LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Preliminary Q4 2008 results and SoFFin measures

February 16, 2009 – Dr. Wolf Schumacher, CEO – Hermann J. Merkens, CFO

Aareal Bank

Agenda

- Highlights 2008 and SoFFin measures
- Group capital and funding position
- Preliminary unaudited group figures 2008
- Preliminary unaudited business segment figures 2008
- Asset quality
- Outlook

- Appendix
- Definitions and Contacts

Aareal Bank

2008 at a glance:
Solid operating performance despite difficult markets

	2008	2007	Change %	Comments
Operating profit (€ mn)	117	380	-69.2	2007 profit included significant one-off effects of € 121 mn
Clean operating profit excl. one-off effects (€ mn)	153	159	-3.8	Clean operating profit nearly on 2007 level despite very challenging Q4
Group net income after minorities (€ mn)	60	290	-79.3	Solid profitability despite challenging environment
RoE after taxes (%)	4.5	25.0	-	
Tier 1 ratio[1] (%) (reported)	8.0 (KSA)	7.3 (BIS)	-	Regulatory capital calculated according to KSA from 2008 onwards

1) Pre capital measure
Note: All numbers preliminary/unaudited

Aareal Bank

2008 at a glance: Aareal Bank remains a fundamentally sound banking group[1)]

Profitability maintained	– All quarterly results since beginning of crisis in 2007 showed positive results; also Q4 2008 despite very challenging markets
Positive result in both business segments	– Structured Property Financing segment: € 73 mn EBT – despite significant increase in capital markets volatility – Consulting/Services segment: € 44 mn EBT – high earnings stability untouched by financial crisis
Concentration on core competences	– Was already carried out before the financial crisis
Lean and flexible set-up	– Allowing us to react swiftly to the fast changing environment
Conservative funding	– Funding position solid despite financial crisis

1) Subject to standard EU Commission proceedings
Note: All numbers preliminary/unaudited

SoFFin support measures:
Aareal Bank has a solid basis
SoFFin measures support in current turbulent times

Status Quo Aareal Bank	Current Environment for Aareal Bank

Status Quo Aareal Bank

- Sustainable business model
  - Turn around successfully implemented before the crisis
  - De-risking initiated early on before the crisis in order to reduce exposure to equity investments
- Tier 1 ratio pre capital measures at 8% (KSA); solid in normal market environment
- Conservative funding position
- Adequate risk provisioning
- Current capitalisation does not allow to underwrite significant new business
- New business generation also challenging in the medium term from a liquidity perspective despite conservative funding of existing portfolio

Current Environment for Aareal Bank

- Higher market requirements concerning capital ratios
- Highly constrained short and medium term interbank funding
- Nearly inactive securitisation and syndication markets and no short-term recovery expected
- Government backed competitors setting the standard on refinancing markets resulting in cost disadvantages for non-government backed banks
- Extreme volatility and spread widening on nearly all asset classes
- Worldwide economic downturn with falling real estate values increases pressure on risk provisioning
- Public equity markets dried out

Currently, capital and funding is only available at economically unreasonable conditions

→ SoFFin provides capital and funding at economically reasonable conditions

Note: All numbers preliminary/unaudited

Aareal Bank

SoFFin support measures: Recapitalisation prepares and ensures Aareal Bank's successful future

– Derived from improvement of Tier 1 capital ratio to higher market requirements of 10%. Current capitalisation at lower end of already government backed peer group. Ensuring capitalisation is in line with peers post capital measure

– Protecting against deteriorating macroeconomic environment, which could lead to higher risk costs in the medium term requiring a strengthening of the capital base at the moment

– Increasing trust of institutional investors as well as other banks and facilitating short and long term funding from these investors

– Expected to strengthen rating

Recapitalisation secures sustainable business model during financial crisis and improves long term competitive position

SoFFin support measures: Funding guarantee prepares and ensures Aareal Bank's successful future

- Broadening strategic funding flexibility by making additional refinancing sources available in challenging environment
- Matching the competitive funding advantage of many international already government backed competitors setting the standard on refinancing markets
- Providing cushion against a worsening credit crunch

Funding guarantee avoids crowding out and broadens funding flexibility

Aareal Bank

SoFFin support measures: Term sheet

No transfer of risk positions from Aareal Bank to SoFFin

Silent participation

- Volume: € 525 mn in one tranche
- Coupon: 9%
- Term: perpetual
- Redemption: at nominal value
- Fully recognised as Tier 1 capital
- Call rights: by Aareal Bank only, acc. to para. 10,4,3 German Banking Law
- No dividend payments during 2009 and 2010 for preceding years
- Additional remuneration: coupon increases on a pro rata basis by 0.5 pp for each 0.25 € DpS
- Subordination in case of liquidation and insolvency: junior to existing and future Tier 2 instruments (incl. Genussrechte /-scheine) and other debt; pari passu with existing Tier 1 hybrids and future Tier 1 hybrid offerings; senior to shareholders
- Loss sharing: pari passu with all other instruments with loss participation; no dividend payment until full compensation of shared losses

Government guarantee facility

- Volume: € 4 bn
- Term: = 36 months
- Guaranteed obligations: bearer bonds
- Drawdown period: until 31.12.2009
- Commitment fee: 10 bp (for undrawn guarantee)
- Drawdown fee:
  - = 12 months: 50 bp p.a.
  - > 12 months: 94.8 bp p.a.

Aareal Bank

SoFFin measures: As a fundamentally sound bank, consequences from SoFFin measures are manageable[1)]

Aareal Bank profile unchanged	– Aareal Bank's business model will remain unchanged – No state influence on current business model and corporate governance – Fundamentally sound bank; no request for restructuring plan expected – Holding remains anchor investor and retains its current shares – Voting agreement in order to maintain Aareal Holding's blocking minority to be concluded
Interest payments manageable	– Interest payments on silent participation are economically reasonable – Economic costs roughly equal the dividend payments 2007 – Flexible funding at attractive costs compared to senior unsecured
Conditions market standard	– Aareal Bank has agreed to pay no dividend during 2009 and 2010 – Cash compensation for management board is capped in 2009 and 2010 – No further conditions exceeding German Financial Market Stabilisation Act
Exit determined by Aareal Bank	– Aareal Bank committed to repaying silent participation midterm, given sound capitalisation – Aareal Bank can determine the date of repayment (BaFin approval required) – Aareal Bank has a variety of options to repay the silent participation

1) Subject to standard EU Commission proceedings

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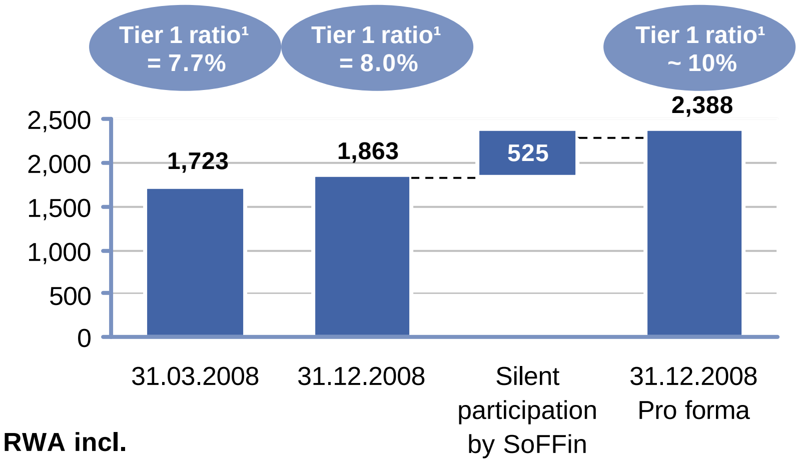
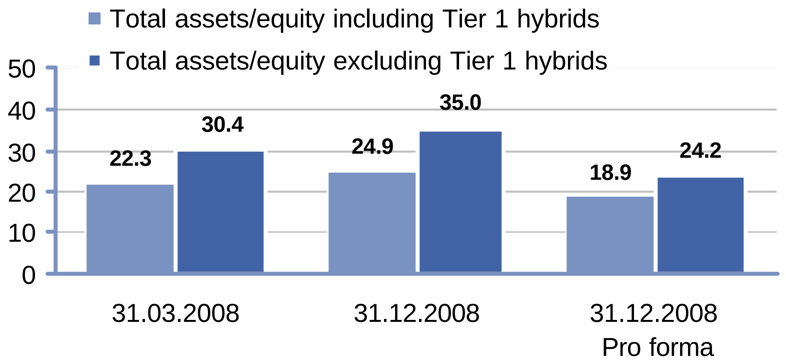
Capital position:
Silent participation improves Tier 1 Ratio to ~10% even under standard approach (KSA)

Pro forma Tier 1 capital (KSA/German GAAP) after SoFFin measure



RWA incl. market risk 23,295 **23,238** **23,238**

Pro forma total balance sheet leverage after SoFFin measure[2)]



Composition of Tier 1 capital

€ mn	31.03.2008	31.12.2008	31.12.2008 Pro forma
Core Tier 1	1,253	1,393	1,918
Hybrid Tier 1	470	470	470
Hybrid ratio	27%	25%	20%
Total Tier 1	**1,723**	**1,863**	**2,388**

- Even under standard approach (KSA) new Tier 1 ratio of ~10% in line with peers and market requirements
- Aareal Bank currently uses KSA; implementation of IRBA might lead to higher ratios

1) Excluding market risk
2) Gross IFRS numbers (particularly no netting of derivatives)
Note: All numbers preliminary/unaudited

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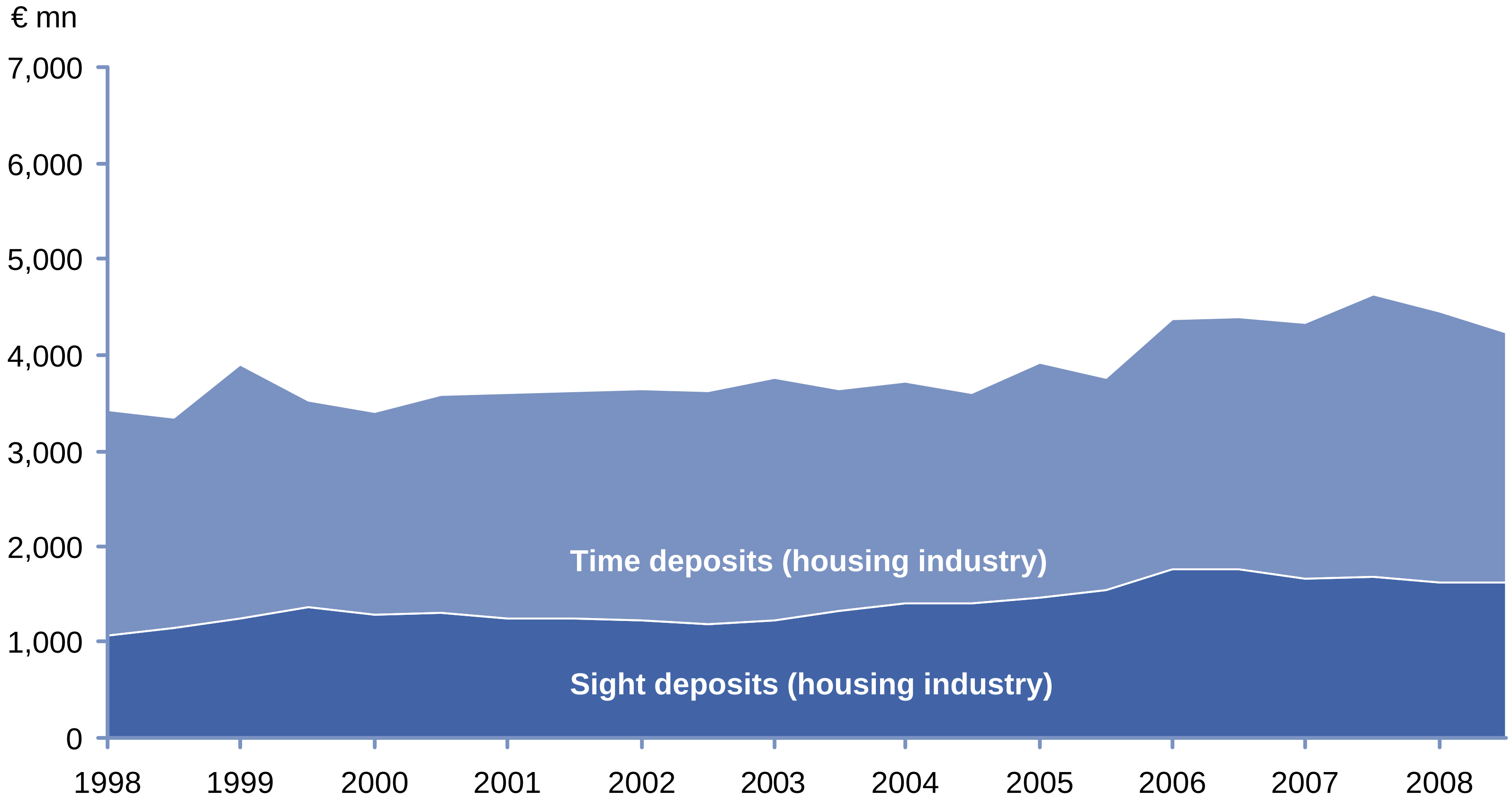
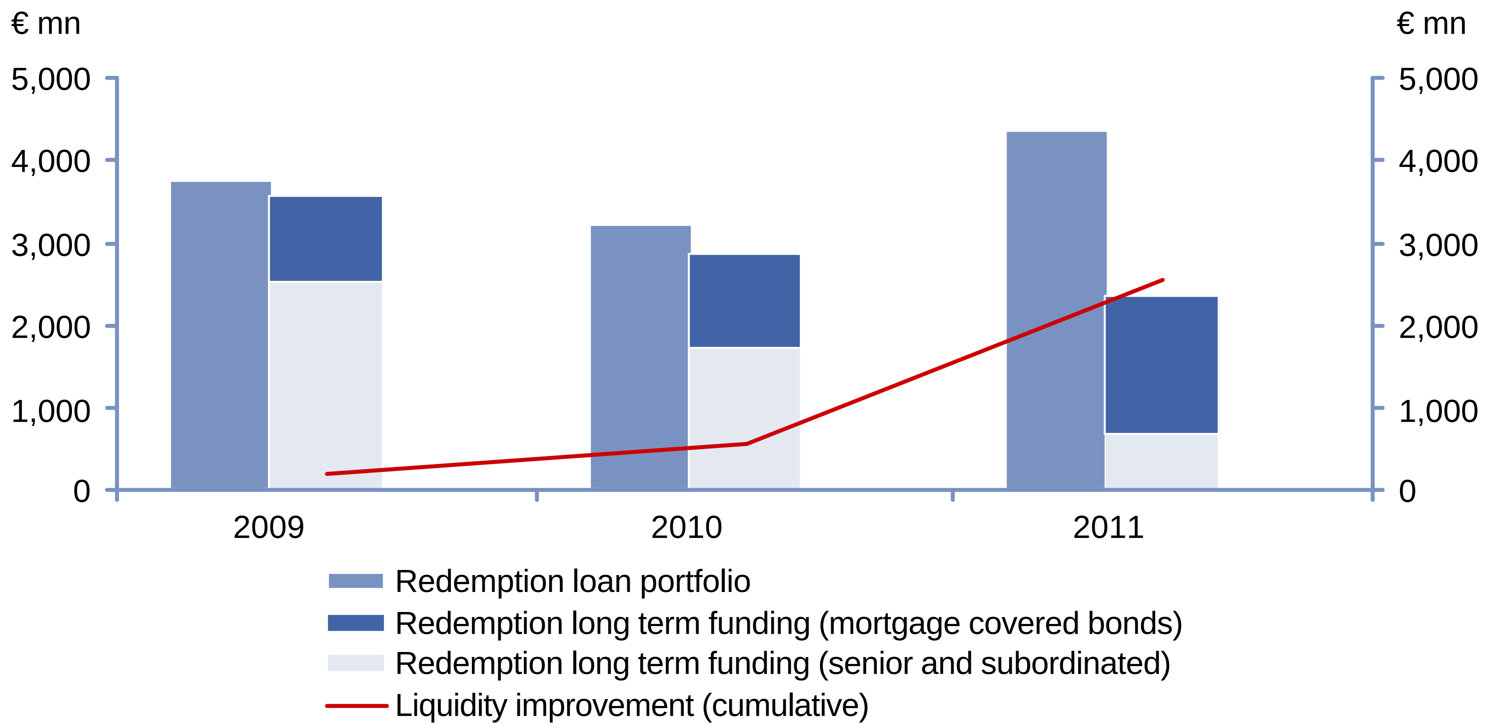
Consulting/Services:
Still attracting sizeable deposits from housing industry

– Stable customer deposits:



Note: All numbers preliminary/unaudited

Loan/Refinancing structure as at 31.12.2008: Positive liquidity gap

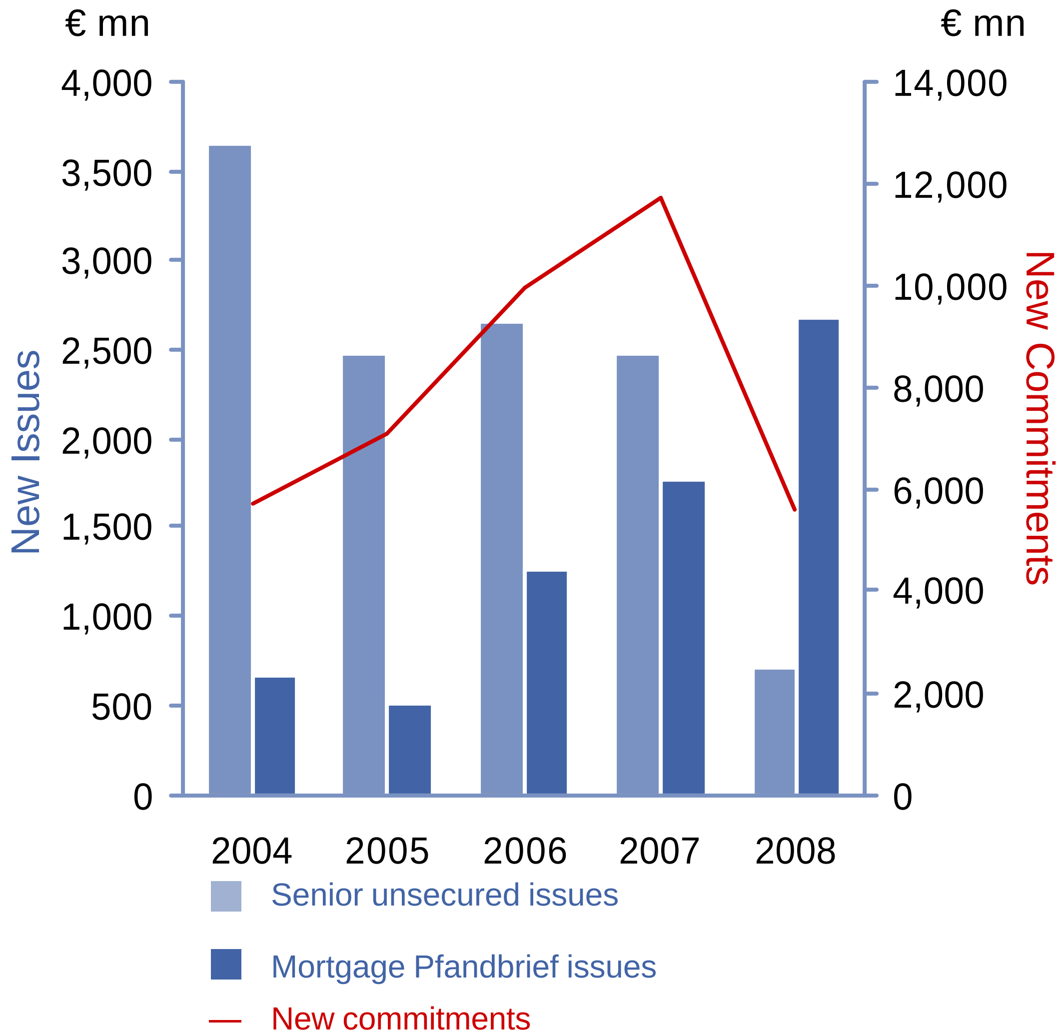


– Loan portfolio to be refinanced by Aareal Bank: € 22.8 bn, average maturity: 3.7 years

– Long term refinancing portfolio: € 20.1 bn, average maturity : 5.0 years

Note: All numbers preliminary/unaudited

New issues vs. new commitments: New business mirrors reduced new funding



- Total volume of new funds issued mirrors volume of new commitments
- Share of Mortgage Pfandbriefe in the funding mix continuously increased - especially during challenging funding environment in 2008

Note: All numbers preliminary/unaudited

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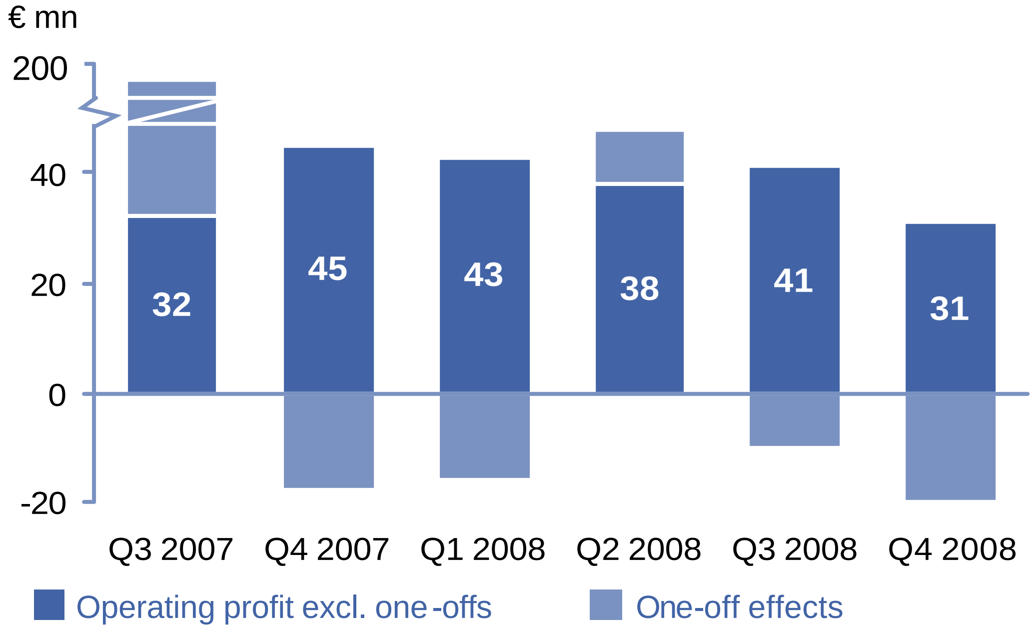
Operating profit:
Aareal Bank remained profitable in all quarters

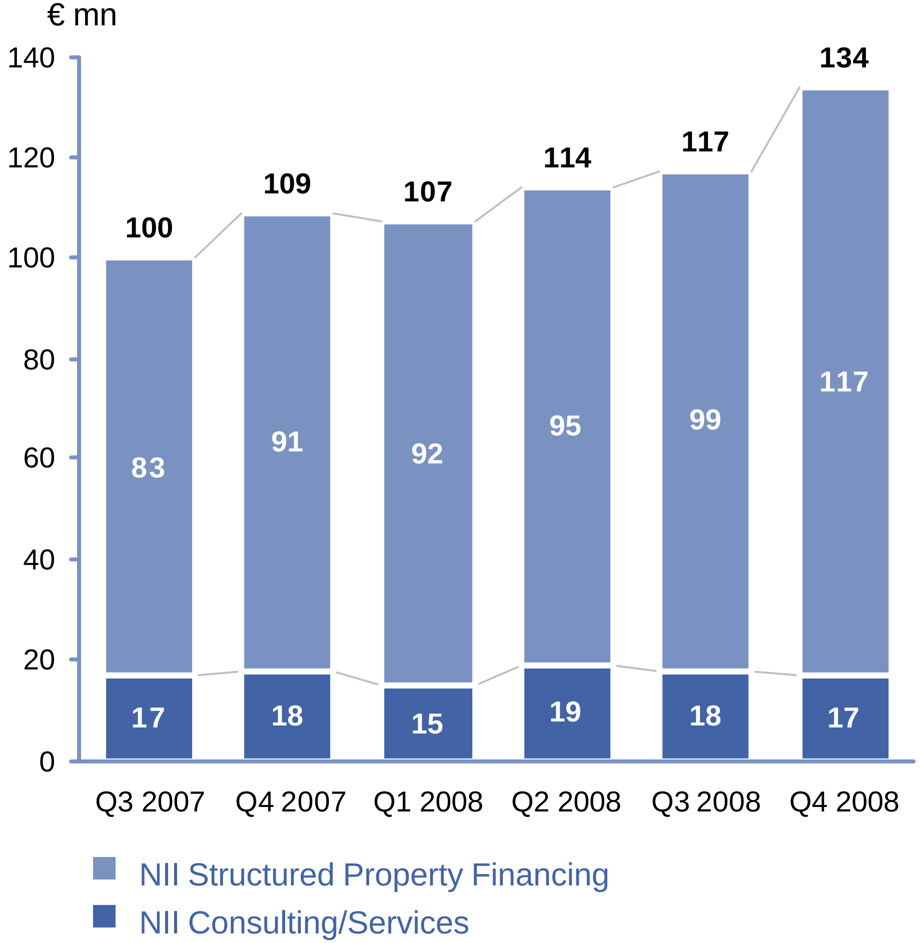


One-offs	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Structured Property Financing	39	-16	-16	10	-10	-20
Consulting / Services	150	-2	0	0	0	0
Total one-offs	**189**	**-18**	**-16**	**10**	**-10**	**-20**

– Operating profit excl. one-off effects has been resilient
– Both segments profitable in Q4 despite very challenging markets
– € 33 mn impairments/ losses on securities not declared as one-off in Q4 2008

Note: All numbers preliminary/unaudited

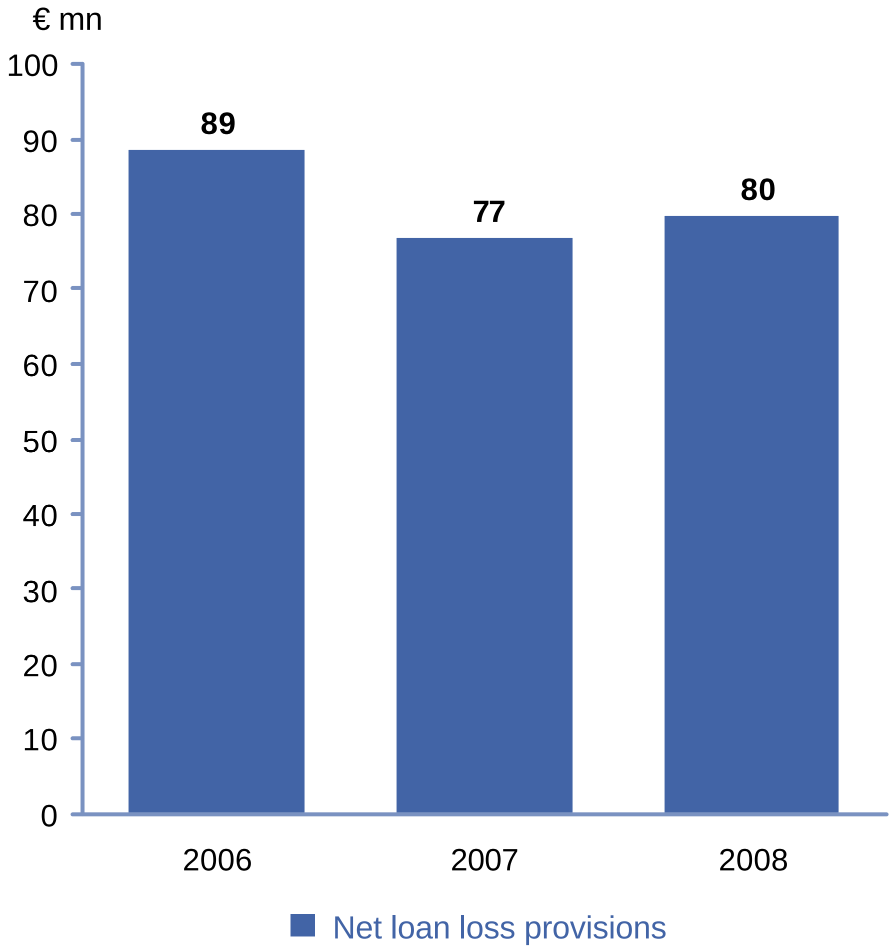
Net interest income: Strong positive development



– Strong increase of Structured Property Financing segment net interest income in Q4 2008 supported by higher margins and substitution of senior unsecured funding with Pfandbriefe
– Favourable interest environment
– Consulting/Services relatively stable over time

Note: All numbers preliminary/unaudited

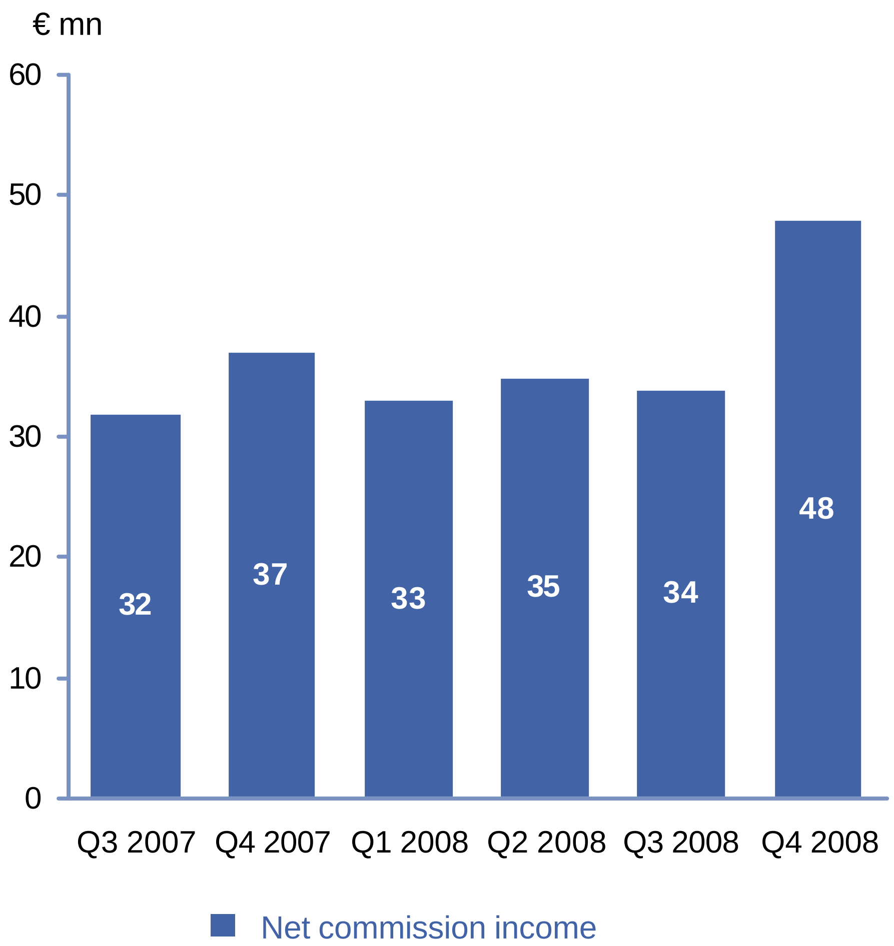
Net loan loss provisions: Risk costs stable



- LLP/ØRWA = 35 bp and 20 bp excl. General Portfolio LLP, rsp.
- Reflecting sound asset quality
- € 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**

Note: All numbers preliminary/unaudited

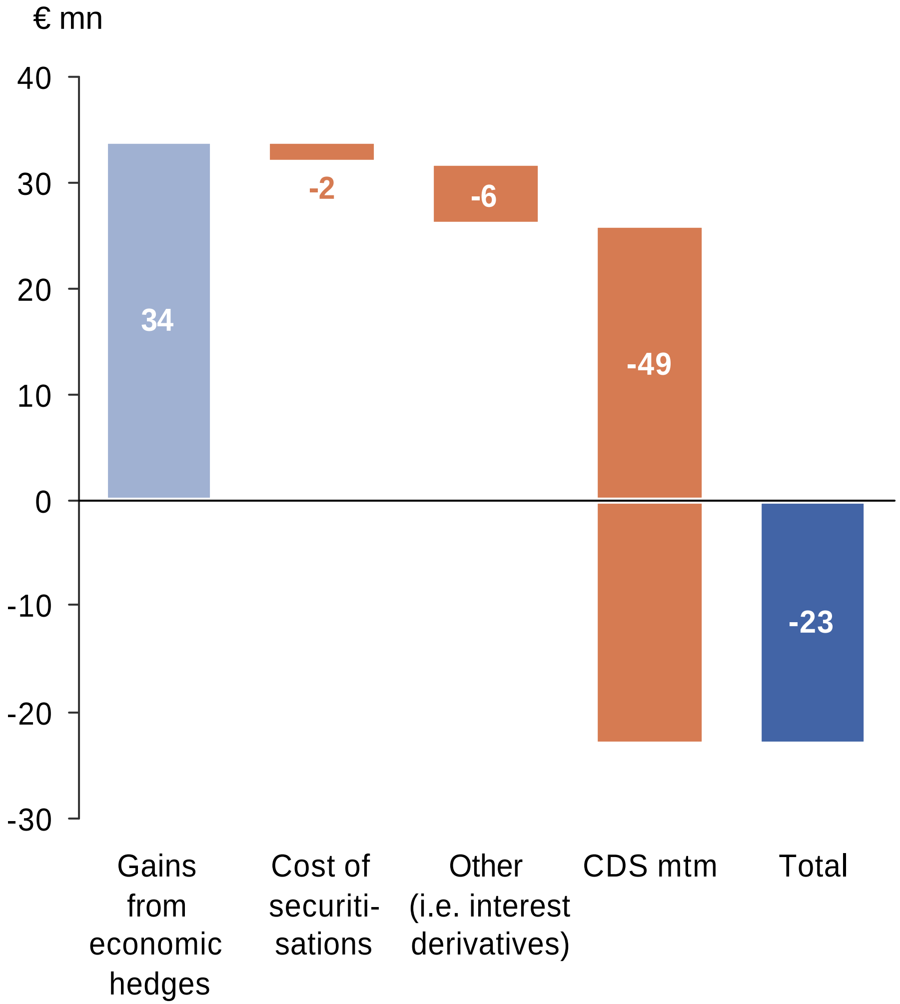
Net commission income: Positive development of Consulting/Services segment



- Strong performance of Consulting/Services segment
  - Favourable seasonal Q4-effect
  - € 2 – 3 mn from initial consolidation of Sylogis.com in Q4 2008

Note: All numbers preliminary/unaudited

Net trading income Q4 2008: Reflecting volatile asset prices



- Gains result from hedging of equity positions (which were realised in results from non-hedging assets in Q4)
- CDS mtm, unrealised remaining portfolio € 775 mn single name EU government risk
  - 100% investment grade (underlying & counterparty)

Note: All numbers preliminary/unaudited

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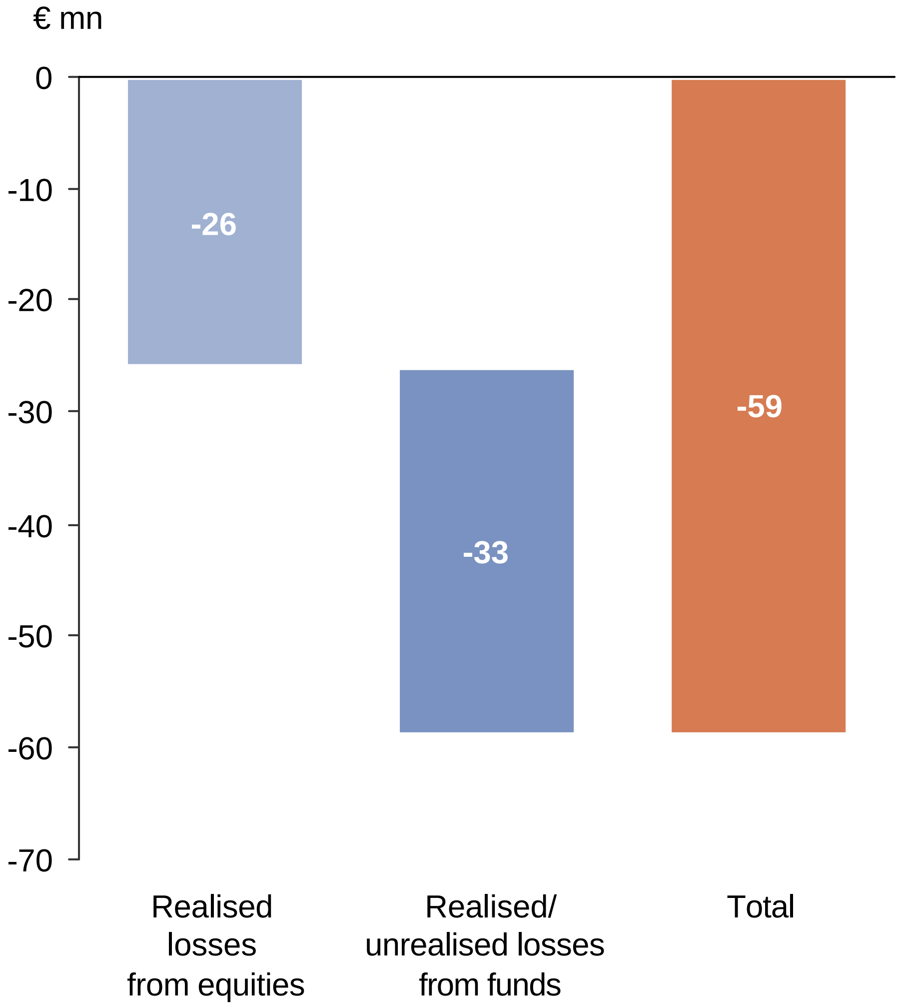
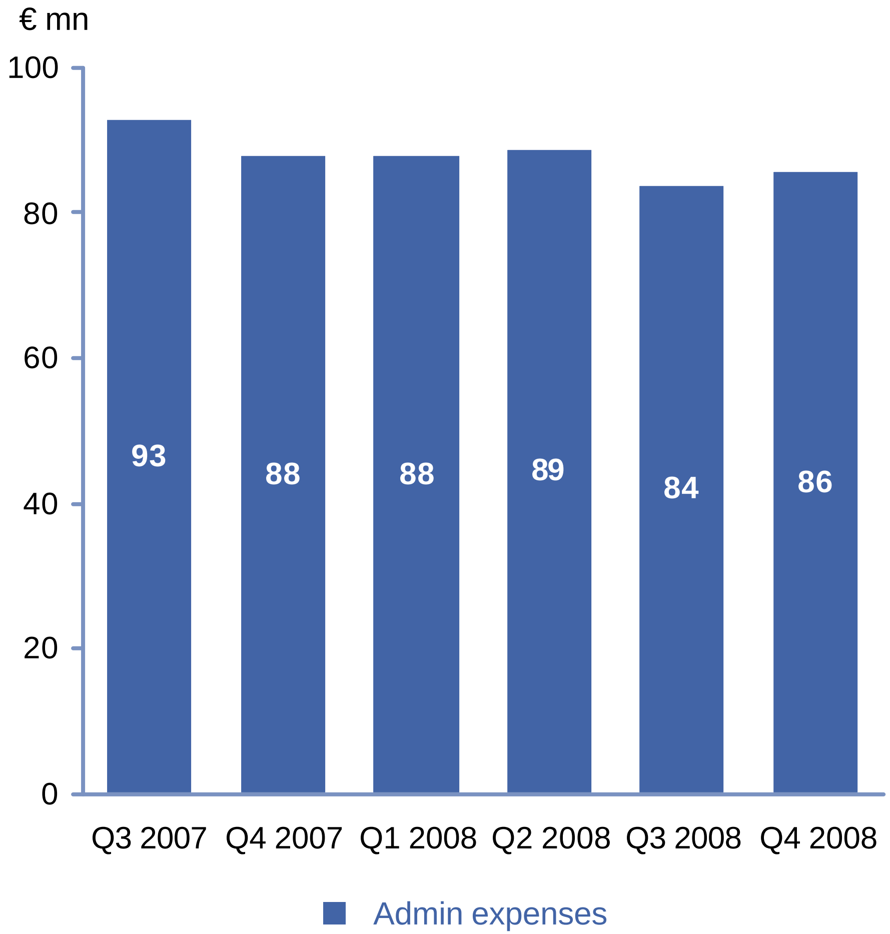
Results from non-trading assets 4Q 2008: De-risking continued



- Realised losses covered by positive effect from hedges (reflected in trading income)
- Remaining volume € ~300 mn in funds
- Further de-risking

Note: All numbers preliminary/unaudited

Admin expenses: Costs under control



- Measures to raise efficiency paying off
- Further successful steps towards adapting group structure to optimised portfolio structure
- € 2 – 3 mn from initial consolidation of Sylogis.com in Q4 2008

Note: All numbers preliminary/unaudited

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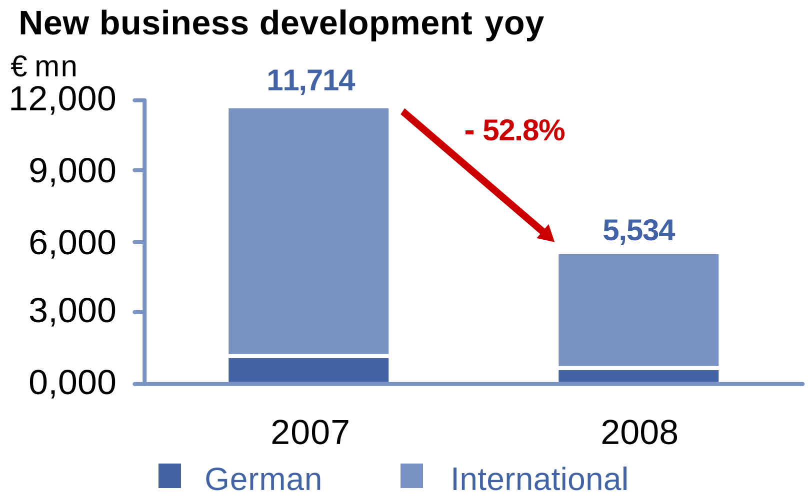
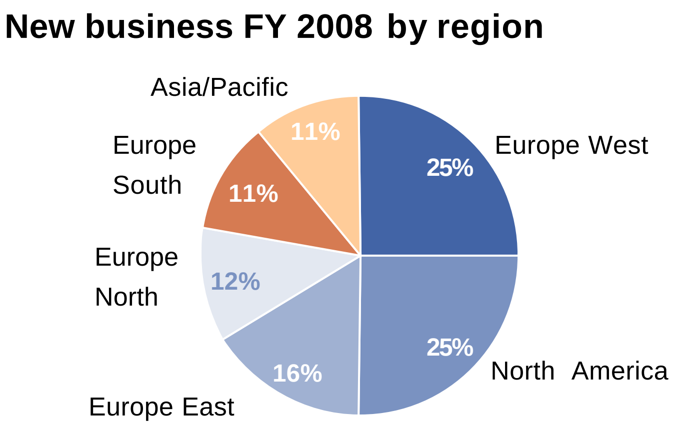
Structured property financing: Profitable despite significant increase in capital markets volatility

P&L SPF Segment	2008	2007	Change
	€ mn	€ mn	%
Net interest income	403	347	+ 16.1
Loan loss provision	80	77	+ 3.9
Commission income	29	24	+ 20.8
Net trading result	-23	-26	-
Result from non-trading assets	-95	52	-
Admin expenses	200	212	- 5.7
Others	*39*	*89*	*- 56.2*
Operating profit	**73**	**197**	**-62.9**





– Very selective in writing new business already in 2008: focus on business with outstanding risk-return-profile

– Focus on high diversification maintained

– Strong net interest income supported by higher margins and substitution of senior unsecured funding with Pfandbriefe

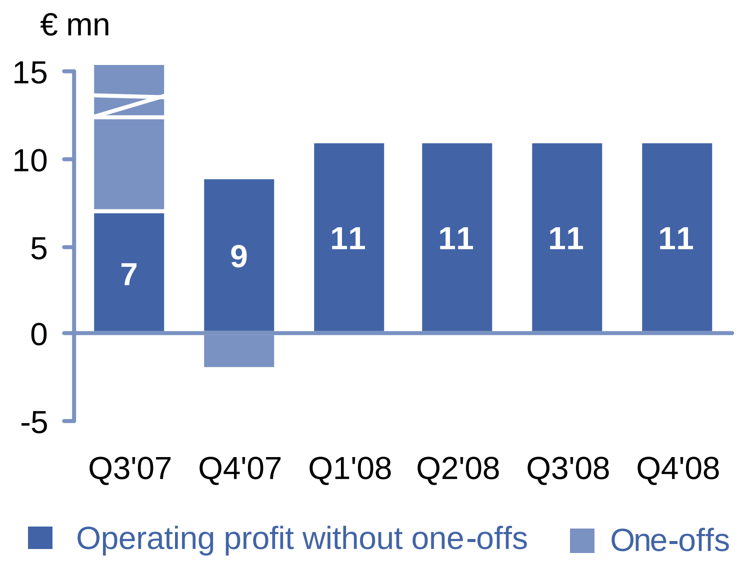
Note: All numbers preliminary/unaudited

Consulting / Services:
High earnings stability untouched by financial crisis

P&L C/S Segment	2008	2007	Change
	€ mn	€ mn	%
Sales revenue	229	223	+ 2.7
Own work capitalised	1	2	- 50.0
Other operating income	12	162[1)]	
Excl. one-offs	*12*	*9*	*+ 33.3*
Cost of material purchased	36	36	0.0
Staff expenses	99	102	- 2.9
Depreciation, amortisation and impairment losses	14	16	
Excl. one-offs	*14*	*14*	*0.0*
Results from investments accounted for at equity	0	5	
Excl. one-offs	*0*	*0*	*0.0*
Other operating expenses	49	55	
Excl. one-offs	*49*	*52*	*- 5.8*
Operating profit	**44**	**183**	
Excl. one-offs	***44***	***30***	***+ 46.7***

1) Boosted by IS24 sale

Note: All numbers preliminary/unaudited



- Origination successes in all product lines
- Stable demand for consulting services
- Stable earnings independent from financial crisis
- EBT of € 44 mn in line with FY guidance (€ 40-50 mn)

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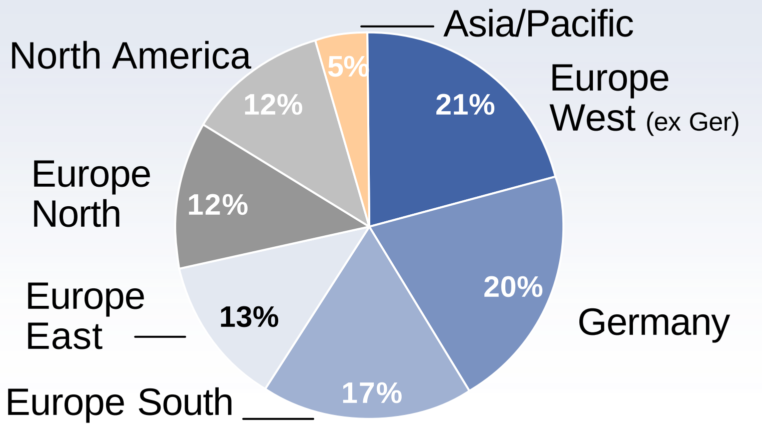
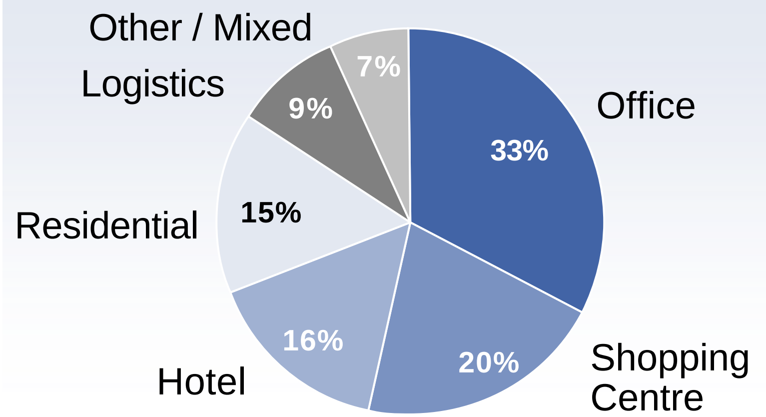
Total property finance portfolio:
High diversification and sound asset quality

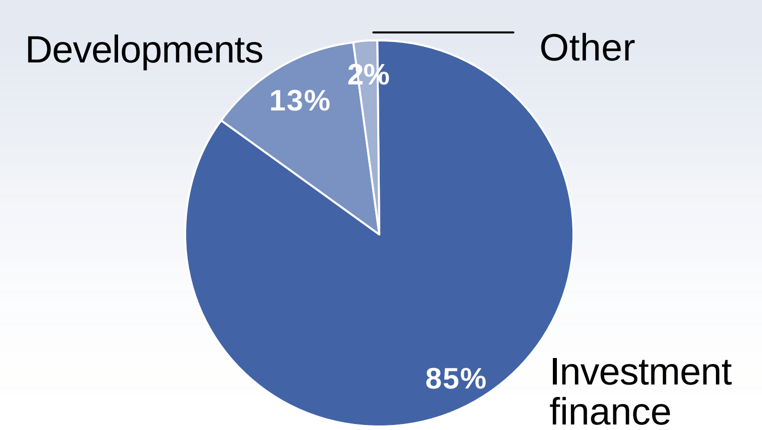
by region [1)]



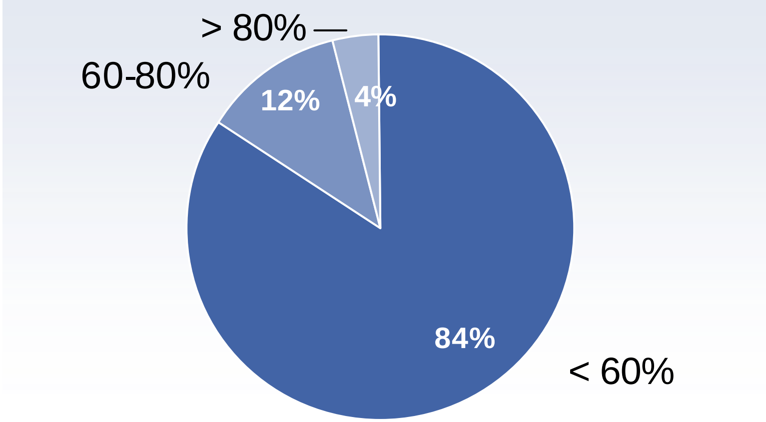
by property type [1)]



by product type [1)]



by LTV ranges [2)]



1) Total volume outstanding of € 23.5 bn as at 31.12.2008

2) Mortgage collateralised business only; value does not take into account any collateral other than mortgages; values as at 31.12.2008

Note: All numbers preliminary/unaudited

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Exposure to special asset classes: Already very limited exposure even further reduced

Asset Class	Exposure Aareal Bank	
	31.12.2008	31.12.2007
US Subprime and US RMBS	**None**	**None**
CDOs	**None**	**None**
ABCPs / SIVs	**None**	**None**
Exposure insured by Monoliners	**None**	**None**
Bear Stearns Bonds	**None**	**None**
Iceland	**None**	**€ 15 mn**
Lehman Brothers Bonds	**€ 8.5 mn**	**€ 10 mn**
ABS portfolio[1)]	**~ € 590 mn**	**~ € 650 mn**
- of which AAA rated	> 90%	> 90%
- of which US CMBS	< € 50 mn	< € 50 mn

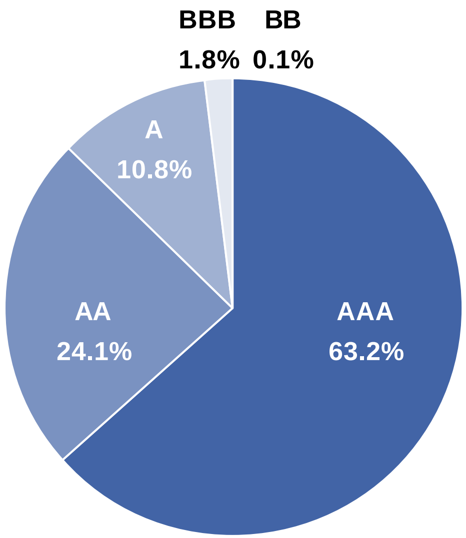
Systematic reduction and avoidance of highly speculative investments – value fluctuations only in asset classes with high quality due to volatility of entire market

1) Regular repayments; until now no delayed payment nor default

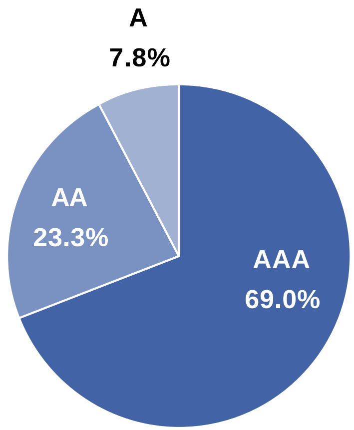
Note: All numbers preliminary/unaudited

Treasury Assets as at 31.12.2008:
Very good quality of treasury assets

Treasury assets	Thereof treasury assets held afs



Total volume : € 12.3 bn



Total volume[1] : € 5.4 bn

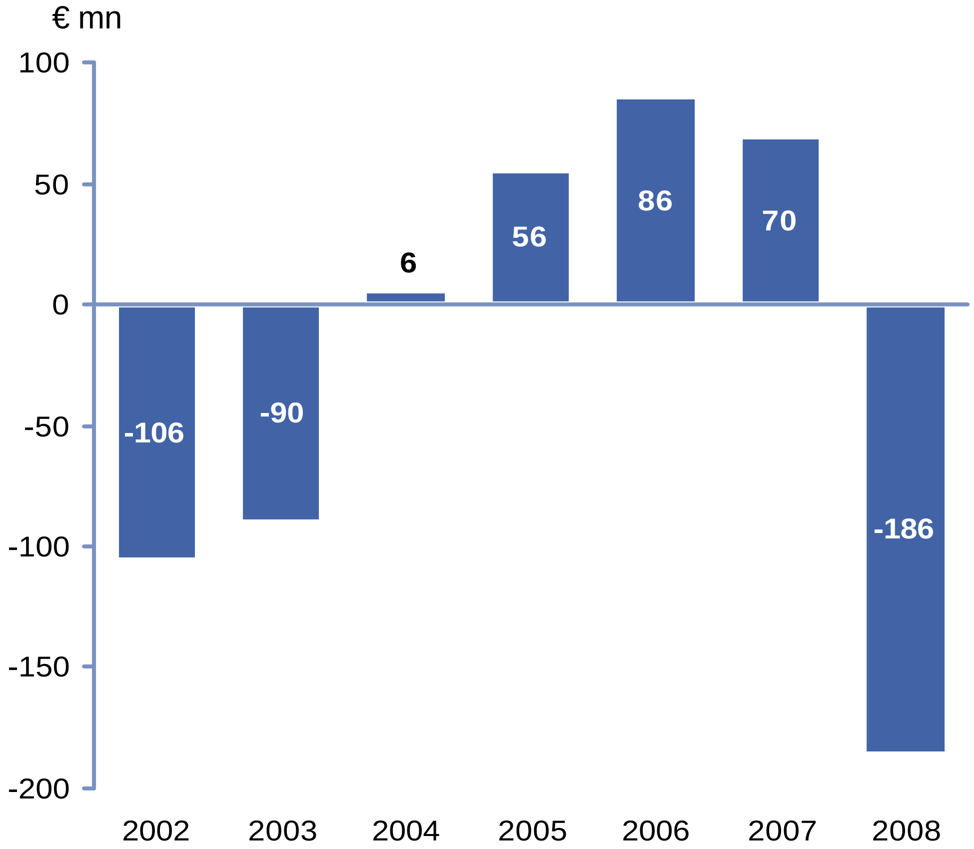
Government bonds, sub-sovereign bonds, covered bonds, bank bonds and ABS

Government bonds, covered bonds, bank bonds

1) After reclassifications

Note: All numbers preliminary/unaudited

Revaluation reserve: Change mainly driven by asset spread widening



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

Note: All numbers preliminary/unaudited

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Outlook

Group

Net interest income	–	Target range of € 420 – € 440 mn. Expected to be negatively affected due to lower new business generation. Moreover, one-off income items as in 2008 will not recur in 2009
Net loan loss provisions	–	Expected loss to increase to 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	–	Unpredictable in current markets / depending on future developments
Revaluation reserve	–	Future market developments unpredictable, but repayments of underlying assets undoubtful
Admin expenses	–	Under control around € 360 mn from a yearly perspective, incl. consolidation effect of Sylogis.com

Structured Property Financing

New business	–	€ 2 – 3 bn; focus on client base / renewals

Consulting / Services

Operating profit	–	Target range of € 50 – € 60 mn according to plan (subject to the condition that interest rates do not fall to “Japanese” levels)

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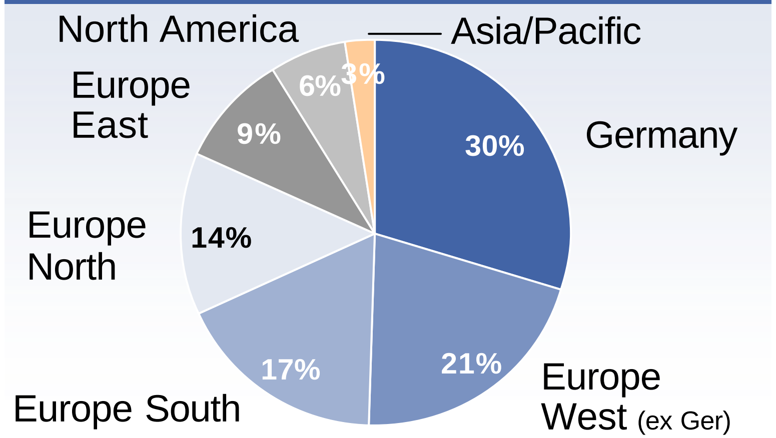
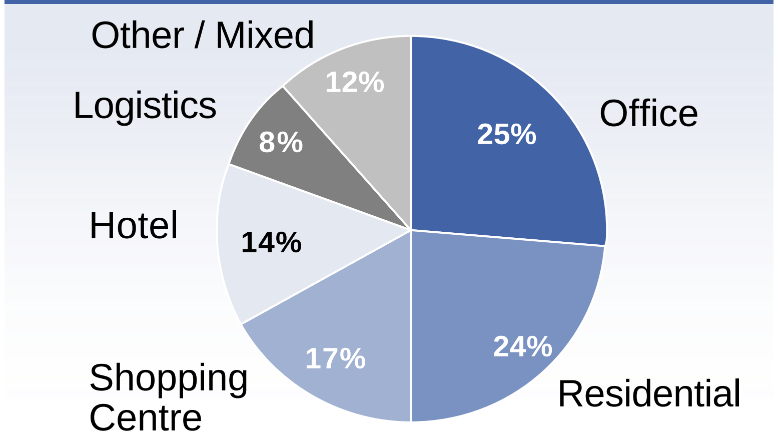
Total property finance portfolio as at 31.12.2007

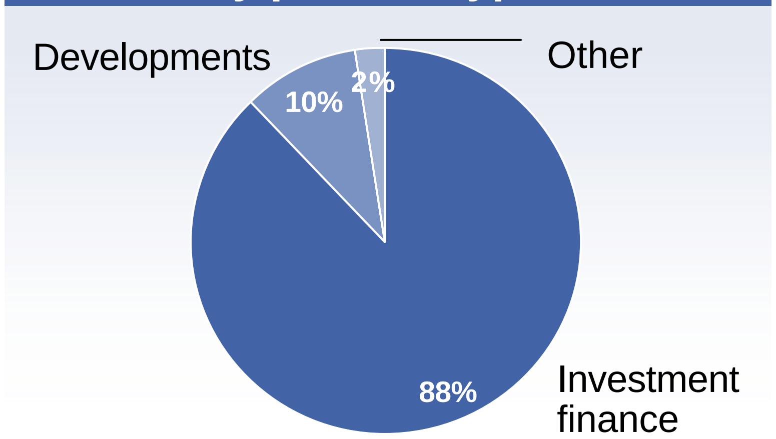
by region[1]



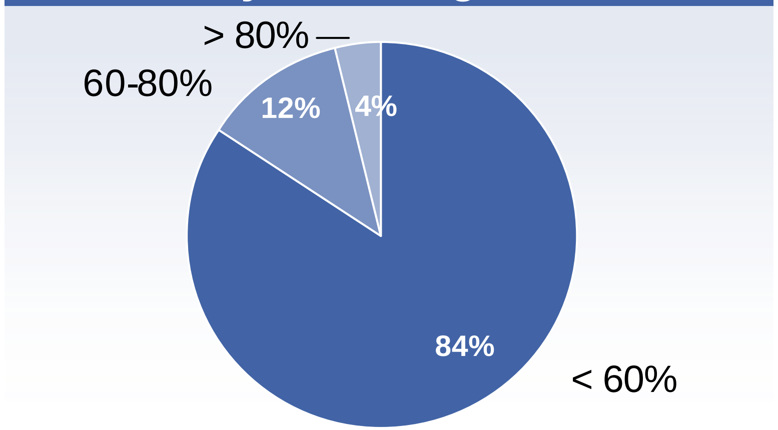
by property type[1]



by product type[1]



by LTV ranges [2]



1) Total volume outstanding: € 24.0 bn

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

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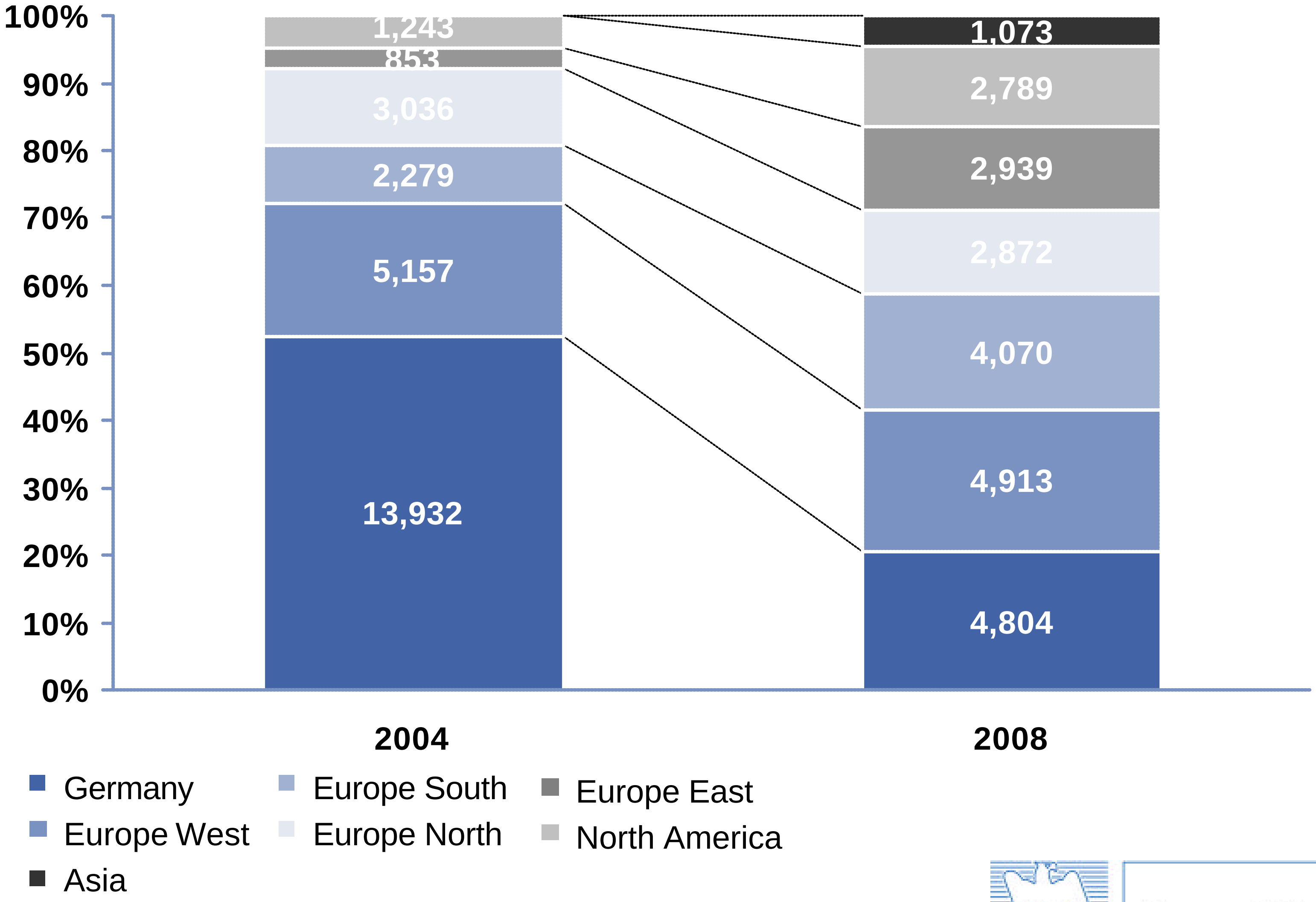
Development property finance portfolio: Diversification continuously strengthened



Note: All numbers preliminary/unaudited

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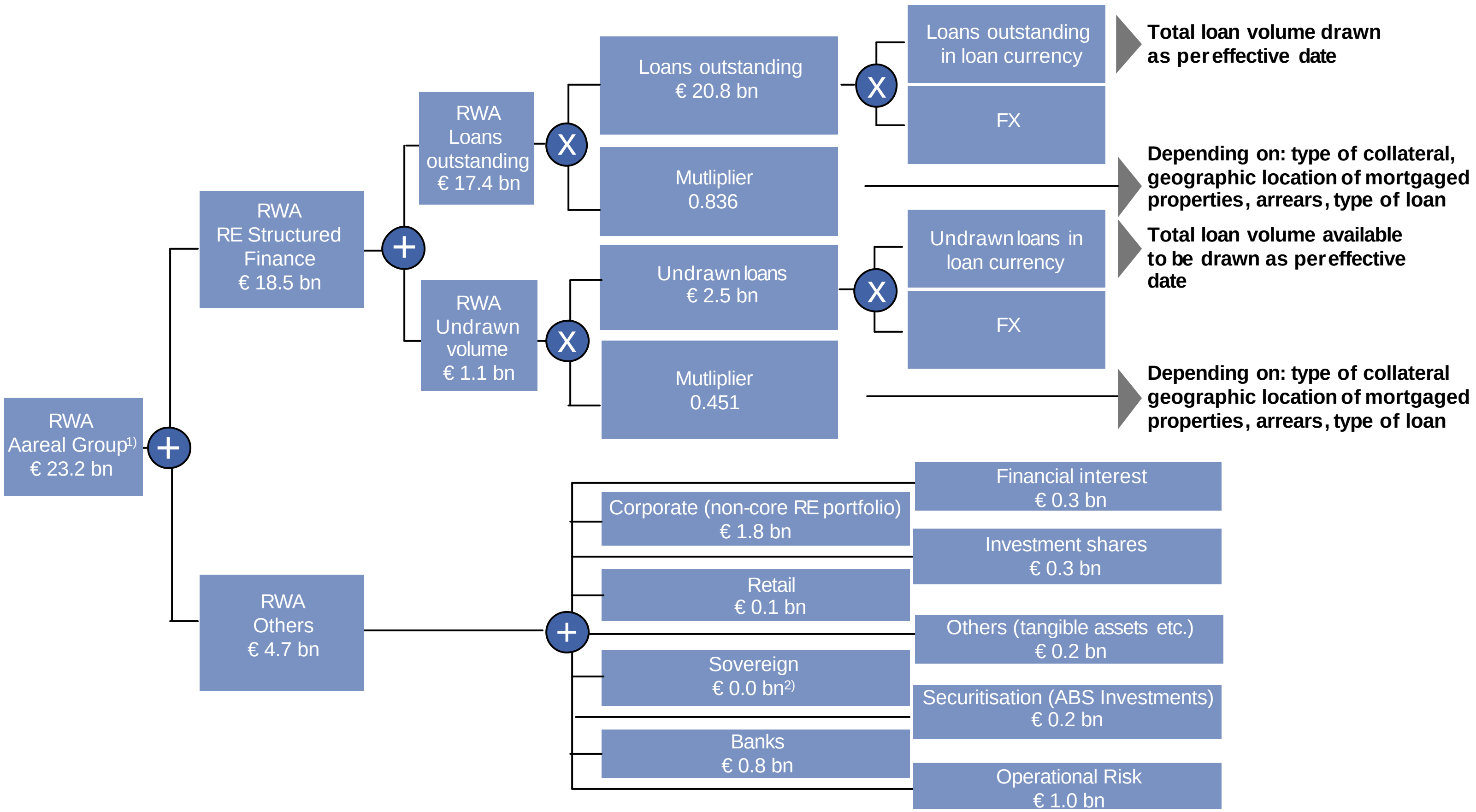
From asset to risk weighted asset (RWA): Essential factors affecting volume of RWA

Effective date 31/12/2008



1) Excl. of market risk
2) Exposure to sovereign governments amounts to € 17 mn

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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 costumer
  - 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

Contacts

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