

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Acquisition of Westdeutsche ImmobilienBank AG

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Agenda

- Strategic rationale
- Transaction structure
- Financials
- Next steps

- Appendix:
Westdeutsche ImmobilienBank AG (WestImmo)
at a glance

- Contacts



Acquisition of WestImmo

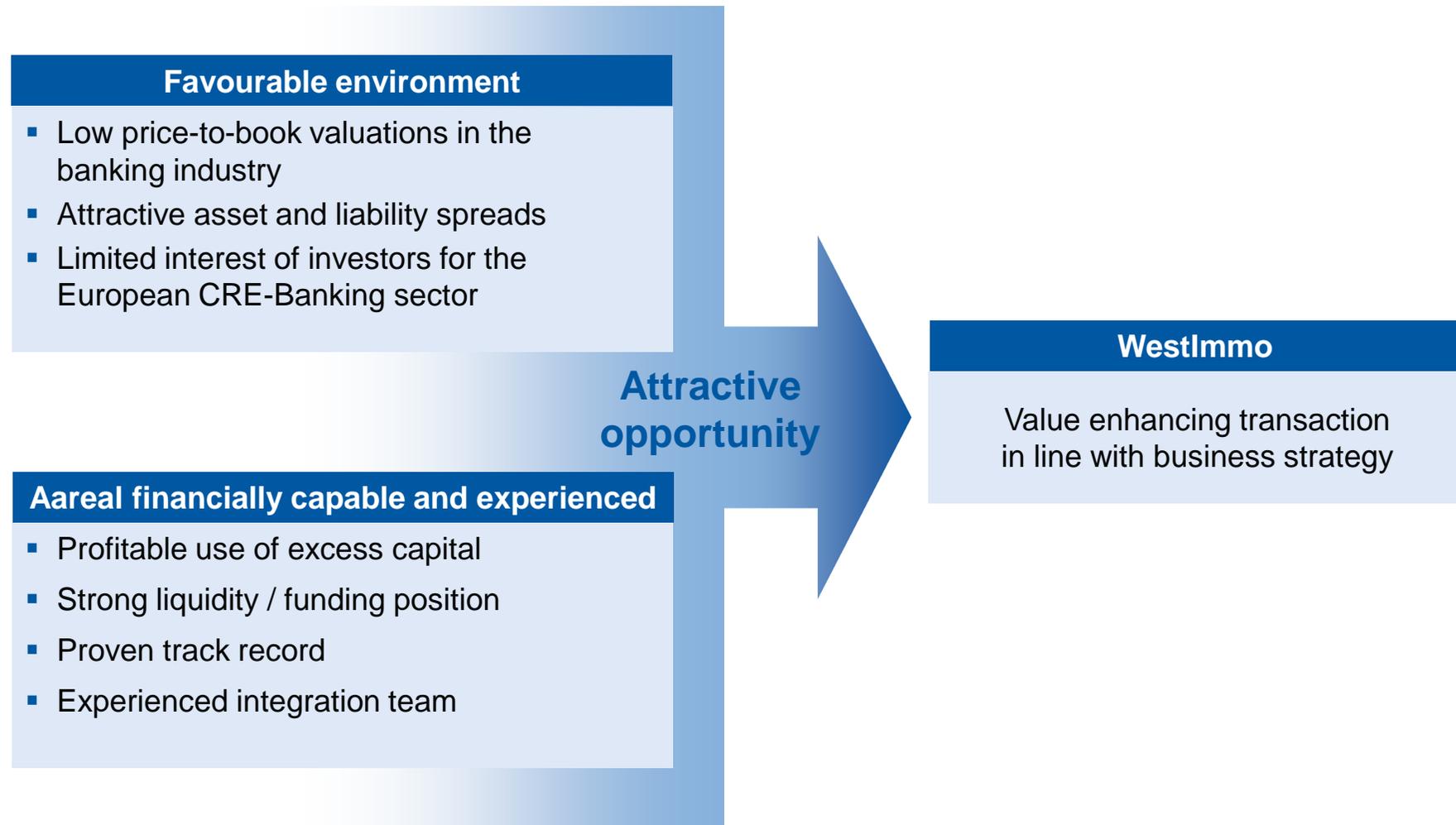
Strategic rationale



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Strategic rationale

Attractive opportunity to pursue inorganic growth



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



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



Acquisition of WestImmo

Transaction structure



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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 mn¹⁾

Closing conditions

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

1) Subject to further adjustments



Acquisition of WestImmo Financials

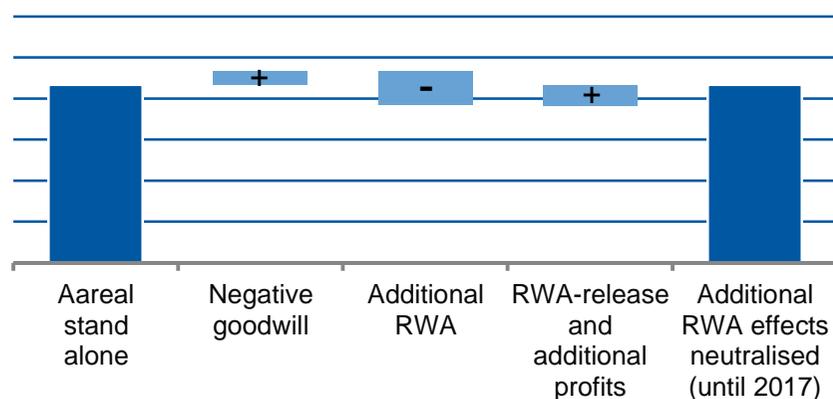


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Financials

Impact on capital ratios, EpS, and RoE¹⁾

Expected CET1 effects (Basel III fully phased)



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%)

1) Pro forma extrapolated, assumed closing 31.03.2015

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)

RoE

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

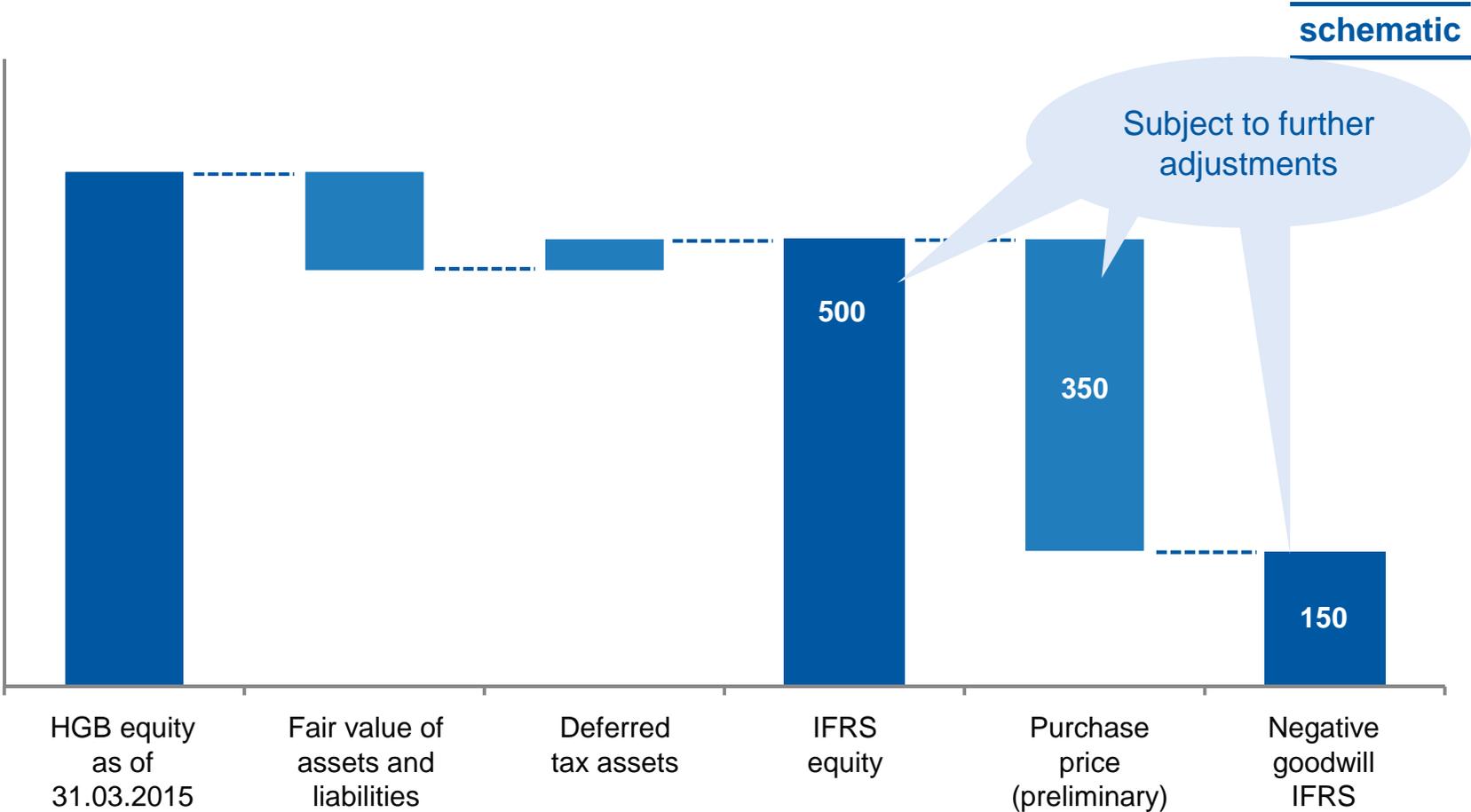
Dividend policy

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



Financials

Purchase price illustration¹⁾



1) Pro forma extrapolated, assumed closing 31.03.2015

Acquisition of WestImmo

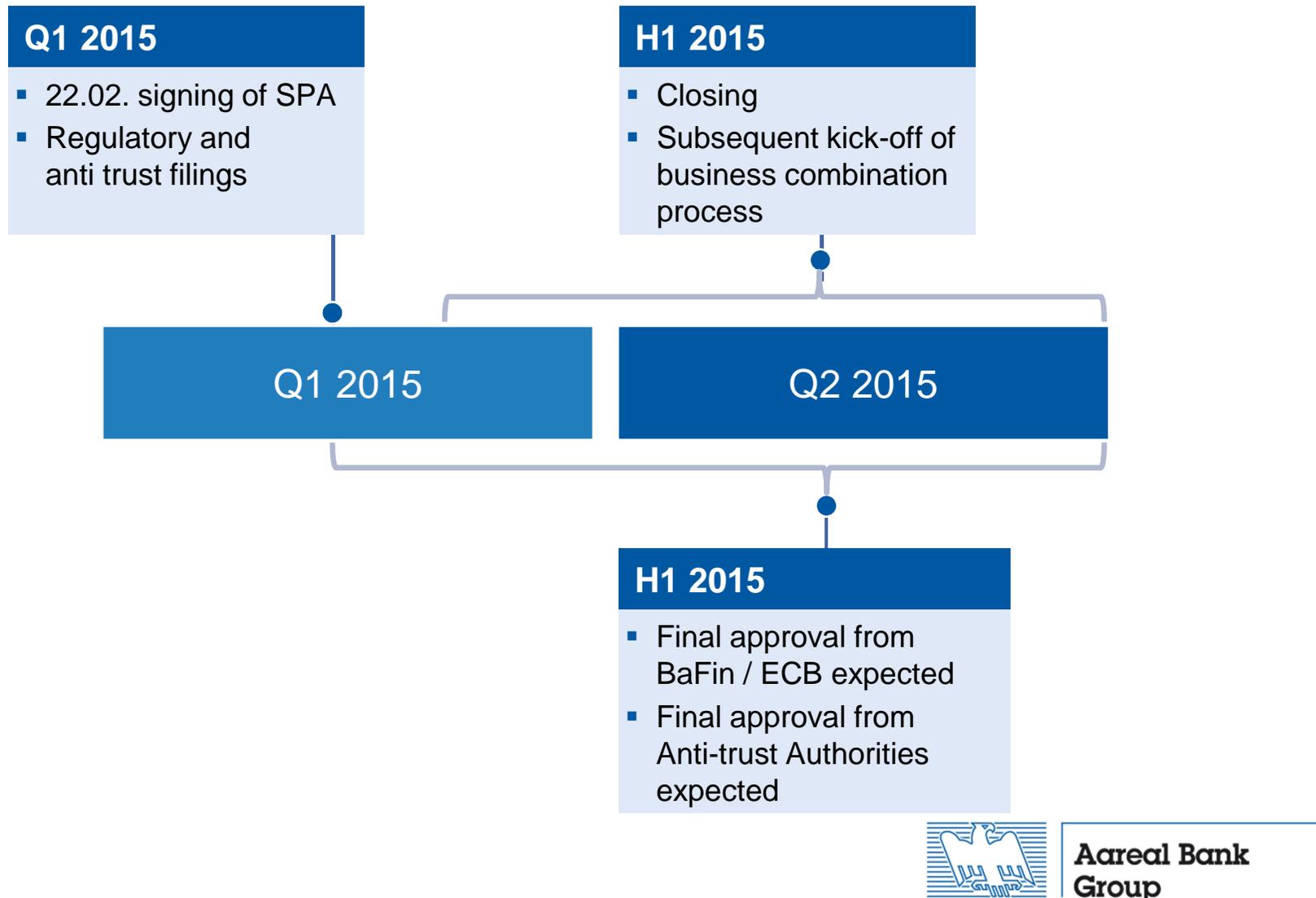
Next steps



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Next steps

Closing envisaged for H1 2015



Appendix

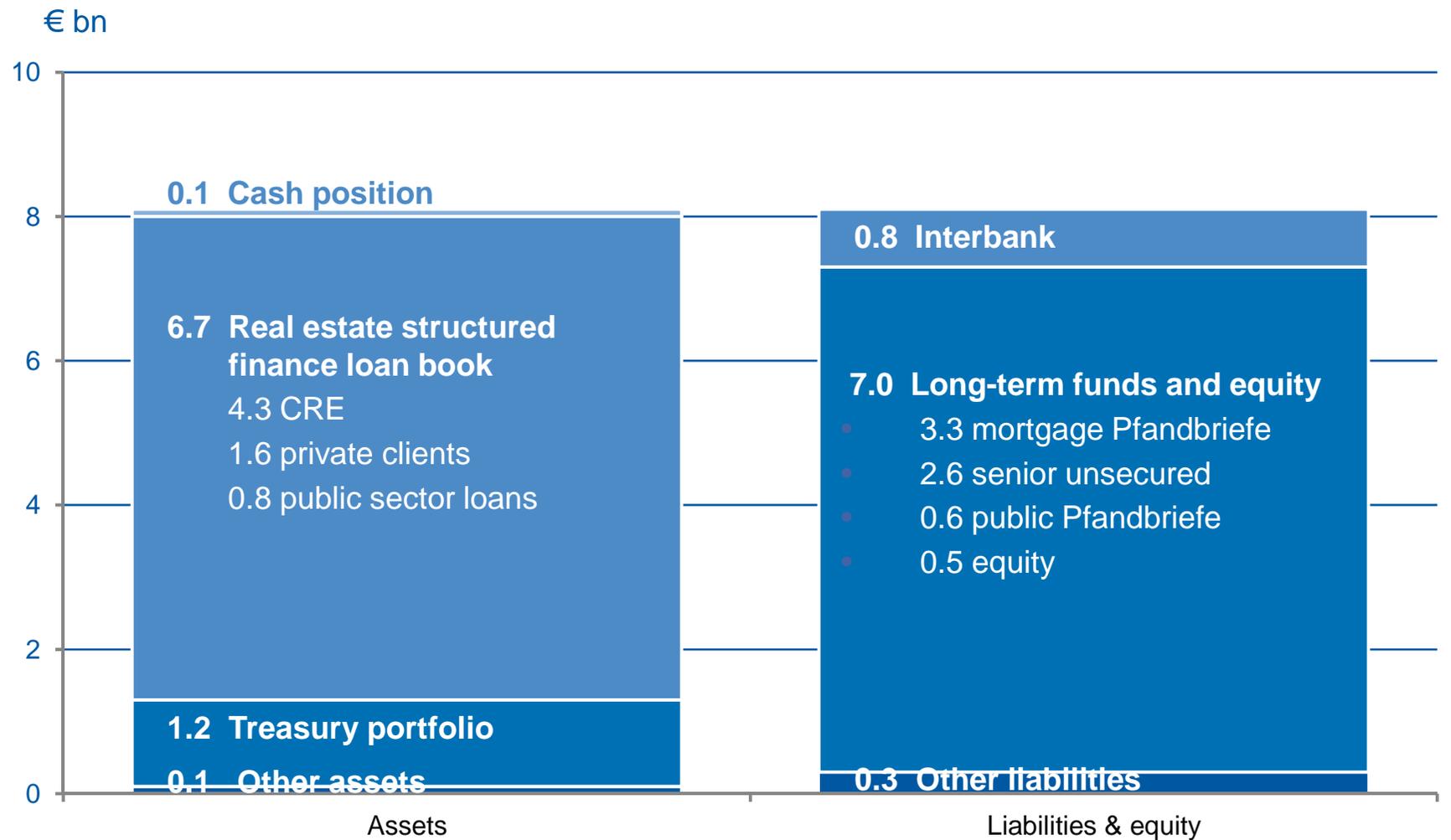
WestImmo at a glance



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Asset- / Liability structure according to IFRS

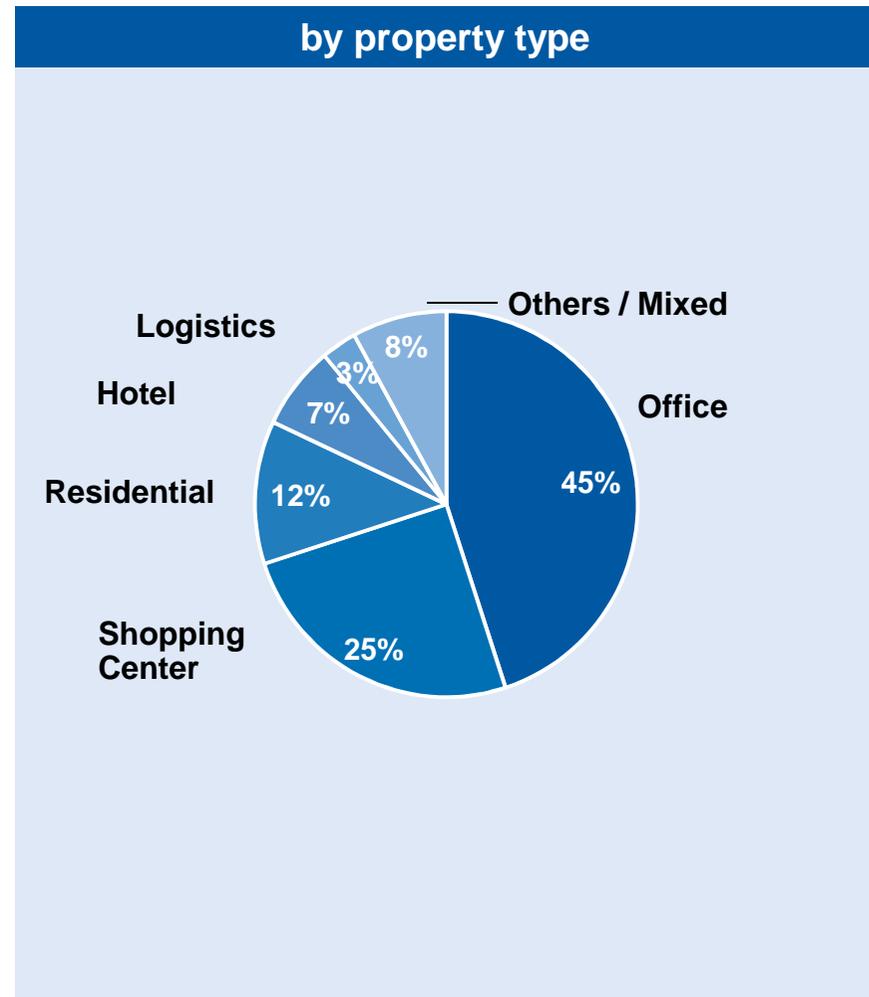
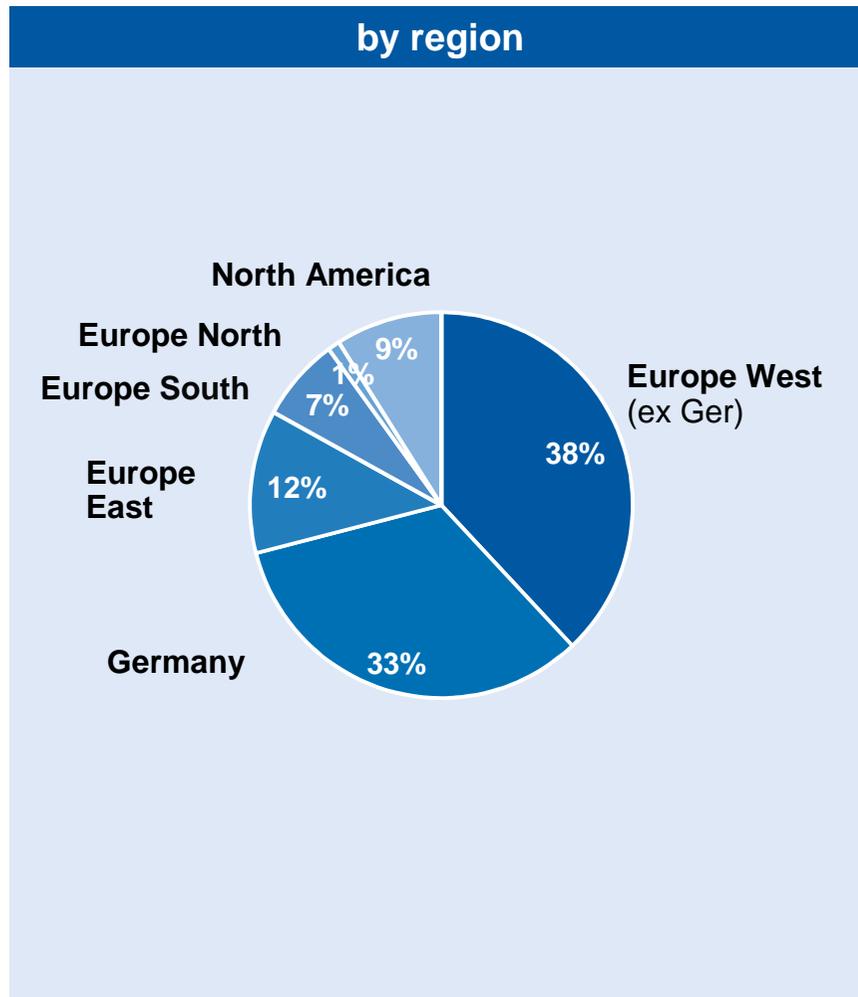
Pro forma extrapolated as at 31.03.2015: € 8.1 bn



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CRE lending portfolio¹⁾

Total volume of € 4.3 bn with average LtV < 60%



1) Pro forma extrapolated as at 31.03.2015



Private client loans and Public sector loans¹⁾

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

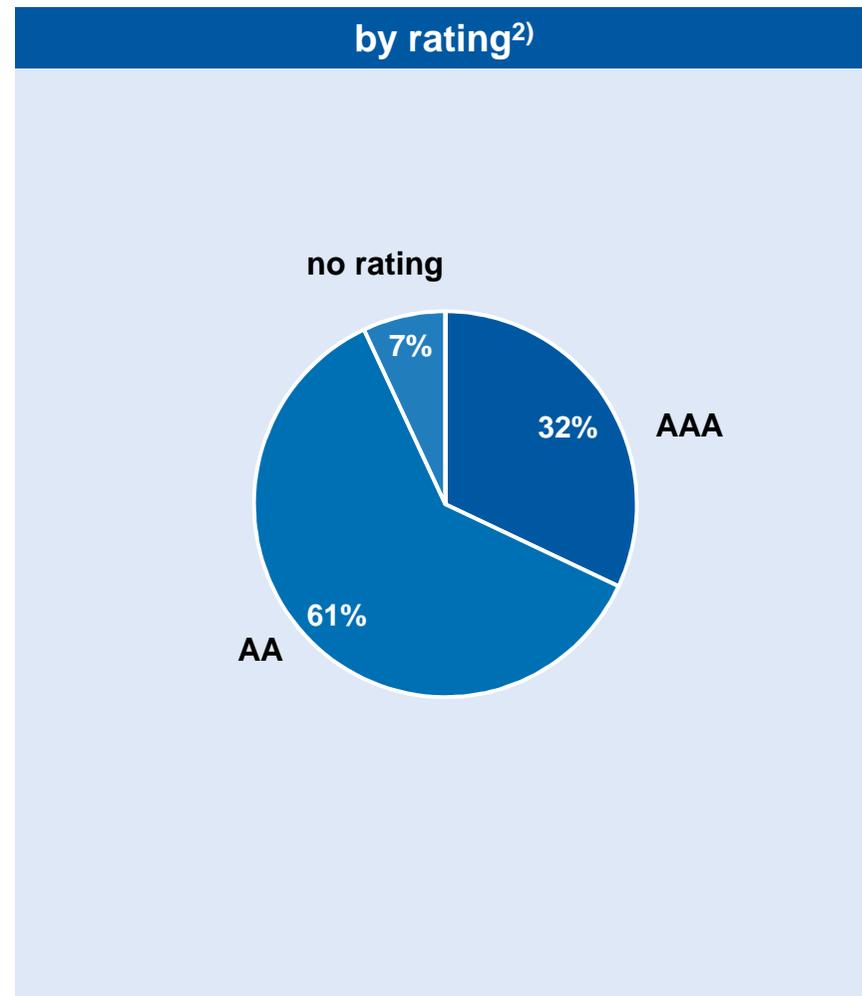
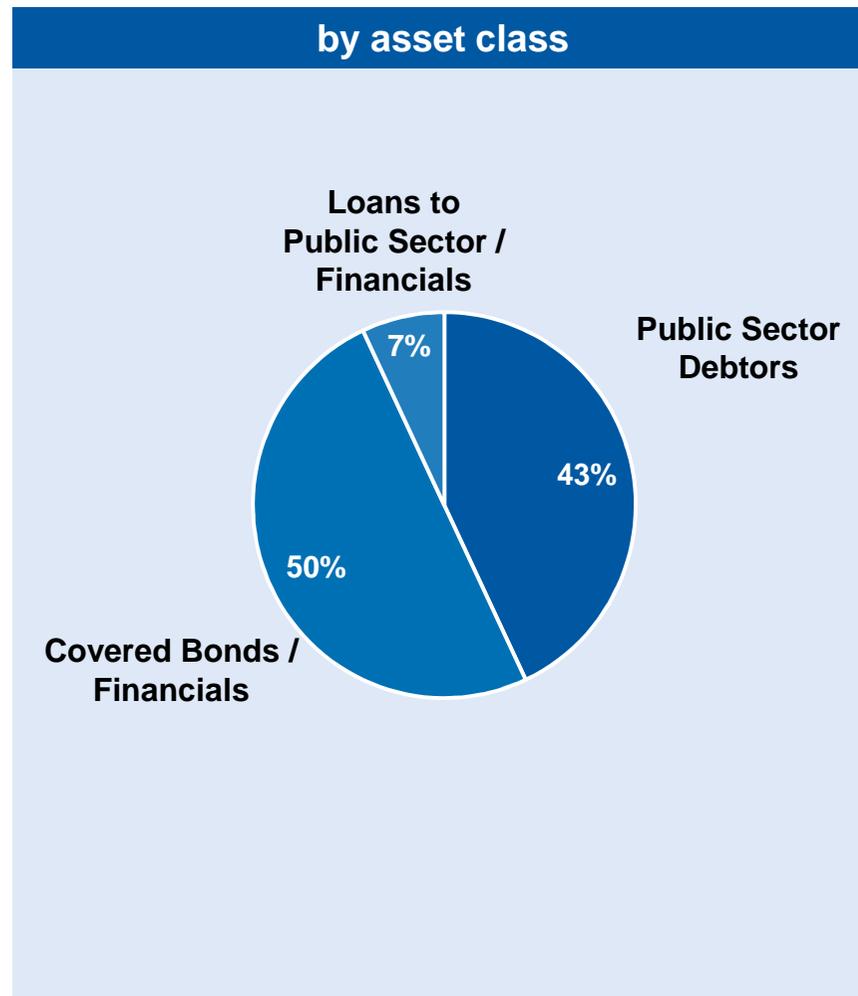
- Volume of € 0.8 bn extrapolated as at 31.03.2015
- Loans, warranties or guaranties to German sub-sovereign bodies

1) Pro forma extrapolated as at 31.03.2015



Treasury portfolio¹⁾

€ 1.2 bn of high quality and highly liquid assets



All figures are nominal amounts

1) Pro forma extrapolated as at 31.03.2015

2) Composite or other available rating



Contacts



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