

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Analyst Conference Call

Preliminary 2009 results

February 23, 2010

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



**Aareal Bank
Group**

Agenda

- 2009 at a glance
 - Segment performance
 - Group capital and funding
 - Preliminary group figures
 - Asset quality
 - Outlook
 - Appendix
 - Definitions and Contacts
-



2009 at a glance



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2009 at a glance:

Targets achieved – strong capital position

All targets achieved				
▪ Net interest income	€ 455 - 475 mn	➡	achieved: € 459 mn	✓
▪ Allowance for credit losses	€ 150 mn	➡	achieved: € 150 mn	✓
▪ Administrative expenses	~ € 360 mn	➡	achieved: € 361 mn	✓
▪ New business origination	€ 2 - 3 bn	➡	achieved: € 3.8 bn	✓
▪ Clean op. profit C/S segment	€ 25 - 30 mn	➡	achieved: € 26 mn (one offs: € - 6 mn)	✓
Capitalisation and Funding				
▪ Strong capital position	▪ Tier 1 ratio: 11.0% CRSA (target: 10.0%)			✓
▪ Solid refinancing situation	▪ € 5.4 bn raised; flexible use of secured and unsecured funding			✓

Aareal Bank plans to pay back a first tranche of it's SoFFin participation until early 2011



2009 at a glance:

Solid operating performance despite difficult markets

	2009	2008 ¹⁾	Change	Comments
Euro mn				
Net interest income	459	495	-7.3 %	<ul style="list-style-type: none"> ▪ Net interest income burdened <ul style="list-style-type: none"> ▫ by strong liquidity position ▫ historically low interest environment of the deposit taking business margins
Allowance for credit losses	150	80	87.5 %	<ul style="list-style-type: none"> ▪ Upper end of the given range ▪ Includes € 14 mn of additional General Portfolio LLP
Net commission income	133	149	-10.7 %	<ul style="list-style-type: none"> ▪ Very solid Aareon development ▪ Reflects conservative new business origination
Net trading result	44	-31	-	<ul style="list-style-type: none"> ▪ Reflects volatile markets
Administrative expenses	361	364	-1.4 %	<ul style="list-style-type: none"> ▪ Stable due to efficiency measures
Operating profit	86	110	-21.8 %	<ul style="list-style-type: none"> ▪ Solid result despite challenging environment

1) Figures adapted according to technical changes in accounting basis



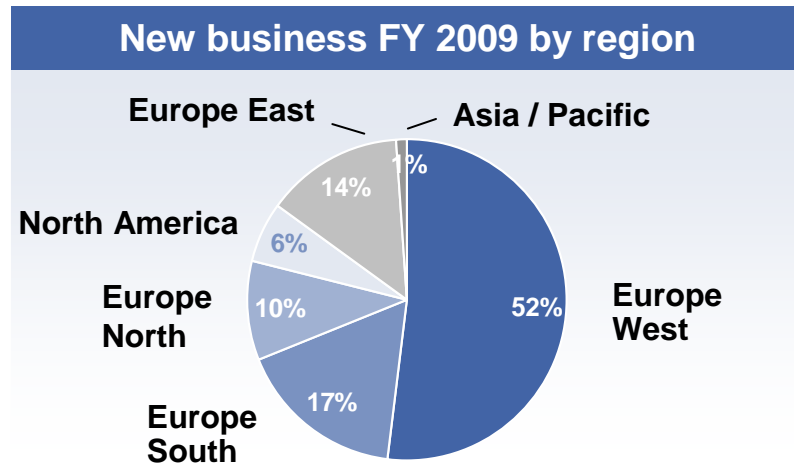
Segment performance



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Structured property financing: New business exceeding guidance

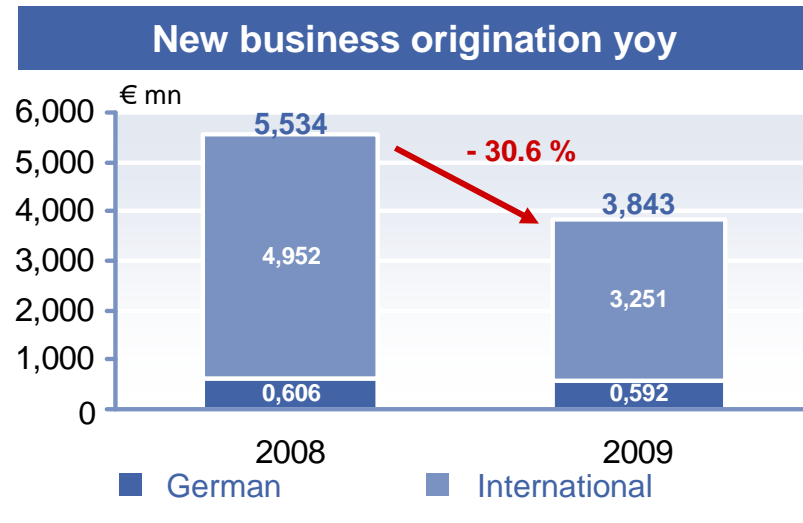
P&L SPF Segment	2009	2008 ¹⁾	Change
Euro mn			
Net interest income	409	426	- 4.0%
Loan loss provision	150	80	87.5%
Commission income	1	28	- 96.4%
Net trading result	44	-31	-
Result from non-trading assets	-22	-101	-
Admin expenses	201	217	- 7.4%
Others	-15	+41	-
Operating profit	66	66	0.0%



1) Figures adapted according to technical changes in accounting basis

6

Note: All numbers preliminary / unaudited



- New business origination exceeding target
 - Focussed on existing clients
 - Preferably loans eligible for Pfandbrief cover pool
- Unchanged focus on portfolio monitoring and active management
- Provisions for loan losses in line
- General Portfolio LLP from € 34 mn to € 48 mn further strengthened



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Structured property financing: Loan Loss Provisions in line

P&L SPF Segment	Q4 '09	Q3 '09 ¹⁾	Q2 '09 ¹⁾	Q1 '09 ¹⁾	Q4 '08 ¹⁾
Euro mn					
Net interest income (NII)	103	99	103	104	123
Provision for loan losses (LLP)	35	36	42	37	20
NII after LLP	68	63	61	67	103
Net commission income	2	-3	-3	5	13
Net result on hedge accounting	1	-4	0	1	-2
Net trading result	3	18	5	18	-25
Results from non-trading assets	-3	-3	1	-17	-61
Res. at equity acc. Companies	1				4
Results investment properties	-1	1	0	0	-1
Admin expenses	42	53	54	52	50
<i>Others</i>	-8	-4	2	0	18
Operating profit	17	15	12	22	-1
Income taxes	2	3	-1	8	-1
Segment result	15	12	13	14	0
Segment result attributed to minority interests	4	4	4	4	4
Consolidated retained profit	11	8	9	10	-4
Silent participation by SoFFin	8	9	9	0	-

1) Figures adapted according to technical changes in accounting basis

7

Note: All numbers preliminary / unaudited

- Net interest income increased in Q4 vs. Q3
- Strong liquidity position reflected in net interest income throughout 2009
- Loan loss provisions within the original guidance
- General Portfolio LLP from € 34 mn to € 48 mn further strengthened
- SoFFin burdens segment starting Q2
 - € 17 mn guarantee fees (FY 2009) in commission income
 - Net € 26 mn SoFFin coupon (FY 2009) shown as appropriation of profits



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Consulting / Services:

Solid in IT & volumes – weak in deposit margins

P&L C/S Segment (industry format)	2009	2008	Change
Euro mn			
Sales revenue	209	229	-8.7%
Own work capital	2	1	100.0%
Changes in inventory	0	0	-
Other operating income	7	12	-41.7%
Cost of material purchased	25	36	-30.6%
Staff expenses	109	99	10.1%
<i>Excl. one-offs</i>	103	99	4.0%
D, A, impairment losses	14	14	-
Results at equity acc. investm.	0	-	-
Other operating expenses	50	49	2.0%
Results from interest and similar	0	0	-
Result from ordinary activities	20	44	-54.5%
Income taxes	7	14	-50.0%
Segment result	13	30	-56.7%
Segment result attributed to minority interests	2	2	-
Consolidated retained profit	11	28	-60.7%

Aareon 2009

- Solid development of Aareon
- Long term contracts generate stable revenues (> 85 % of total revenues)
- New product line Wodis Sigma successfully introduced in 2009 with over 200 contracts already being signed
- Large scale SAP implementations suffers from reduced implementation projects as anticipated
- € 6 mn one-offs for Staff adjustment after finalisation of SAP-based 'Blue Eagle' and Discontinuation of non-core activities

Aareal Bank 2009

- Aareal sustains it's position as the house bank of the German housing sector
- Interest rate environment still impacts net interest income (NII)
- Stable deposits around € 4 bn on average



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Consulting / Services:

Interest rate environment burdens segment results

P&L C/S Segment (industry format)	Q4 '09	Q3 '09	Q2 '09	Q1 '09	Q4 '08
Euro mn					
Sales revenue	56	50	52	51	63
Own work capital	1	0	1	0	1
Changes in inventory	0	0	0	0	0
Other operating income	1	3	2	1	3
Cost of material purchased	6	6	6	7	10
Staff expenses	27	25	27	30	27
<i>Excl. one-offs</i>	27	25	27	24	27
D, A, impairment losses	4	4	3	3	4
Results at equity acc. investm.	0	-	-	-	-
Other operating expenses	15	12	12	11	15
Results from interest and similar	0	0	0	0	0
Result from ordinary activities	6	6	7	1	11
Income taxes	2	2	3	0	4
Segment result	4	4	4	1	7
Segment result attributed to minority interests	1	0	1	0	0
Consolidated retained profit	3	4	3	1	7

IT-Business (Aareon)

- Very solid Q4 development of Aareon
- Fewer large scale SAP implementations than originally planned

Deposit taking business (Aareal Bank)

- Historical low interest environment burdens margins of deposit taking business throughout the year while expenses stay stable



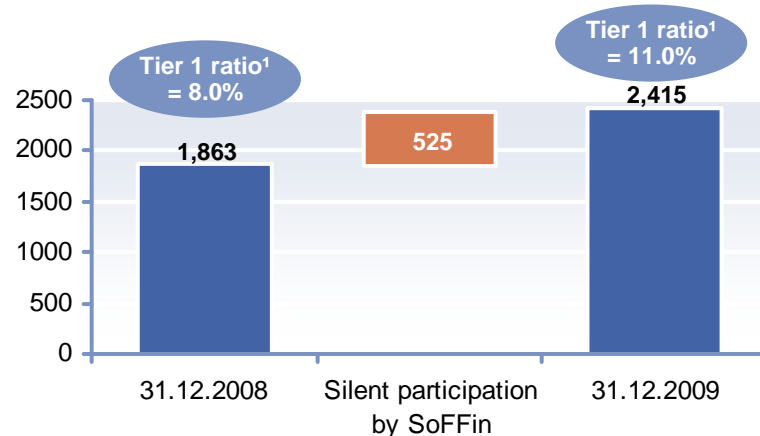
Group capital and funding



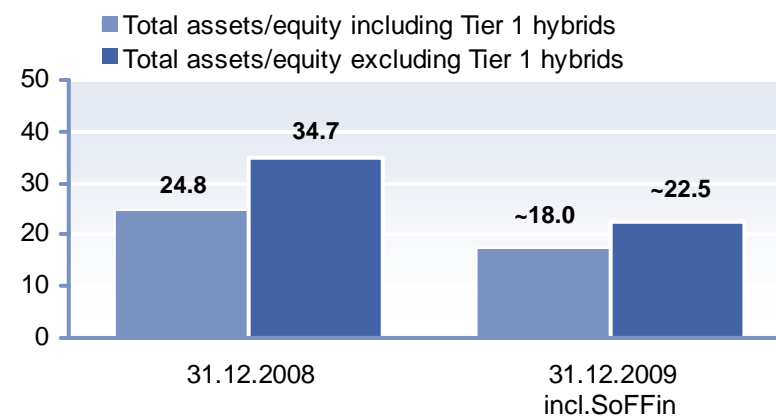
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Tier 1 Ratio increased to 11.0% (CRSA)

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



Leverage ratio²⁾



Composition of Tier 1 capital

	31.12.2009	31.12.2008
€ mn		
Core Tier 1	1,945	1,393
Hybrid Tier 1	470	470
Hybrid ratio	20%	25%
Total Tier 1	2,415	1,863

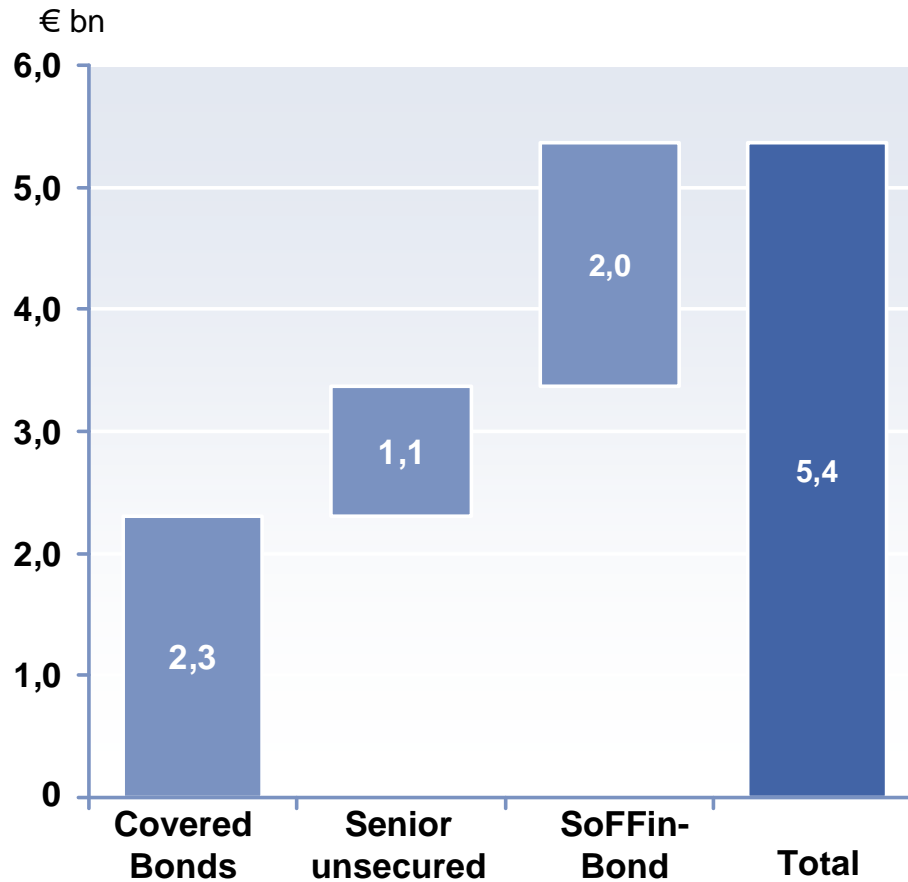
- Tier 1 ratio of 11.0% (CRSA) puts Aareal in a solid position in relation to peers and market requirements
- Already a very low balance sheet leverage compared to peers – no need for future adjustments

1) Excluding market risk

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



Refinancing situation 2009: Flexible use of secured and unsecured funding



**Total funding of € 5.4 bn,
focus on tailor made products**

- Covered bonds:
 - € 2,3 bn
- Senior unsecured:
 - € 1,1 bn Senior unsecured
 - € 2,0 bn SoFFin-Bond



Preliminary group figures

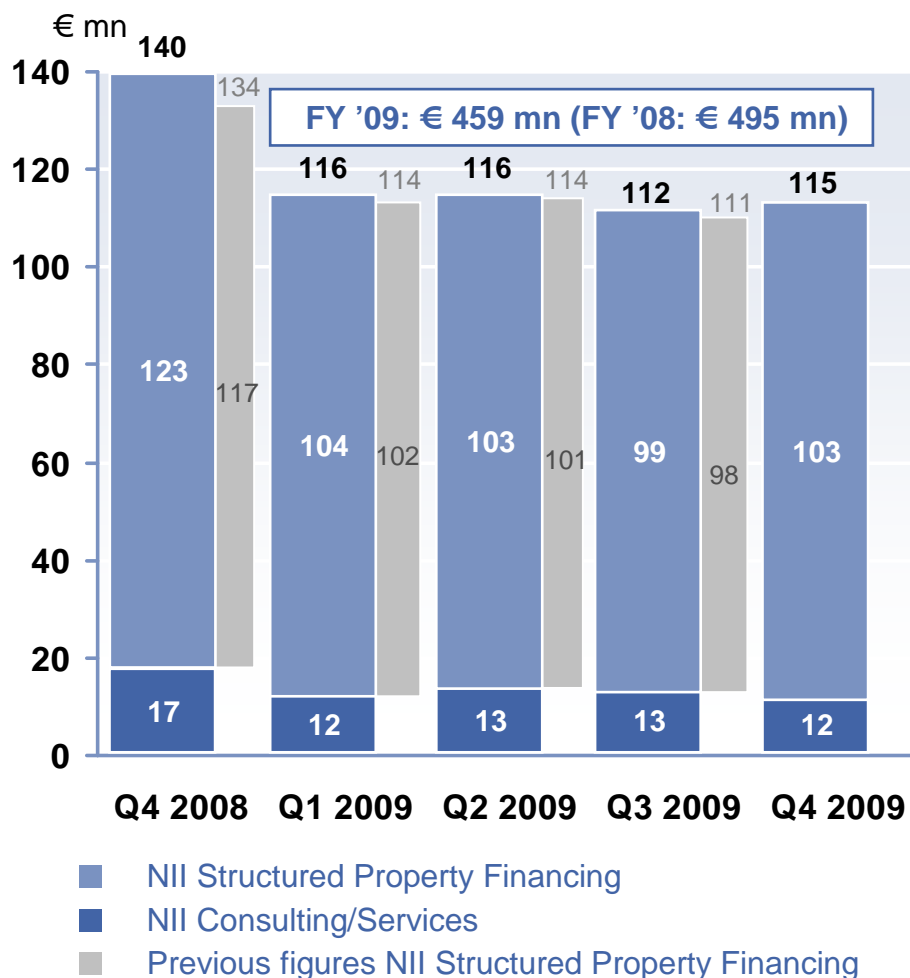
Q4 2009



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Net interest income:

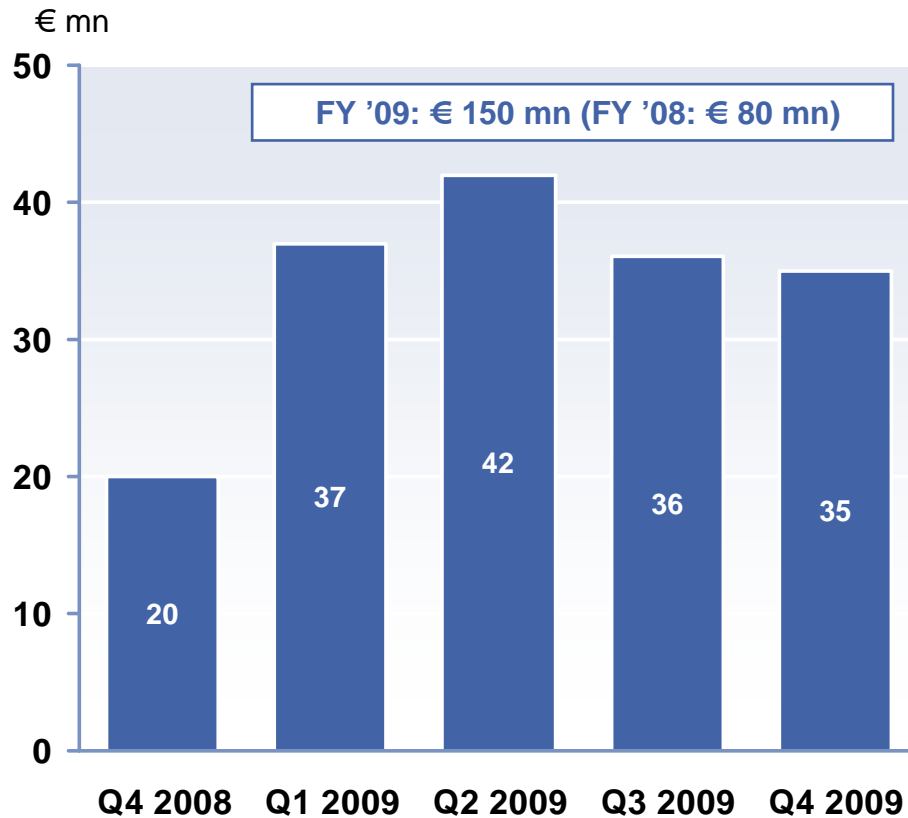
Reflecting conservative liquidity-, capital position



- Net interest income 2009: € 459 mn
- Q4 net interest income influenced by
 - Results of higher margins in the SPF-business are negatively effected by a high liquidity position (due to intensive funding activities in 2009) and conservative capital position
 - Consulting / Services: Historically low interest rate level still burdens the deposit taking business
- Q4 SoFFin burden of
 - € 6 mn guarantee fees in commission income
 - Net € 8 mn SoFFin coupon shown as appropriation of profits



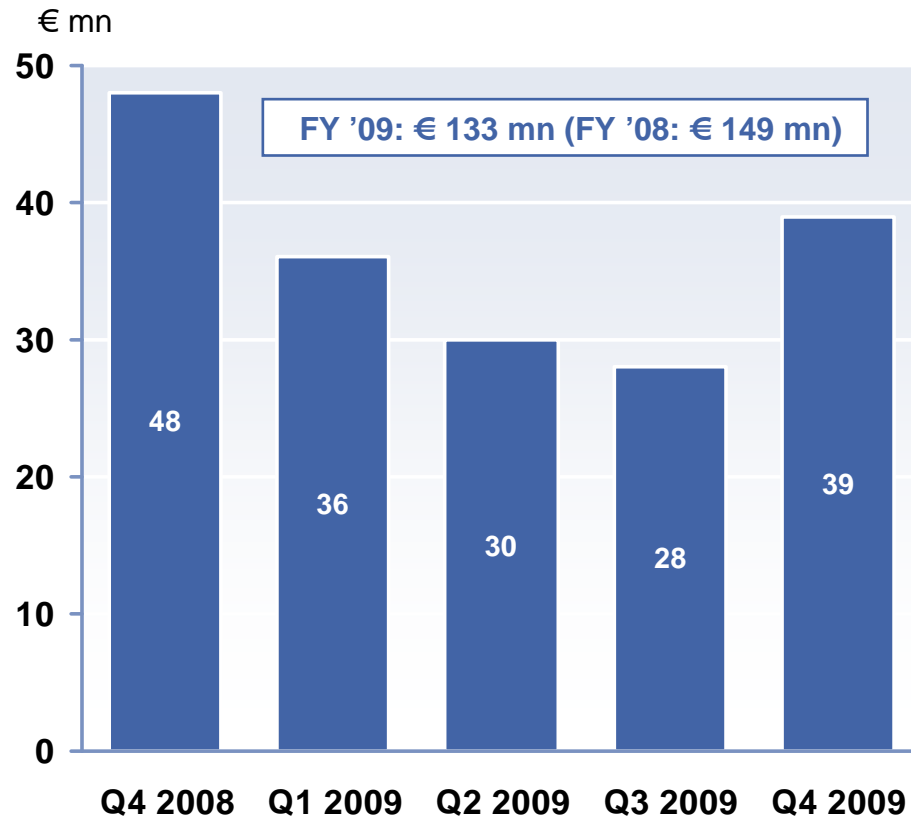
Loan loss provisions: Guidance met



- € 150 mn LLP stayed within the given target range for 2009
- Reflecting the close monitoring and management of our loan portfolio
- € 34 mn General Portfolio LLP from 2008 for challenging environment is still untouched
- General Portfolio LLP stocked up with additional € 14 mn in 2009 to a total of € 48 mn



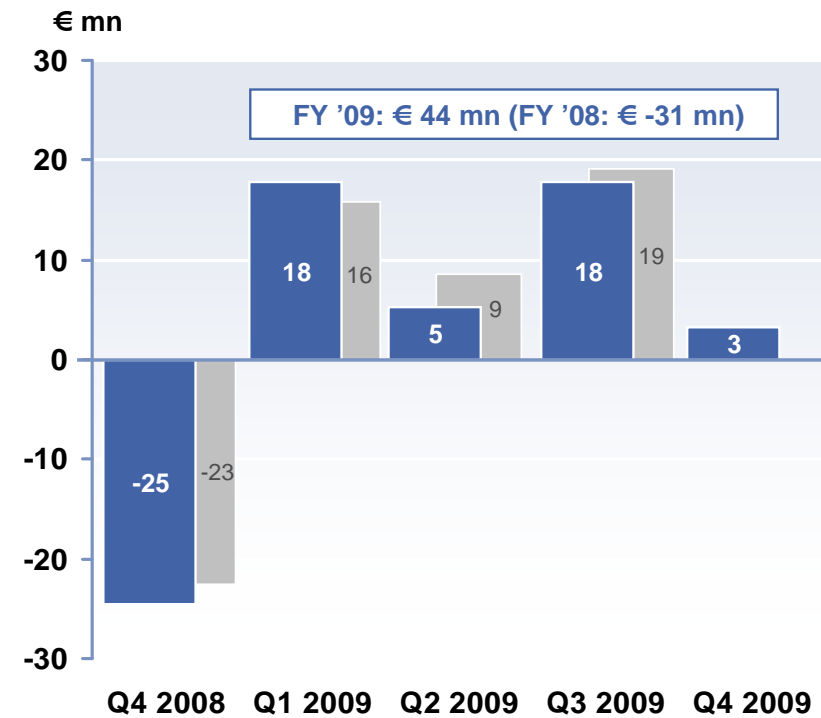
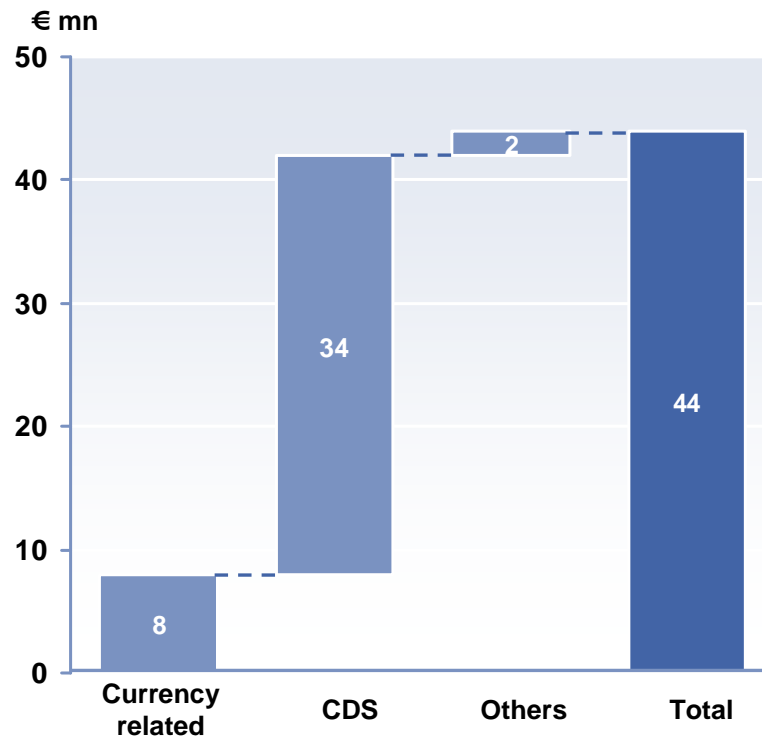
Net commission income: Burdened by SoFFin guarantee



- Net commission income of € 133 mn including (or € 150 mn without) costs of the SoFFin guarantee facility in 2009 (2008: € 149 mn) is a good performance regarding the challenging environment



Net trading income 2009: Reflecting volatile derivative markets



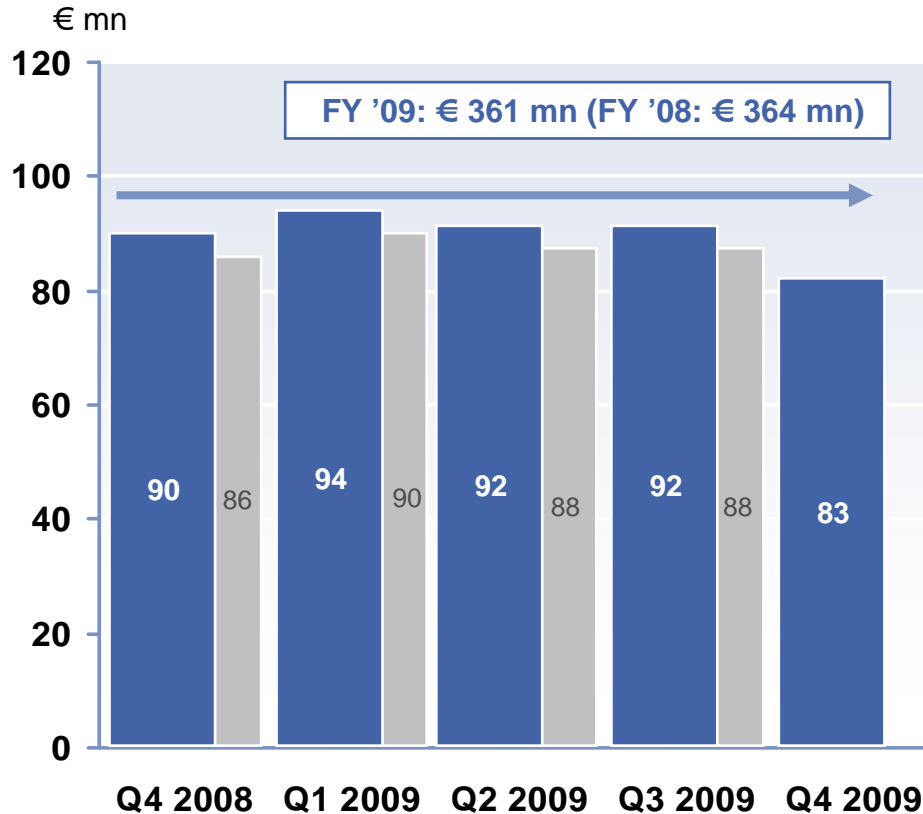
■ Net trading income
■ Previous figures net trading income



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Admin expenses:

Strict cost discipline maintained



- 2009-figures with € 361 mn slightly below 2008-level, (2008: € 364 mn) but including one-offs due to adaptations within Aareon structures (€ 6 mn)
- Measures to raise efficiency still paying off and keeping the admin expenses continuously stable

■ Admin expenses
 ■ Previous figures admin expenses



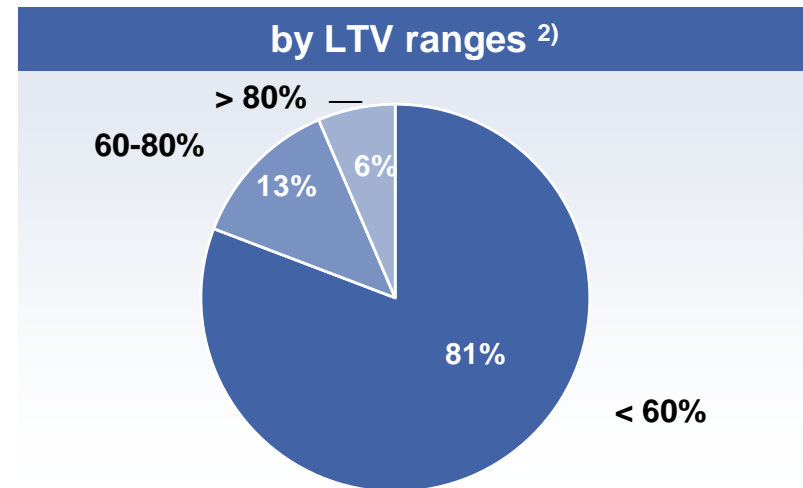
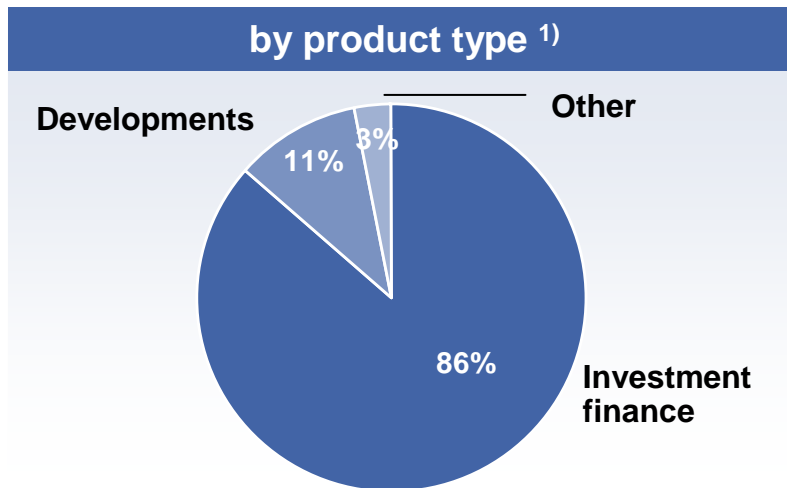
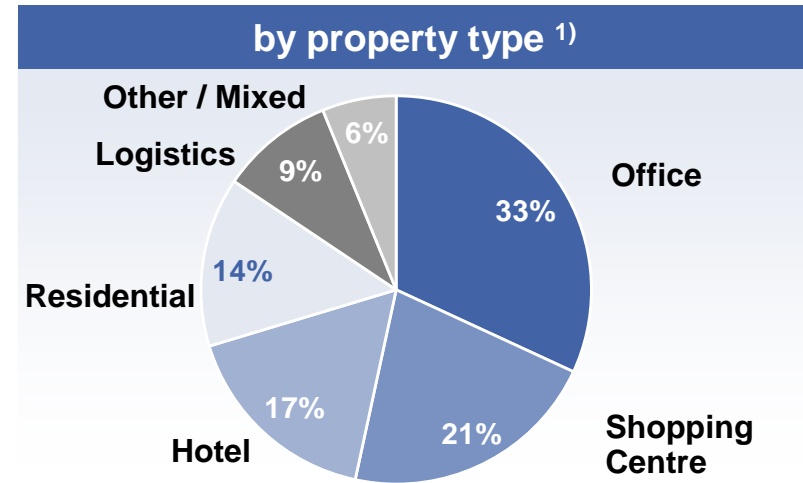
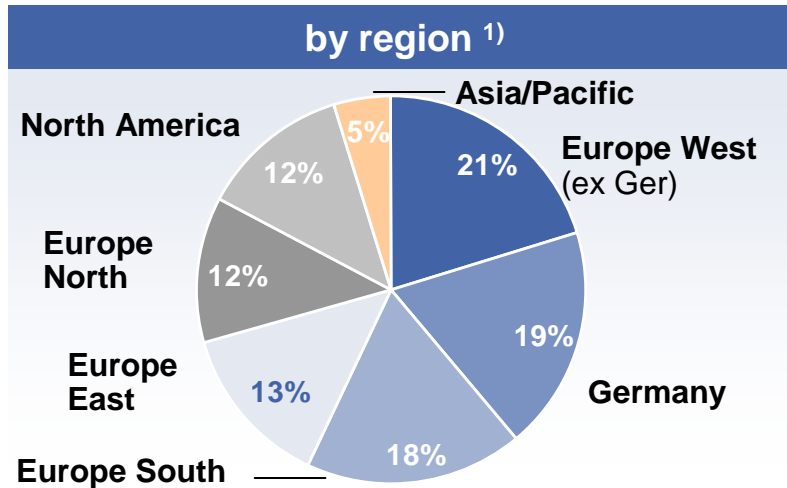
Asset quality



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Total property finance portfolio:

High diversification and sound asset quality



1) Total volume outstanding of € 22.3 bn as at 31.12.2009

2) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages; values as at 31.12.2009



Total property finance portfolio:

Economic downturn expected to impact NPL-level

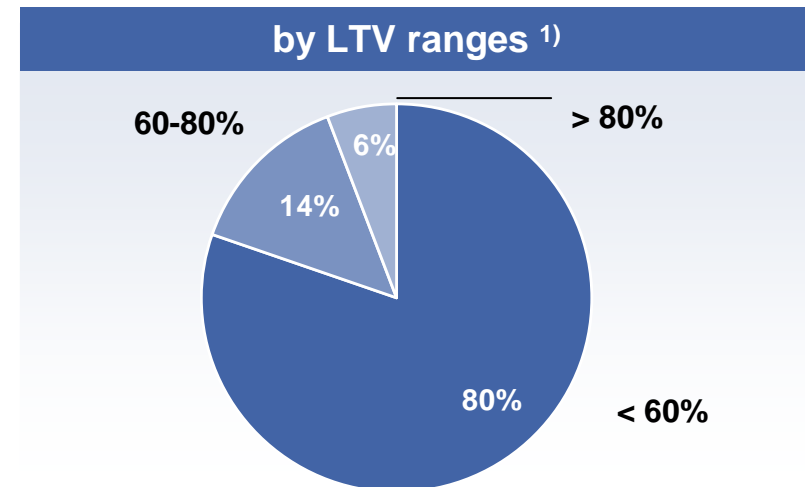
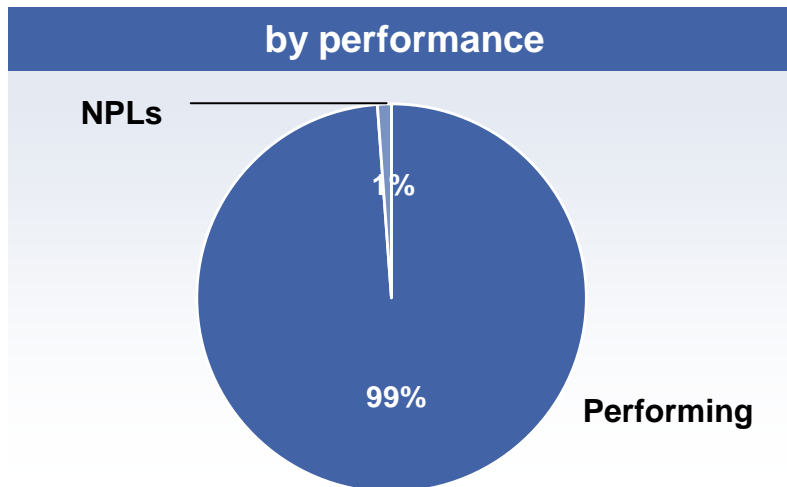
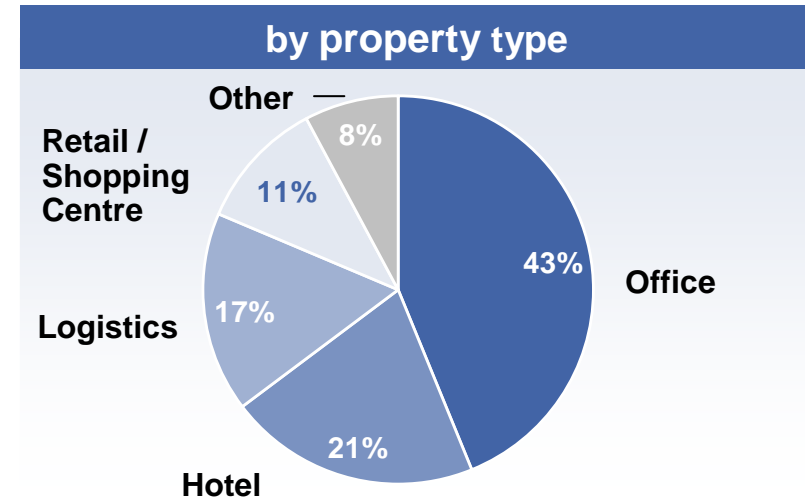
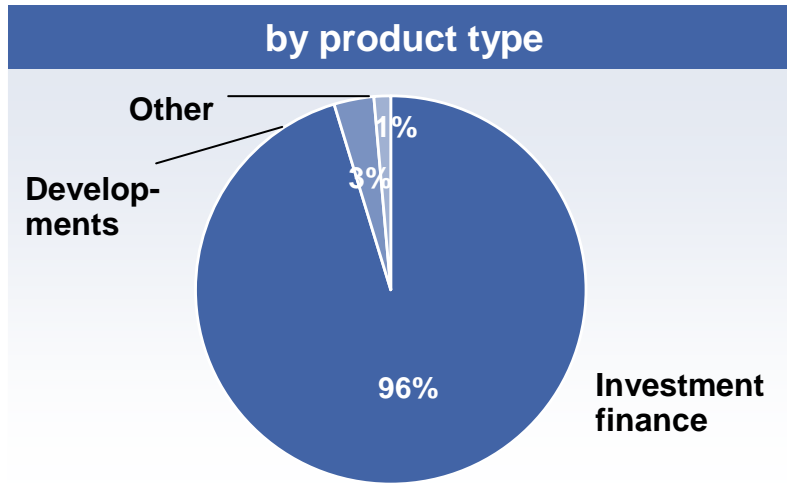
LLP- and NPL development				
	NPL Exposure ¹⁾	Specific Allowances ¹⁾	Portfolio Allowances	
			General LLP	General Portfolio LLP
Euro mn				
As at 31.12.2008	452	176	51	34
Utilisation 2009	- 164	- 109	-	-
Addition 2009	422	135	1	14
As at 31.12.2009	710	202	52	48
Coverage ratio specific allowances		28.5 %		
		202	52	
As at 31.12.2009	710	254		
Coverage ratio incl. General LLP		35.8 %		

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



Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 31.12.2009: € 4.5 bn

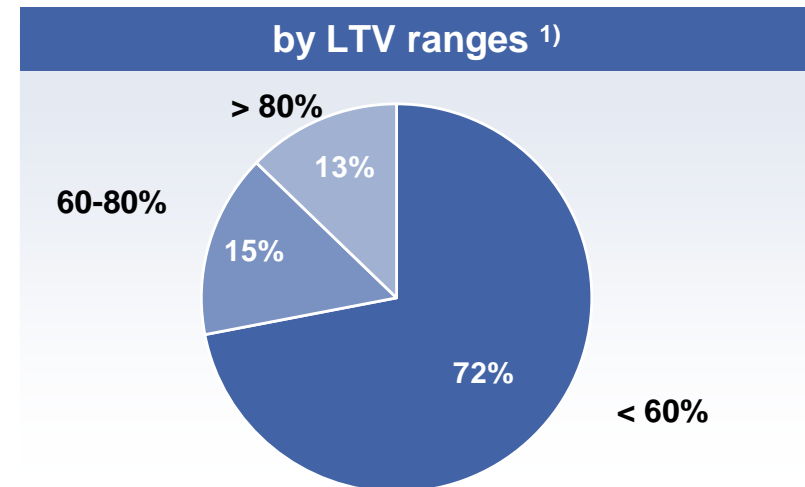
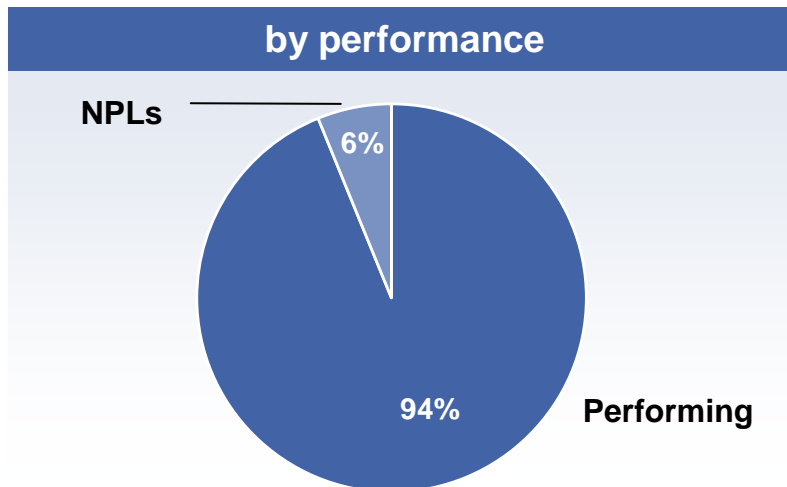
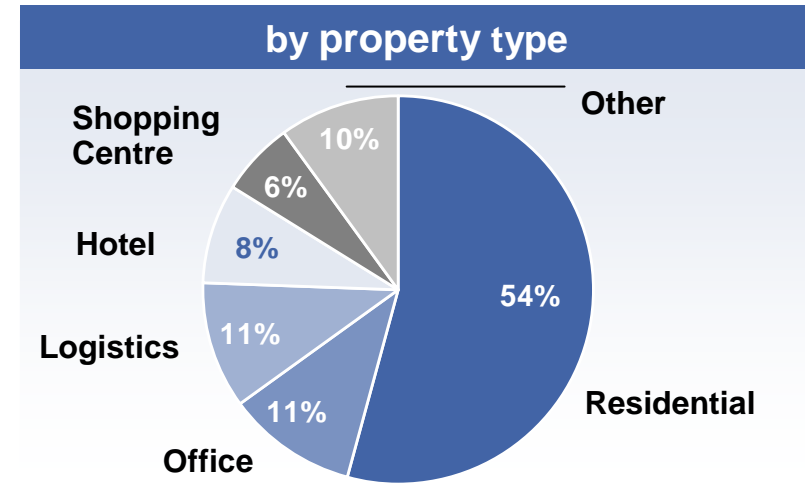
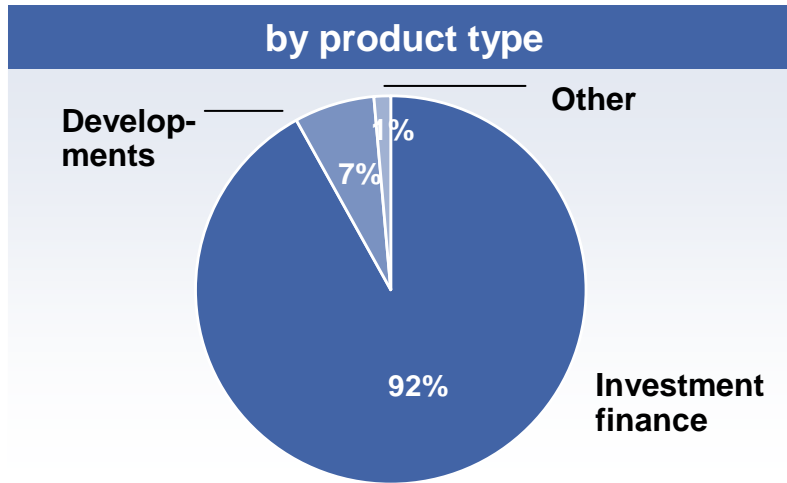


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



German credit portfolio

Total volume outstanding as at 31.12.2009: € 4.2 bn

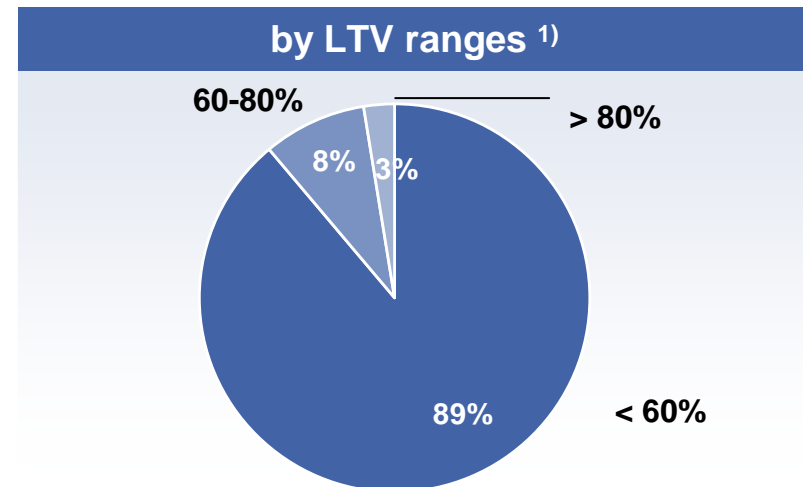
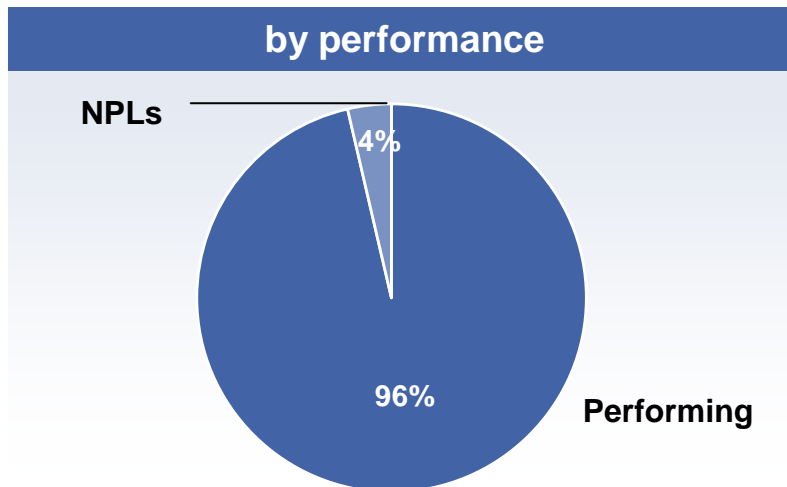
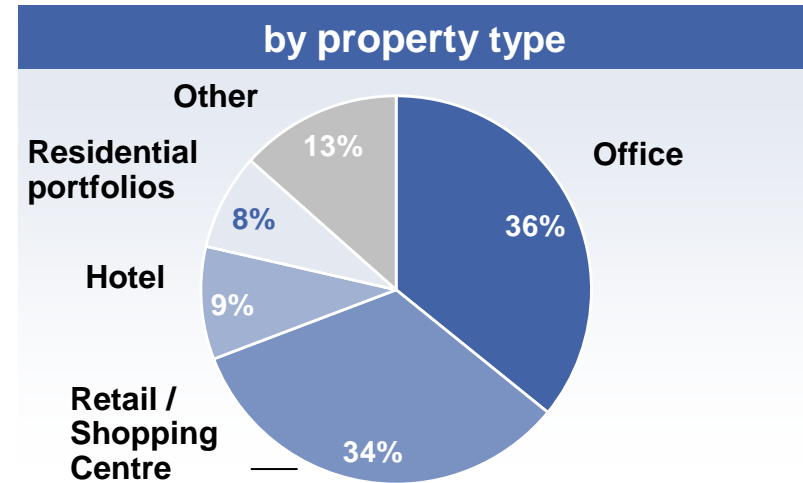
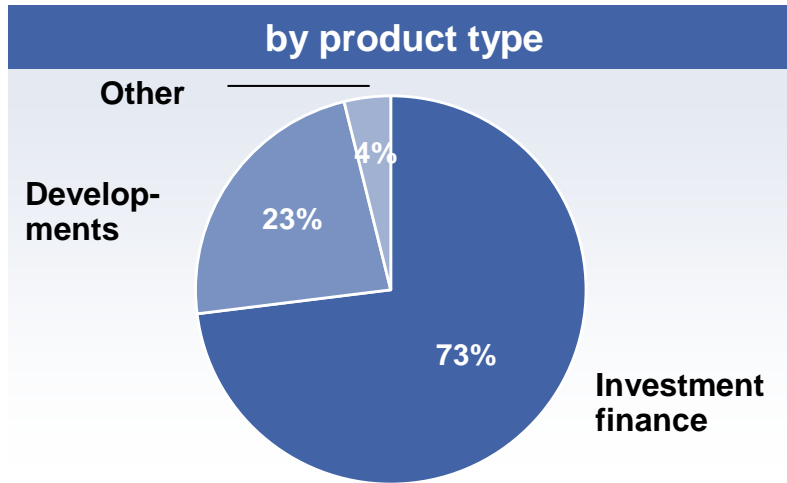


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Southern Europe credit portfolio

Total volume outstanding as at 31.12.2009: € 4.1 bn

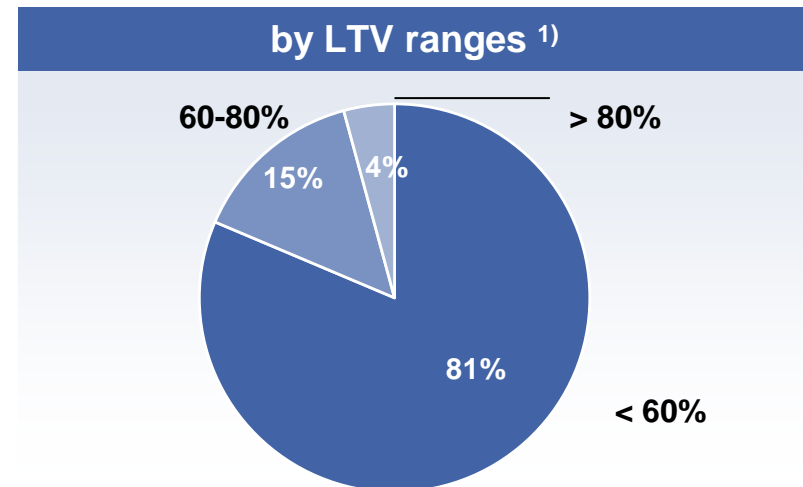
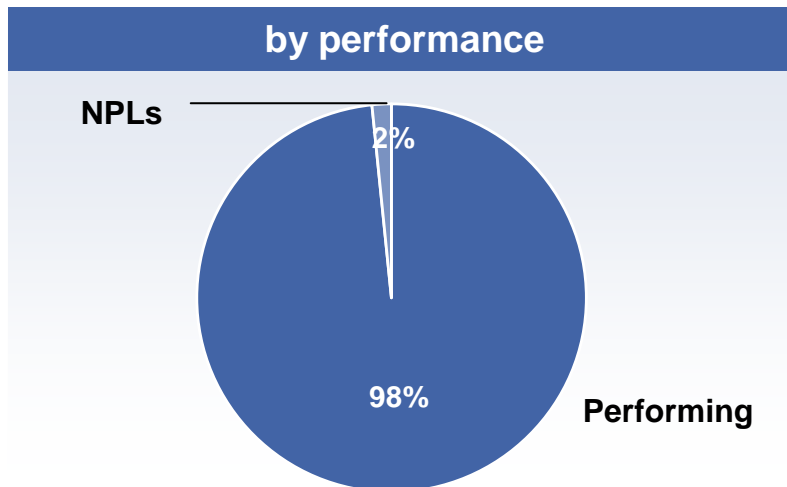
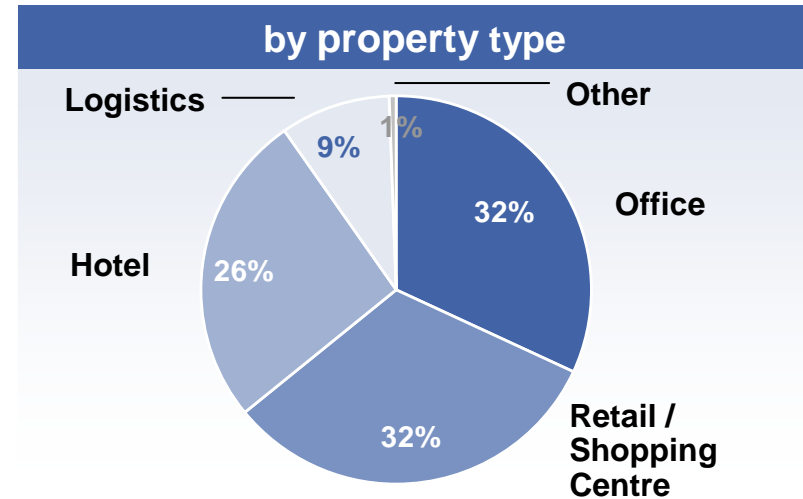
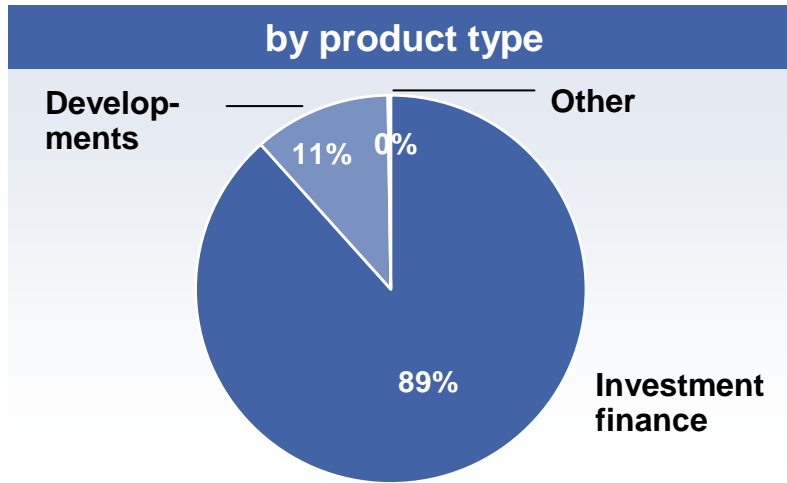


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Eastern Europe credit portfolio

Total volume outstanding as at 31.12.2009: € 3.0 bn

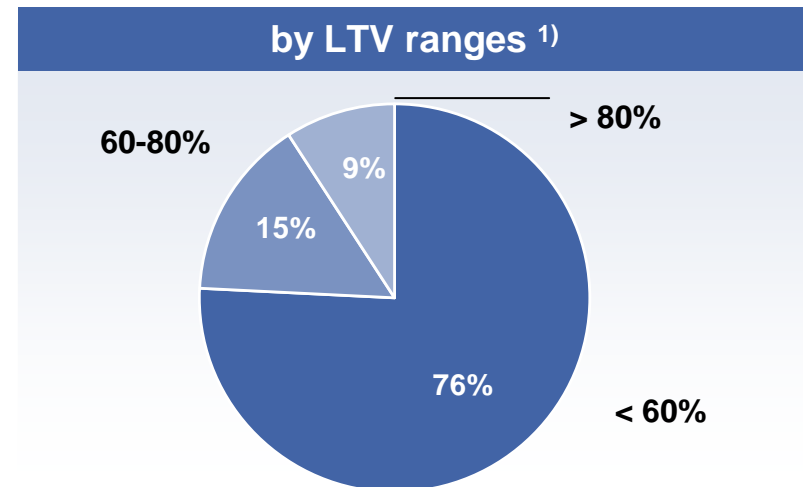
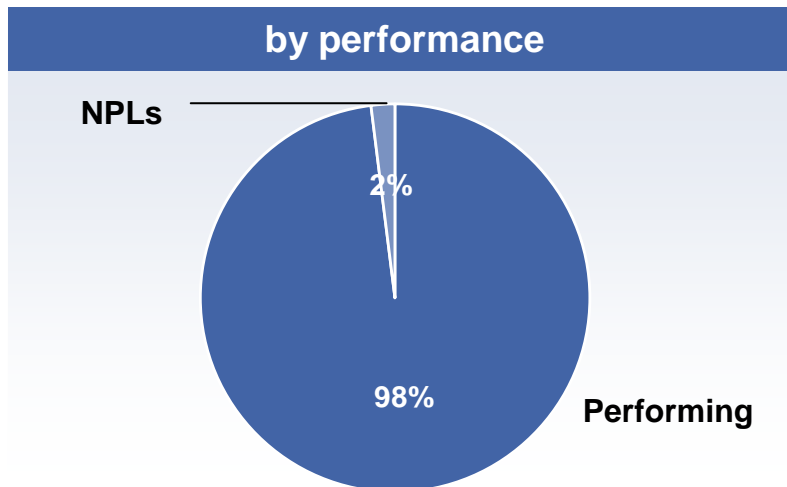
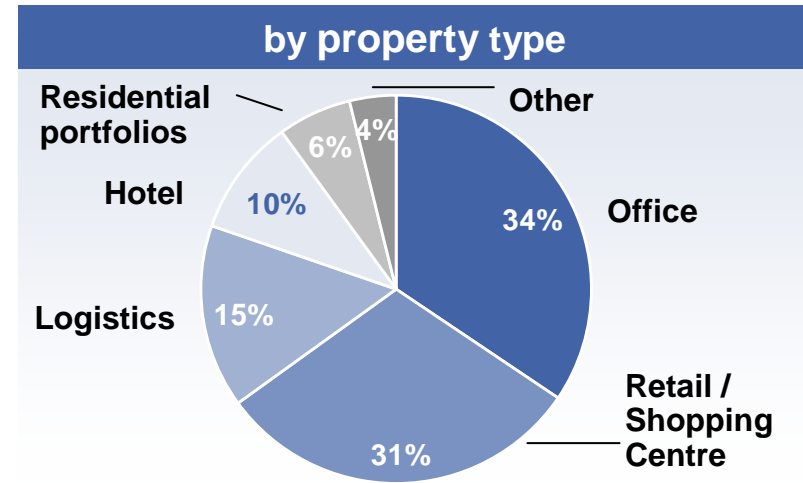
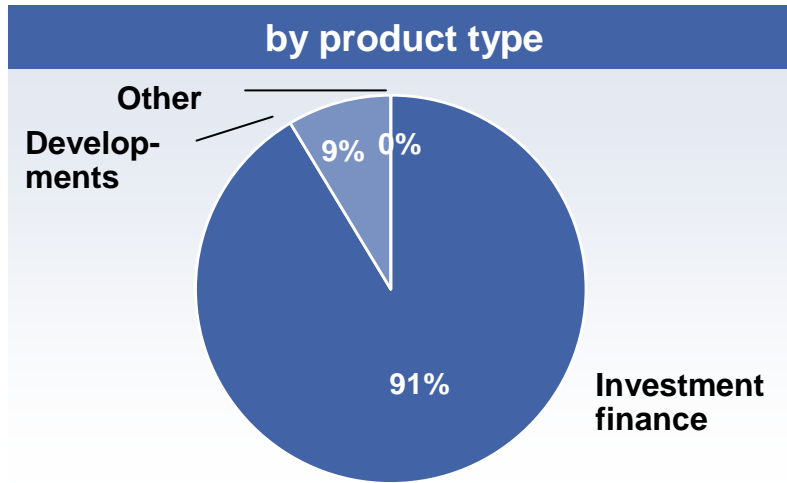


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Northern Europe credit portfolio

Total volume outstanding as at 31.12.2009: € 2.8 bn

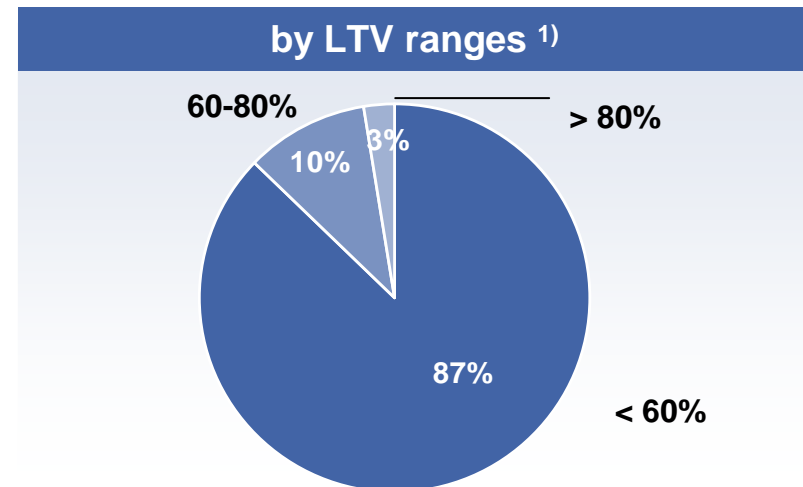
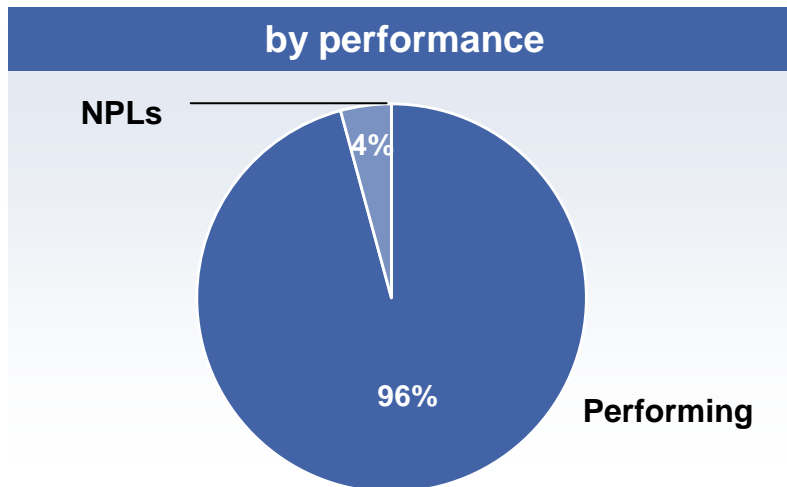
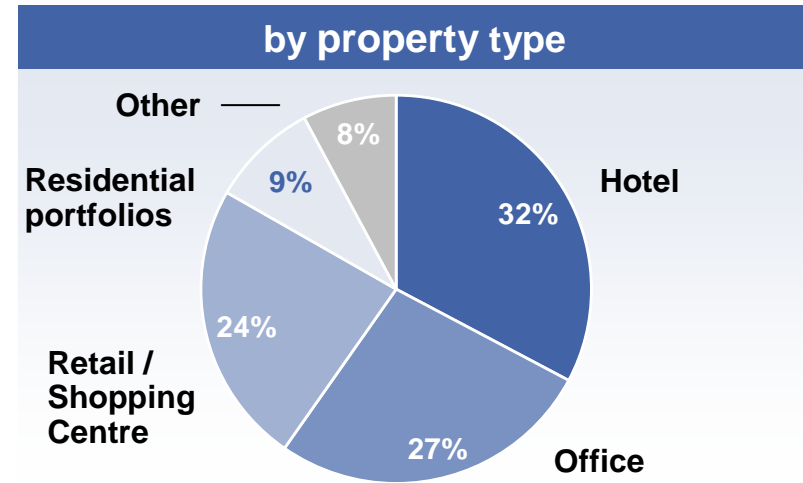
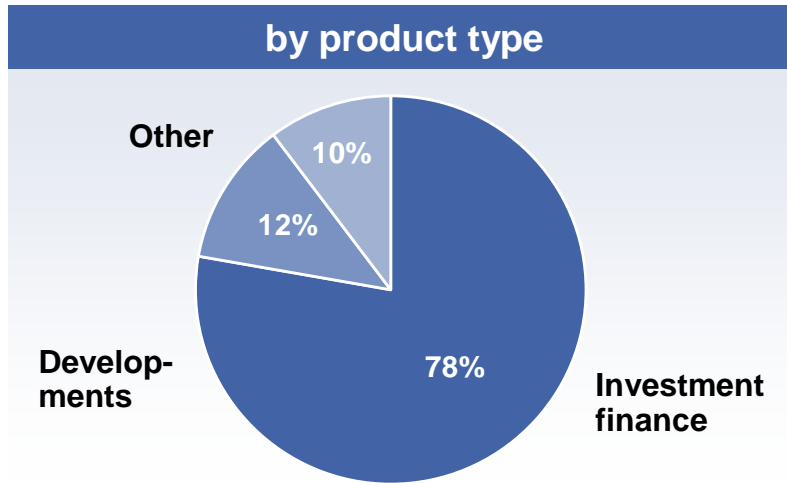


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



North America credit portfolio

Total volume outstanding as at 31.12.2009: € 2.8 bn

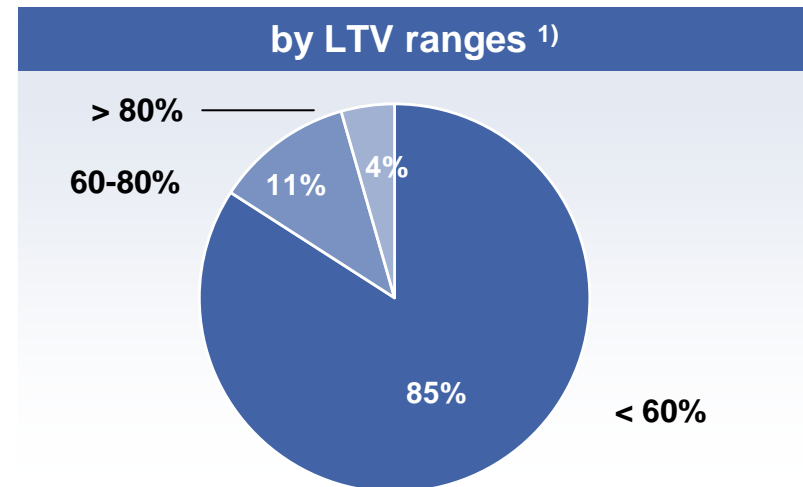
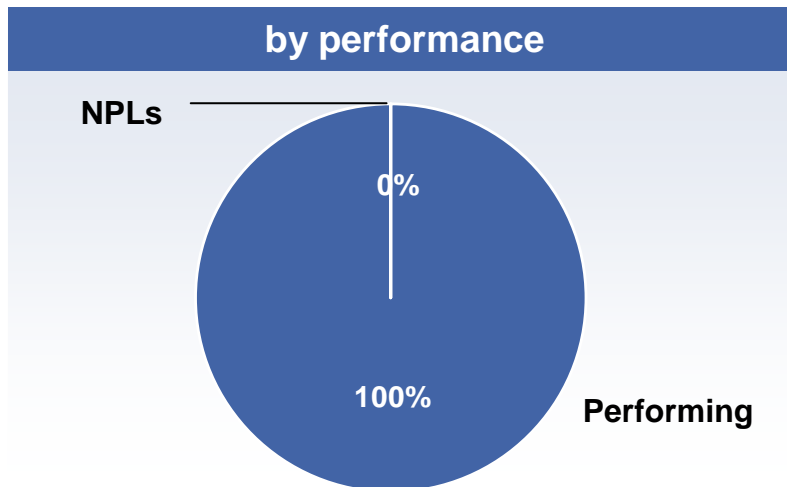
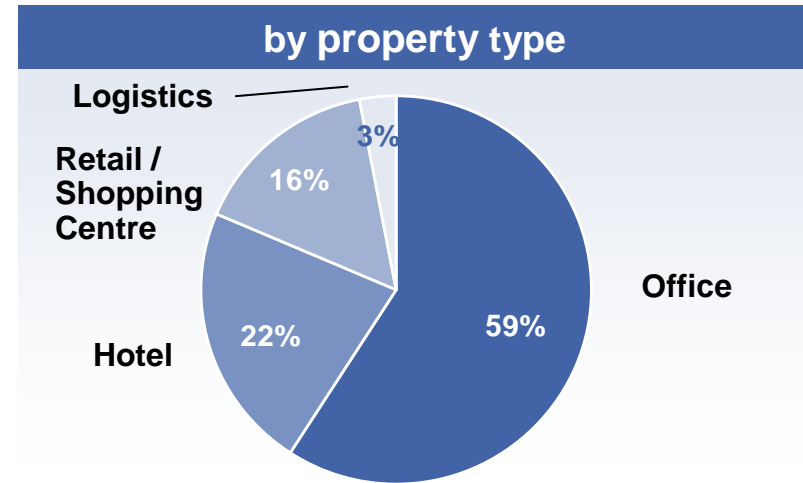
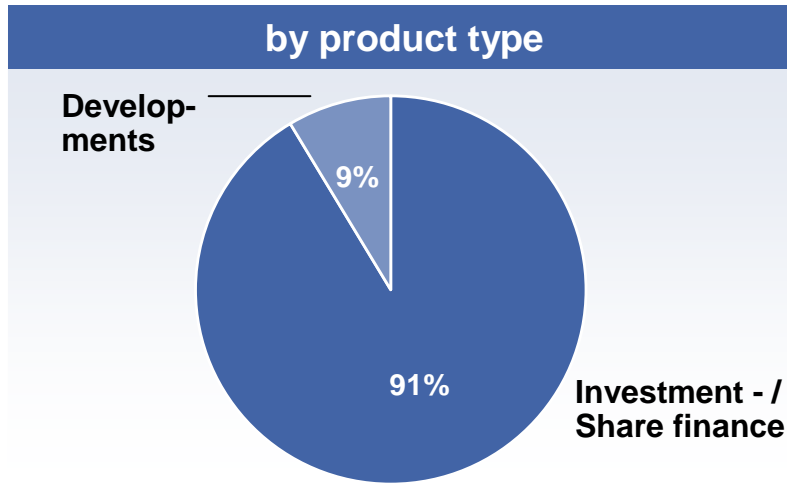


1) Mortgage collateralised performing business only; value does not take into account any collateral other than mortgages



Asia credit portfolio

Total volume outstanding as at 31.12.2009: € 1.0 bn

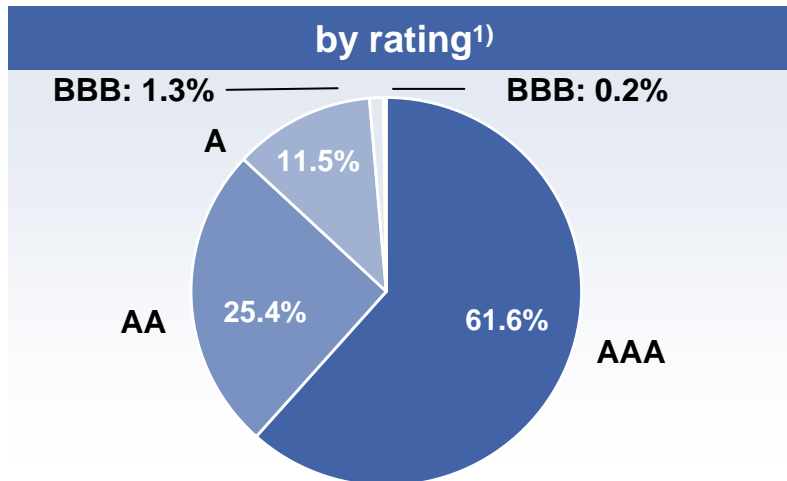
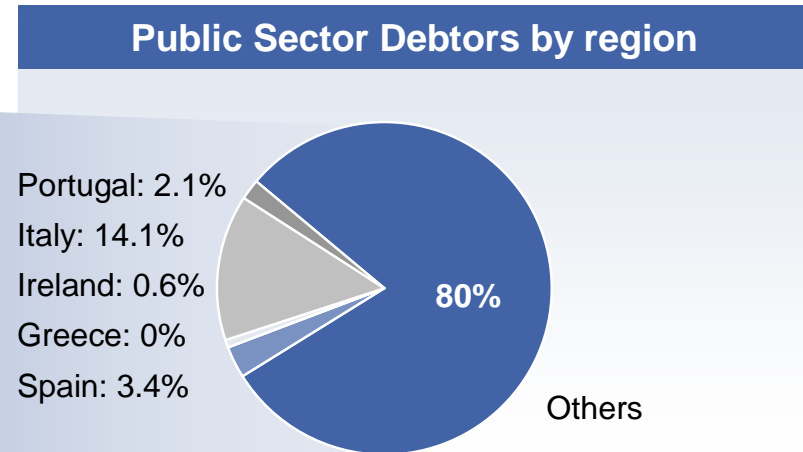
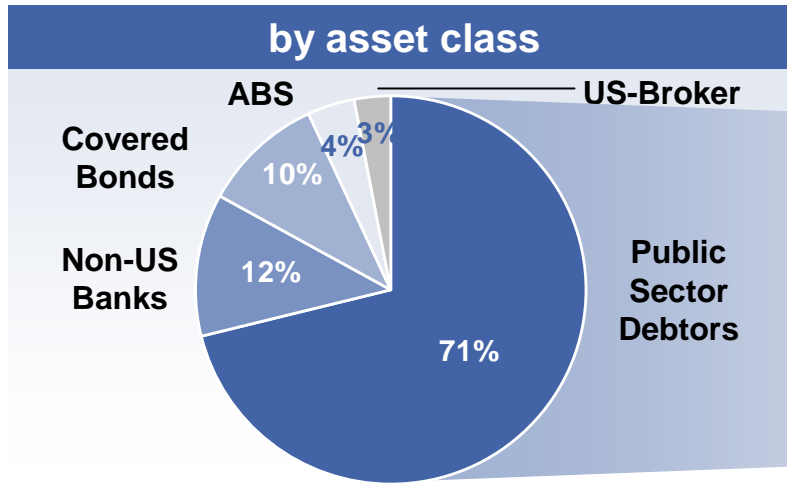


1) Chinese portfolio includes other collateral than mortgages.
 Rest of Asia: mortgage collateralised performing business only;
 value does not take into account any collateral other than mortgages.



Treasury portfolio

€ 13.2 bn of high quality assets



1) Fitch Rating (or Composite if no Fitch Rating available)

Note: All numbers preliminary / unaudited



Outlook 2010



**Aareal Bank
Group**

Outlook 2010

Group

Net interest income	<ul style="list-style-type: none">▪ Target range expected to improve to € 460 - € 480 mn due to higher new business margins and a reduced liquidity position.▪ Moderately increasing interest rate level assumed.
Net loan loss provisions	<ul style="list-style-type: none">▪ Expected to range between € 117 million to € 165 million▪ Actual level will depend in particular on the extent to which the additional allowance for credit losses of € 48 million will, in fact, be utilised.▪ As in the previous year, the bank cannot rule out additional allowances for credit losses that may be incurred during 2010.
Net trading result / results from non-trading assets	<ul style="list-style-type: none">▪ Net trading result unpredictable in current markets / no significant burdens for the results from non-trading assets expected.
Admin expenses	<ul style="list-style-type: none">▪ Under control around € 360 mn.
Structured Property Financing	
New business	<ul style="list-style-type: none">▪ € 4 - 5 bn; focusing on existing client base but relatively fewer renewals.
Consulting / Services	
Operating profit	<ul style="list-style-type: none">▪ Slightly above the clean 2009-level.



Appendix



**Aareal Bank
Group**

Aareal Bank Group

Key figures 2009

	01.01.- 31.12.2009 Euro mn	01.01.- 31.12.2008 ¹⁾ Euro mn	Change
Profit and loss account			
Net interest income	459	495	-7,3%
Allowance for credit losses	150	80	87,5%
Net interest income after allowance for credit losses	309	415	-25,5%
Net commission income	133	149	-10,7%
Net result on hedge accounting	-2	2	-
Net trading income / expenses	44	-31	-
Results from non-trading assets	-22	-101	-78,2%
Results from companies accounted for at equity	1	7	-85,7%
Results from investment properties	0	-1	-
Administrative expenses	361	364	-0,8%
Net other operating income / expenses	-14	34	-
Impairment of goodwill	2	0	-
Operating Profit	86	110	-21,8%
Income taxes	19	43	-55,8%
Net income / loss	67	67	0,0%
Allocation of results			
Net income / loss attributable to non-controlling interests	18	18	0,0%
Net income / loss attributable to shareholders of Aareal Bank AG	49	49	0,0%
Appropriation of profits			
Silent partnership contribution by SoFFin	26	-	-
Consolidated retained profit / accumulated loss	23	49	-53,1%

1) Figures adapted according to technical changes in accounting basis



Aareal Bank Group: Segment Reporting

Key figures 2009 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	31.12. 2009	31.12. 2008 ¹⁾	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008 ¹⁾
Euro mn								
Net interest income	409	426	0	0	50	69	459	495
Allowance for credit losses	150	80	-	-	-	-	150	80
Net interest income after allowance for credit losses	259	346	0	0	50	69	309	415
Net commission income	1	28	184	193	-52	-72	133	149
Net result on hedge accounting	-2	2	-	-	-	-	-2	2
Net trading income / expenses	44	-31	-	-	-	-	44	-31
Results from non-trading assets	-22	-101	0	0	-	-	-22	-101
Results from companies accounted for at equity	1	7	0	-	-	-	1	7
Results from investment properties	0	-1	-	-	-	0	0	-1
Administrative expenses	201	217	163	151	-3	-4	361	364
Net other operating income / expenses	-12	33	-1	2	-1	-1	-14	34
Impairment of goodwill	2	-	0	0	-	-	2	0
Operating profit	66	66	20	44	0	0	86	110
Income taxes	12	29	7	14	-	-	19	43
Net income / loss	54	37	13	30	0	0	67	67
Allocation of results								
Net income / loss attributable to non-controlling interests	16	16	2	2	-	-	18	18
Net income / loss attributable to shareholders of Aareal Bank AG	38	21	11	28	0	0	49	49

1) Figures adapted according to technical changes in accounting basis



Aareal Bank Group

Key figures Q4 2009

	Quarter 4 2009 Euro mn	Quarter 4 2008 ¹⁾ Euro mn	Change
Profit and loss account			
Net interest income	115	140	-17,9%
Allowance for credit losses	35	20	75,0%
Net interest income after allowance for credit losses	80	120	-33,3%
Net commission income	39	48	-18,8%
Net result on hedge accounting	1	-2	-
Net trading income / expenses	3	-25	-
Results from non-trading assets	-3	-61	-95,1%
Results from companies accounted for at equity	1	4	-75,0%
Results from investment properties	-1	-1	-
Administrative expenses	83	90	-7,8%
Net other operating income / expenses	-12	17	-
Impairment of goodwill	2	0	-
Operating Profit	23	10	130,0%
Income taxes	4	3	33,3%
Net income / loss	19	7	171,4%
Allocation of results			
Net income / loss attributable to non-controlling interests	5	4	25,0%
Net income / loss attributable to shareholders of Aareal Bank AG	14	3	366,7%

1) Figures adapted according to technical changes in accounting basis



Aareal Bank Group: Segment Reporting

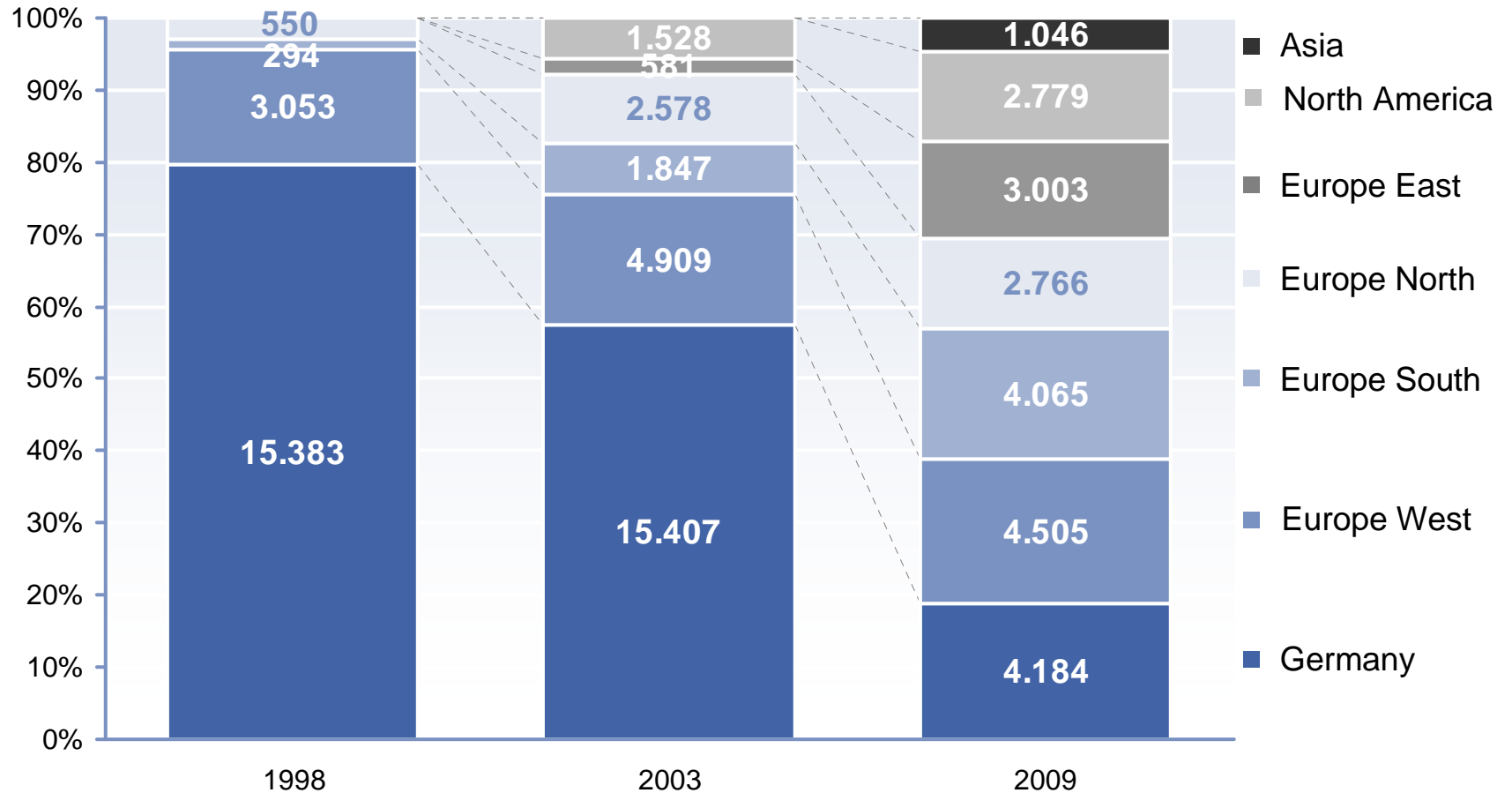
Key figures Q4 2009 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	Q4 2009	Q4 2008 ¹⁾	Q4 2009	Q4 2008	Q4 2009	Q4 2008	Q4 2009	Q4 2008 ¹⁾
Euro mn								
Net interest income	103	123	0	0	12	17	115	140
Allowance for credit losses	35	20	-	-	-	-	35	20
Net interest income after allowance for credit losses	68	103	0	0	12	17	80	120
Net commission income	2	13	50	53	-13	-18	39	48
Net result on hedge accounting	1	-2	-	-	-	-	1	-2
Net trading income / expenses	3	-25	-	-	-	-	3	-25
Results from non-trading assets	-3	-61	0	0	-	-	-3	-61
Results from companies accounted for at equity	1	4	0	-	-	-	1	4
Results from investment properties	-1	-1	-	-	-	-	-1	-1
Administrative expenses	42	50	42	41	-1	-1	83	90
Net other operating income / expenses	-10	18	-2	-1	0	0	-12	17
Impairment of goodwill	2	-	0	0	-	-	2	0
Operating profit	17	-1	6	11	0	0	23	10
Income taxes	2	-1	2	4	-	-	4	3
Net income / loss	15	0	4	7	0	0	19	7
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	1	0	-	-	5	4
Net income / loss attributable to shareholders of Aareal Bank AG	11	-4	3	7	0	0	14	3

1) Figures adapted according to technical changes in accounting basis

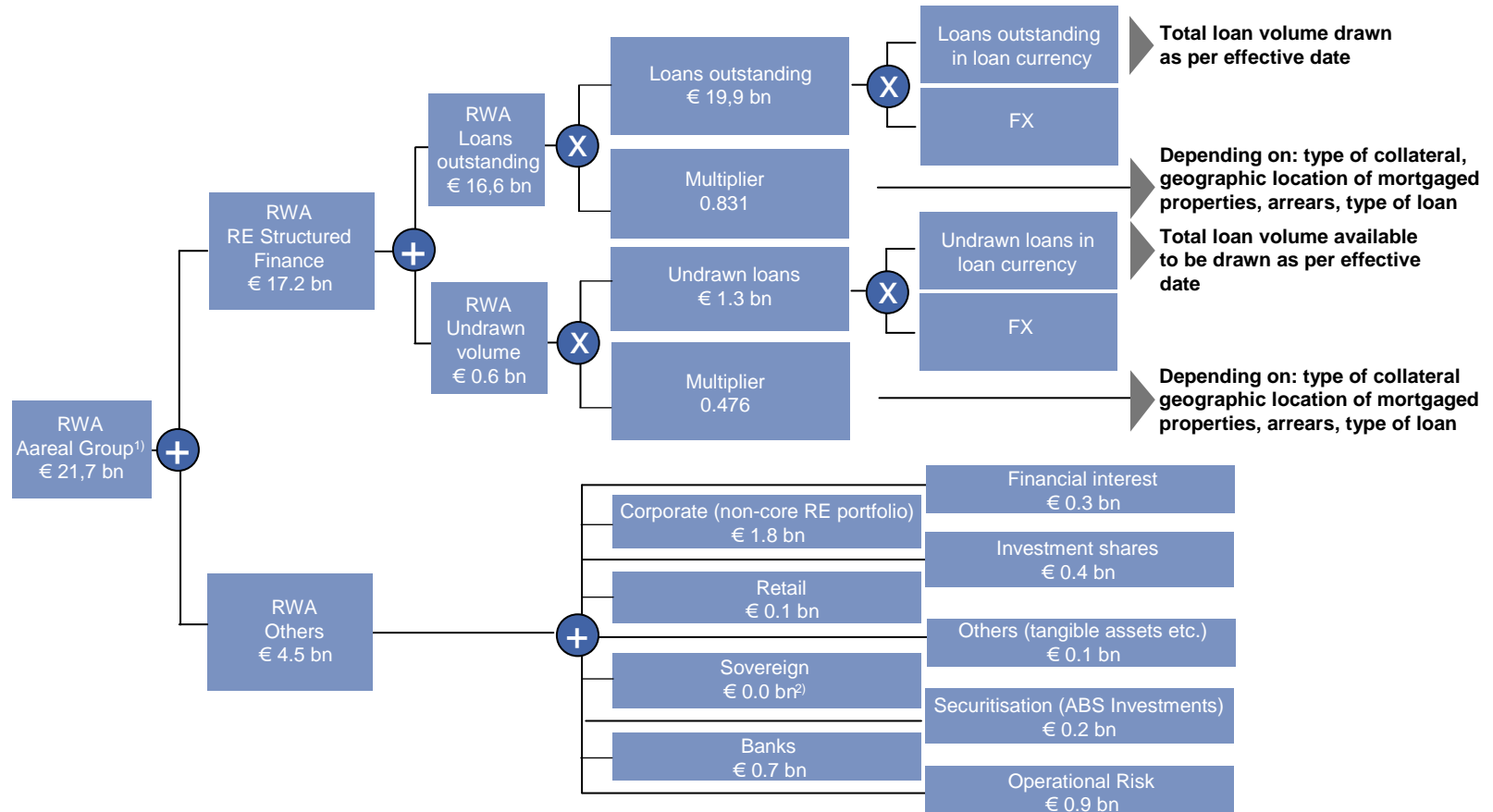


Development property finance portfolio: Diversification continuously strengthened



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

Effective date 31/12/2009



1) Excl. of market risk

2) Exposure to sovereign governments amounts to € 11 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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