Speech by
Dr Wolf Schumacher

Chairman of the Management Board
of Aareal Bank AG

on the occasion of the

Annual General Meeting

held on 21 May 2014

in Wiesbaden

- the spoken word prevails -

I. Welcome and introduction

Dear shareholders,

dear guests,

I would like to take this opportunity, also on behalf of my fellow members of the Management Board, to welcome you to Aareal Bank AG's Annual General Meeting. Your attendance today gives us all great pleasure and expresses the trust you place in our Company.

Today we would like to report on a very special financial year for Aareal Bank. 2013 was a truly remarkable year for the Bank – besides the very positive business performance, on which I will report in more detail in a moment. It was remarkable in three ways:

- Firstly, we were able to celebrate the Bank's 90th anniversary – an anniversary which we celebrated in the knowledge that Aareal Bank has successfully operated on the market for ninety years, albeit in different forms. The flexibility to adjust to changes at an early stage, to actively shape these changes and face new challenges – these have been key factors for this Bank's success over the years. Moreover, Aareal Bank has remained committed to its values throughout this 90-year period, and all the changes which took place.
    - Our clients and their needs have always been at the centre of our corporate activities.
    - The in-depth understanding of our markets has remained the guiding principle of our activities.
    - And of course, this Bank has proved itself as a property expert at all times.

In short: "We create the space for success."

The theme of our 2013 Annual Report epitomises the attitude of this Bank: to provide a service to its clients, and to apply all of our skills and expertise to support them in realising their projects – without pushing ourselves into the focus. To be able to do this, you need a sound foundation of values and a solid tradition to build on.

Just like the theme of our Annual Report, our anniversary year represents the promise that we, together with all members of Aareal Bank staff, give you as the Bank's shareholders: we will continue to do our utmost to ensure that we safely steer Aareal Bank through the calm and troubled waters alike.

- This brings me to the second aspect which, in our view, made the last year particularly noteworthy: the acquisition of COREALCREDIT BANK AG ("Corealcredit"), which we announced just before Christmas 2013. With this transaction, we exploited an attractive opportunity for inorganic growth, whilst strengthening our market position. The acquisition of Corealcredit – which the previous owners had restructured and re-focused onto its core business – has been value-accretive from the first year. I will discuss this in more detail later. At this point, I would like to emphasise a particular aspect: the fact that we felt confident to embark upon this transaction after the years of turmoil during the financial crisis, and that we have been able to finance it from the Bank's own financial resources, are testament to the strength and robustness Aareal Bank has built over recent years. We have thus demonstrated that the Bank is both willing to act, and fully able to do so.

- The third reason why we believe the past financial year was a special one also reflects the stronger position we are in today: it is the proposal submitted to today's Annual General Meeting, that we distribute a dividend of 75 cents per share for the 2013 financial year. The last time we paid a dividend was in 2008, when we distributed 50 cents per share for the 2007 financial year. Bear in mind that due to the well-publicised SoFFin support measures we resorted to in 2009, we were prohibited from making any distributions in 2009 and 2010, for the respective preceding financial year. With your approval, we continued to retain distributable profit for the two subsequent financial years – for reasons of commercial prudence as well as due to the risks prevailing in the financial system, the persistent European sovereign debt crisis, as well as the impact of changes to the regulatory environment (which was still unclear). We did this in order to assure the Bank's resilience, and to strengthen its capital base from own funds generated.

Today, we enjoy a very solid capitalisation, as measured by all applicable indicators and also in a sector wide comparison. We have sufficient risk cushions to deal with all realistic scenarios. This has opened up a return to an active dividend policy, which we want to adhere to in the future.

Aareal Bank Group has been working hard to achieve this good position. We have actively and flexibly adapted to changes in our environment – changes which I explained to you at last year's meeting, under the concept of a "new normal". Let me reiterate the main aspects in this context:

- banks adopting more conservative balance sheet structures, due to the higher capital and liquidity requirements under Basel III, and in accordance with other regulatory changes;

- a high level of market liquidity, due to interest rate levels at historic lows which represent a major challenge to banks looking to invest their liquidity;
- increasing competition for customer deposits, and for financings that are eligible for inclusion in Pfandbrief cover; and
- as a consequence, a lower yield level compared to the "old normal".

We were not afraid of tackling the major challenges our sector has been facing – and so far, we have coped very well indeed. This was only possible thanks to the extremely strong team effort contributed by staff across the entire Aareal Bank Group. On behalf of the entire Management Board, I would like to sincerely thank all of our staff members for their commitment and contributions.

II. Market environment 2013

Ladies and Gentlemen,

As in the previous years, the business environment that we have been operating in was anything but simple. Allow me to summarise the key trends:

- Looking at the economy in the various world regions, developments were – once gain – decidedly mixed. Whilst Europe, slowly but surely, is coming out of the crisis – as clearly signalled by the recent placements of Greek and Portuguese capital market issues – economic momentum on the 'Old Continent' is still clearly underperforming other key economic regions, despite the positive developments in Germany, for example. Growth in the US was solid, but not quite as strong as originally hoped for. Even though China held on to its role as a growth engine, a slowdown in economic momentum is evident in Asia – albeit at a high level.

- Property markets developed as expected. Throughout 2013, international investors continued to focus on high-quality property in top locations in particular. However, faced with intensifying competition, investors increasingly showed an interest in secondary markets, and in properties with a higher risk profile.
- Moreover, the year was characterised by three key factors in commercial property financing: firstly, the high level of investor liquidity triggered early repayments of outstanding property loans, at a level that clearly exceeded expectations. Secondly, during the financial year under review, some competitors who had withdrawn from the market in the course of the financial crisis – at least temporarily – returned to the market. And thirdly, new players have entered the market: for example, insurance companies and credit funds, to name just a few.
- As a result of these developments, competition has once again clearly intensified – a trend that is also evident in lending margins, which are still adequate, but have come under pressure. At this point, I would like to clearly point out that we are happy to compete – but we will not compete on terms. Instead, we leverage the expertise, market knowledge and sector know-how of our staff, and rely on the established business relationships with our clients: these are the key, tried-and-tested success factors for Aareal Bank.

- For the banking sector as a whole, the financial year under review brought increasing clarity about the future regulatory environment. And even though we do not welcome each and every regulatory initiative, some details of certain regulatory decisions are as yet unclear, and the aggregate effects of all new regulatory measures are not yet fully transparent: during 2013, the banking sector made significant progress in its quest for a more stable planning basis. This is good news.
- It has become evident that new capital requirements are showing effect, as banks have consistently improved their risk management systems and their balance sheets. What needs to be done now is to strengthen the impact and effectiveness of the audits ECB will embark upon, or has already started. Taking a medium-term view, gaining recognition by the capital markets will be the only way to restore trust in the banking sector.

Allow me to dwell on our situation in this context for a moment. As you know, Aareal Bank will be supervised directly by the ECB in future. For our Bank, this means a marked increase in organisational efforts: the ECB's Comprehensive Assessment, which comprises a regulatory risk assessment, an asset quality review and a stress test, will tie up extensive resources over weeks, if not months. Nonetheless, we consider ECB supervision to be a positive development. This is because for the first time, we will have a uniform supervisory system, at least in Europe.

And as regards the various tests, whilst it is too early for any results, from today's perspective we have every reason to be optimistic that Aareal Bank's fundamental solidity will once again be affirmed.

The very good results generated during the financial year under review were again evidence of this solidity.

III. Review of the 2013 financial year

The financial year under review was one of the most successful in Aareal Bank's history. In fact, we performed better during the year of our 90th anniversary than we had expected, in view of persistent uncertainty and intensified competition. We achieved or even surpassed our key targets set for the financial year under review.

- Net interest income amounted to €527 million in the 2013 financial year after €486 million in the previous year. Good margins achieved in the lending business, low funding costs, and effects from repayments that were higher than expected (as mentioned before) were key contributors. Net interest income was burdened, however, by a lack of attractive investment opportunities for our liquidity reserves, given the persistently low interest rate levels.
- The sustainable and prudent business policy we pursued in recent years paid off once again in the allowance for credit losses: at €113 million, it was slightly above the low figure for the previous year, but – as predicted – it remained at the lower end of the forecast range between €110 million to €150 million for 2013. This once again confirms the quality of our credit portfolio. At the same time, this motivates us to retain our clear view of the risks even in an intensified competition for the most attractive deals.
- Net commission income of €165 million was only marginally lower than the previous year's figure, as expected.

- At €4 million, the aggregate of net trading income/expenses, the net result on hedge accounting and the result from non-trading assets was primarily attributable to the measurement of derivatives used to hedge interest rate and currency risk, and to realised and unrealised changes in value from the sale of hedges for selected EU sovereign countries. The figure also reflects sales of securities as part of active portfolio management.
- Administrative expenses of € 375 million were up year-on-year, and also slightly higher than the € 360 million to € 370 million range projected for the financial year. One reason for this were measurement effects in conjunction with share-based variable remuneration components, as defined by the German Ordinance on Remuneration in Financial Institutions. To put it simply, the positive performance of the Aareal Bank share – which I will comment on a bit later – required a higher measurement of share options, which are part of the remuneration for the Bank's top executives. Further reasons for the moderate cost increase were the acquisition of Incit AB Group by Aareon, on 1 July 2013, and higher expenses for projects including the preparations for the acquisition of Corealcredit. In our view, the fact that the increase in administrative expenses was not more pronounced, given these effects, reflects the positive impact of measures to enhance efficiency which we adopted over recent years.

Consolidated operating profit for the 2013 financial year totalled €198 million, exceeding both the previous year's figure as well as the very good result achieved in 2011. Given the challenging environment we faced, we see this as a great success, and a result we can be proud of.

After deduction of taxes of €62 million and non-controlling interest income, net income attributable to Aareal Bank AG shareholders was €117 million. After deduction of €24 million in net interest payable on the SoFFin silent participation, consolidated profit stood at €93 million.

Ladies and Gentlemen,

This clearly positive performance was attributable, to a significant extent, to the very good results of our **Structured Property Financing** segment, which posted another significant increase in segment operating profit, thanks to the markedly higher net interest income, as I already mentioned. This was driven in particular by good margins achieved and favourable funding costs. At €209 million for 2013, we clearly outperformed the already very good figure of €170 million for the previous year.

In our commercial property financing business, we consistently took advantage of opportunities that arose, in spite of strong competition, originating new business on an elevated level straight from the beginning of 2013. The full-year figure of €10.5 billion was the highest level of new business recorded since 2007. The share of newly-originated loans in aggregate new business climbed to considerably more than 60 per cent. What is particularly important to me in this context: whilst we were very active indeed in originating new business, we continued to fully adhere to our risk-aware and cautious business policy focused on solid growth.

In our second segment, **Consulting/Services** for the housing and commercial property industries, the business of our IT subsidiary Aareon continued to develop on schedule. Aareon was once again able to grow revenues last year, up to 5 per cent to €173 million. EBIT was up slightly, to €27 million.

Aareon's successful multi-product strategy continues to pay off. Aareon succeeded in acquiring numerous new clients last year as well, especially with the Wodis Sigma product line launched in 2009. Sigma is meanwhile used by more than 500 property companies of all sizes. Since, 2011 Aareon has been offering Wodis Sigma as a service from the exclusive Aareon Cloud, our web-based range of services. Most new customers opt for this secure and ground-breaking option for operating the ERP system. In this way, Aareon has once again set the standards for commercial property management software.

Aareon's international business has also developed positively in line with expectations. The company now generates more than 30 per cent of revenue from the strategically important markets of France, the UK and the Netherlands. Moreover, Aareon expanded its European market position through the acquisition of Incit AB, which was completed on 1 July 2013. This acquisition not only allows Aareon to explore the attractive Nordic markets – it also perfectly complements Aareon's portfolio of products and services.

In contrast, the persistently low interest rate environment continued to burden margins in the deposit-taking business, and thus segment results. Given the strategic contribution of deposits taken from the housing industry for the Group's funding, and the attractive funding levels thus available on a Group level, the importance of these funds goes way beyond the interest margin generated from the deposits, which is under pressure in the current market environment. We are therefore prepared to accept the resulting segment operating loss of €11 million. In fact, many of our competitors are envious of the strategic flexibility and low-cost funding afforded by our successful deposit-taking business.

Against this background, and notwithstanding the pressure on margins in the current interest rate environment, the fact that we managed to once again clearly increase deposit volumes from the housing industry, against strong competition, is highly gratifying. On average, the volume of deposits taken rose to €7.2 billion, compared to €5.6 the year before. During the fourth quarter, volumes even averaged €7.7 billion.

Ladies and Gentlemen,

I already mentioned the progress made in view of the regulation of banks. Of course, banks' capitalisation and liquidity remained the focus of attention, not least against the background of the agreement on a European banking supervisory authority, and increasing clarity concerning the details of the Basel III regime. Once again, we were able to face these developments with confidence: we have a very solid and comfortable capital base, also by international standards, which we were able to strengthen even further during the year under review.

As at 31 December 2013, the Bank's Tier 1 ratio was 18.5 per cent, after 16.7 per cent the year before. The Core Tier 1 ratio was 12.9 per cent, compared with 11.6 per cent in the previous year. Our capital ratios therefore already meet the high requirements that will apply under Basel III.

I already mentioned our good funding situation. During the financial year under review, we benefited from a market environment characterised by strong demand for Pfandbriefe and unsecured bonds from solid issuers such as Aareal Bank. In this environment, we have achieved all of our funding targets as planned. We raised a total of €4.1 billion in medium- and long-term funds on the capital market during the period under review, with Pfandbrief issues accounting for €3.0 billion. This highlights how very important the Pfandbrief remains to Aareal Bank's funding mix. On top of this, we issued €1.0 billion in long-term senior unsecured bonds, plus €0.1 billion in subordinated debt securities.

Ladies and Gentlemen,

I can conclude that 2013 – the year of our anniversary – was, without reservation, a positive year. We maintained the positive momentum of recent years, with a very good result. Thanks to the measures we introduced at the beginning of last year, as part of our medium-term strategy, we have set the course for being sustainably successful in the 'new normality'. We further strengthened our market position, in an environment shaped by intensifying competition, high liquidity and numerous transactions. And we remained true to our sound and risk-sensitive strategy.

As a reward, we can also look back on a very successful year on the equity market.

IV. The Aareal Bank AG share

Ladies and Gentlemen,

The Aareal Bank share posted an impressive performance during 2013. With a price gain of approximately 83 per cent it was amongst the top five performers in the MDAX index.

During the course of the year, the share price benefited from the Bank's strong business development, increasingly outperforming the relevant benchmark indices. When we published preliminary 2012 results in February of last year, we stated that, depending on market conditions, we plan to resume an active dividend policy in 2014 for the 2013 financial year. This announcement was welcomed by market participants – as was our medium-term target of achieving 12 per cent return on equity before taxes by 2016.

Following some temporary price losses caused by renewed concerns about the European sovereign debt crisis and its potential impact, early indicators of stabilisation in the euro zone economies, together with positive US economic data, were favourable for the markets. Expansive monetary policy from central banks provided further support, as equity investments became increasingly sought after in the wake of the low interest rate environment.

On 7 May 2013, Aareal Bank once again provided a positive impulse when it published the results for the first quarter. Based on the positive results the Bank had reported for the 2012 financial year, the figures were awaited by market participants with a certain degree of suspense. The solid start into the new business year drove the share price up to €19.29 by the end of May – up 23 per cent from the 2012 year-end. The Aareal Bank share price thus not only outperformed the DAX (up 12 per cent) and MDAX (up 20 per cent) indices during the first few months of the year – it also clearly beat the CXPB sector index for banks. This trend prevailed during the remainder of the year.

During the following months, changing assessments about future monetary policy were the driving factor for equity market developments. At certain points the Aareal

Bank share price lost ground, in line with the prevailing market trend, but quickly recovered, rising to €22 by mid-August, following the publication of good half-year figures. This meant a 40 per cent year-to-date increase, whilst reference indices showed a markedly weaker performance.

Having gained 50 per cent year-to-date by the end of summer, the Aareal Bank share price rose further ahead of third-quarter results at the start of November, to €28.725. Profit-taking pushed the prices slightly lower on the day of the announcement, to €27.465 – but still posting an impressive 75 per cent performance in the year to date.

Just before the end of the year, Aareal Bank provided another strong impulse, with the announcement that it would take over Corealcredit. Market participants welcomed this move, giving the share price another strong push upwards. As mentioned, the Aareal Bank share closed the year at €28.785 (just under the year's high of 28.86 seen on the penultimate exchange trading day of the year), posting an annual performance of 83 per cent. Whilst 2013 was a good year for equity markets overall, the Aareal Bank share clearly outperformed the relevant indices.

It is particularly gratifying that the positive share price performance has continued into this year: as at 20 May, the share price is 14.7 per cent above the year-end level of 2013. This means that the Aareal Bank share has recouped all the losses incurred during the course of the financial crisis.

This shows that the trust that we have built over the last few years – especially through consistently and reliably good results – appears to be sustainable. We will continue to do everything in our power to justify this trust.

V. Agenda

Ladies and Gentlemen,

At this point, I would like to discuss briefly the agenda for today's Annual General Meeting. By way of introduction, I would like to point out that all documents related to today's meeting have been made available on our Company's website; these documents are also available at the sign-up desk.

Agenda item no.1 refers to the presentation of the statutory documents. Under agenda item no.2, we propose to dividend of 75 cents per share, and to transfer the remaining net retained profit of €5 million to other retained earnings. I already commented on this proposal, which is fully in line with the Bank's stakeholder communications to date.

Agenda items nos. 3 and 4 propose a resolution to grant formal approval to the Management Board and the Supervisory Board. Agenda item no. 5 contains the proposal regarding appointment of the external auditors.

Under agenda item no. 6 we request the authorisation to issue profit-participation rights. The purpose of this authorisation, which will be valid until 20 May 2019, is to give the Bank the opportunity to issue financial instruments that will be eligible as regulatory capital in the new regulatory framework which has been in place since the beginning of this year. The proposed resolution will allow the Management Board to issue instruments that are eligible for inclusion as Additional Tier 1 (or "AT1") capital. It also provides for the option of increasing or decreasing the principal amount of such instruments (or to provide for conversion into the Company's share) in the event of defined requirements being met, such as the Bank's capital ratios falling short of certain levels.

The option of embedding conversion rights to shares of the Bank in such instruments requires an underlying conditional capital. We ask for your authorisation regarding such conditional capital, amounting to half of the issued share capital – which is the maximum amount permitted under German company law. The maximum nominal amount of instruments which may be issued under this authorisation is one billion euros. This would enable the Company to also cover any larger AT1 capital requirements which might arise over the five-year term of the authorisation.

The purpose of this authorisation is to provide the Bank with maximum flexibility in optimising its funding structure. At this point in time, however, the Management Board and the Supervisory Board have not yet determined as to whether and at what time AT1 instruments will be issued, and what the specifications of any such issue will be. At present, there are no plans to use such funds beyond the potential repayment of SoFFin's contribution, which we have already publicly indicated. I will come back to SoFFin in a moment.

Agenda item no. 7 relates to a resolution to approve the remuneration system for the Management Board. In this respect I would like to refer to the statements made by Ms Korsch.

With the resolution to be adopted under agenda item no. 8, we seek the approval by the Annual General Meeting to adapt the remuneration system for certain employee groups at Aareal Bank AG and selected subsidiaries.

As Ms Korsch already pointed out, this resolution does not affect the remuneration of members of the Management Board. This authorisation will solely affect the remuneration of international sales staff, as well as of executives and staff of the Bank's subsidiaries in New York and Singapore – all in all, a total of 25 employees.

The total volume of variable remuneration which would exceed the limits set out in section 25a (5) of the German Banking Act – assuming approval by the Annual General Meeting – is manageable: the expenditure for variable remuneration exceeding 100% of the fixed remuneration equates to a maximum amount of approximately €3.9 million.

The authorisation to be granted to the Management Board serves to safeguard Aareal Bank AG's competitiveness in the international markets. In the opinion of the Management Board and the Supervisory Board, this objective can only be achieved through the ability to pay variable remuneration to key international sales staff that matches international standards, and thus ensures the competitiveness of remuneration paid to these employees. In the same manner, this affects the remuneration of executives and key staff of the Bank's subsidiaries in New York and Singapore. However, in contrast to offering variable remuneration linked to performance contributions and target achievements, increasing fixed remuneration – which would be the alternative course of action – does not permit the targeted incentivisation of staff members. For this reason, we respectfully request your approval of the tabled resolution.

Agenda items nos. 9 and 10 relate to amendments to the Memorandum and Articles of Association. Agenda item no. 9 concerns the remuneration of the merged Executive and Nomination Committee; it is proposed that this committee receive the same remuneration as the other Supervisory Board committees.

The amendment to the Memorandum and Articles of Association, as proposed under agenda item no. 10, is designed to create the possibility of distributing non-cash dividends – as an alternative to cash dividends –in the future. This would open various options to the Bank; for example, it would be able to offer shareholders a choice of receiving dividends in cash or in shares.

Under agenda item no. 11, we request the approval by the Annual General Meeting of two agreements amending existing control and profit and loss transfer agreements with GEV GmbH and Aareal Immobilien Beteiligungen GmbH.

In accordance with German company law, the Management Board is required to provide a verbal explanation of such agreements at the outset of the General Meeting. I would like to do this, however, since we made the amendment agreements – and especially the reports concerning these agreements – available when convening today s Annual General Meeting, I will keep it brief. I herewith refer to the documents we made available.

The inter-company agreements between Aareal Bank and GEV GmbH, and with Aareal Immobilien Beteiligungen GmbH, respectively, have been in place for many years; their purpose is to achieve fiscal unity between the parties, thus establishing consolidated value-added and income tax groups. Both companies are wholly-owned subsidiaries of Aareal Bank AG, which have been incorporated as private limited companies under German law ("GmbH").

The purpose of the amendments to the existing inter-company agreements, pursuant to agenda item no. 11, is to retain the tax benefits associated with the consolidated tax groups for the future.

Following a change in the German Corporation Tax Act in February 2013, in future, the retention of fiscal unity for income tax with subsidiaries in the legal form of a private limited company requires that the wording of such agreements concretely sets out the parent company's contractual obligation to assume losses. Specifically, an express reference must be made to section 302 of the German Public Limited Companies Act (AktG), "as amended from time to time".

Since the wording of the existing control and profit and loss transfer agreements not yet fully complies with the new requirements, both agreements must be amended accordingly. They remain unchanged otherwise. Both amendment agreements were entered into on 26 March 2014.

Each subsidiary has already submitted the requisite approval of the relevant amendment agreement. To become legally effective, the amendment agreements will need to be registered in the respective Commercial Register entries of the subsidiaries concerned, without delay after this meeting.

No audit of the agreements by a court-appointed auditor is required since both companies are wholly-owned subsidiary of Aareal Bank AG. The amendments will not have any material impact on Aareal Bank AG or its shareholders.

Dear shareholders, on behalf of the Management Board and the Supervisory Board, I respectfully request your approval of the agenda items stated above.

VI. Current business development and outlook

I would now like to turn to current developments in the market environment and in relation to our business.

The fundamental business conditions which I outlined in the first part of my comments have remained intact during the current financial year – both in terms of economic momentum, which continues to diverge across the various world regions, and regarding developments on property markets. Given the predominantly positive sentiment on the international financial and capital markets, a large number of banks, companies and sovereign issuers were able to place securities at favourable terms during the first quarter of 2014.

All this makes us confident that we will be able to maintain Aareal Bank's positive development in the future. On the other hand, the global economy – and particularly the euro zone – will remain highly susceptible to disruption, setting the stage for continued strong support by central banks – and by the ECB. Yet this also means that any recovery will not necessarily be supported by fundamental developments, giving rise to the growing danger of a defence against risks to monetary stability (or the stability of the euro system) taking too much time, or being too tentative. Such risks may in turn trigger systemic risks of substantial scale. On top of this are new developments which may represent a threat to all of us – and not only in economic terms. In this context, I would just like to refer to the situation in the Ukraine. Looking ahead to the immediate future, economic as well as political uncertainty factors will remain present.

Since the beginning of the year, large parts of the banking sector have been focusing on the ECB's Comprehensive Assessment, as I mentioned before. All banks directly supervised by the ECB are subject to this assessment, which will run until the autumn of this year.

In this context, at the end of the first quarter, rating agency Fitch Ratings changed its outlook for the Long-Term Issuer Default Rating (IDR) of 18 banks within the European Union from "stable" to "negative". Aareal Bank has also been affected by this. The corresponding outlook for an additional 18 European commercial banks remained "negative". This revision reflects a global re-assessment of government support for banks.

All told, the environment we do business in will remain as we expect it to remain in this 'new normality': volatile and challenging, in spite of clear signs of recovery. In this environment Aareal Bank once again performed very well during the first three months of this year, posting the best set of quarterly results since 2007.

Since we already published our detailed interim report for the first three months of 2014 on 7 May, I would like to focus on a few key statements here that I deem particularly important.

- First of all, it is important to note that Corealcredit's operative results will be included in Aareal Bank Group's consolidated income statement for the first time in the second quarter of 2014. Accordingly, the line items of the consolidated income statement items for the first quarter reflect the performance of Aareal Bank Group in its previous structure. The only exception is the so-called 'negative goodwill' – the non-recurring day-one profit from consolidation of our new subsidiary as at 31 March 2014 – which was already recognised in first-quarter income.

- Including €150 million in negative goodwill, our consolidated operating profit amounted to €215 million. But even without this non-recurring effect, we achieved a marked improvement in consolidated operating profit: at €65 million, it was up when compared both year-on-year and with the strong final quarter of the previous year.
- The main contributor to this strong increase was the positive development of net interest income. This started in the previous year and carried over unabated into the year under review. In this context, higher lending volume in the Structured Property Financing segment had a favourable effect, thanks to the good new business originated over the past several years. Consolidated net interest income of €144 million exceeded the figure for the same quarter of the previous year by almost one-fifth.
- At €37 million, allowance for credit losses was lower compared to the preceding quarter, but higher than in the first quarter of 2013. This item was shaped by a non-recurring effect in particular: whilst specific allowance for credit losses fell to a very low level of € 6million, we recognised an additional €31 million in portfolio-based allowance for credit losses. This was attributable to a change in measurement parameters, and thus was essentially non-recurring. In fact, this reflects a conscious decision we have made. As you know, we are always very conservative in our planning, adopting a decidedly cautious approach. And yet, with this change in measurement parameters, we are pursuing an even more conservative approach. It is worth noting that our full-year forecast for allowance for credit losses, between €100 million and €150 million, has remained unaffected by this.

- First-quarter net commission income was up slightly year-on-year, to €40 million.
- The aggregate of net trading income/expenses, the net result on hedge accounting, and net result from non-trading assets, of €4 million resulted largely from the measurement of derivatives used to hedge interest rate and currency risk.
- At €102 million, administrative expenses slightly exceeded the previous year's figure. The increase was largely attributable to higher project-related costs (including costs incurred in relation to the acquisition of Corealcredit) as well as to regulatory measures such as the asset quality review.
- Thanks in particular to a positive non-recurring effect from the reversal of provisions recognised at the peak phase of the financial markets crisis, net other operating income/expenses improved to €16 million – one year ago, that net figure was a €5 million deficit.
- The consolidated operating profit of €215 million, less taxes and non-controlling interest income, translates into net income attributable to shareholders of Aareal Bank AG of €190 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated profit stood at €185 million – after €27 million in the fourth quarter of 2013 and €22 million in the first quarter of the previous year.

Ladies and Gentlemen,

Performance at our **Structured Property Financing** segment was also outstanding at the start of the year. At €71 million (plus the day-one profit of € 150 million), it clearly exceeded the previous year's figure of €51 million.

In spite of further-intensified competition for attractive transactions, new business remained at a high level, totalling €1.6 billion during the first quarter. As expected, the volume of loans for renewal was lower. Whilst this meant that in absolute terms the volume of new business was lower year-on-year, the share of newly-originated loans in total new business rose to a high level of 67.4 per cent.

As in the previous periods, results in our **Consulting/Services** segment continued to be influenced by two key factors during the quarter under review. On the one hand, our subsidiary Aareon AG has continued to perform in line with plans. Following a fourth quarter characterised by high licence fee income (which is a usual feature in this line of business), the first quarter was shaped – as in the previous years – by the contributions of consultancy, maintenance, and software rental fees. Aareon's international business also remained positive during the first quarter.

On the other hand, the segment's banking business remained burdened by historically low interest rate levels. Against this background, the fact that we succeeded in further boosting the volume of customer deposits from the housing industry – to an average of €8.1 billion at the end of the quarter – is good news.

The segment's operating profit amounted to minus €6 million, compared with minus €4 million in the same quarter of the previous year.

Let me now touch briefly on the developments regarding our capitalisation and funding.

Aareal Bank remains very solidly financed. Having placed unsecured bonds and Pfandbriefe totalling €1.7 billion in the first quarter of the current financial year, we thus maintained our long-term funding inventory at a high level. In view of the capital and liquidity requirements under Basel III, we feel we remain well positioned.

Since 1 January 2014, regulatory indicators have been determined in accordance with the rules set out in the European Capital Requirements Directive ("CRD IV") and the Capital Requirements Regulation ("CRR"), based on carrying amounts in accordance with IFRSs. The Tier 1 (T1) ratio as at 31 March 2014 thus stood at 15.9 per cent, which is also comfortable on an international level, whilst the Common Equity Tier 1 (CET1) ratio, excluding SoFFin's contribution, was 12.1 per cent on the reporting date. Both ratios already include the impact of the Corealcredit transaction.

Aareal Bank thus already complies today with the capital and liquidity requirements under the CRD IV, which will gradually implement the Basel III regime between now and the end of 2018.

Ladies and Gentlemen,

Let me summarise the first quarter as follows: we had a very good start into the new financial year, in line with expectations. We continued to leverage our strengths in an environment characterised by intensified competition; we completed the acquisition of Corealcredit, and we posted the highest first-quarter consolidated operating profit since 2007.

All this makes us confident that we will be able to maintain our positive business performance during the remainder of the year, in the environment I have described – a generally positive, yet highly competitive environment that is exposed to political and economic risks.

One of our core duties this year will be to expedite the integration of Corealcredit. Discussions concerning the future business policy of the new subsidiary have commenced, and will continue over the coming months. Whilst we do not want to pre-empt the results of these discussions, there is one thing we can assure you of:

we will integrate Corealcredit into Aareal Bank Group in a manner so as to maximise value whilst considering the interests of all stakeholders.

Over and above the non-recurring effect I mentioned, the acquisition will continue to have a positive effect on our results. We continue to anticipate a cumulative effect on earnings per share in excess of three euros during the first three years post-acquisition. The Bank has already incorporated the acquisition of Corealcredit into its forecasts for the full 2014 financial year.

Given the positive performance during the first quarter, we have affirmed our forecast for net interest income to rise to between €610 million and €640 million. Despite a larger loan portfolio, allowance for credit losses is still projected in a range between €100 million and €150 million. As in previous years, the Bank cannot rule out additional allowance for unexpected credit losses that may be incurred during 2014.

Net commission income is projected to increase slightly, to between €170 million and €180 million. Administrative expenses are expected in the region of €430 million to €450 million. The material reason for the projected increase over the previous year is the acquisition of Corealcredit.

We affirm our new business target for the Structured Property Financing segment of between €8 billion and €9 billion for the year as a whole. In the Consulting/Services segment, we anticipate a slightly higher result before taxes for Aareon Group of around €28 million.

Overall, we believe there is a good chance to achieve consolidated operating profit of between €370 million and €390 million for the full year 2014, including the non-recurring effect from the acquisition of Corealcredit. Adjusted for negative goodwill, we anticipate a further increase in consolidated operating profit, to between

€220 million and €240 million. On this basis, RoE before taxes is likely to be in the region of 9 per cent. Our medium-term target return on equity of approximately 12 per cent before taxes remains unchanged.

Beyond purely financial targets, which are of course decisive for our dividend policy, we have another major target for this year.

When outlining the agenda, I already explained why we are requesting your approval for the issuance of profit-participation rights; in this context, I mentioned our intention to repay the remaining silent participation by SoFFin. We are keen to repay this as quickly as possible, and replace it with other hybrid equity instruments while taking all circumstances into account. The requisite taxation framework, which we had been awaiting for quite some time, is now in place. We will actively exploit any favourable market environment as soon as a market for such instruments emerges in Germany, which we anticipate shortly. It is up to you, dear shareholders, to fulfil the remaining prerequisites by passing the resolution proposed under agenda item no. 6 today. It is not yet quite clear exactly when we will be repaying the silent participation. The precise timing will depend upon various factors, such as the coordination with the responsible regulatory authority, and – of course – on market conditions. Having said that, it is perfectly conceivable that we no longer have SoFFin on board by the middle of the current year.

VII. Conclusion

Dear shareholders,

With a repayment of SoFFin's silent participation, we would come full circle. We resorted to SoFFin support back in 2009, as a purely precautionary move – at the height of the financial crisis. Assuming that we will be able to close this chapter of our corporate history during the course of this year, this would be yet another strong signal for the long-term viability of our business model. If we succeed in doing this, it would make 2014 another very special year for the Aareal Bank Group.

Today we can see that the efforts of the Group's employees over the last few years have paid off – in the same way that the patience and trust you, our shareholders, have placed in us during that period.

Yet, as the developments during the year under review and the decisions we have taken clearly show: we do not intend to rest on our laurels. Hence, the acquisition of Corealcredit is another step on our way towards continuous improvement, and a sign of our determination to exploit the opportunities available to us.

The transaction is also a signal that we look ahead to the future with confidence, without becoming exuberant. We will remain true to the values of our solid, cautious and sustainable business policy. And we will keep our promise to continue working hard to ensure that this Bank is the premium institution that creates the space for success – for its clients, employees and shareholders.

Thank you very much for your attention.