

THE INTERNATIONAL  
PROPERTY SPECIALIST

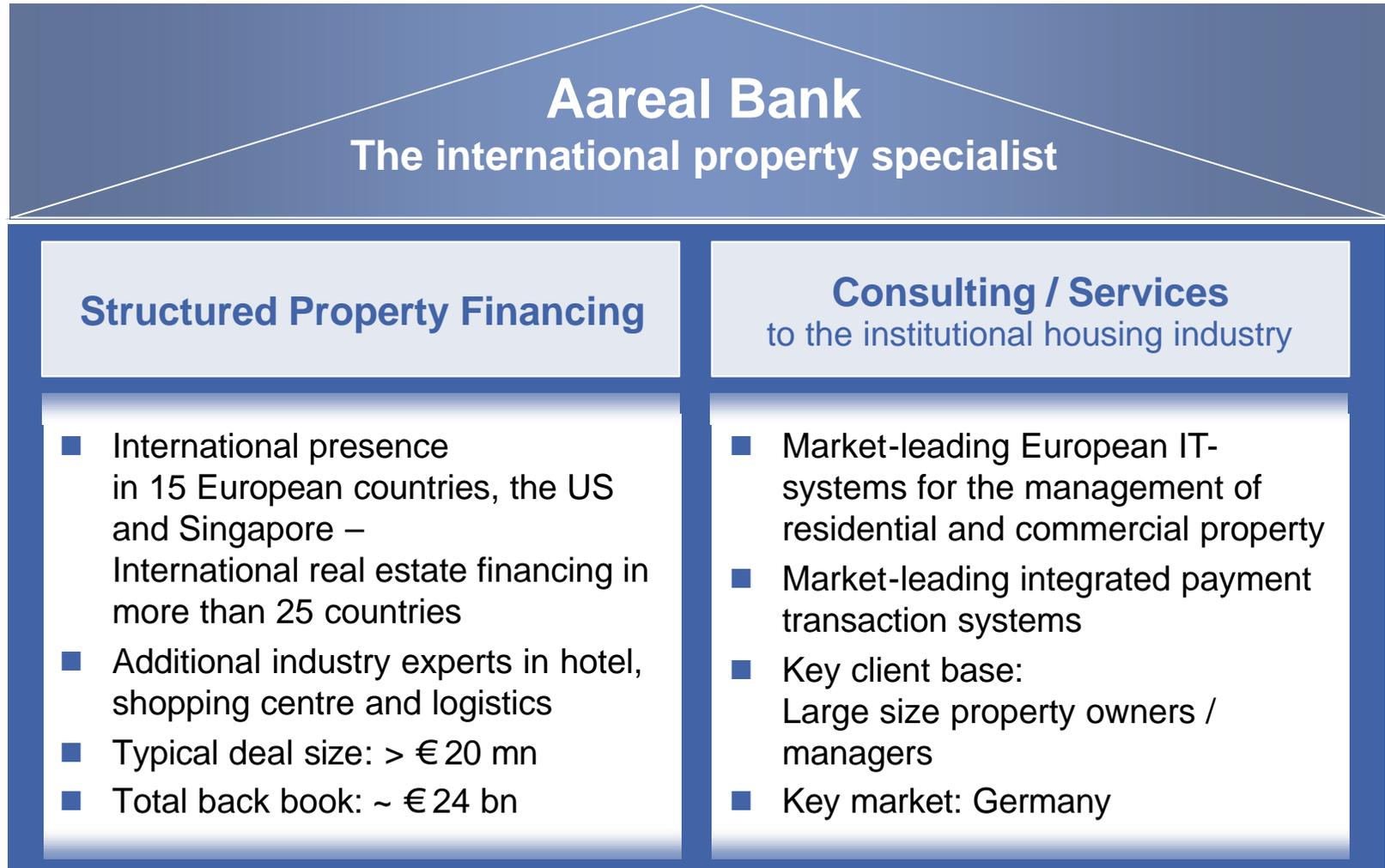
# Roadshow Presentation

June 2008



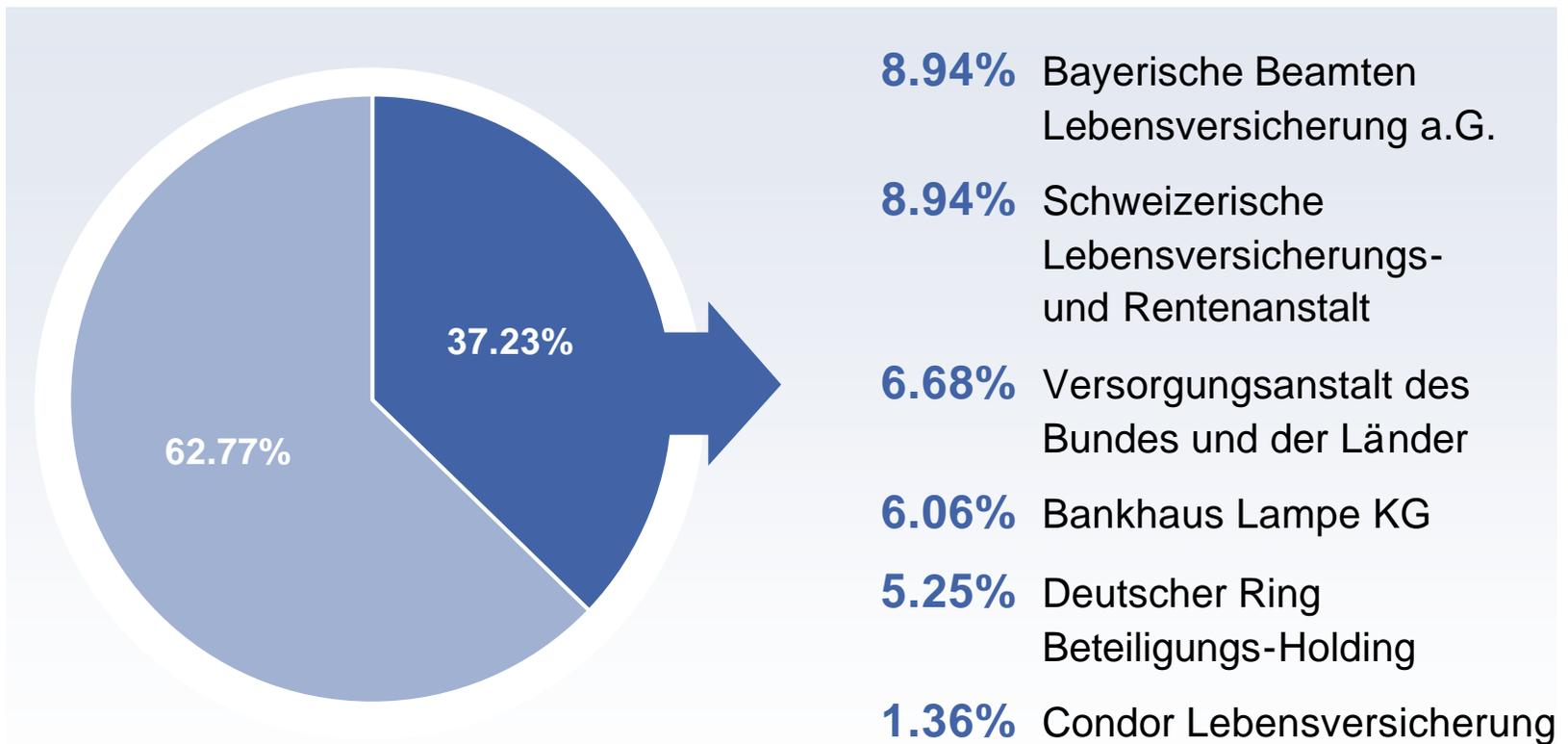
**Aareal Bank**

## Business segments – Major activities



# Shareholder structure

## Aareal Holding Verwaltungsgesellschaft mbH



- Free float
- Aareal Holding Verwaltungsgesellschaft mbH



**Aareal Bank**

# Structured Property Financing



# The Aareal Bank Network



New York



**in 15 European countries, the US and Singapore –  
International Property Financing in more than 25 countries**



# Aareal Bank – One of the leading international specialists in structured property financing

- International Presence in 15 European countries, the US and Singapore
- Additional industry experts in hotel, shopping centre and logistics
- In-depth know-how in local markets and special properties
- International experience with employees from 31 nations
- Typical deal size: > €20 mn
- Typical products, for example:
  - single asset investment finance
  - portfolio finance (local or cross-boarder)
  - construction finance

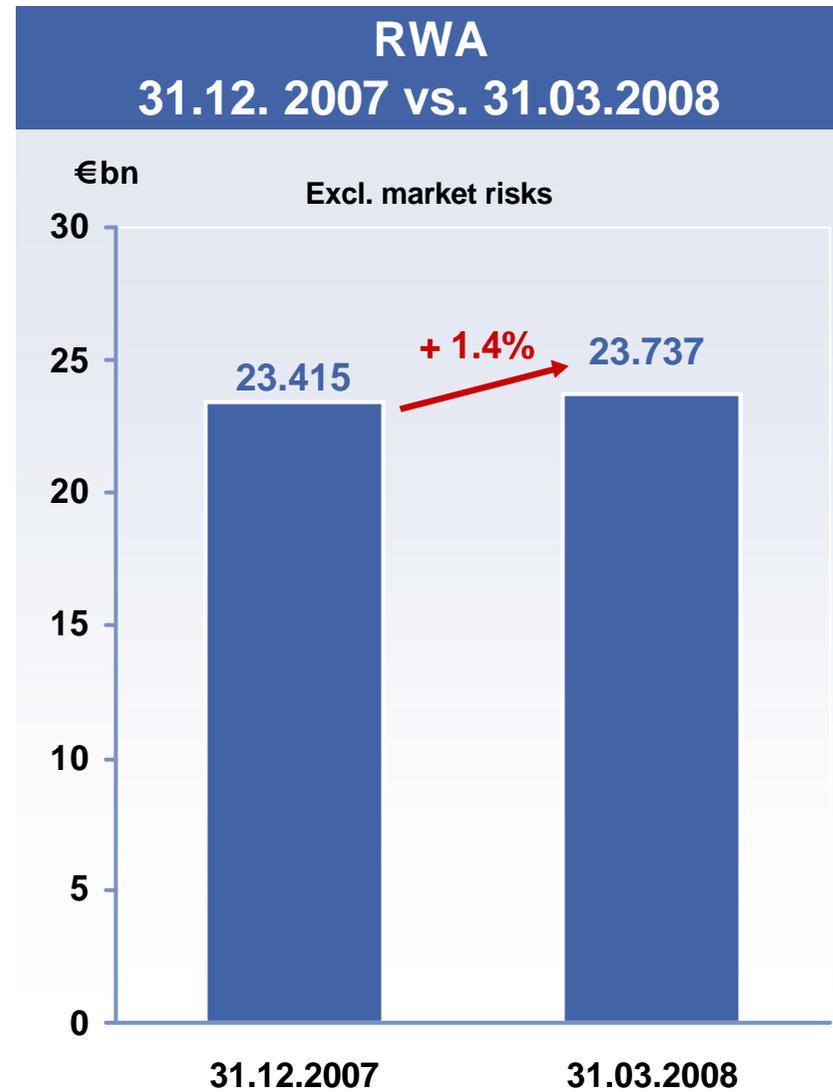
## Network of regional market experts and sector specialists



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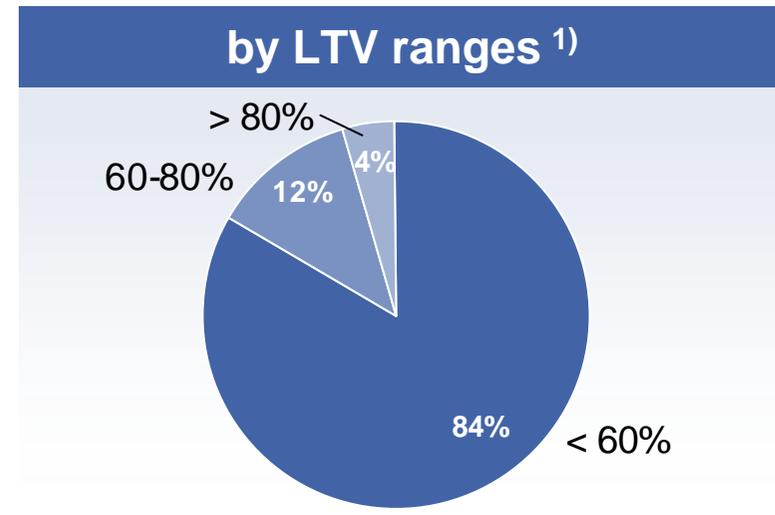
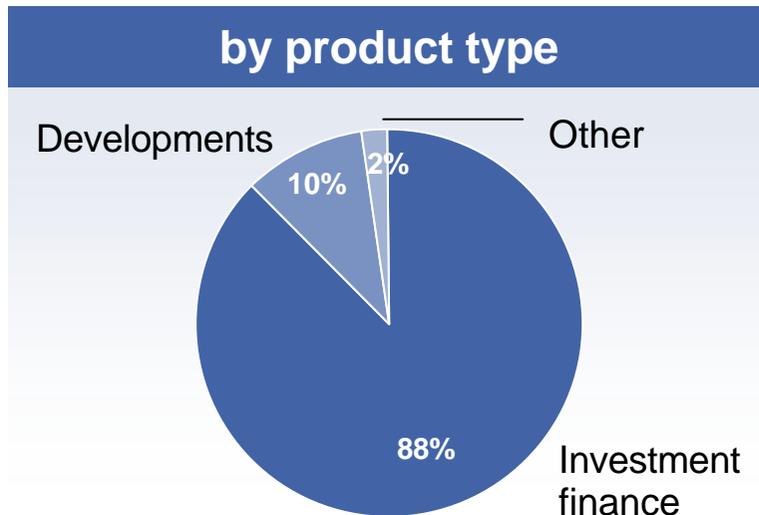
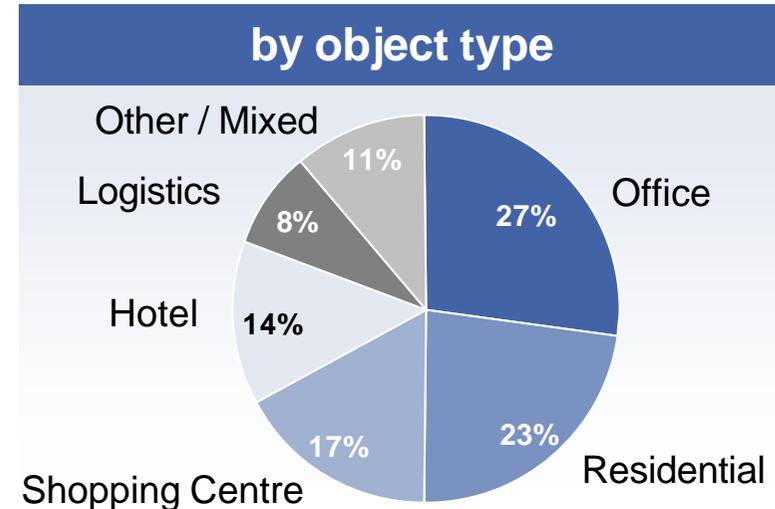
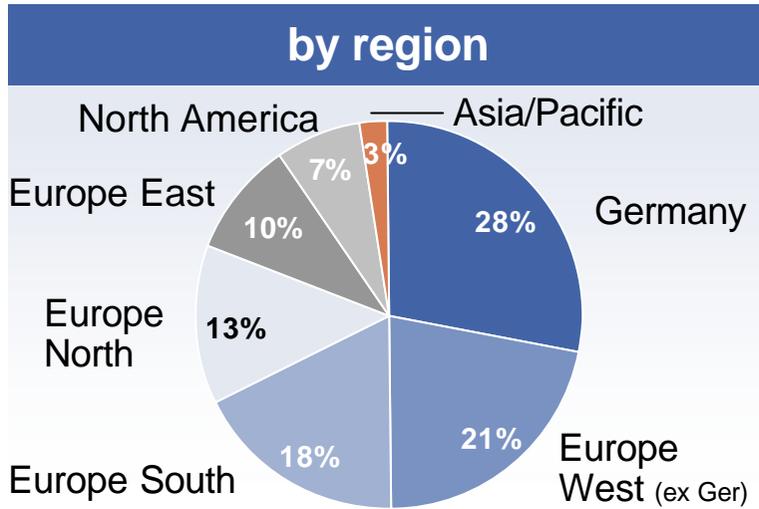
# Structured Property Financing

New business and RWA (according to BIS) development



# Total credit portfolio as at 31.03.2008

Total volume outstanding : € 23.7 bn



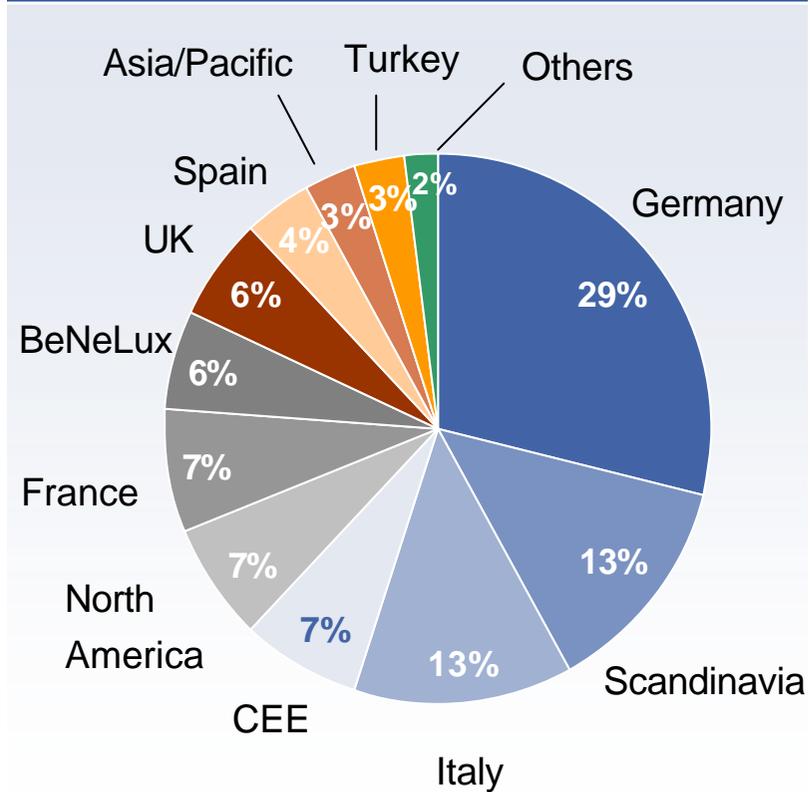
7 <sup>1)</sup> Mortgage collateralised business only;  
value does not take into account any collateral other than mortgages



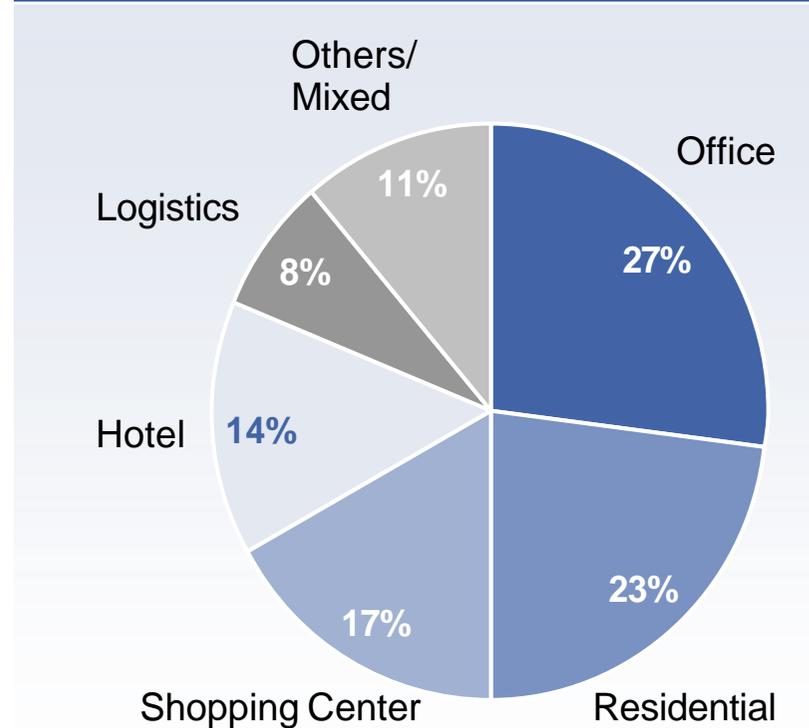
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## Portfolio diversification by region and object type

**Portfolio by region 31.03.2008**  
Total volume : €23.7 bn



**Portfolio by object type 31.03.2008**  
Total volume : €23.7 bn



## Exposure to special asset classes as at 31.03.2008

Asset Class	Exposure Aareal Bank
US Subprime and US RMBS	<b>None</b>
CDOs	<b>None</b>
ABCPs / SIVs	<b>None</b>
Exposure insured by Monoliners	<b>None</b>
ABS portfolio - of which AAA rated - of which US CMBS	~ <b>€650 mn</b> > 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 26.05.2008: ---



## 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

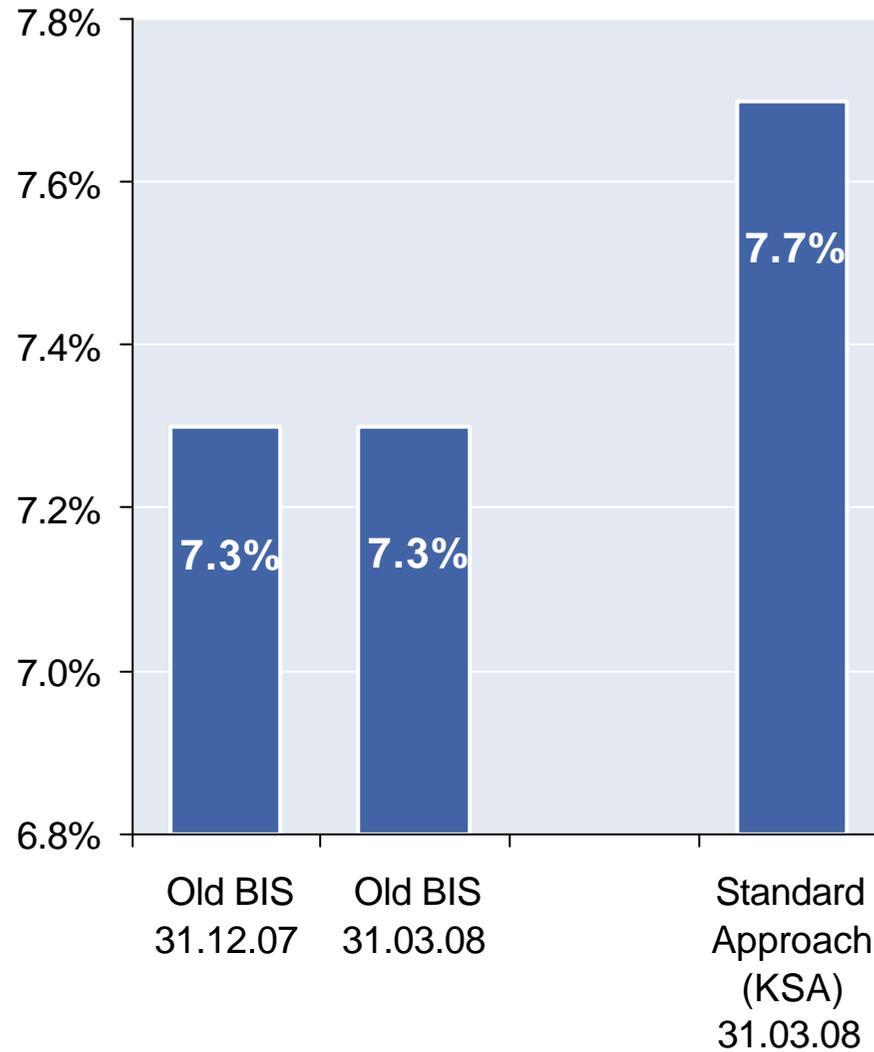
- Lasting downturn in the US starting to cause fundamental reactions on commercial property markets
- Moderate fundamental weakening of commercial property value in Europe



# Capital and Refinancing Position



## Development Tier I ratio



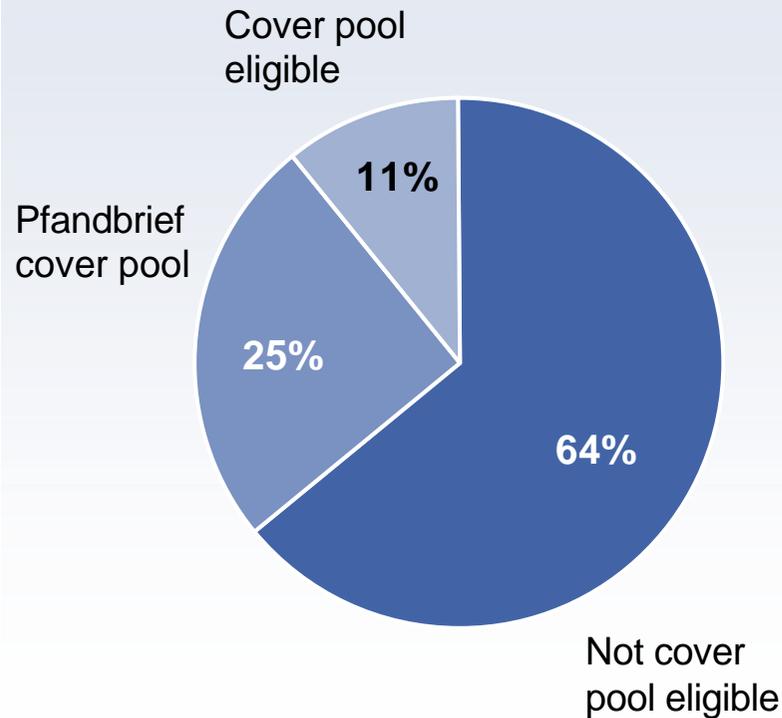
- Stable Tier I ratio according to old BIS rules
- New ratio according to Basel II regulations (KSA) up by 40 bps



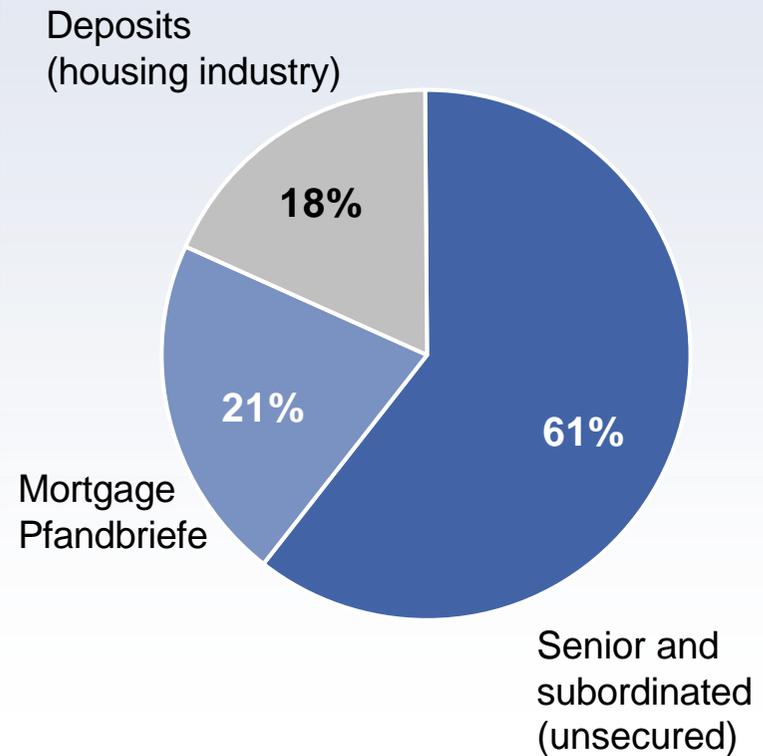
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## Aareal funding position Asset/Liability structure

**Loan portfolio (without Depfa book)**  
Total volume 30.04.2008: €22.4 bn

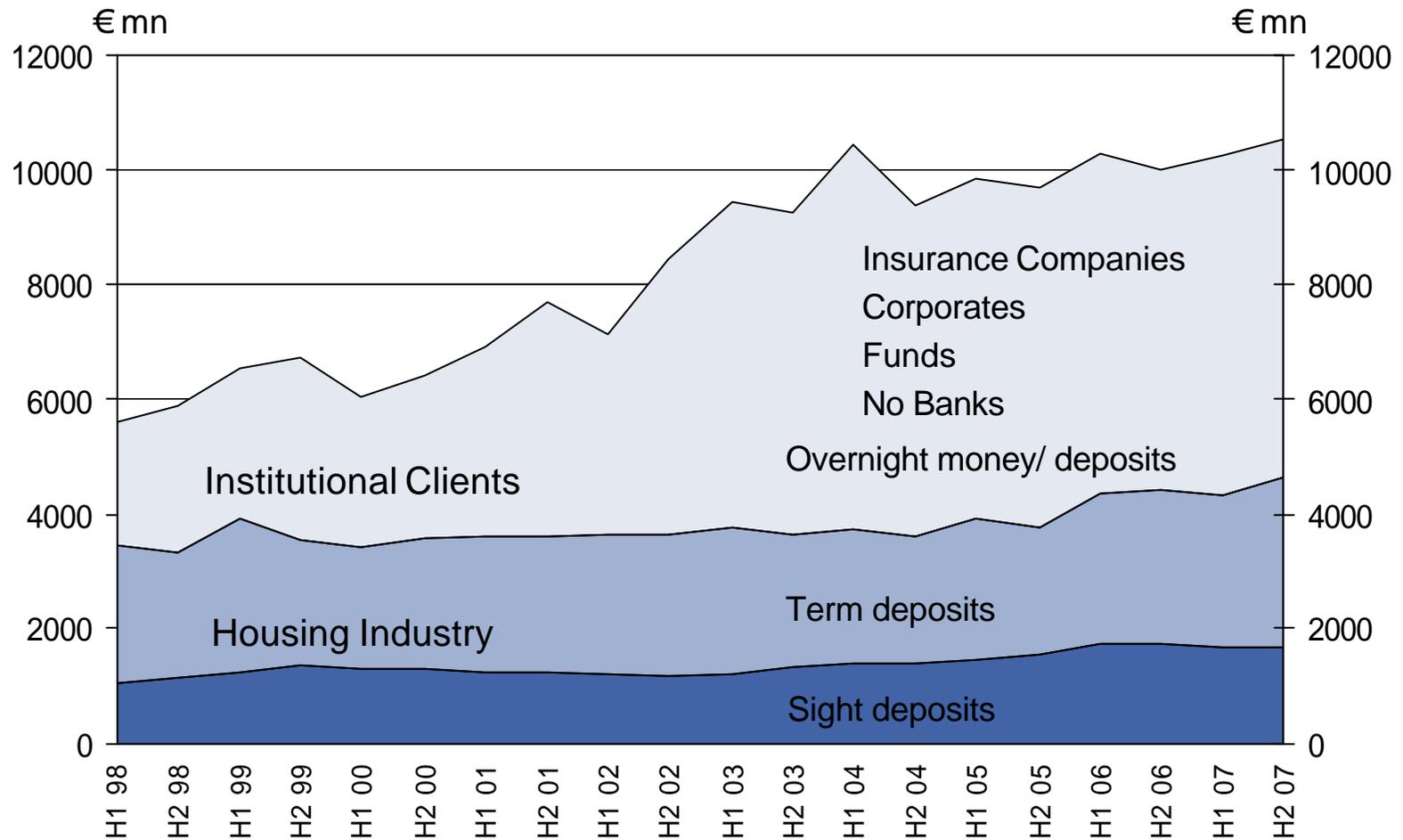


**Loan portfolio funding**  
Total volume 30.04.2008: €24.6 bn



# Aareal funding position

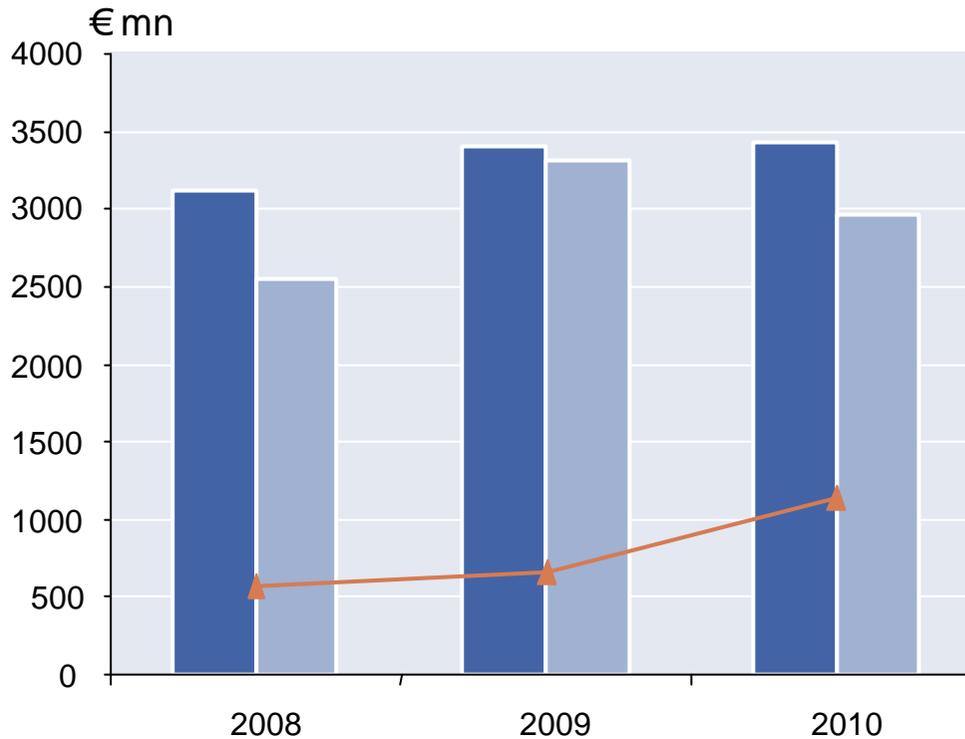
## Customer deposits: development by volume



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# Maturity profiles

## Loan portfolio vs. long term liabilities (as at 30.04.2008)



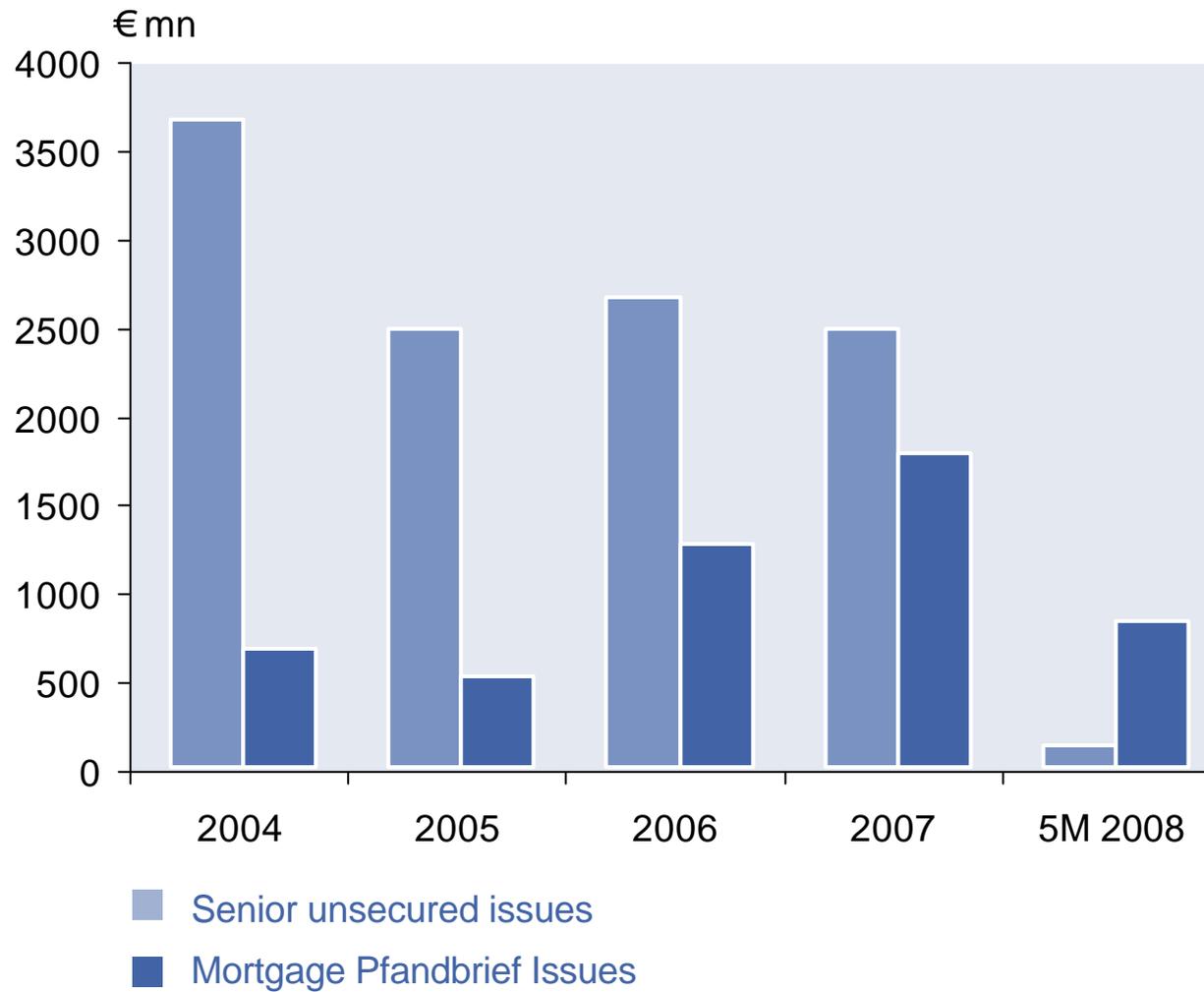
- Contractual repayments of the loan portfolio
- Long term funding volume to mature
- ▲ Surplus (cumulative)

### Strong liquidity situation:

- The loan portfolio maturities exceed the long term funding maturities
- Long term funding average maturity: 5.1 yrs
- Loan portfolio average maturity: 3.5 yrs



## Aareal funding position Volumes issued (as at 26.05.2008)



## Summary capital and financing position

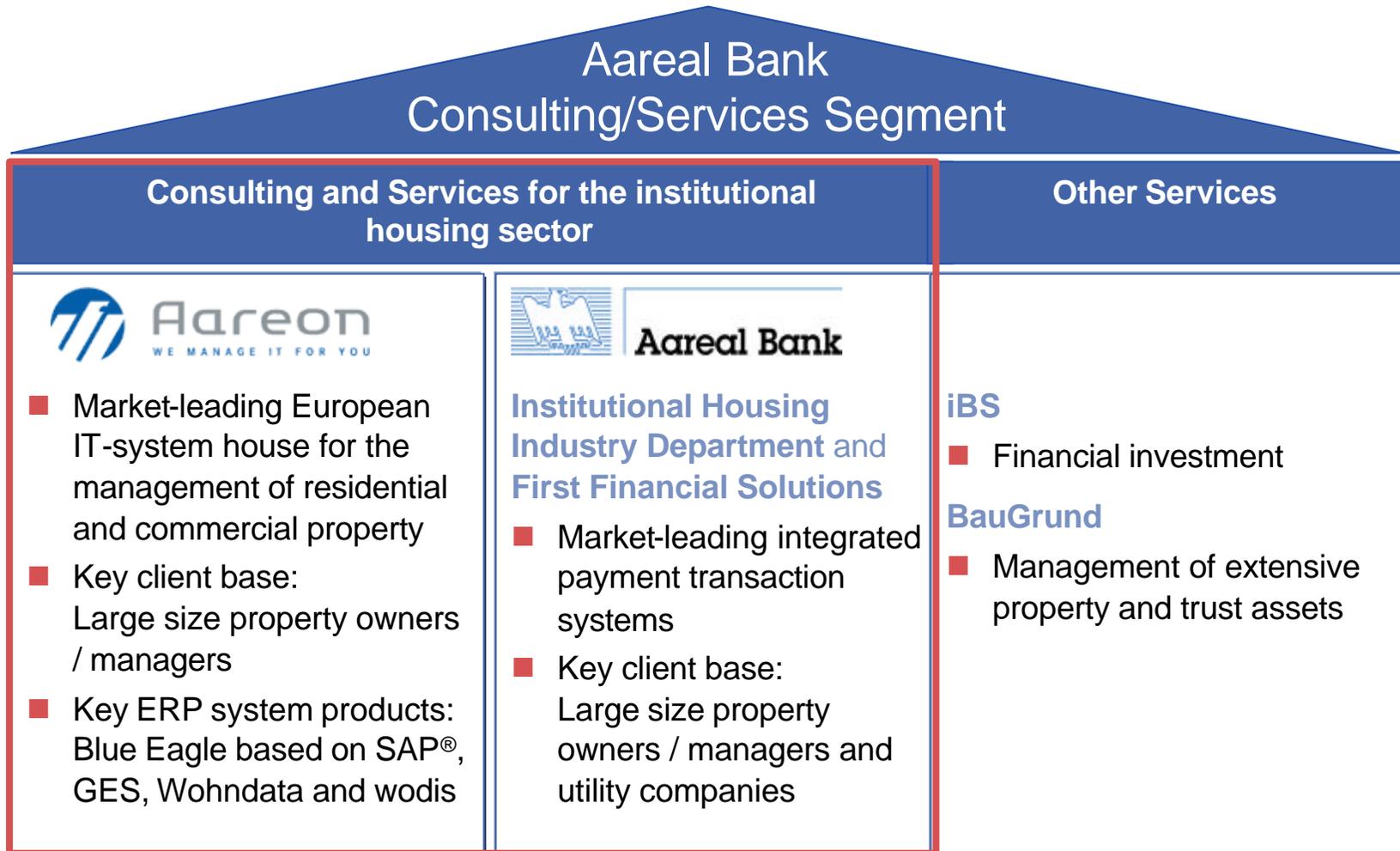
- Solid capital basis
- Total average maturity:
  - Long term funding (excl. public sector Pfandbriefe): 5.1 years
  - Property loan portfolio: 3.5 years
- Annual redemptions of long term funds about €3 bn
- Highly stable deposits from housing industry can be used for long term refinancing
- In any case, Aareal will not be forced to issue any senior unsecured funds this year



# Consulting/Services



# Consulting/Services – Major activities



# Services provided to the institutional housing sector

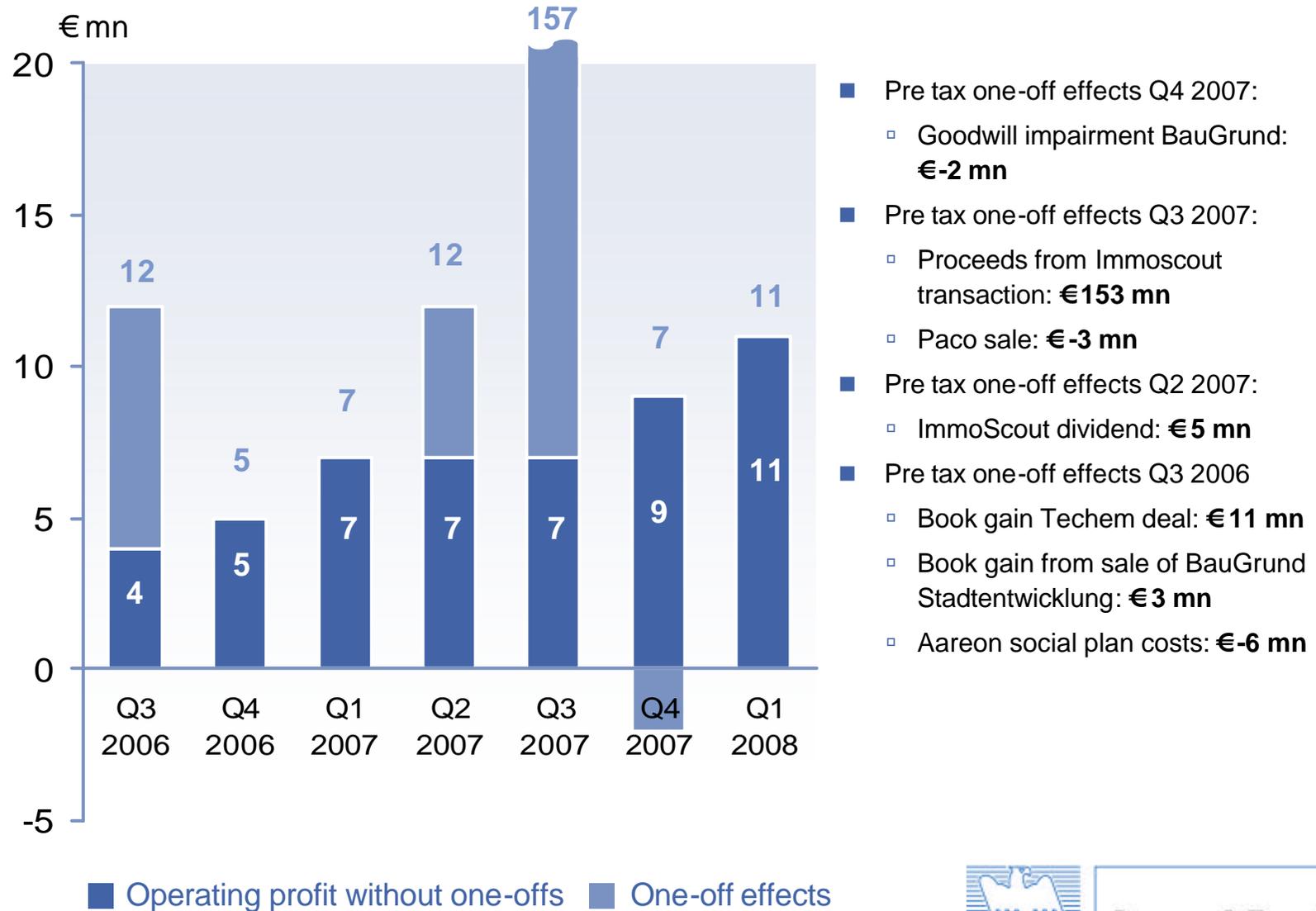


## Institutional housing sector: Integral element of group strategy

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

# Performance

## Consulting / Services segment - operating profit by quarter



## Institutional housing sector: Breakdown of performance targets

IT-Services business Aareon Group <sup>1)</sup>					Integrated Payment Solutions Institutional Housing department / AFFS <sup>2)</sup>				
	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
<b>EBIT</b>	<b>17</b>	<b>30-40</b>	<b>35-40</b>	<b>45-50</b>	<b>Gross result <sup>3)</sup></b>	<b>10</b>	<b>10-20</b>	<b>15-20</b>	<b>20-25</b>

1) Sub-group financial statements acc. to IFRS

2) Internal profit centre calculation

3) after bank overheads

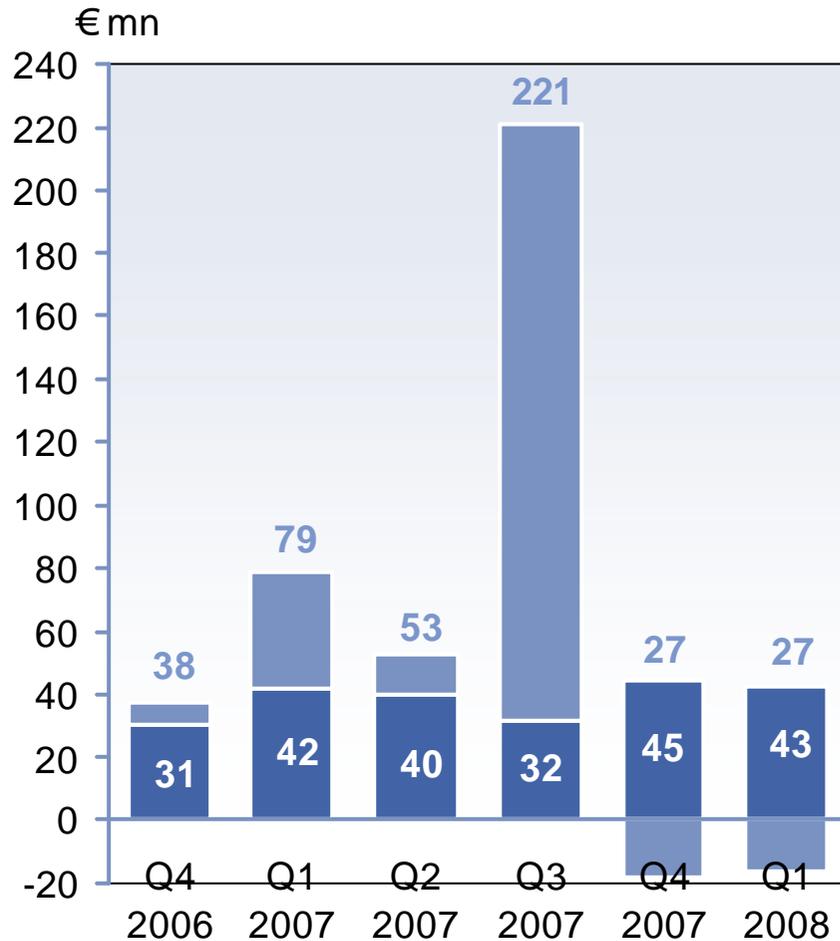


# Group Performance



# Performance

## Profit before tax and special effects by quarter



■ Operating profit without one-offs

■ One-off effects

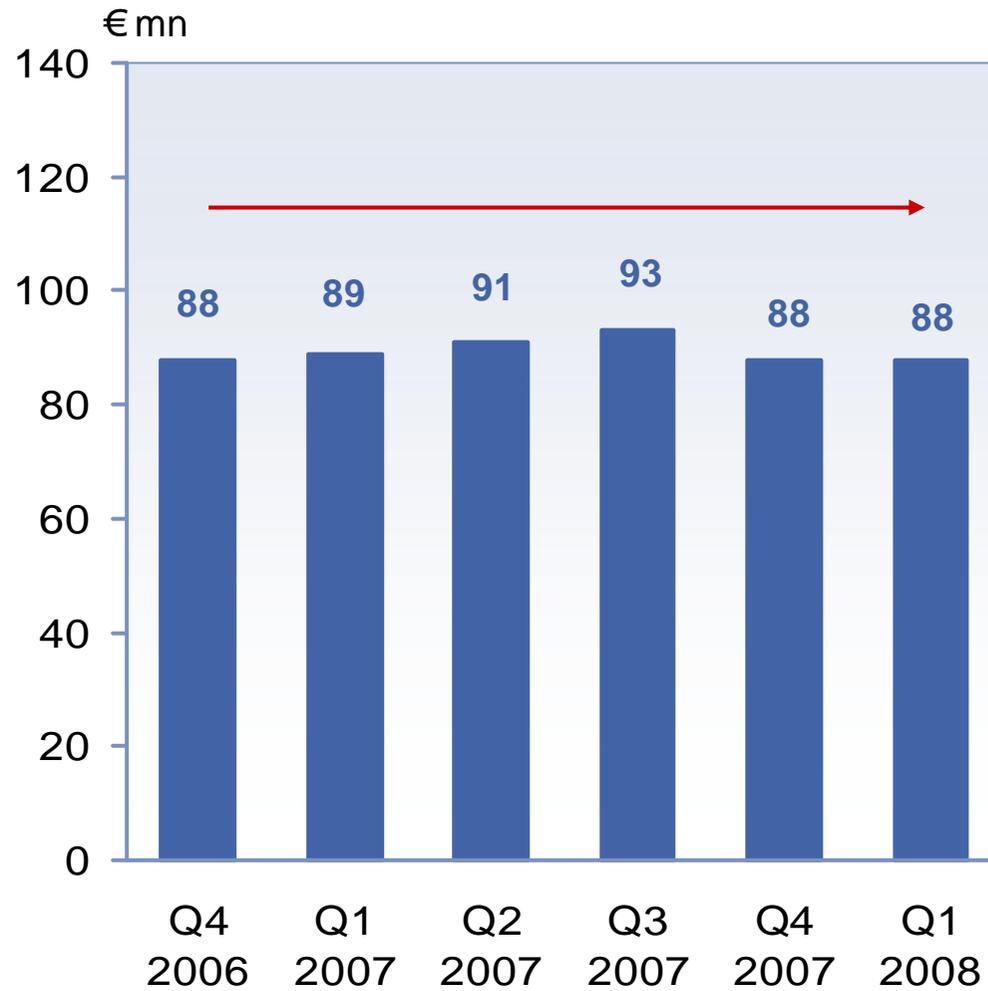
- Pre tax one-off effects Q1 2008:
  - ABS marked-to-market effect: **€-16 mn**
- Pre tax one-off effects Q4 2007:
  - Bond marked-to-market effect: **€-16 mn**
  - Goodwill impairment BauGrund: **€-2 mn**
- Pre tax one-off effects Q3 2007:
  - Proceeds from Interhotel transaction: **€63 mn**
  - Proceeds 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: **€37 mn**
- Pre tax one-off effects Q4 2006
  - Book gain from sale of Asset Mgmt activities: **€20 mn**
  - Write-down foreclosed assets: **€13 mn**



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# Performance

## Stable administrative expenses

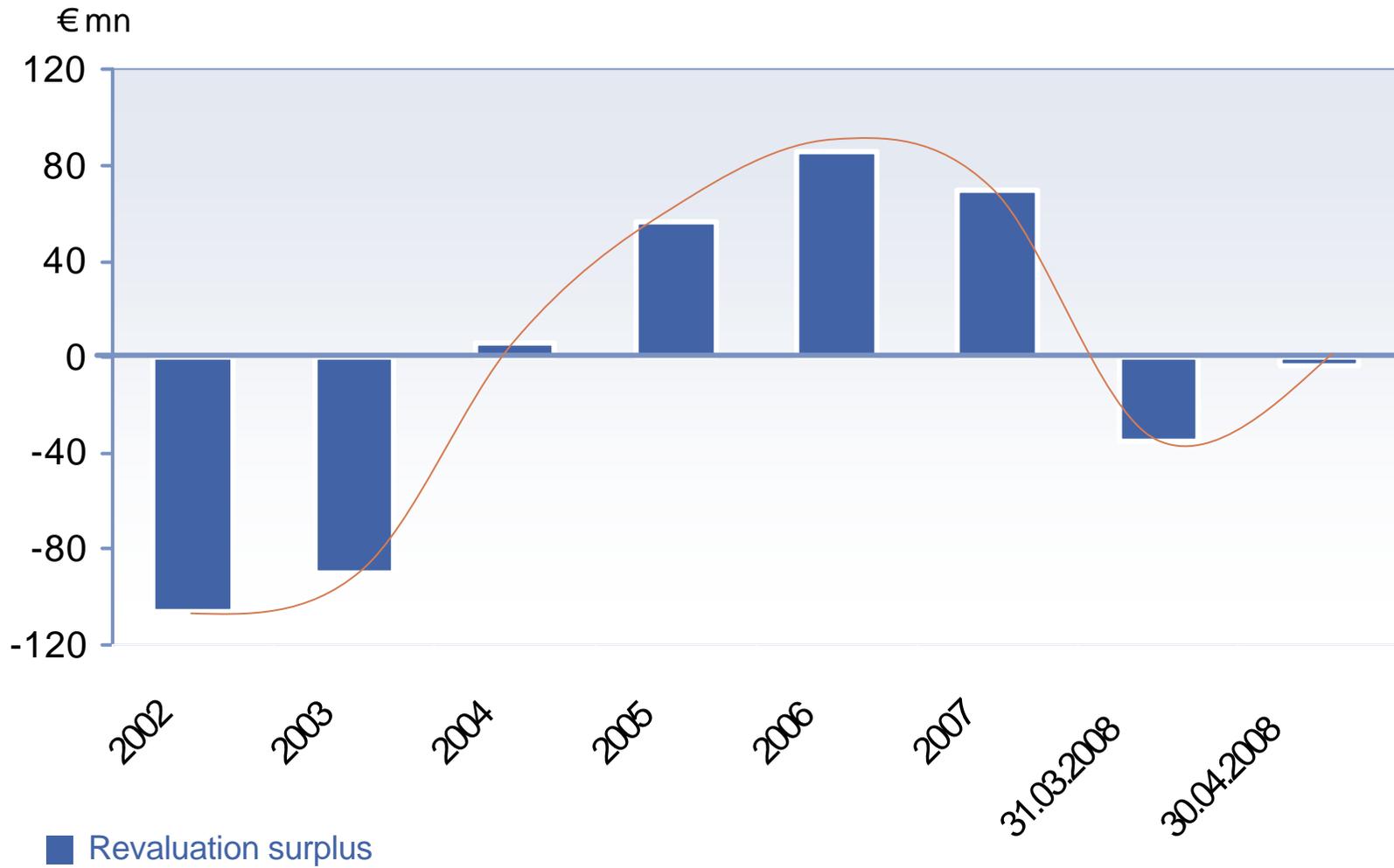


■ Admin expenses



# Performance

## Development revaluation surplus



# Positioning and Targets



# 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 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**

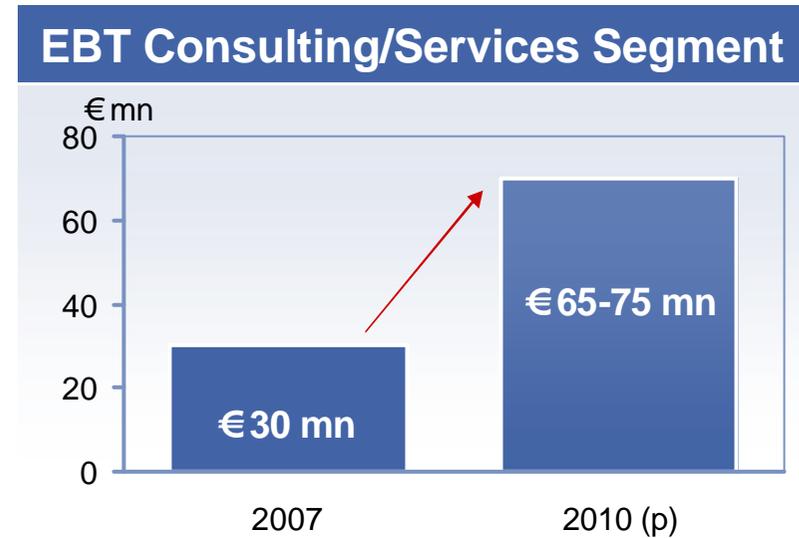
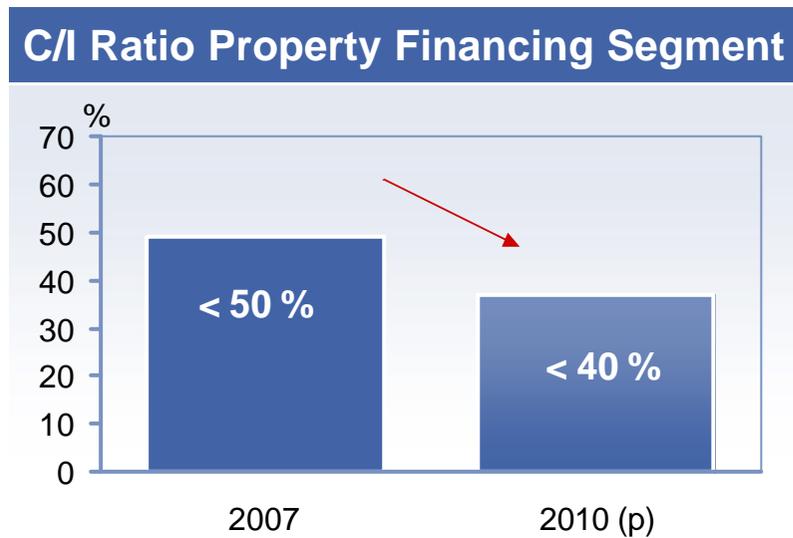
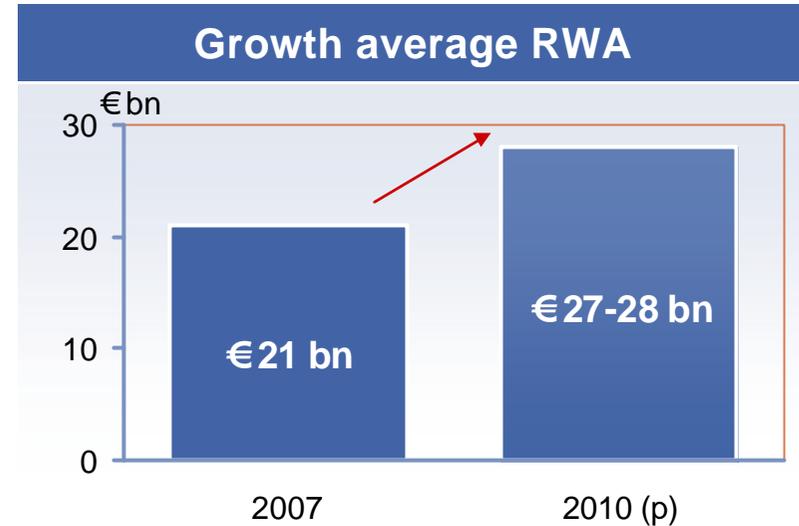
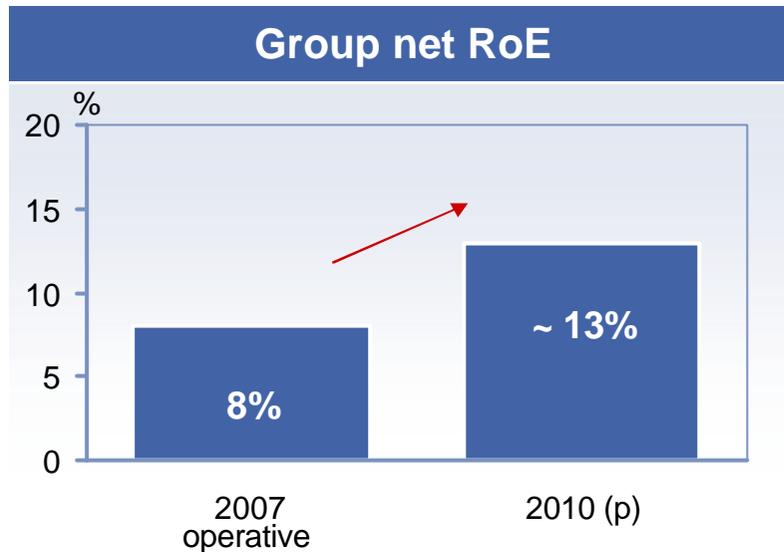
- Leaner set-up of back office entities
- Generating operating leverage: 50% portfolio growth on existing fix cost base
- Further diversification out of Europe in anticipation of converging market cycles within Europe

## ■ **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



## P&L Q1 2008

	Q1 2008	Q1 2007	Change
	€ mn	€ mn	%
Net interest income	107	98	9.2%
Net loan loss provisions	20	22	-9.1%
<b>Net interest income after net loan loss provisions</b>	<b>87</b>	<b>76</b>	<b>14.5%</b>
Net commission income	33	37	-10.8%
Net result on hedge accounting	2	2	0.0%
Net trading income	-22	2	-
Results from non-trading assets	9	12	-25.0%
Results from companies accounted for at equity	0		-
Results from investment properties	0	0	-
Administrative expenses	88	89	-1.1%
Net other operating income	6	39	-84.6%
Impairment of goodwill			-
<b>Operating Profit</b>	<b>27</b>	<b>79</b>	<b>-65.8%</b>
Income taxes	9	23	-60.9%
<b>Consolidated net income / loss</b>	<b>18</b>	<b>56</b>	<b>-67.9%</b>
<b>Allocation of results</b>			
Consolidated net income / loss attributable to minority interests	5	5	0.0%
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>13</b>	<b>51</b>	<b>-74.5%</b>



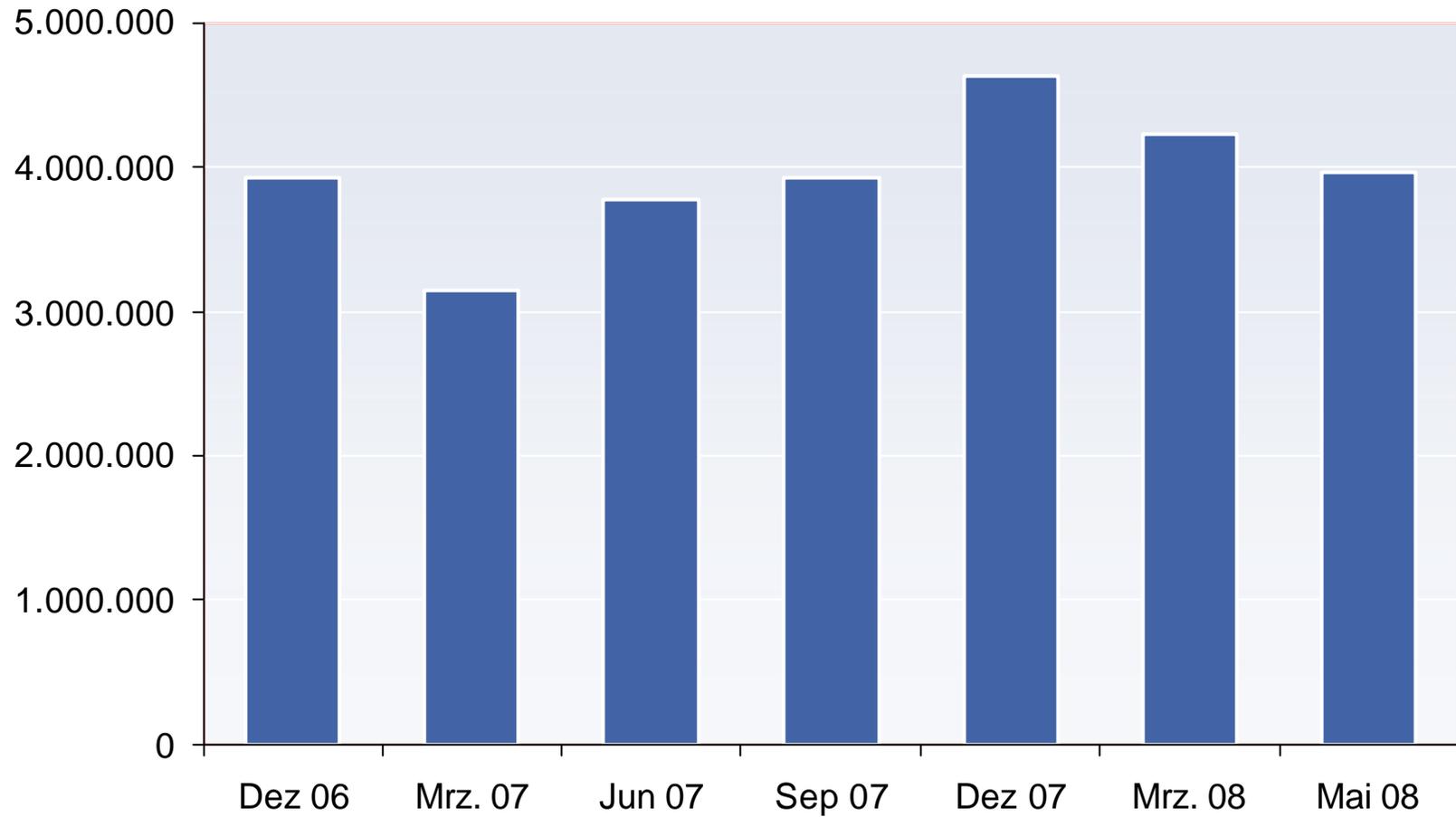
# Segment reporting Q1 2008

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
Net interest income	92	84	0	0	15	14	107	98
Provision for loan losses	20	22					20	22
<b>Net interest income after net loan loss provisions</b>	<b>72</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>14</b>	<b>87</b>	<b>76</b>
Net commission income	3	8	46	44	-16	-15	33	37
Net result on hedge accounting	2	2					2	2
Net trading income / expenses	-22	2					-22	2
Results from non-trading assets	9	12	0	0			9	12
Results from companies accounted for at equity	0						0	
Results from investment properties	0	0					0	0
Administrative expenses	52	54	37	36	-1	-1	88	89
Net other operating income / expenses	4	40	2	-1	0	0	6	39
Impairment of goodwill								
<b>Operating profit</b>	<b>16</b>	<b>72</b>	<b>11</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>79</b>
Income taxes	6	21	3	2			9	23
<b>Consolidated net income / loss</b>	<b>10</b>	<b>51</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>56</b>
<b>Allocation of results</b>								
Consolidated net income / loss attributable to minority interests	4	4	1	1			5	5
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>6</b>	<b>47</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>51</b>
Allocated equity	965	770	71	87	269	189	1,305	1,046
Cost/income ratio in %	61.4	38.5	78.1	84.4			67.0	48.9
RoE after taxes in %	2.5	24.2	38.2	18.1			3.9	19.3



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## Development irrevocable loan commitments



# Definitions and Contacts



# 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 probngations)
- Contract is signed by costumer
- 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



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