

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Q1 2009 results

May 12, 2009

Dr. Wolf Schumacher, CEO – Hermann J. Merkens, CFO



Aareal Bank

Agenda Q1 2009 results

- Q1 2009 results at a glance
 - Group capital and funding position
 - Group figures Q1 2009
 - Asset quality
 - Current development and outlook

 - Appendix
 - Definitions and Contacts
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Q1 2009 results at a glance



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Q1 2009 results at a glance:

On track with positive results throughout the crises

	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Comments
	€ mn	€ mn	€ mn	€ mn	€ mn	
Operating profit (€ mn)	17	11	31	48	27	Despite challenging economic environment positive start in 2009
Group net income after minorities (€ mn)	7	4	15	28	13	Profitable despite challenging environment
RoE after taxes (%)	1.7	1.3	4.5	8.5	3.9	
Tier 1 ratio (%) (according to German Banking Act - CRSA)	10.2 ¹⁾	8.0	8.0	8.3	8.0	Solid capitalisation

1) Post SoFFin capital measure in 2009



Q1 2009 results at a glance:

On track with positive results throughout the crises

Profitability maintained / positive results in both business segments

- Positive results shown since the beginning of the crisis in 2007 continued in Q1 2009 despite very challenging environment

Concentration on core competences

- Already carried out before the financial crisis emerged

Lean and flexible set-up

- Allowing us to react swiftly to the fast changing environment

Conservative funding

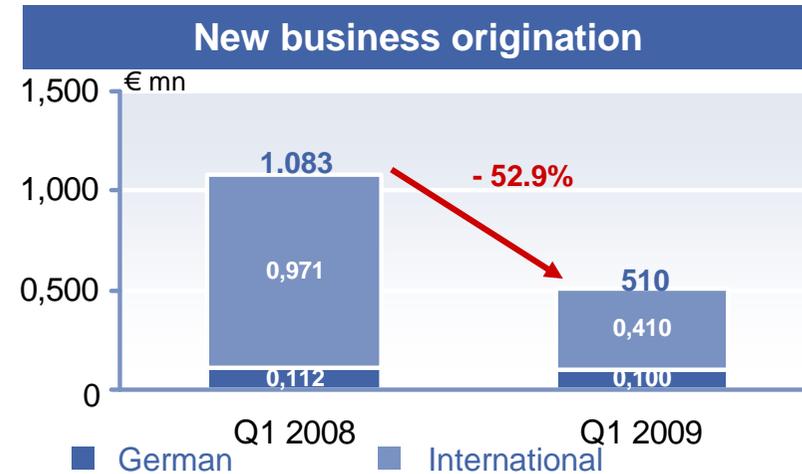
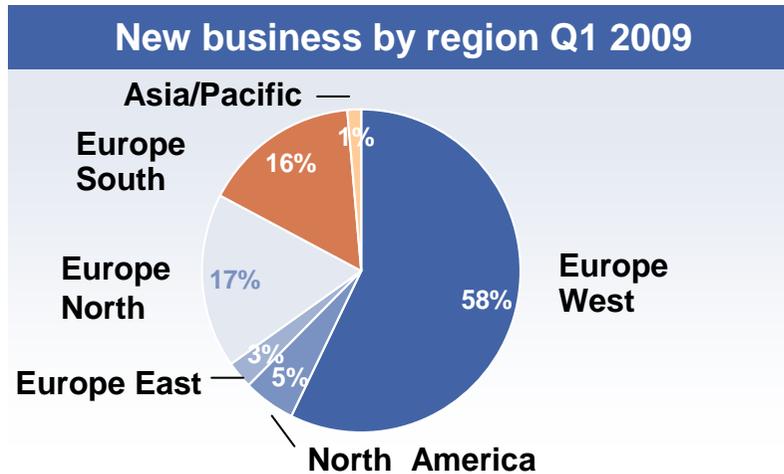
- Funding position solid



Structured property financing: Profitable in volatile capital markets

P&L SPF Segment	Q1 '09	Q4 '08	Q3 '08	Q2 '08	Q1 '08
€ mn					
Net interest income	102	117	99	95	92
Loan loss provision	37	20	20	20	20
Commission income	5	13	7	6	3
Net trading result	16	-23	25	-3	-22
Result from non-trading assets	-17	-59	-37	-8	9
Admin expenses	48	46	50	52	52
Others	-6	18	-5	16	4
Operating profit	16	1	20	37	16

- Focus on portfolio monitoring and active management
- Very selective regarding new business opportunities
 - Concentrating on prolongations with already existing clients
 - Focus on loans eligible for Pfandbrief cover pool



Consulting / Services:

Interest rate environment/one-offs reduce segment results

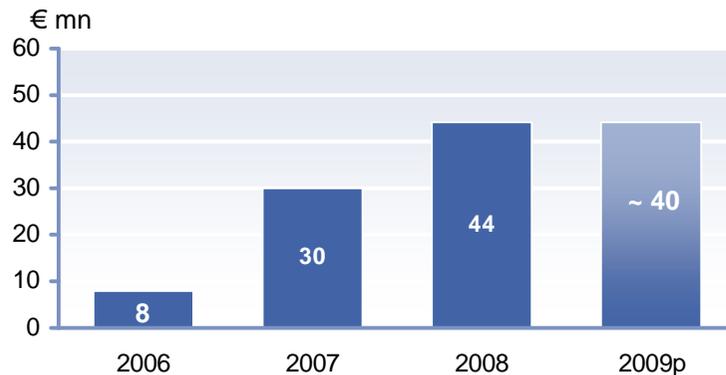
P&L C/S Segment (industry format)	Q1 '09	Q4 '08	Q3 '08	Q2 '08	Q1 '08
€ mn					
Sales revenue	51	63	54	57	55
Own work capitalised	0	1	0	0	0
Other operating income	1	3	3	3	3
Cost of material purchased	7	10	8	9	9
Staff expenses	30	27	24	24	24
<i>Excl. one-offs</i>	24	27	24	24	24
Depreciation, amortisation and impairment losses	3	4	3	4	3
Other operating expenses	11	15	11	12	11
Operating profit	1	11	11	11	11
<i>Excl. one-offs</i>	7	11	11	11	11



Consulting / Services:

Stabilisation phase after 3 years of profit improvement

Clean EBT Consulting / Service



Consulting / Services

- 2006 - 2008:
Three year growth period with significant profit improvements
- 2009:
Stabilisation phase resulting in '08-level of clean operating EBT (~ € 40 mn)

Aareon 2009

- Long term contracts generate stable revenues (> 85 % of total revenues)
- SAP-based 'Blue Eagle'
 - Less implementations generate reduced consulting activities and lower profit margin than originally planned for 2009
 - Reduced sales of licenses partly offset by lower costs of materials purchased
- Staff adjustment measures at Aareon after finalisation of SAP-based 'Blue Eagle' (4 mn €)
- Discontinuation of non-core activities (2 mn €)

Aareal Bank 2009

- Stable deposits around € 4 bn
- Interest rate environment impacts net interest income (NII)



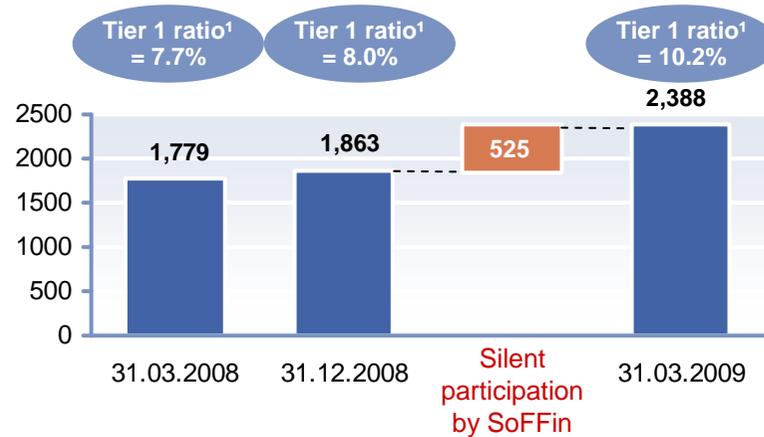
Group capital and funding position



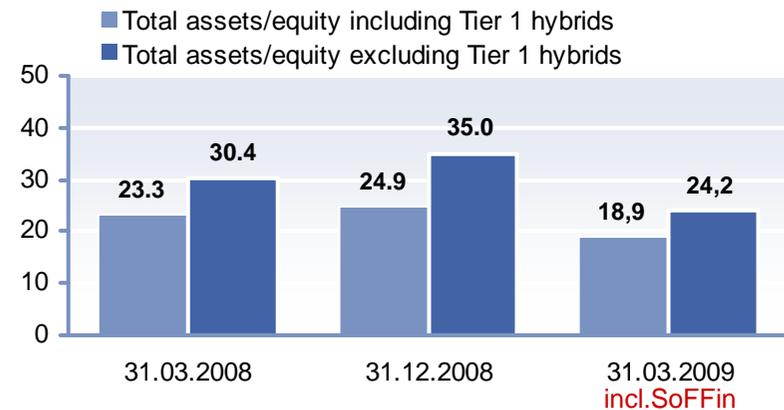
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Silent participation by SoFFin improves Tier 1 Ratio to 10.2% (CRSA)

Tier 1 capital (CRSA / German GAAP) after SoFFin measure



Total balance sheet leverage after SoFFin measure²⁾



Composition of Tier 1 capital

	31.03.2009	31.12.2008	31.03.2008
€ mn			
Core Tier 1	1,918	1,393	1,308
Hybrid Tier 1	470	470	470
Hybrid ratio	20%	25%	26%
Total Tier 1	2,388	1,863	1,779

- Even under credit risk standard approach (CRSA) Tier 1 ratio of 10.2% in line with peers and market requirements
- Aareal Bank currently uses CRSA; implementation of IRBA might lead to even better ratios

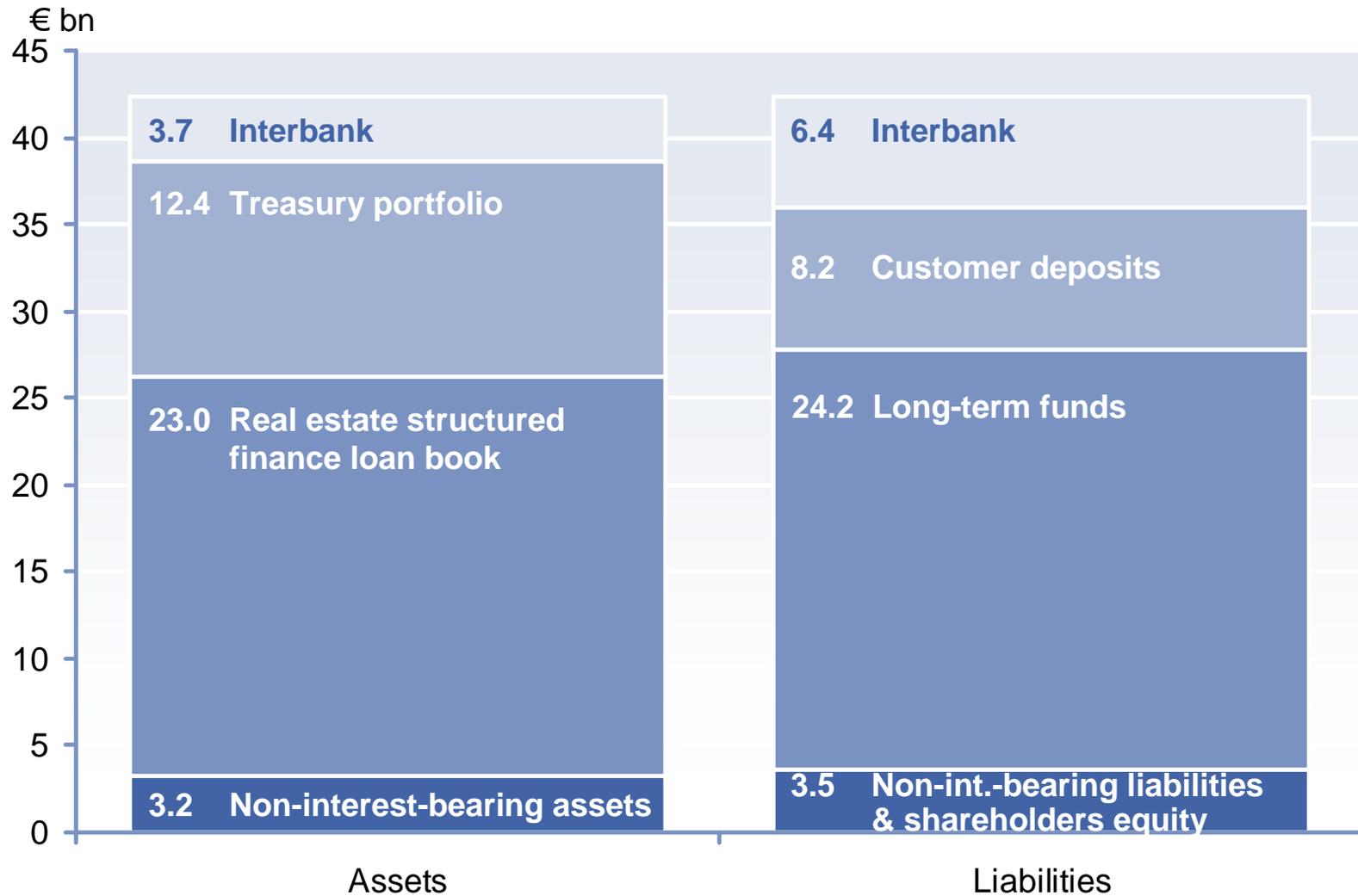
1) Excluding market risk

2) Gross IFRS numbers (particularly no netting of derivatives)



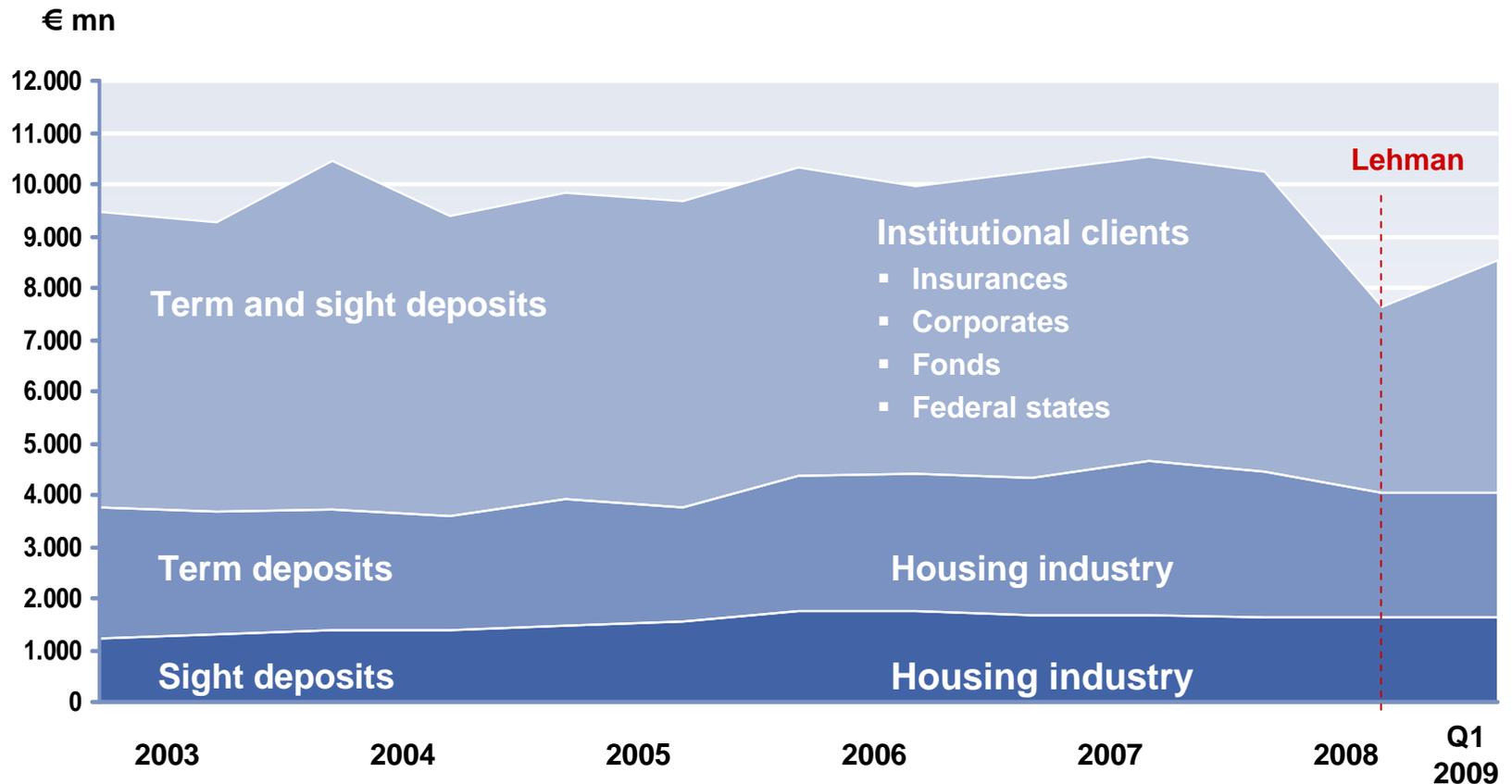
Asset- / Liability structure according to IFRS

As at 31.03.2009: € 42.3 bn



Deposit taking: Still attracting sizeable deposits

Stable customer deposits



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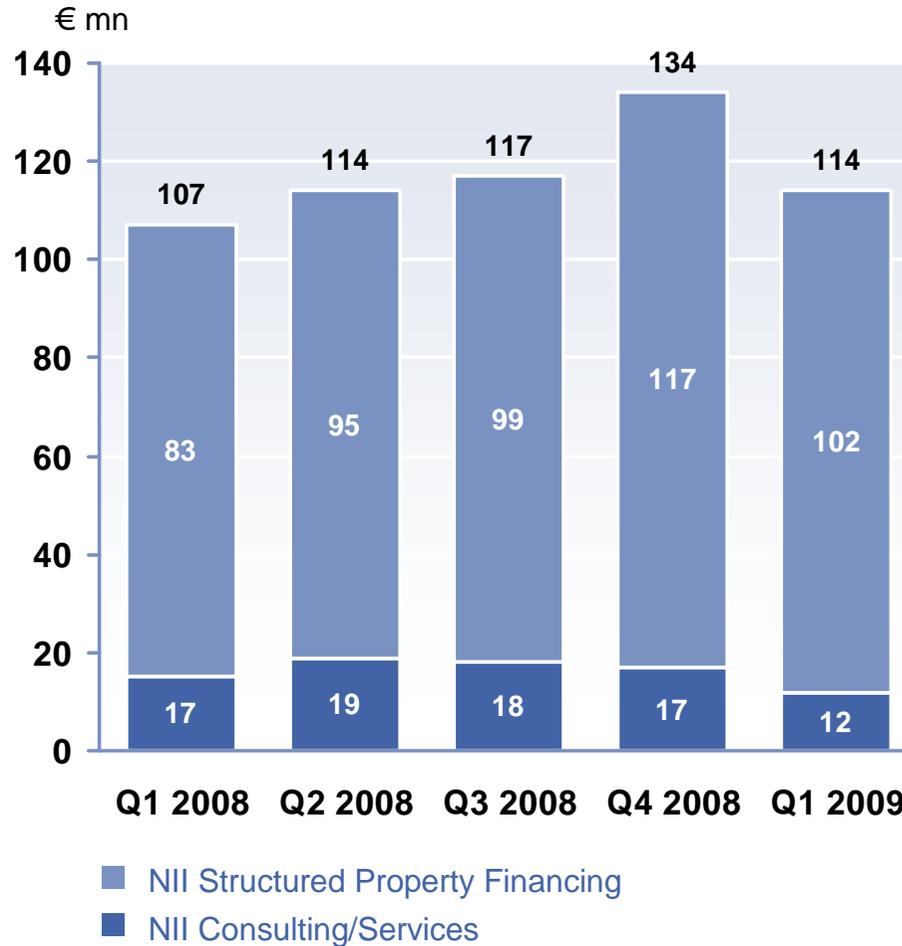
Group figures Q1 2009



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Net interest income:

Positive development despite difficult markets

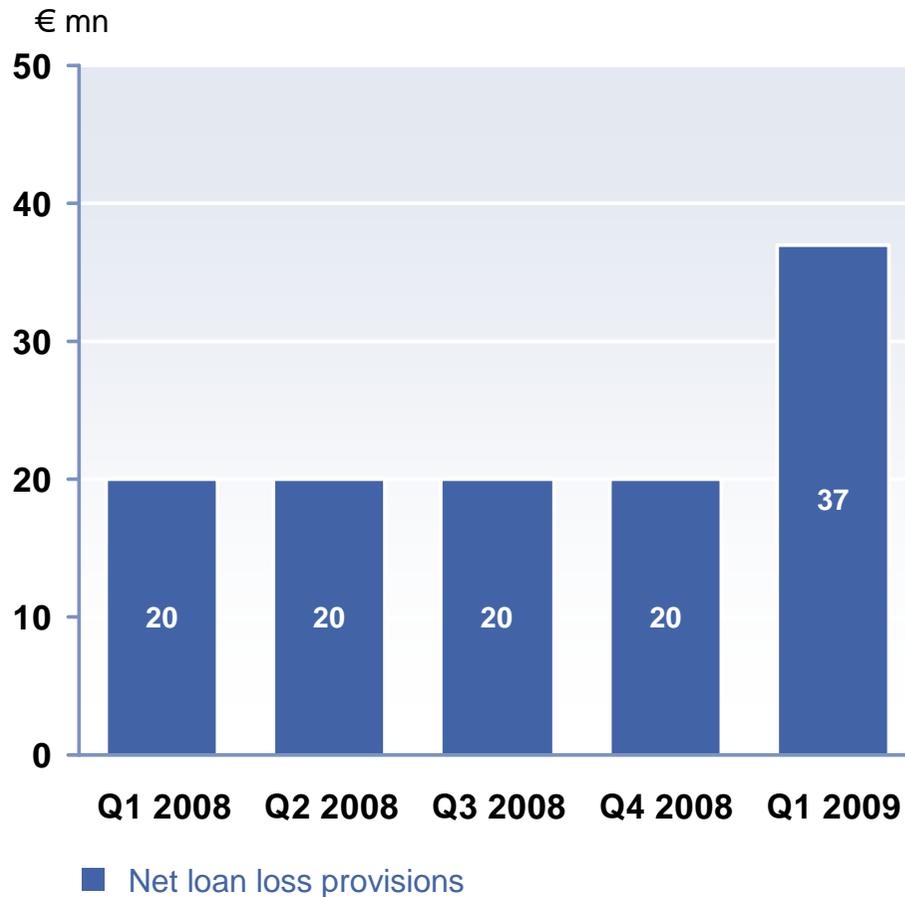


- Net interest income reflects stable loan portfolio
- Higher margins but limited new business in 2008 / 2009
- Strong Q4 2008 supported by favourable interest environment
- Margins of the deposit taking business are under pressure due to the extremely low interest rate level



Performance:

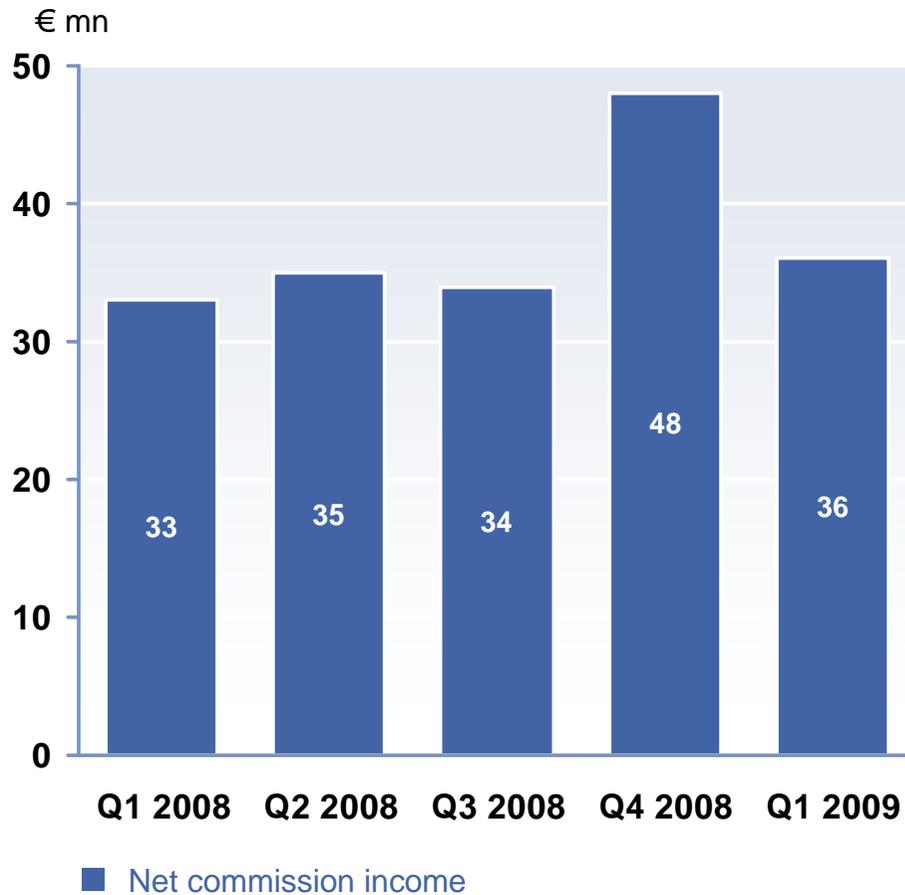
Rising LLPs anticipating difficult economic environment



- € 37 mn in Q1 2009 in line with range given for 2009
 - Conservatively positioned at the upper end of the range
- € 80 mn in 2008 in line with budget
 - € 35 mn Specific LLP
 - € 11 mn General LLP according to statistical model
 - **€ 34 mn General Portfolio LLP additional cushion for challenging environment**



Performance: Net commission income stable

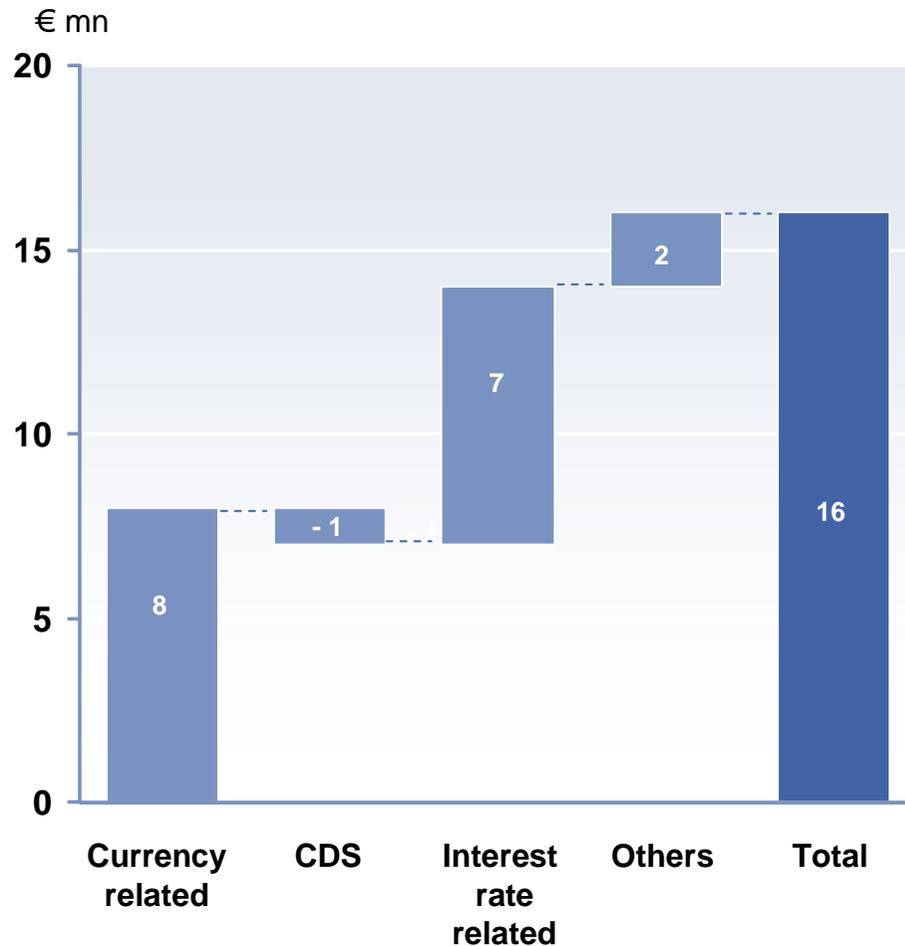


- Strong performance in Q4 2008 due to seasonal effects
- RSF performs satisfying (i.e. lower fees paid for outstanding securitizations)
- Economic downturn leads to postponement among clients of the Consulting / Services segment regarding new investment



Net trading income Q1 2009:

Reflecting volatile derivative and FX markets

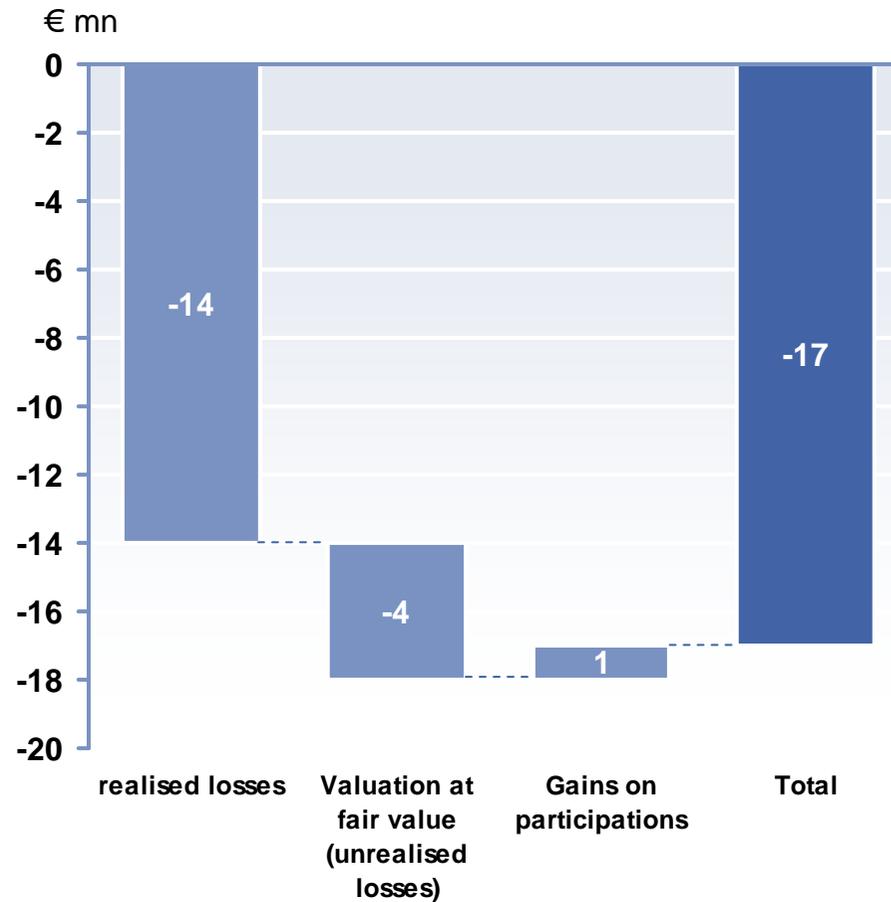


- Cross Currency Swaps and FX Swaps refinancing international loan book
- CDS Portfolio: Single Name EU Government Risk, all investment grade
- Interest rate related: derivatives, which have to be valued as stand alone derivatives in the trading result
- Others includes income out of trading assets as well as cost for securitisation



Results from non-trading assets Q1 2009:

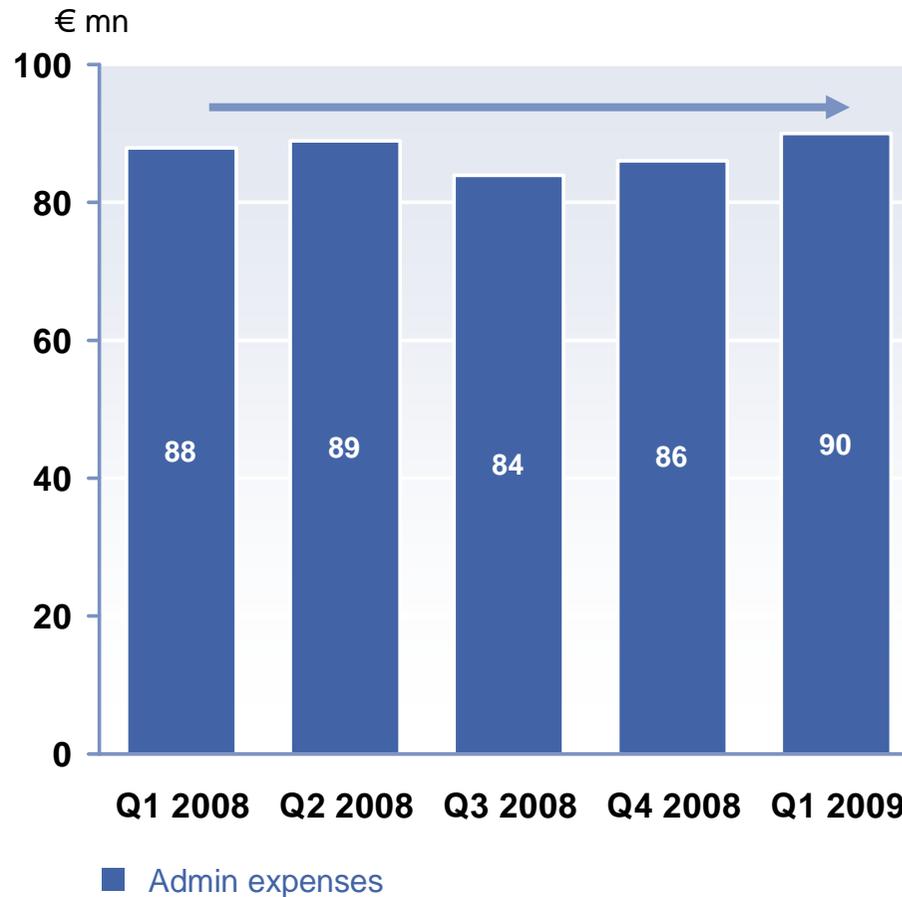
De-risking continued



- Realised losses resulting from de-risking strategy
- Unrealised losses on securities sold in Q2 2009
- Burden offset by positive trading result (see page 16)



Performance: Admin expenses under control



- Measures to raise efficiency paying off
- Continuously stable admin expenses
- Q1-increase includes one-offs due to adaptations within Aareon structures
 - Finalisation of SAP-based 'Blue Eagle' software (4 mn €)
 - Discontinuation of non-core activities (2 mn €)



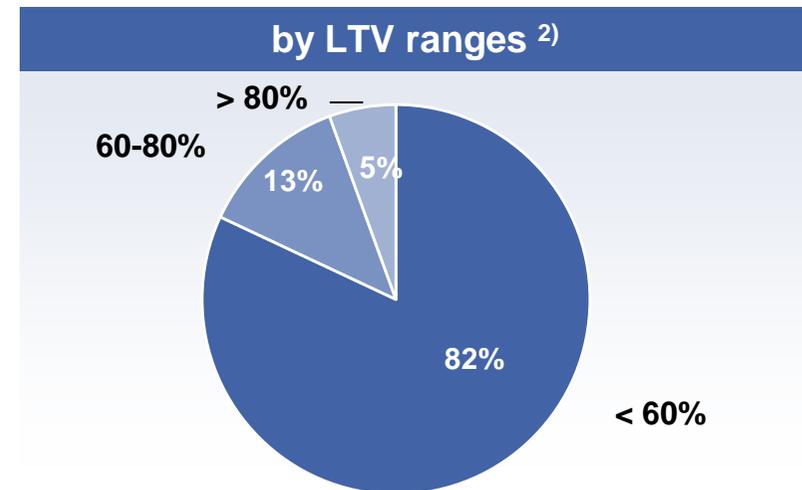
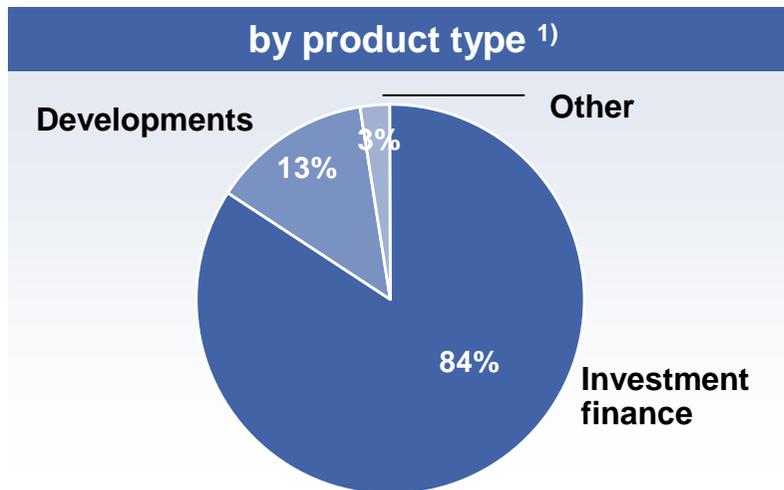
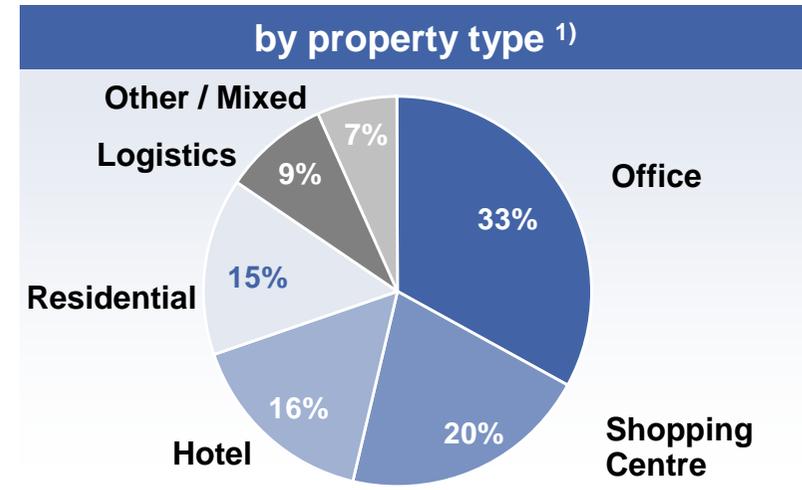
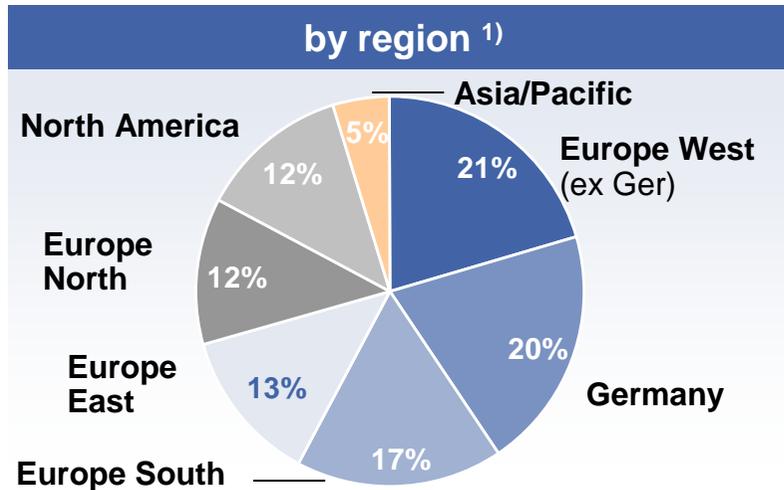
Asset quality



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Total property finance portfolio:

High diversification and sound asset quality



1) Total volume outstanding of € 23.6 bn as at 31.03.2008

2) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages; values as at 31.03.2009



Total property finance portfolio:

Economic downturn expected to impact NPL-level

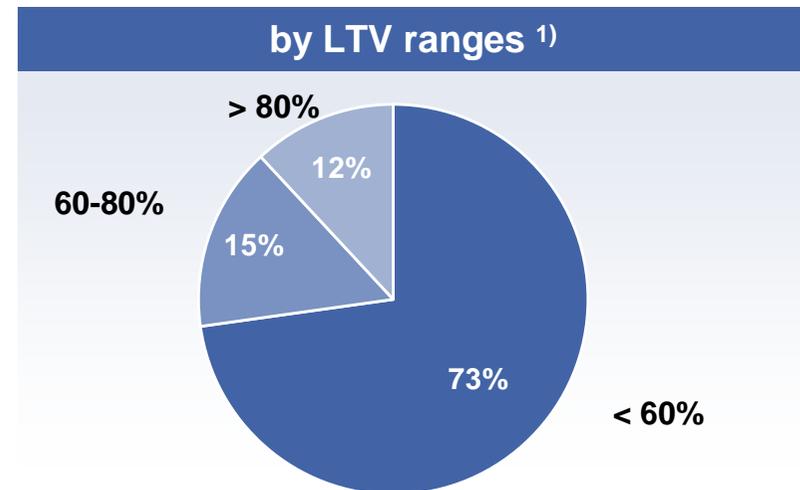
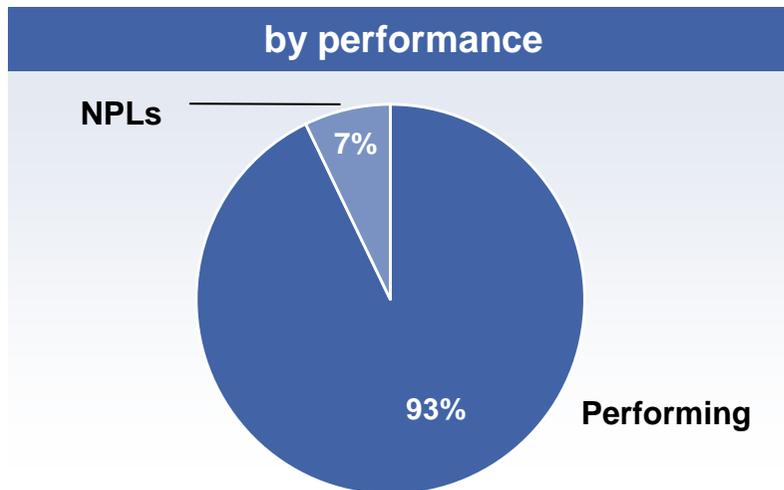
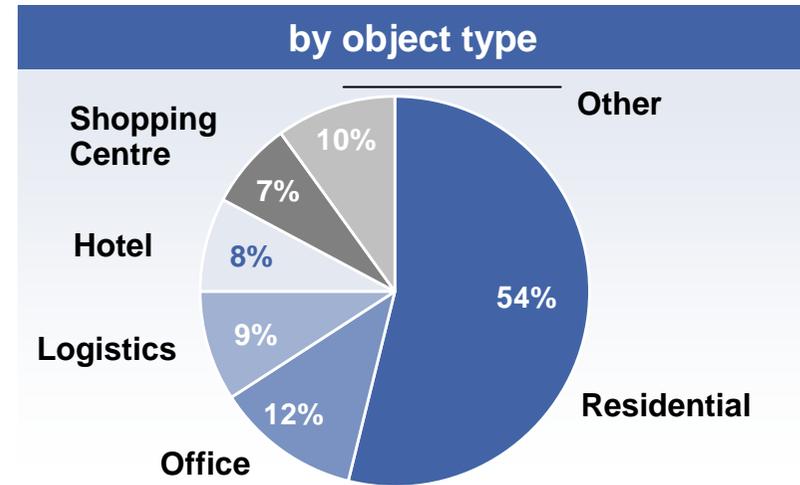
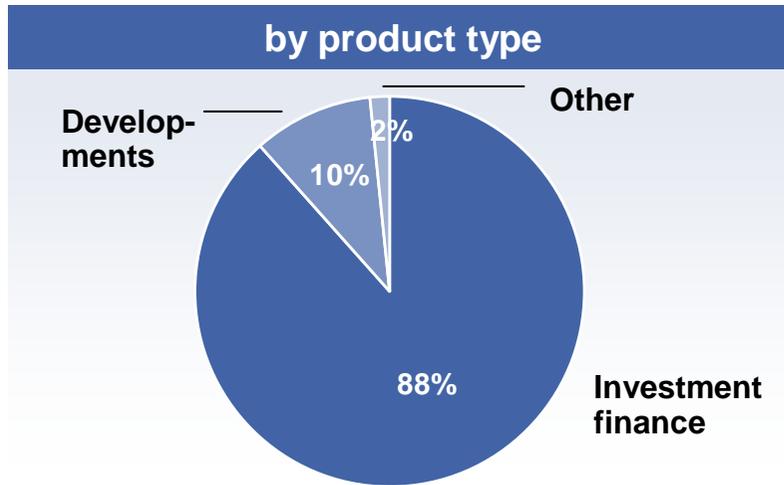
LLP- and NPL development				
	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances	
			General LLP	General Portfolio LLP
€ mn				
As at 31.12.2008	452	176	51	34
Utilisation Q1	- 30	-20	-	
Addition Q1	125	37	-	
As at 31.03.2009	547	193	51	
Coverage ratio specific allowances		35.3 %		
		193	51	
As at 31.03.2009	547		244	
Coverage ratio incl. General LLP		44.6 %		

1) Incl. property finance portfolio still on DEPFA's balance sheet



German credit portfolio

Total volume outstanding as at 31.03.2009: € 4.7 bn

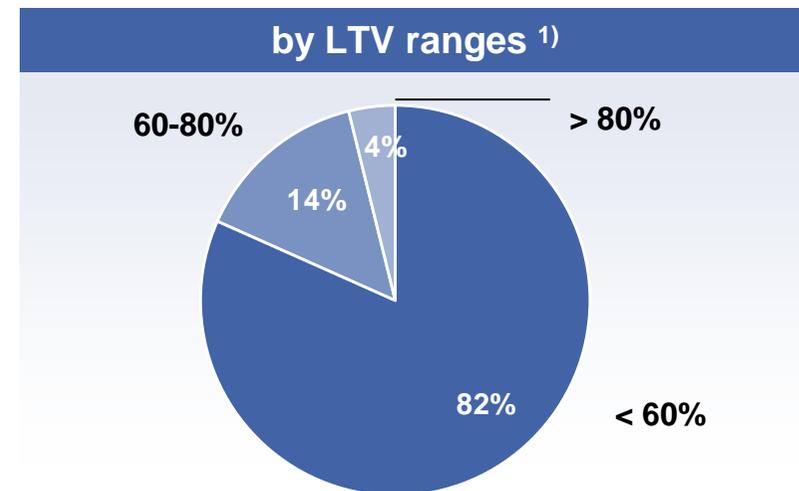
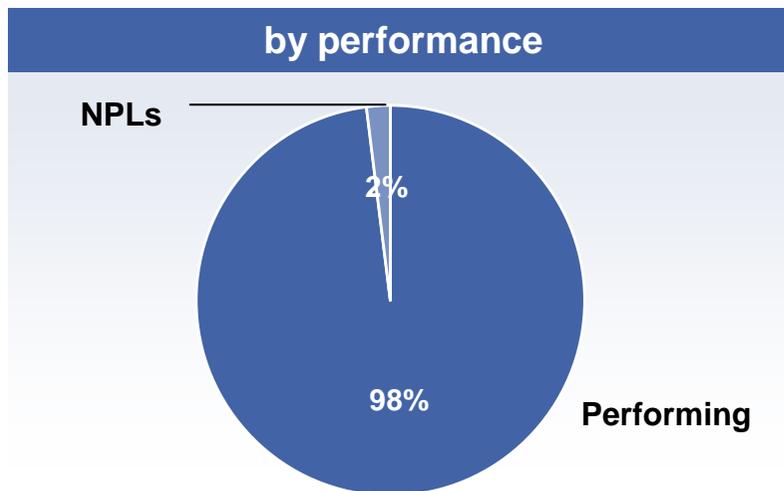
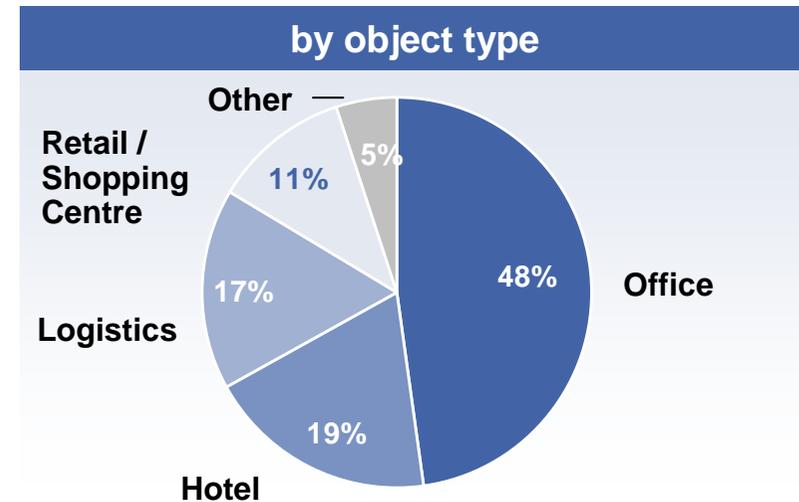
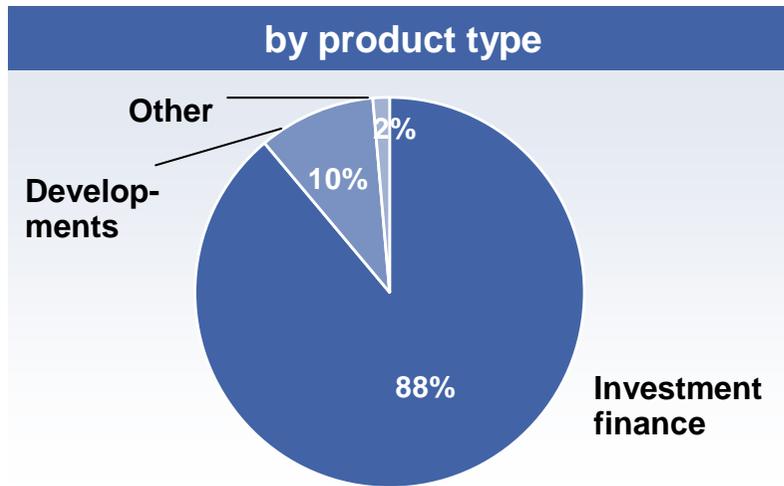


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 31.03.2009: € 4.9 bn

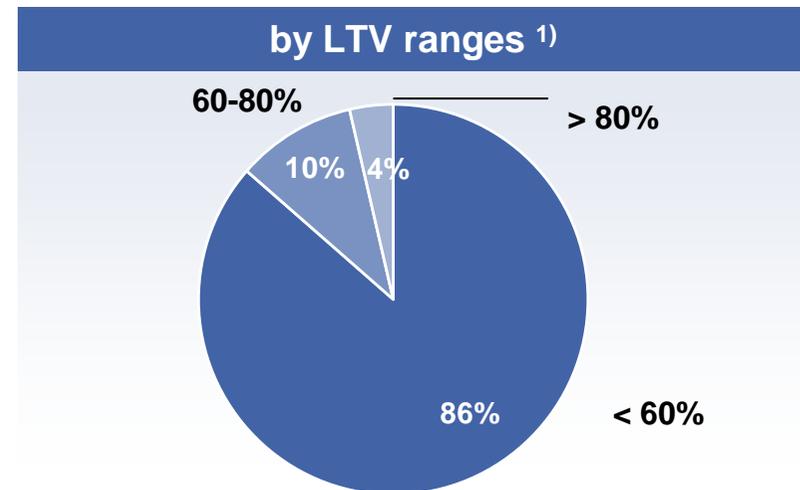
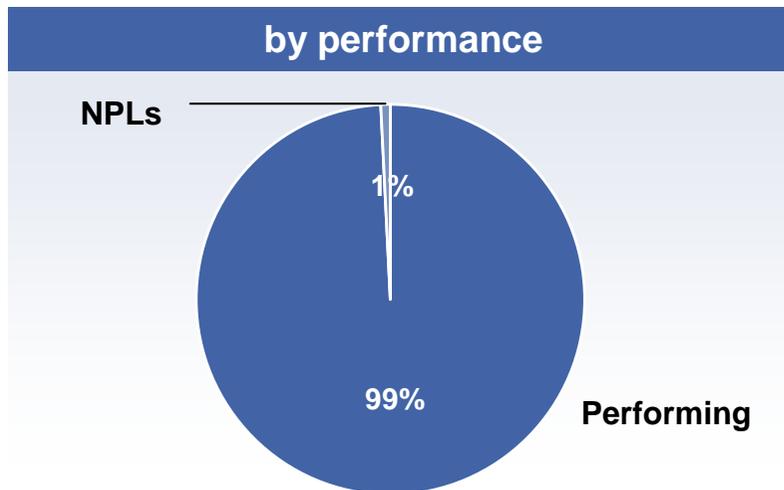
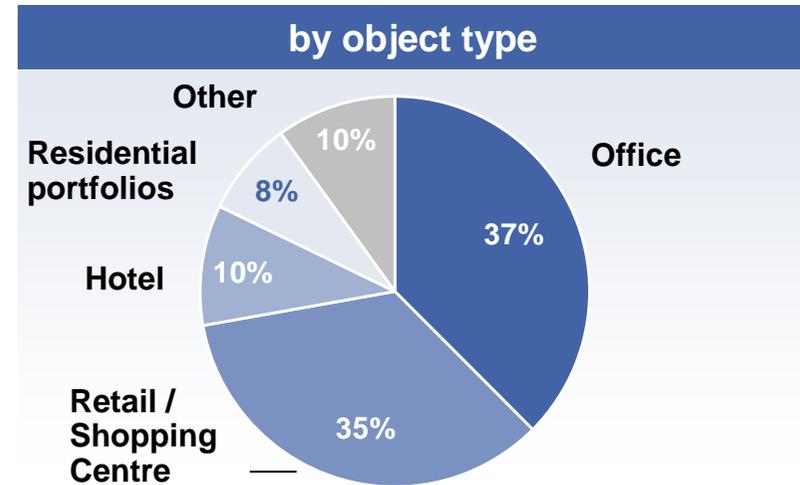
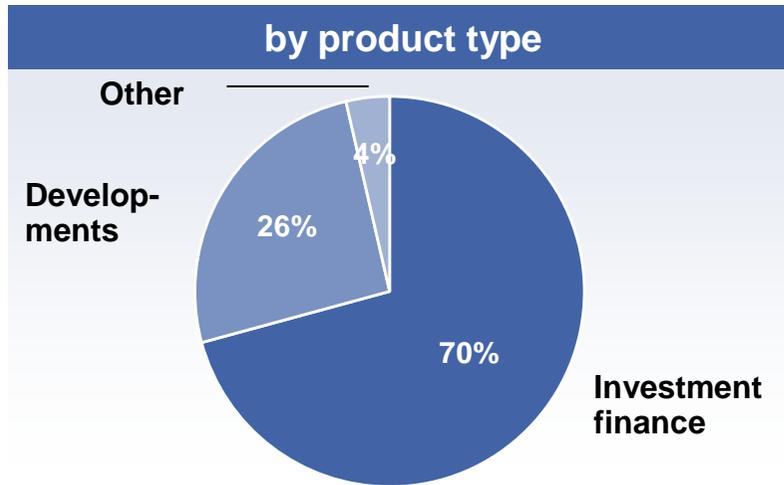


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Southern Europe credit portfolio

Total volume outstanding as at 31.03.2009: € 4.1 bn

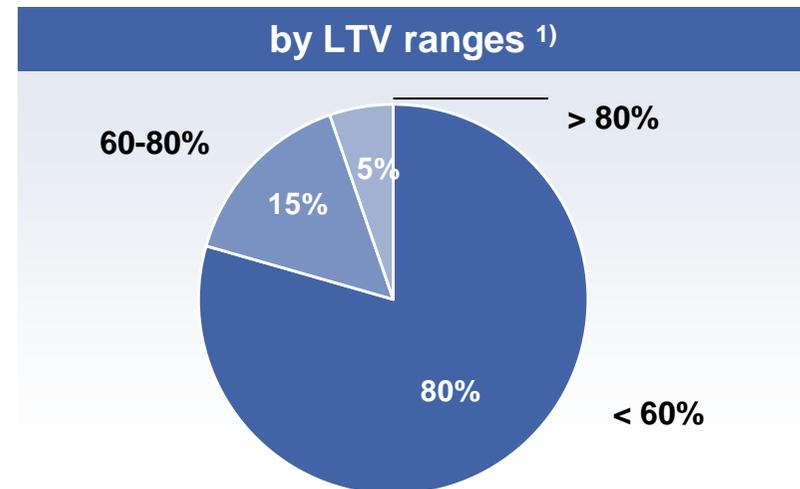
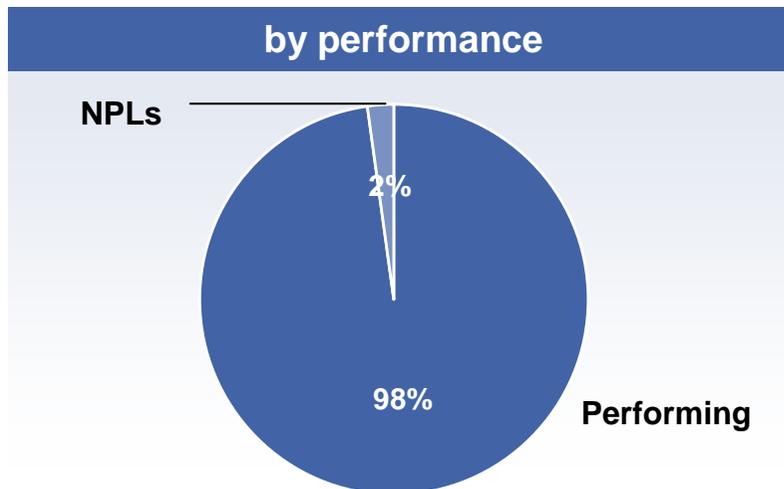
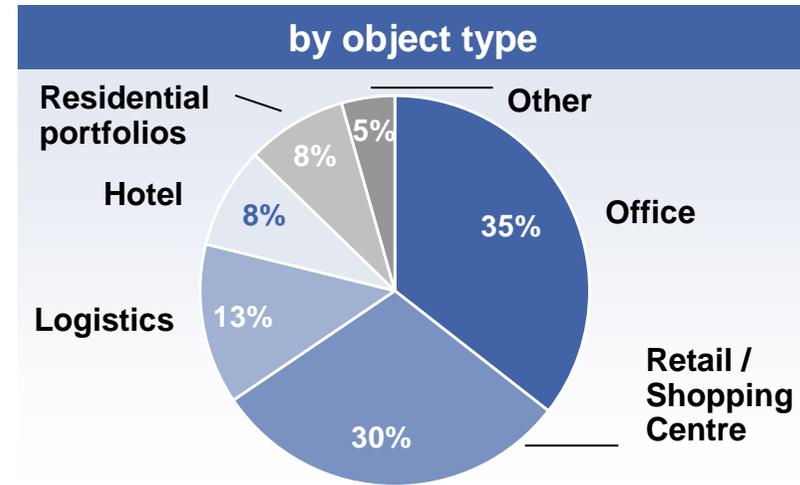
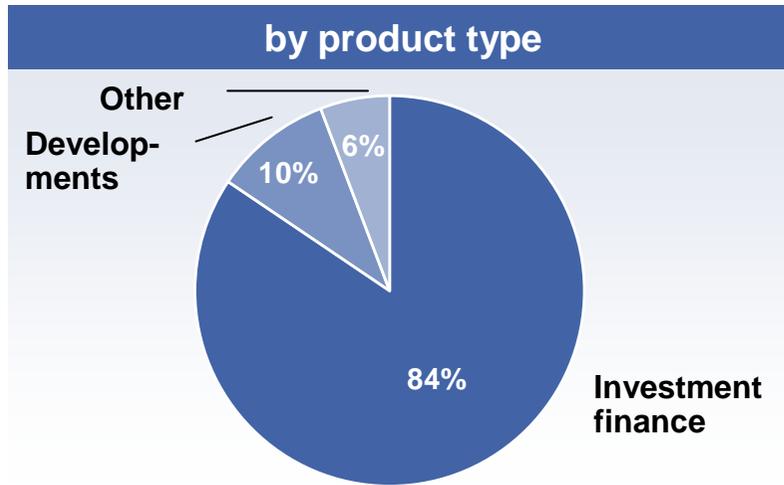


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Northern Europe credit portfolio

Total volume outstanding as at 31.03.2009: € 2.9 bn

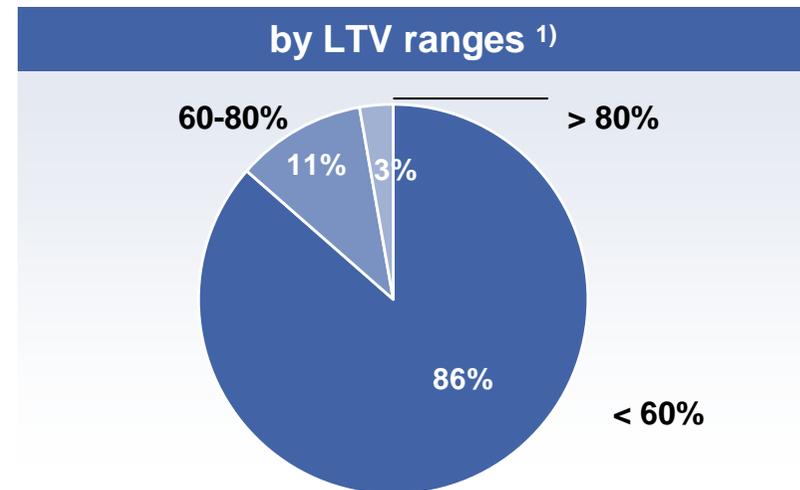
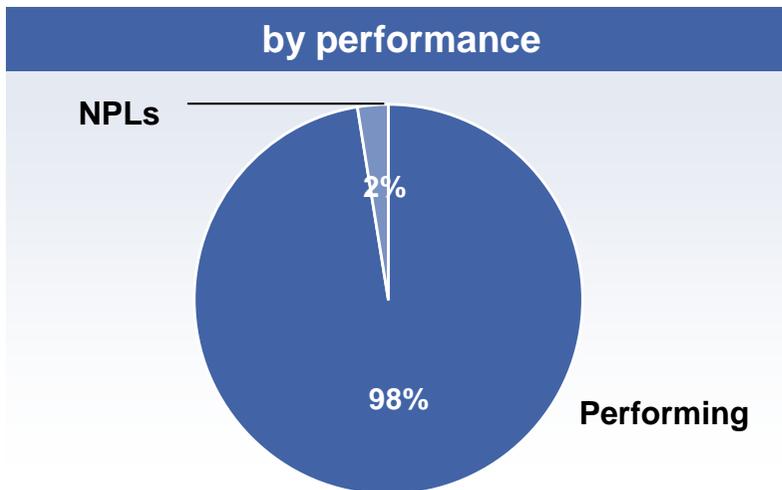
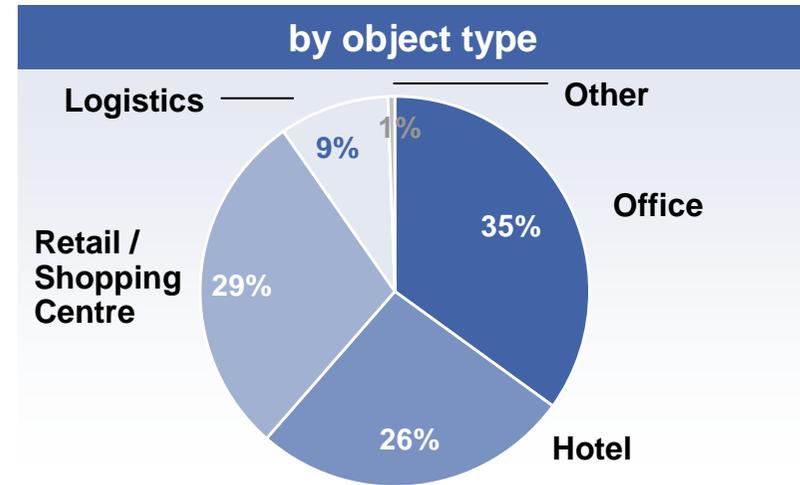
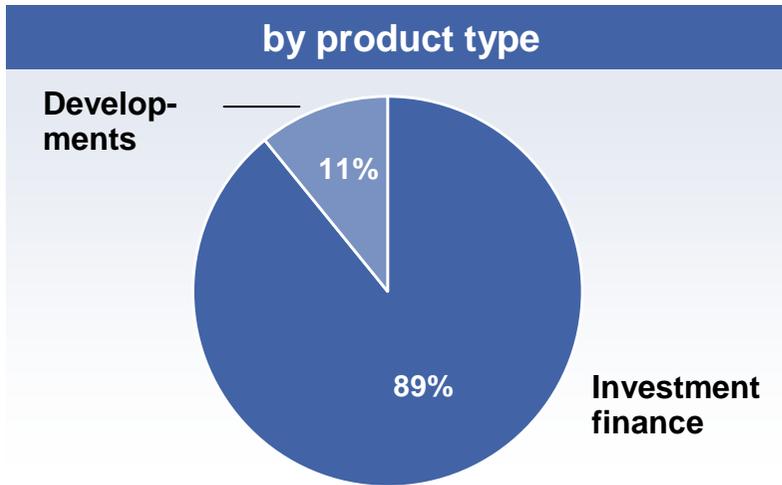


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Eastern Europe credit portfolio

Total volume outstanding as at 31.03.2009: € 3.0 bn

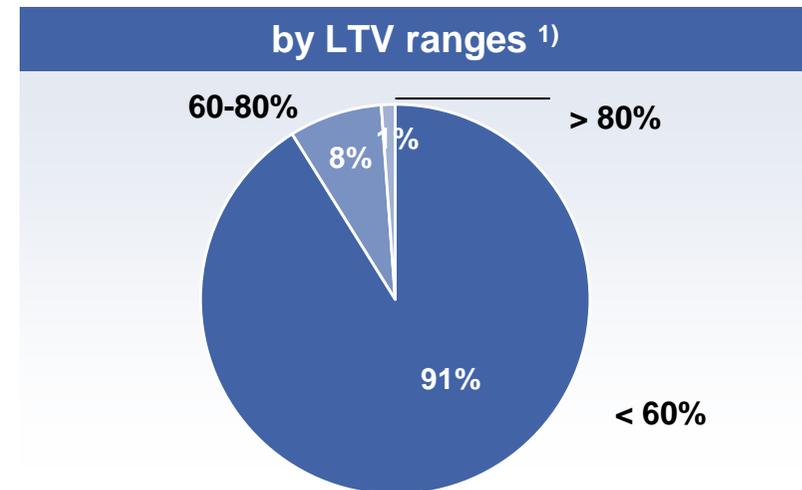
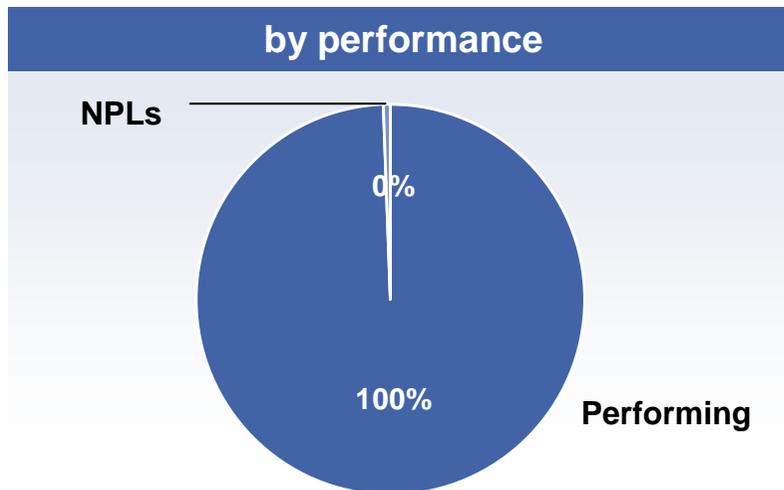
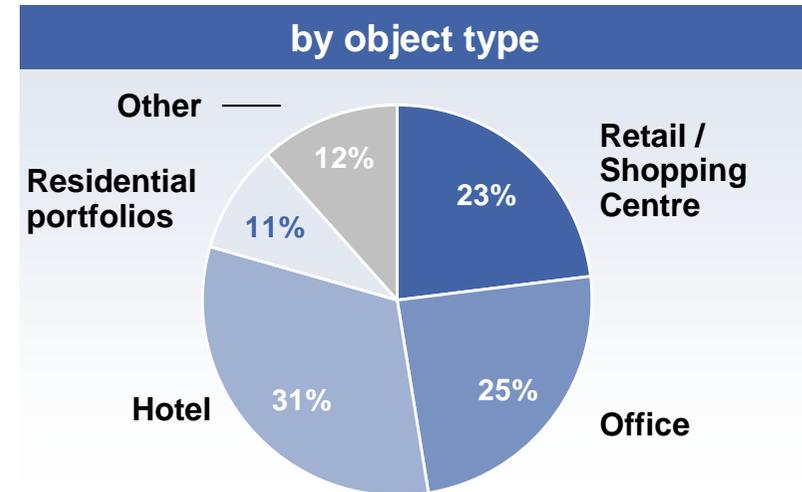
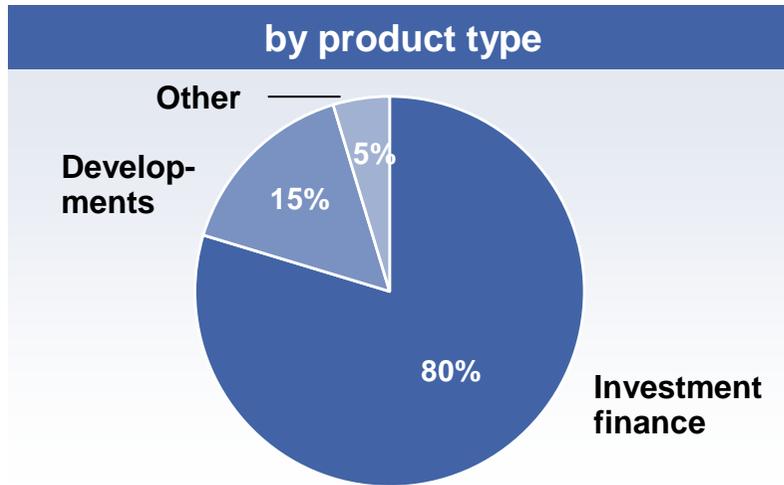


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



North America credit portfolio

Total volume outstanding as at 31.03.2009: € 2.9 bn

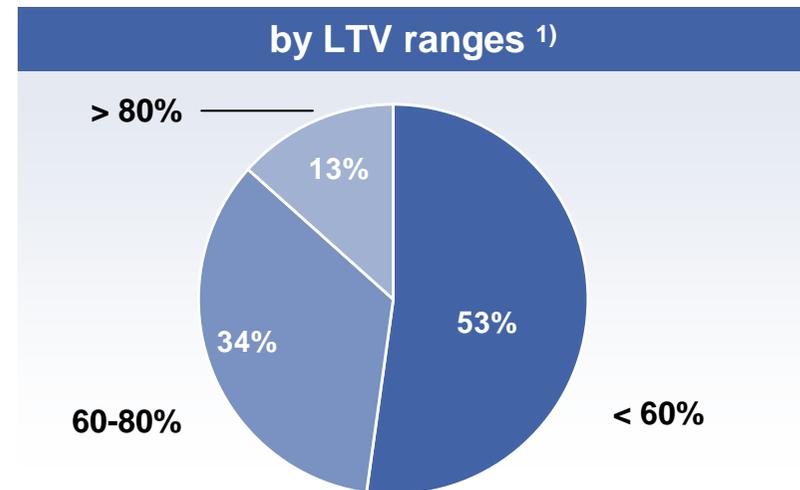
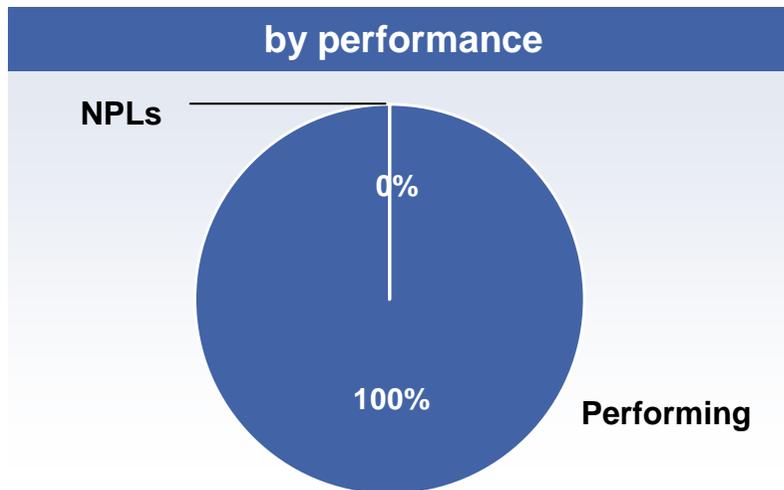
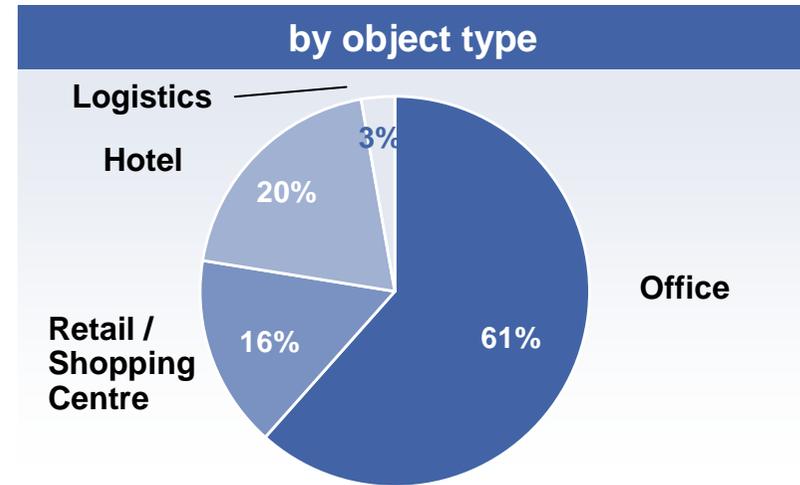
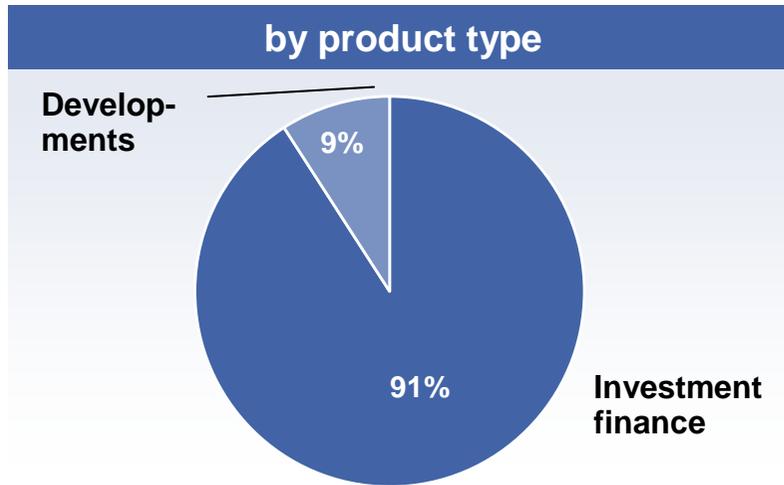


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Asia credit portfolio

Total volume outstanding as at 31.03.2009: € 1.1 bn



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Current development and outlook



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Outlook

Group	
Net interest income	<ul style="list-style-type: none"> ▪ NII expected to be negatively affected due to lower new business generation. Moreover, one-off income items as in 2008 will not recur in 2009. Target range of € 420 - € 440 mn.
Net loan loss provisions	<ul style="list-style-type: none"> ▪ Expected loss to increase to the upper range of 40 - 65 bps of RWA, based on statistically derived expected loss. Loan loss provisions for unexpected loss due to extraordinary accumulation of defaults cannot be ruled out in 2009
Net trading result / results from non-trading assets	<ul style="list-style-type: none"> ▪ Unpredictable in current markets / depending on future developments
Revaluation reserve	<ul style="list-style-type: none"> ▪ Future market developments unpredictable, but repayments of underlying assets undoubtful
Admin expenses	<ul style="list-style-type: none"> ▪ Under control around € 360 mn from a yearly perspective, incl. consolidation effect of Sylogis.com
Structured Property Financing	
New business	<ul style="list-style-type: none"> ▪ € 2 - 3 bn; focus on client base / renewals
Consulting / Services	
Operating profit	<ul style="list-style-type: none"> ▪ Target range of € 40 mn expected (subject to the assumption that interest rates will not approach a “zero”-interest level)



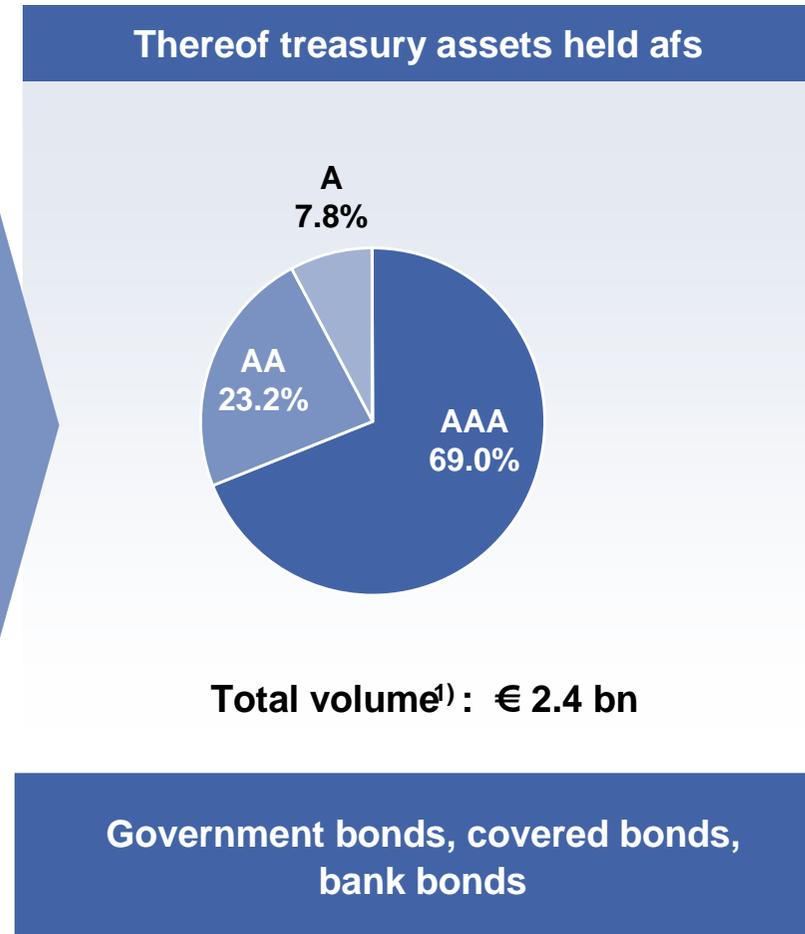
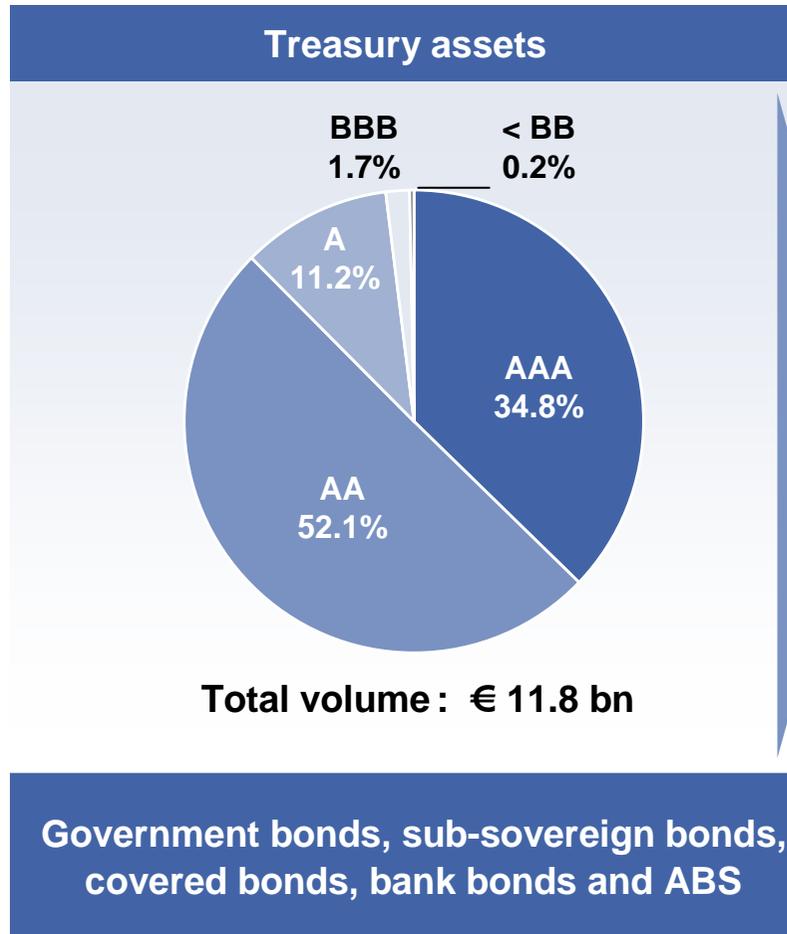
Appendix



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Treasury Assets as at 31.03.2009:

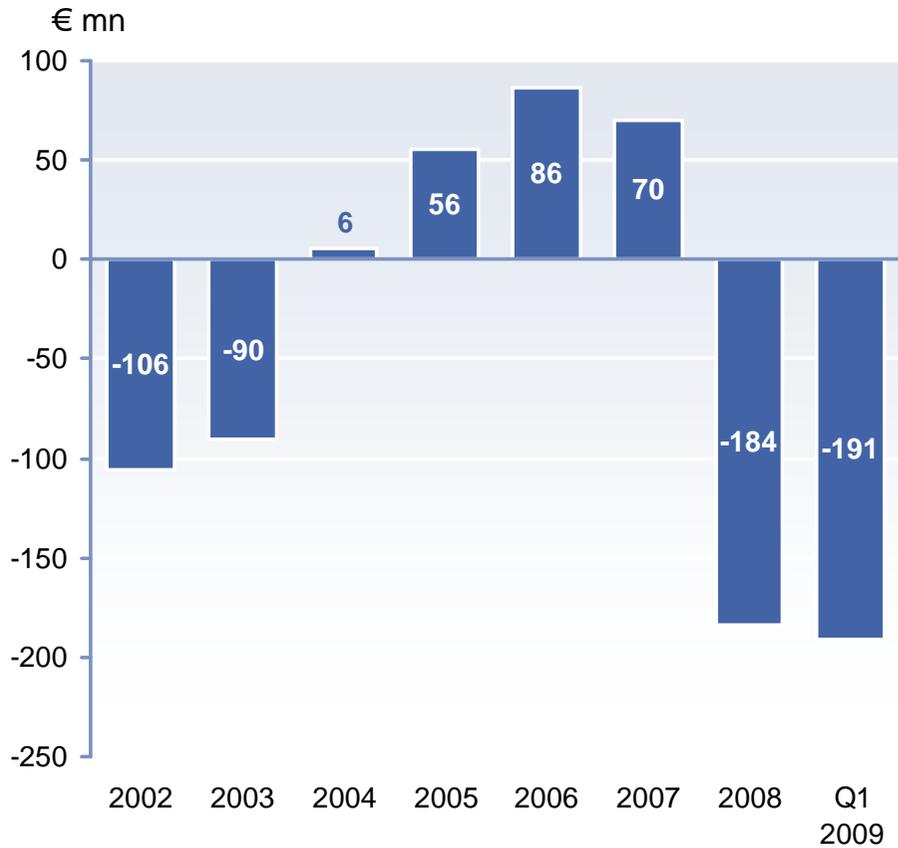
Very good quality of treasury asset



1) After reclassifications



Revaluation reserve: Change mainly driven by asset spread widening



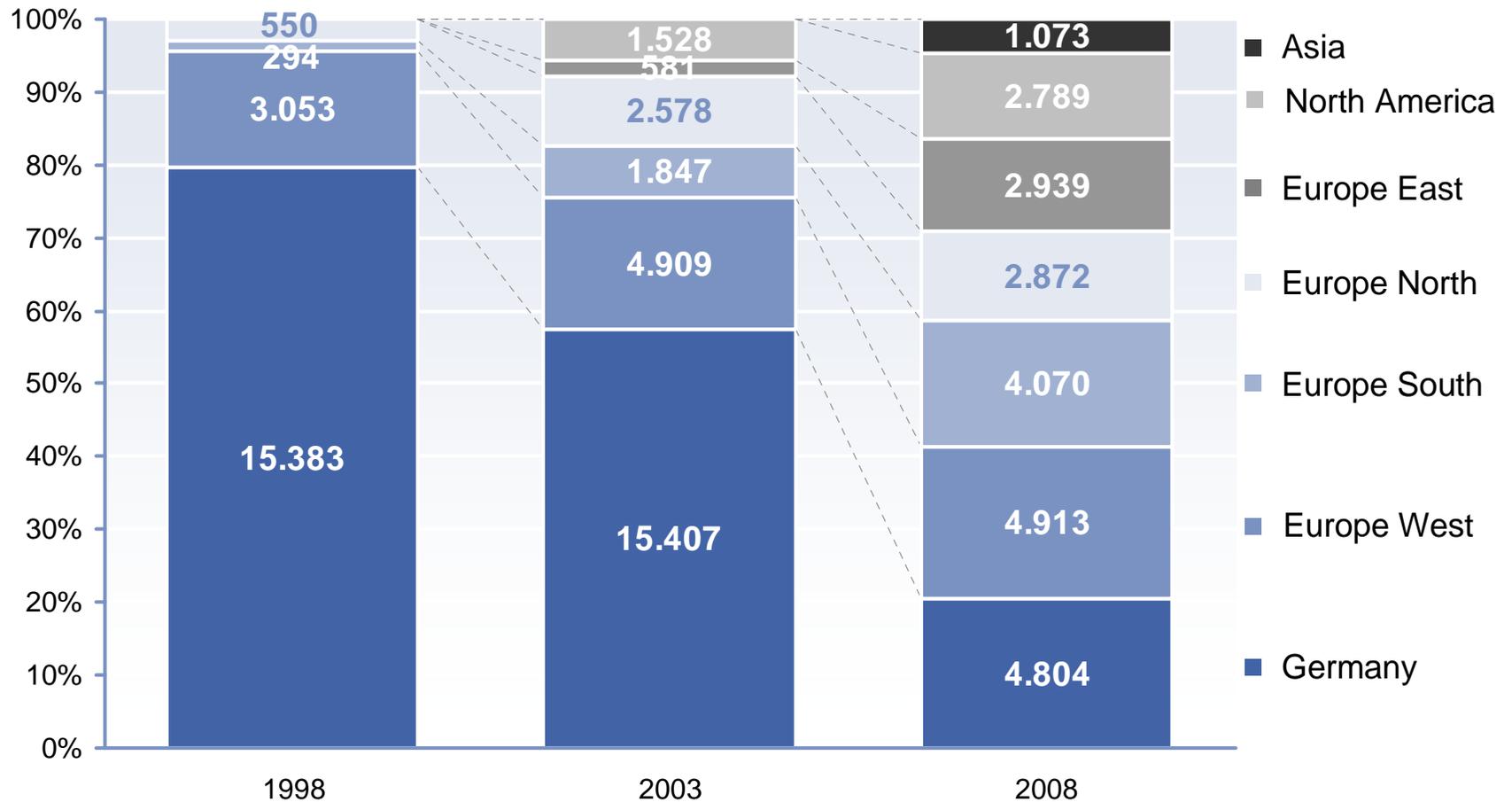
- Despite sound asset quality revaluation reserve negatively affected by further extreme volatility and asset spread widening in nearby all assets classes especially since Q4 2008
- Repayment of underlying assets undoubtful

Revaluation reserve: Reclassification of assets

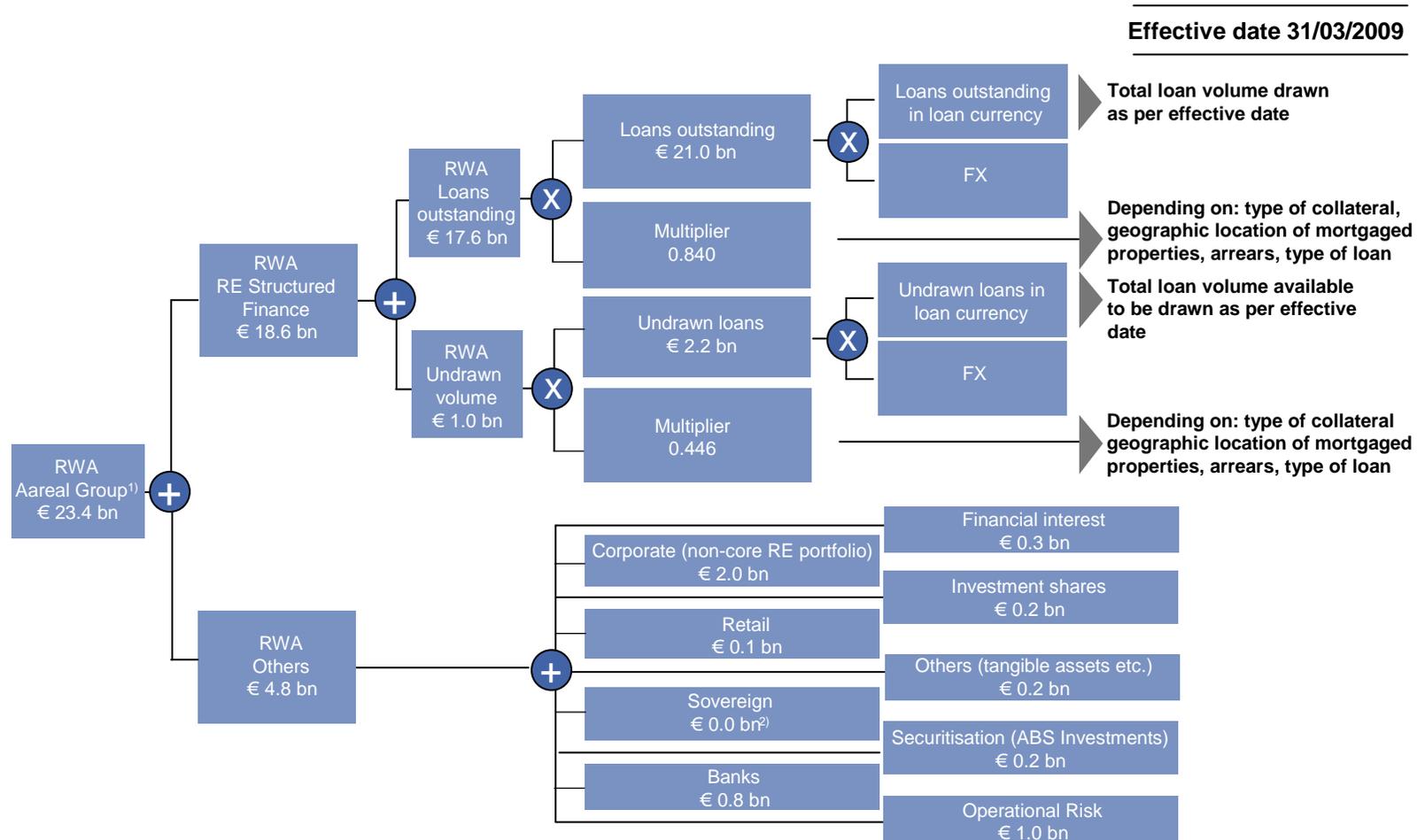
Reclassification of assets (lar)	Current book value 31.03.2009	Current fair value 31.03.3009	Hypothetical effect on the revaluation surplus in Q1 2009	Hypothetical effect on P&L in Q1 2009
€ mn				
Asset-backed securities	546	459	-	-36
Bank bonds	1.221	1.129	-20	-
Covered bonds	679	648	-20	-
Government bonds	4.051	3.809	-108	-
Total	6.497	6.045	-148	-36



Development property finance portfolio: Diversification continuously strengthened



From asset to risk weighted asset (RWA): Essential factors affecting volume of RWA



1) Excl. of market risk

2) Exposure to sovereign governments amounts to € 22 mn



Definitions and contacts



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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 extensions)
- Contract is signed by customer
- Fixed loan value and margin

- **Net RoE =**
$$\frac{\text{Group net income after minority interests}}{\text{Allocated (average) equity}}$$

- **Allocated Equity**

Average of:

- Equity (excluding minorities, revaluation surplus and silent participation by SoFFin) start of period less dividends and
- Equity (excluding minorities, revaluation surplus and silent participation by SoFFin) end of period less expected dividends

- **CIR =**
$$\frac{\text{Admin expenses}}{\text{Net income}}$$

- **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 + net other operating income



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