

THE INTERNATIONAL  
PROPERTY SPECIALIST

# Analyst Conference Call

## Preliminary and unaudited figures Q4 2007

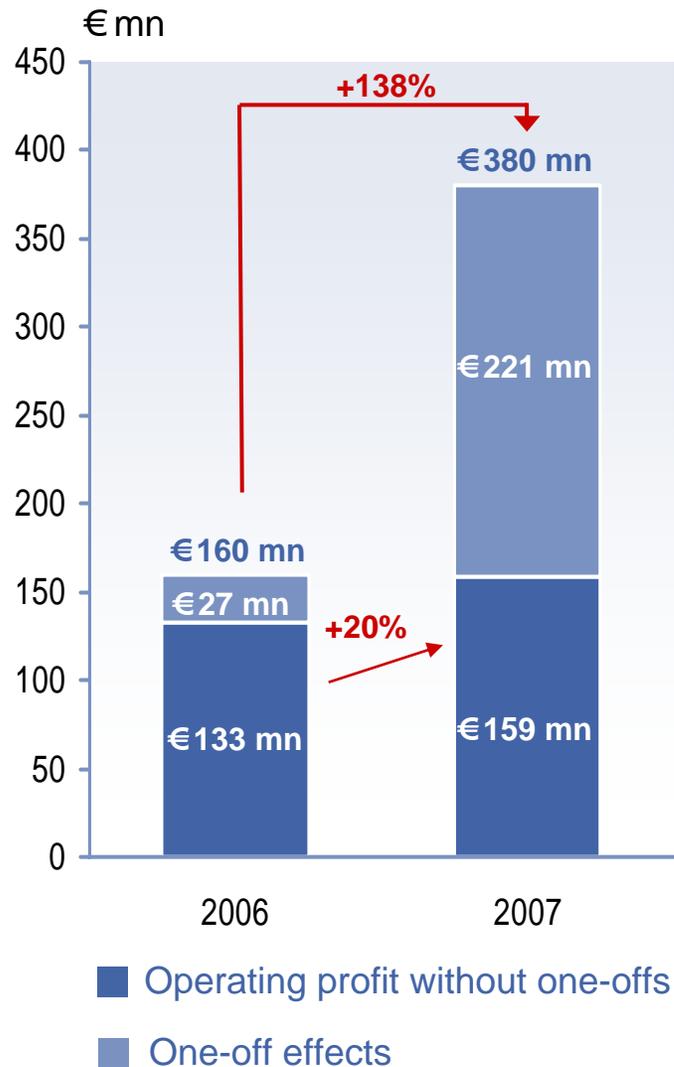
18 February 2008



**Aareal Bank**

# Performance

## Profit before tax and special effects



### ■ One-off effects 2007 (pre-tax) :

- Compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding: **€37 mn**
- Further proceeds from sale of Asset Management activities: **€6 mn**
- Immoscout dividend: **€5 mn**
- Proceeds from Interhotel transaction: **€65 mn**
- Proceeds from Immoscout transaction: **€153 mn**
- Marked-to-market effect: **€-31 mn**
- Special expenses (compensation payments, preparation of legacy portfolio sale): **€-12 mn**
- Goodwill impairment BauGrund: **€-2 mn**

### ■ One-off effects 2006 (pre-tax) :

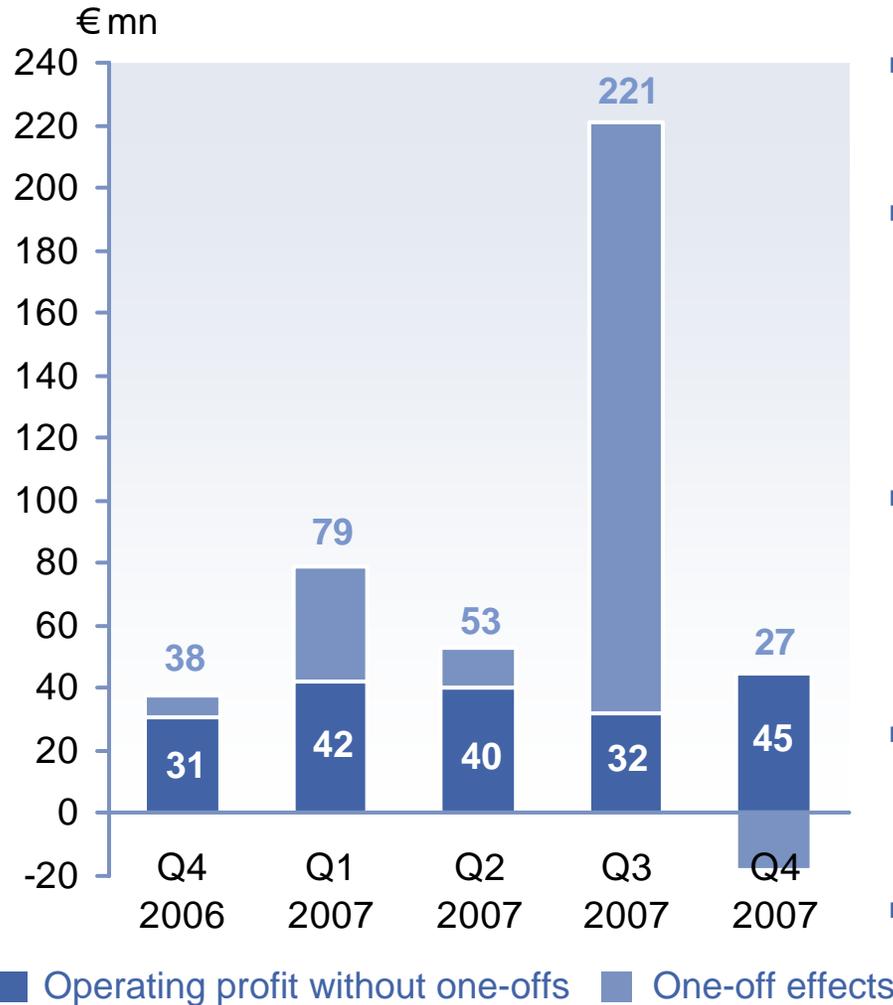
- Book gain from sale of Asset Management activities: **€ 20 mn**
- Write-down foreclosed assets: **€-13 mn**
- Sale of Aareal Hypotheken Management: **€2 mn**
- Immoscout dividend: **€3 mn**
- One-off gain from asset sale by the subsidiary DSF: **€7 mn**
- Book gain from Techem deal: **€11 mn**
- Book gain from BauGrund Stadtentw.: **€3 mn**
- Social plan Aareon: **€-6 mn**



**Aareal Bank**

# Performance

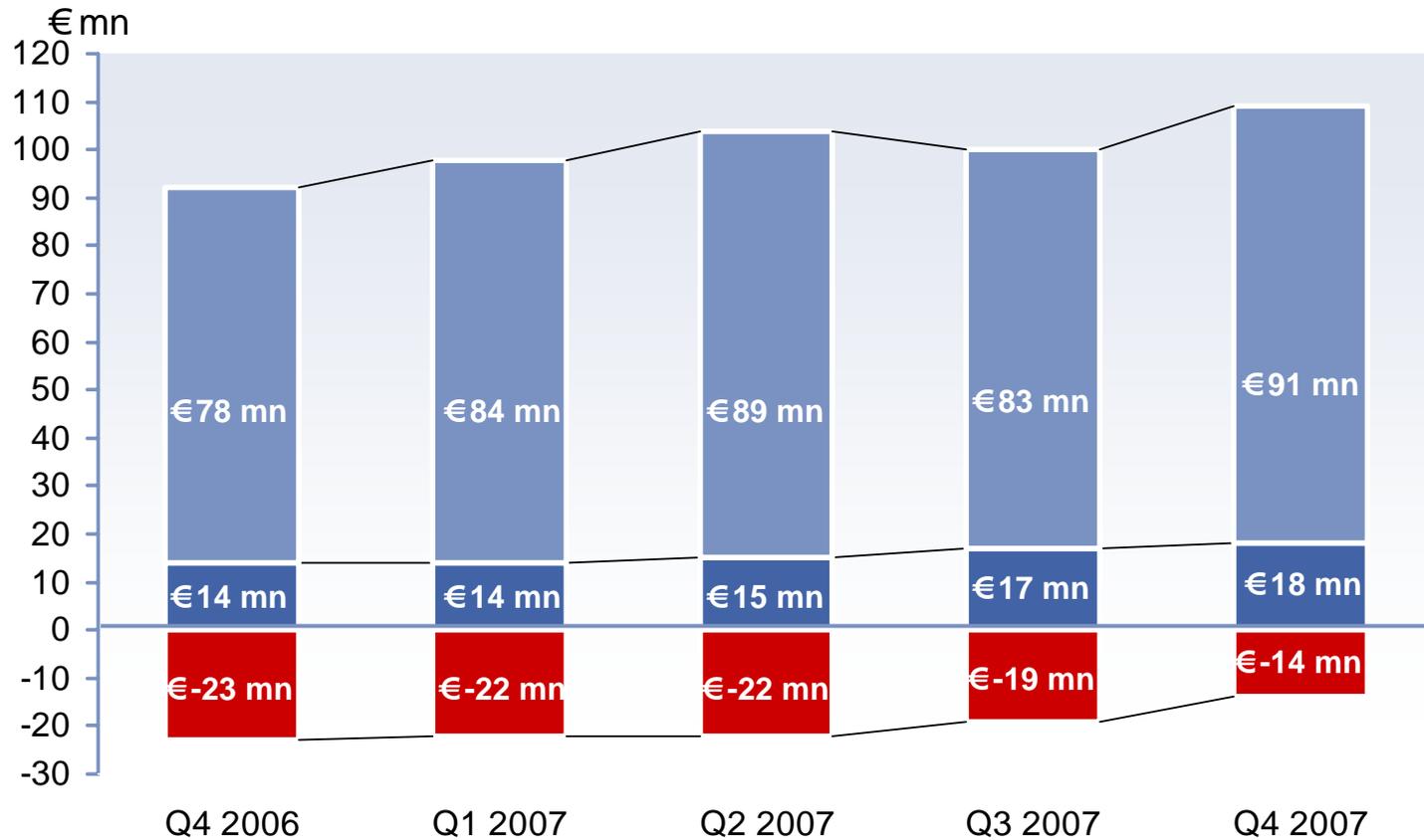
## Profit before tax and special effects by quarter



- Pre tax one-off effects Q4 2007:
  - Bond marked-to-market effect: **€-16 mn**
  - Goodwill impairment BauGrund: **€-2 mn**
- Pre tax one-off effects Q3 2007:
  - Proceeds from Interhotel transaction: **€63 mn**
  - Proceeds from Immoscout transaction: **€153 mn**
  - Bond marked-to-market effect: **€-15 mn**
  - Special expenses (compensation payments, preparation of legacy portfolio sale): **€-12 mn**
- Pre tax one-off effects Q2 2007:
  - Further proceeds from sale of Asset Management activities: **€6 mn**
  - First proceeds from Interhotel transaction: **€2 mn**
  - ImmoScout dividend: **€5 mn**
- Pre tax one-off effects Q1 2007
  - Compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding: **€37 mn**
- Pre tax one-off effects Q4 2006
  - Book gain from sale of Asset Management activities: **€20 mn**
  - Write-down foreclosed assets: **€13 mn**

# Performance

## Net interest income and loan loss provisions



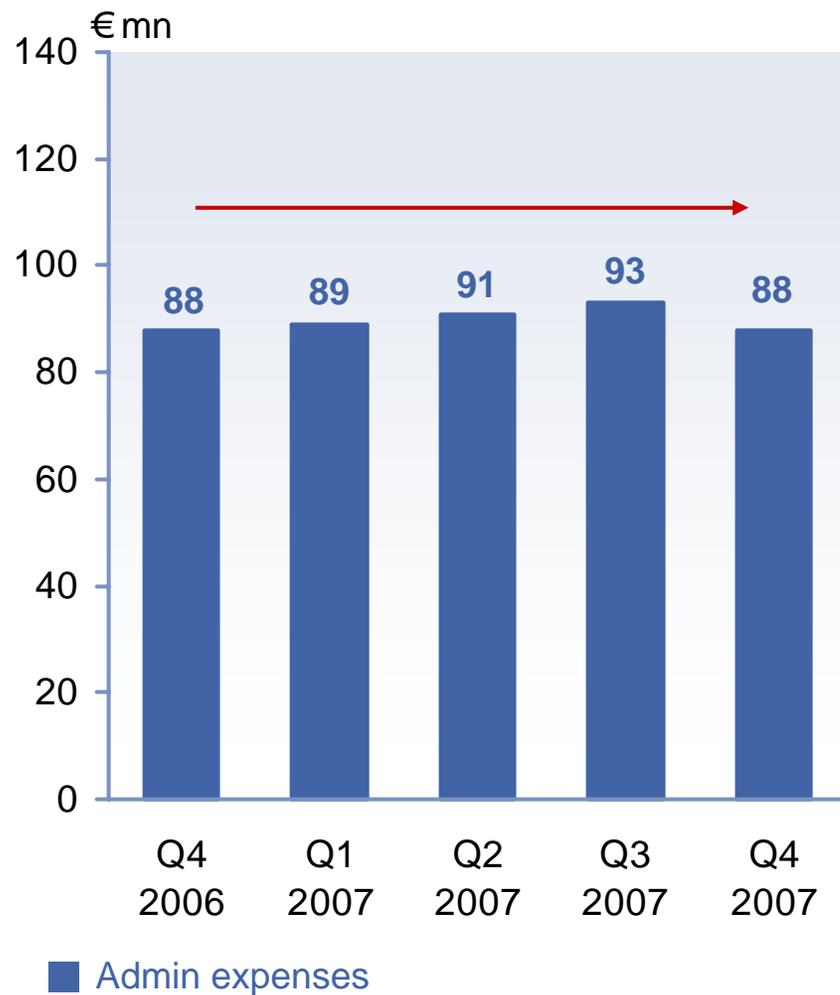
■ NII Consulting/Services ■ NII Structured Property Financing ■ Loan Loss Provisions



**Aareal Bank**

# Performance

## Stable administrative expenses



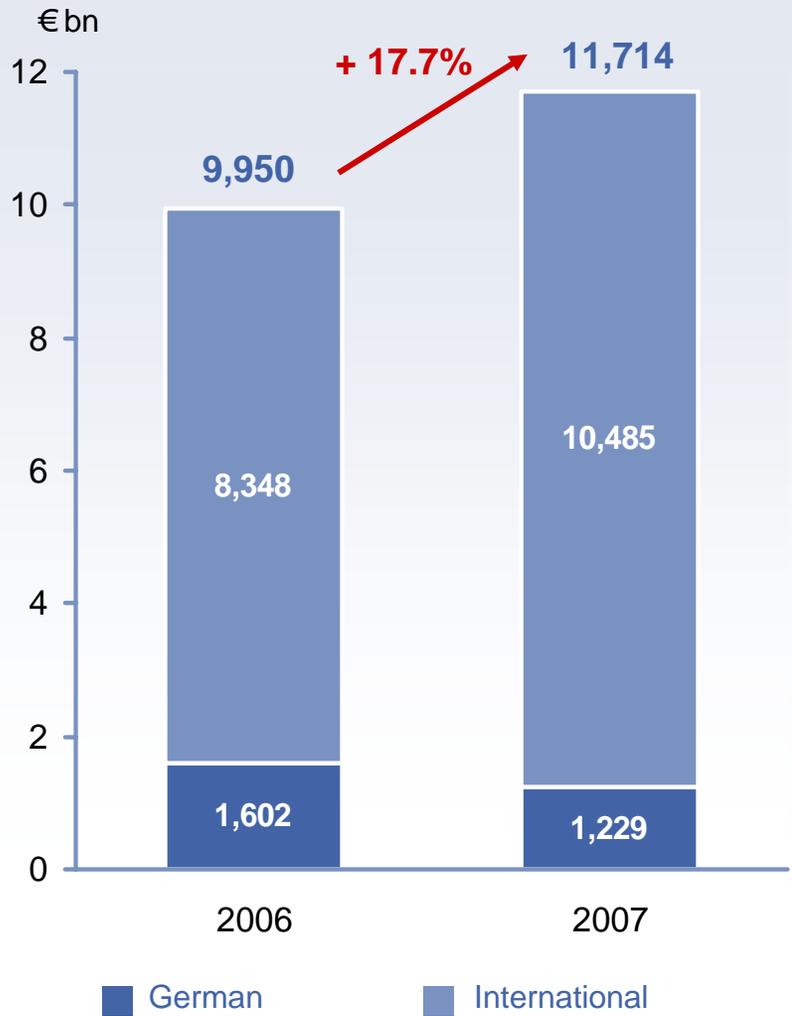
# Structured Property Financing



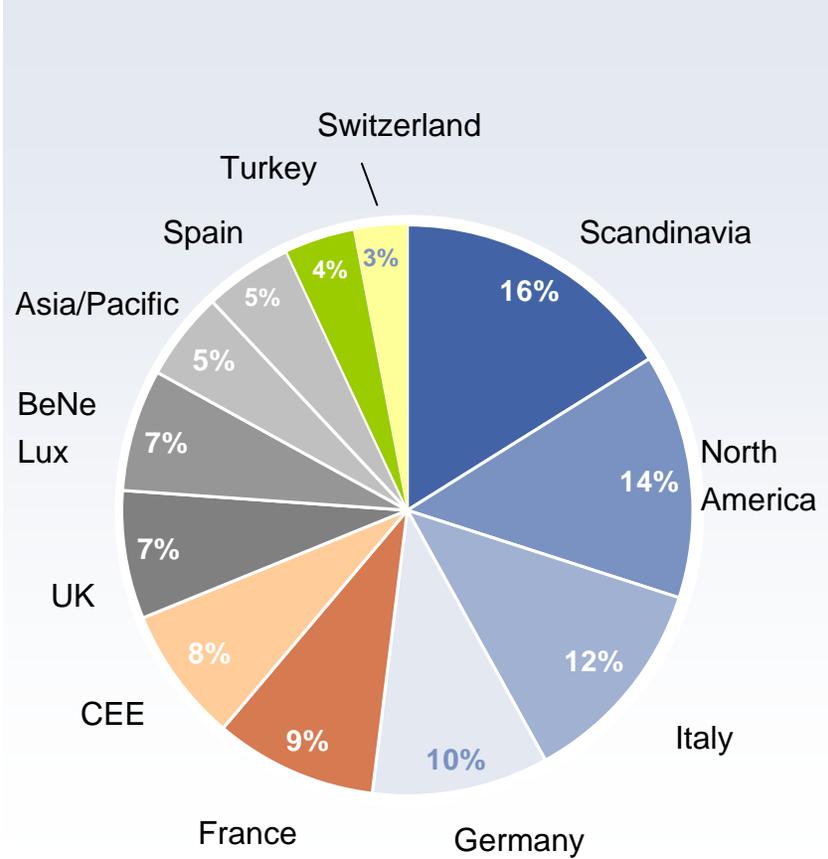
Aareal Bank

# New business development

## Growth year on year



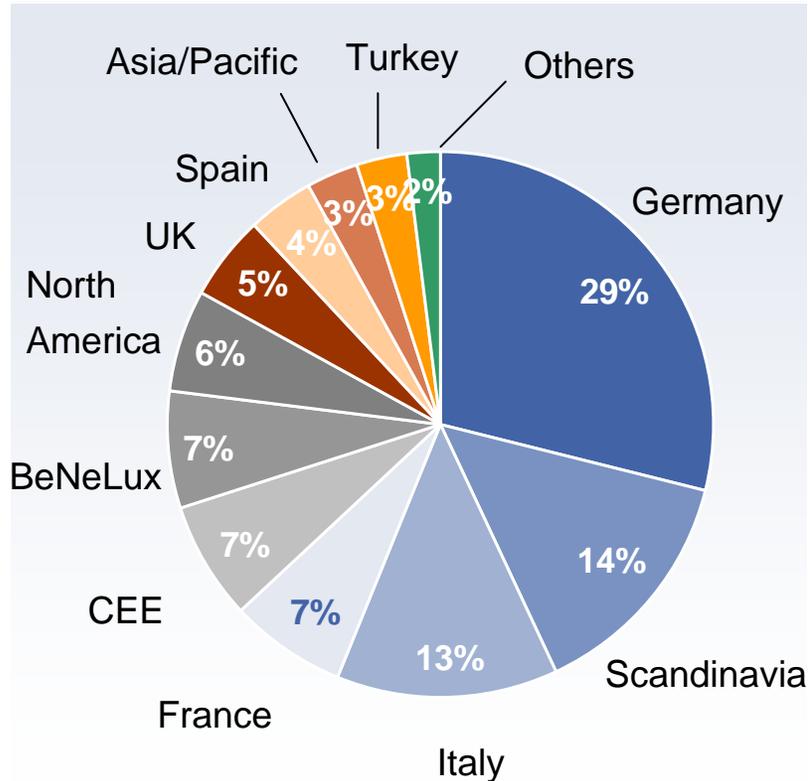
## Diversification by region



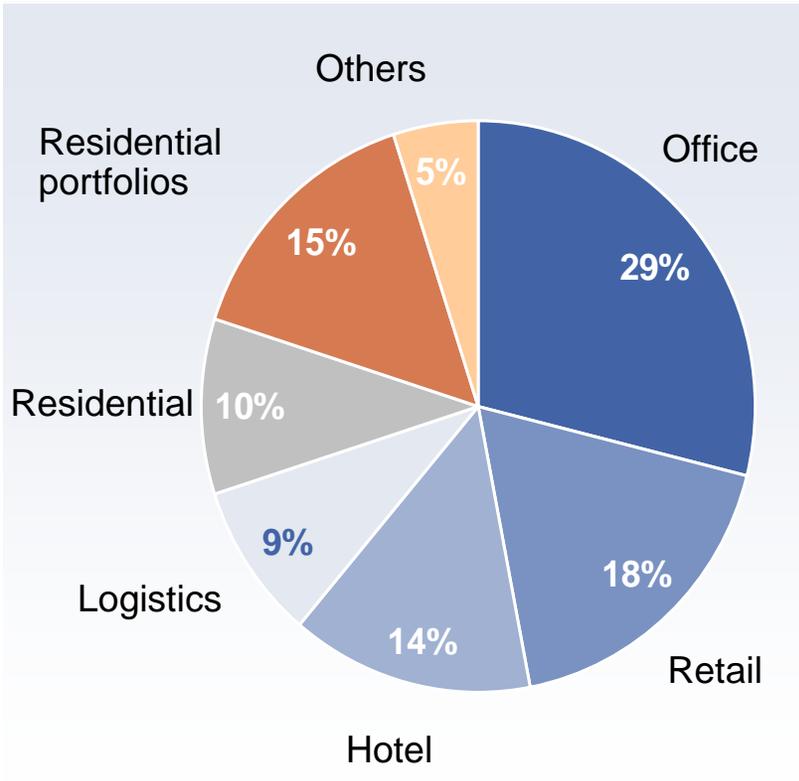
**Aareal Bank**

# Portfolio diversification by region and object type

**Portfolio by region 31.12.2007**  
**Total volume : €24.0 bn**



**Portfolio by object type 31.12.2007**  
**Total volume : €24.0 bn**



## Special asset classes in current discussions: exposure as at 31.12.2007

Asset Class	Exposure Aareal Bank
US Subprime	<b>None</b>
US RMBS	<b>None</b>
CDOs	<b>None</b>
ABCPs / SIVs	<b>None</b>
Exposure insured by Monoliners	<b>None</b>
Total ABS - of which AAA rated - of which US CMBS	~ € 650 mn ~ 90% < € 50 mn



# Development of long-term refinancing mix



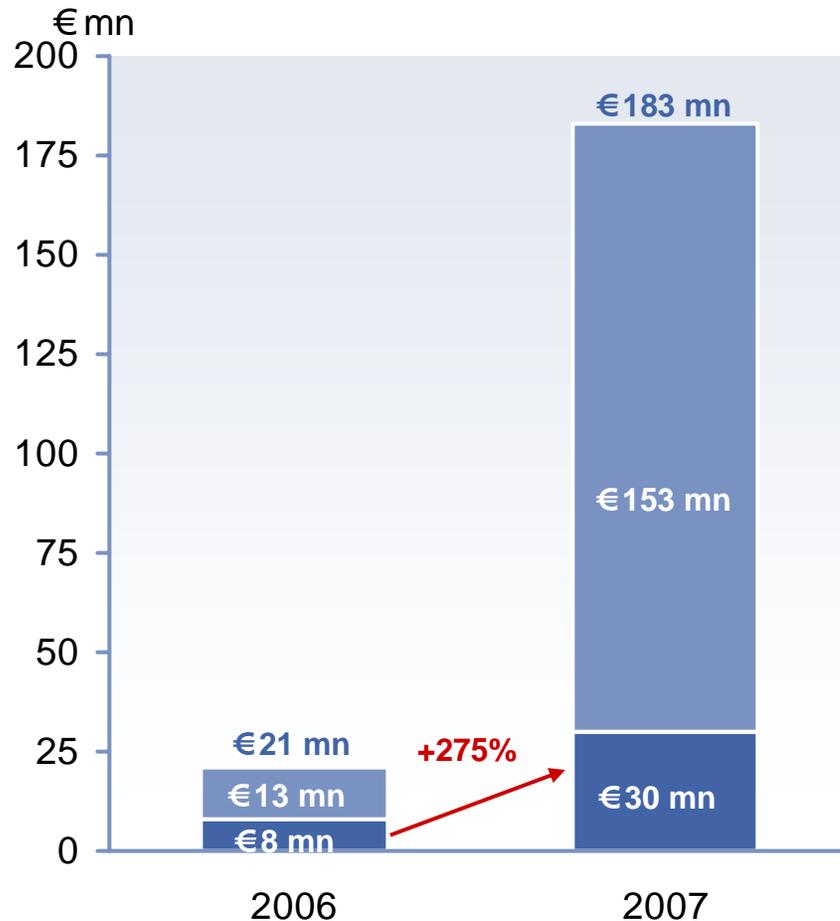
# Consulting/Services



Aareal Bank

# Performance

## Consulting / Services Segment



■ Profit before tax Consulting/Services

- Segment one-off effects 2007 (pre-tax) :
  - ImmoScout dividend: **€5 mn**
  - Proceeds from ImmoScout transaction: **€153 mn**
  - Paco sale: **€-3 mn**
  - Goodwill impairment BauGrund: **€-2 mn**
- Segment one-off effects 2006 (pre-tax) :
  - Book gain from sale of Aareal Hypotheken Management: **€2 mn**
  - ImmoScout dividend: **€3 mn**
  - Book gain Techem deal: **€11 mn**
  - Book gain from sale of Baugrund Stadtentwicklung: **€3 mn**
  - Aareon social plan costs: **€-6 mn**



# Performance

## Consulting / Services segment - operating profit by quarter



- Pre tax one-off effects Q4 2007:
  - Goodwill impairment BauGrund: **€-2 mn**
- Pre tax one-off effects Q3 2007:
  - Proceeds from Immoscout transaction: **€153 mn**
  - Paco sale: **€-3 mn**
- Pre tax one-off effects Q2 2007:
  - ImmoScout dividend: **€5 mn**
- Pre tax one-off effects Q1 2007:
  - ---
- Pre tax one-off effects Q4 2006
  - ---
- Pre tax one-off effects Q3 2006
  - Book gain Techem deal: **€11 mn**
  - Book gain from sale of BauGrund Stadtentwicklung: **€3 mn**
  - Aareon social plan costs: **€-6 mn**



# Conclusion

1. Business model with two segments is paying off
2. Positive net interest income trend starting to show
3. Consulting/Services delivers black figures six quarters in a row
4. Costs are kept under control
5. Good refinancing position
6. On a solid capital basis with a BIZ ratio of 7.3%



# Appendix



Aareal Bank

# Preliminary, unaudited group figures 2007

	1.1.-31.12.2007	1.1.-31.12.2006	Change
	€mn	€mn	%
Net interest income	411	389	5.7%
Net loan loss provisions	77	89	-13.5%
<b>Net interest income after net loan loss provisions</b>	<b>334</b>	<b>300</b>	<b>11.3%</b>
Net commission income	142	145	-2.1%
Net result on hedge accounting	1	9	-88.9%
Net trading income	-26	13	-
Results from non-trading assets	206	66	212.1%
Results from companies accounted for at equity	68	4	1600.0%
Results from investment properties	1	-13	-
Administrative expenses	361	356	1.4%
Net other operating income	18	-8	-
Impairment of goodwill	3	0	-
<b>Operating Profit</b>	<b>380</b>	<b>160</b>	<b>137.5%</b>
Income taxes	72	36	100.0%
Results from discontinued operations		1	-
<b>Consolidated net income / loss</b>	<b>308</b>	<b>125</b>	<b>146.4%</b>
<b>Allocation of results</b>			
Consolidated net income / loss attributable to minority interests	18	18	0.0%
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>290</b>	<b>107</b>	<b>171.0%</b>



# Preliminary, unaudited group figures Q4 2007

	Quarter 4 2007	Quarter 4 2006	Change
	€mn	€mn	%
Net interest income	109	92	18.5%
Net loan loss provisions	14	23	-39.1%
<b>Net interest income after net loan loss provisions</b>	<b>95</b>	<b>69</b>	<b>37.7%</b>
Net commission income	37	34	8.8%
Net result on hedge accounting	-3	3	-
Net trading income	-20	7	-
Results from non-trading assets	18	27	-33.3%
Results from companies accounted for at equity	0	0	-
Results from investment properties	0	-12	-100.0%
Administrative expenses	88	88	0.0%
Net other operating income	-9	-2	-
Impairment of goodwill	3	0	-
<b>Operating Profit</b>	<b>27</b>	<b>38</b>	<b>-28.9%</b>
Income taxes	5	1	400.0%
Results from discontinued operations		1	-
<b>Consolidated net income / loss</b>	<b>22</b>	<b>38</b>	<b>-42.1%</b>
<b>Allocation of results</b>			
Consolidated net income / loss attributable to minority interests	4	4	0.0%
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>18</b>	<b>34</b>	<b>-47.1%</b>



# Preliminary, unaudited segment reporting 2007

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	347	340	0	0	64	49	411	389
Provision for loan losses	77	89					77	89
<b>Net interest income after net loan loss provisions</b>	<b>270</b>	<b>251</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>49</b>	<b>334</b>	<b>300</b>
Net commission income	24	33	186	167	-68	-55	142	145
Net result on hedge accounting	1	9					1	9
Net trading income / expenses	-26	13					-26	13
Results from non-trading assets	52	52	154	14			206	66
Results from companies accounted for at equity	63	1	5	3			68	4
Results from investment properties	1	-13			0		1	-13
Administrative expenses	212	199	154	164	-5	-7	361	356
Net other operating income / expenses	25	-8	-6	1	-1	-1	18	-8
Impairment of goodwill	1		2	0			3	0
<b>Operating profit</b>	<b>197</b>	<b>139</b>	<b>183</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>380</b>	<b>160</b>
Income taxes	61	31	11	5			72	36
Results from discontinued operations						1		1
<b>Consolidated net income / loss</b>	<b>136</b>	<b>108</b>	<b>172</b>	<b>16</b>	<b>0</b>	<b>1</b>	<b>308</b>	<b>125</b>
<b>Allocation of results</b>								
Consolidated net income / loss attributable to minority interests	16	16	2	2			18	18
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>120</b>	<b>92</b>	<b>170</b>	<b>14</b>	<b>0</b>	<b>1</b>	<b>290</b>	<b>107</b>
Allocated equity	926	765	67	86	163	130	1,156	981
Cost/income ratio in %	49.7	54.1	47.7	89.1			48.6	63.5
RoE after taxes in %	12.9	12.0	252.2	16.3			25.0	10.9



# Preliminary, unaudited segment reporting Q4 2007

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	Quarter 4 2007	Quarter 4 2006	Quarter 4 2007	Quarter 4 2006	Quarter 4 2007	Quarter 4 2006	Quarter 4 2007	Quarter 4 2006
Net interest income	91	78	0	0	18	14	109	92
Provision for loan losses	14	23					14	23
<b>Net interest income after net loan loss provisions</b>	<b>77</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>14</b>	<b>95</b>	<b>69</b>
Net commission income	4	3	53	47	-20	-16	37	34
Net result on hedge accounting	-3	3					-3	3
Net trading income / expenses	-20	7					-20	7
Results from non-trading assets	18	29	0	-2			18	27
Results from companies accounted for at equity								
Results from investment properties	0	-12			0		0	-12
Administrative expenses	48	53	42	37	-2	-2	88	88
Net other operating income / expenses	-7	1	-2	-3	0	0	-9	-2
Impairment of goodwill	1		2	0			3	0
<b>Operating profit</b>	<b>20</b>	<b>33</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>38</b>
Income taxes	3	1	2	0			5	1
Results from discontinued operations						1		1
<b>Consolidated net income / loss</b>	<b>17</b>	<b>32</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>22</b>	<b>38</b>
<b>Allocation of results</b>								
Consolidated net income / loss attributable to minority interests	4	4	0	0			4	4
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>13</b>	<b>28</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>34</b>
Allocated equity	926	765	67	86	163	130	1,156	981
Cost/income ratio in %	67.6	52.9	83.4	86.8			72.6	61.5
RoE after taxes in %	5.8	14.6	27.1	23.7			6.1	13.7



# Definitions and Contacts



Aareal Bank

# Definitions

## ■ Property Financing Portfolio

- Payed-out financings on balance sheet
- Incl. remaining property loans on DEPFA books

## ■ New Business

- Newly acquired business incl. renewals (excl. interest rate prolongations)
- Contract is signed by customer
- Fixed loan value and margin

$$\text{Net RoE} = \frac{\text{Group net income after minorities}}{\text{Allocated (average) equity}}$$

## ■ Allocated Equity

Average of:

- Equity minus minorities and revaluation surplus (start of period less dividends) and
- Equity minus minorities and revaluation surplus (end of period less expected dividends)

$$\text{CIR} = \frac{\text{Admin expenses} + \text{other operating expenses}}{\text{Net income}}$$

## ■ Net Income

- net interest income + net commission income + net result from hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + other operating income



# Contact

- **Jürgen Junginger**  
Managing Director Investor Relations  
Phone: +49 611 348 2636  
[juergen.junginger@aareal-bank.com](mailto:juergen.junginger@aareal-bank.com)
- **Alexandra Beust**  
Senior Manager Investor Relations  
Phone: +49 611 348 3053  
[alexandra.beust@aareal-bank.com](mailto:alexandra.beust@aareal-bank.com)
- **Nicole Schüttforth**  
Investor Relations  
Phone: +49 611 348 3044  
[nicole.schuettforth@aareal-bank.com](mailto:nicole.schuettforth@aareal-bank.com)



# Disclaimer

© 2008 Aareal Bank AG. All rights reserved.

- This document has been prepared by Aareal Bank AG, exclusively for the purposes of a corporate presentation by Aareal Bank AG. The presentation is intended for professional and institutional customers only.
- It must not be modified or disclosed to third parties without the explicit permission of Aareal Bank AG. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law.
- This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to purchase securities. Aareal Bank AG has merely compiled the information on which this document is based from sources considered to be reliable – without, however, having verified it. Therefore, Aareal Bank AG does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Aareal Bank AG accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation.
- This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Aareal Bank AG's control. This could lead to material differences between the actual future results, performance and/or events and those expressed or implied by such statements.
- Aareal Bank AG assumes no obligation to update any forward-looking statement or any other information contained herein.

