

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Q2 2010 results

August 10, 2010

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



**Aareal Bank
Group**

Agenda Q2 2010 results

- Q2 2010 results at a glance
 - Group capital and funding position
 - Group figures Q2 2010
 - Asset quality
 - Outlook

 - Appendix
 - Definitions and Contacts
-



Q2 2010 results at a glance



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Q2 2010 results at a glance:

In line with 2010-guidance

	Q2 2010	Q1 2010	Q4 2009	Q3 2009 ¹⁾	Q2 2009 ¹⁾	Comments
Euro mn						
Net interest income	122	117	115	112	116	Getting "grip"
Allowance for credit losses	33	32	35	36	42	In line with guided range
Net commission income	32	30	39	28	30	<ul style="list-style-type: none"> ▪ Solid Aareon development ▪ Burdened by costs for the SoFFin guarantee
Net trading result	-13	6	3	18	5	Reflects volatile markets, compensatory effects in "results from non trading assets"
Administrative expenses	92	91	83	92	92	High cost discipline
Operating profit	31	30	23	21	19	Solid performance
Tier 1 ratio (%) (according to German Banking Act - CRSA)	10.2	11.2	11.0	10.7	10.4	Tier 1 ratio reflects repayment of first tranche of SoFFin silent participation

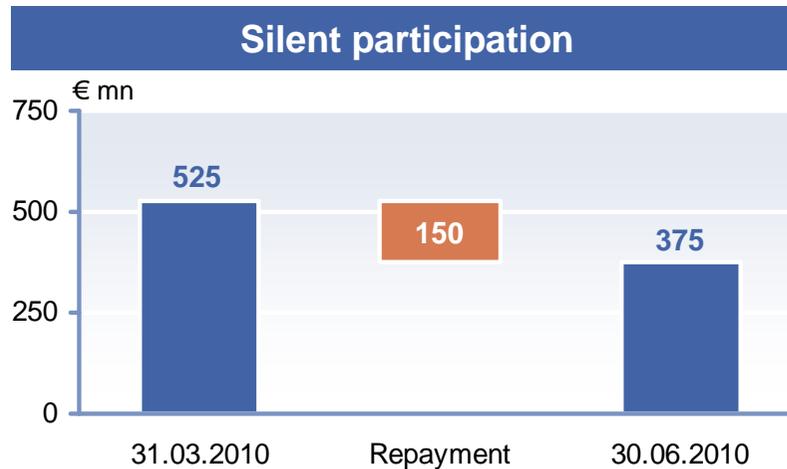
1) Figures adapted



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SoFFin measures:

Demonstration of strength and soundness



- Government guarantee facility**
- Aareal Bank utilised the remaining € 2 bn guarantee facility
 - Bond was taken onto Aareal Banks own books
 - As a purely precautionary measure, this will retain the funding flexibility for the next three years

- Aareal Bank is the first bank to start the repayment of the capital support provided by SoFFin
- First tranche amounts to € 150 mn

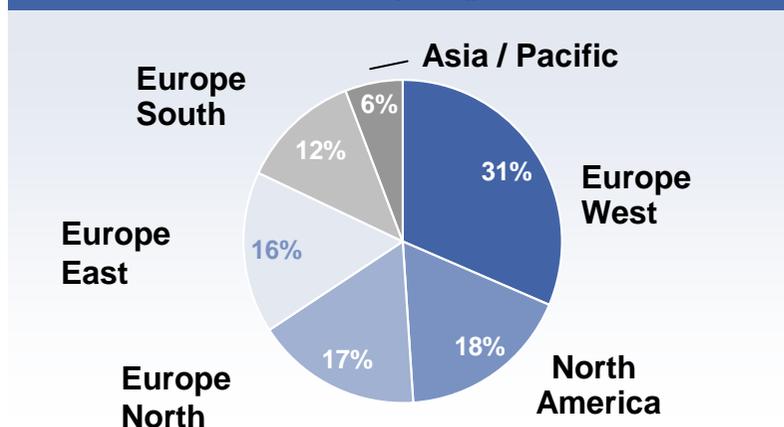
The relief from the repayment of the silent participation will be virtually neutralised by the additional charges for the remaining guarantees



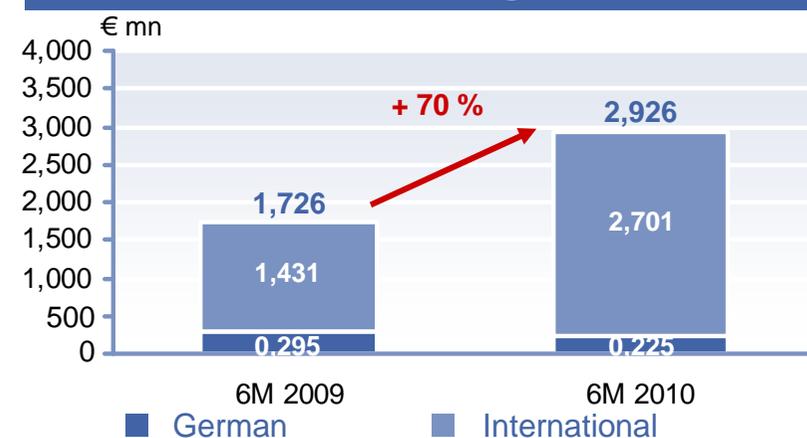
Aareal Bank Group

Structured property financing: Growing new business – LLP in line

New business by region 6M 2010



New business origination



P&L SPF Segment	Q2 '10	Q1 '10	Q4 '09	Q3 '09 ¹⁾	Q2 '09 ¹⁾
€ mn					
Net interest income	111	106	103	99	103
Loan loss provision	33	32	35	36	42
Commission income	1	-4	2	-3	-3
Net trading result	-13	6	3	18	5
Result non-trad. assets	14	0	-3	-3	1
Admin expenses	55	52	42	53	54
Others	0	0	-11	-7	2
Operating profit	25	24	17	15	12

- Cautiously restarting new business origination
 - Preferably loans eligible for Pfandbrief cover pool
- Unchanged focus on portfolio monitoring and active management

1) Figures adapted



Consulting / Services:

Solid in IT & volumes – weak in deposit margins

P&L C/S Segment (industry format)	Q2 '10	Q1 '10	Q4 '09	Q3 '09	Q2 '09
Euro mn					
Sales revenue	48	50	56	50	52
Own work capitalised	1	0	1	0	1
Changes in inventory	0	0	0	0	0
Other operating income	2	1	1	3	2
Cost of material purchased	5	5	6	6	6
Staff expenses	25	26	27	25	27
D, A, impairment losses	4	3	4	4	3
Results at equity acc. investm.	-	0	0	-	-
Other operating expenses	11	11	15	12	12
Results from interest and similar	0	0	0	0	0
Operating profit	6	6	6	6	7
Income taxes	2	2	2	2	3
Segment result	4	4	4	4	4
Segment result attributed to minority interests	0	1	1	0	1
Consolidated retained profit	4	3	3	4	3

▪ IT-Business (Aareon)

- Long term contracts generate stable revenues
- SAP-based product lines suffers from reduced implementation projects as anticipated
- New product line Wodis Sigma with over 250 contracts signed and ~50 running systems

▪ Deposit taking business (Aareal Bank)

- House bank of the German housing sector
- Interest rate environment impacts net interest income (NII)
- Stable deposits of € 4.1 bn



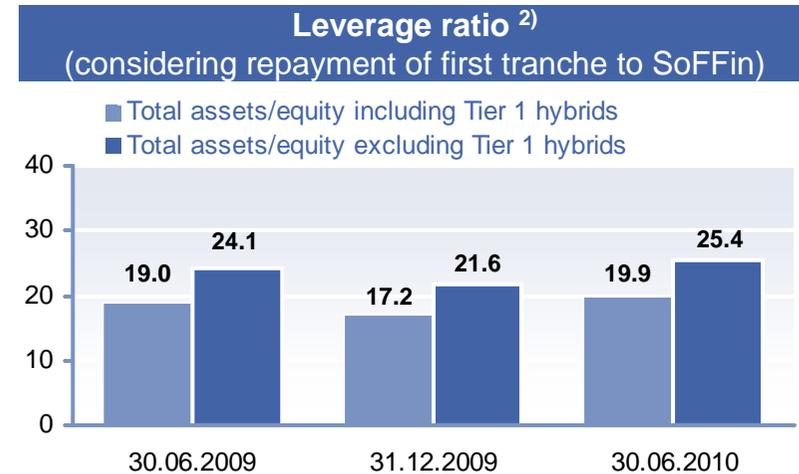
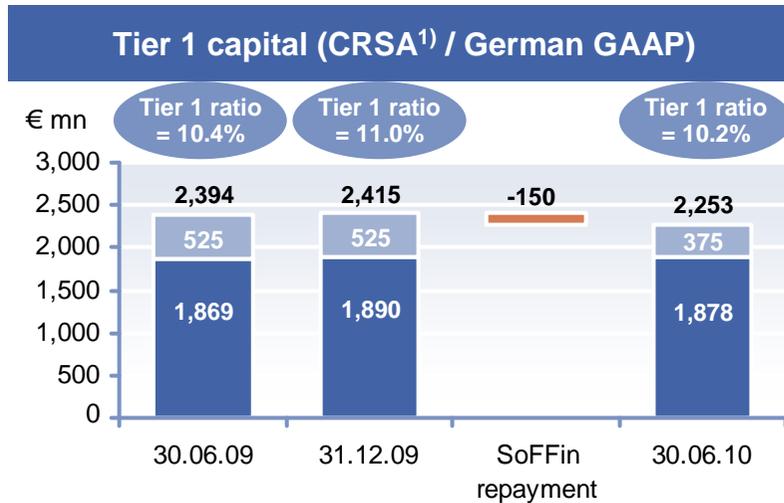
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Group capital and funding position



**Aareal Bank
Group**

Even after repayment of € 150 mn still very comfortable Tier 1 ratio of 10.2% (CRSA)



Composition of Tier 1 capital

	30.06.2010	31.12.2009	30.06.2009
Core Tier 1	1,783	1,945	1,924
<i>Hybrid Tier 1</i>	470	470	470
<i>Hybrid ratio</i>	21%	20%	20%
Total Tier 1	2,253	2,415	2,394

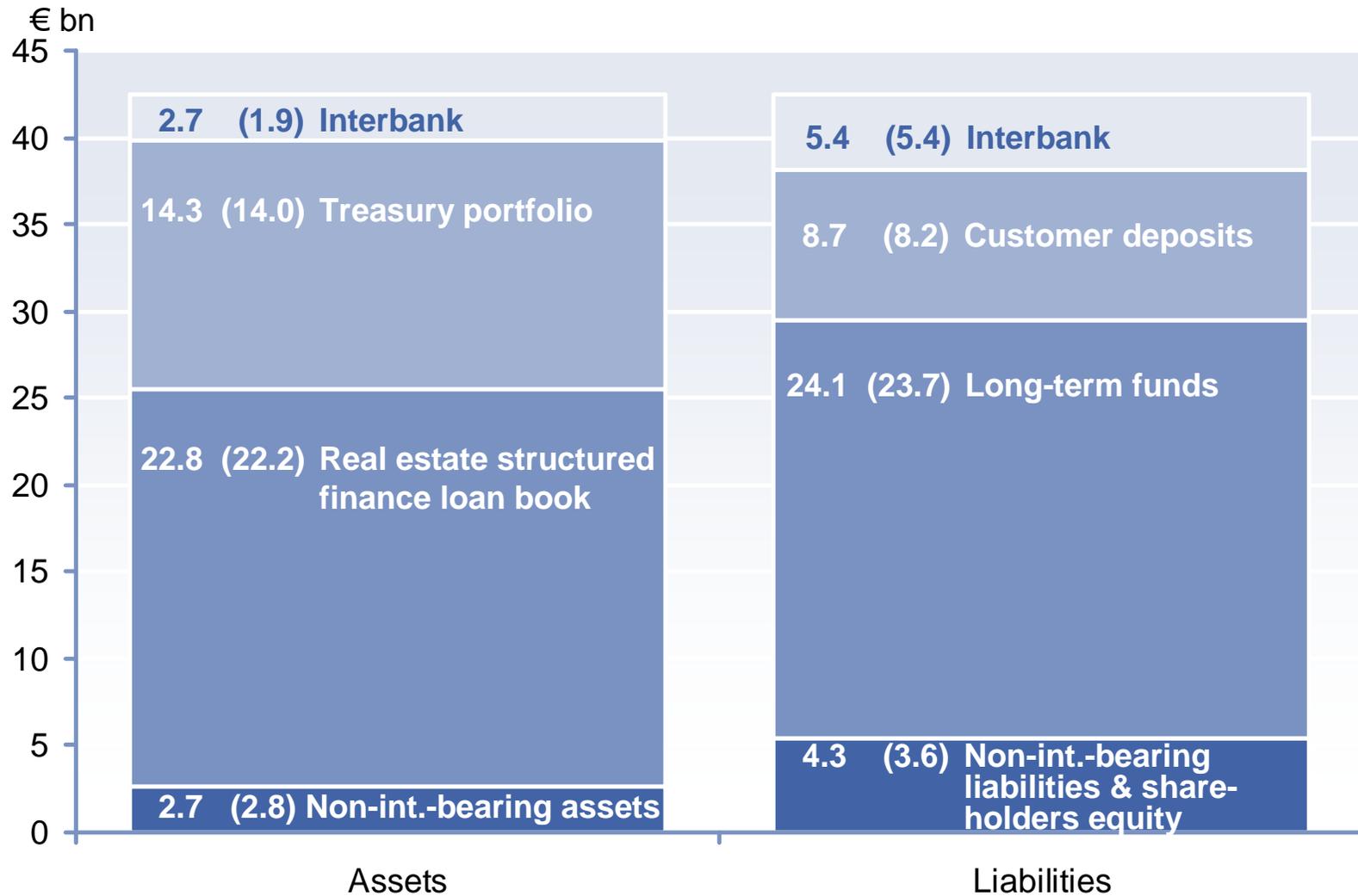
- Tier 1 ratio of 10.2% (CRSA) puts Aareal in a solid position
- Already a very low balance sheet leverage
- No need for future adjustments

1) Credit risk standard approach
2) Gross IFRS numbers (particularly no netting of derivatives)



Asset- / Liability structure according to IFRS

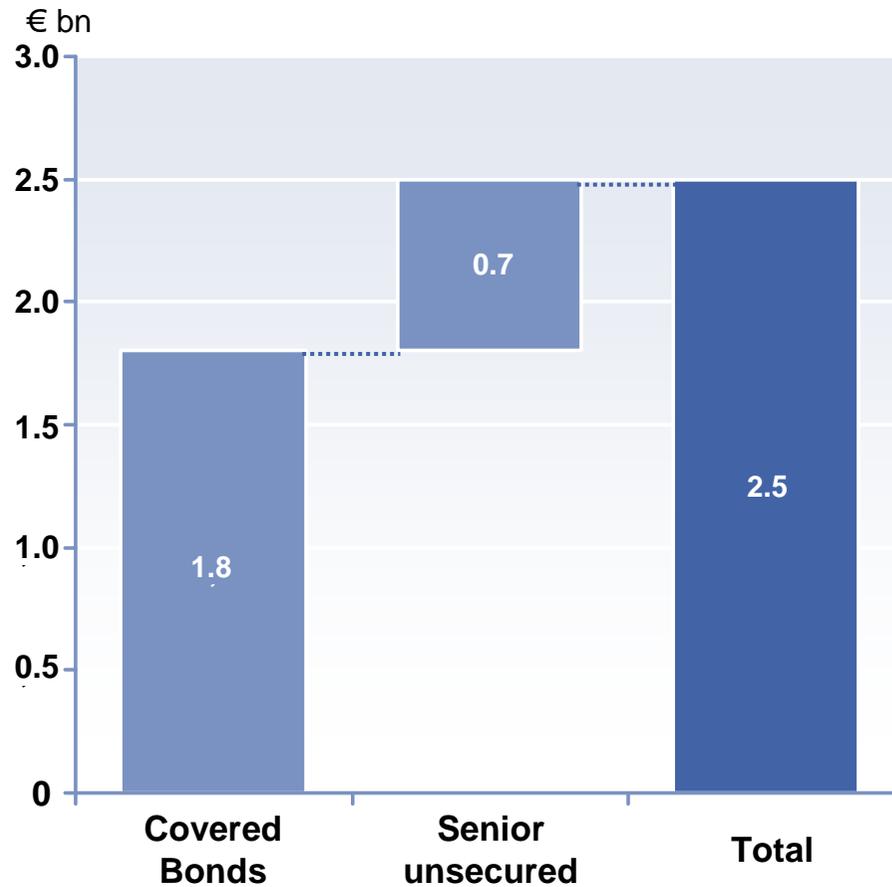
As at 30.06.2010: € 42.5 bn (31.03.2010: € 40.9 bn)



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Refinancing situation

Flexible use of unsecured and secured funding

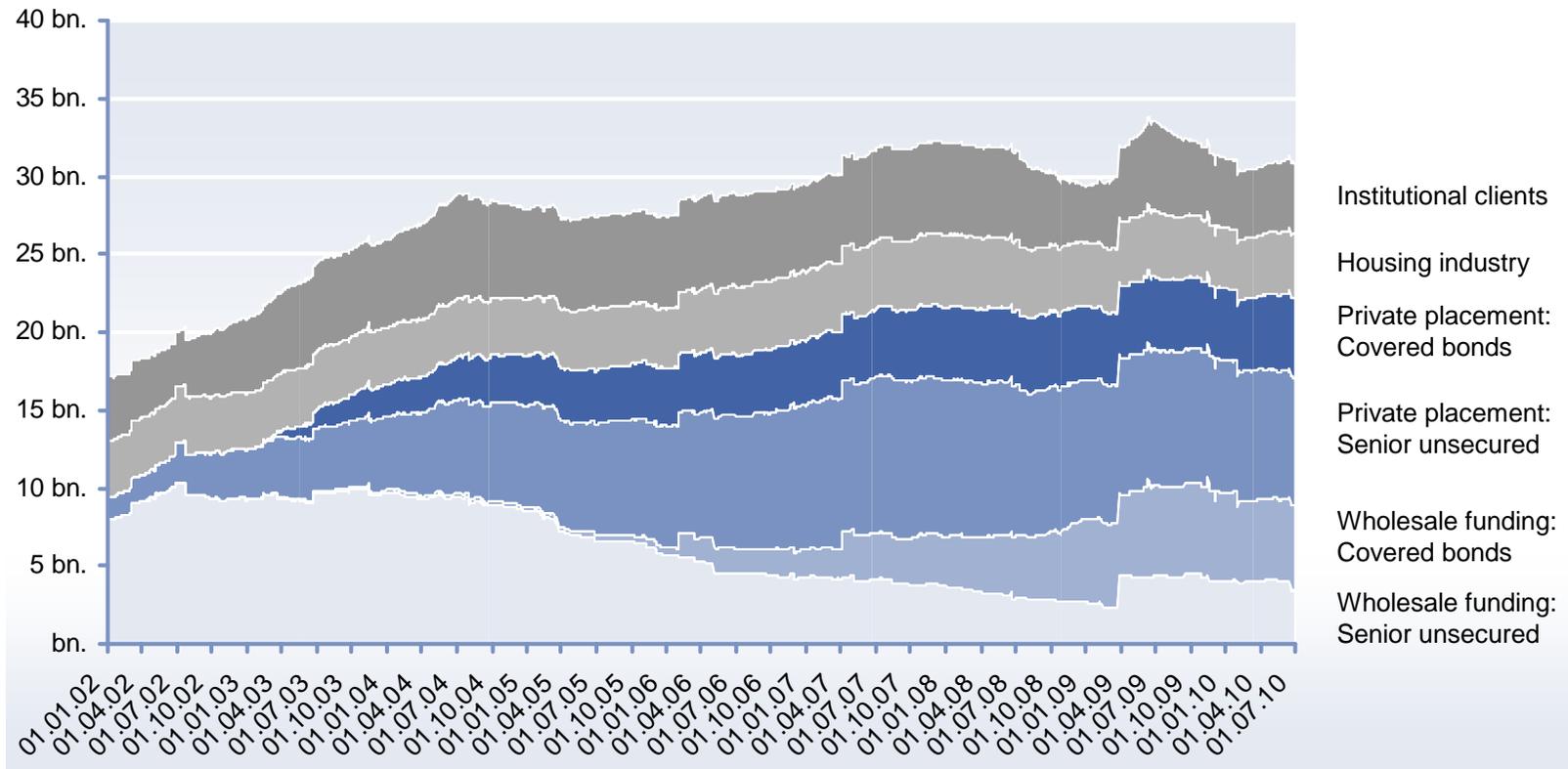


Total funding of € 2.5 bn in H1 2010

- Pfandbriefe (Covered bonds):
 - € 1.8 bn
- Senior unsecured:
 - € 0.7 bn
 - € 2.0 bn SoFFin-Bond 2010 onto own books and therefore not shown



Diversified funding sources and distribution channels



→ Aareal has reduced the significance of wholesale funding within it's funding mix (2002: 48% → 2010: 33%)

As at 30.06.2010

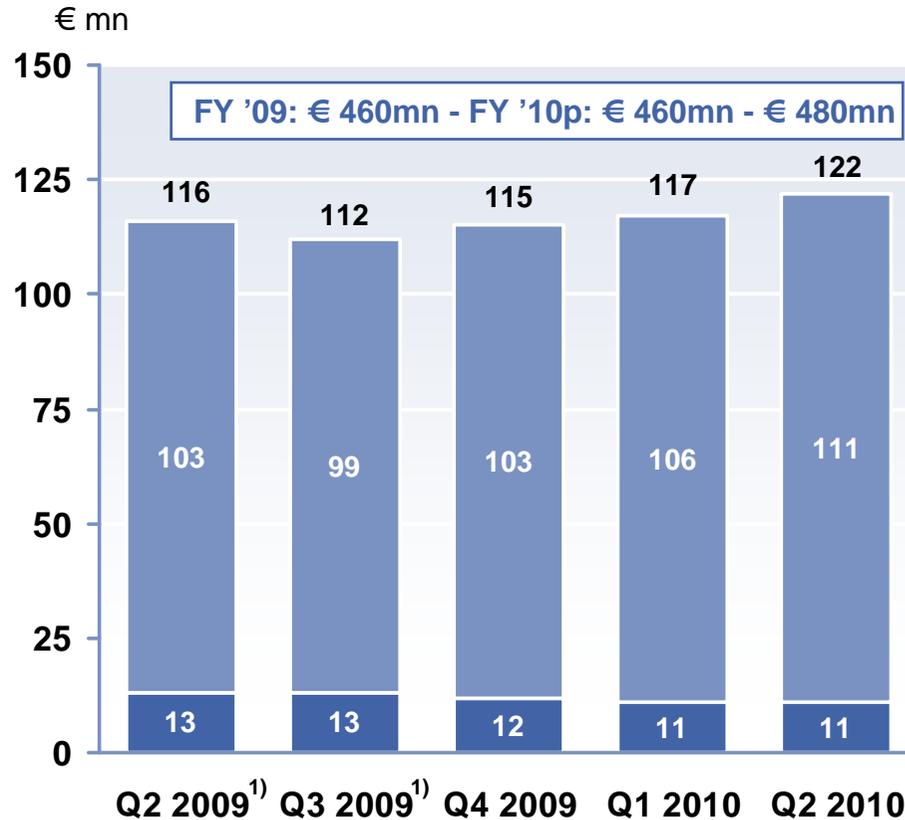


Group figures Q2 2010



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Net interest income: In line with guided range



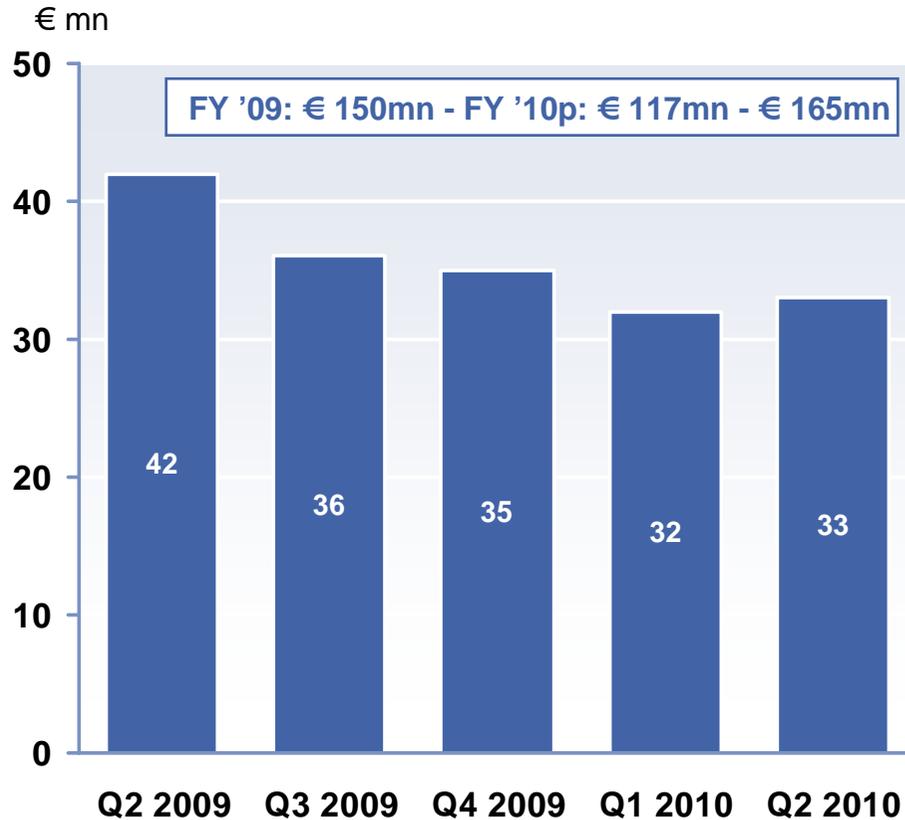
- Net interest income Q2 2010: € 122 mn
- Q2 net interest income influenced by
 - SPF-business: Mainly results of higher margins
 - Consulting / Services: Historically low interest rate level still burdens the deposit taking business
 - € 2 mn Interhotel one-off

■ NII Structured Property Financing
 ■ NII Consulting / Services

1) Figures adapted



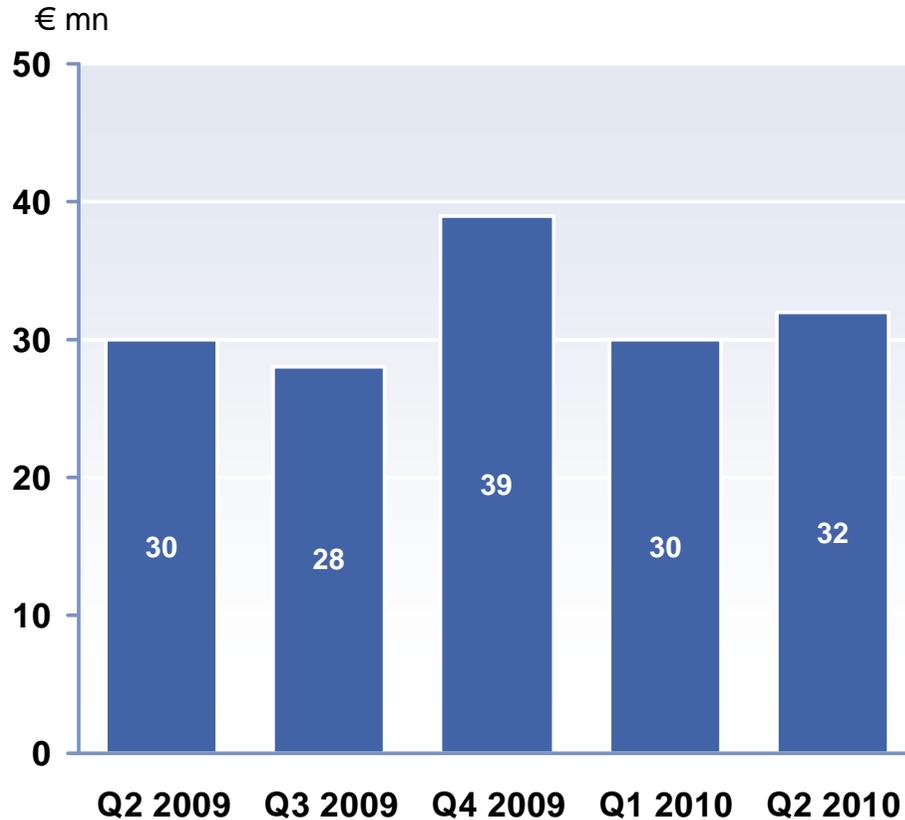
Loan loss provisions: Confirming outlook 2010



- Loan loss provisions stays in the given range for 2010 although they may vary quarter by quarter
- € 33 mn in Q2 reflects the close monitoring and management of our loan portfolio
- € 48 mn General Portfolio LLP still untouched

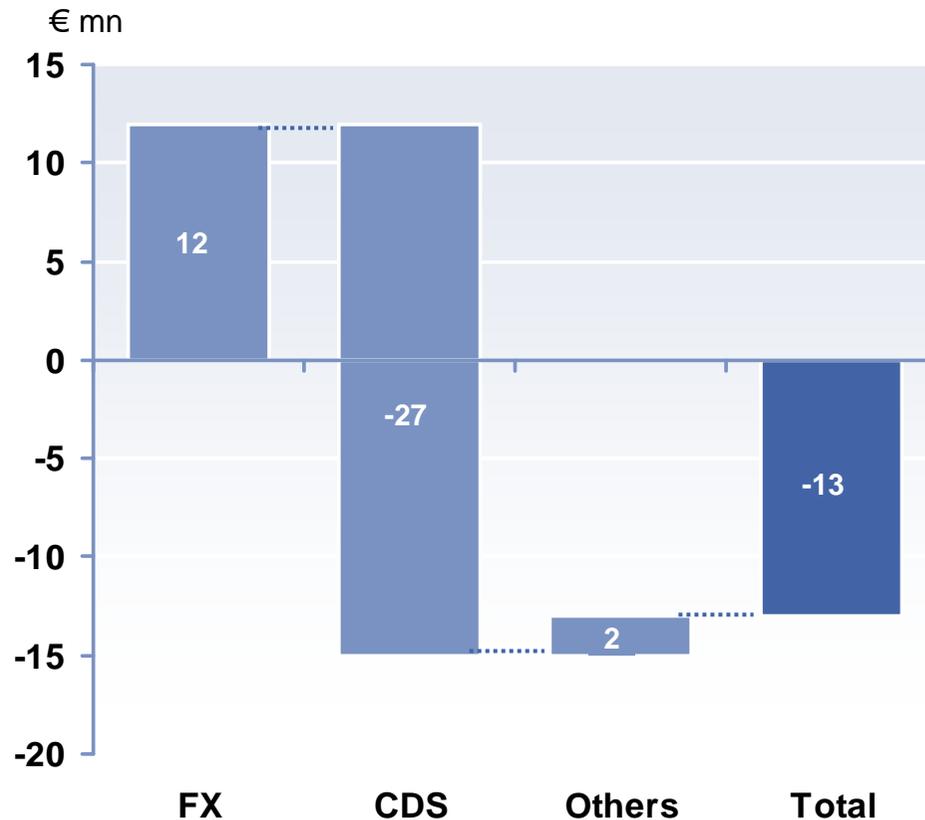
Net commission income:

All quarters shown are impacted by SoFFin guarantee



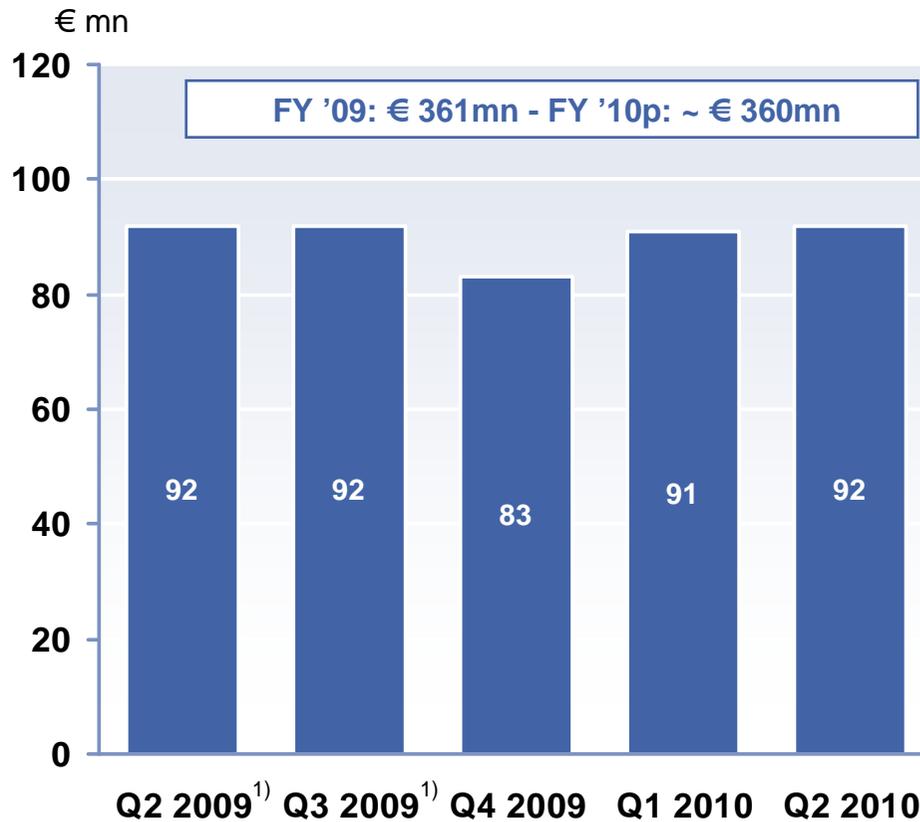
- ~€ 5.5 mn costs for the SoFFin guarantee facility in all quarters shown
- Net commission income of € 32 mn including (or € 37 mn without) costs of the SoFFin guarantee facility in Q2 2010 is a good performance regarding the challenging environment
- Q3 results will be further impacted by the additional SoFFin guarantee facility drawn at the end of Q2 (onto own book)

Net trading income Q2 2010: Reflecting volatile derivative markets



- Significant reduction of the CDS portfolio by swapping exposure to bond holdings
 - Losses realised in Q2 are reflected in the trading income while future fair value changes will be shown in the revaluation reserve / result from non trading assets
- Other results reflecting market volatility

Admin expenses: Strict cost discipline maintained



- Q2 2010-figures with € 92 mn on Q2 2009-level
- Measures to raise efficiency still paying off and keeping the admin expenses continuously stable year on year
- Administrative expenses of € 92 mn in Q2 are within the range for 2010 which is expected to be around the 2009-level

1) Figures adapted



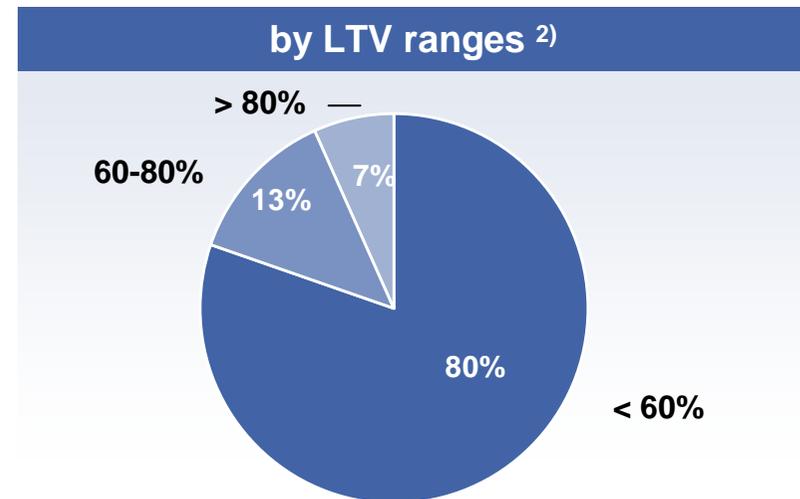
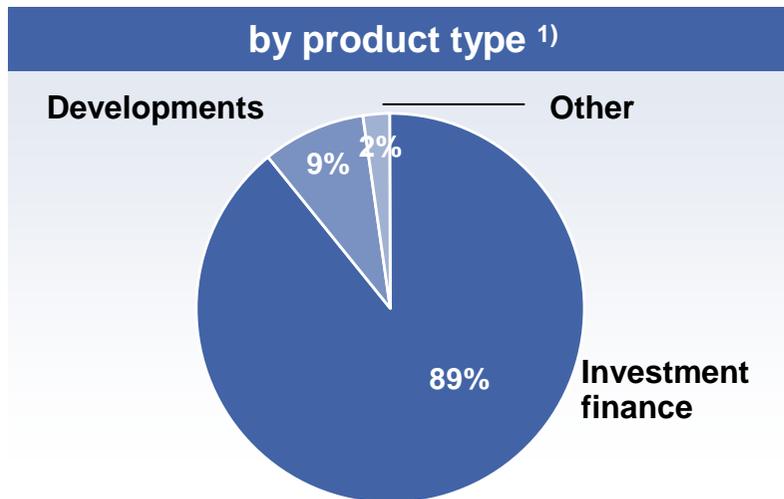
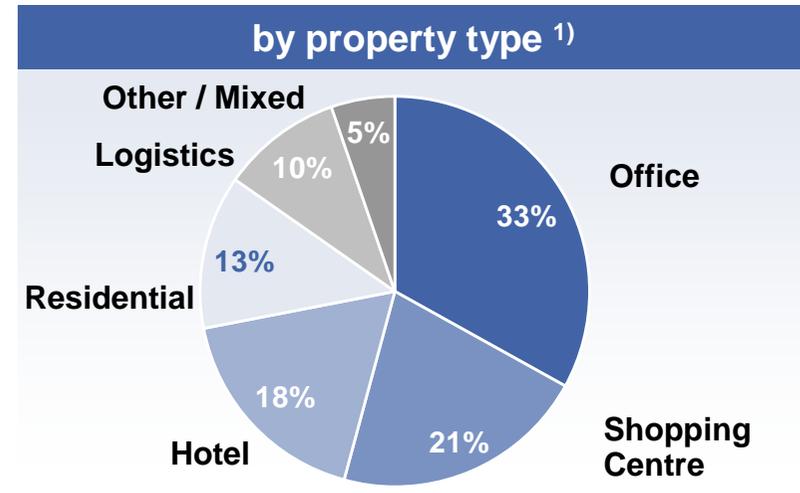
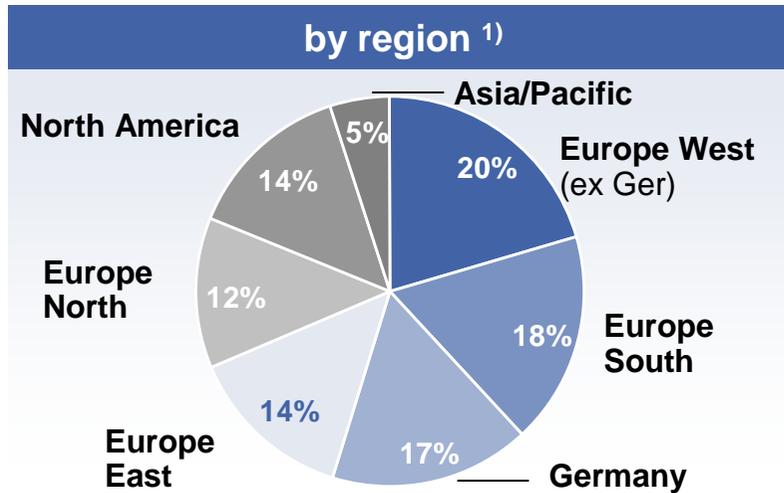
Asset quality



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Total property finance portfolio:

High diversification and sound asset quality



- 1) Total volume under management: € 23.2 bn as at 30.06.2010
 2) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages; values as at 30.06.2010



Total property finance portfolio: NPL-level reflects late cyclical CRE lending business

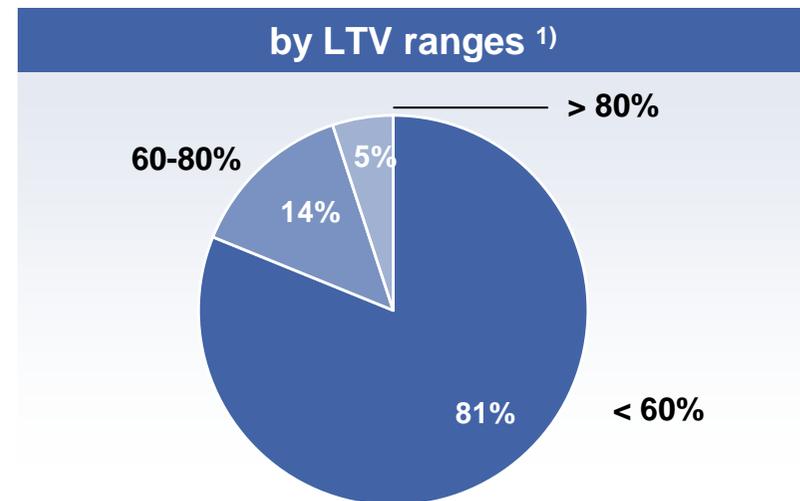
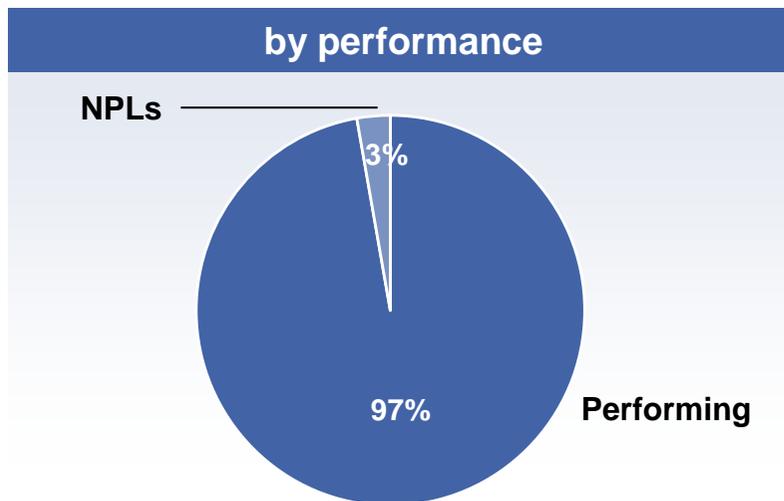
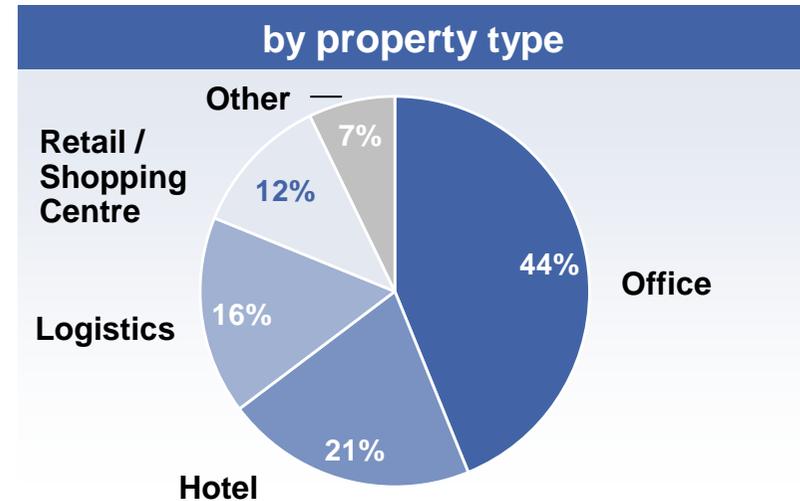
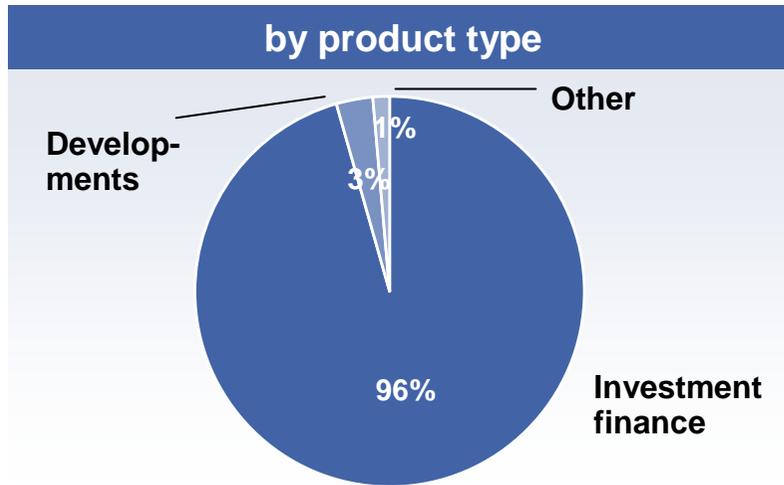
LLP- and NPL development				
	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances	
			General LLP	General Portfolio LLP
Euro mn				
As at 31.12.2009	710	202	52	48
Utilisation 6M	-50	-4	-	-
Addition 6M	235	65	-	-
As at 30.06.2010	895	263	52	48
Coverage ratio specific allowances		29.4 %		
		263	52	
As at 30.06.2010	895	315		
Coverage ratio incl. General LLP		35.2 %		

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



Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 30.06.2010: € 4.7 bn

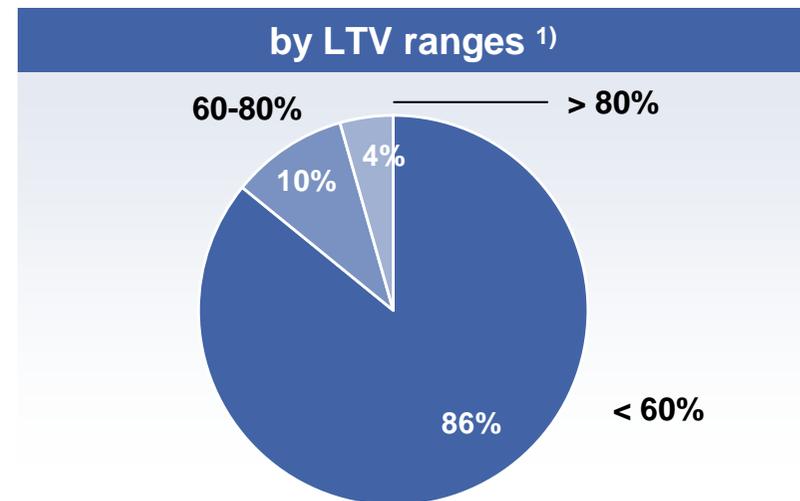
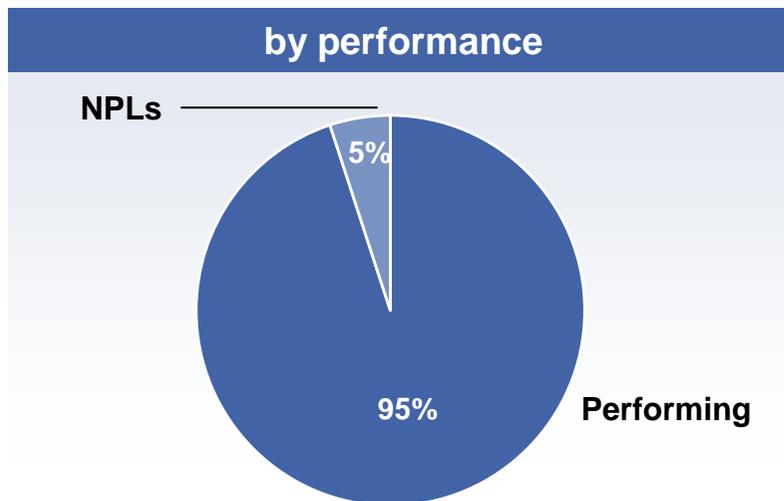
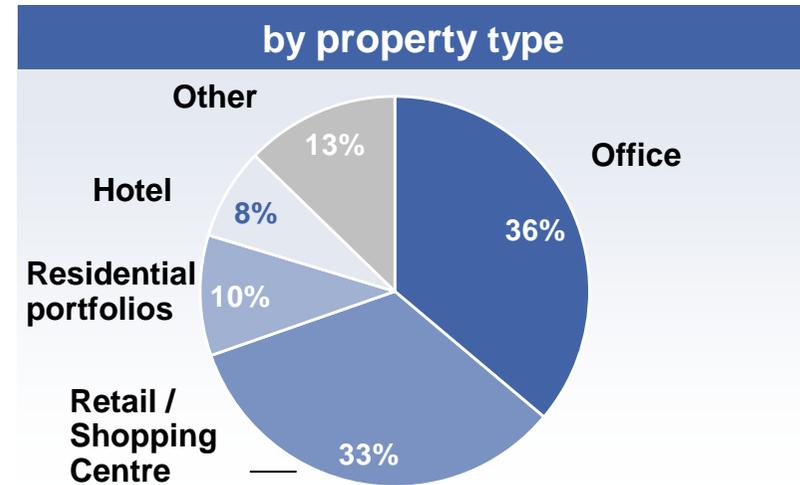
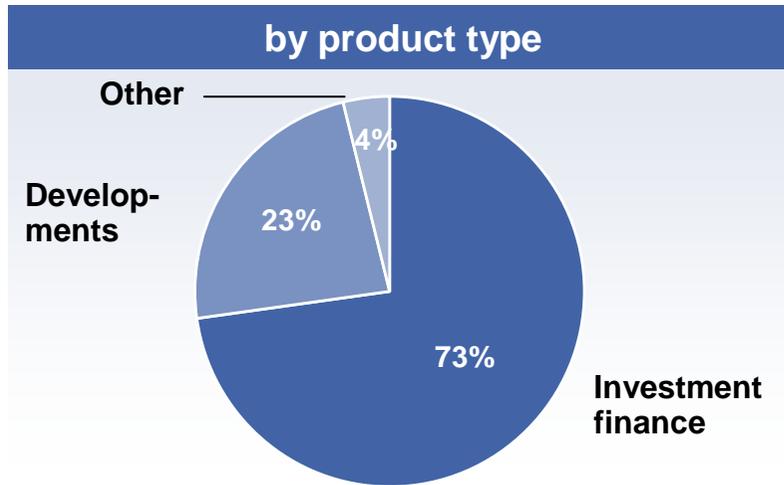


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Southern Europe credit portfolio

Total volume outstanding as at 30.06.2010: € 4.1 bn

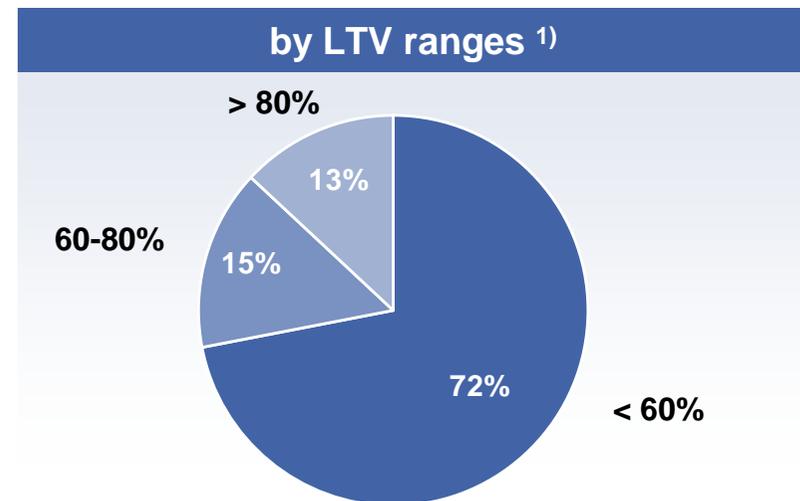
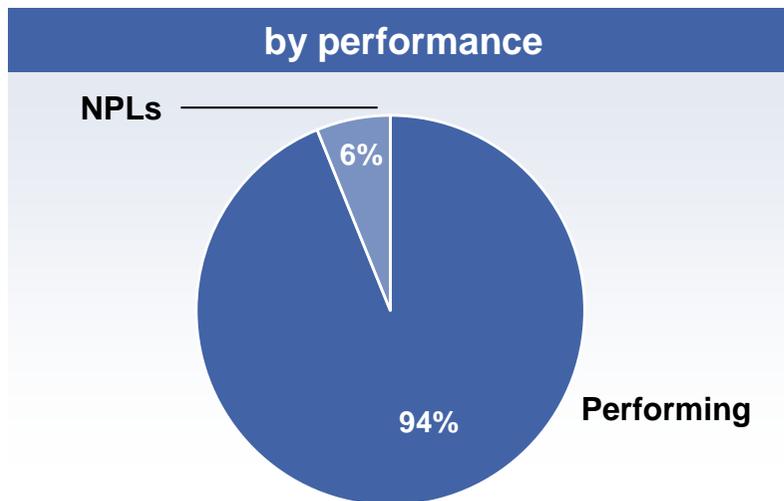
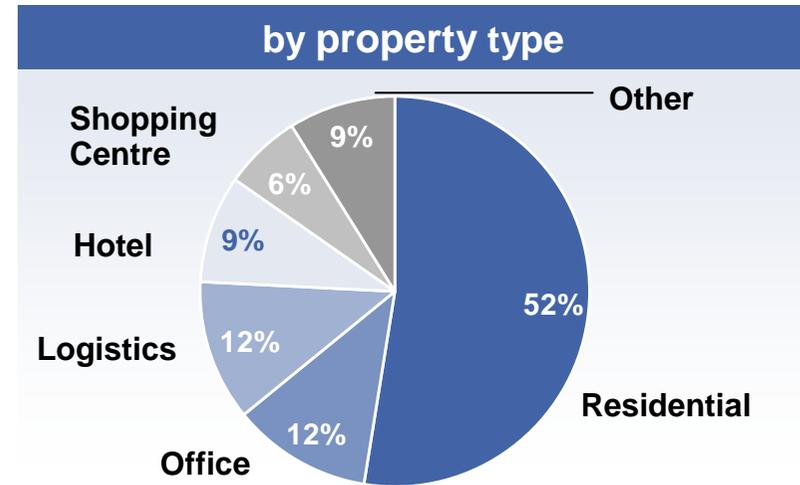
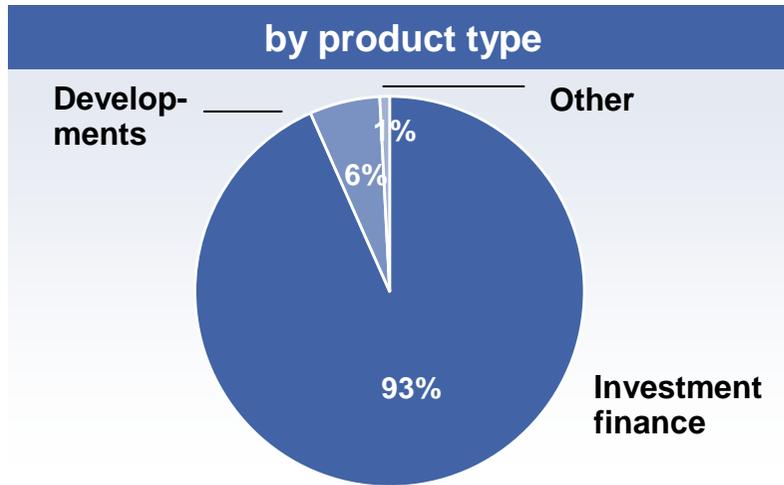


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



German credit portfolio

Total volume outstanding as at 30.06.2010: € 3.9 bn

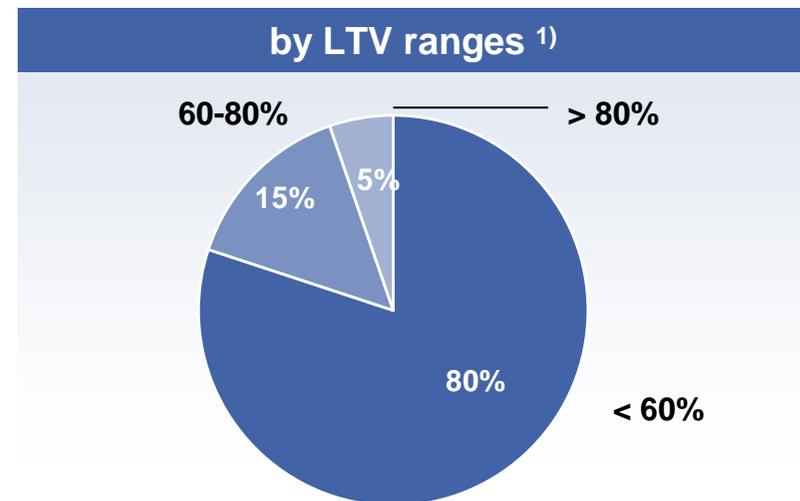
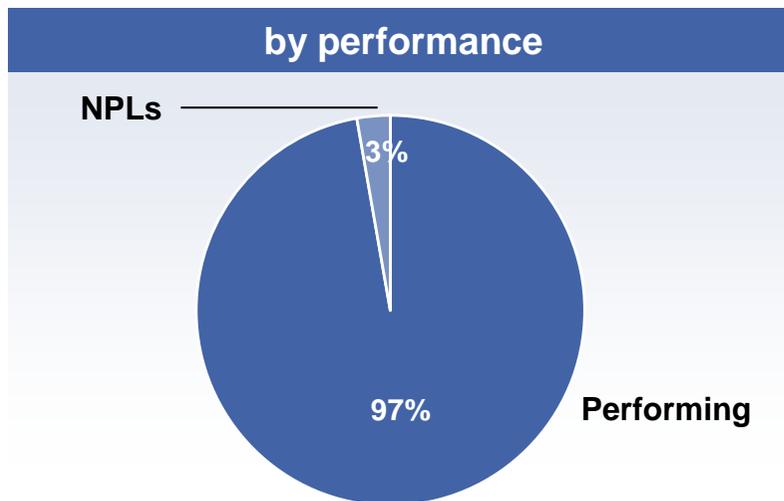
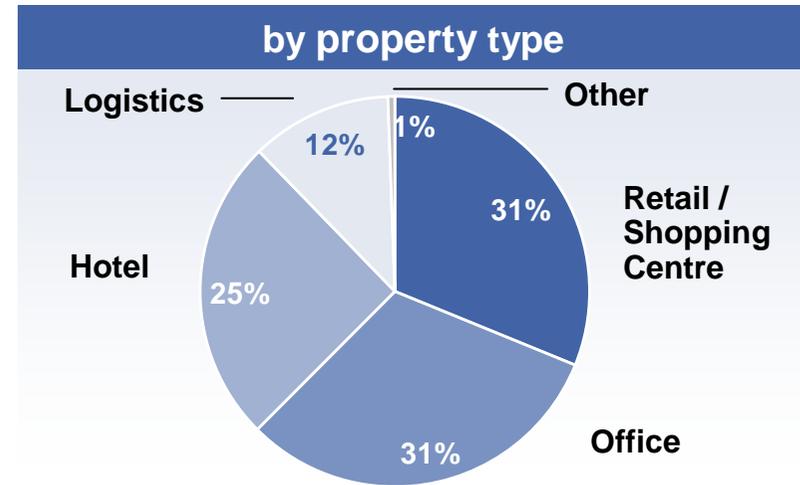
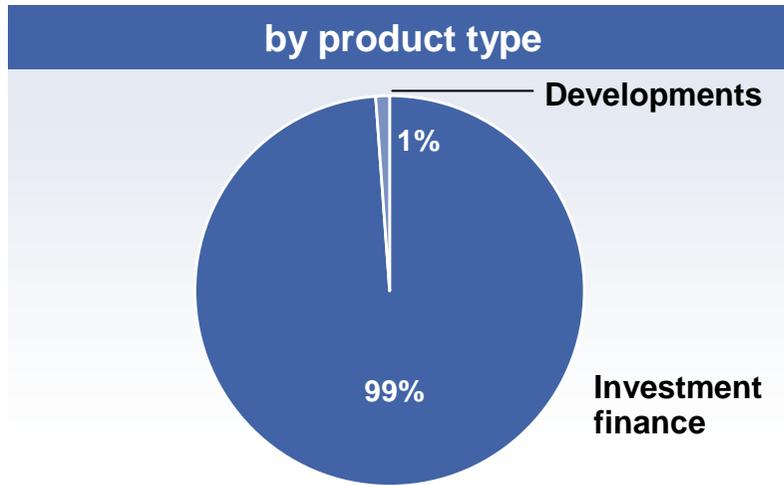


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Eastern Europe credit portfolio

Total volume outstanding as at 30.06.2010: € 3.2 bn

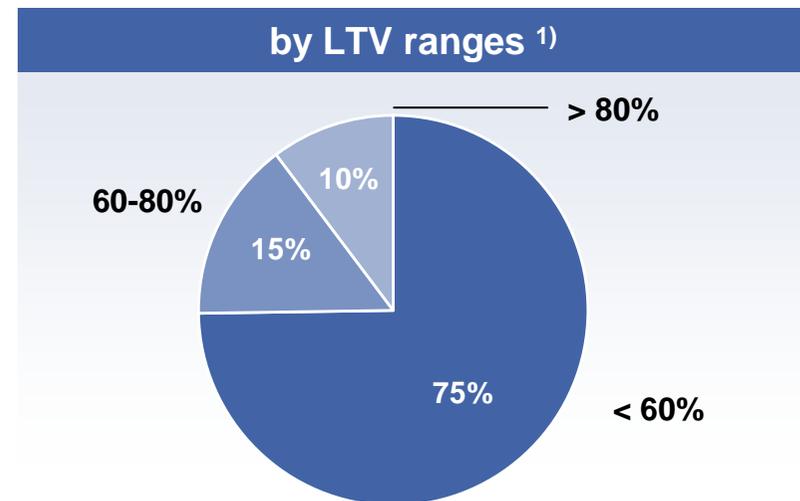
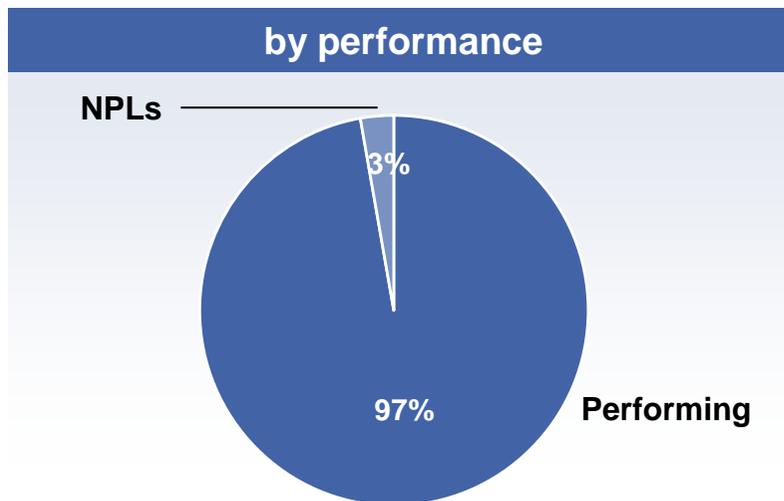
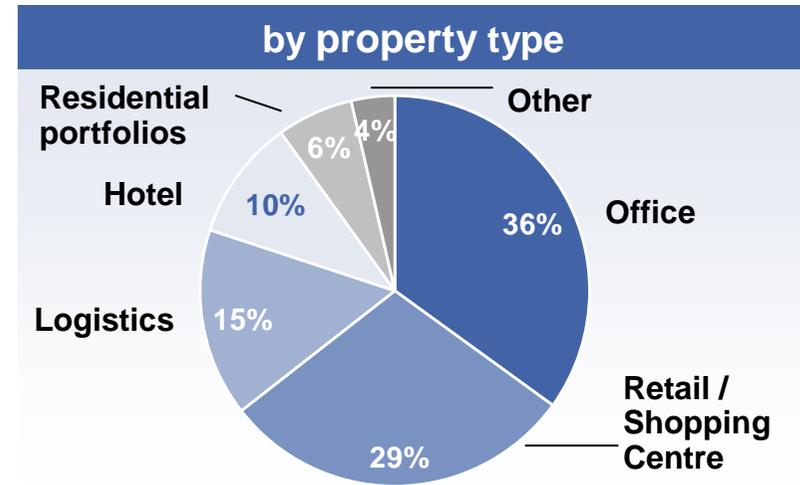
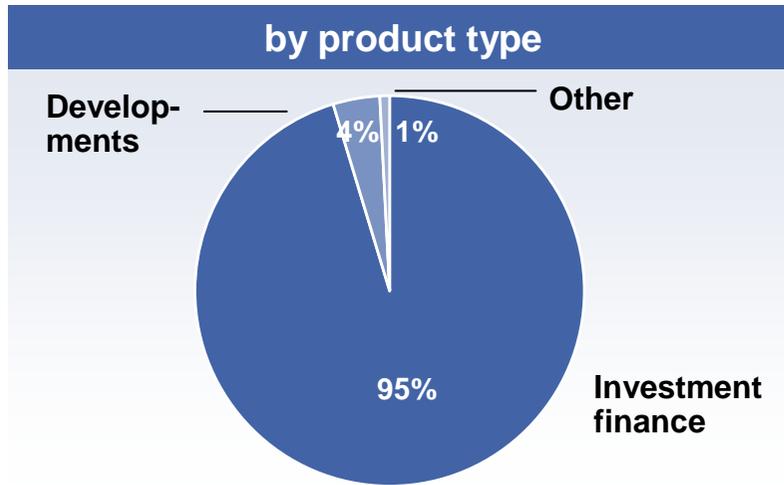


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Northern Europe credit portfolio

Total volume outstanding as at 30.06.2010: € 2.9 bn

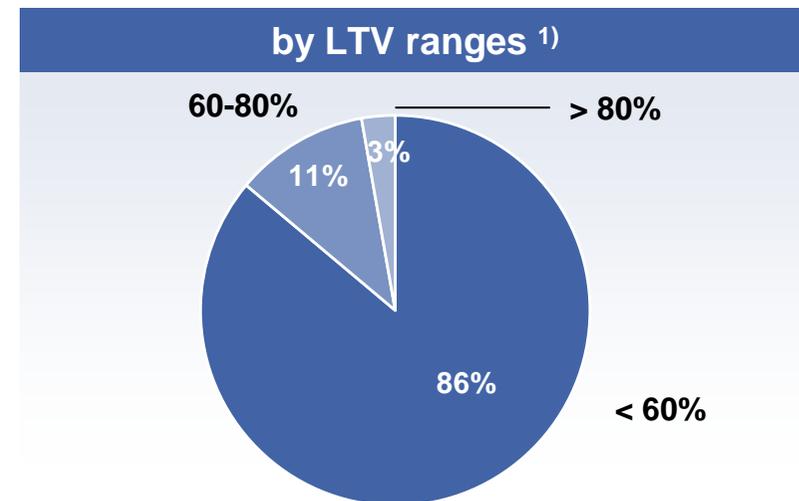
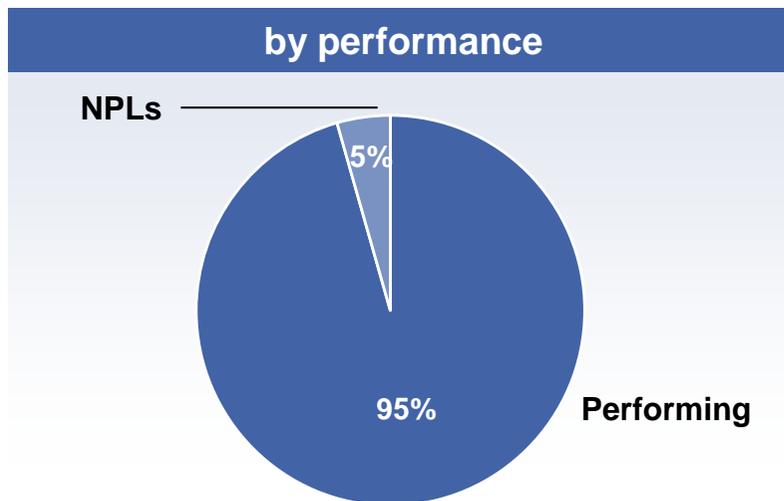
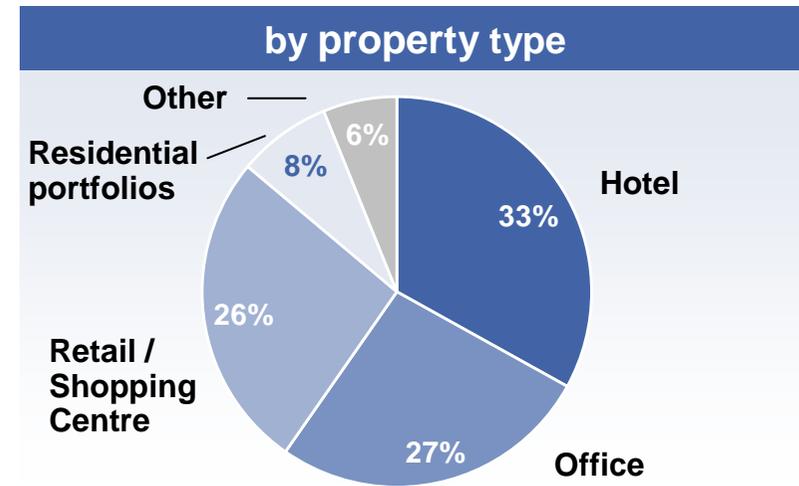
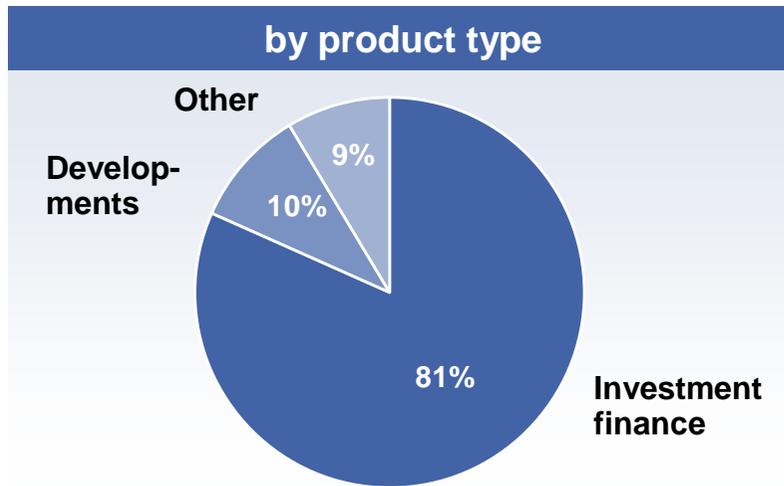


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



North America credit portfolio

Total volume outstanding as at 30.06.2010: € 3.2 bn

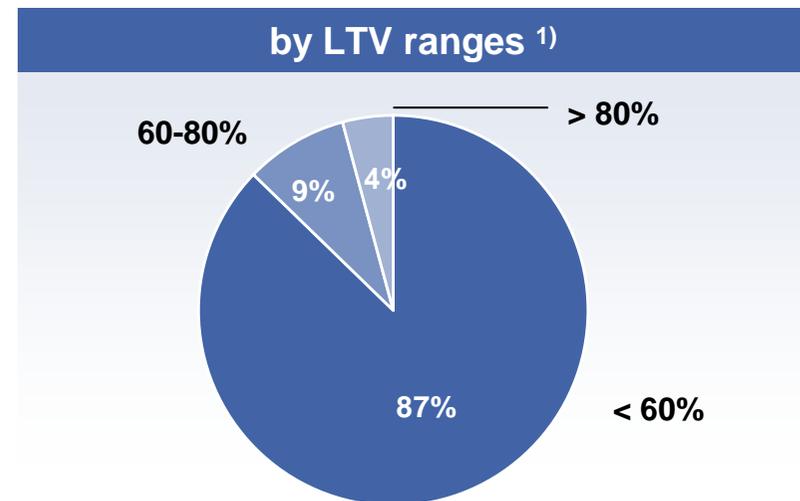
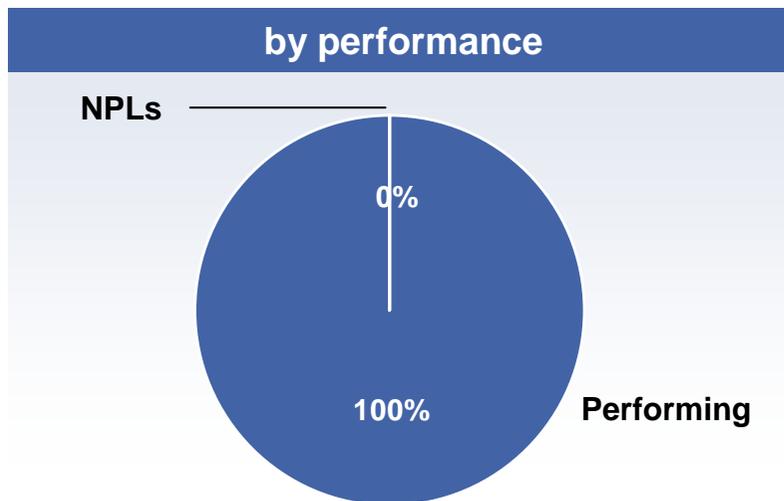
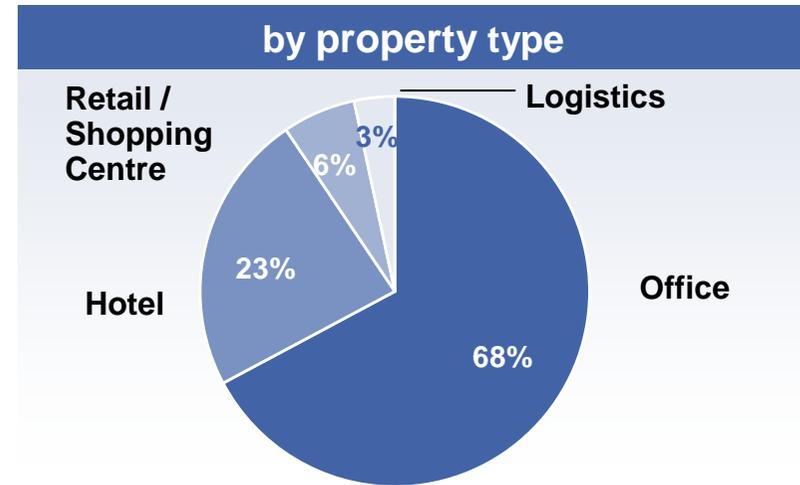
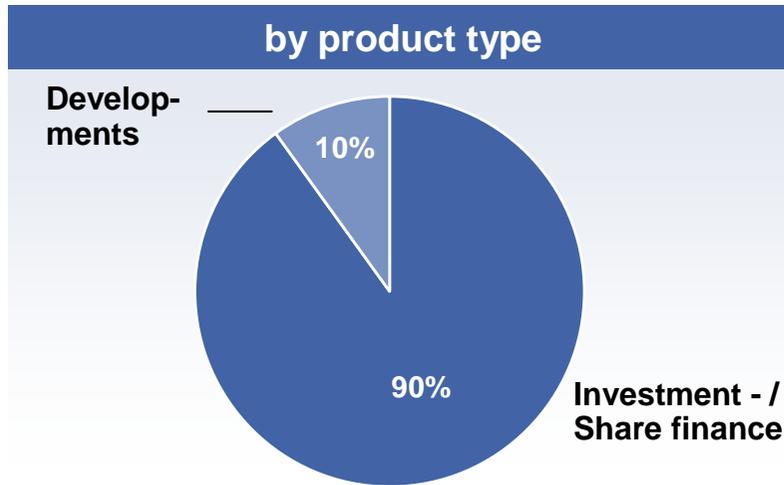


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Asia credit portfolio

Total volume outstanding as at 30.06.2010: € 1.2 bn

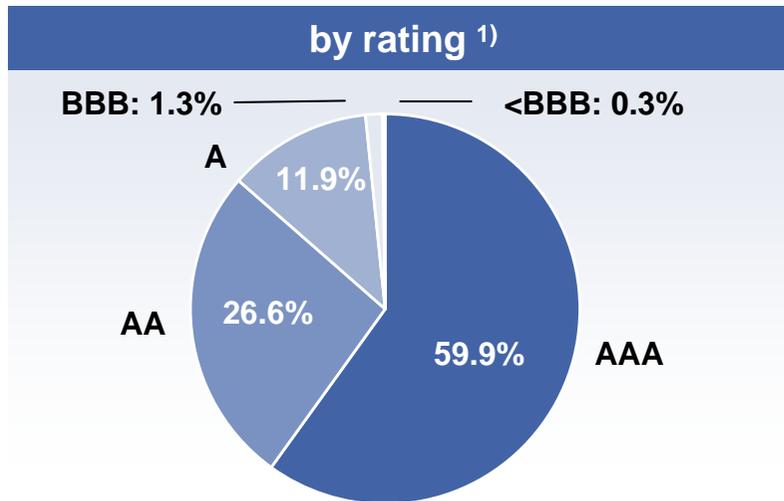
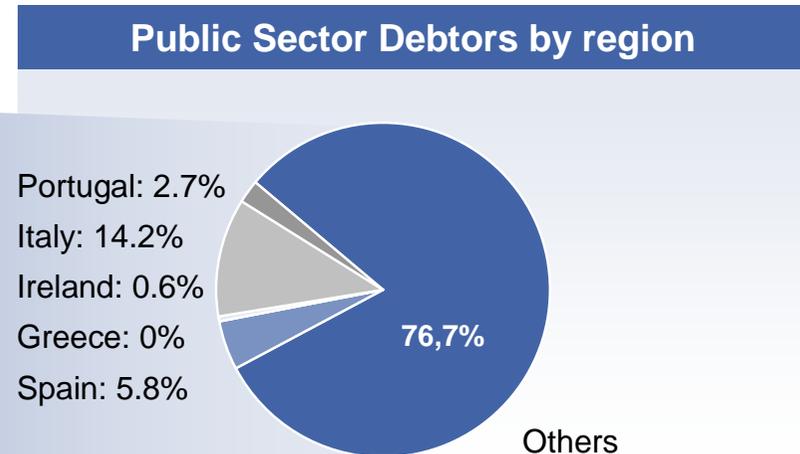
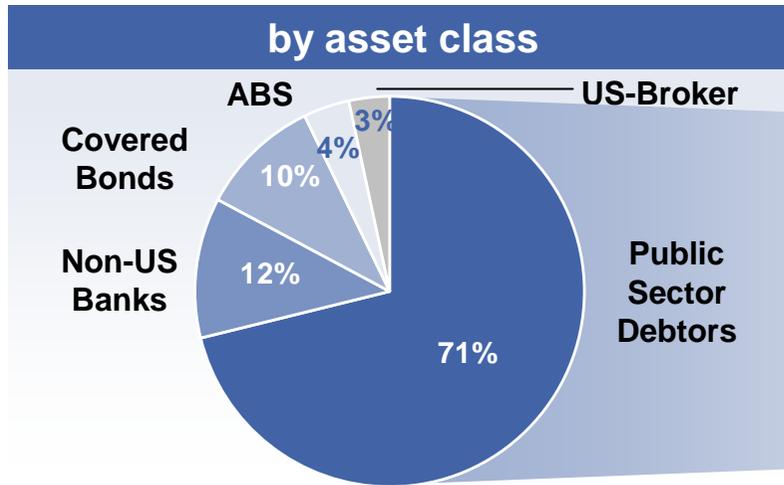


1) Chinese portfolio includes other collateral than mortgages.
Rest of Asia: mortgage collateralised performing business only;
value does not take into account any collateral other than mortgages.



Treasury portfolio

€ 13.1 bn of high quality assets



Others

- Germany: 46.3%
- Austria: 11.1%
- France: 6.0%
- Poland: 4.0%
- Japan: 2.7%
- Supra: 1.9%
- Great Britain: 1.4%
- Hungary: 1.3%
- Netherlands: 0.8%
- Czech Rep.: 0.3%
- Denmark: 0.3%
- Lithuania: 0.3%
- Sweden: 0.3%

As at 30.06.2010 – all figures are nominal amounts
 1) Fitch Rating (or Composite if no Fitch Rating available)



Outlook



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FY outlook 2010 confirmed

2010

Net interest income

- Target expected to improve to € 460 - € 480 mn
- No significant change in interest rate environment assumed

Net loan loss provisions

- Expected to range between € 117 mn to € 165 mn, depending of the extend to which the additional allowance for credit losses of € 48 million will be utilised
- As in 2009, the bank cannot rule out additional allowances for credit losses in 2010

Net trading result / results from non-trading assets

- Unpredictable in current markets / no significant burdens from non-trading assets expected

Admin expenses

- Under control around € 360 mn

Operating profit

- Potential for increasing operating profit despite burden by further SoFFin guarantee facility

Structured Property Financing

New business

- € 4 - 5 bn

Consulting / Services

Operating profit

- Aareon in plan
- Deposit margins burdened by interest environment



Appendix



**Aareal Bank
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Aareal Bank Group

Key figures Q2 2010

	Quarter 2 2010 Euro mn	Quarter 2 2009 ¹⁾ Euro mn	Change
Profit and loss account			
Net interest income	122	116	5,2%
Allowance for credit losses	33	42	-21,4%
Net interest income after allowance for credit losses	89	74	20,3%
Net commission income	32	30	6,7%
Net result on hedge accounting	2	-	-
Net trading income / expenses	-13	5	-
Results from non-trading assets	14	1	-
Results from companies accounted for at equity	5	-	-
Results from investment properties	0	0	-
Administrative expenses	92	92	0,0%
Net other operating income / expenses	-6	1	-
Impairment of goodwill	-	-	-
Operating Profit	31	19	63,2%
Income taxes	9	2	350,0%
Net income / loss	22	17	29,4%
Allocation of results			
Net income / loss attributable to non-controlling interests	4	5	-20,0%
Net income / loss attributable to shareholders of Aareal Bank AG	18	12	50,0%
Appropriation of profits			
Silent partnership contribution by SoFFin	9	9	-
Consolidated retained profit / accumulated loss	9	3	200,0%

1) Figures adapted



Aareal Bank Group: Segment Reporting

Key figures Q2 2010

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	01.04.- 30.06. 2010	01.04.- 30.06. 2009 ¹⁾	01.04.- 30.06. 2010	01.04.- 30.06. 2009	01.04.- 30.06. 2010	01.04.- 30.06. 2009	01.04.- 30.06. 2010	01.04.- 30.06. 2009 ¹⁾
	Euro mn							
Net interest income	111	103	0	0	11	13	122	116
Allowance for credit losses	33	42					33	42
Net interest income after allowance for credit losses	78	61	0	0	11	13	89	74
Net commission income	1	-3	43	46	-12	-13	32	30
Net result on hedge accounting	2	0					2	0
Net trading income / expenses	-13	5					-13	5
Results from non-trading assets	14	1	0	0			14	1
Results from companies accounted for at equity	5						5	
Results from investment properties	0	0					0	0
Administrative expenses	55	54	38	39	-1	-1	92	92
Net other operating income / expenses	-7	2	1	0	0	-1	-6	1
Impairment of goodwill								
Operating profit	25	12	6	7	0	0	31	19
Income taxes	7	-1	2	3			9	2
Net income / loss	18	13	4	4	0	0	22	17
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	0	1			4	5
Net income / loss attributable to shareholders of Aareal Bank AG	14	9	4	3	0	0	18	12
Allocated equity	1,478	1,281	73	61	401	320	1,952	1,662
Cost/income ratio in %	47.5	49.8	87.4	86.0			58.4	60.7
RoE after taxes in % ²⁾	3.8	2.8	20.0	22.2			3.6	3.0

1) Figures adapted

2) On an annualised basis



Aareal Bank Group

Key figures H1 2010

	01.01.- 30.06.2010 Euro mn	01.01.- 30.06.2009 ¹⁾ Euro mn	Change
Profit and loss account			
Net interest income	239	233	2,6%
Allowance for credit losses	65	79	-17,7%
Net interest income after allowance for credit losses	174	154	13,0%
Net commission income	62	66	-6,1%
Net result on hedge accounting	4	1	300,0%
Net trading income / expenses	-7	23	-
Results from non-trading assets	14	-16	-
Results from companies accounted for at equity	5	-	-
Results from investment properties	0	0	-
Administrative expenses	183	186	-1,6%
Net other operating income / expenses	-8	1	-
Impairment of goodwill	0	-	-
Operating Profit	61	43	41,9%
Income taxes	18	10	80,0%
Net income / loss	43	33	30,3%
Allocation of results			
Net income / loss attributable to non-controlling interests	9	9	0,0%
Net income / loss attributable to shareholders of Aareal Bank AG	34	24	41,7%
Appropriation of profits			
Silent partnership contribution by SoFFin	17	9	88,9%
Consolidated retained profit / accumulated loss	17	15	13,3%

1) Figures adapted



Aareal Bank Group: Segment Reporting

Key figures H1 2010

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	01.01.- 30.06. 2010	01.01.- 30.06. 2009 ¹⁾	01.01.- 30.06. 2010	01.01.- 30.06. 2009	01.01.- 30.06. 2010	01.01.- 30.06. 2009	01.01.- 30.06. 2010	01.01.- 30.06. 2009 ¹⁾
	Euro mn							
Net interest income	217	208	0	0	22	25	239	233
Allowance for credit losses	65	79					65	79
Net interest income after allowance for credit losses	152	129	0	0	22	25	174	154
Net commission income	-3	2	88	90	-23	-26	62	66
Net result on hedge accounting	4	1					4	1
Net trading income / expenses	-7	23					-7	23
Results from non-trading assets	14	-16	0	0			14	-16
Results from companies accounted for at equity	5						5	
Results from investment properties	0	0					0	0
Administrative expenses	107	106	77	82	-1	-2	183	186
Net other operating income / expenses	-9	2	1	0	0	-1	-8	1
Impairment of goodwill	0						0	
Operating profit	49	35	12	8	0	0	61	43
Income taxes	14	7	4	3			18	10
Net income / loss	35	28	8	5	0	0	43	33
Allocation of results								
Net income / loss attributable to non-controlling interests	8	8	1	1			9	9
Net income / loss attributable to shareholders of Aareal Bank AG	27	20	7	4	0	0	34	24
Allocated equity	1,478	1,281	73	61	401	320	1,952	1,662
Cost/income ratio in %	48.2	47.9	86.5	91.5			59.0	60.5
RoE after taxes in % ²⁾	3.7	3.2	18.0	13.2			3.4	2.9

- 1) Figures adapted
2) On an annualised basis



Aareal Bank Group: Segment Reporting

Key figures - quarter by quarter

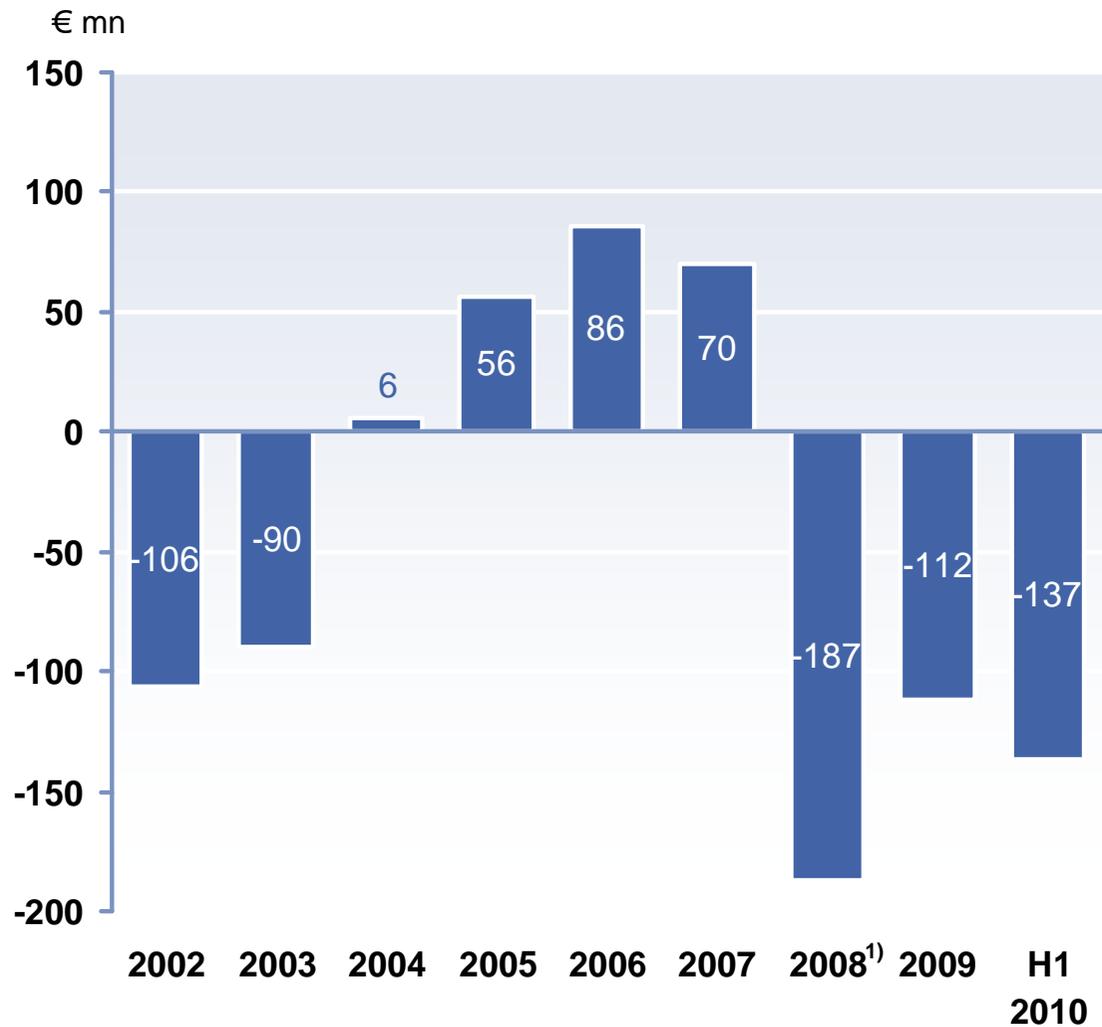
	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation / Other					Aareal Bank Group				
	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2
	2010	2010	2009	2009 ¹⁾	2009 ¹⁾	2010	2010	2009	2009	2009	2010	2010	2009	2009	2009	2010	2010	2009	2009 ¹⁾	2009 ¹⁾
Euro mn																				
Net interest income	111	106	103	99	103	0	0	0	0	0	11	11	12	13	13	122	117	115	112	116
Allowance for credit losses	33	32	35	36	42											33	32	35	36	42
Net interest income after allowance for credit losses	78	74	68	63	61	0	0	0	0	0	11	11	12	13	13	89	85	80	76	74
Net commission income	1	-4	2	-3	-3	43	45	50	44	46	-12	-11	-13	-13	-13	32	30	39	28	30
Net result on hedge accounting	2	2	1	-4	0											2	2	1	-4	0
Net trading income / expenses	-13	6	3	18	5											-13	6	3	18	5
Results from non-trading assets	14	0	-3	-3	1	0		0	0	0						14	0	-3	-3	1
Results from companies accounted for at equity	5		1					0								5		1		
Results from investment properties	0	0	-1	1	0											0	0	-1	1	0
Administrative expenses	55	52	42	53	54	38	39	42	39	39	-1	0	-1	0	-1	92	91	83	92	92
Net other operating income / expenses	-7	-2	-10	-4	2	1	0	-2	1	0	0	0	0	0	-1	-6	-2	-12	-3	1
Impairment of goodwill		0	2				0	0	0								0	2	0	
Operating profit	25	24	17	15	12	6	6	6	6	7	0	0	0	0	0	31	30	23	21	19
Income taxes	7	7	3	3	-1	2	2	2	2	3						9	9	5	5	2
Net income / loss	18	17	14	12	13	4	4	4	4	4	0	0	0	0	0	22	21	18	16	17
Allocation of results																				
Net income / loss attributable to non-controlling interests	4	4	4	4	4	0	1	1	0	1						4	5	5	4	5
Net income / loss attributable to shareholders of Aareal Bank AG	14	13	10	8	9	4	3	3	4	3	0	0	0	0	0	18	16	13	12	12

1) Figures adapted



Revaluation reserve:

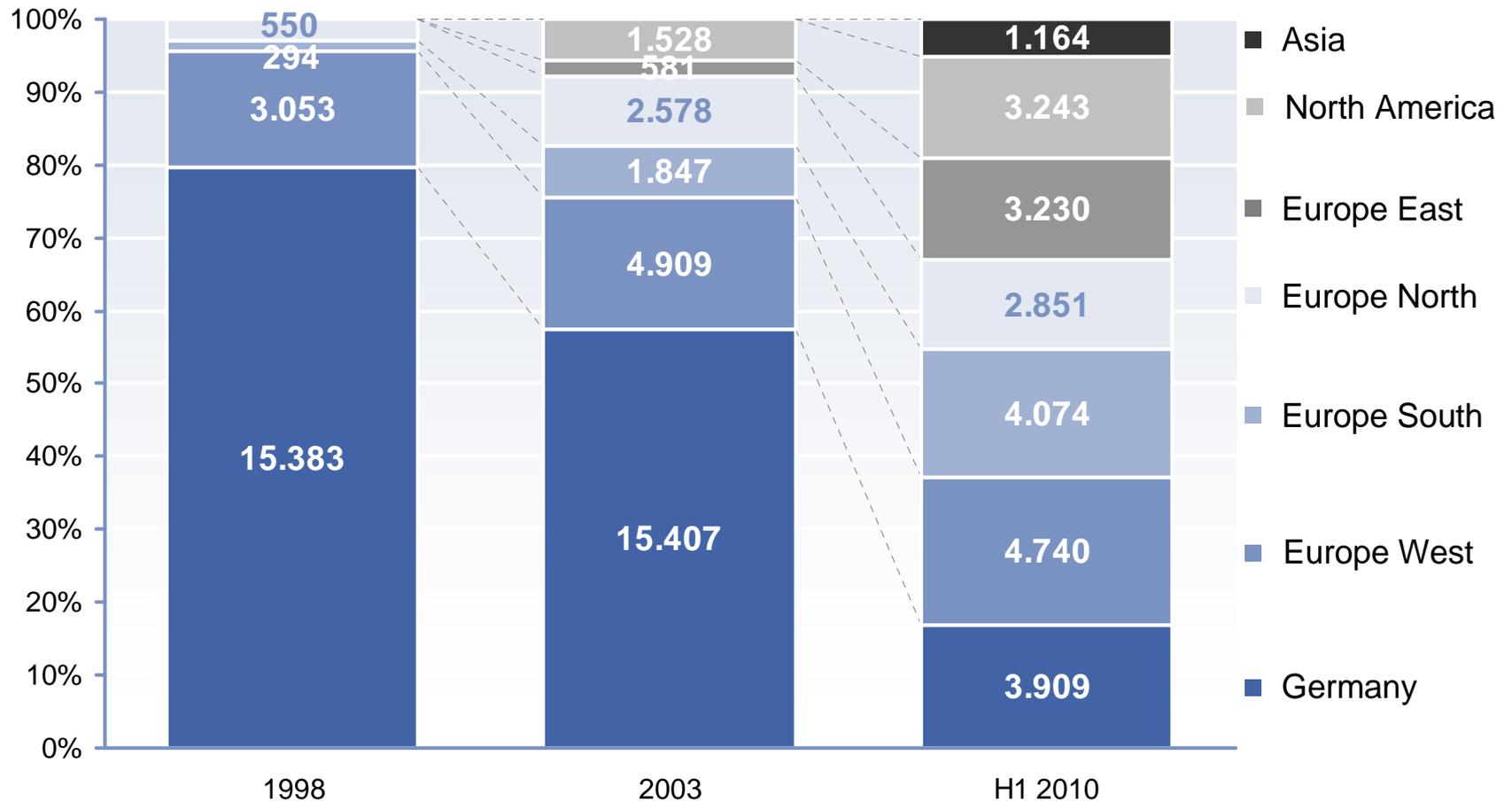
Change mainly driven by asset spreads



1) Figures adapted



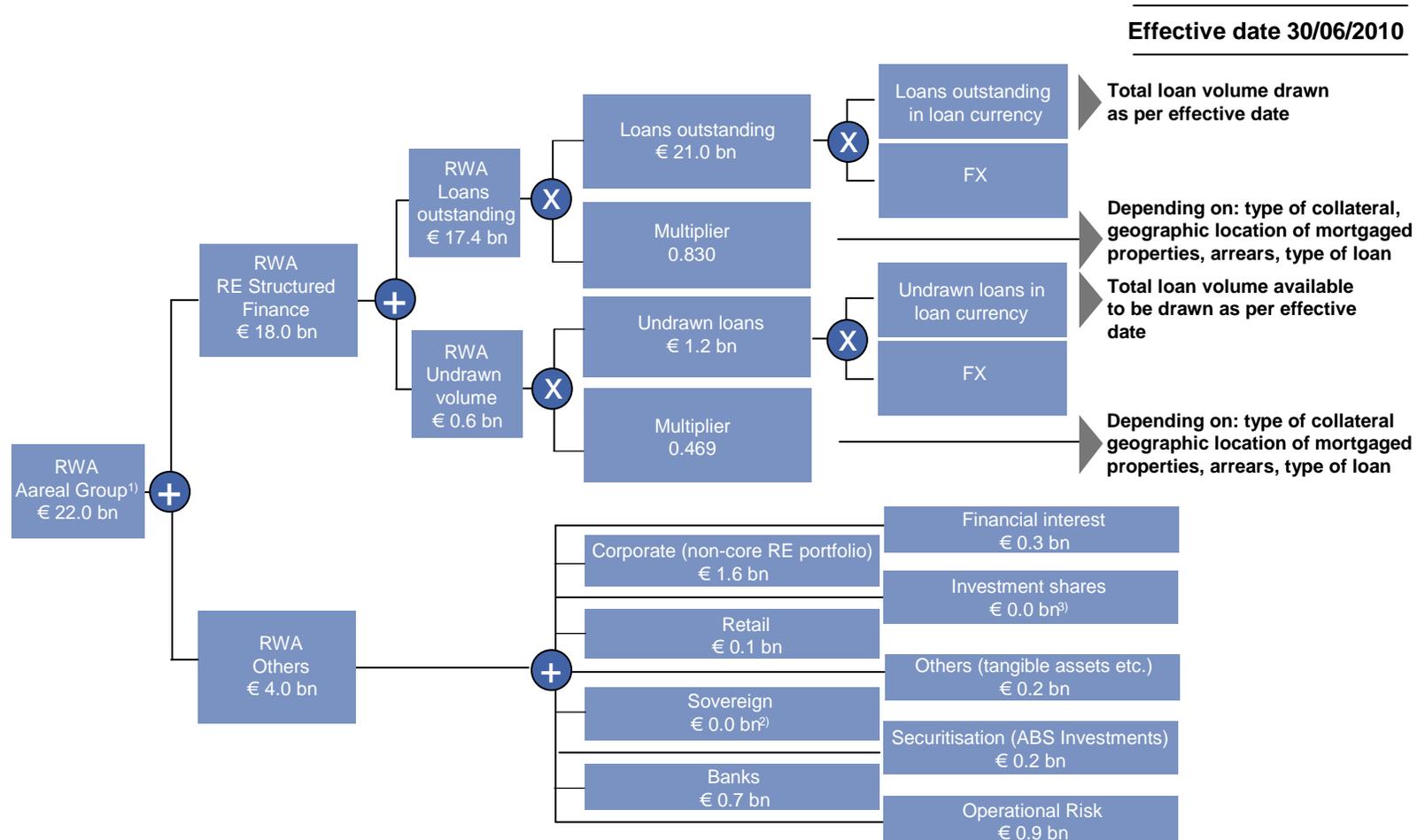
Development property finance portfolio: Diversification continuously strengthened



Property finance under management



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 € 12 mn
- 3) Exposure to investment shares amounts to € 28 mn



Definitions and contacts



**Aareal Bank
Group**

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 and revaluation surplus but including silent participation by SoFFin) start of period less dividends and
 - Equity (excluding minorities and revaluation surplus but including 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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