

THE INTERNATIONAL
PROPERTY SPECIALIST

Annual Analyst Conference

March 28, 2008



Aareal Bank

Agenda



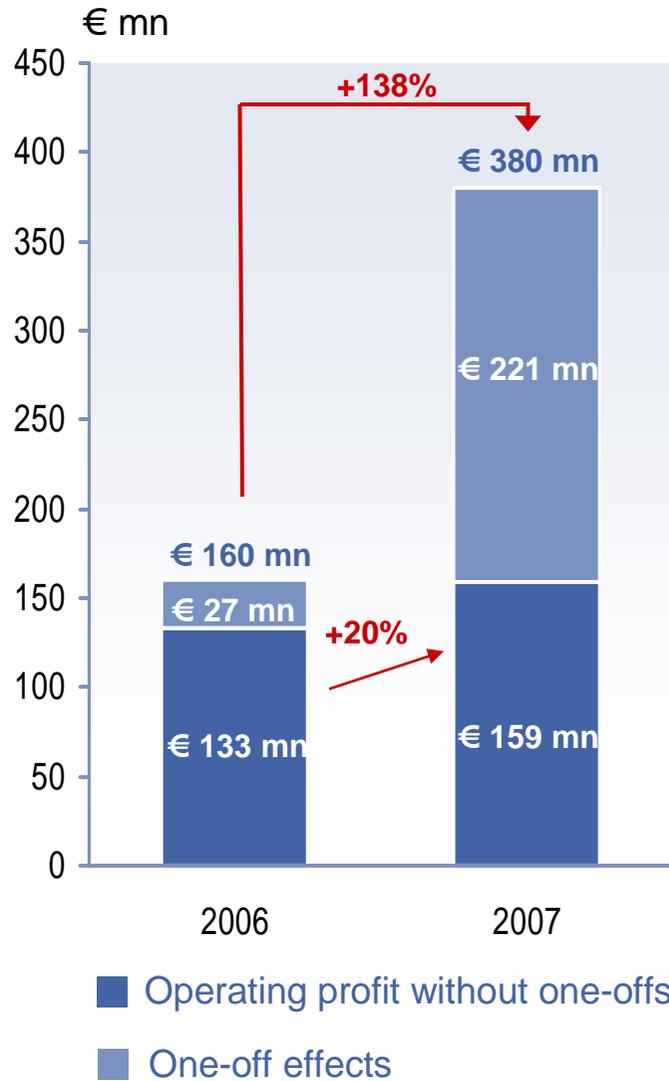
Fundamentals 2007



Acreal Bank

Performance

Profit before tax and special effects



■ One-off effects 2007 (pre-tax) :

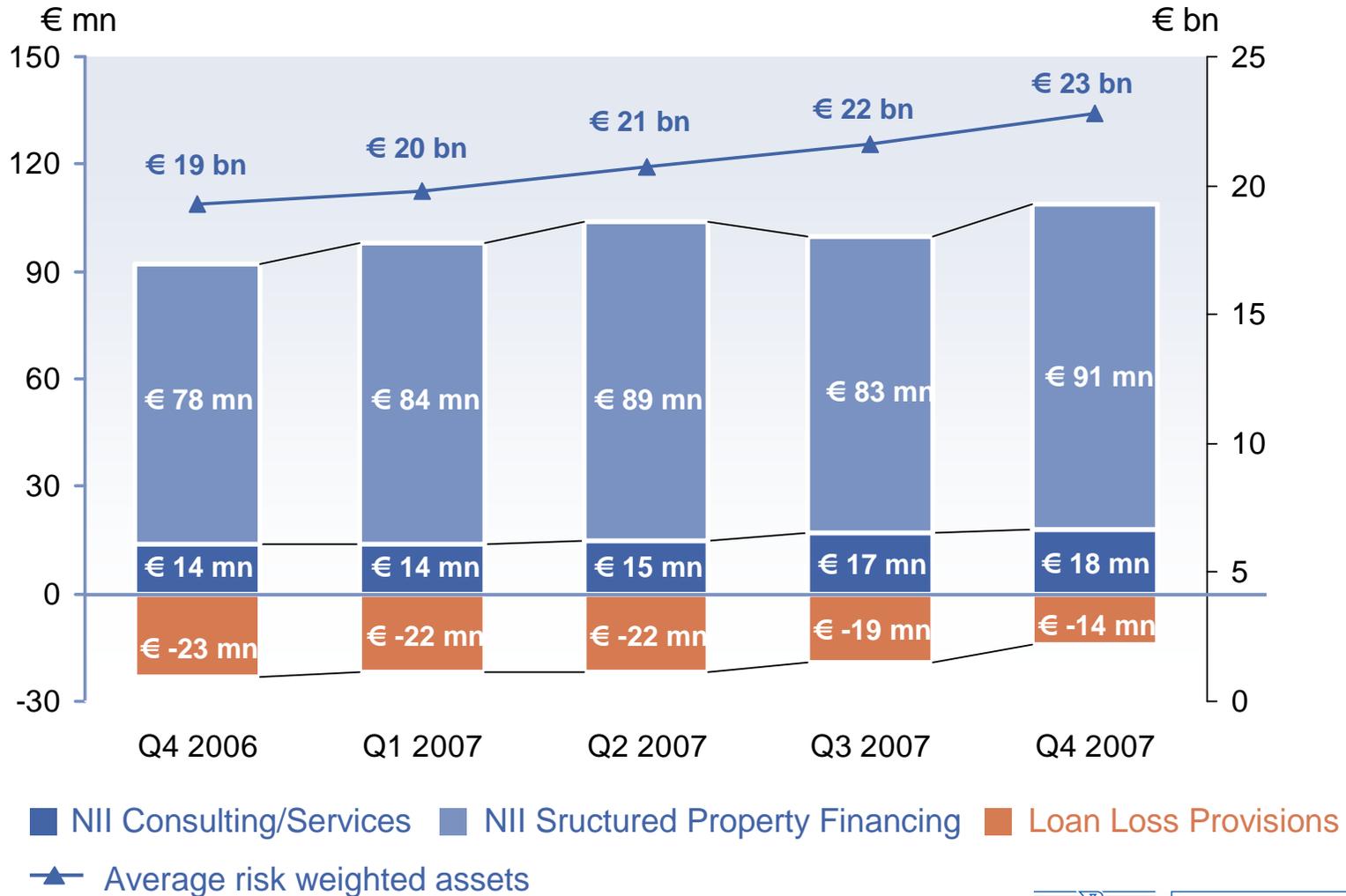
- Compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding: **€ 37 mn**
- Further proceeds from sale of Asset Management activities: **€ 6 mn**
- ImmoScout dividend: **€ 5 mn**
- Proceeds from Interhotel transaction: **€ 65 mn**
- Proceeds from ImmoScout transaction: **€ 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**

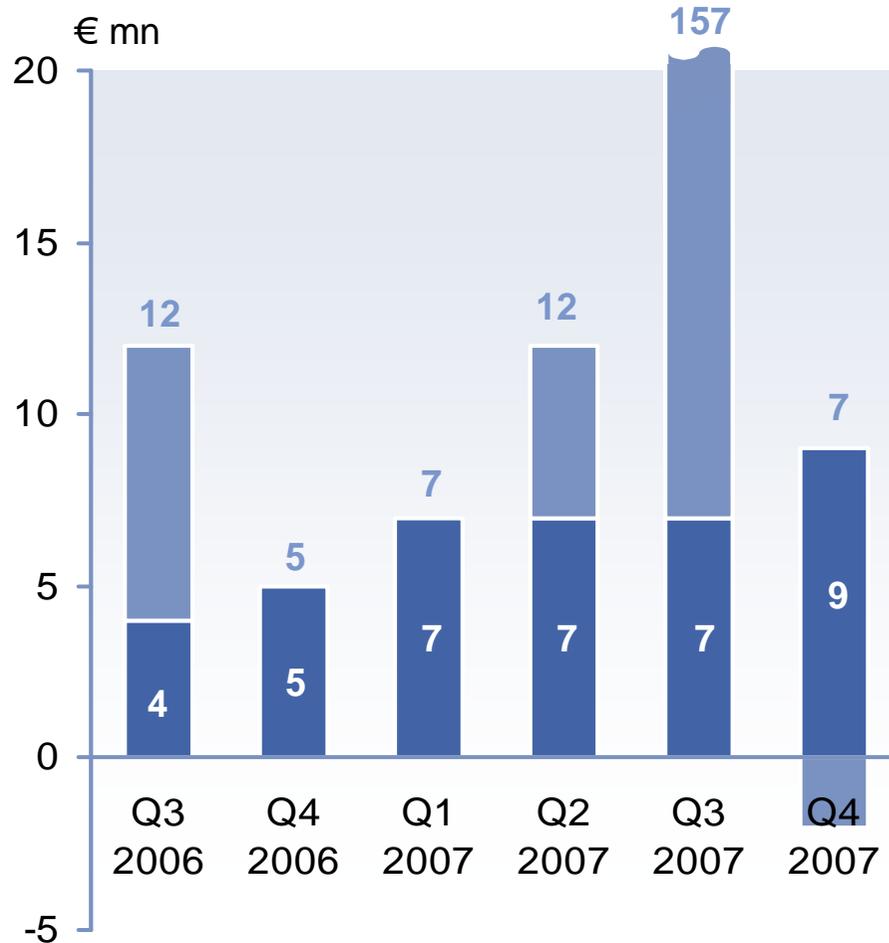
Performance

Development Net interest income and Loan loss provisions



Performance

Consulting / Services segment – Operating profit by quarter



■ Operating profit without one-offs ■ One-off effects

■ **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:**

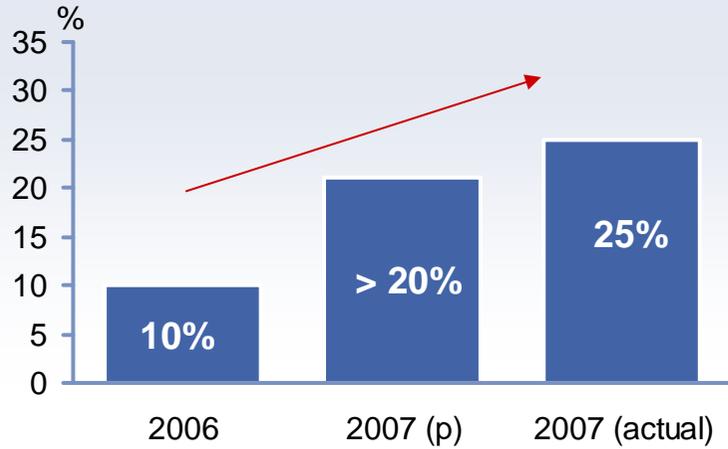
- Book gain Techem deal: € 11 mn
- Book gain from sale of BauGrund Stadtentwicklung: € 3 mn
- Aareon social plan costs: € -6 mn



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Milestones 2007

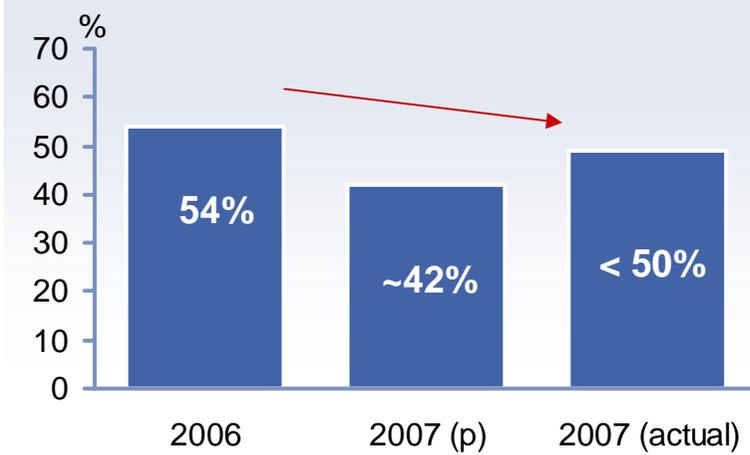
Group net RoE incl. one-offs



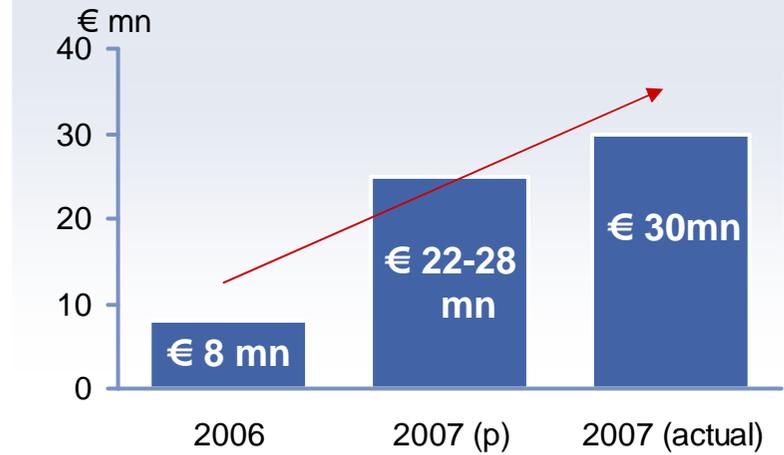
Growth average RWA



C/I Ratio Property Financing Segment



Operating EBT Consulting/Services



Fundamentals 2007

Structured Property Financing

- Average risk weighted asset growth of 15%
- Diversification strengthened on three continents
- Costs under control
- Strong refinancing position

Consulting/ Services

- Sustainable black figures free of lending risk
- Costs under control
- Growing deposit base
- Essential parts of segment restructuring completed

Aareal Bank Group

- Business model with two segments established
- Further concentration on core competences and flexibility
- Solid capital basis



Quality of Assets: Exposure to external issues



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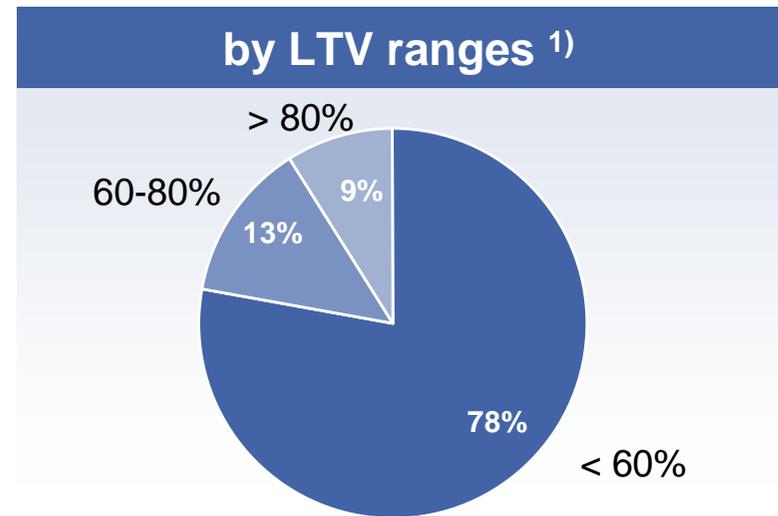
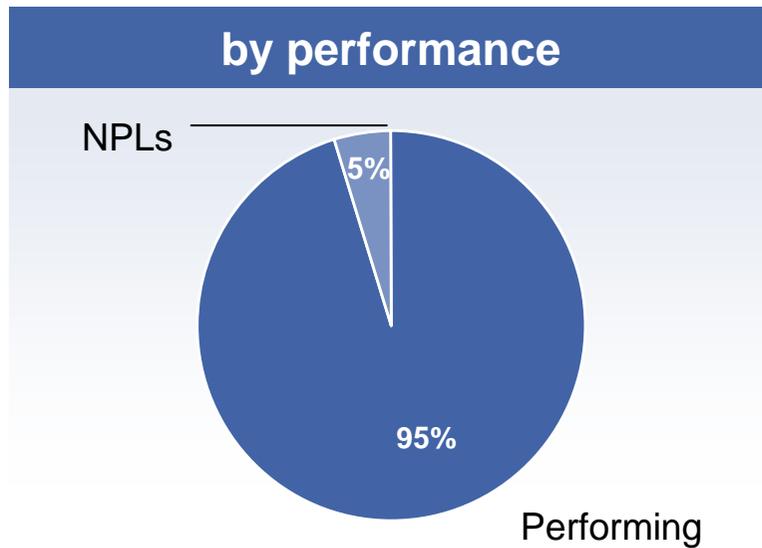
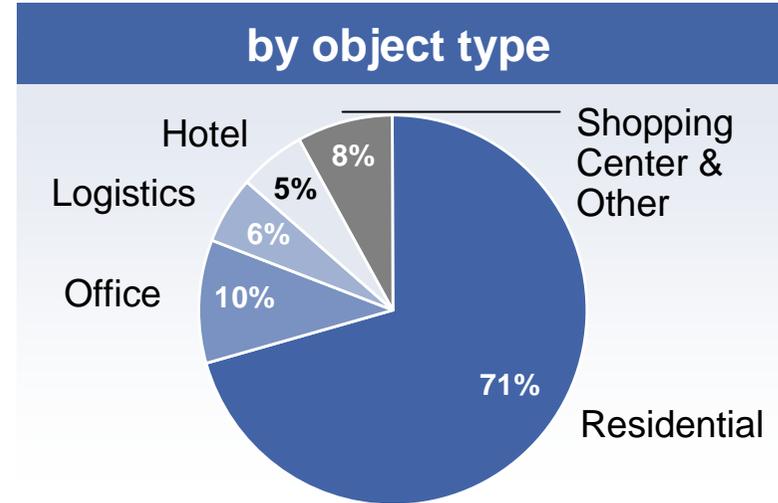
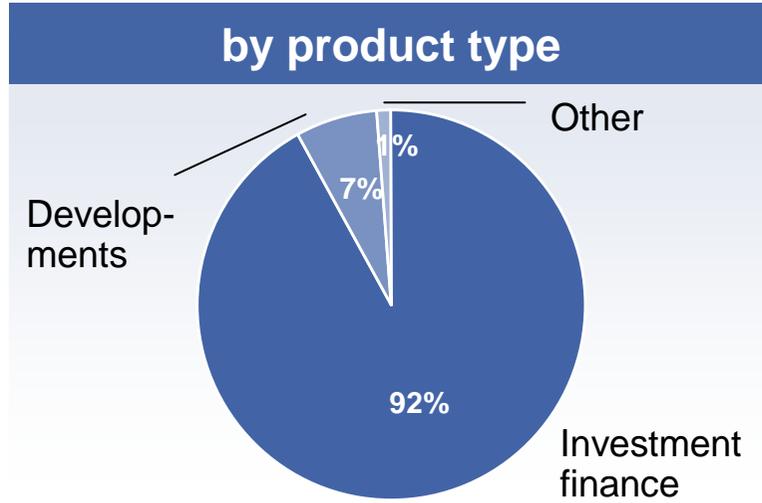
Exposure to special asset classes as at 31.12.2007

Asset Class	Exposure Aareal Bank
US Subprime and US RMBS	None
CDOs	None
ABCPs / SIVs	None
Exposure insured by Monoliners	None
ABS portfolio - of which AAA rated - of which US CMBS	~ € 650 mn > 90% < € 50 mn
Additional ABS limit opened up to a further € 500 mn to use current market opportunities, limited to: - RMBS (AAA-rated, ECB-eligible, maturities < 9M) and - CMBS (≥ A-rated, focus on AAA-rated, alternative to and treated like credit business)	Limit utilisation 28.03.2008: ---



German credit portfolio as at 31.12.2007

Total volume outstanding : € 7.1 bn



10 ¹⁾ Mortgage collateralised business only; value does not take into account any collateral other than mortgages

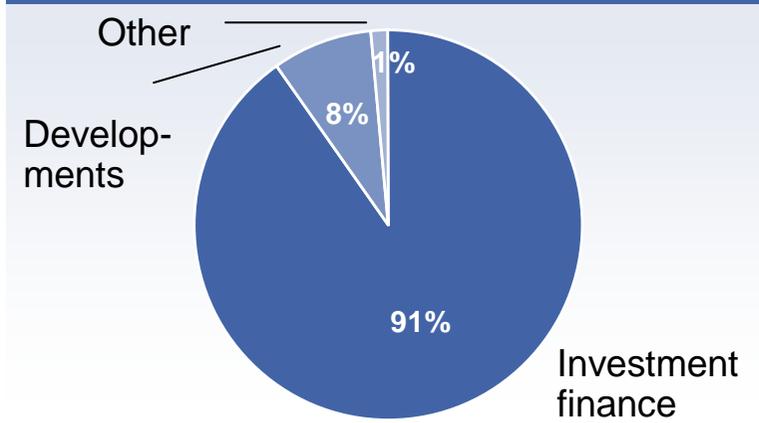


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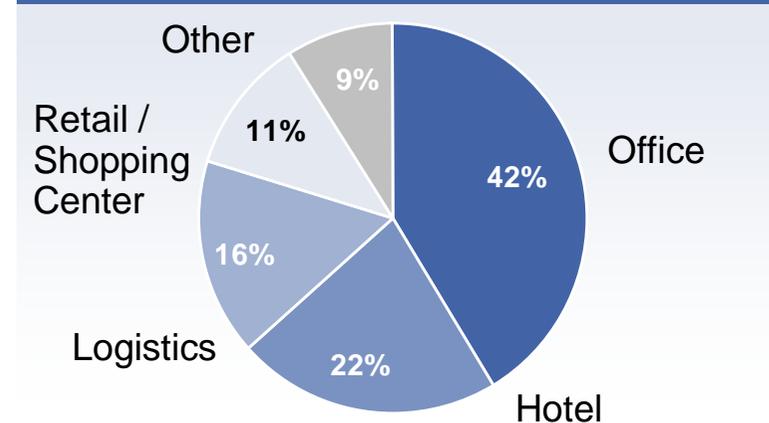
Western Europe (ex Ger) credit portfolio as at 31.12.2007

Total volume outstanding : € 5.0 bn

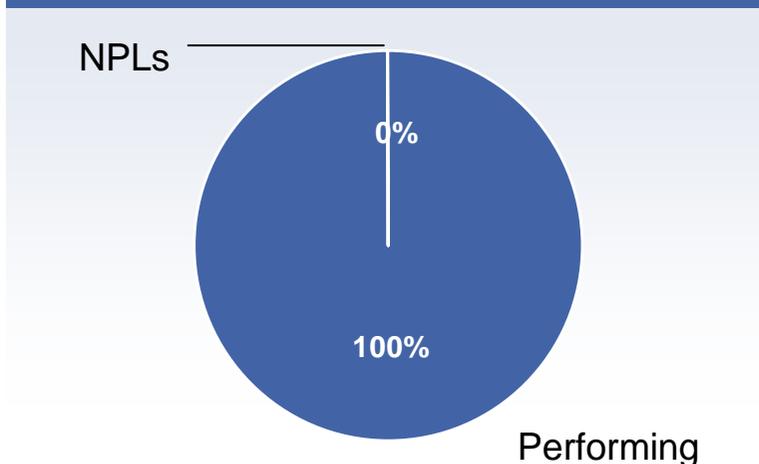
by product type



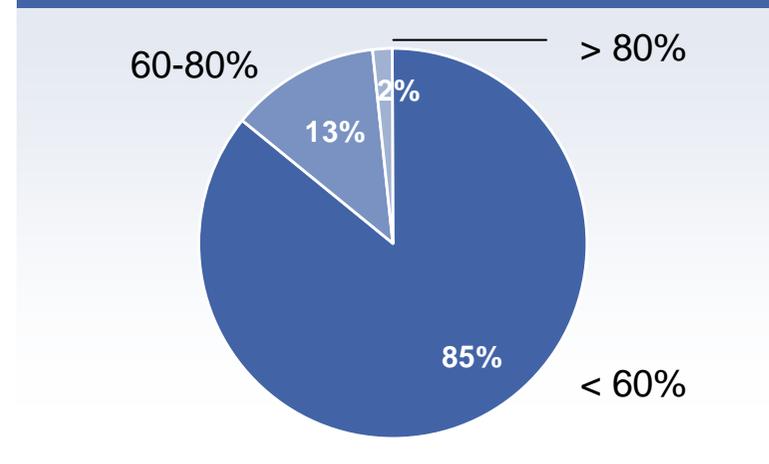
by object type



by performance



by LTV ranges ¹⁾



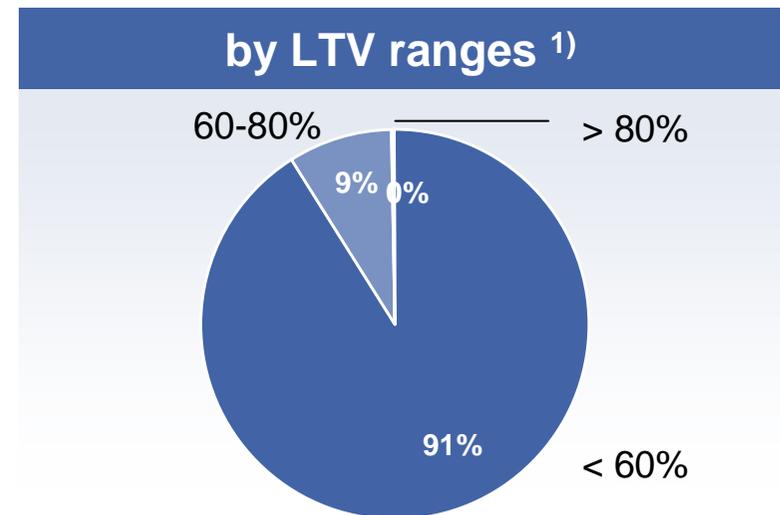
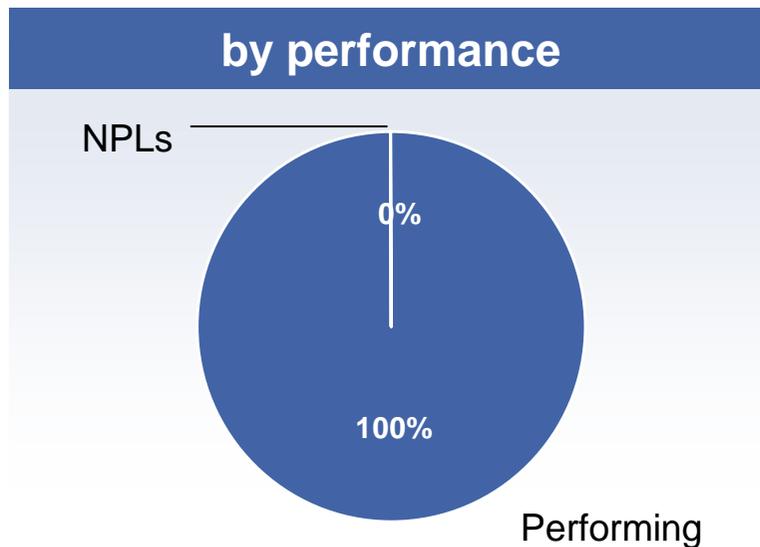
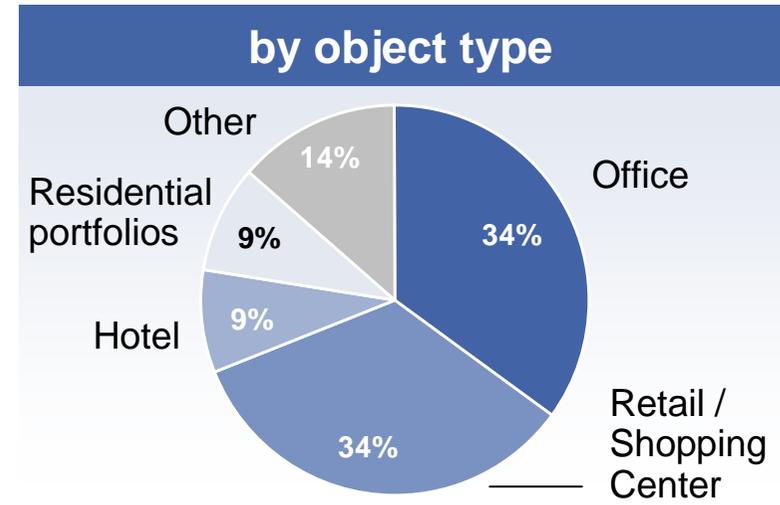
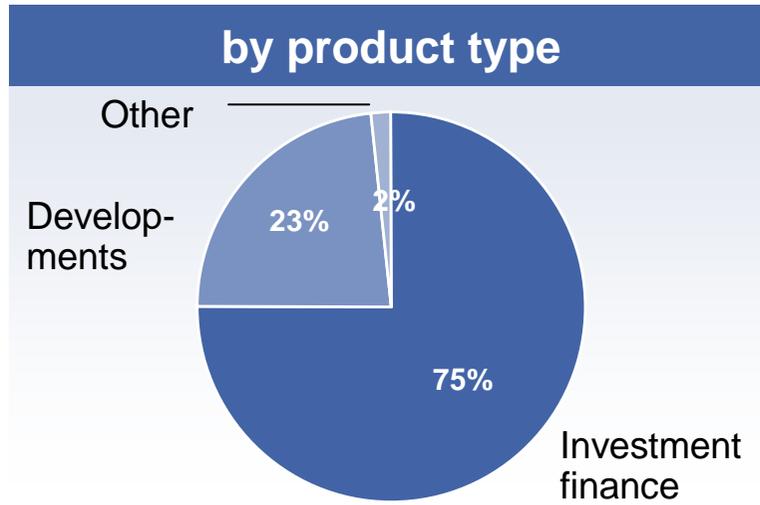
11 ¹⁾ Mortgage collateralised business only; value does not take into account any collateral other than mortgages



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Southern Europe credit portfolio as at 31.12.2007

Total volume outstanding : € 4.2 bn

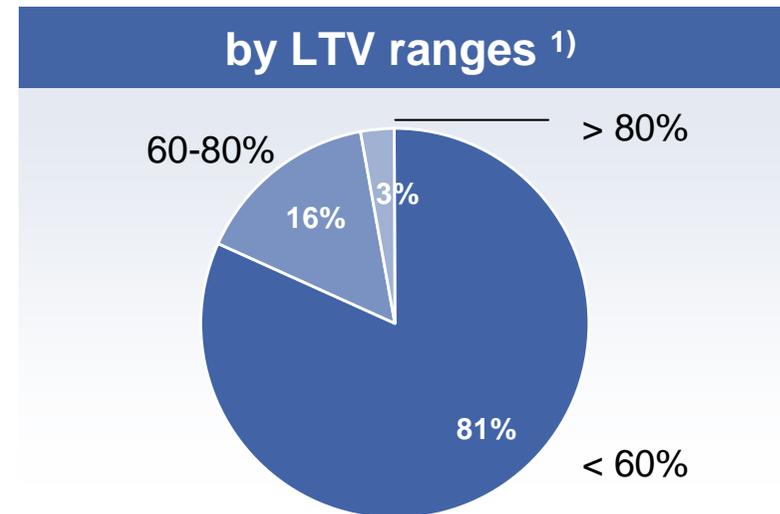
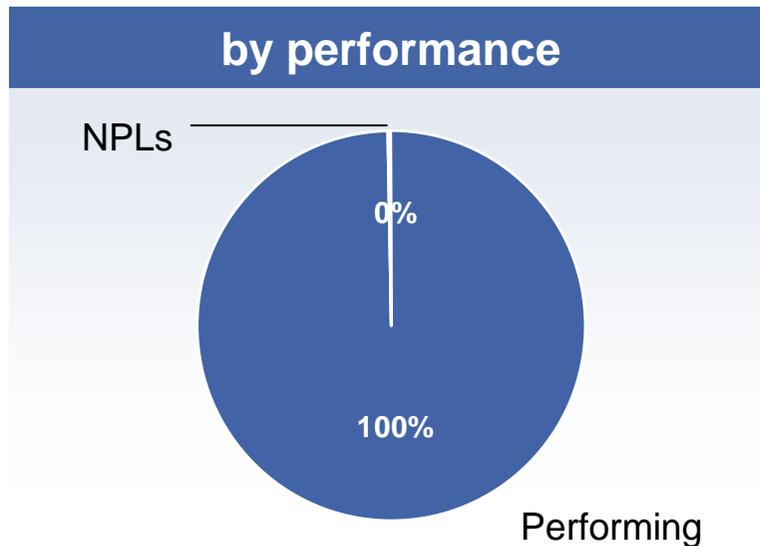
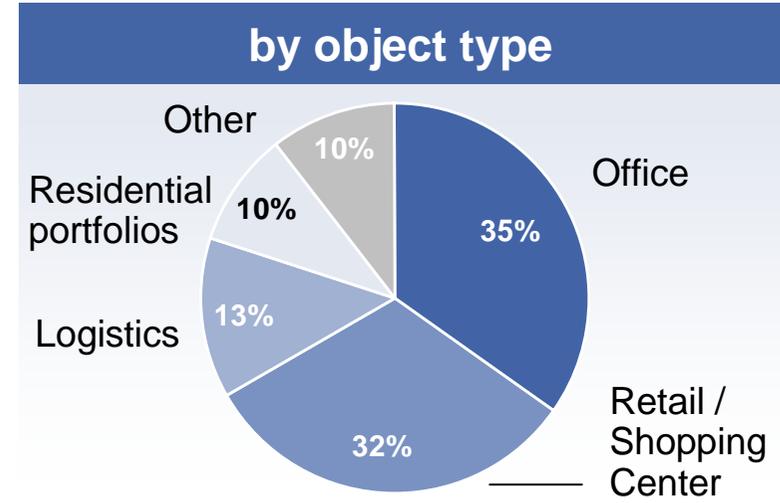
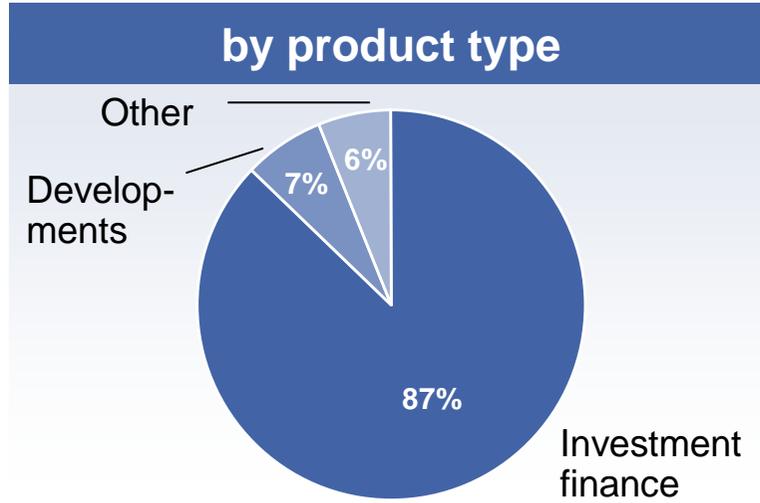


¹⁾ Mortgage collateralised business only; value does not take into account any collateral other than mortgages



Northern Europe credit portfolio as at 31.12.2007

Total volume outstanding : € 3.3 bn

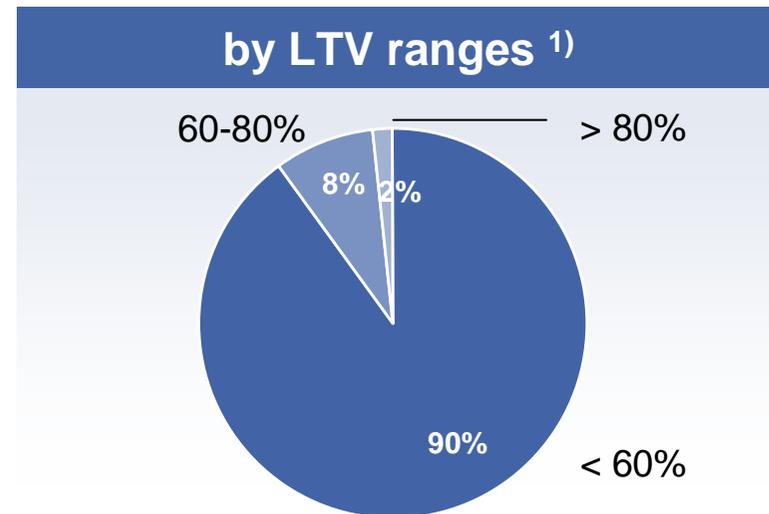
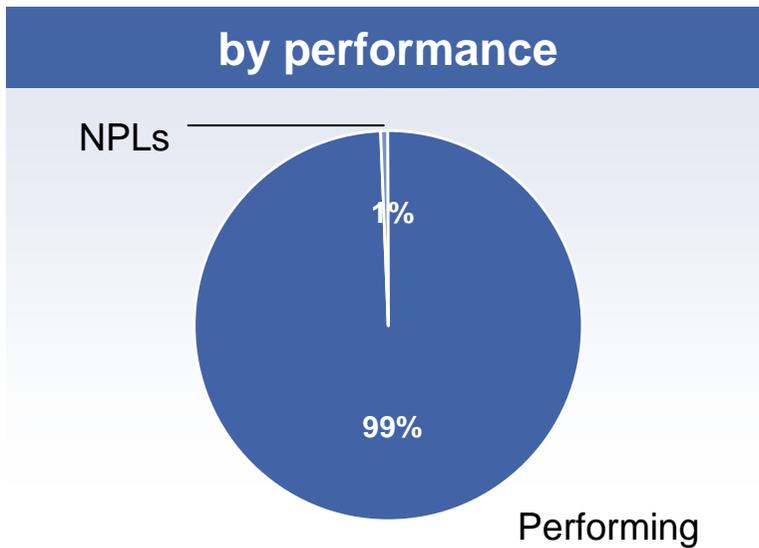
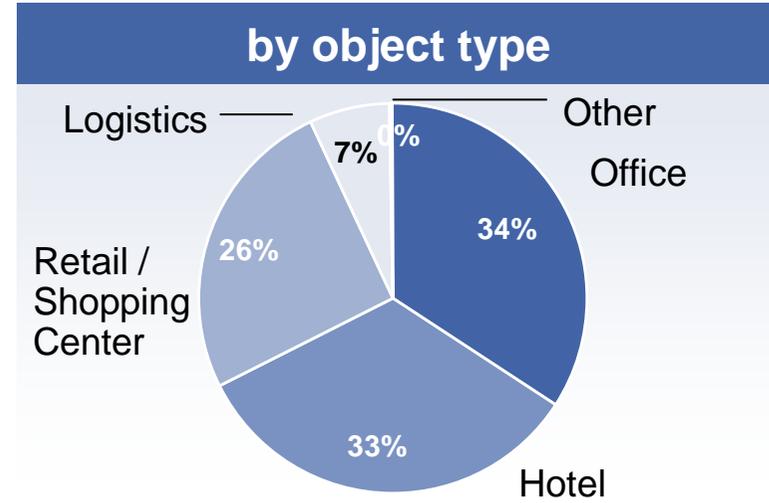
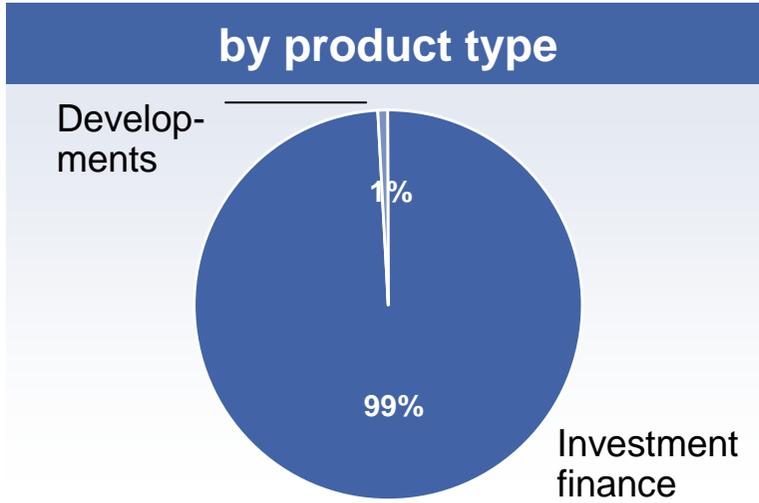


13 ¹⁾ Mortgage collateralised business only; value does not take into account any collateral other than mortgages



Eastern Europe credit portfolio as at 31.12.2007

Total volume outstanding : € 2.3 bn

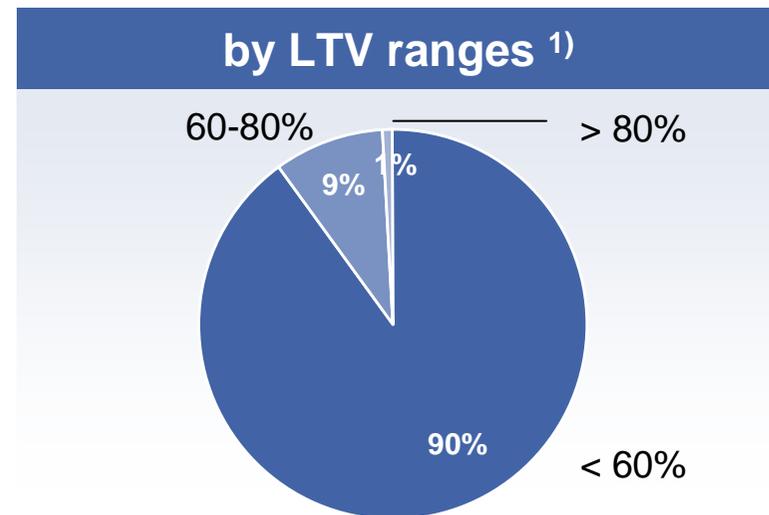
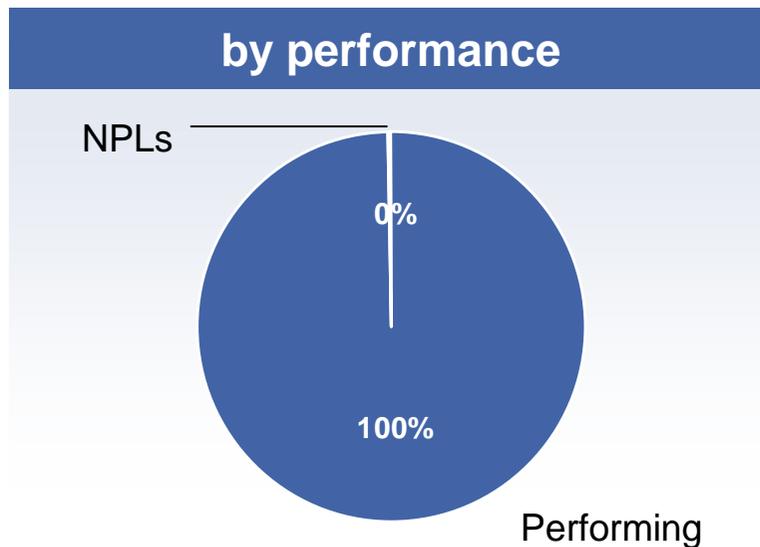
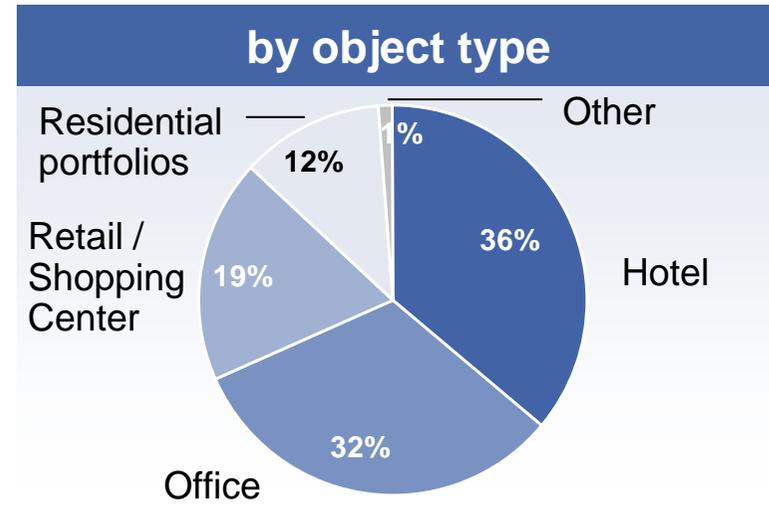
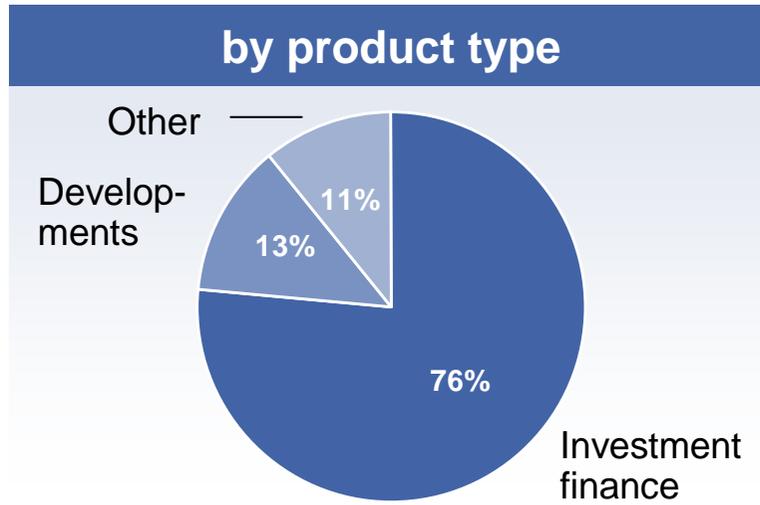


¹⁾ Mortgage collateralised business only;
value does not take into account any collateral other than mortgages



North America credit portfolio as at 31.12.2007

Total volume outstanding : € 1.5 bn

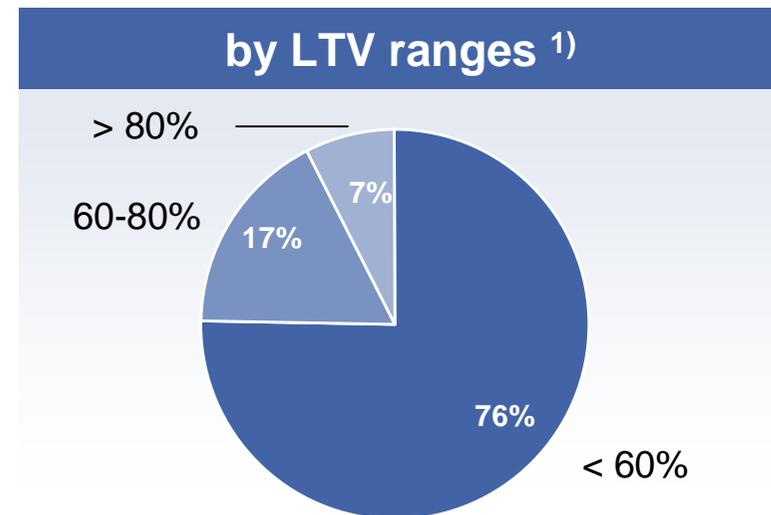
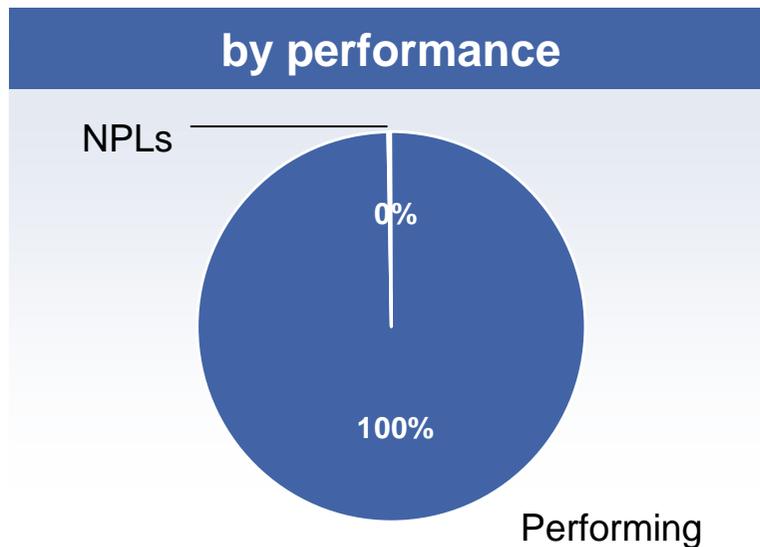
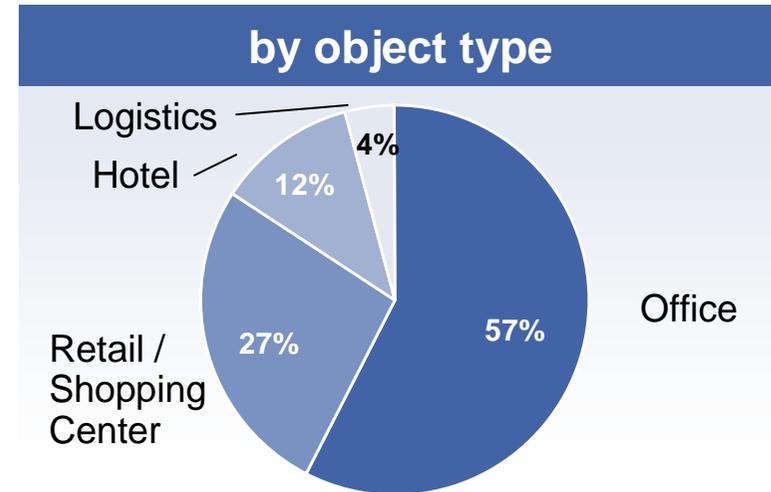
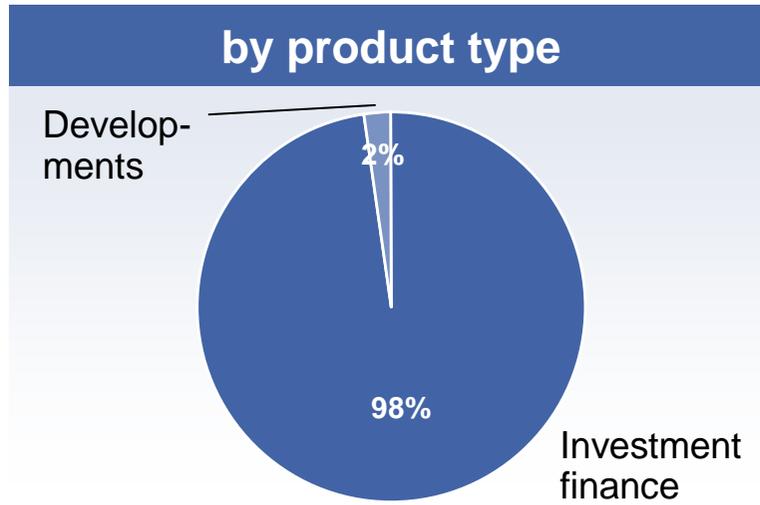


15 ¹⁾ Mortgage collateralised business only;
value does not take into account any collateral other than mortgages



Asia credit portfolio as at 31.12.2007

Total volume outstanding : € 0.6 bn



¹⁾ Mortgage collateralised business only;
value does not take into account any collateral other than mortgages



Current environment and expectations



Acreal Bank

Our market expectations: Current development property financing business

New business spreads



New business loan to values



German Pfandbrief spreads



Senior unsecured spreads



Transaction volumes



Secondary market



- (Strong) increase in margins the customer is prepared to pay
- (Strong) increase in equity the customer is prepared to invest into a deal
- Hardly any widening of Pfandbrief spreads
- Further escalation of senior unsecured spreads
- Decrease in real estate transactions
- Secondary markets largely illiquid → good chances for possible investments / purchases

Our market expectations: Development market environment

■ Short term

- Downturn in the US starting to cause further series of reactions on global financial markets
- Limited spill-over of US recession to European economies
- Volatile spread developments, especially of derivative / structured products
- Decrease in US and UK commercial property values
- General lack of investors' confidence

■ Mid term

- Lasting downturn in the US starting to cause fundamental reactions on commercial property markets
- Moderate fundamental weakening of commercial property value in Europe



Refinancing Position



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What is it about the Pfandbrief?

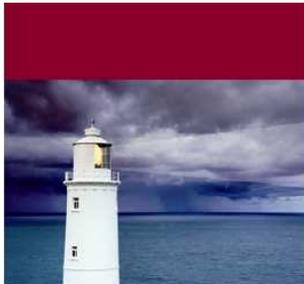
Premium product and bench mark

Pfandbrief = premium product	
  VERBAND DEUTSCHER PFANDBRIEFBANKEN <small>Association of German Pfandbrief Banks</small>	<ul style="list-style-type: none"> ▪ Pfandbrief is bank debt <ul style="list-style-type: none"> • collateralized • strict legal requirements • public supervision → highest quality ▪ Pfandbriefe have a 25 % market share in Germany's fixed income market <ul style="list-style-type: none"> → high systemic importance for Germany's financial system ▪ Pfandbrief banks keep cover assets on their balance sheets and are therefore incentivized to maintain their quality loans <ul style="list-style-type: none"> → Pfandbrief is no structured bond like MBS ▪ With a 44 % market share Pfandbrief is the largest segment in the global Covered Bond market and it offers cheapest and most reliable funding conditions of all Covered Bonds <ul style="list-style-type: none"> → Pfandbrief is the Covered Bond benchmark ▪ No loans for US single family housing in Pfandbrief cover pools <ul style="list-style-type: none"> → Pfandbrief is protected against subprime <div style="border: 1px solid gray; padding: 5px; margin-top: 10px;"> <ul style="list-style-type: none"> ▪ Pfandbrief provides issuers with access to liquidity at all times ▪ Pfandbrief banks can therefore finance new business with substantial margins even in a difficult market environment </div>
<p>executive summary</p>	
<small>The Pfandbrief – a premium product analysts' conference call 26 February 2008 4 / 20</small>	



What is it about the Pfandbrief?

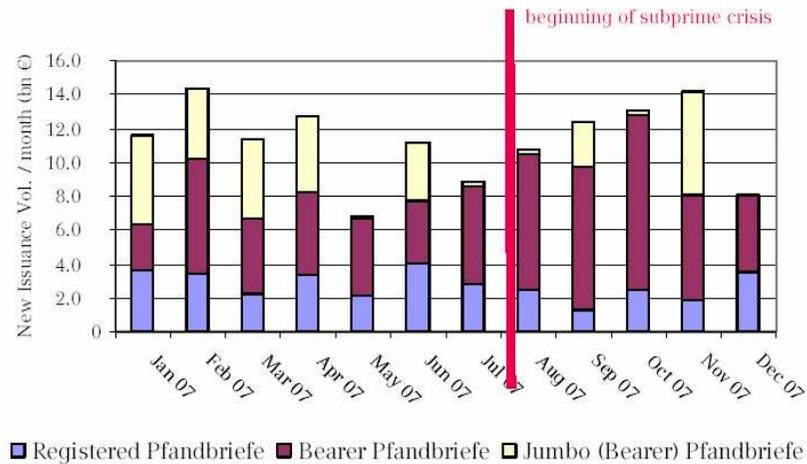
Premium product and bench mark



vdp
**VERBAND DEUTSCHER
 PFANDBRIEFBANKEN**
 Association of German Pfandbrief Banks

**Pfandbrief-
 new issuance
 2007**

II. Market infrastructure



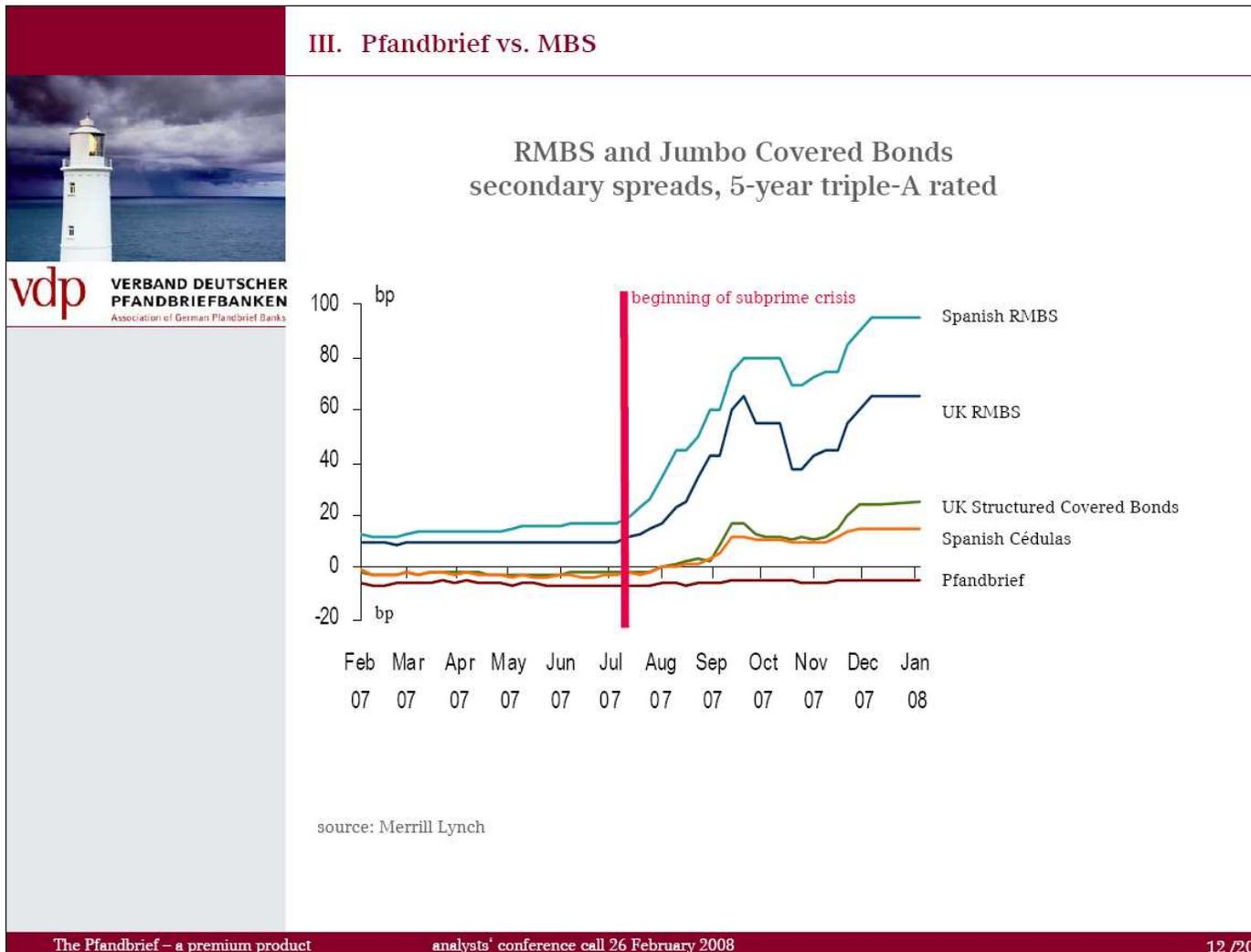
sources: Deutsche Bundesbank, UniCredit

- Total new issuing volume 2007: 135.4 bn €
- From August to December: 58.5 bn €
- Pfandbrief market open to new issuers and innovations:
 - first Jumbo-(Mortgage-)Pfandbrief of Postbank in January 2008



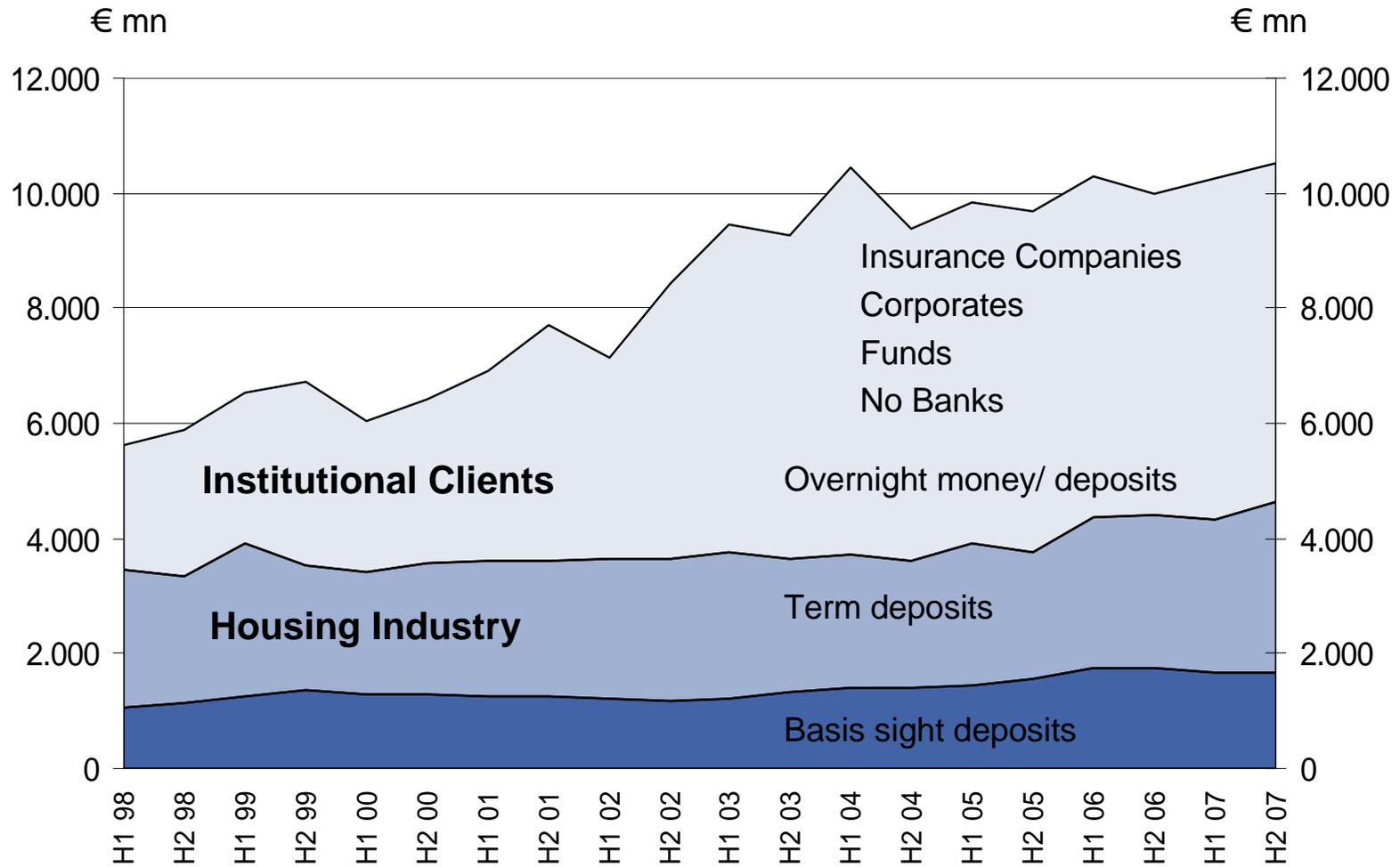
What is it about the Pfandbrief?

Premium product and bench mark



Aareal refinancing position

Customer deposits: development by volume



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Aareal refinancing position

Loan portfolio vs. long term funds

- The property financing portfolio is refinanced by subordinated, senior unsecured funding and mortgage Pfandbriefe
 - Additionally, Aareal has an average of € 4.5 bn highly stable deposits from the housing industry
- Total average maturity:
 - Long term funding (excl. public sector Pfandbriefe): 5.2 years
 - Property loan portfolio: 3.6 years
- Annual redemptions of long term funds about € 3 bn
- In any case, Aareal will not be forced to issue any senior unsecured funds this year



Consulting / Services: “rock-solid”



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Institutional housing sector: Integral element of group strategy

1. Customer Deposits	Highly stable customer deposits without expensive branch network <ul style="list-style-type: none">➤ ~ € 1.5 bn stable current account money➤ ~ € 3 bn stable term deposits	
2. Earnings Stability	Non-cyclical and stable group earnings contributions <ul style="list-style-type: none">➤ free of lending risk➤ 60% market share of Aareon in Germany➤ Long-established customer base➤ Long-running contracts	
3. Group RoE	Group RoE enhancement <ul style="list-style-type: none">➤ Very low equity engagement➤ Operating segment EBT 2007: € 30 mn	



Institutional housing sector: Breakdown of performance targets

IT-Services business Aareon Group ¹⁾					Integrated Payment Solutions Institutional Housing department / AFFS ²⁾				
	2007 € mn	2008p € mn	2009p € mn	2010p € mn		2007 € mn	2008p € mn	2009p € mn	2010p € mn
Revenues	164	170 - 180	175 - 185	195- 210	Revenues	59	60-65	60-70	70-80
Expenses	147	140 - 145	140 - 145	150- 160	Direct Expenses	36	35-40	35-40	40-45
EBIT	17	30-40	35-40	45-50	Gross result ³⁾	10	10-20	15-20	20-25

1) Sub-group financial statements acc. to IFRS

2) Internal profit centre calculation

3) after bank overheads



Short term positioning & Guidance



Acreal Bank

Short term positioning

Group

- Maintain very conservative position in general
- Further concentration on exceptionally high flexibility
- Maintain solid capital basis

Property Financing Business

- New business on a very selective basis
- Preferably Pfandbrief cover pool eligible
- Constant awareness of possible investment opportunities

Funding

- Concentration on Mortgage Pfandbriefe
- Selective tailor made private placements

Consulting/ Services

- Continue with established approach: no major changes necessary



Long term strategy & Targets



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Long term strategy confirmed

■ Fundamental elements:

- Two segments
- Concentration on core competences
- Lean and flexible set-up
- High portfolio diversification

■ Business growth and diversification strategy in Structured Property Financing

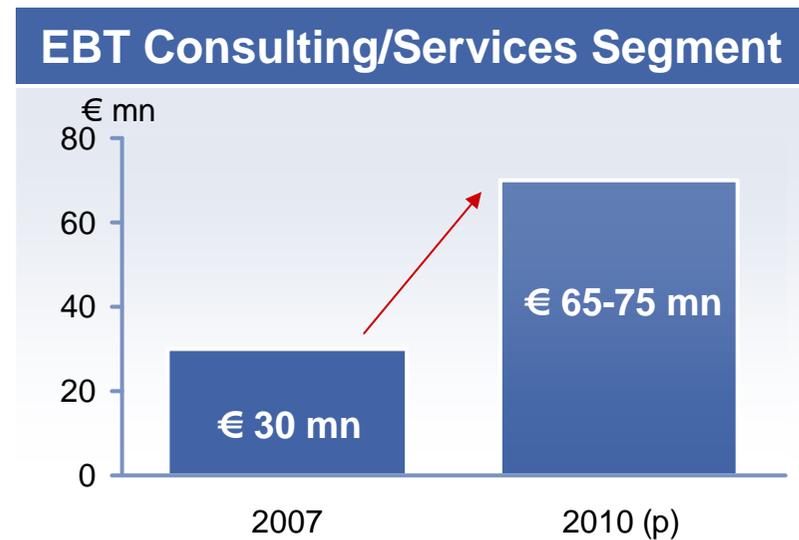
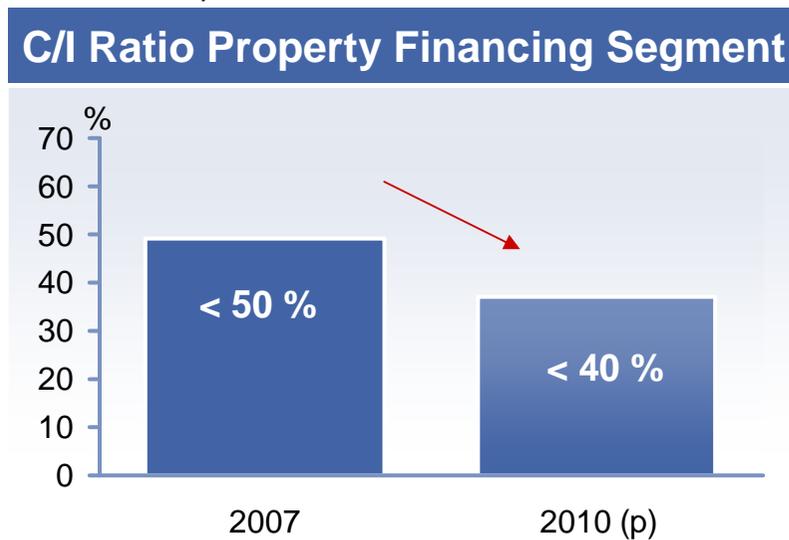
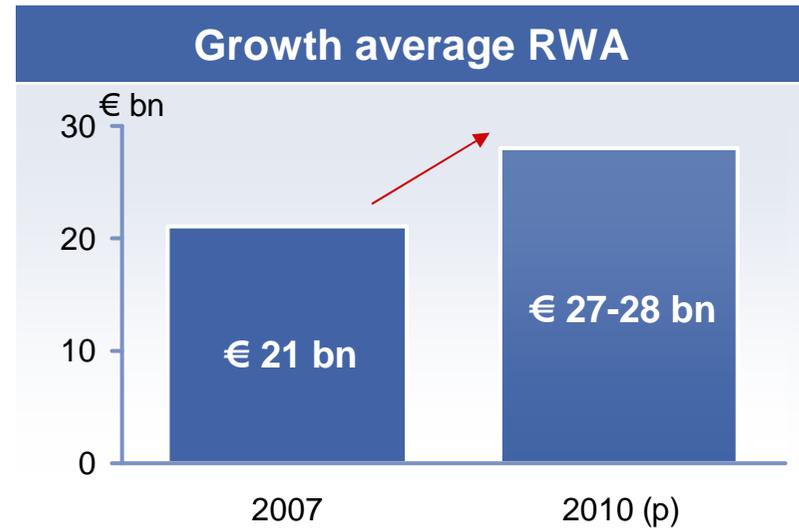
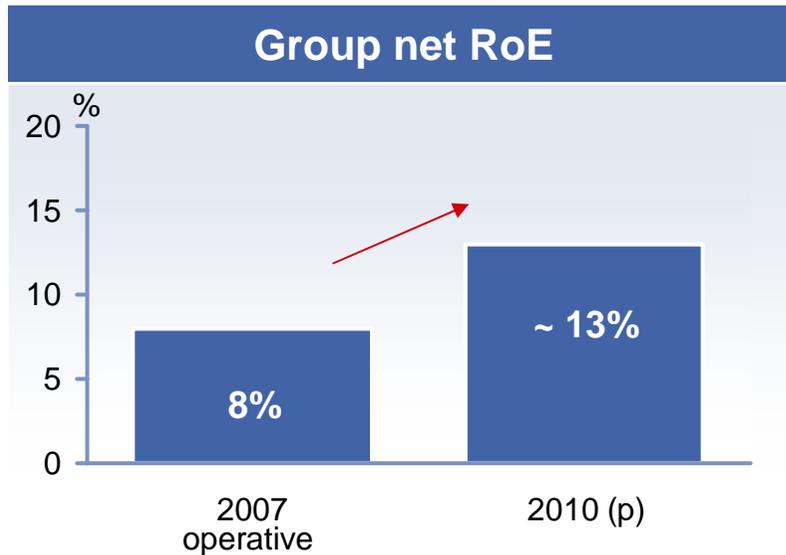
- Leaner set-up of back office entities
- Generating operating leverage: 50% portfolio growth on existing fix cost base
- Further diversification out of Europe in anticipation of converging market cycles within Europe

■ Earnings growth and diversification strategy in Consulting/Services

- Growth of sustainable and non-cyclical earning streams free of lending risk
- Growth of deposit base



Financial targets 2010 – operating performance ^{*)}



^{*)} Subject to the condition that financial markets come back to normality in 2009



Appendix



Acreal Bank

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%
Net interest income after net loan loss provisions	334	300	11.3%
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	-
Operating Profit	380	160	137.5%
Income taxes	72	36	100.0%
Results from discontinued operations		1	-
Consolidated net income / loss	308	125	146.4%
Allocation of results			
Consolidated net income / loss attributable to minority interests	18	18	0.0%
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	290	107	171.0%



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
Net interest income after net loan loss provisions	270	251	0	0	64	49	334	300
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
Operating profit	197	139	183	21	0	0	380	160
Income taxes	61	31	11	5			72	36
Results from discontinued operations						1		1
Consolidated net income / loss	136	108	172	16	0	1	308	125
Allocation of results								
Consolidated net income / loss attributable to minority interests	16	16	2	2			18	18
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	120	92	170	14	0	1	290	107
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

- **Structured Property Financing:**
Other operating income: € 84 mn
Other operating expenses: € 59 mn
- **Consulting / Services:**
Other operating income: € 7 mn
Other operating expenses: € 13 mn



Definitions and Contacts



Acreal Bank

Definitions

■ Property Financing Portfolio

- Paid-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

■ **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)

■ **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
- **Alexandra Beust**
Senior Manager Investor Relations
Phone: +49 611 348 3053
alexandra.beust@aareal-bank.com
- **Nicole Schüttforth**
Investor Relations
Phone: +49 611 348 3044
nicole.schuettforth@aareal-bank.com



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