

THE INTERNATIONAL
PROPERTY SPECIALIST

UniCredit
German Investment Conference

Munich, 23rd – 25th September 2008



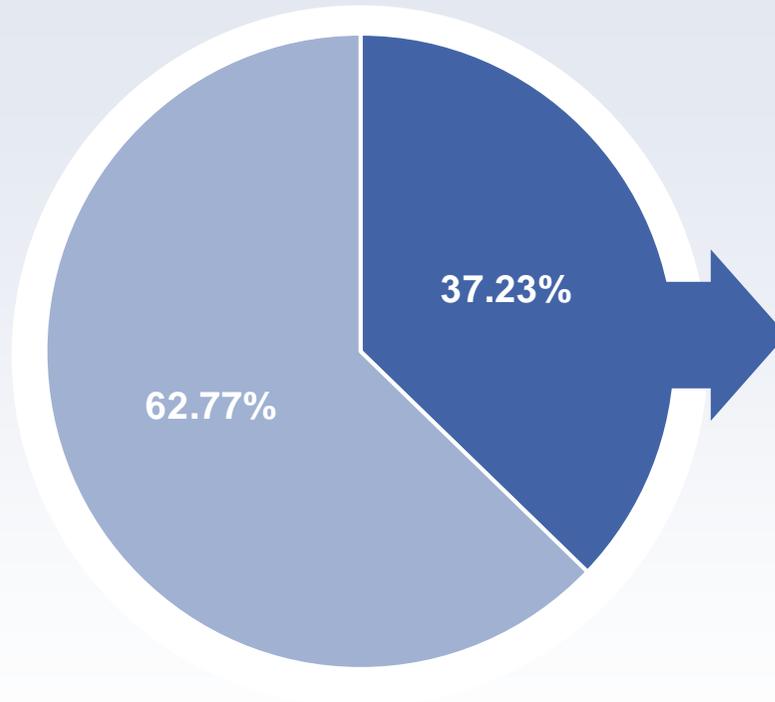
Aareal Bank

Business segments – Major activities



Shareholder structure

Aareal Holding Verwaltungsgesellschaft mbH



- 8.94%** Bayerische Beamten Lebensversicherung a.G.
- 8.94%** Schweizerische Lebensversicherungs- und Rentenanstalt
- 6.68%** Versorgungsanstalt des Bundes und der Länder
- 6.06%** Bankhaus Lampe KG
- 5.25%** Deutscher Ring Beteiligungs-Holding
- 1.36%** Condor Lebensversicherung

- Free float
- Aareal Holding Verwaltungsgesellschaft mbH



Aareal Bank

Structured Property Financing



Acreal Bank

The Aareal Bank Network



New York



in 16 European countries, the US and Singapore –
International Property Financing in more than 25 countries



Aareal Bank

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

- International Presence in 16 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: > € 25 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

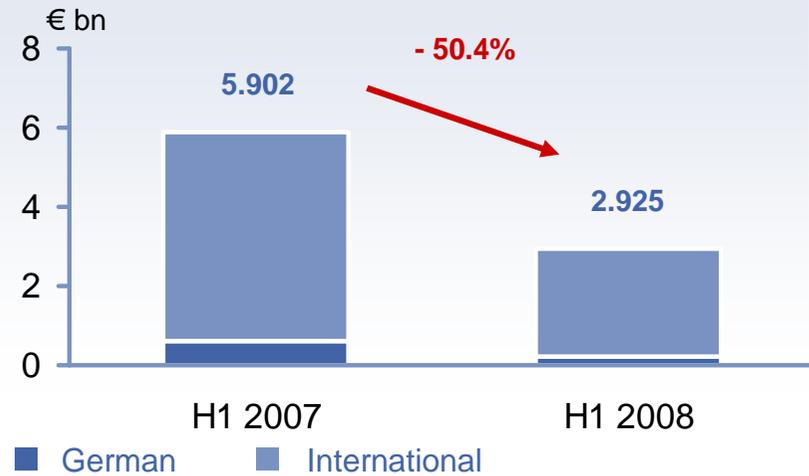


Development new business vs. average risk weighted assets

Average risk weighted assets (BIS)



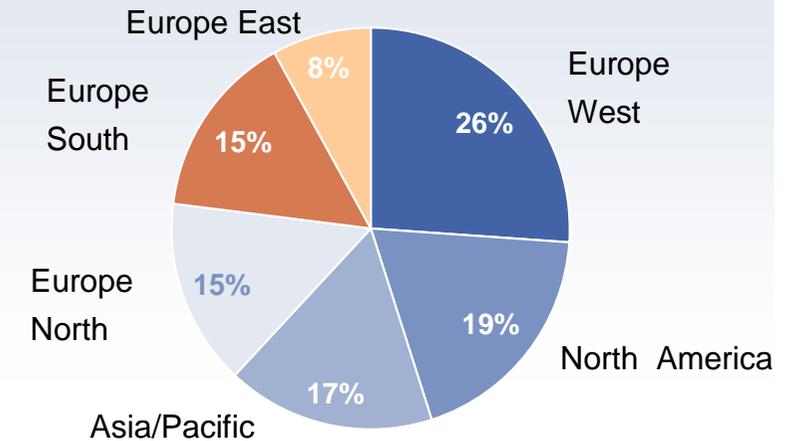
New business development yoy



New business development qoq



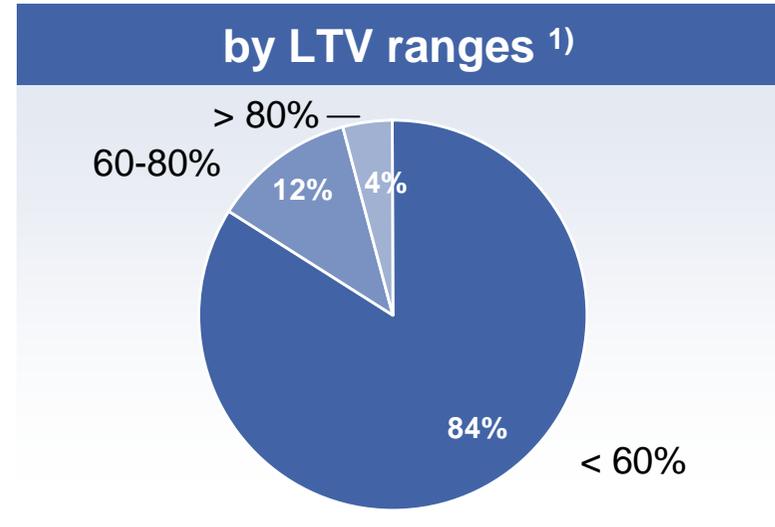
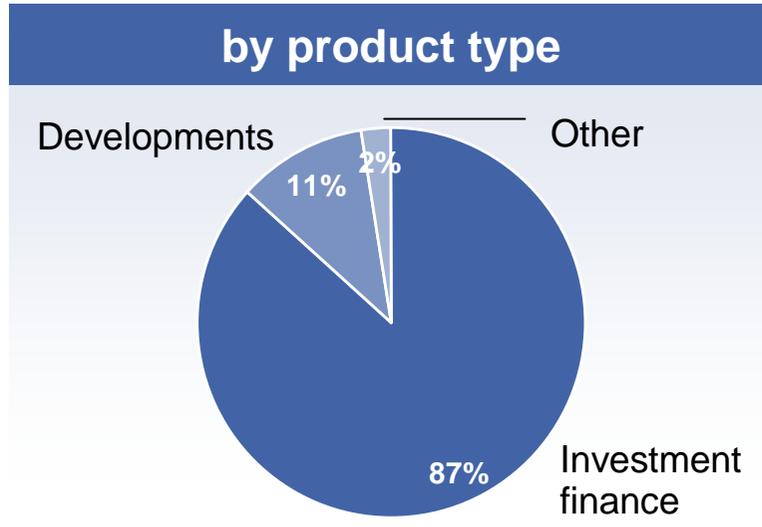
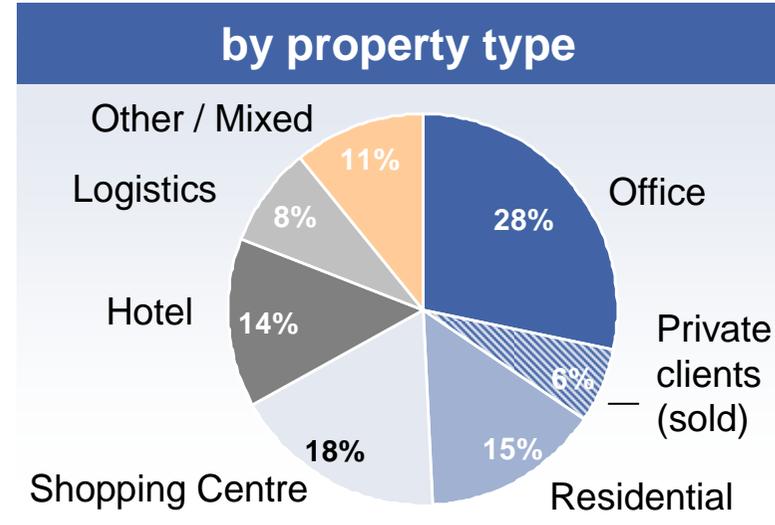
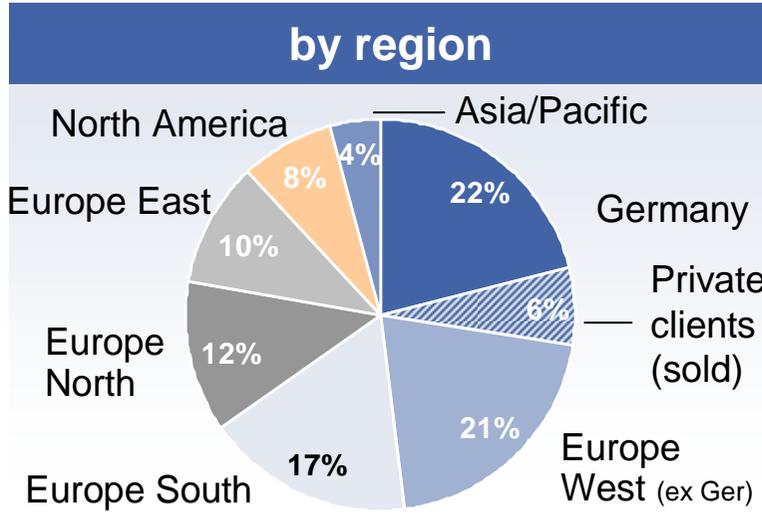
New business by region H1 2008



Aareal Bank

Total credit portfolio as at 30.06.2008

Total volume outstanding : € 24.2 bn



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



Aareal Bank

Exposure to special asset classes as at 30.06.2008

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	~ € 620 mn > 90% < € 50 mn

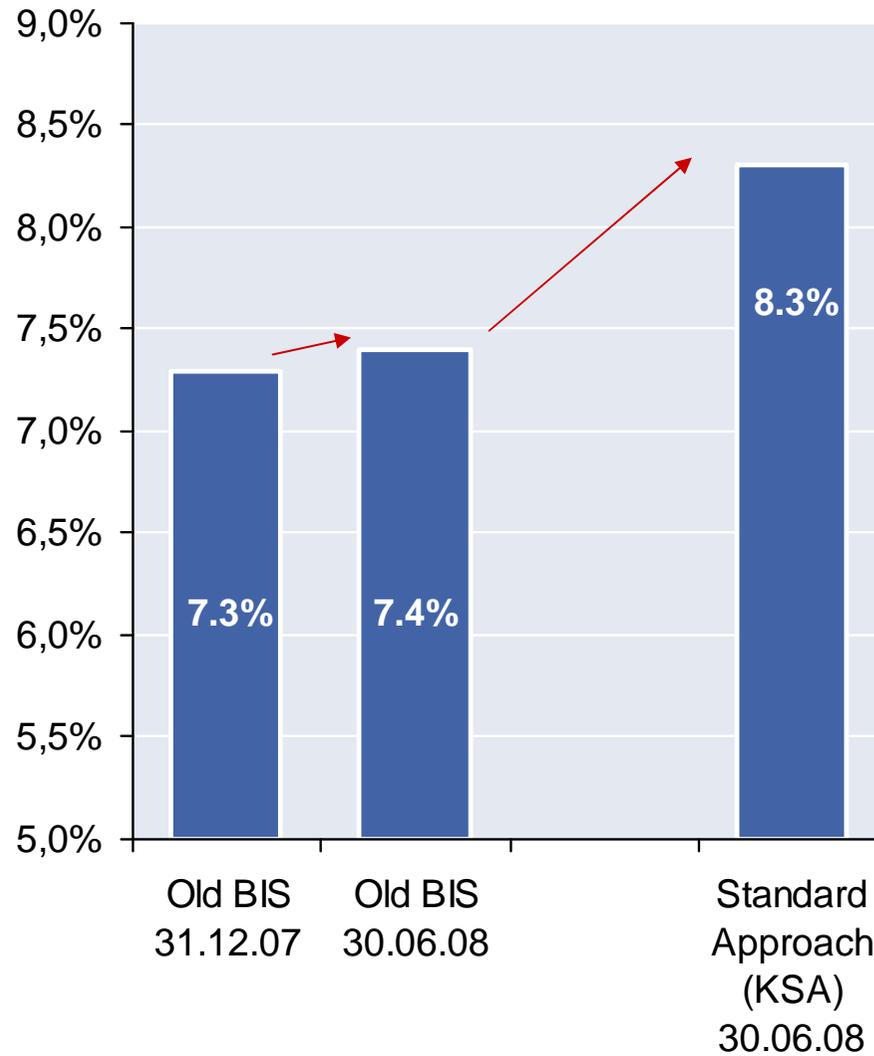


Capital and Refinancing Position



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Development Tier I ratio



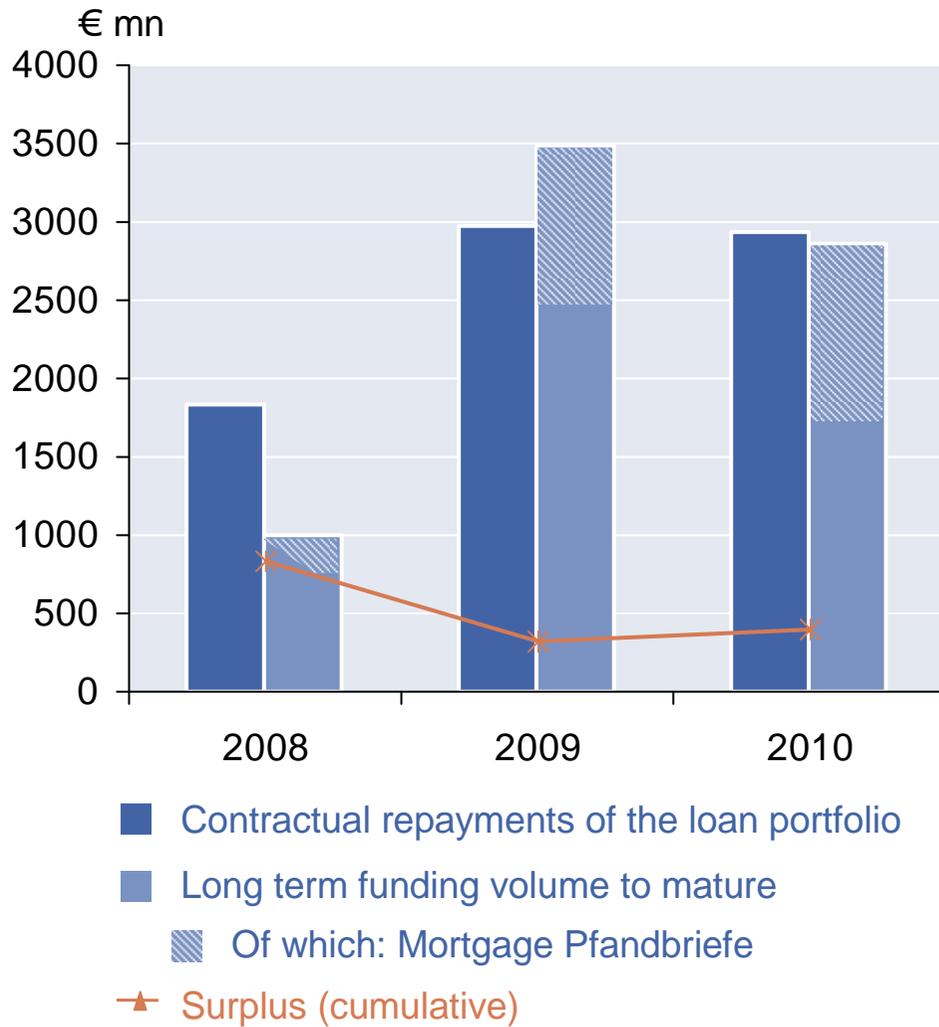
- Tier I ratio up 10 bp according to old BIS rules
- Further relief in new ratio according to Basel II regulations (KSA)



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Maturity profiles

Loan portfolio vs. long term liabilities (as at 30.06.2008)

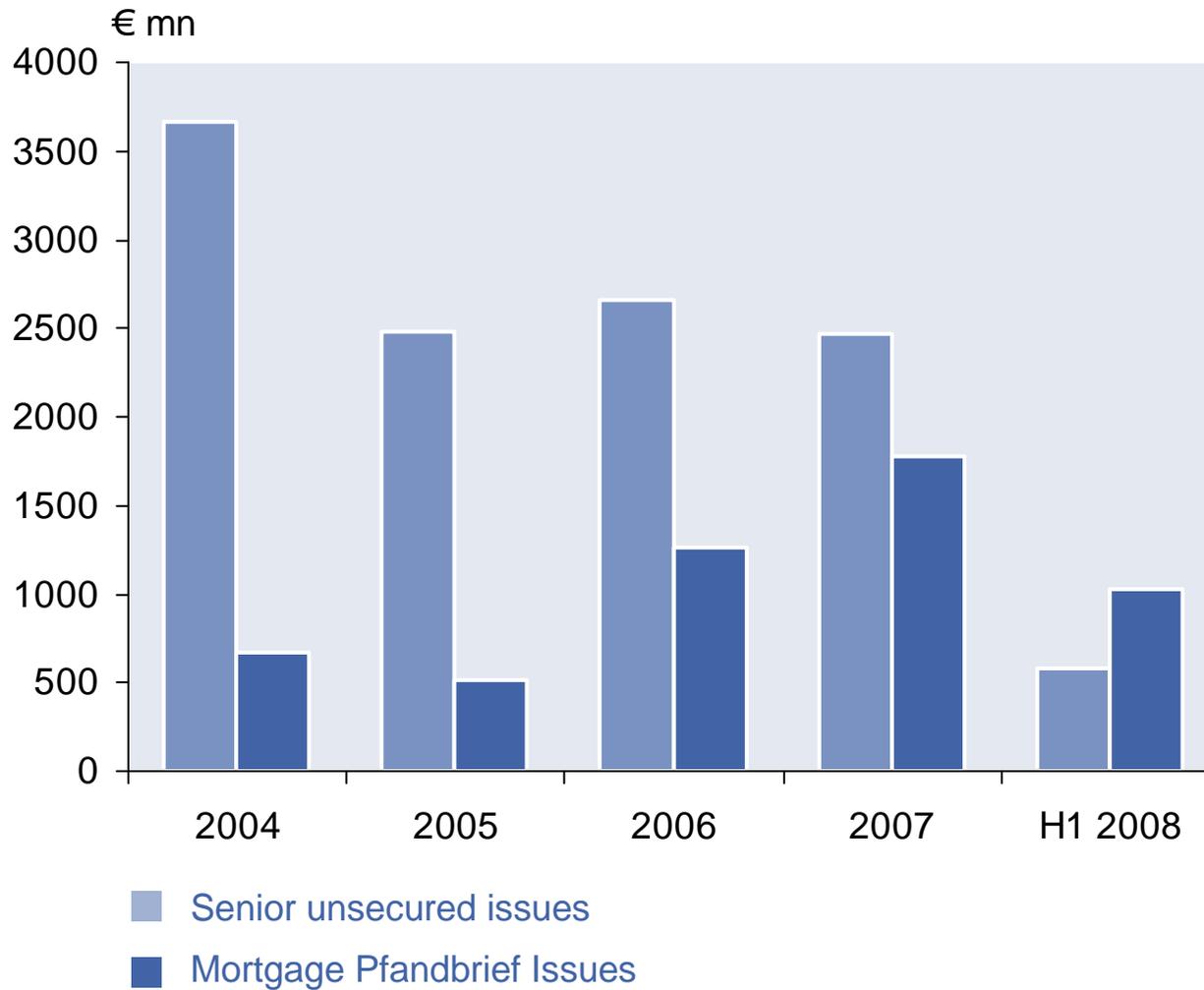


Strong liquidity situation:

- The loan portfolio maturities exceed the long term funding maturities
- Long term funding average maturity: 5.2 years
- Loan portfolio average maturity: 3.6 years

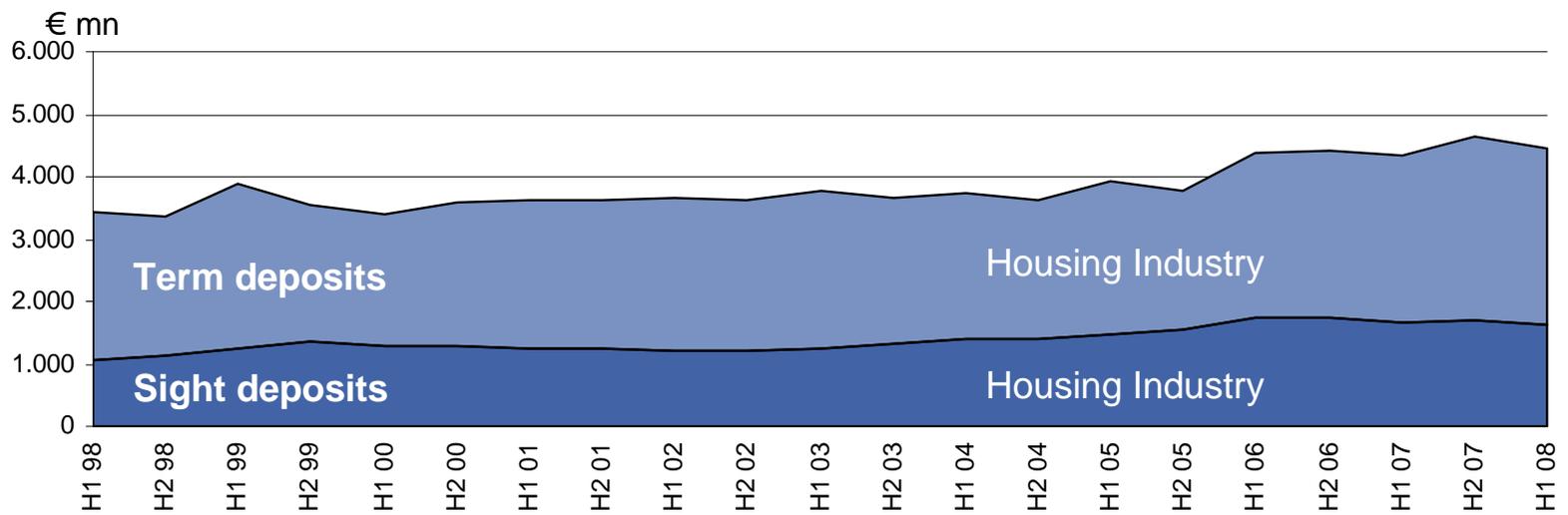
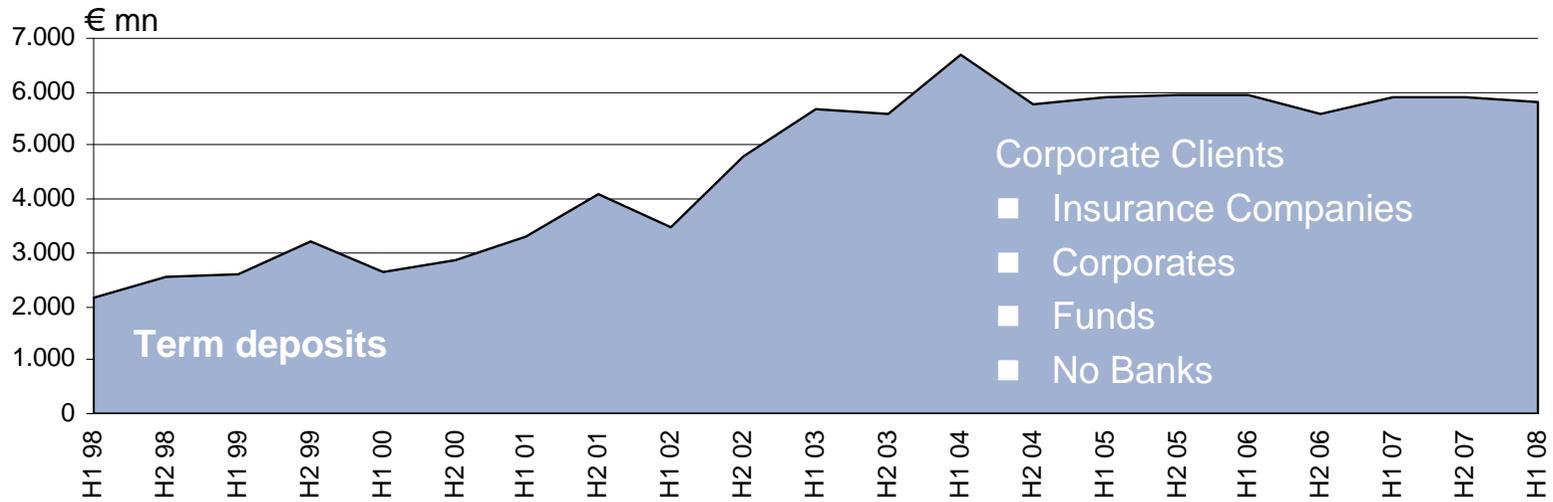


Aareal funding position Volumes issued (as at 30.06.2008)



Aareal funding position

Customer deposits: development by volume



Summary capital and financing position

- Solid capital basis
- 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
- 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

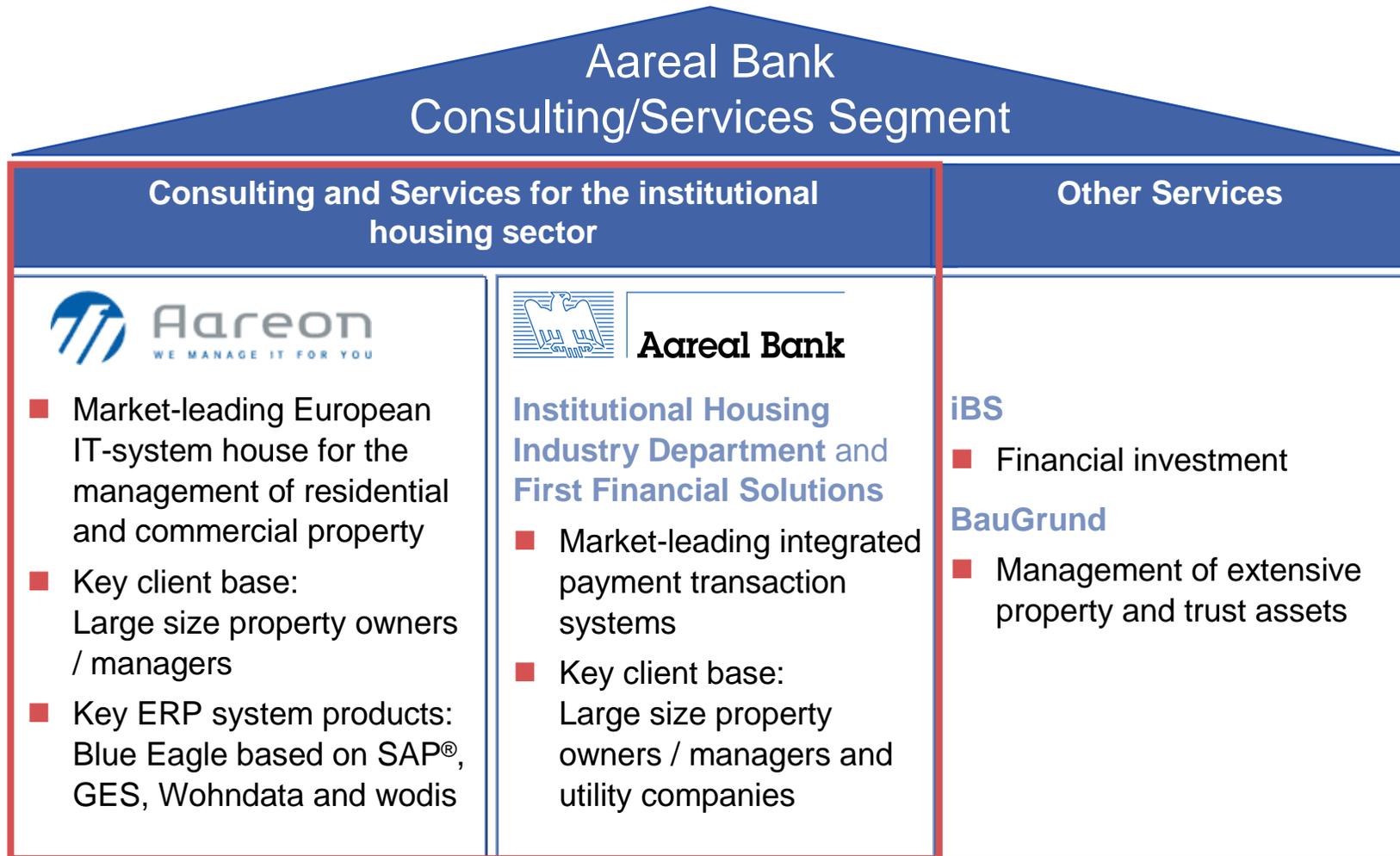


Consulting/Services



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Consulting/Services – Major activities



Services provided to the institutional housing sector



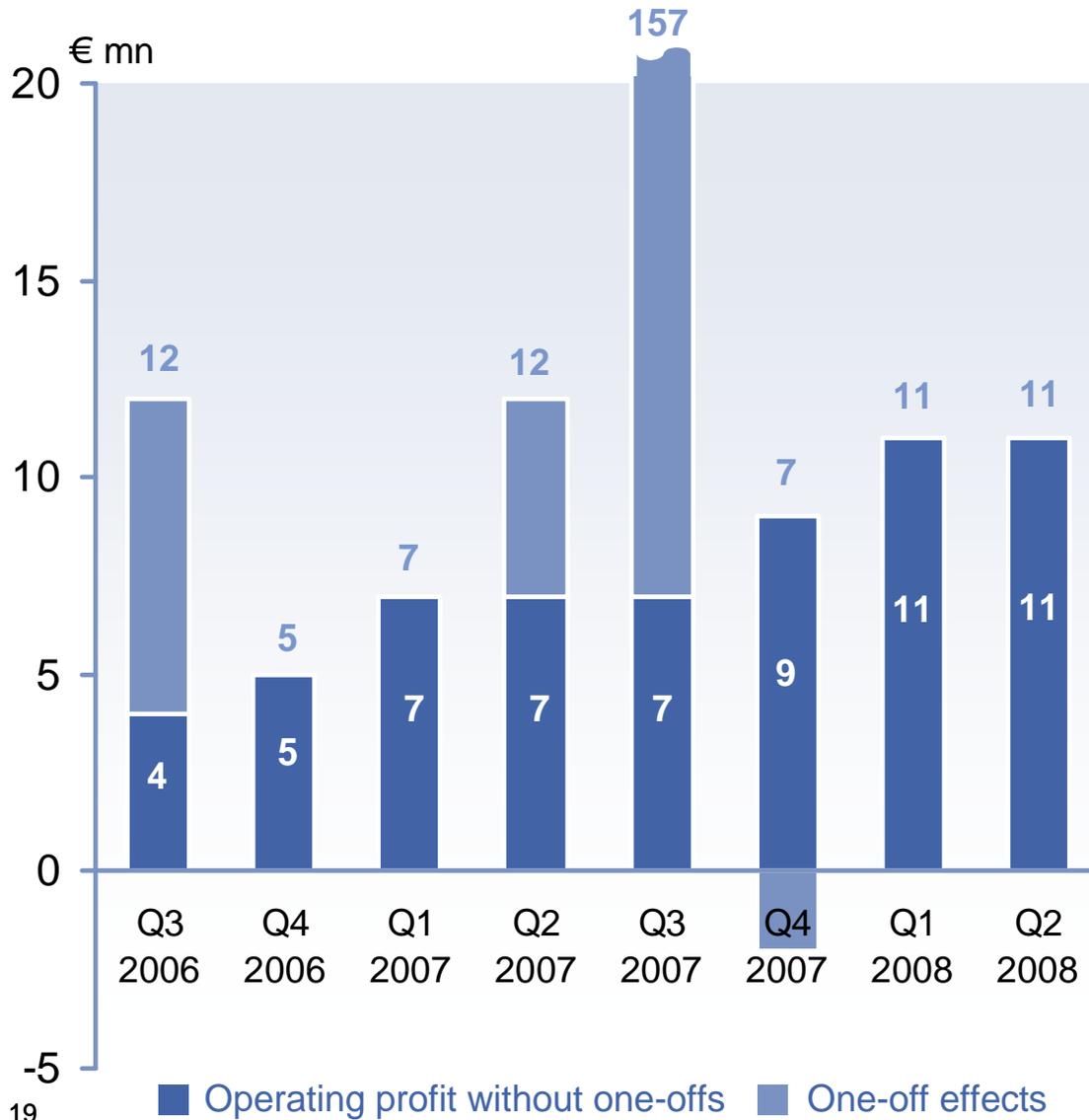
Institutional housing sector: Integral element of group strategy

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➤ Operating segment EBT H1 2008: € 22 mn	



Performance

Consulting / Services segment - operating profit by quarter



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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



Positioning and Targets



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Current positioning

Group

- Maintain 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

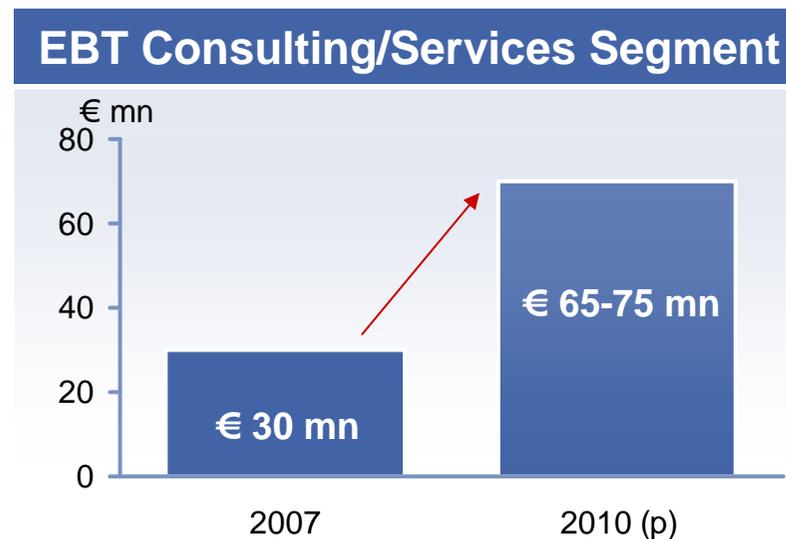
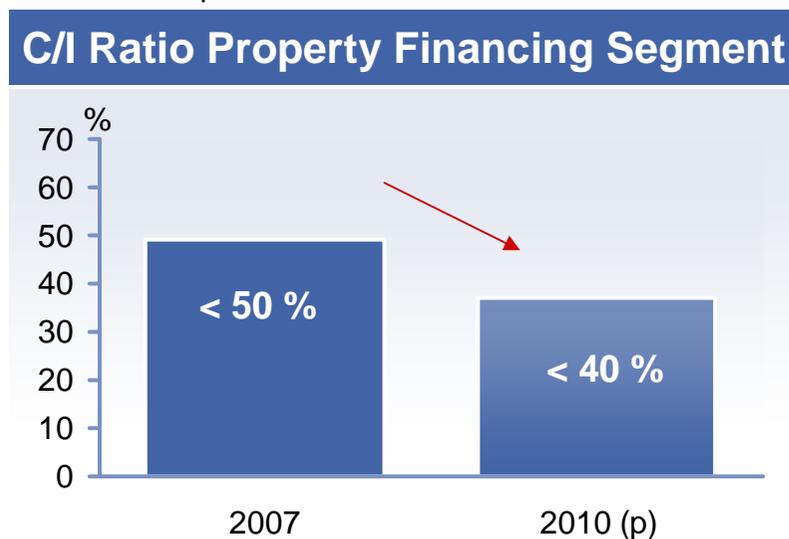
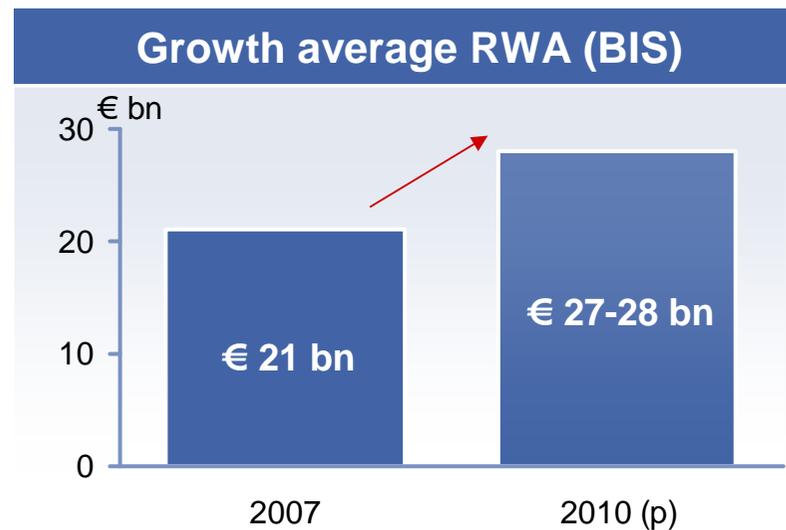
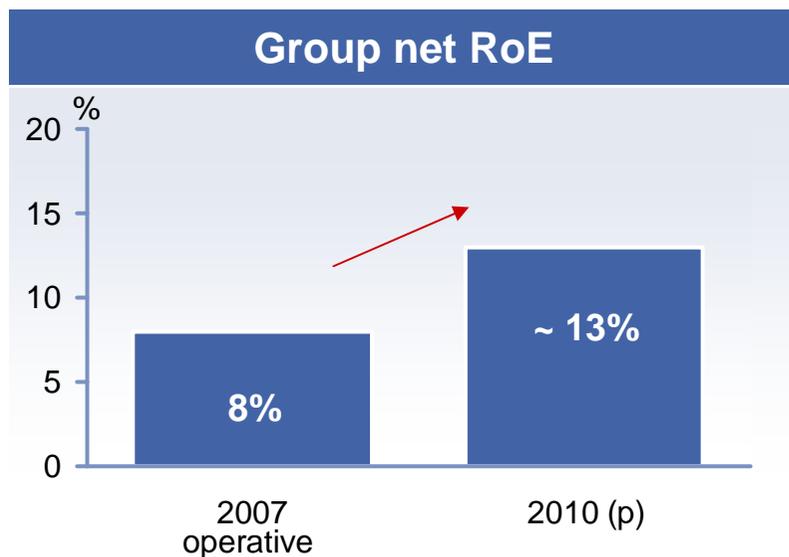
- Leaner set-up of back office entities
- Generating operating leverage: 50% portfolio growth on existing fix cost base
- Further diversification out of Europe in anticipation of converging market cycles within Europe

■ 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 ^{*)}



Appendix



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Group P&L Q2 2008

	Q2 2008	Q2 2007	Change
	€ mn	€ mn	%
Net interest income	114	104	9,6%
Net loan loss provisions	20	22	-9,1%
Net interest income after net loan loss provisions	94	82	14,6%
Net commission income	35	36	-2,8%
Net result on hedge accounting		3	-100,0%
Net trading income	-3	5	-
Results from non-trading assets	-8	14	-
Results from companies accounted for at equity	3	5	-40,0%
Results from investment properties		1	-100,0%
Administrative expenses	89	91	-2,2%
Net other operating income	16	-2	-
Impairment of goodwill			-
Operating Profit	48	53	-9,4%
Income taxes	16	11	45,5%
Consolidated net income / loss	32	42	-23,8%
Allocation of results			
Consolidated net income / loss attributable to minority interests	4	4	0,0%
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	28	38	-26,3%



Segment reporting Q2 2008

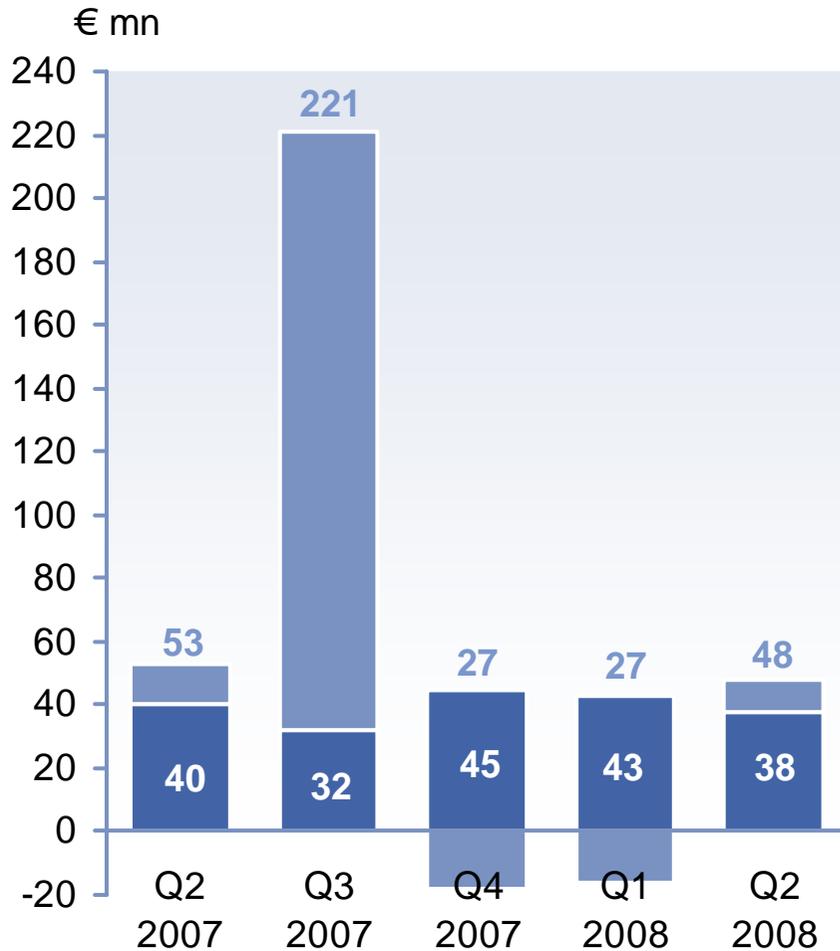
	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	Quarter 2 2008	Quarter 2 2007	Quarter 2 2008	Quarter 2 2007	Quarter 2 2008	Quarter 2 2007	Quarter 2 2008	Quarter 2 2007
Net interest income	95	89	0	0	19	15	114	104
Provision for loan losses	20	22					20	22
Net interest income after net loan loss provisions	75	67	0	0	19	15	94	82
Net commission income	6	8	48	43	-19	-15	35	36
Net result on hedge accounting	0	3					0	3
Net trading income / expenses	-3	5					-3	5
Results from non-trading assets	-8	13	0	1			-8	14
Results from companies accounted for at equity	3			5			3	5
Results from investment properties	0	1			0	0	0	1
Administrative expenses	52	55	38	36	-1	0	89	91
Net other operating income / expenses	16	-1	1	-1	-1	0	16	-2
Impairment of goodwill								
Operating profit	37	41	11	12	0	0	48	53
Income taxes	12	8	4	3			16	11
Consolidated net income / loss	25	33	7	9	0	0	32	42
Allocation of results								
Consolidated net income / loss attributable to minority interests	4	4	0	0			4	4
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	21	29	7	9	0	0	28	38
Allocated equity	920	804	72	76	322	179	1.314	1.059
Cost/income ratio in %	48,9	52,1	78,6	77,3			57,8	59,3
RoE after taxes in %	9,3	14,8	36,8	46,7			8,5	14,5



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Performance

Profit before tax and special effects by quarter



■ Operating profit without one-offs

■ One-off effects

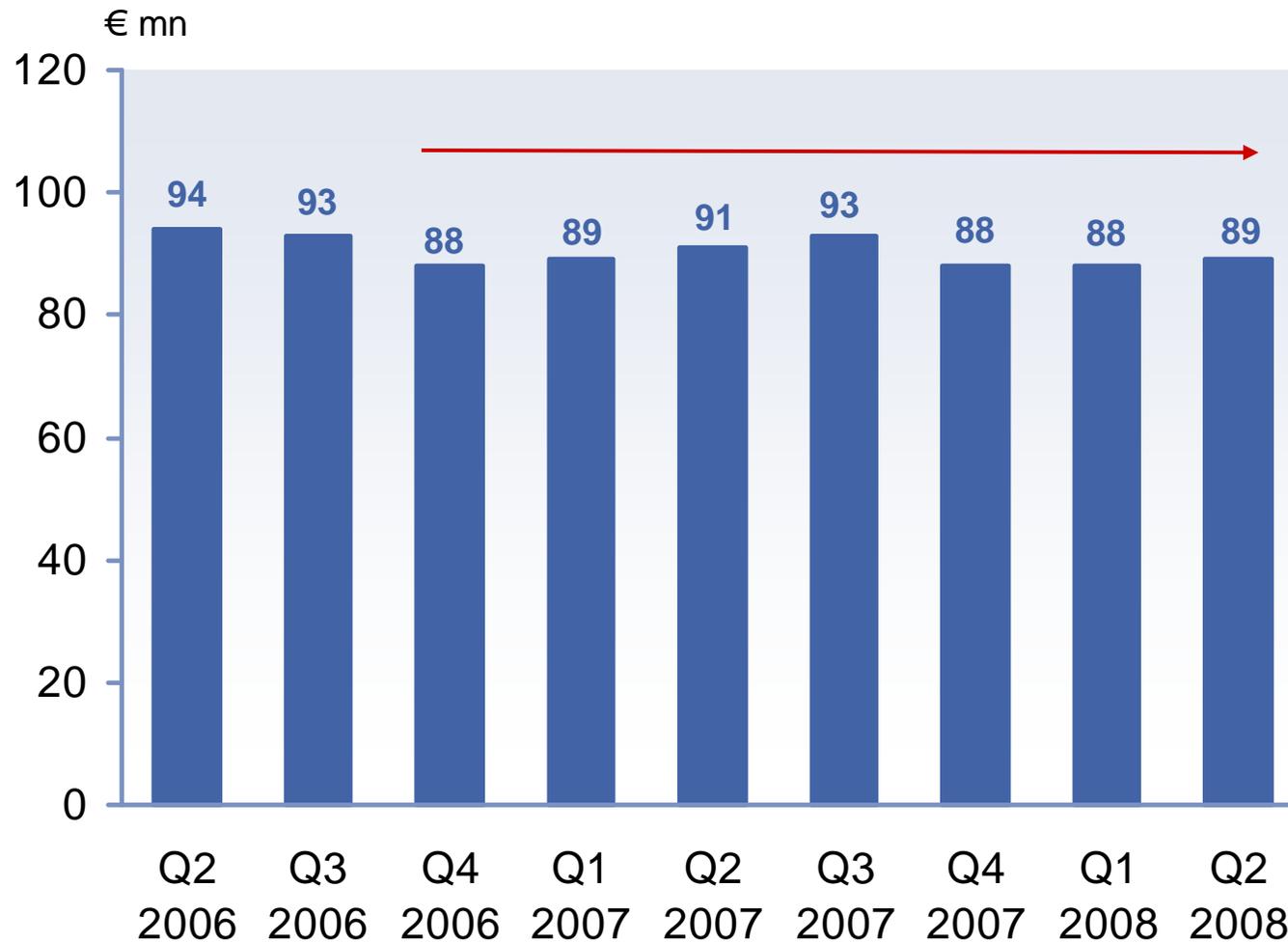
- Pre tax one-off effects Q2 2008:
 - Proceeds from Interhotel transaction : **€ 10 mn**
- Pre tax one-off effects Q1 2008:
 - ABS marked-to-market effect: **€ -16 mn**
- Pre tax one-off effects Q4 2007:
 - Bond marked-to-market effect: **€ -16 mn**
 - Goodwill impairment BauGrund: **€ -2 mn**
- Pre 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**
 - Proceeds from Interhotel transaction: **€ 2 mn**
 - ImmoScout dividend: **€ 5 mn**



Aareal Bank

Performance

Stable administrative expenses

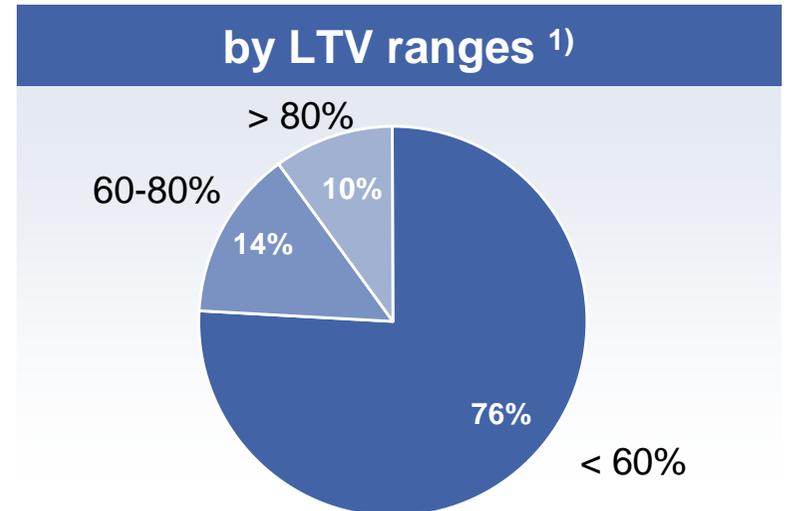
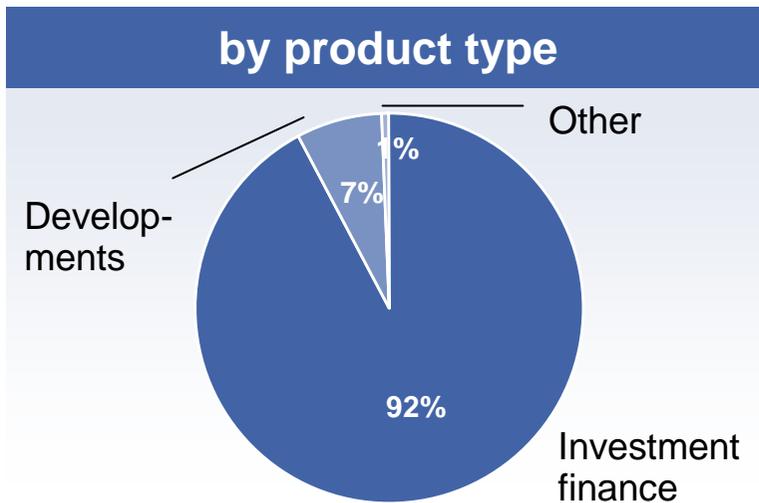
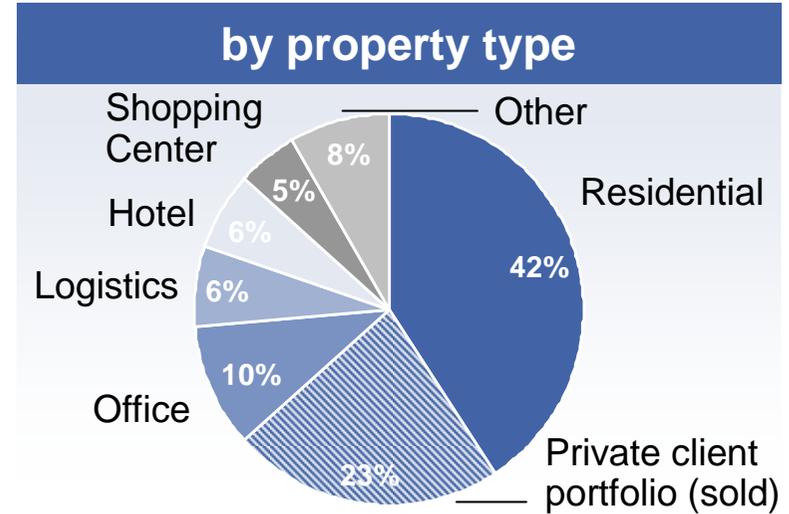
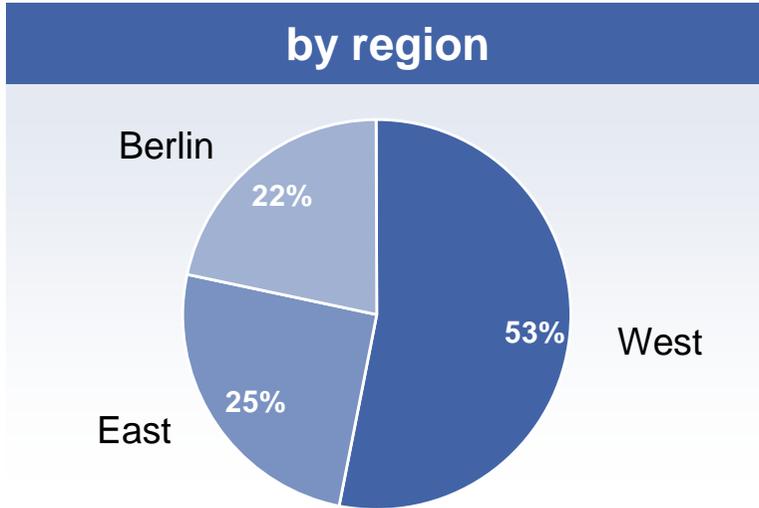


■ Admin expenses



German credit portfolio as at 30.06.2008

Total volume outstanding : € 6.6 bn

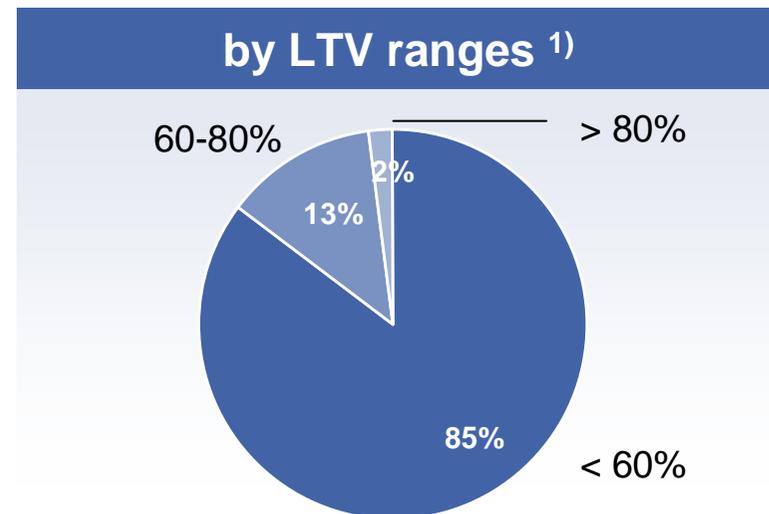
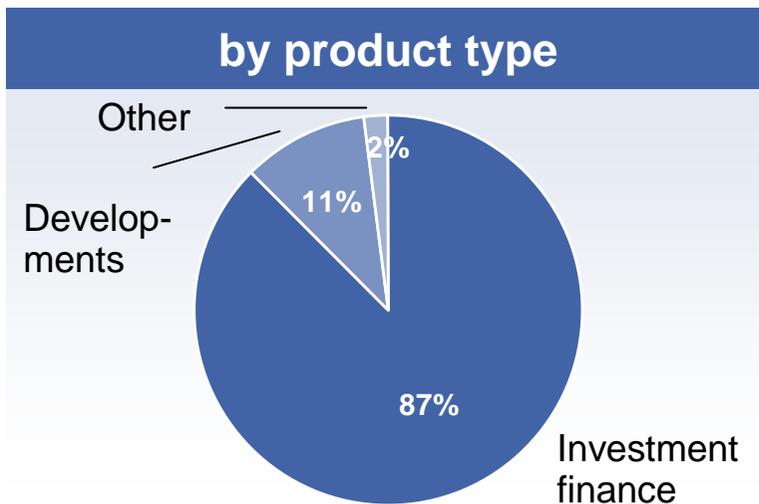
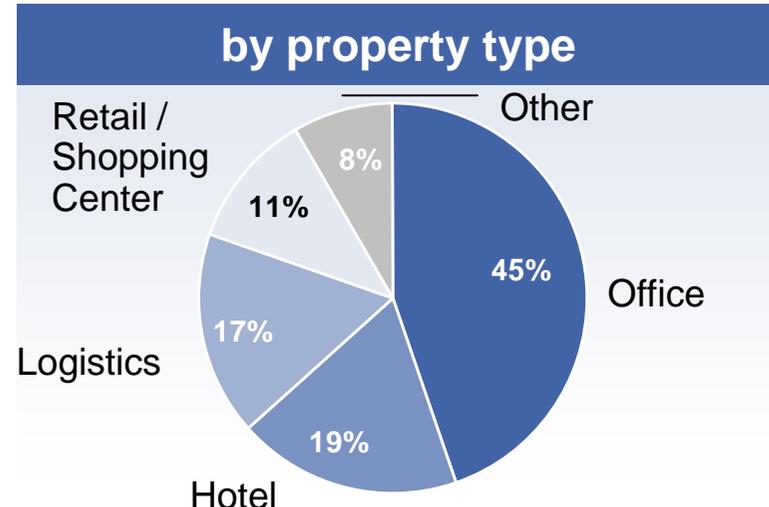
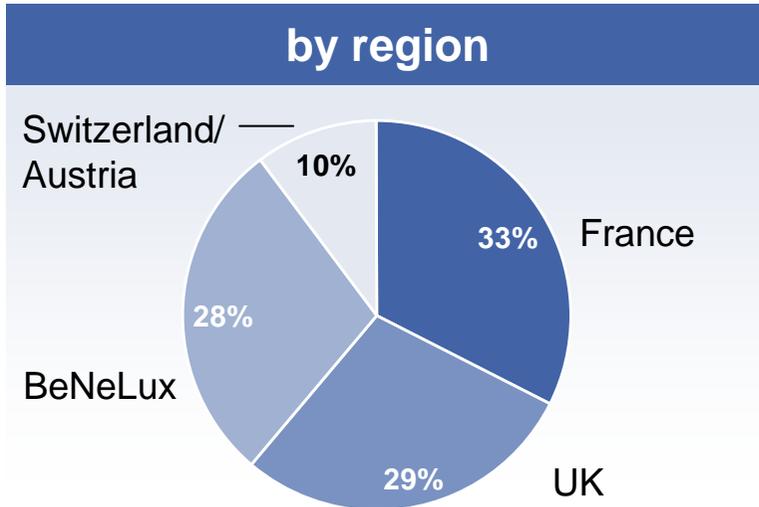


30 ¹⁾ Mortgage collateralised business only;
value does not take into account any collateral other than mortgages



Western Europe (ex Ger) credit portfolio as at 30.06.2008

Total volume outstanding : € 5.0 bn

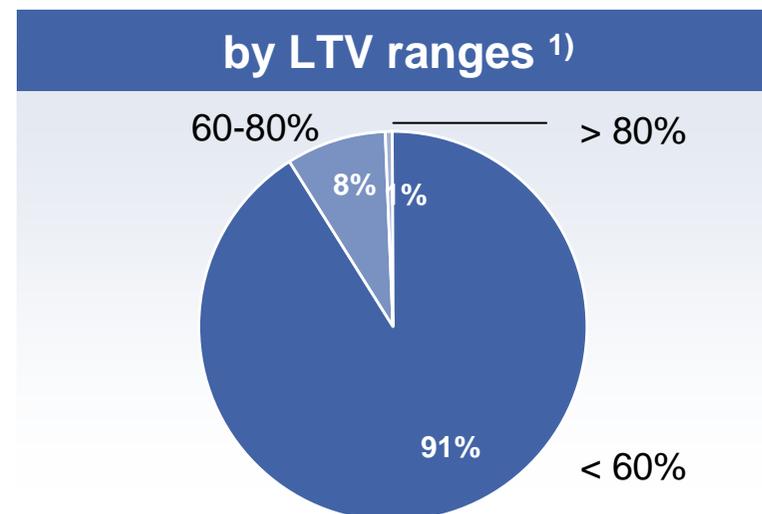
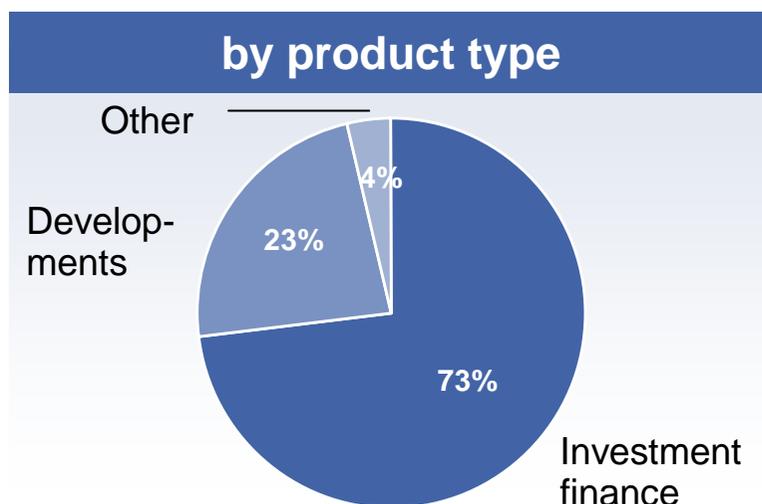
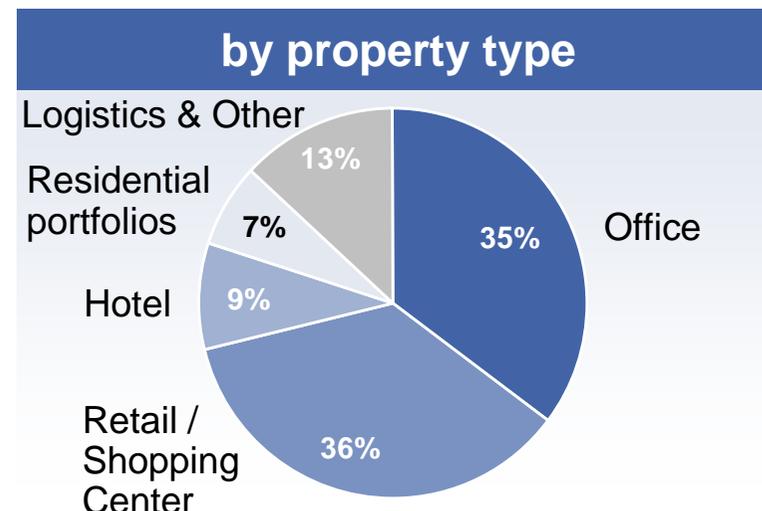
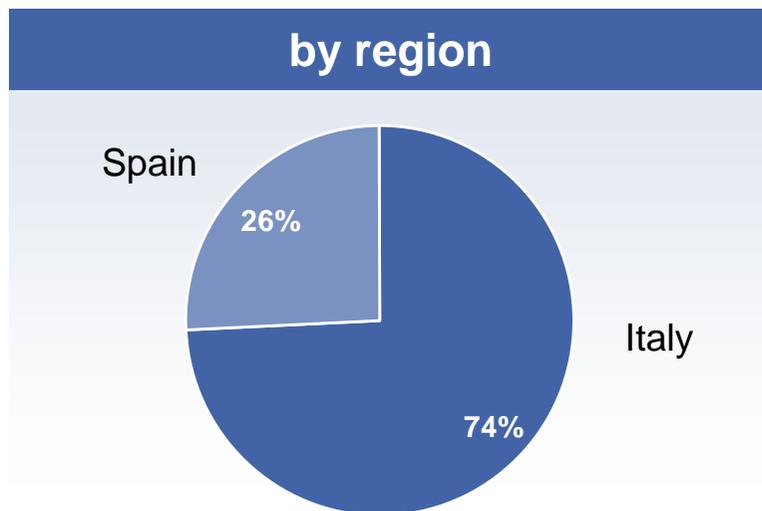


31 ¹⁾ Mortgage collateralised business only;
value does not take into account any collateral other than mortgages



Southern Europe credit portfolio as at 30.06.2008

Total volume outstanding : € 4.2 bn

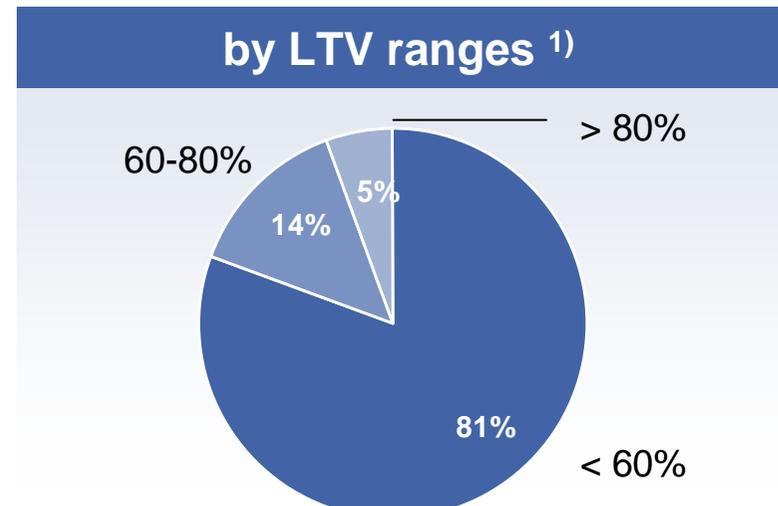
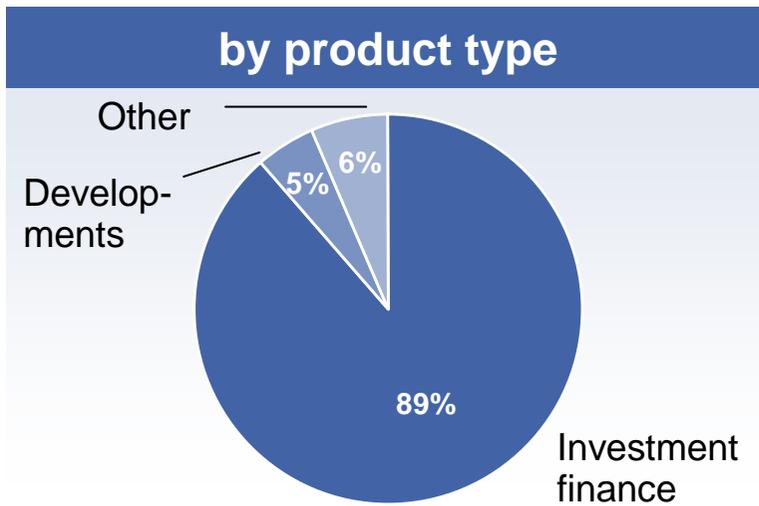
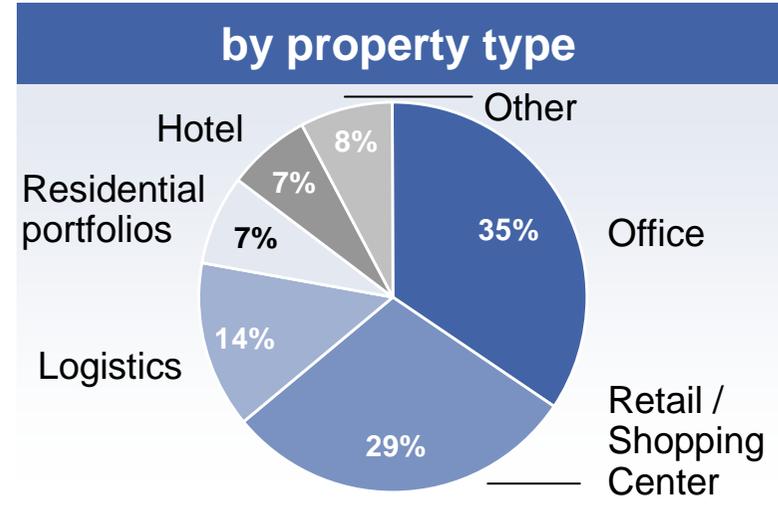
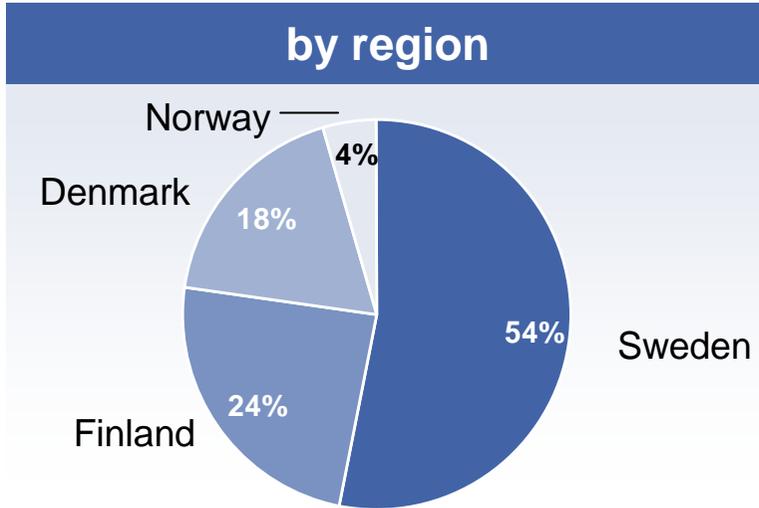


32 ¹⁾ Mortgage collateralised business only;
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Northern Europe credit portfolio as at 30.06.2008

Total volume outstanding : € 3.0 bn

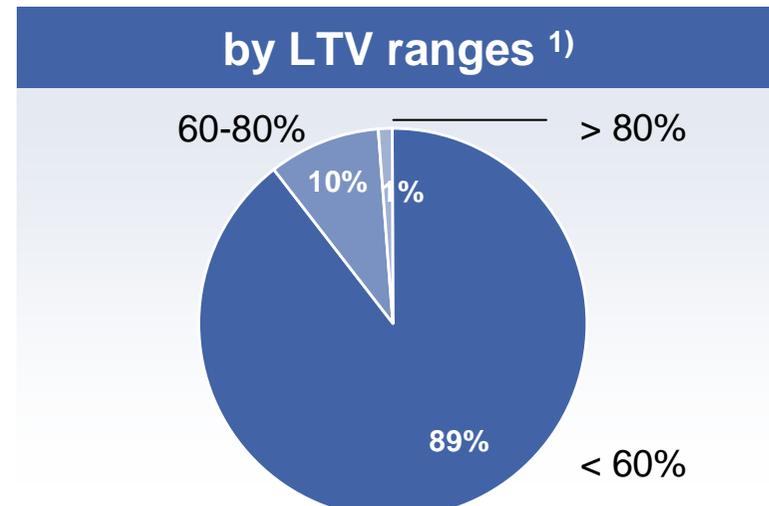
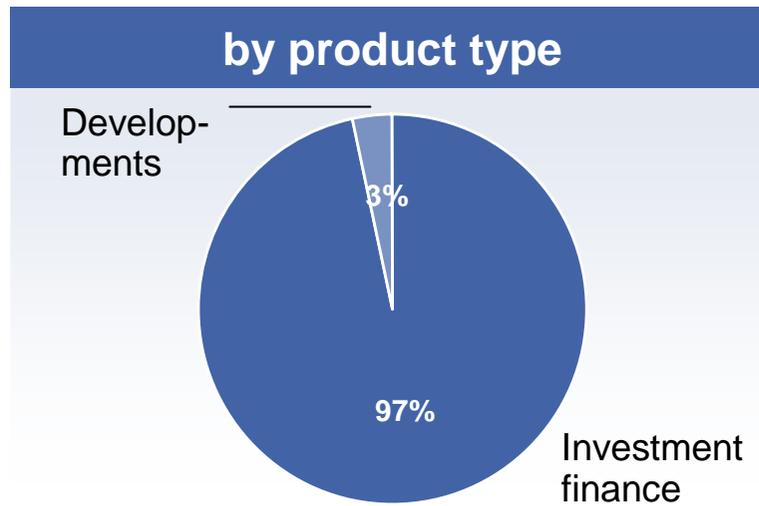
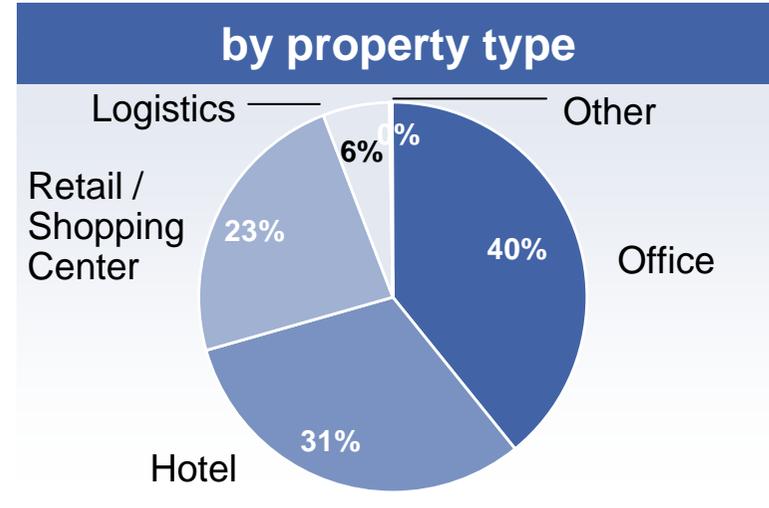
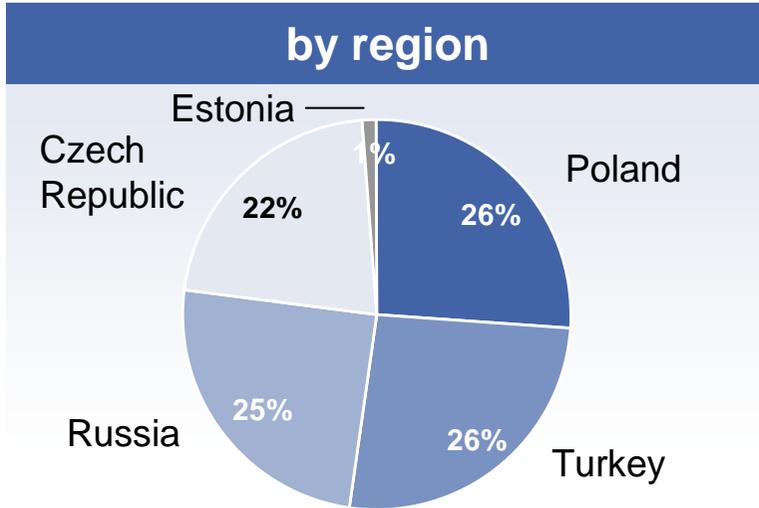


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Eastern Europe credit portfolio as at 30.06.2008

Total volume outstanding : € 2.5 bn

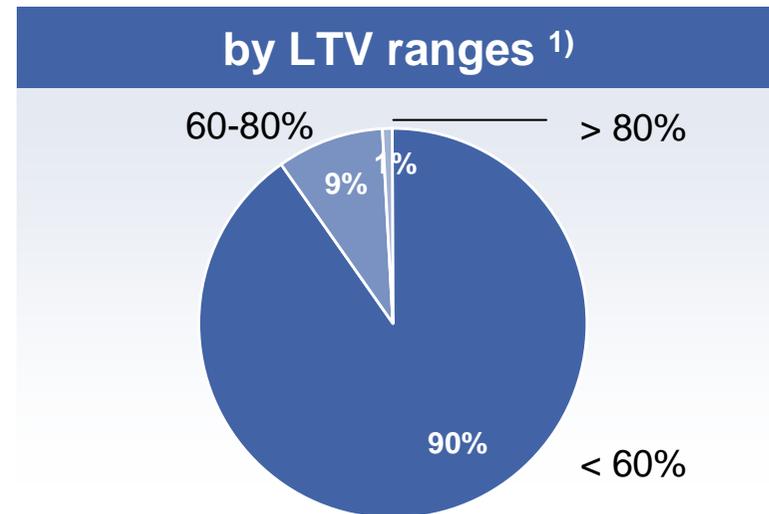
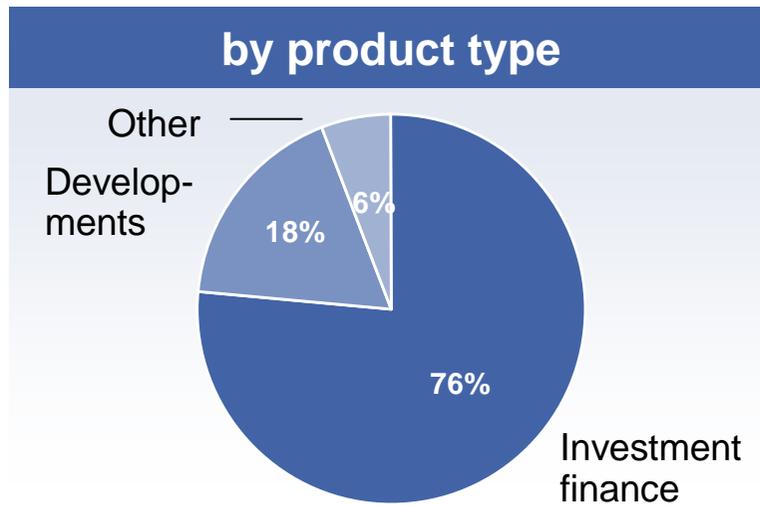
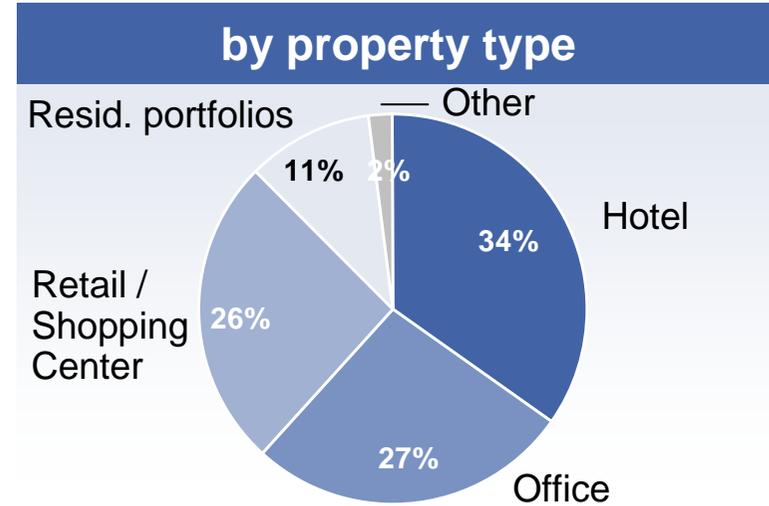
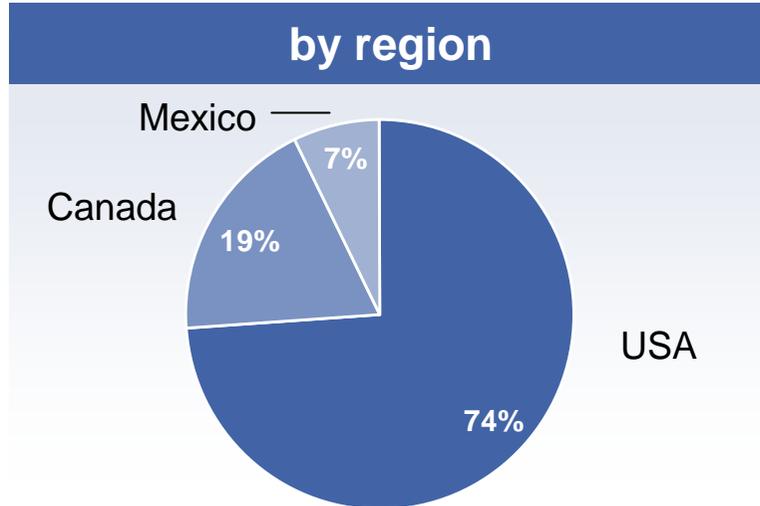


34 ¹⁾ Mortgage collateralised business only;
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North America credit portfolio as at 30.06.2008

Total volume outstanding : € 1.9 bn

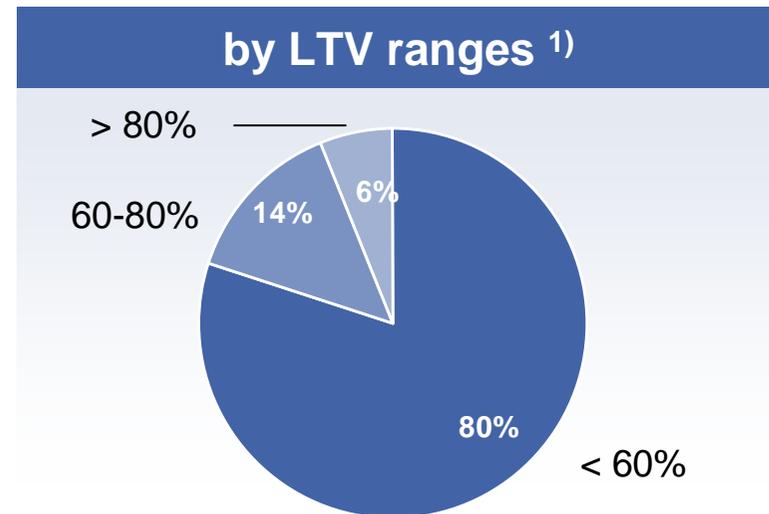
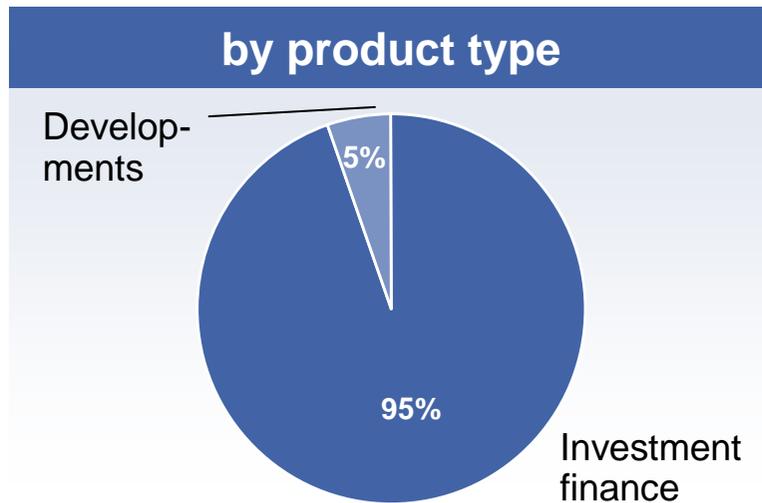
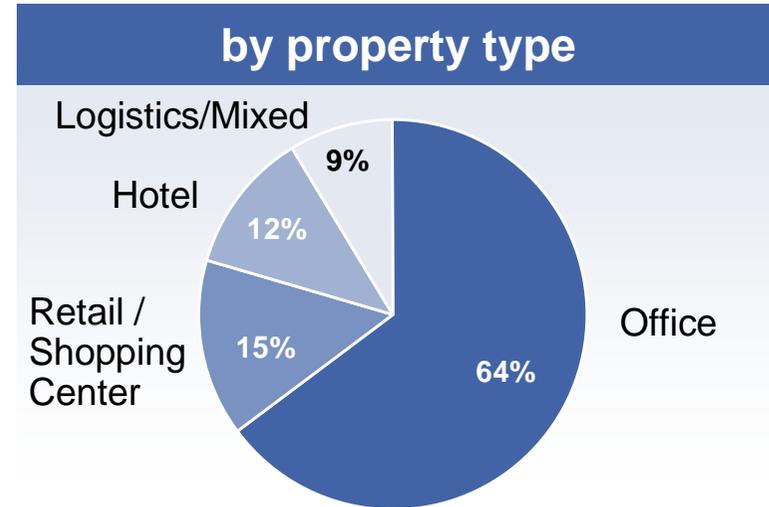
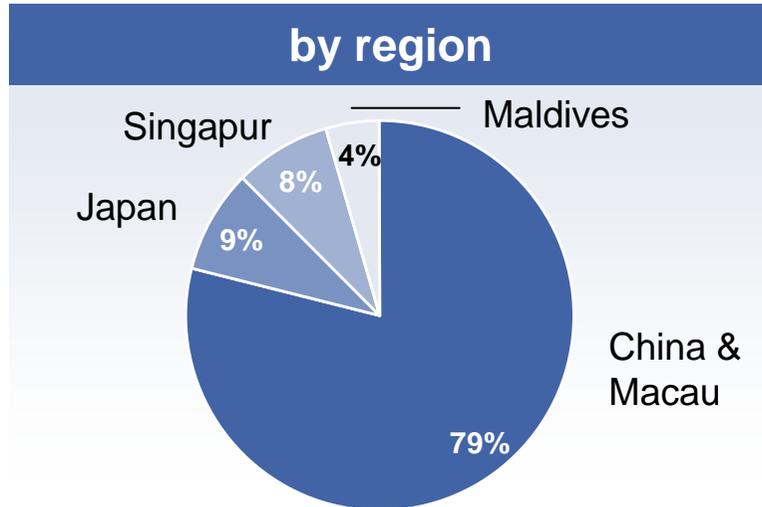


35 ¹⁾ Mortgage collateralised business only;
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Asia/Pacific credit portfolio as at 30.06.2008

Total volume outstanding : € 1.0 bn



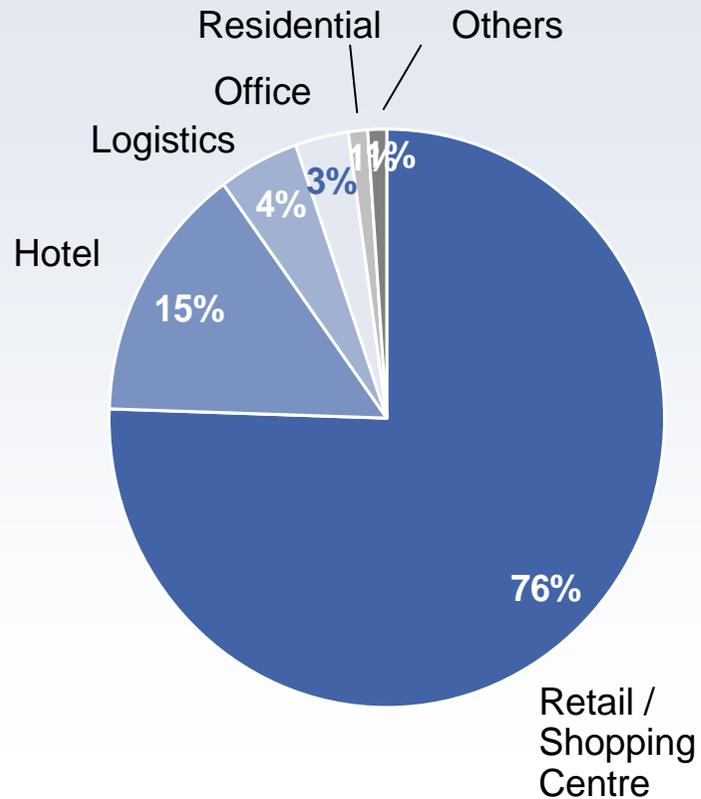
36 ¹⁾ Mortgage collateralised business only; value does not take into account any collateral other than mortgages



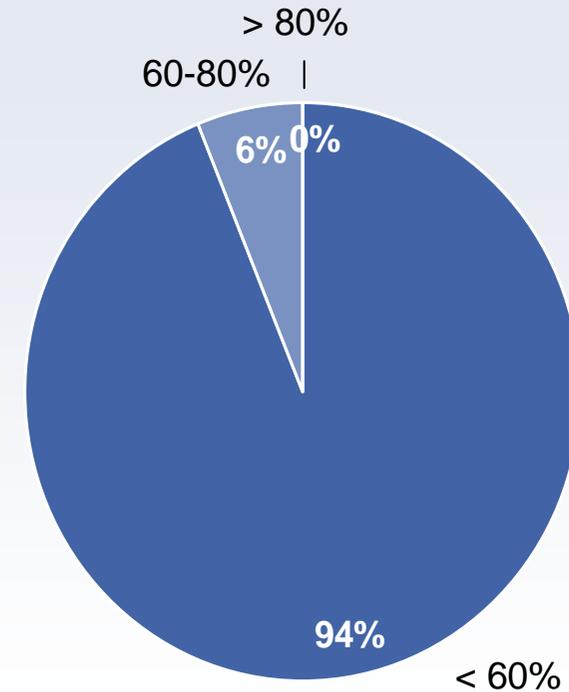
Spain credit portfolio as at 30.06.2008

Total volume outstanding : € 1.1 bn

by property type



by LTV ranges 1)



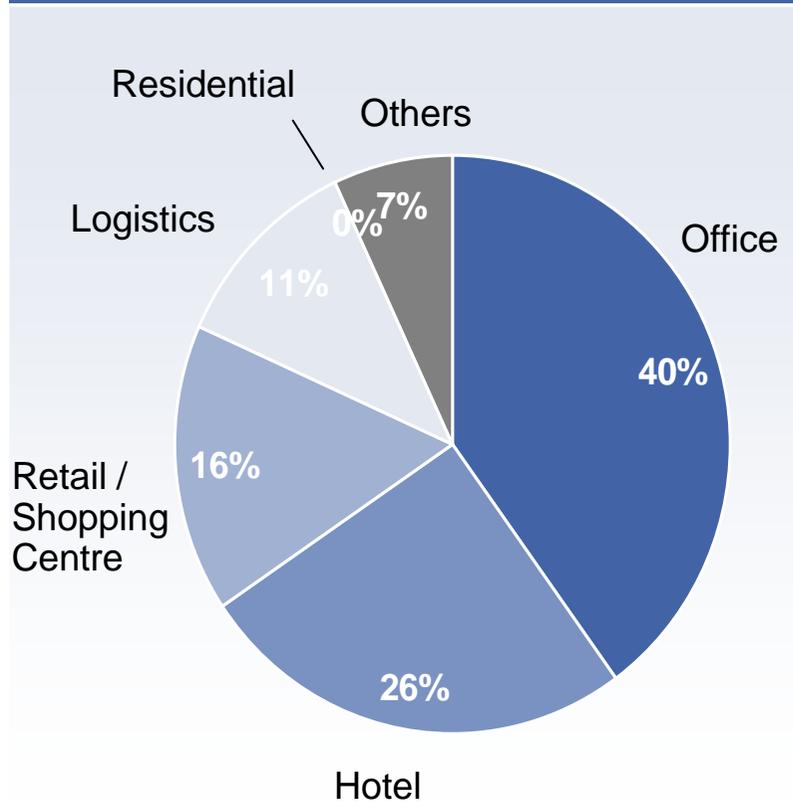
¹⁾ Mortgage collateralised business only;
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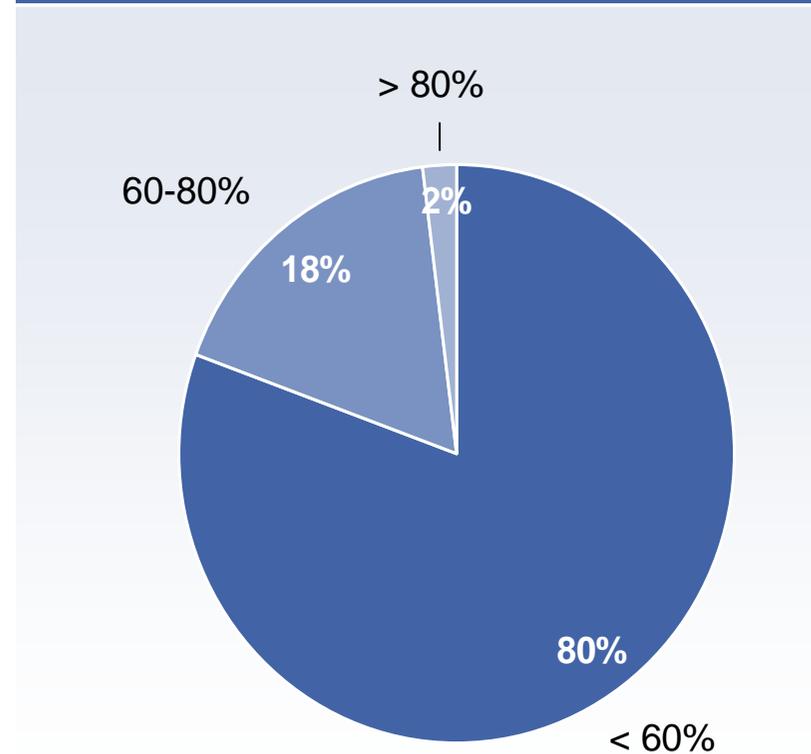
UK credit portfolio as at 30.06.2008

Total volume outstanding : € 1.4 bn

by property type



by LTV ranges 1)



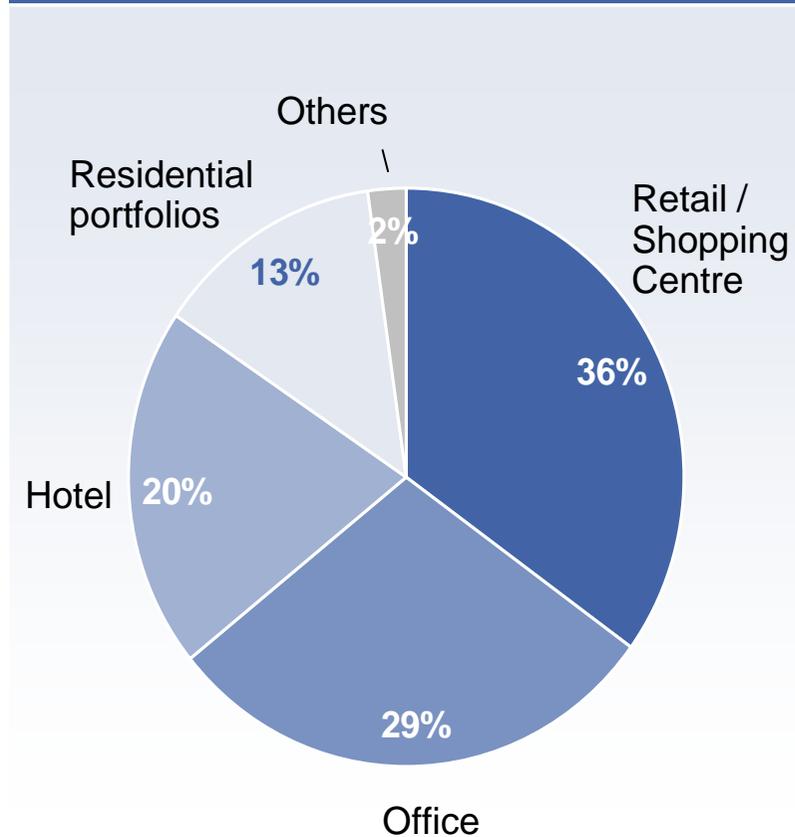
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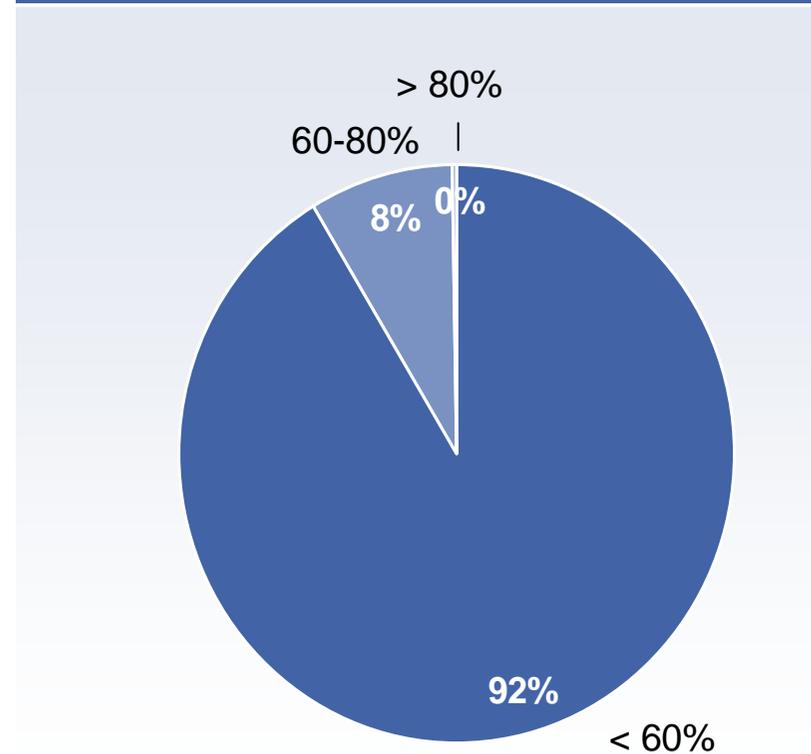
US portfolio as at 30.06.2008

Total volume outstanding : € 1.4 bn

by property type



by LTV ranges 1)



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



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

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