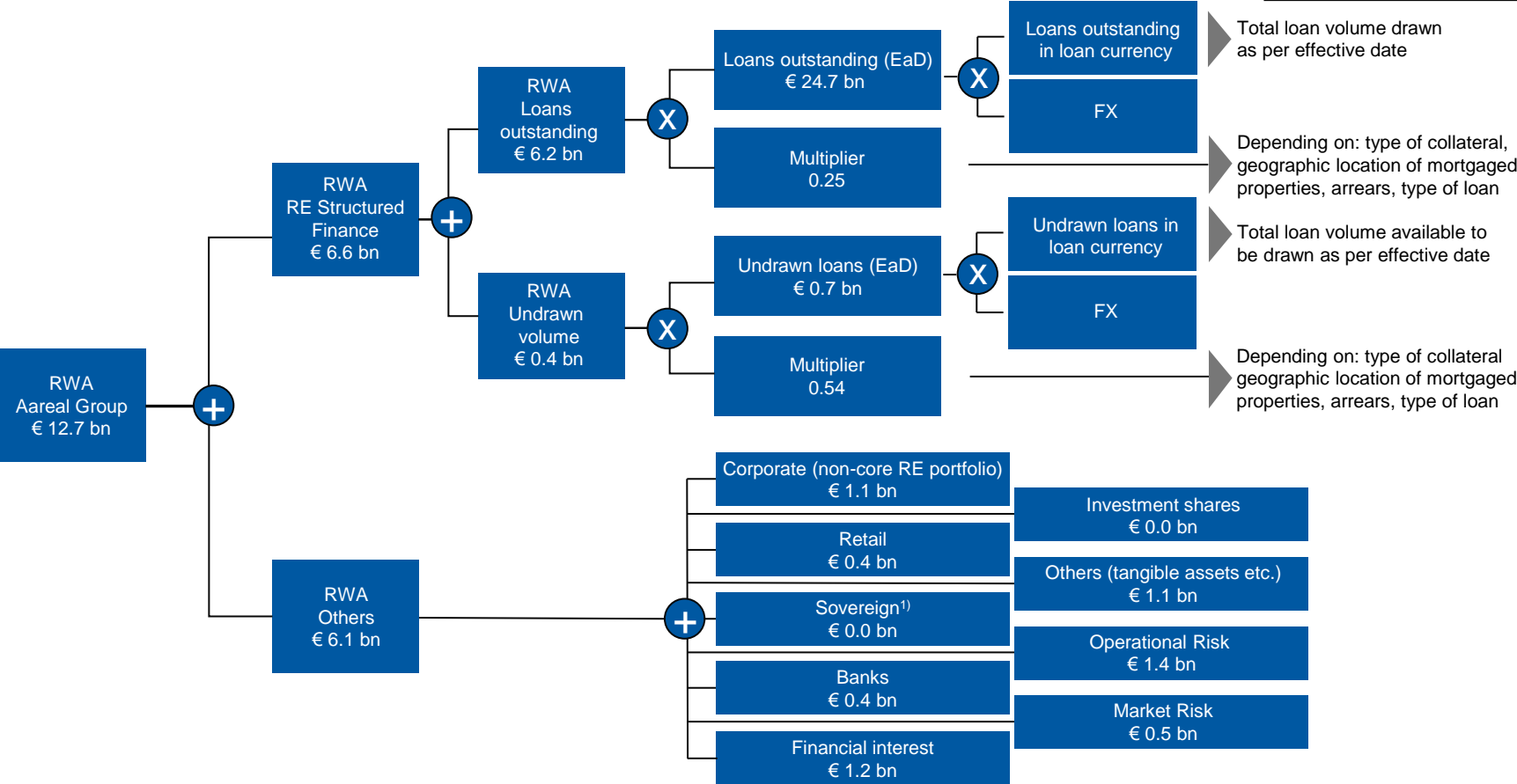


Appendix
RWA-split

From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 30/09/2017

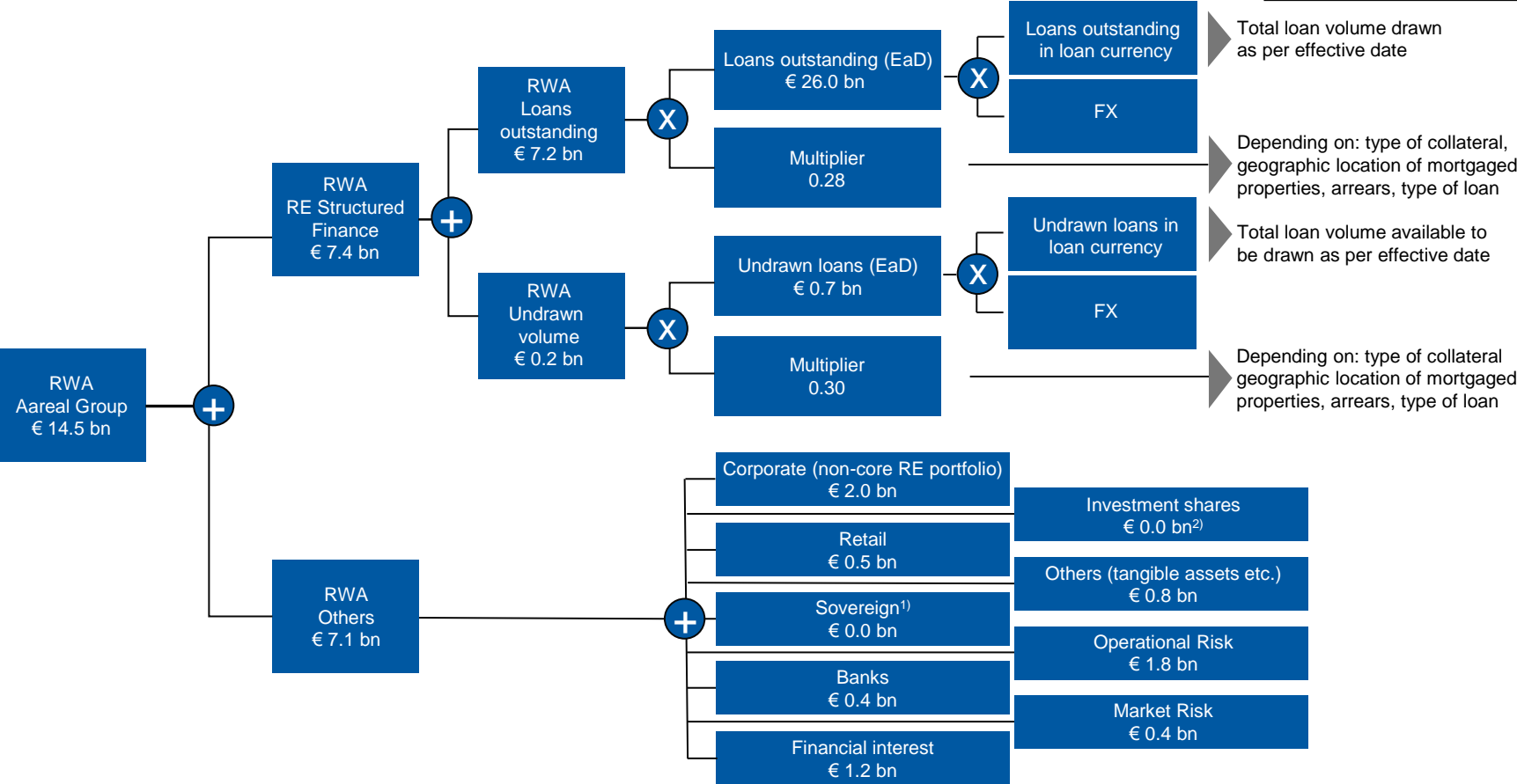


1) Amounts to € 34 mn

From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 31/12/2016



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



Sustainability Performance

Areal

Aareal Bank Group

Stands for solidity, reliability and predictability

Doing business sustainably

17.3% Common Equity Tier 1 ratio¹⁾, exceeds the statutory requirements



€ 25.6 bn Valuable Property Finance Portfolio²⁾



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



Aareal Bank awarded as top employer for the 10th time in succession



Systematic approach: Code of Conduct for employees & suppliers



Solid refinancing base: Covered Bonds³⁾ with best possible ratings



Aareal Bank & Aareon: Certified Ecoprofit companies, by using

100%
green electricity⁴⁾

Above-average results in sustainability ratings



1) Full Basel III implementation, as at 30.09.2017

2) CRE business only, private client business (€ 0.9 bn) and WIB's public sector loans (€ 0.6 bn) not included, as at 30.09.2017

3) Mortgage Pfandbriefe and Public-sector Pfandbriefe rated AAA by Fitch; 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

- SUSTAINABILITY DISCLOSURES 2016¹, structured according to requirements of EU Directive 2014/95/EU “Disclosure of non-financial and diversity information”, is based on Global Reporting Initiative (GRI) G4 guidelines, in compliance with “in accordance - core” option
- PricewaterhouseCoopers AG prepared a limited assurance engagement on materiality analysis / selected data



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 02/2017]
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 14% of its industry [as per 03/2017]
GRESB	Aareal Bank Group scores 56 out of 100 in GRESB Debt Assessment [as per 08/2017]
imug	Aareal Bank was rated “positive BBB” in the category “Uncovered Bonds”; the second best result of all 109 rated Financial Institutions [as per 03/2017]

1) <https://www.aareal-bank.com/en/responsibility/reporting-on-our-progress/sustainability-reporting/>



Definitions and contacts

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** =
$$\frac{\text{Operating profit } \therefore \text{ income/loss attributable to non-controlling interests } \therefore \text{ AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **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** =
$$\frac{\text{operating profit } \therefore \text{ income taxes } \therefore \text{ income/loss attributable to non controlling interests } \therefore \text{ net AT1 coupon}}{\text{Number of ordinary shares}}$$
- **Yield on Debt** =
$$\frac{\text{Net operating income (NOI)} \times 100}{\text{Current commitment incl. prior / pari-passu loans}}$$

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