

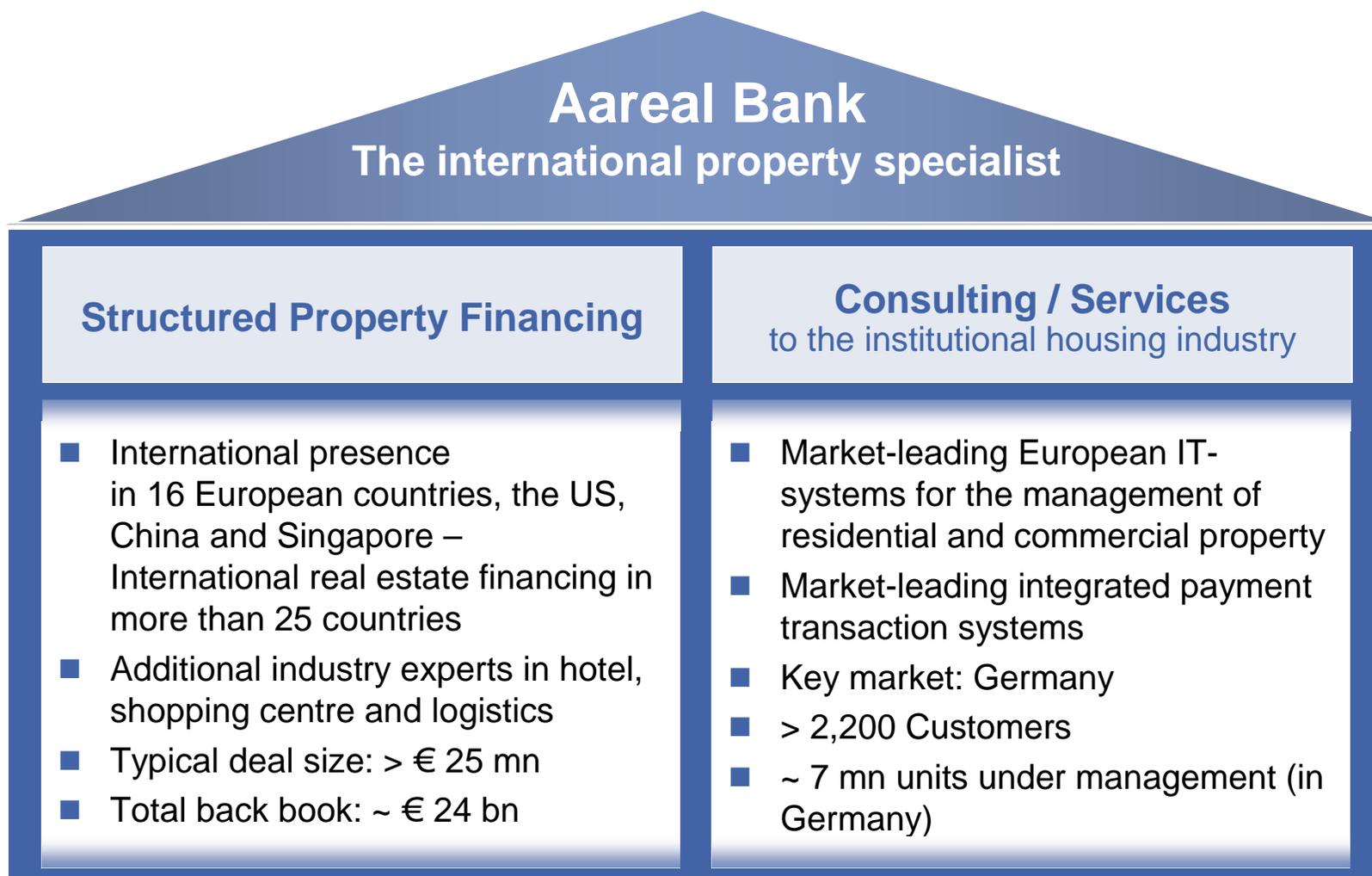
LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Cheuvreux Conference
Frankfurt, 19th January 2009



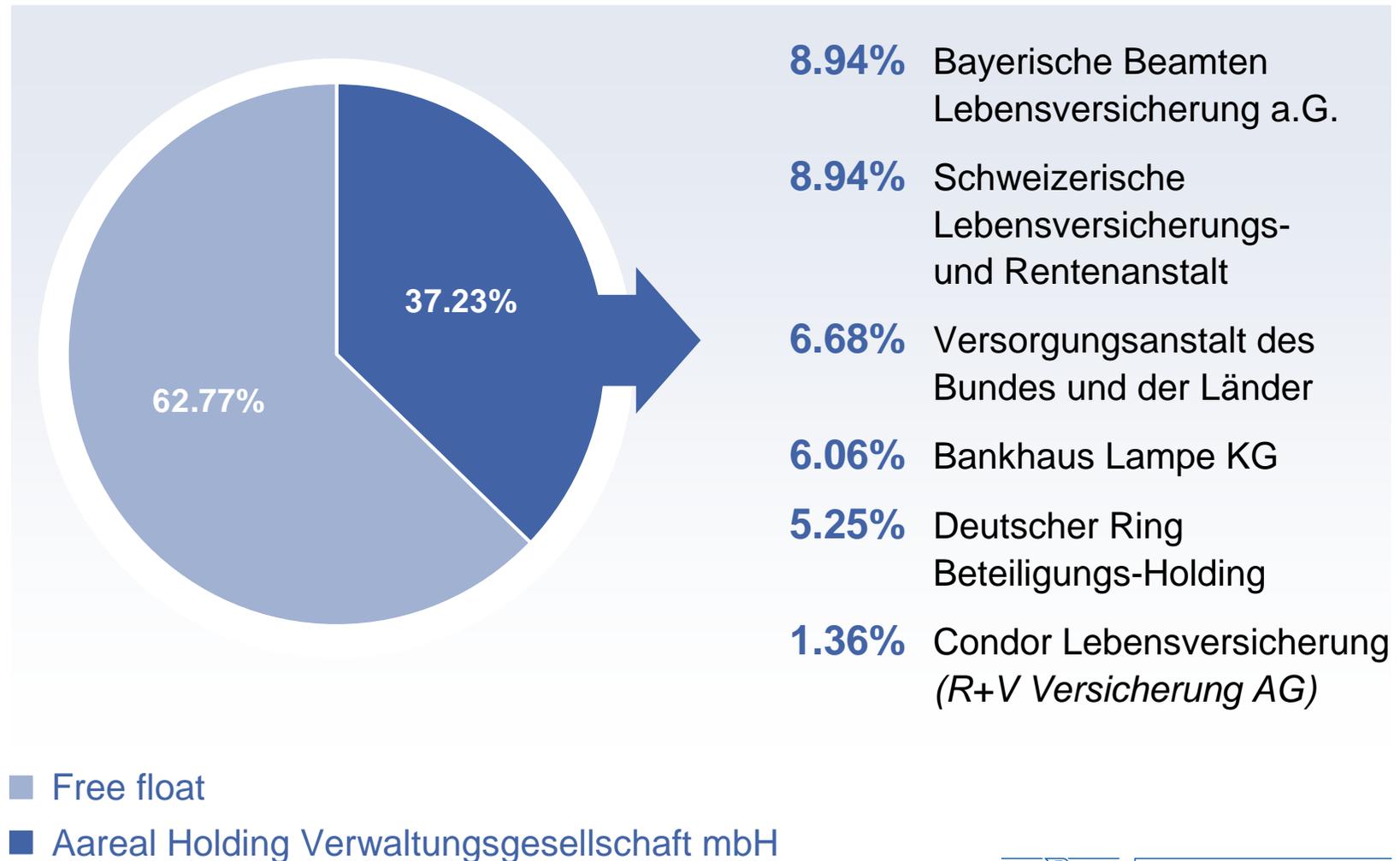
Aareal Bank

Business segments – Major activities



Shareholder structure

Aareal Holding Verwaltungsgesellschaft mbH



Structured Property Financing



Aareal Bank

The Aareal Bank Network



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

The specialist for specialists

- Typical deal size: > € 25 mn
- Typical products, for example:
 - single asset investment finance
 - portfolio finance (local or cross-boarder)
 - construction finance
- International Presence in 16 European countries, the US, China 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

Network of regional market experts and sector specialists

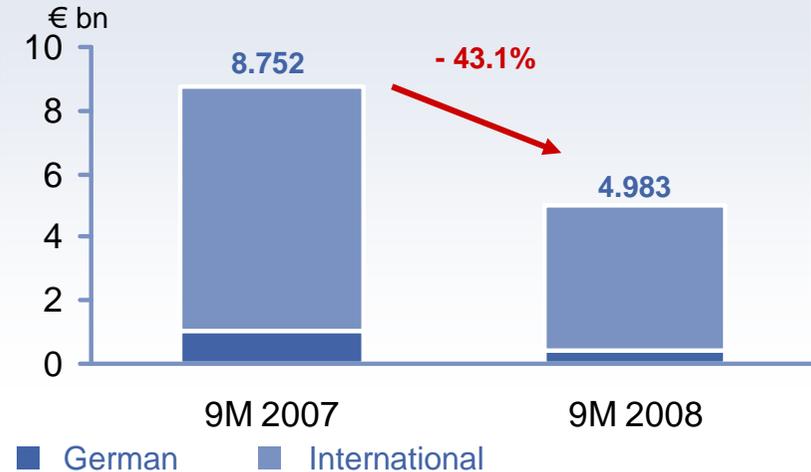


Business developments

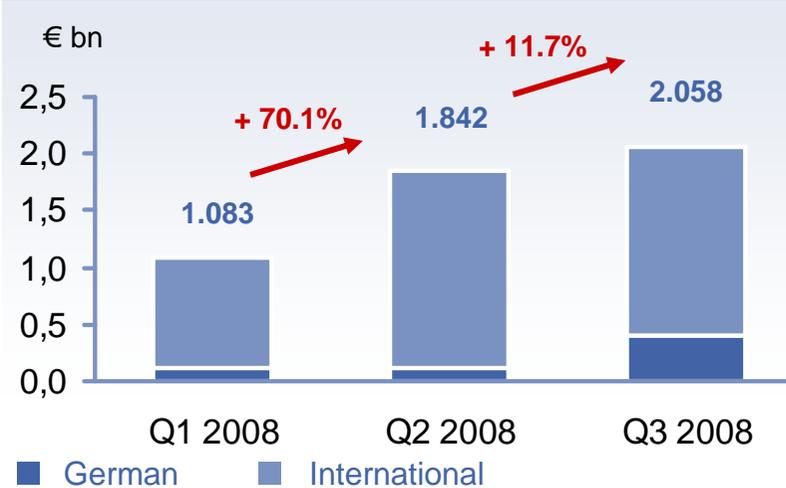
Risk weighted assets (KSA)



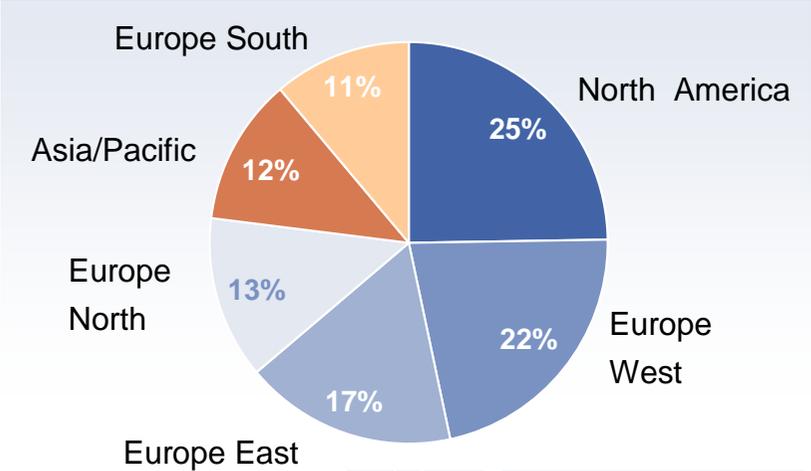
New business development yoy



New business development qoq



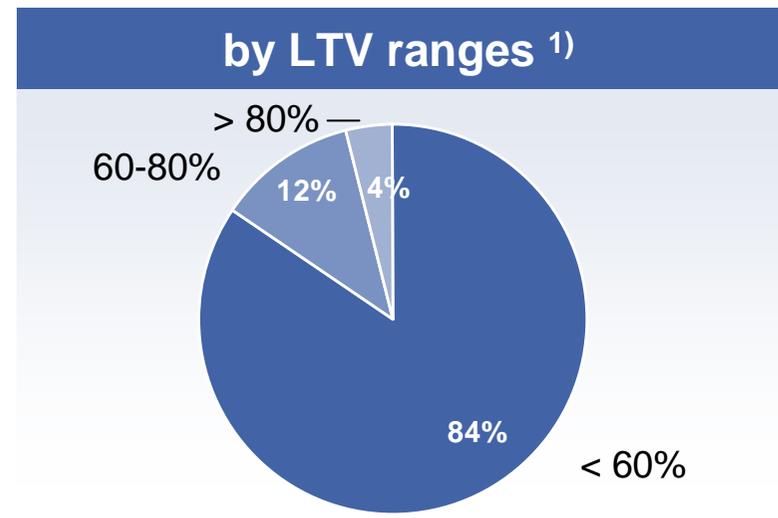
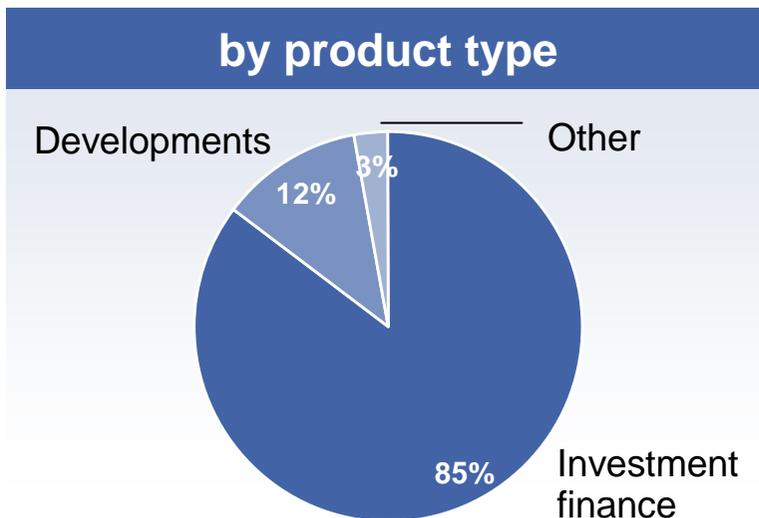
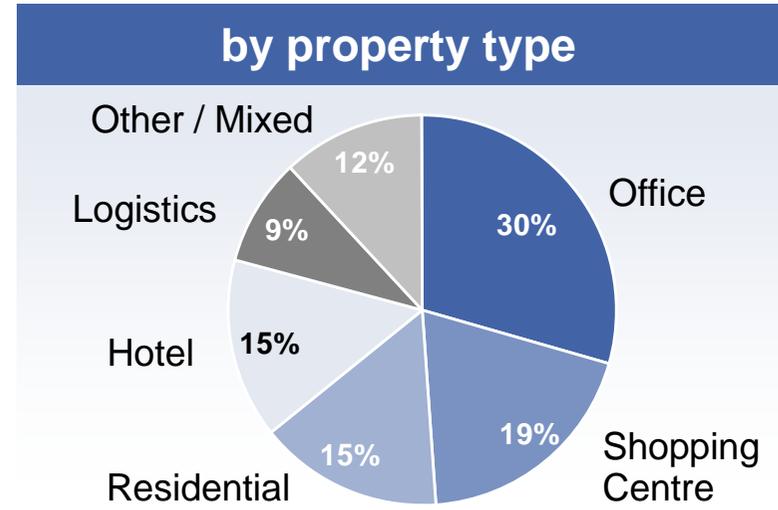
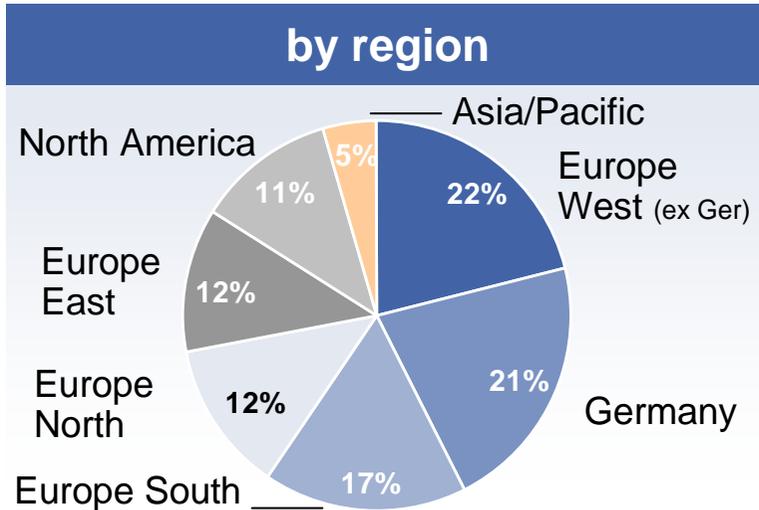
New business by region 9M 2008



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Total property finance portfolio as at 30.09.2008

Total volume outstanding : € 23.7 bn



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



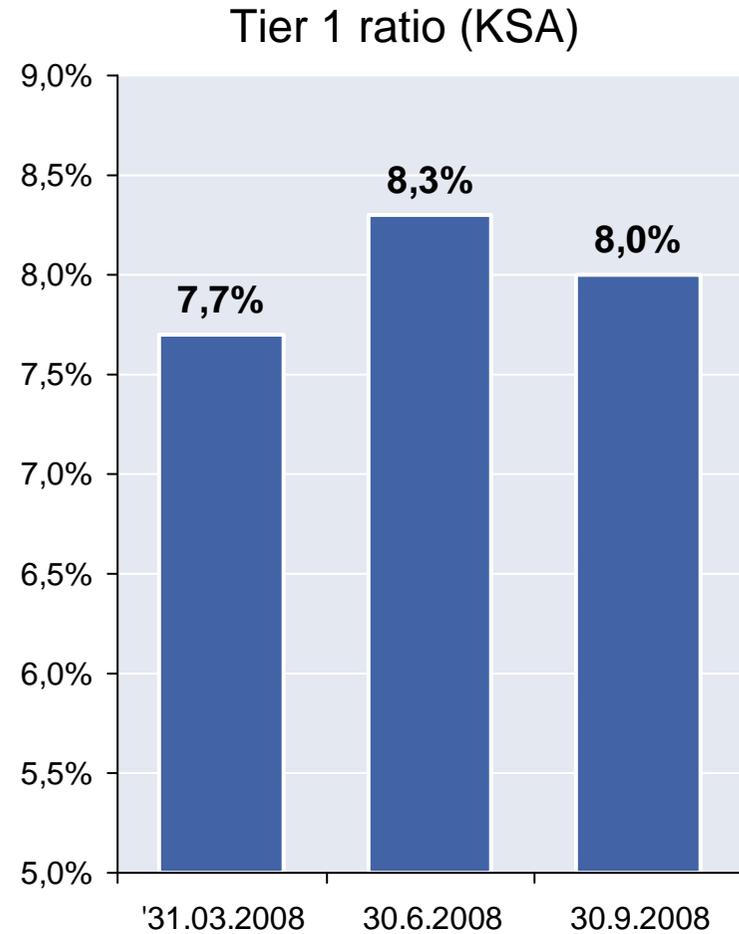
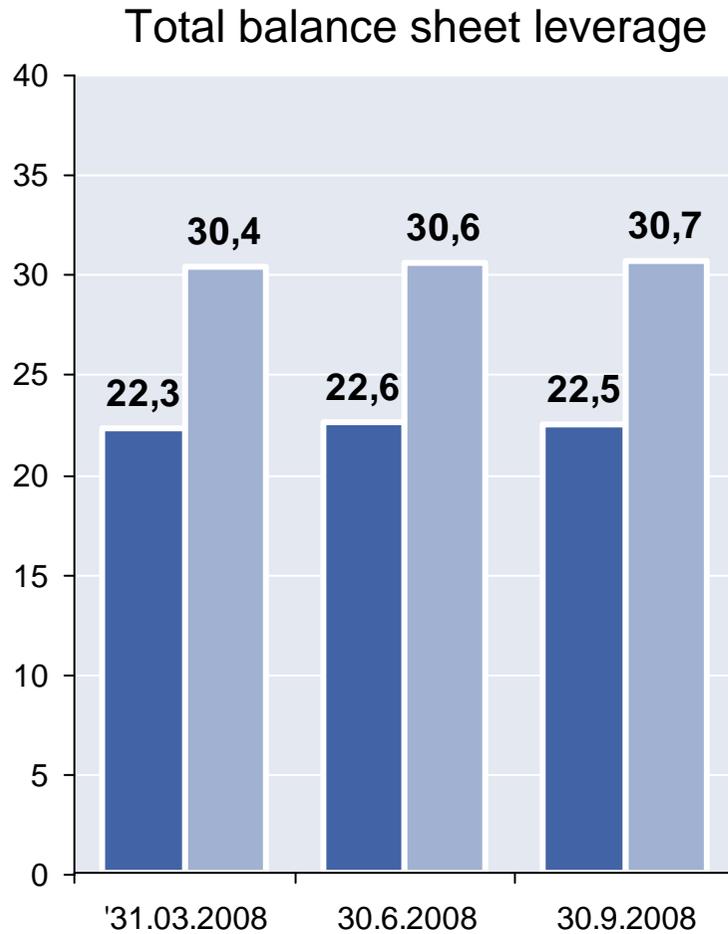
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Capital – Funding – Treasury



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Adequate capital position

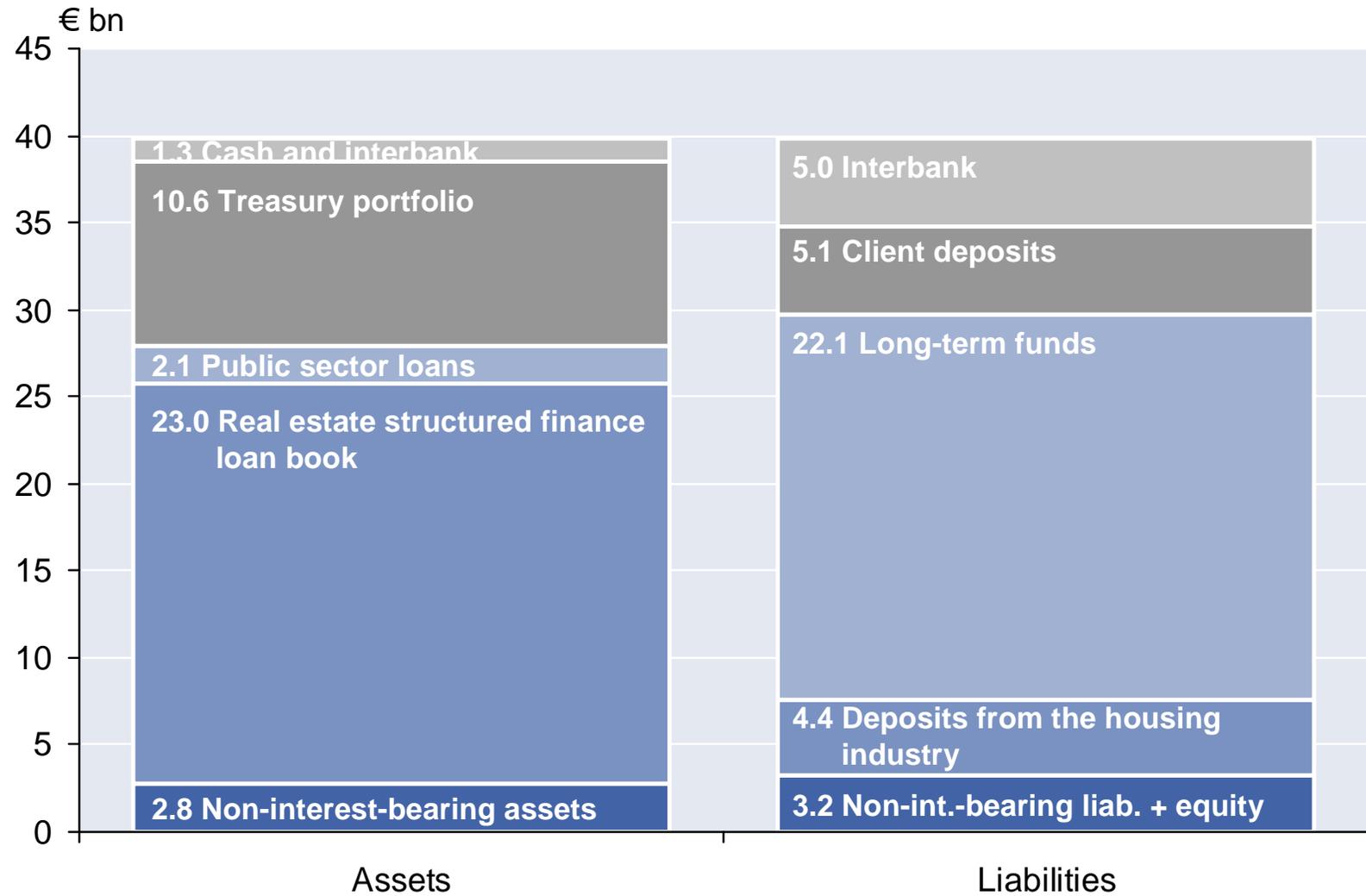


- Total assets / equity including hybrids
- Total assets / equity without hybrids

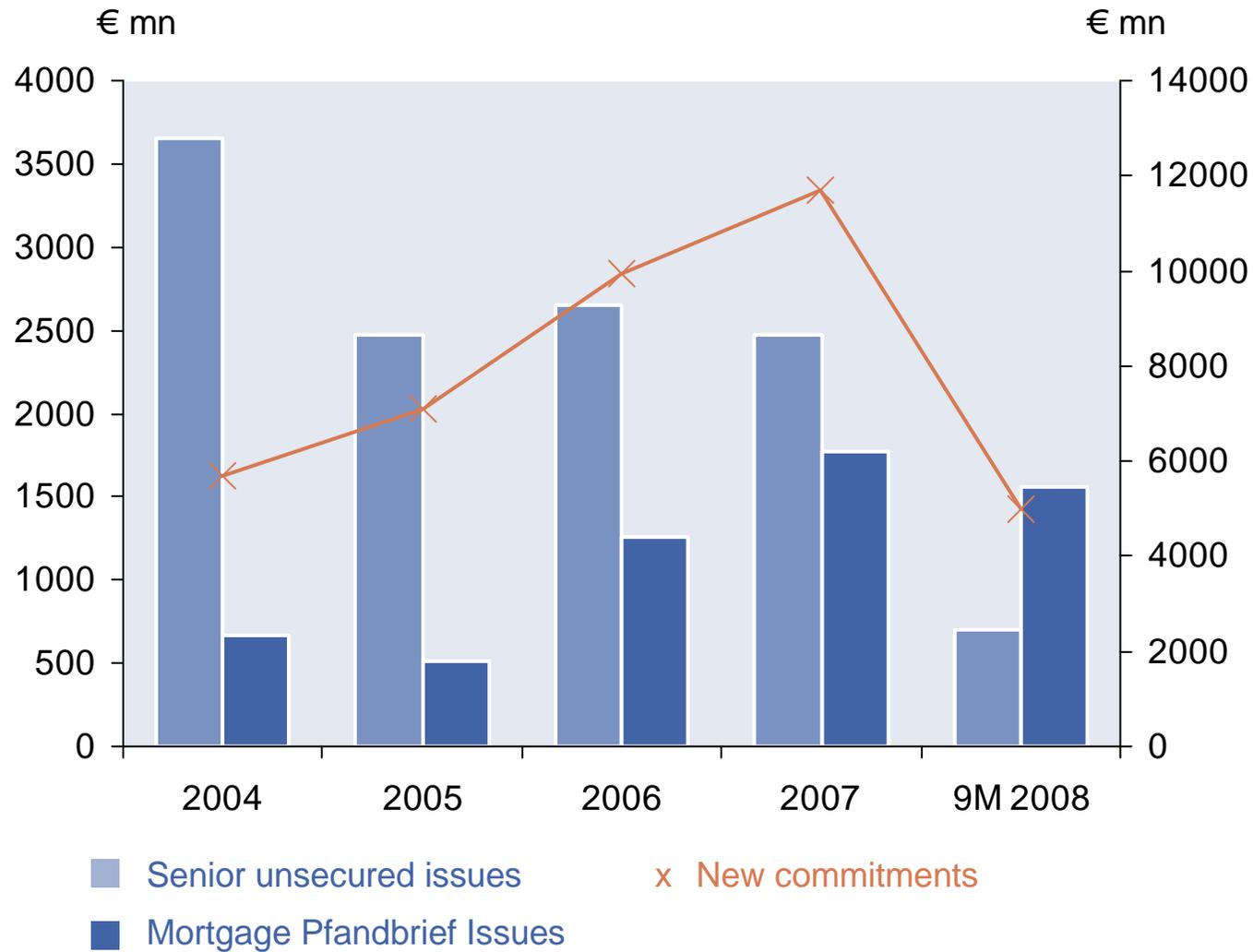


Asset/Liability structure

as at 30.09.2008



Funds issued matching new commitments



Exposure to special asset classes as of 30.09.2008

Asset Class	Exposure Aareal Bank
US Subprime and US RMBS	None
CDOs	None
ABCPs / SIVs	None
Exposure insured by Monoliners	None
Iceland (including Icelandic Banks)	None
Lehman Brothers	< € 10 mn
ABS portfolio - of which AAA rated - of which US CMBS	~ € 610 mn > 90% < € 50 mn



Consulting/Services



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Consulting/Services – Major activities

Aareal Bank Consulting and Services for the institutional housing sector



- Market-leading European IT-system house for the management of residential and commercial property
- Key client base:
Large size property owners / managers
- ERP system products:
Blue Eagle based on SAP®, GES, Wohndata and wodis
- Key market: Germany
 - > 2,200 Customers
 - ~ 7 mn units under management (in Germany)



Aareal Bank

Institutional Housing Industry Department and First Financial Solutions

- Market-leading integrated payment transaction systems
- Key client base:
Large size property owners / managers and utility companies
- Key market: Germany
- Transaction volume: ~ € 24 bn p.a.
 - ~70 mn incoming rental payments p.a.
 - ~24 mn outgoing payments p.a.



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Services provided to the institutional housing sector

Strategic Management of residential portfolios

- Planning, Controlling, Steering
- Portfolio Management

Administrative Management of residential portfolios

- Tenant Management
- Flat Management
- Maintenance



- Repair
- Refurbishments
- New Developments

Construction Management of residential portfolios

- Mass payments
- Cash Management
- Creditor and Debtor Management

Financial Management of residential portfolios



- Highly automated ERP systems (e.g.: Blue Eagle based on SAP®, GES, wodis) for the management of property portfolios
- Comprehensive range of integrated Services and Consulting
- **Leading IT-system house for the institutional housing industry**

~75 – 80% customer overlap:
substantial cross-selling effects
with highly integrated IT solutions

- Integrated mass payment transaction systems
- Accounts of the integrated payment transaction system
- **house bank for the institutional housing sector**



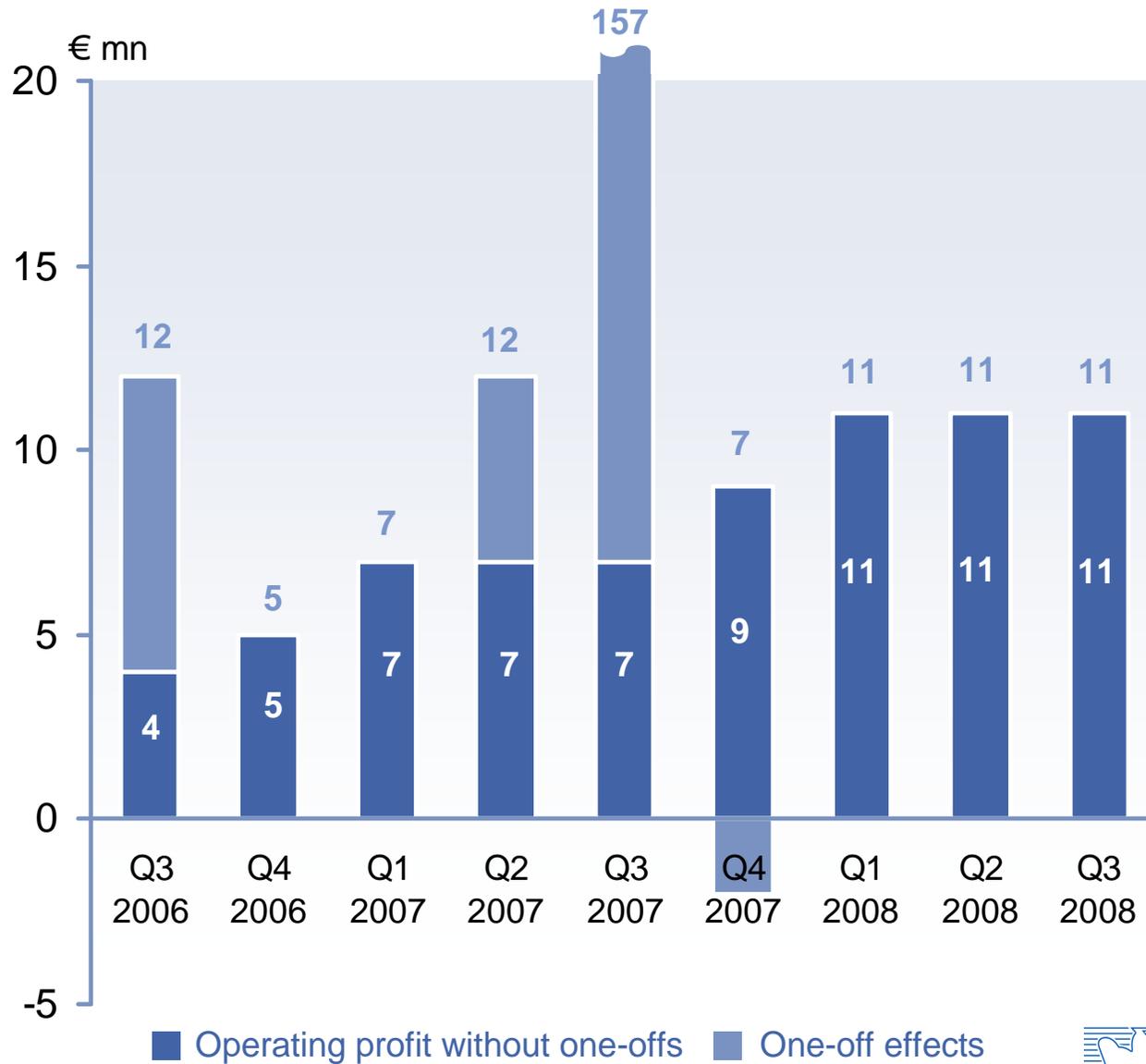
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Institutional housing sector: Integral element of group strategy

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➤ Operating segment EBT 9M 2008: € 33 mn	



Performance operating profit by quarter



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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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



Facts and Figures



Aareal Bank

Group P&L Q3 2008

	Q3 2008	Q3 2007	Change
	€ mn	€ mn	%
Net interest income	117	100	17.0%
Net loan loss provisions	20	19	5.3%
Net interest income after net loan loss provisions	97	81	19.8%
Net commission income	34	32	6.3%
Net result on hedge accounting	1	-1	-
Net trading income	25	-13	-
Results from non-trading assets	-37	162	-
Results from companies accounted for at equity		63	-100.0%
Results from investment properties	0	0	-
Administrative expenses	84	93	-9.7%
Net other operating income	-5	-10	-50.0%
Impairment of goodwill			-
Operating Profit	31	221	-86.0%
Income taxes	11	33	-66.7%
Consolidated net income / loss	20	188	-89.4%
Allocation of results			
Consolidated net income / loss attributable to minority interests	5	5	0.0%
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	15	183	-91.8%



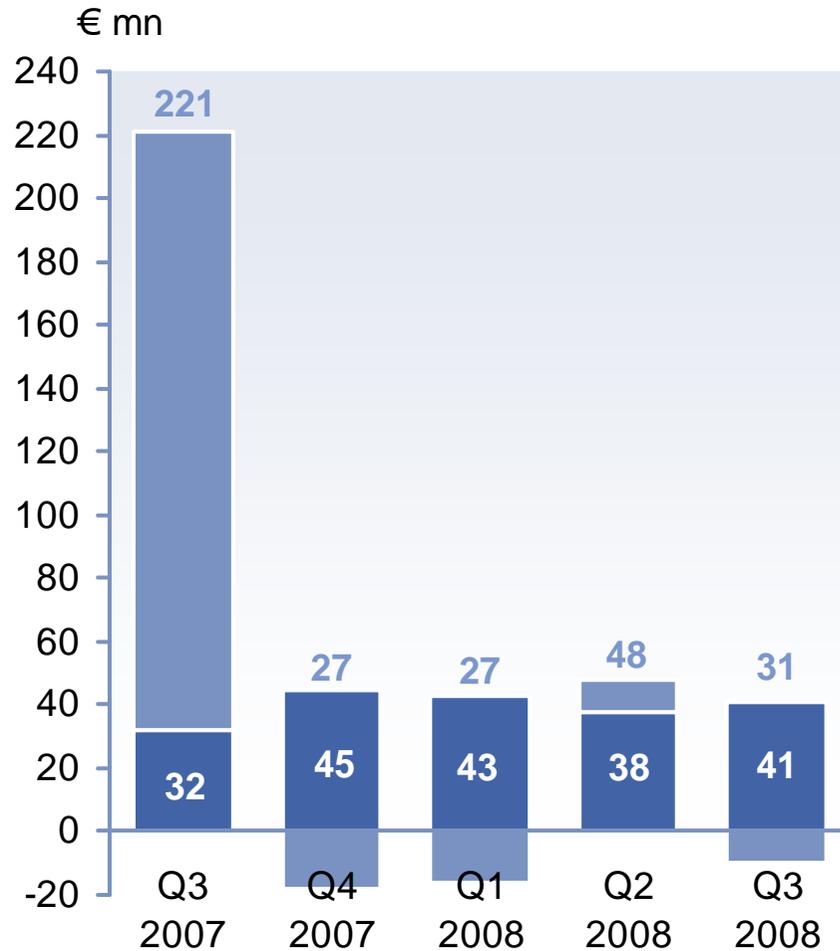
Segment reporting Q3 2008

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007
Net interest income	99	83	0	0	18	17	117	100
Provision for loan losses	20	19					20	19
Net interest income after net loan loss provisions	79	64	0	0	18	17	97	81
Net commission income	7	4	46	46	-19	-18	34	32
Net result on hedge accounting	1	-1					1	-1
Net trading income / expenses	25	-13					25	-13
Results from non-trading assets	-37	9	0	153			-37	162
Results from companies accounted for at equity		63						63
Results from investment properties	0	0			0	0	0	0
Administrative expenses	50	55	35	40	-1	-2	84	93
Net other operating income / expenses	-5	-7	0	-2	0	-1	-5	-10
Impairment of goodwill								
Operating profit	20	64	11	157	0	0	31	221
Income taxes	8	29	3	4			11	33
Consolidated net income / loss	12	35	8	153	0	0	20	188
Allocation of results								
Consolidated net income / loss attributable to minority interests	4	4	1	1			5	5
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	8	31	7	152	0	0	15	183
Allocated equity	981	844	73	73	266	237	1,320	1,154
Cost/income ratio in %	59.5	46.2	78.7	21.7			65.2	31.9
RoE after taxes in %	3.3	14.5	38.8	834.2			4.5	63.3



Performance

Profit before tax and special effects by quarter



■ Operating profit without one-offs

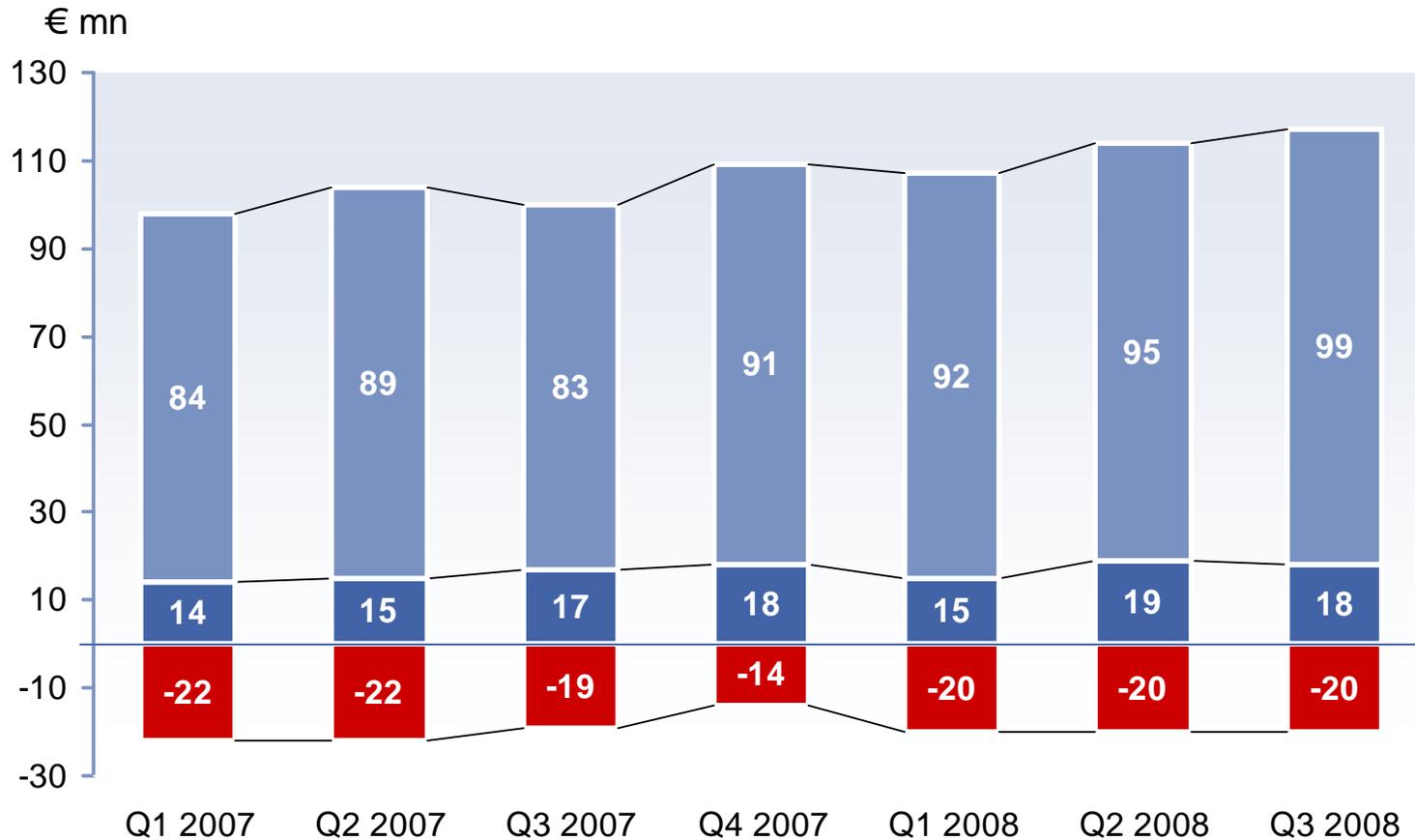
■ One-off effects

- Pre tax one-off effects Q3 2008:
 - Impairments and losses on securities: € -44 mn
 - Effects from hedges: € +34 mn
- *Shown as operating:*
 - provisions for social plan: € -8 mn
- 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 : € +153 mn
 - Bond marked-to-market effect: € -15 mn
 - Special expenses (compensation payments, preparation of legacy portfolio sale): € -12 mn



Performance

Net interest income and allowance for credit losses



■ NII Structured Property Financing

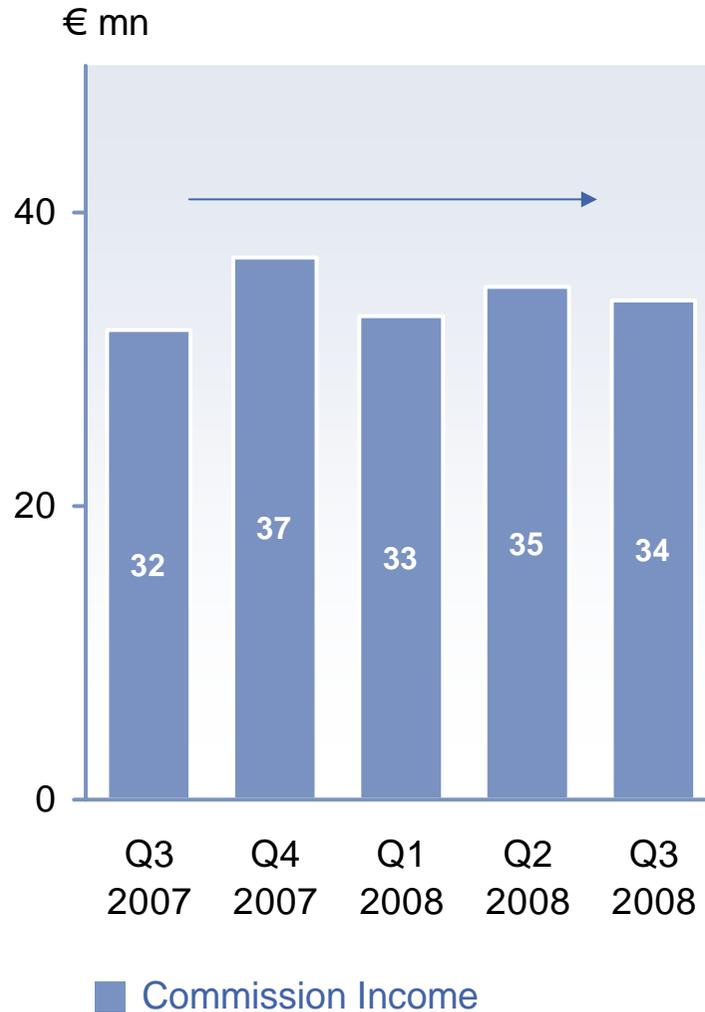
■ NII Consulting/Services

■ Allowance for credit losses



Performance

Net commission income

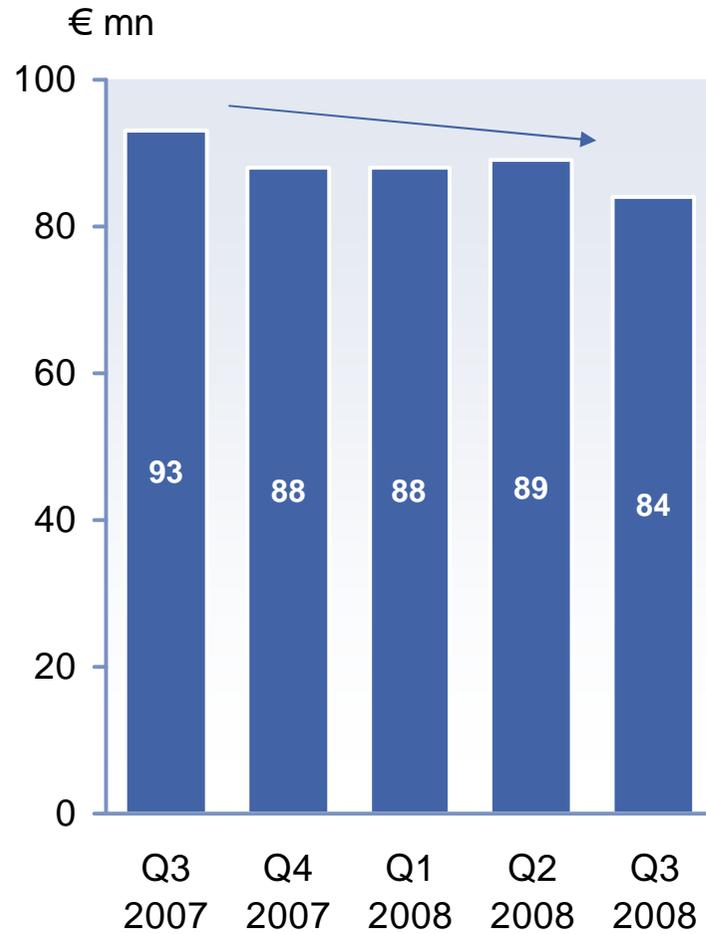


- Positive performance of Consulting/Services balances out reduced commission income in Structured Property Financing (due to substantially reduced fee income from unscheduled repayments)



Performance

Admin expenses



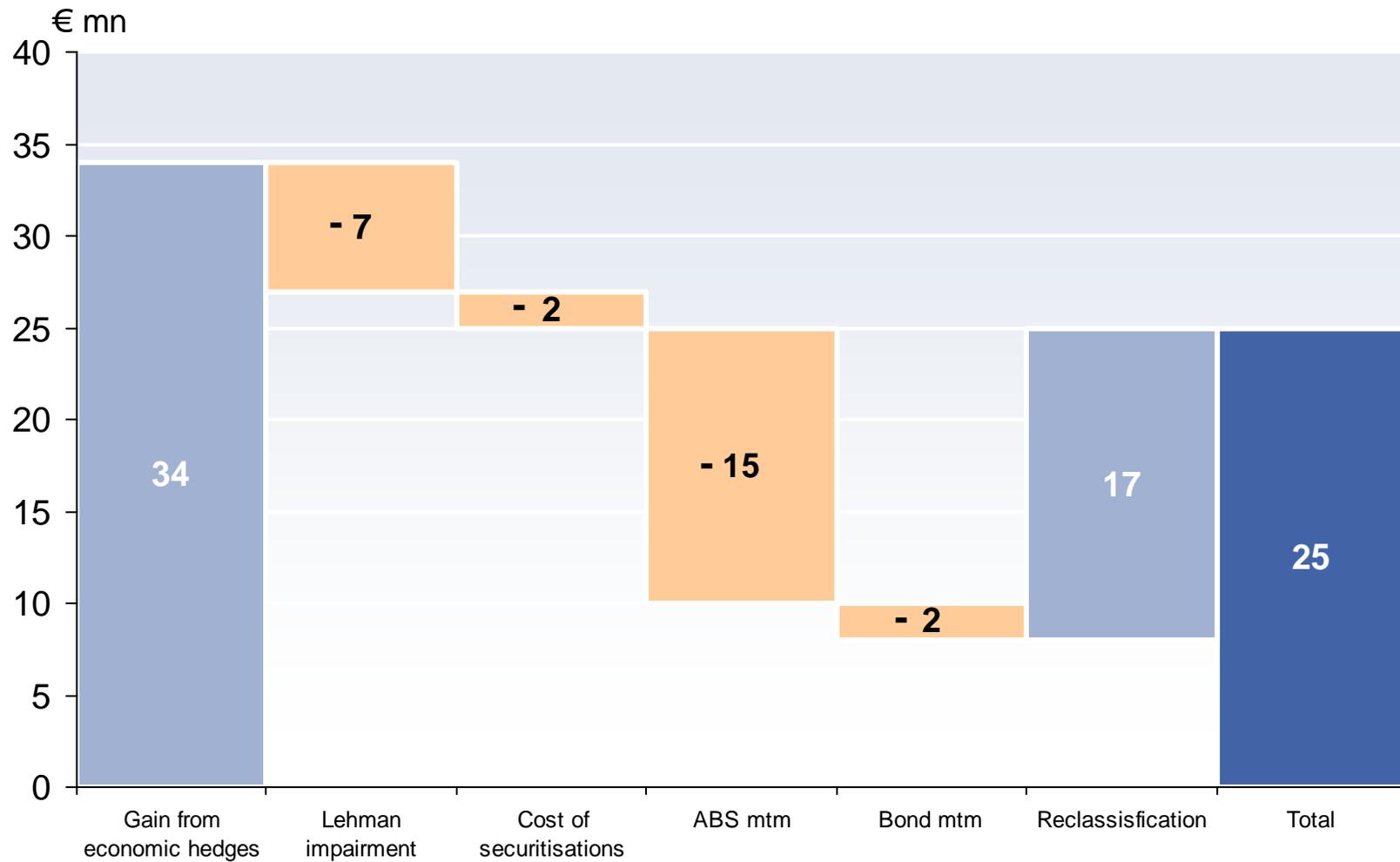
■ Admin Expenses

- Measures to raise efficiency paying off
- First successful steps towards adapting group structure to optimised portfolio structure



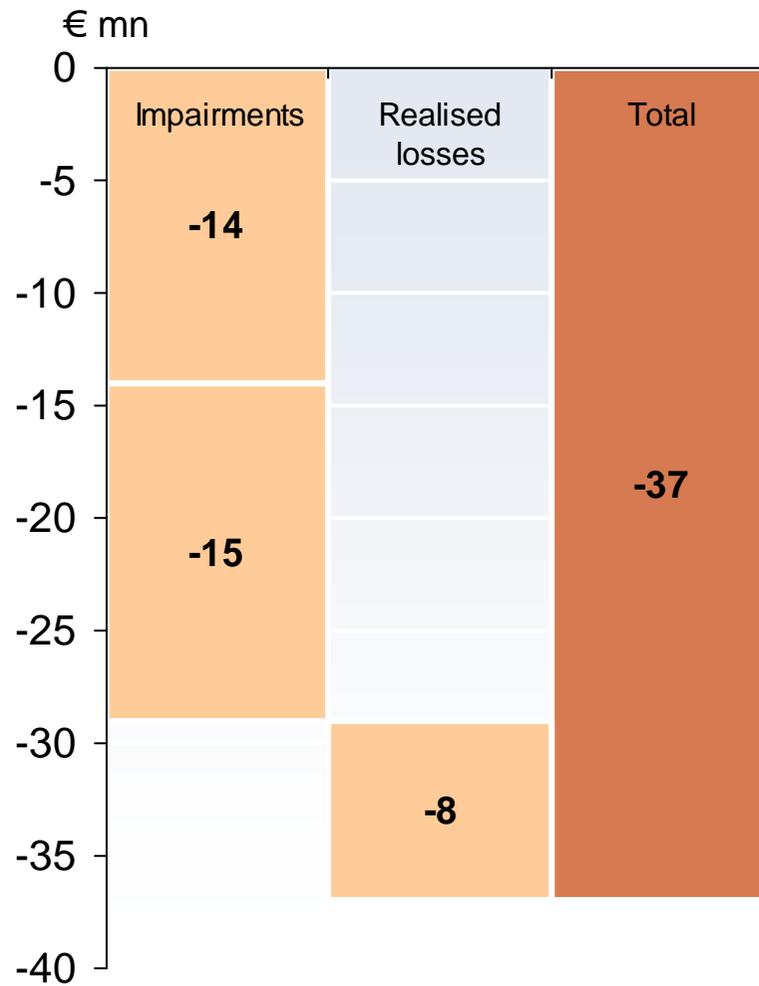
Analysis

Breakdown net trading income



Analysis

Breakdown results from non-trading assets



Performance

Development revaluation reserve



Analysis of reclassified securities in Q3 2008

in € mn		Without reclassification			With reclassification from 1.7.2008		
Trading book	Notional	Market value	Hypothetical P&L effect	Hypothetical market value	Volume in LaR	P&L effect	Volume in LaR
		30.06.2008	Q3 2008	30.09.2008	01.07.2008	Q3 2008	30.09.2008
ABS	560	520	-15	505	520	0	520
Bonds	10	9	-2	7	9	0	9
Total	570	529	-17	512	529	0	529

AfS book	Notional	Market value	Hypothetical Δ Reval. Res.	Hypothetical market value	Volume in LaR	Δ Reval. reserve	Volume in LaR
		30.06.2008	Q3 2008	30.09.2008	01.07.2008	Q3 2008	30.09.2008
ABS	56	54	-2	52	54	0	54
Bonds	431	390	-49	341	390	0	390
Total	487	444	-51	393	444	0	444
Def. tax on Δ Reval. reserve			12				
Net position			-39				

- No active market in Q3 2008 for the reclassified securities
- No impairments were necessary on the reclassified securities in Q3 2008



Definitions and Contacts



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

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

- **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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