

LOCAL EXPERTISE  
MEETS GLOBAL EXCELLENCE

# Analyst Conference Call

## Q2 2011 results

August 09, 2011

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



**Aareal Bank  
Group**

# Agenda

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- Q2 2011 results at a glance
  - B/S structure, capital & funding position
  - Group figures Q2 2011
  - Asset quality
  - Outlook
  
  - Appendix
  - Definitions and Contacts
- 



# Economic environment

## Aareal Bank's point of view

### Analyst conference 03/11 (expectations)

Positive effects	Negative effects
<ul style="list-style-type: none"> <li>▪ Stabilisation of major economies</li> <li>▪ Some booming Emerging Market Countries</li> <li>▪ Bottoming out of several CRE-markets</li> <li>▪ Less competition due to withdrawal of competitors                             <ul style="list-style-type: none"> <li>▫ Higher margins</li> <li>▫ More equity in deals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Euro crises burdens funding markets</li> <li>▪ Inflation fear arises</li> <li>▪ Regulatory environment</li> <li>▪ Macro-economic imbalances</li> </ul>



**... to be continued in 2011!**

### Summer 2011

EU / US debt crisis	<ul style="list-style-type: none"> <li>▪ Volatility / uncertainties of the financial markets</li> <li>▪ Rating agencies</li> </ul>
Development real economy	<ul style="list-style-type: none"> <li>▪ Mitigating growth prospects</li> </ul>
Regulation, authorities, levies, etc.	<ul style="list-style-type: none"> <li>▪ Implementation issues unsolved</li> <li>▪ Cumulated effects unpredictable</li> <li>▪ Distortion of competition by single nation action</li> </ul>



**Risks in the financial system are becoming more apparent again**



# Q2 2011 results at a glance



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# Q2 2011 results at a glance

## On track

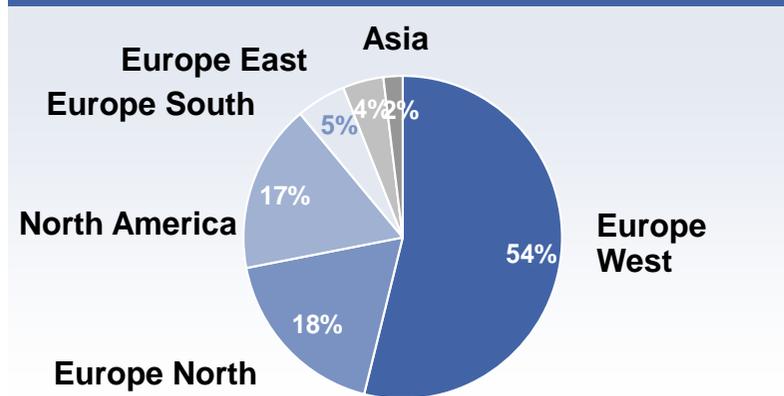
	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Comments
€ mn						
Net interest income	134	134	139	131	122	<ul style="list-style-type: none"> <li>Higher margins “paying off”</li> <li>Q4 ‘10 boosted by one-offs</li> </ul>
Allowance for credit losses	24	18	8	32	33	Strong portfolio quality and market development
Net commission income	31	30	37	24	32	Relief of costs for SoFFin guarantee materialises in Q3 2011
Net result trading-/ non-trading assets / on hedge accounting	6	-8	-14	-3	3	Reflects volatile markets
Administrative expenses	96	91	95	88	92	Cost discipline maintained
Operating profit	44	47	40	33	31	On track



# Structured property financing

## New business with attractive risk-return profile

**New business by region 6M 2011**



**New business origination**



**P&L SPF Segment**

	Q2 '11	Q1 '11	Q4 '10	Q3 '10	Q2 '10
€ mn					
Net interest income	124	125	129	121	111
Loan loss provision	24	18	8	32	33
Commission income	-2	-5	-1	-5	1
Net trading result	2	-8	13	2	-13
Result non-trad. assets	2	2	-23	-4	14
Admin expenses	54	51	56	54	55
Others	-7	-2	-23	0	0
<b>Operating profit</b>	<b>41</b>	<b>43</b>	<b>31</b>	<b>28</b>	<b>25</b>

- Newly acquired business increased by 136%
- Focus on attractive risk-return profile
- Preferably loans for Pfandbrief cover pool
- Newly acquired business picked up further in July
- Promising deal pipeline



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# Consulting / Services

Solid in IT & volumes – weak in deposit margins

<b>P&amp;L C/S Segment</b> (industry format)	<b>Q2 '11</b>	<b>Q1 '11</b>	<b>Q4 '10</b>	<b>Q3 '10</b>	<b>Q2 '10</b>
<b>Euro mn</b>					
Sales revenue	48	49	56	45	48
Own work capitalised	1	0	1	0	1
Changes in inventory	0	0	0	0	0
Other operating income	2	1	2	3	2
Cost of material purchased	5	5	7	6	5
Staff expenses	28	28	27	22	25
D, A, impairment losses	3	3	3	3	4
Results at equity acc. investm.	1	0	-	-	-
Other operating expenses	13	10	13	12	11
Results from interest and similar	0	0	0	0	0
<b>Result from ordinary activities</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>6</b>
Income taxes	1	1	3	1	2
<b>Segment result</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>4</b>
Segment result attributed to minority interests	0	1	0	1	0
<b>Segment result after minority interests</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>4</b>

## Segment result

- Burdened by investments for additional consulting and support capacities
- SG I automatisering will regularly enhance Q4-results

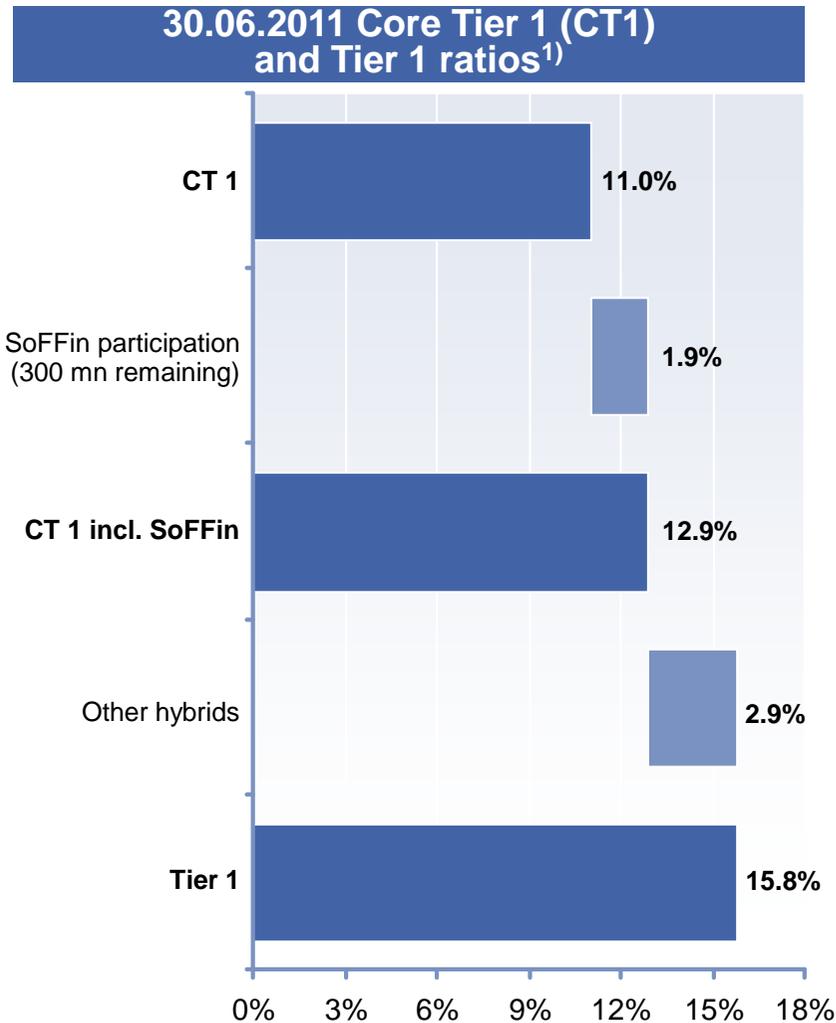


# B/S structure, capital & funding position



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# Strong capital ratios & stable capital structure facilitate further growth



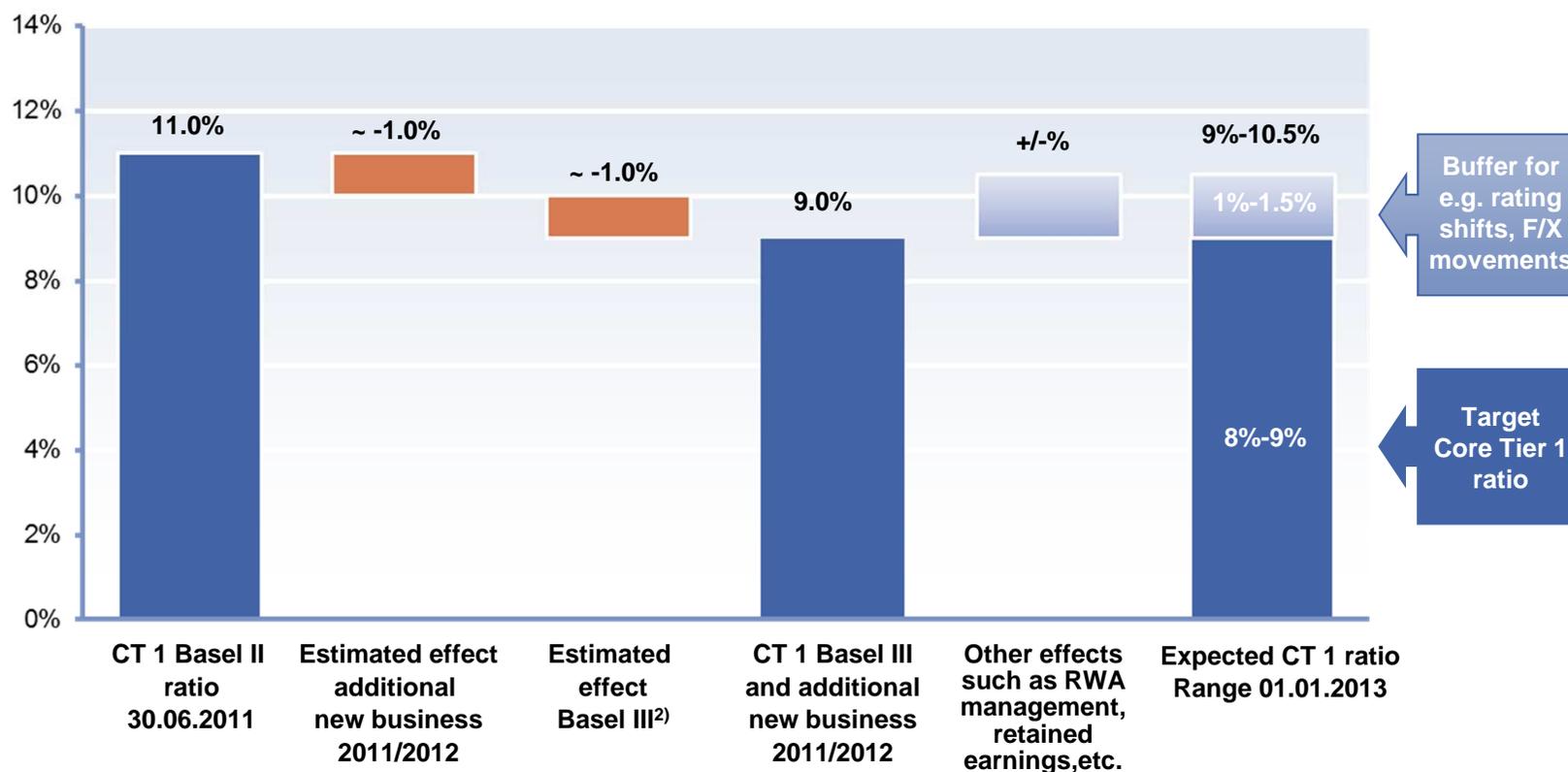
1) Ratios before the investment of new equity in new business

- Targeted Core Tier 1 ratio acc. to Basel III in 2013 over-achieved as of today; new business opportunities will be captured only in accordance with achieving this target
- Capital structure well in line with other European banks
- Full repayment of remaining SoFFin silent participation possible without further capital increase



# Estimated Basel III fully loaded effects Core Tier 1 ratio ex SoFFin / hybrids, development until 2013

Simulation: estimated Basel III effects per 30.06.2011<sup>1)</sup>



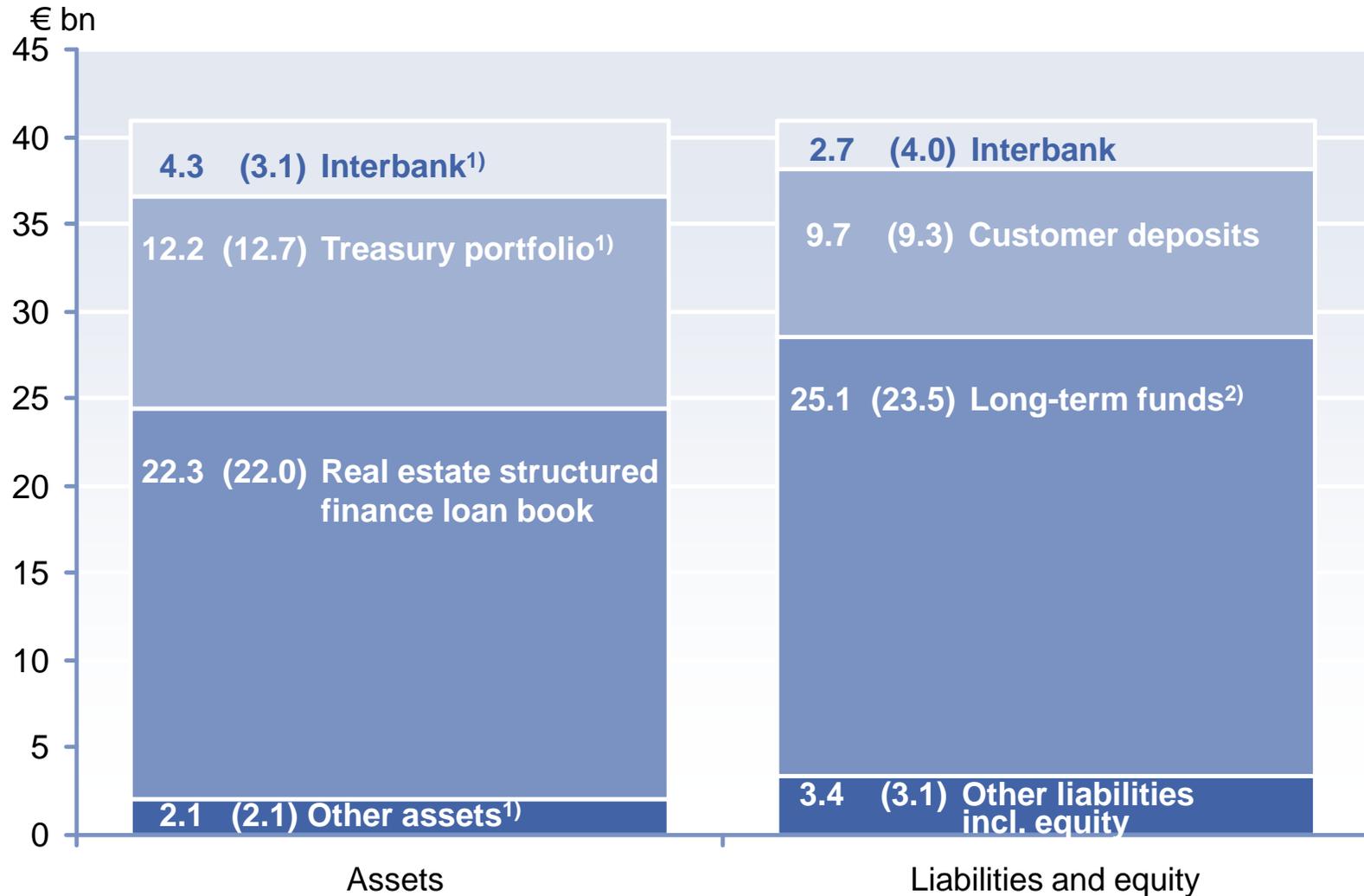
1) Actual figures may vary significantly from estimates

2) Estimated impact of Basel III implementation due to capital deductions and counterparty credit risk



# Asset- / Liability structure according to IFRS

As at 30.06.2011: € 40.9 bn (31.03.2011: € 39.9 bn)

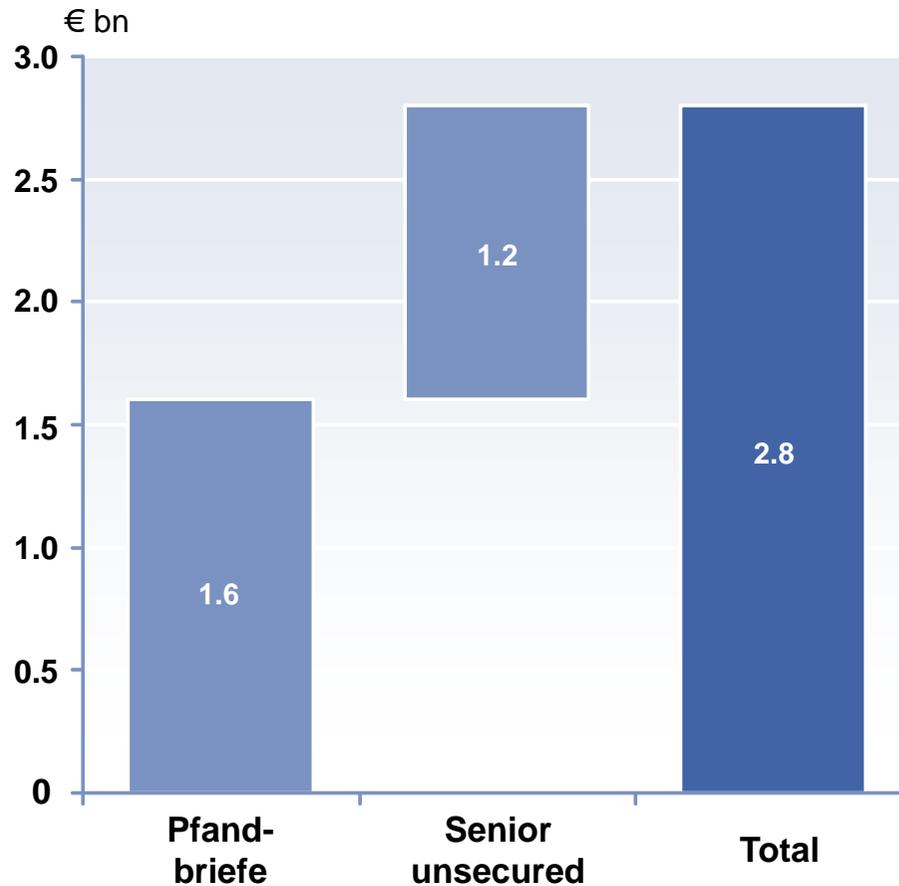


1) Liquidity position clearly exceeds 15% of the total balance sheet. This includes unencumbered ECB-eligible assets, available excess cash at other banks as well as highly liquid government securities  
 2) ~ € 800 mn repurchase of first SoFFin bond in July not reflected as at 30.06.2011



# Refinancing situation 2011

## Flexible use of unsecured and secured funding



### Total funding of € 2.8 bn in H1 2011

- Pfandbriefe:
  - € 1.6 bn  
thereof two € 500 mn benchmark mortgage Pfandbriefe
- Senior unsecured:
  - € 1.2 bn  
thereof one € 500 mn Senior unsecured benchmark

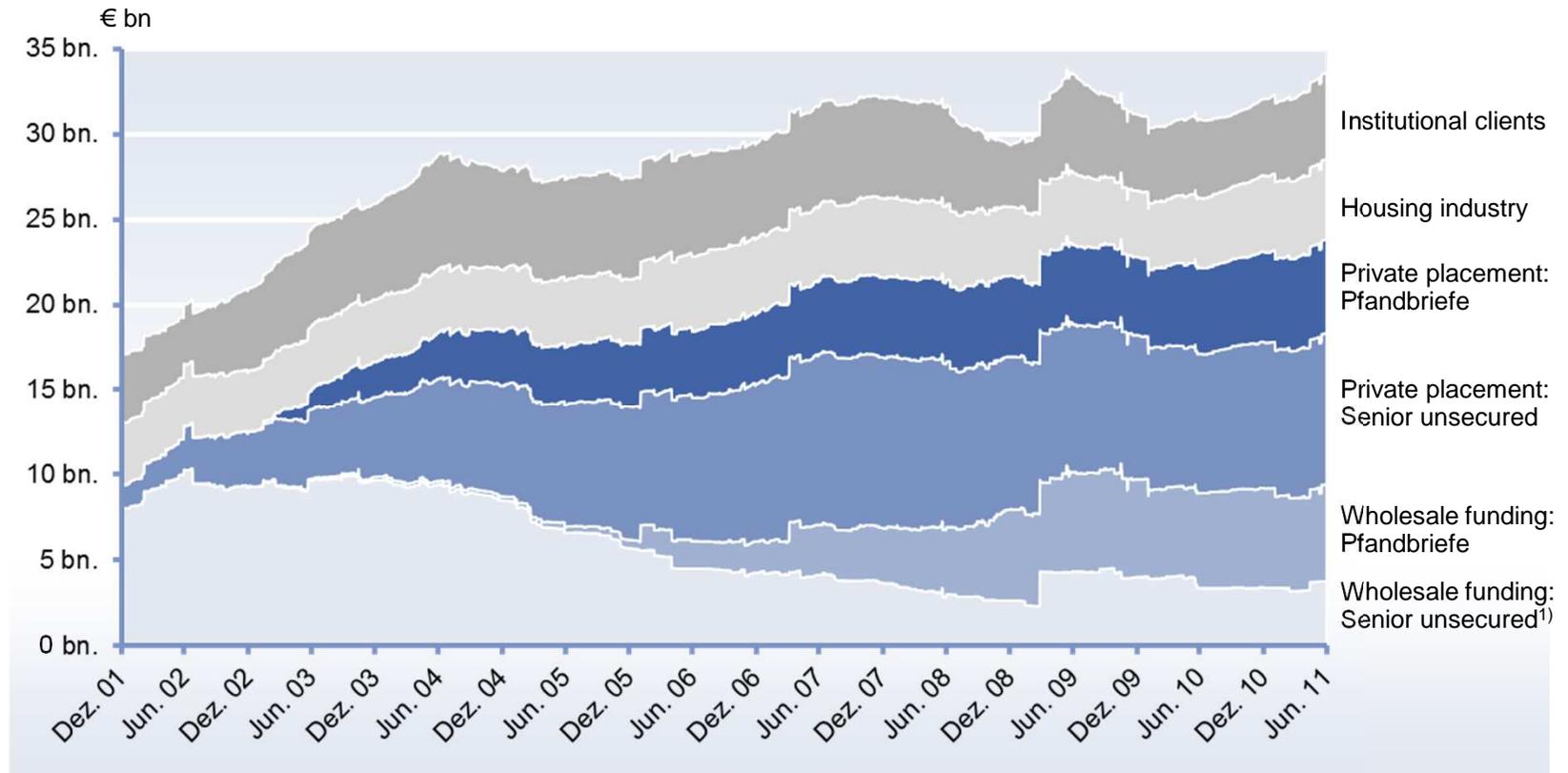
### Current developments

- Continues demand of private placements senior unsecured bonds
- Pfandbriefe selling continuously well
- Funding targets 2011 already fulfilled
- Additional funding will be done on an opportunistic basis



# Refinancing situation

## Diversified funding sources and distribution channels



- Aareal Bank has clearly reduced its dependency upon wholesale funding
- At the beginning of 2002, long term wholesale funding accounted for 47% of overall funding volumes - by 30.06.2011, this share had fallen to 28% (or even 10% without Pfandbriefe)

1) ~ € 800 mn repurchase of first SoFFin bond in July not reflected as at 30.06.2011



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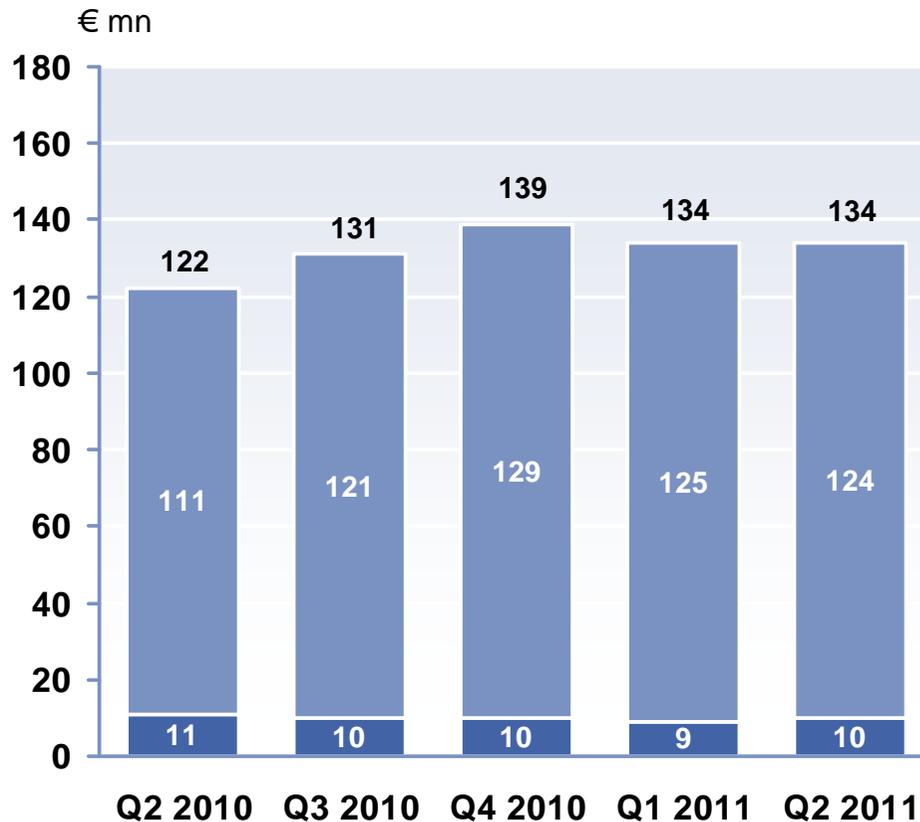
# Group figures Q2 2011



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# Net interest income

## Higher margins “paying off”



- Net interest income Q2 2011: € 134 mn
- Q4 2010 was boosted by € 3 - 4 mn one-offs
- Net interest income influenced by
  - Structured Property Financing: Mainly results from higher margins
  - Consulting / Services: Low interest rate level continues to burden the deposit taking business

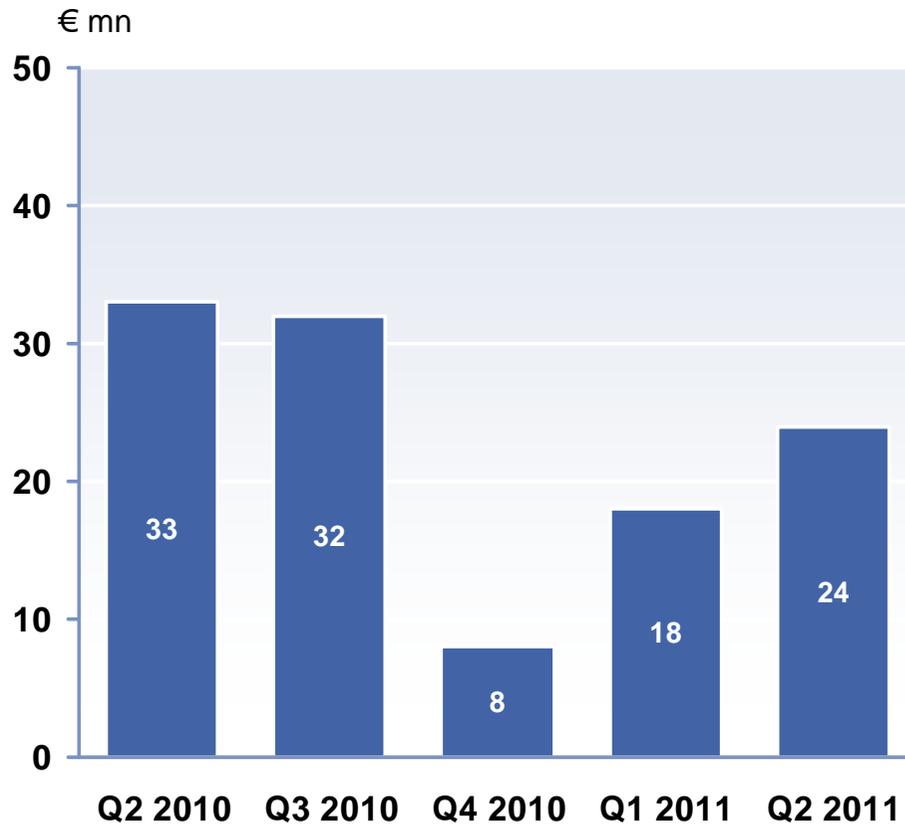
■ NII Structured Property Financing  
 ■ NII Consulting / Services



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# Loan loss provisions

## Loan loss provisions proving high portfolio quality

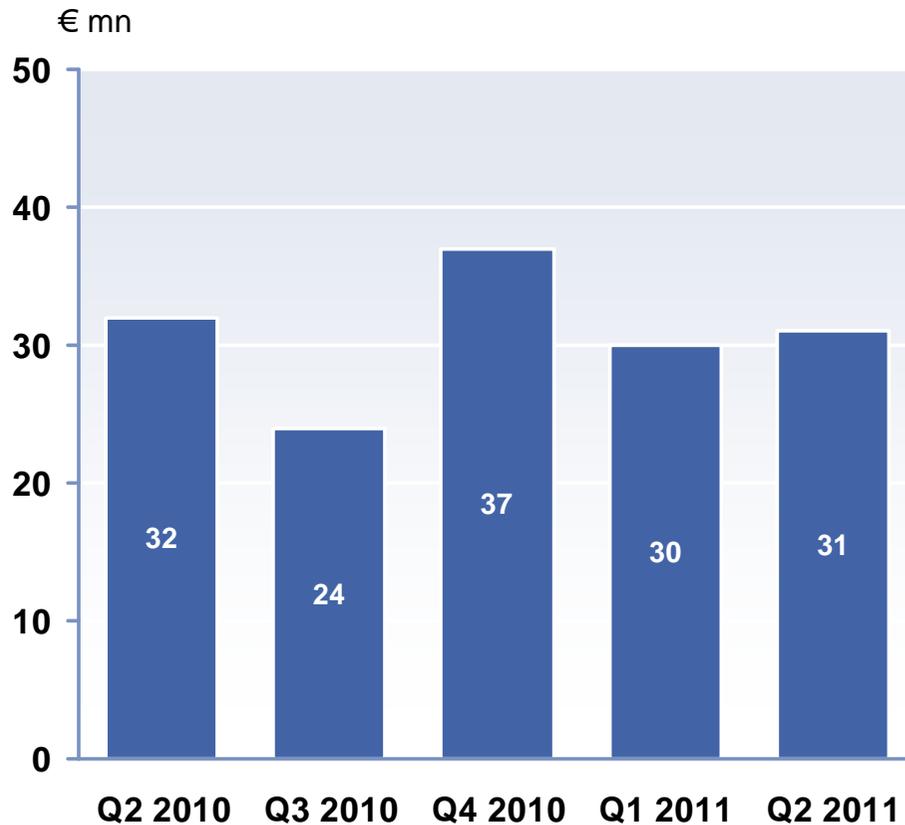


- Q2 loan loss provisions of € 24 mn stays annualised below the given range of € 110 mn to € 140 mn
- Loan loss provisions may vary quarter by quarter
- Close monitoring of our loan portfolio and successful restructuring efforts results in only € 42 mn LLP in H1



# Net commission income

## Relief of costs for SoFFin guarantees materialises in Q3

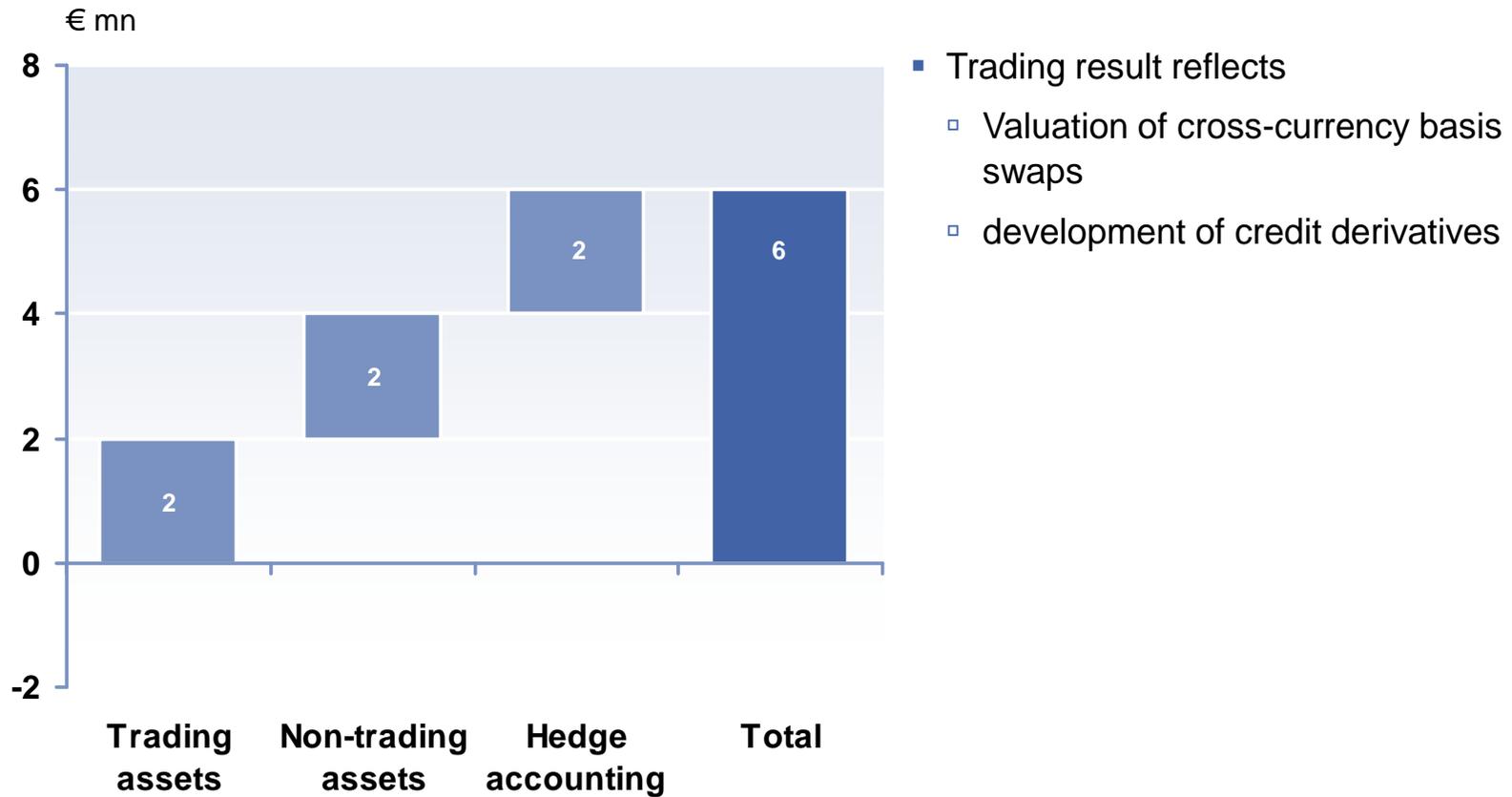


- Early redemption of the 2<sup>nd</sup> SoFFin Bond (held onto own books) relives NCI, starting in Q2 2011 – fully effects in Q3 2011
- € 800 mn repurchase of the 1<sup>st</sup> SoFFin Bond relives NCI starting in Q3 2011 – fully effect in Q4 2011



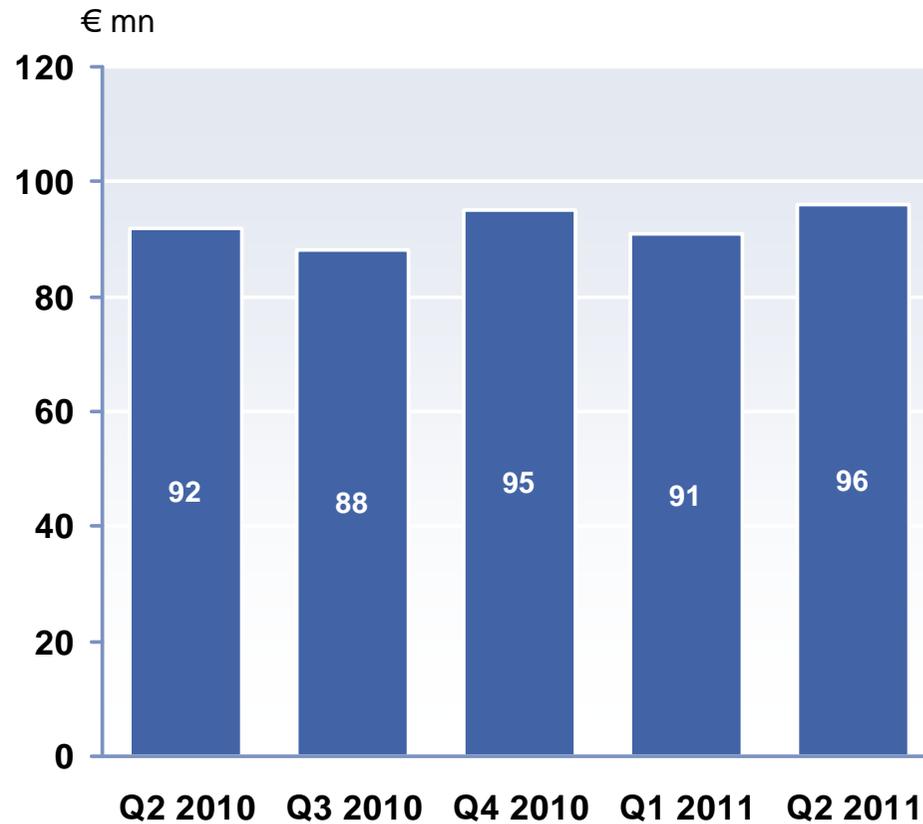
# Trading, non trading and hedge accounting

## Result reflects volatile markets in Q2 2011



# Admin expenses

## High cost discipline further maintained



- Q2 2011-figures with € 96 mn within full-years guidance
- Efficiency measures still keeping the admin expenses under control
- Starting in 2011 admin expenses includes addition burden from the German bank levy (~€ 3 mn in H1)



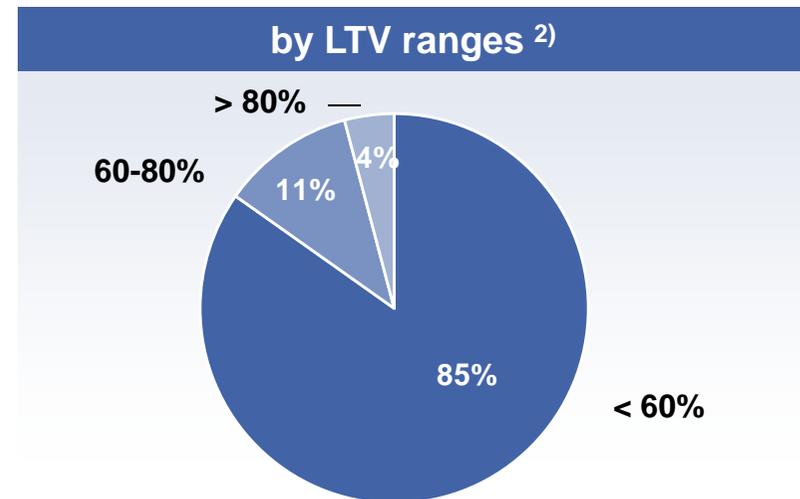
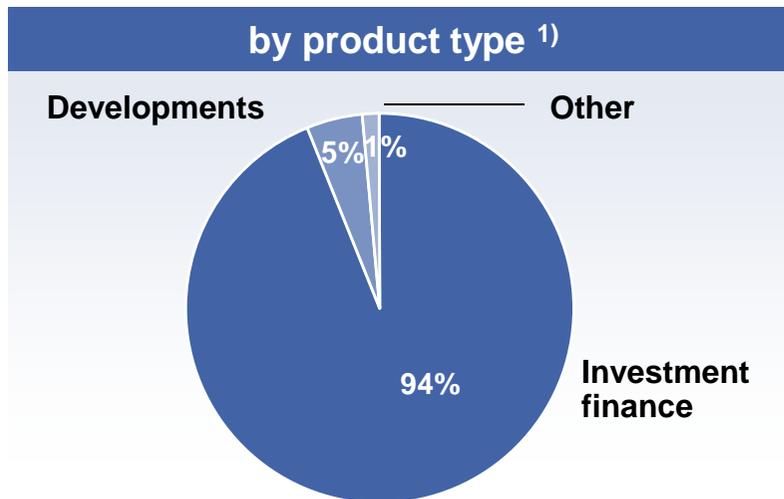
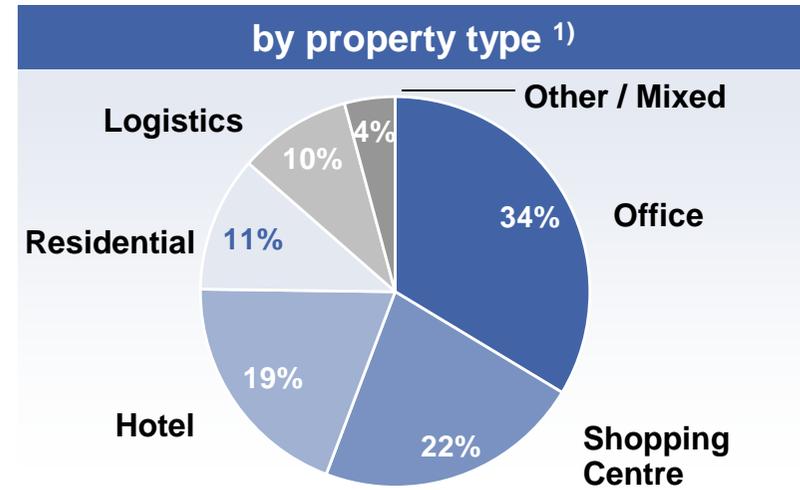
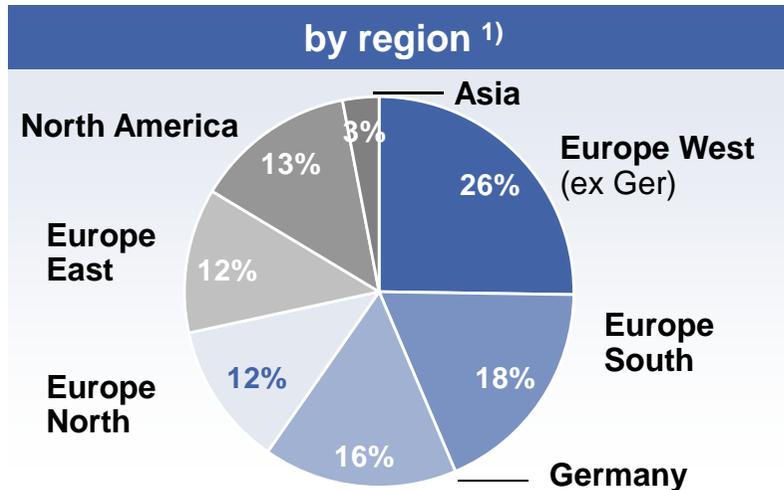
# Asset quality



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# Total property finance portfolio

## High diversification and sound asset quality



1) Total volume under management: € 22.6 bn as at 30.06.2011  
 (consisting of € 22.3 bn Structured Property Financing portfolio of Aareal Bank AG  
 and € 0.3 bn property loans managed on behalf of Deutsche Pfandbriefbank AG)

2) Performing business only; values as at 30.06.2011



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# Total property finance portfolio

## Stable NPL-level

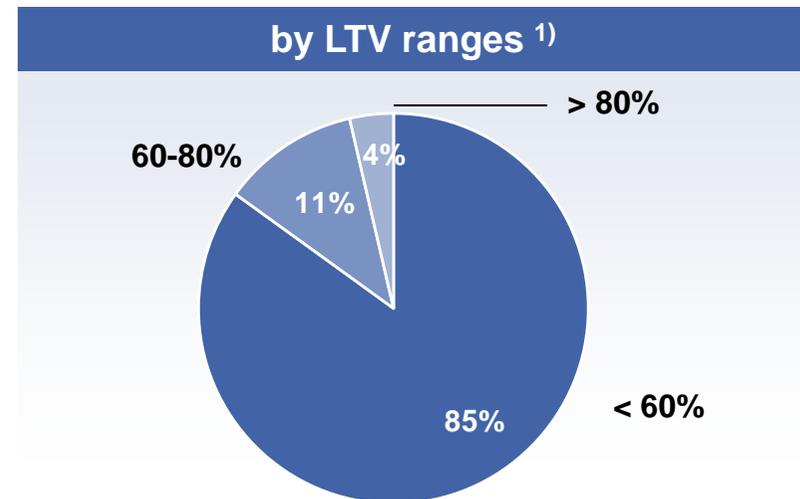
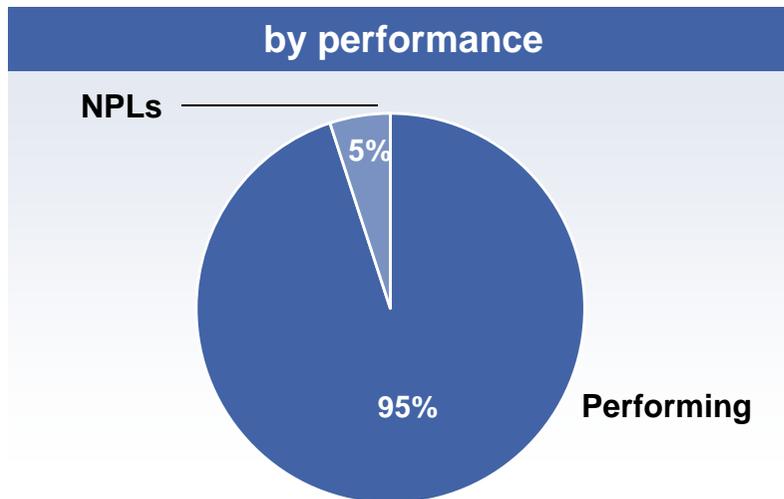
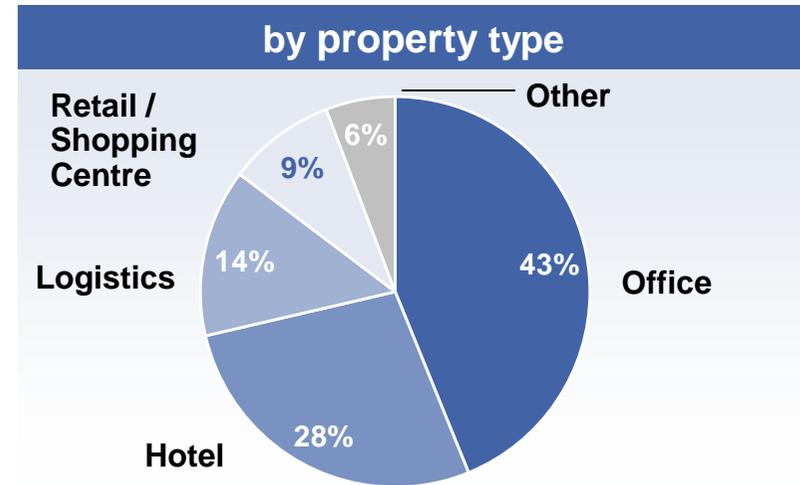
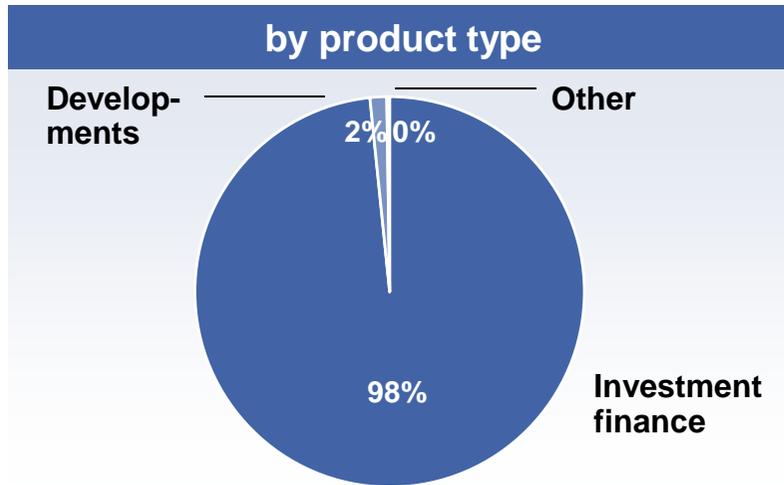
LLP- and NPL development			
	NPL Exposure <sup>1)</sup>	Specific Allowances <sup>1)</sup>	Portfolio Allowances <sup>2)</sup>
<b>Euro mn</b>			
As at 31.12.2010	791	261	94
Utilisation H1 2011	-145	-53	-
Addition H1 2011	172	42	-
As at 30.06.2011	818	250	94
<b>Coverage ratio specific allowances</b>		<b>30.6 %</b>	
		250	94
As at 30.06.2011	818	344	
<b>Coverage ratio incl. portfolio allowances</b>		<b>42.1 %</b>	

- 1) Incl. property finance portfolio still on DEPFA's balance sheet  
 2) General LLP consists to a high degree of Basel II expected loss which are allocated specific loans in most cases



# Western Europe (ex Ger) credit portfolio

Total volume outstanding as at 30.06.2011: € 5.7 bn

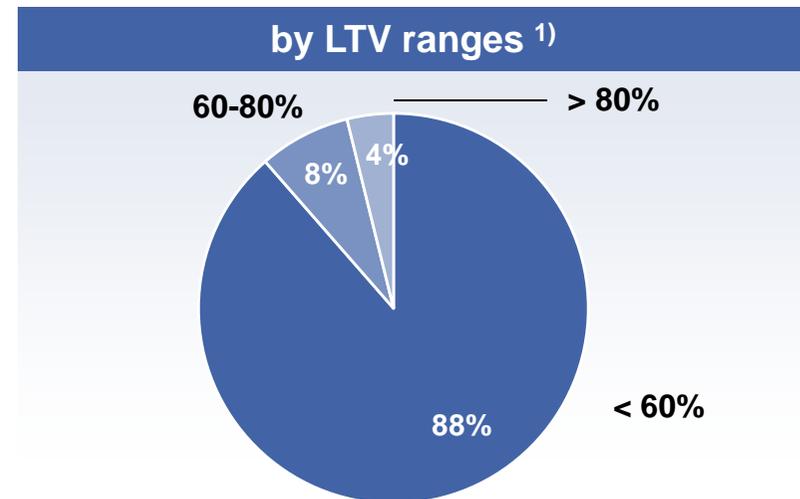
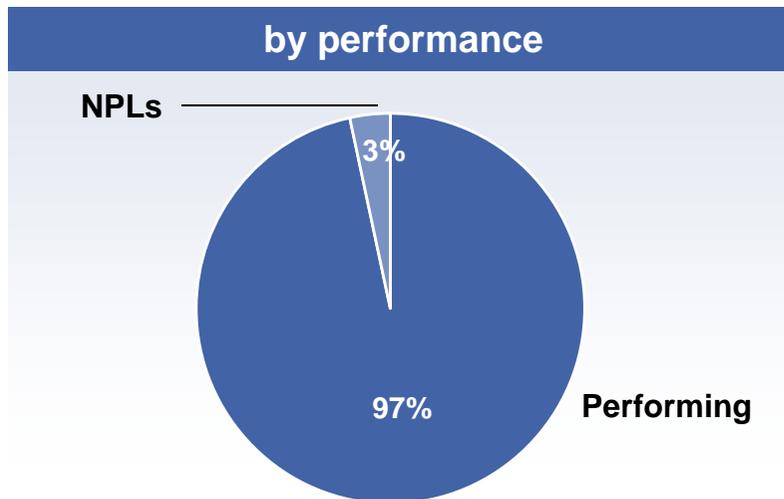
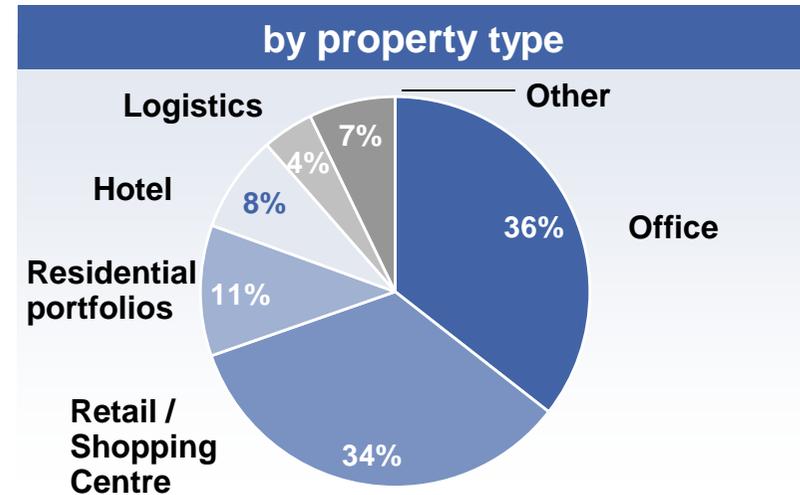
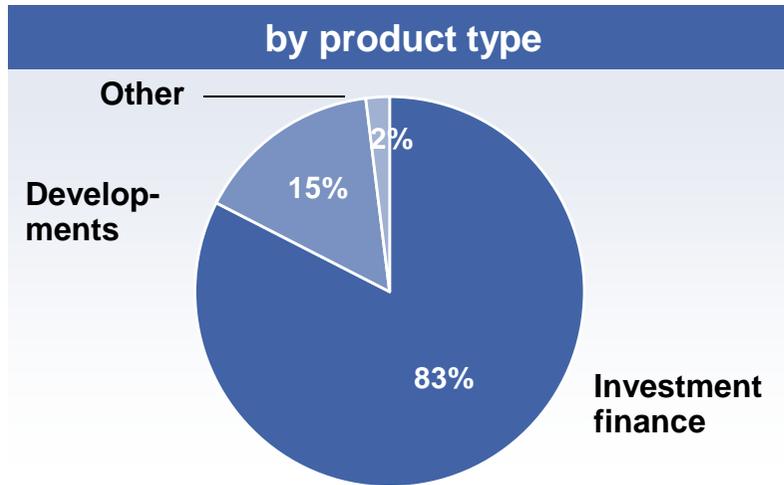


1) Performing business only



# Southern Europe credit portfolio

Total volume outstanding as at 30.06.2011: € 4.1 bn

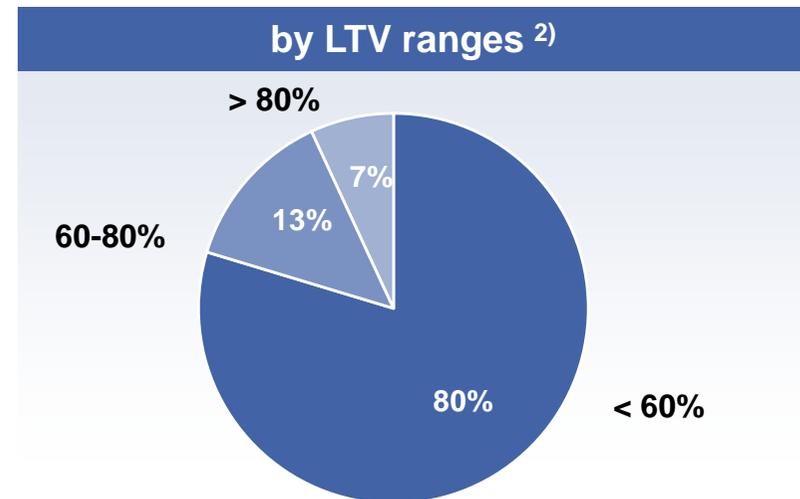
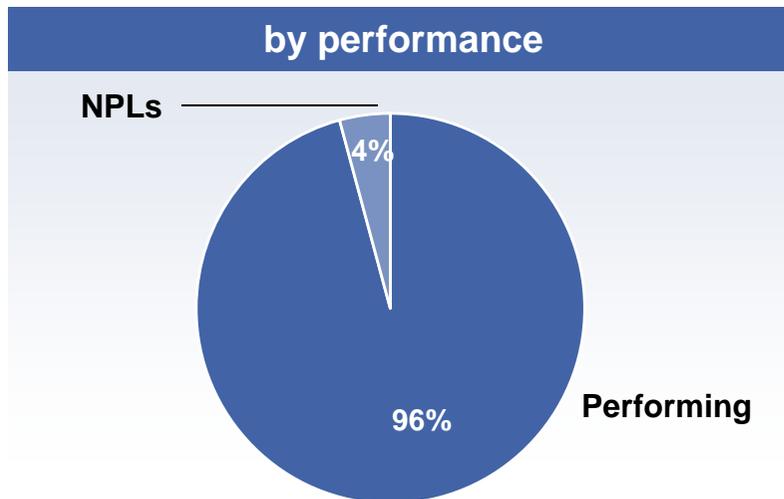
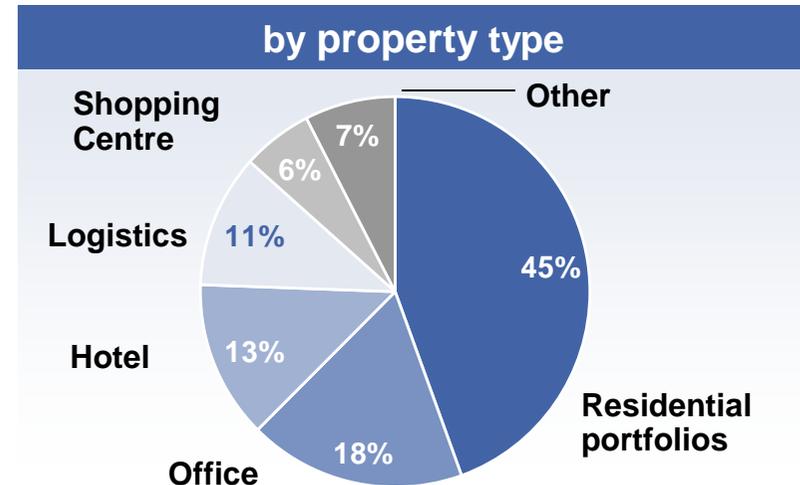
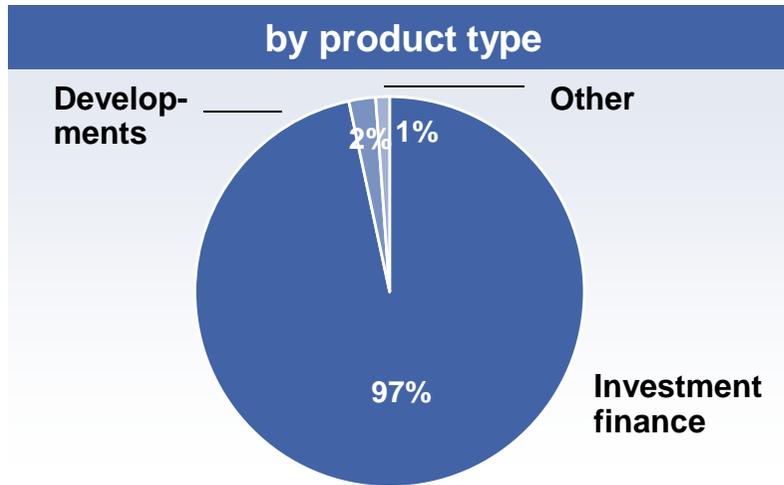


1) Performing business only



# German credit portfolio

Total volume outstanding as at 30.06.2011: € 3.6 bn<sup>1)</sup>

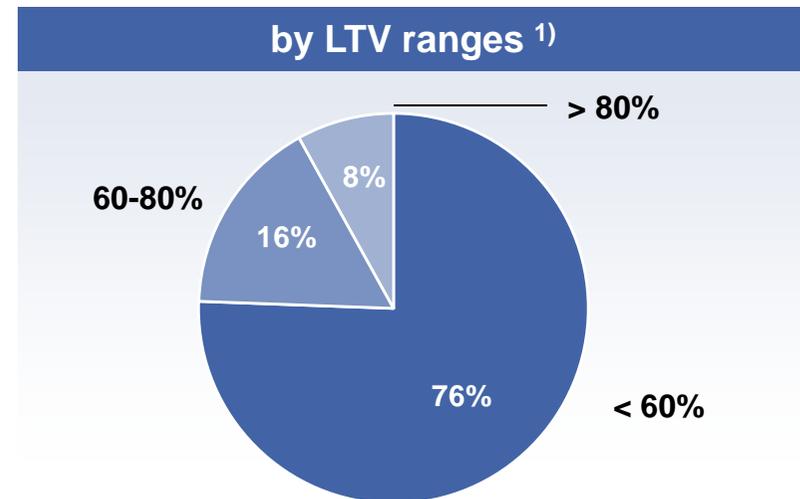
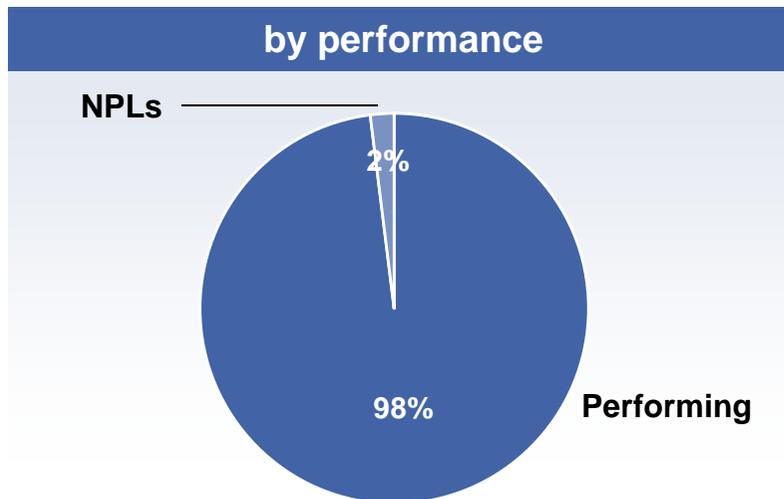
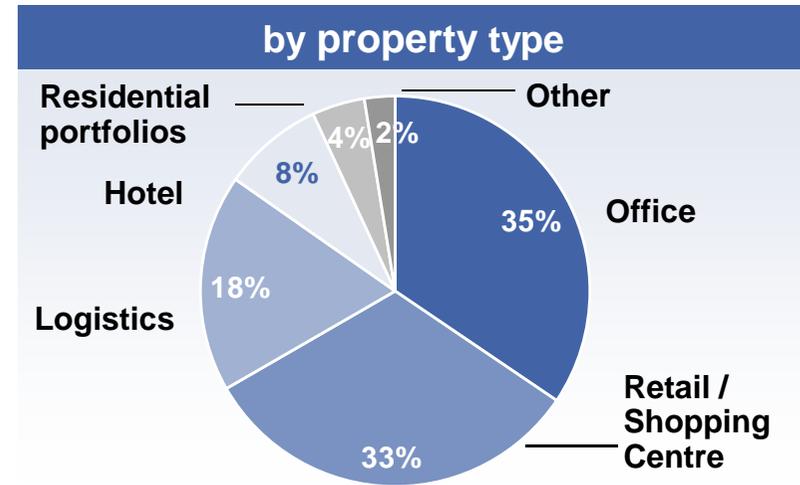
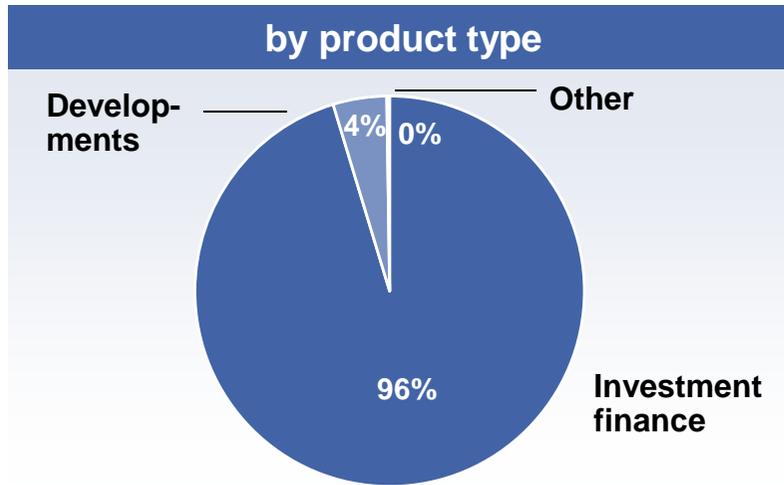


1) Including € 0.3 bn property loans managed on behalf of Deutsche Pfandbriefbank AG  
 2) Performing business only



# Northern Europe credit portfolio

Total volume outstanding as at 30.06.2011: € 2.7 bn

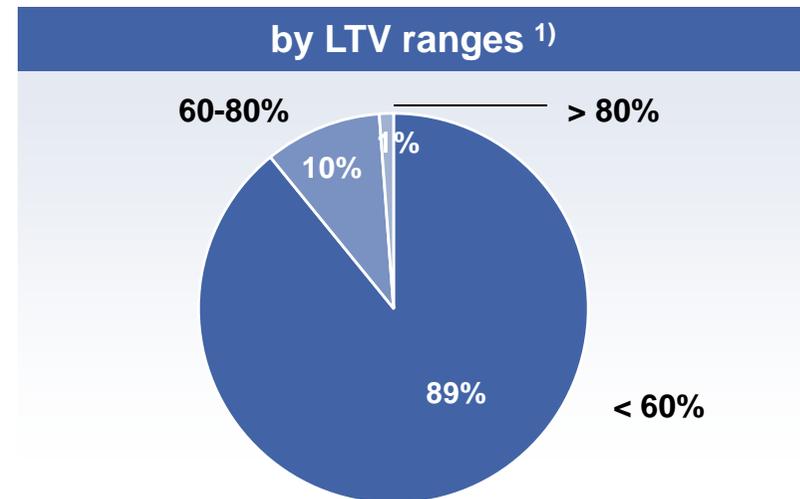
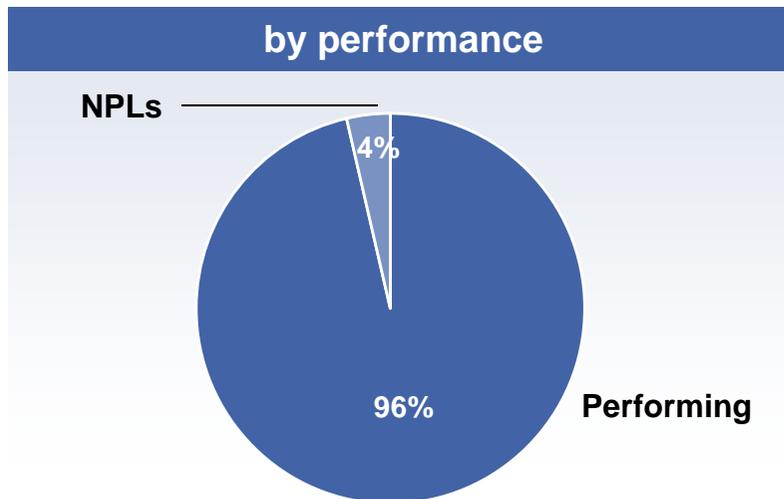
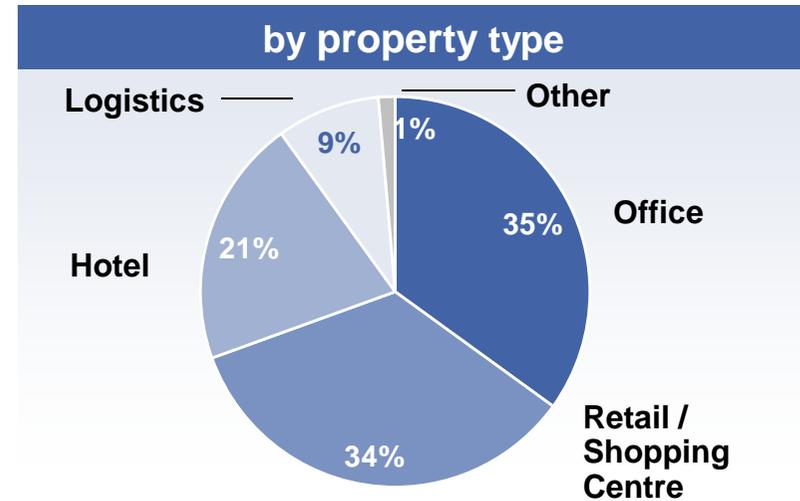
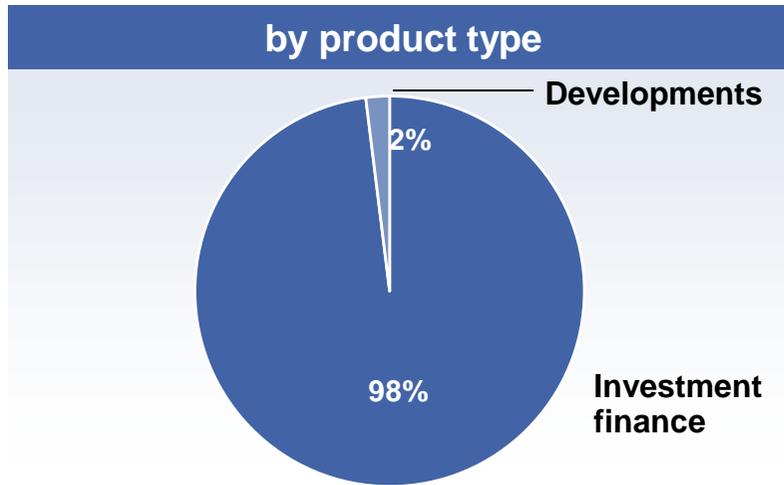


1) Performing business only



# Eastern Europe credit portfolio

Total volume outstanding as at 30.06.2011: € 2.7 bn

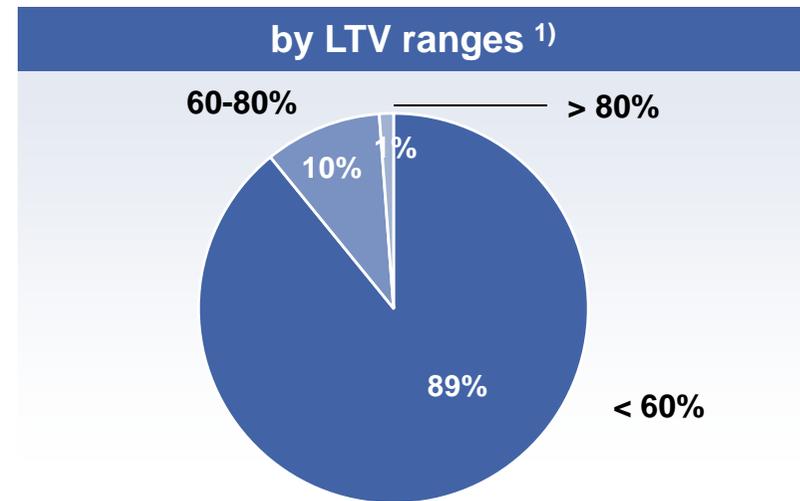
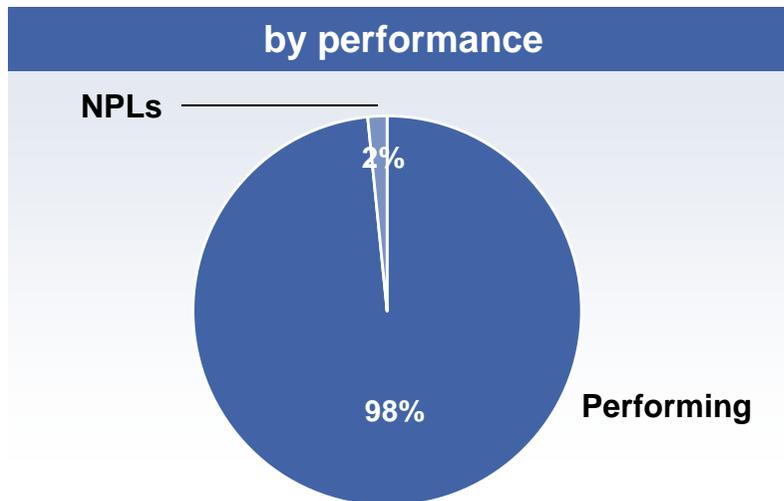
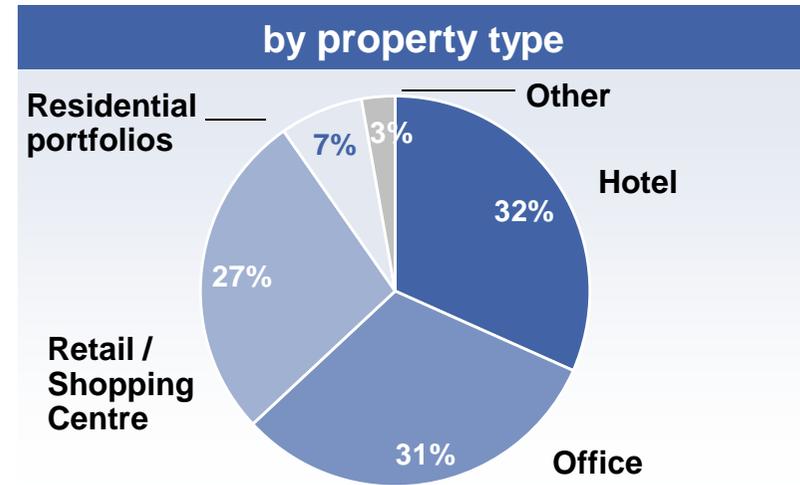
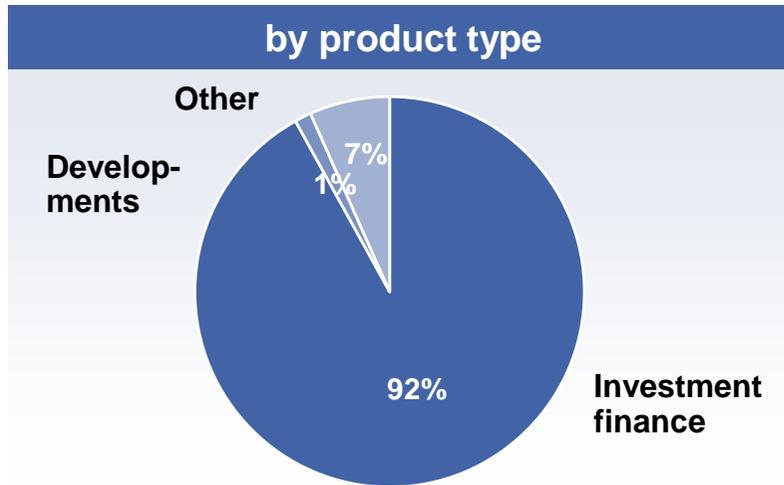


1) Performing business only



# North America credit portfolio

Total volume outstanding as at 30.06.2011: € 3.0 bn

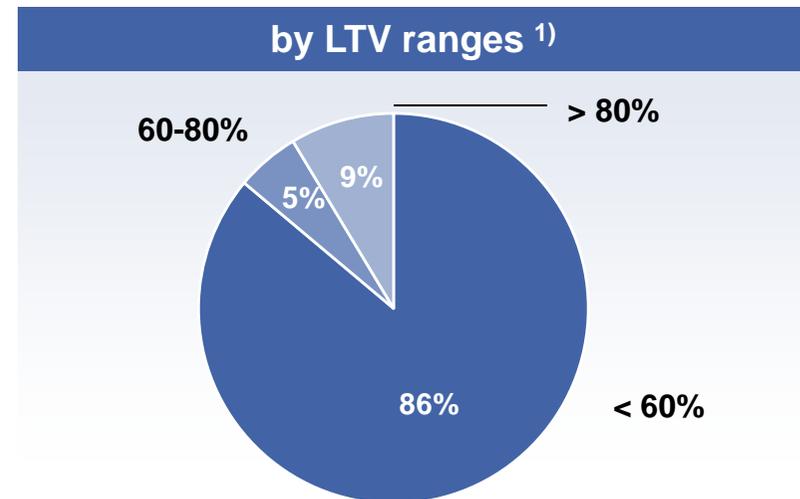
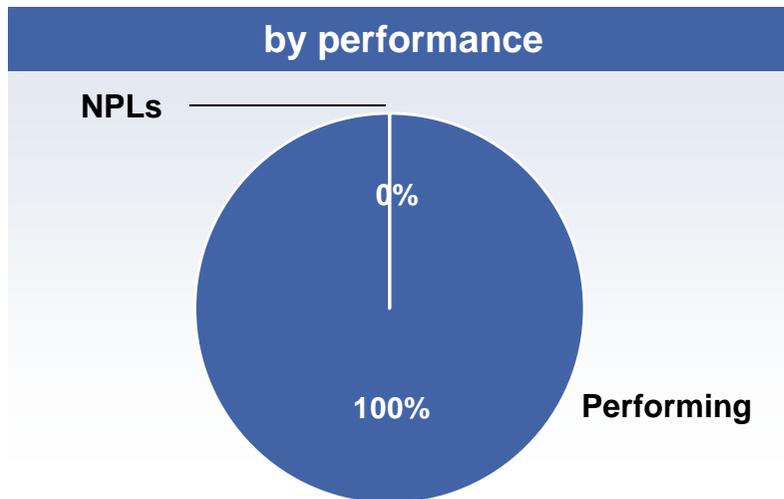
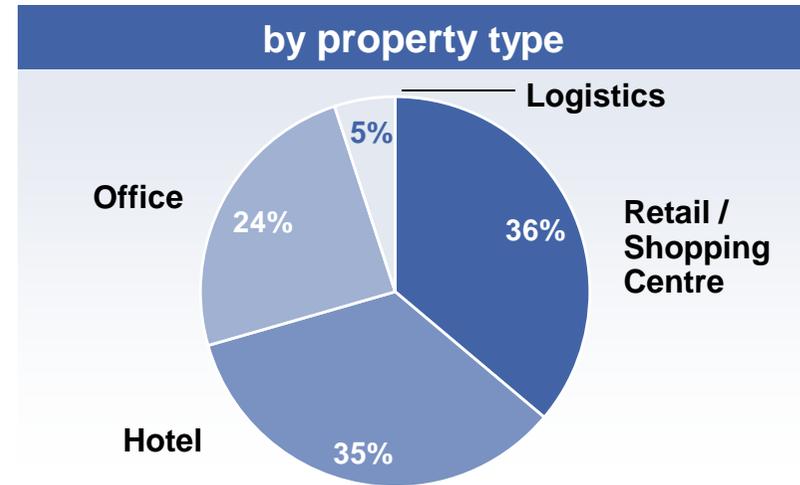
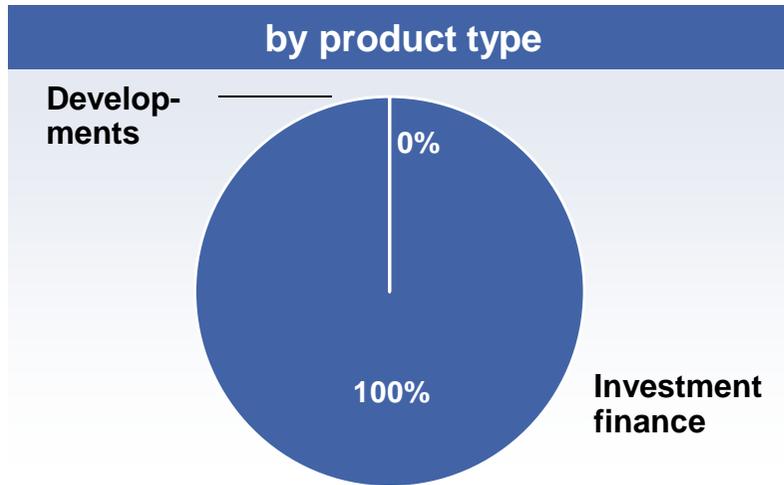


1) Performing business only



# Asia credit portfolio

Total volume outstanding as at 30.06.2011: € 0.7 bn

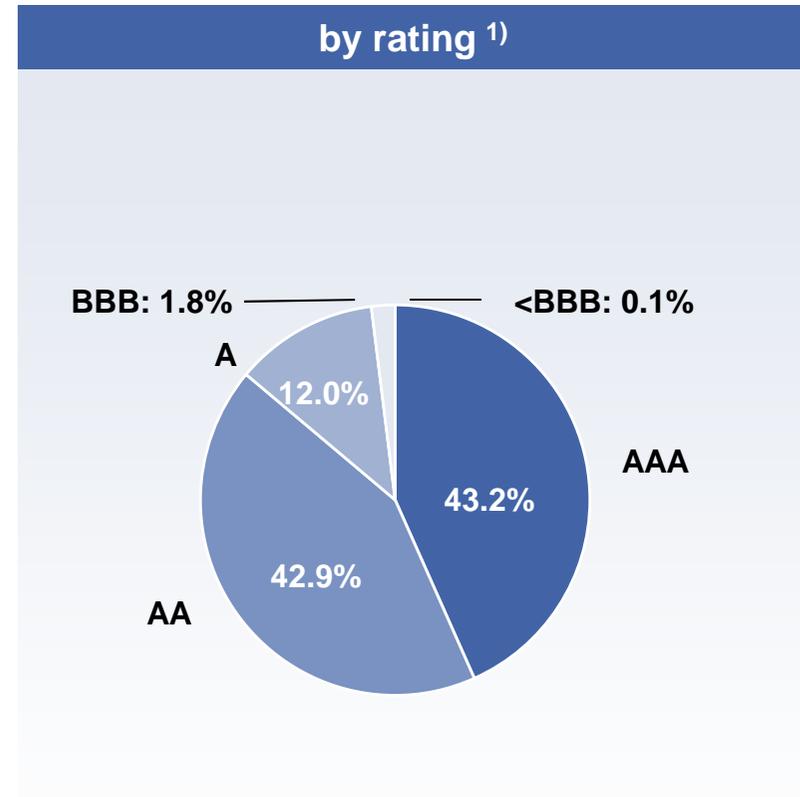
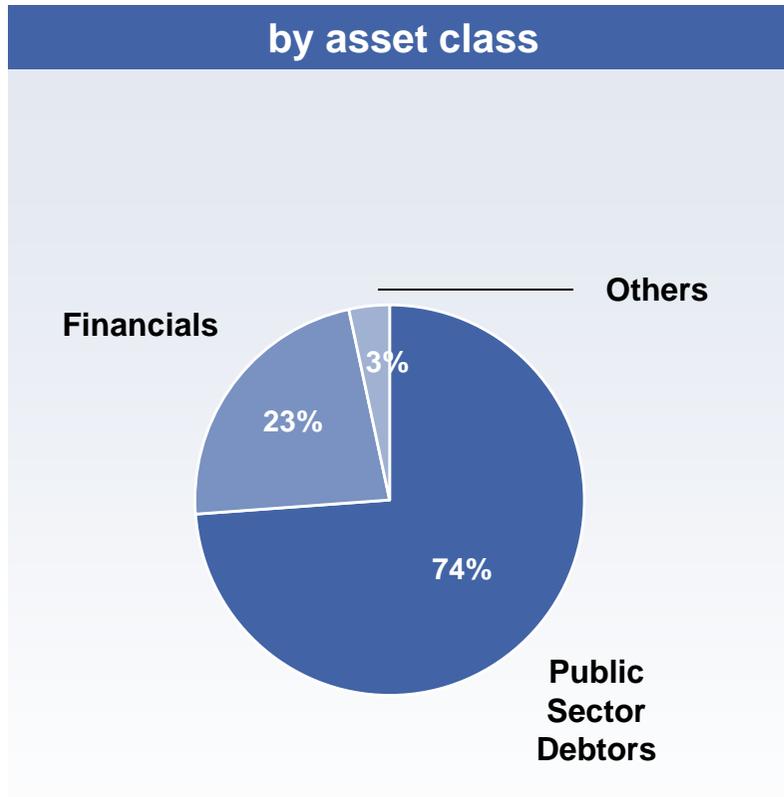


1) Performing business only



# Treasury portfolio

€ 11.6 bn of high quality and highly liquid assets



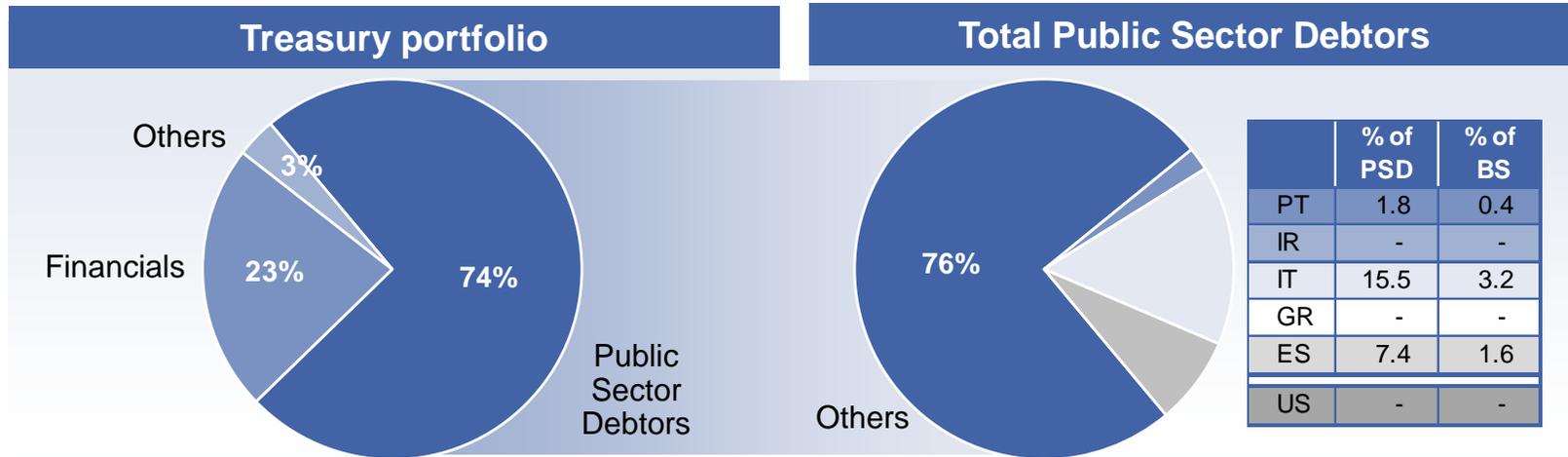
As at 30.06.2011 – all figures are nominal amounts

1) Composite Rating



# Treasury portfolio

## € 8.6 bn Public Sector Debtors



Sovereign			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Portugal	100	-33	0
Ireland	-	-	-
Italy	1,324	-68	-58
Greece	-	-	-
Spain	300	-5	0
USA	-	-	-

Sub-Sovereign <sup>1)</sup>			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Portugal	55	-1	-11
Ireland	-	-	-
Italy	-	-	-
Greece	-	-	-
Spain	337	-1	-43
USA	-	-	-

1) Incl. exposure of € 50 mn which is additionally guaranteed by the Sovereign

2) Incl. securities of the AfS- and the LaR-category

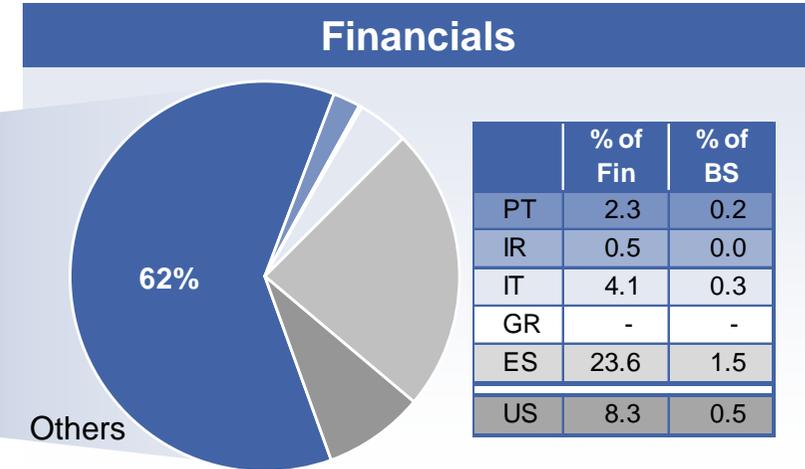
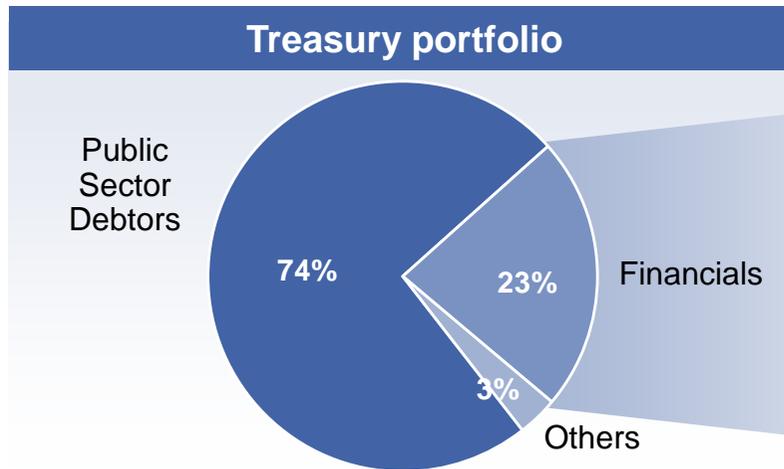
30 3) Incl. securities of the HtM- and the LaR-category



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# Treasury portfolio

## € 2.6 bn Financials



**Covered Bonds**

€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Portugal	60	-13	0
Ireland	-	-	-
Italy	70	0	0
Greece	-	-	-
Spain	616	-10	-29
USA	-	-	-

**Senior Unsecured**

€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Portugal	-	-	-
Ireland	12	0	0
Italy	36	0	0
Greece	-	-	-
Spain	-	-	-
USA	216	-4	0

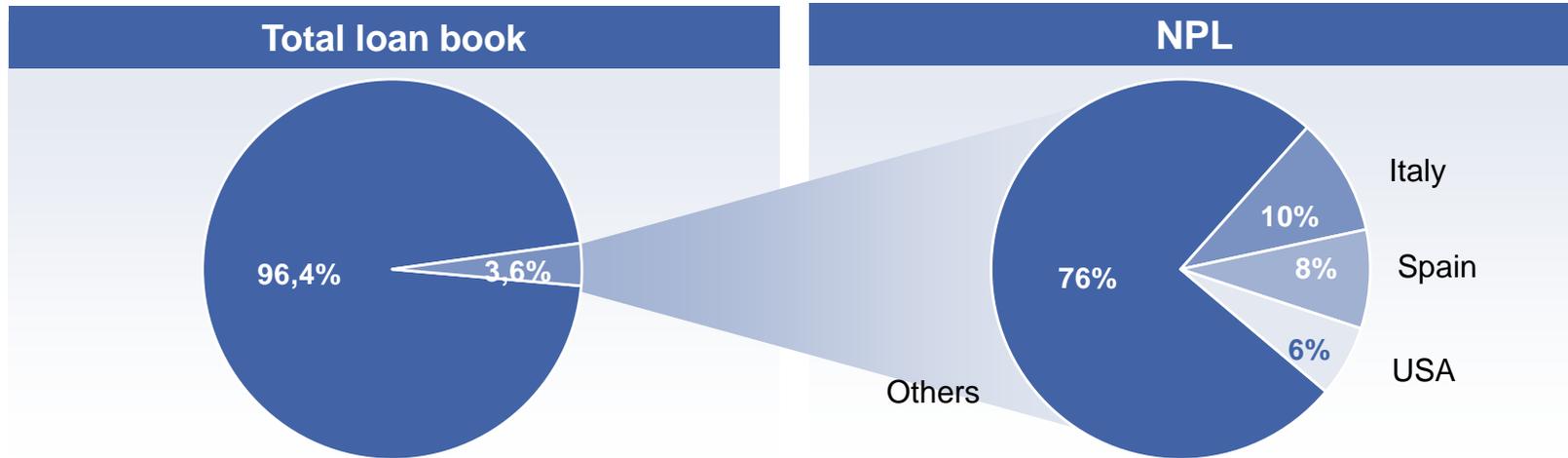
1) Incl. securities of the AfS- and the LaR-category

2) Incl. securities of the HiM- and the LaR-category



# Real estate structured finance loan book

## € 22.6 bn of high quality real estate assets



€ mn	Nominal (in mn €)	Average LTV	NPLs (in mn €)
Portugal	-	-	-
Ireland	-	-	-
Italy	3,107	58,8%	82
Greece	-	-	-
Spain	1,002	83,4%	66
USA	2,465	64,6%	51



# Outlook



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## Outlook confirmed

2011	
<b>Net interest income</b>	<ul style="list-style-type: none"> <li>▪ Target expected above 2010 level</li> <li>▪ Moderately increasing interest rate level assumed</li> </ul>
<b>Net loan loss provisions</b>	<ul style="list-style-type: none"> <li>▪ Expected to range between € 110 mn and € 140 mn<sup>1)</sup></li> </ul>
<b>Net trading result / results from non-trading assets</b>	<ul style="list-style-type: none"> <li>▪ Unpredictable in current markets / no significant burdens from non-trading assets expected</li> </ul>
<b>Admin expenses</b>	<ul style="list-style-type: none"> <li>▪ Under control: slightly above 2010 level including additional burden of German banking levy</li> </ul>
<b>Operating profit</b>	<ul style="list-style-type: none"> <li>▪ Clearly above 2010 level, despite additional burden of German banking levy</li> <li>▪ Expected positive impact from early redemption of € 2 bn SoFFin-guaranteed bond held on own books of € 14 mn pre-tax (pro rata of € 19 mn p.a.)</li> </ul>
<b>Pre-tax RoE</b>	<ul style="list-style-type: none"> <li>▪ Above 2010 level</li> </ul>

Provided that the sovereign debt crisis does not deteriorate further, Aareal Bank Group is making good progress in achieving its targets for 2011, which were last raised in April.

1) As in 2010, the bank cannot rule out additional allowances for credit losses



# Appendix



**Aareal Bank  
Group**

# Aareal Bank Group

## Key figures Q2 2011

	Quarter 2 2011	Quarter 2 2010	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	134	122	10%
Allowance for credit losses	24	33	-27%
<b>Net interest income after allowance for credit losses</b>	<b>110</b>	<b>89</b>	<b>24%</b>
Net commission income	31	32	-3%
Net result on hedge accounting	2	2	0%
Net trading income / expenses	2	-13	-
Results from non-trading assets	2	14	-86%
Results from companies accounted for at equity	1	5	-80%
Results from investment properties	2	0	-
Administrative expenses	96	92	4%
Net other operating income / expenses	-10	-6	-
Impairment of goodwill	0	-	-
<b>Operating Profit</b>	<b>44</b>	<b>31</b>	<b>42%</b>
Income taxes	14	9	56%
<b>Net income / loss</b>	<b>30</b>	<b>22</b>	<b>36%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	4	4	0%
Net income / loss attributable to shareholders of Aareal Bank AG	26	18	44%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	5	9	-44%
<b>Consolidated retained profit / accumulated loss</b>	<b>21</b>	<b>9</b>	<b>133%</b>



**Aareal Bank  
Group**

# Aareal Bank Group: Segment Reporting

## Key figures Q2 2011 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.04.- 30.06. 2011	01.04.- 30.06. 2010	01.04.- 30.06. 2011	01.04.- 30.06. 2010	01.04.- 30.06. 2011	01.04.- 30.06. 2010	01.04.- 30.06. 2011	01.04.- 30.06. 2010
	Euro mn							
Net interest income	124	111	0	0	10	11	134	122
Allowance for credit losses	24	33					24	33
<b>Net interest income after allowance for credit losses</b>	<b>100</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>11</b>	<b>110</b>	<b>89</b>
Net commission income	-2	1	43	43	-10	-12	31	32
Net result on hedge accounting	2	2					2	2
Net trading income / expenses	2	-13					2	-13
Results from non-trading assets	2	14		0			2	14
Results from companies accounted for at equity		5	1				1	5
Results from investment properties	2	0					2	0
Administrative expenses	54	55	42	38	0	-1	96	92
Net other operating income / expenses	-11	-7	1	1	0	0	-10	-6
Impairment of goodwill	0						0	
<b>Operating profit</b>	<b>41</b>	<b>25</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>31</b>
Income taxes	13	7	1	2			14	9
<b>Net income / loss</b>	<b>28</b>	<b>18</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>22</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	4	4	0	0			4	4
Net income / loss attributable to shareholders of Aareal Bank AG	24	14	2	4	0	0	26	18



# Aareal Bank Group

## Key figures H1 2011

	01.01.- 30.06.2011	01.01.- 30.06.2011	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	268	239	12%
Allowance for credit losses	42	65	-35%
<b>Net interest income after allowance for credit losses</b>	<b>226</b>	<b>174</b>	<b>30%</b>
Net commission income	61	62	-2%
Net result on hedge accounting	0	4	-
Net trading income / expenses	-6	-7	-
Results from non-trading assets	4	14	-71%
Results from companies accounted for at equity	1	5	-80%
Results from investment properties	4	0	-
Administrative expenses	187	183	2%
Net other operating income / expenses	-12	-8	-
Impairment of goodwill	0	0	-
<b>Operating Profit</b>	<b>91</b>	<b>61</b>	<b>49%</b>
Income taxes	26	18	44%
<b>Net income / loss</b>	<b>65</b>	<b>43</b>	<b>51%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	9	9	0%
Net income / loss attributable to shareholders of Aareal Bank AG	56	34	65%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	11	17	-35%
<b>Consolidated retained profit / accumulated loss</b>	<b>45</b>	<b>17</b>	<b>165%</b>



**Aareal Bank  
Group**

# Aareal Bank Group: Segment Reporting

## Key figures H1 2011 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.06. 2011	01.01.- 30.06. 2010	01.01.- 30.06. 2011	01.01.- 30.06. 2010	01.01.- 30.06. 2011	01.01.- 30.06. 2010	01.01.- 30.06. 2011	01.01.- 30.06. 2010
Euro mn								
Net interest income	249	217	0	0	19	22	268	239
Allowance for credit losses	42	65					42	65
<b>Net interest income after allowance for credit losses</b>	<b>207</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>22</b>	<b>226</b>	<b>174</b>
Net commission income	-7	-3	87	88	-19	-23	61	62
Net result on hedge accounting	0	4					0	4
Net trading income / expenses	-6	-7					-6	-7
Results from non-trading assets	4	14		0			4	14
Results from companies accounted for at equity		5	1				1	5
Results from investment properties	4	0					4	0
Administrative expenses	105	107	82	77	0	-1	187	183
Net other operating income / expenses	-13	-9	1	1	0	0	-12	-8
Impairment of goodwill	0	0					0	0
<b>Operating profit</b>	<b>84</b>	<b>49</b>	<b>7</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>61</b>
Income taxes	24	14	2	4			26	18
<b>Net income / loss</b>	<b>60</b>	<b>35</b>	<b>5</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>43</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	8	8	1	1			9	9
Net income / loss attributable to shareholders of Aareal Bank AG	52	27	4	7	0	0	56	34



# Aareal Bank Group: Segment Reporting

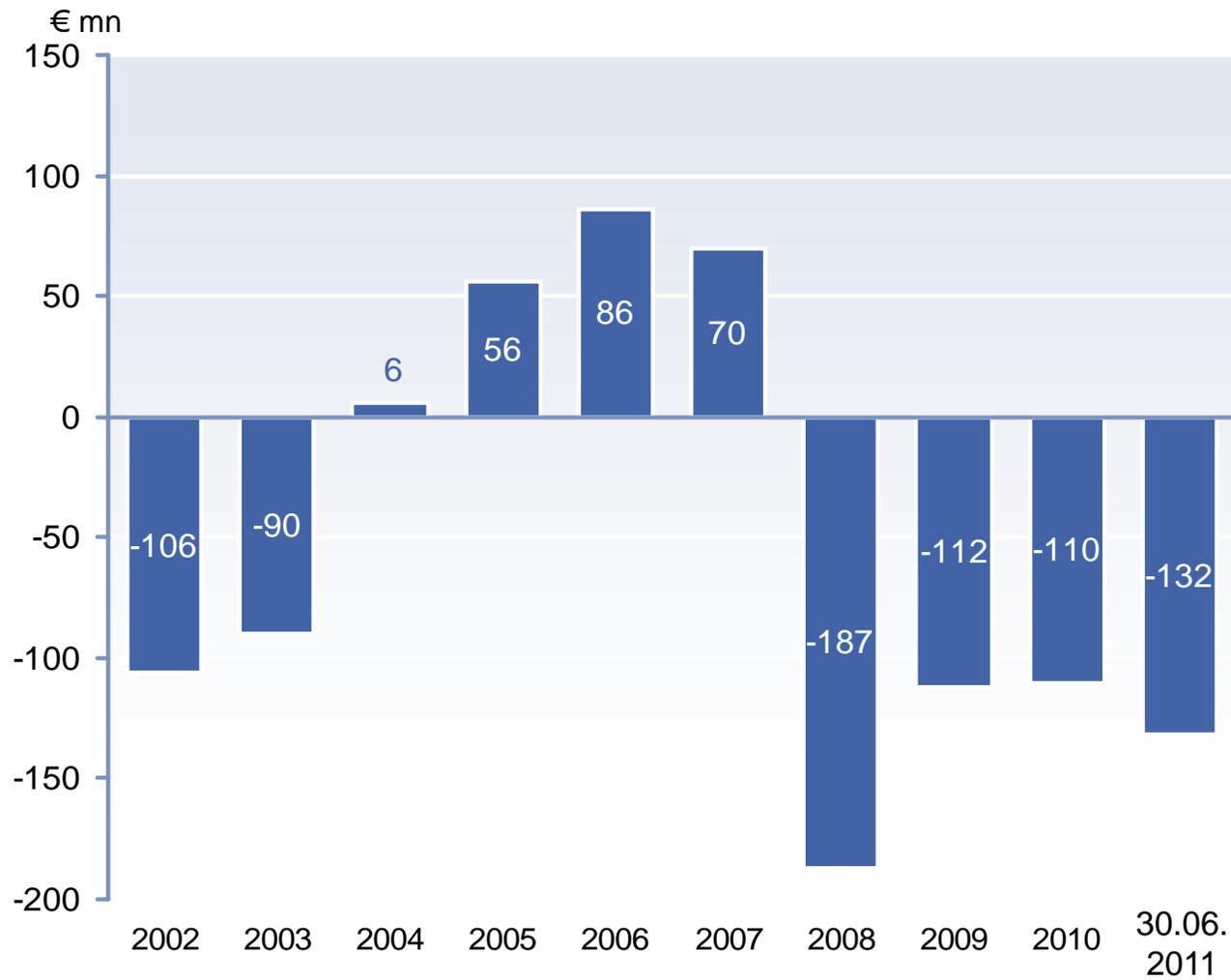
## Key figures - quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2
	2011	2011	2010	2010	2010	2011	2011	2010	2010	2010	2011	2011	2010	2010	2010	2011	2011	2010	2010	2010
Euro mn																				
Net interest income	124	125	129	121	111	0	0	0	0	0	10	9	10	10	11	134	134	139	131	122
Allowance for credit losses	24	18	8	32	33											24	18	8	32	33
<b>Net interest income after allowance for credit losses</b>	<b>100</b>	<b>107</b>	<b>121</b>	<b>89</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>110</b>	<b>116</b>	<b>131</b>	<b>99</b>	<b>89</b>
Net commission income	-2	-5	-1	-5	1	43	44	49	39	43	-10	-9	-11	-10	-12	31	30	37	24	32
Net result on hedge accounting	2	-2	-4	-2	2											2	-2	-4	-2	2
Net trading income / expenses	2	-8	13	2	-13											2	-8	13	2	-13
Results from non-trading assets	2	2	-23	-4	14			0	1	0						2	2	-23	-3	14
Results from companies accounted for at equity			0	0	5	1	0									1	0	0	0	5
Results from investment properties	2	2	-17	0	0											2	2	-17	0	0
Administrative expenses	54	51	56	54	55	42	40	40	35	38	0	0	-1	-1	-1	96	91	95	88	92
Net other operating income / expenses	-11	-2	-2	2	-7	1	0	0	0	1	0	0	0	-1	0	-10	-2	-2	1	-6
Impairment of goodwill	0															0		0		
<b>Operating profit</b>	<b>41</b>	<b>43</b>	<b>31</b>	<b>28</b>	<b>25</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>47</b>	<b>40</b>	<b>33</b>	<b>31</b>
Income taxes	13	11	8	10	7	1	1	3	1	2						14	12	11	11	9
<b>Net income / loss</b>	<b>28</b>	<b>32</b>	<b>23</b>	<b>18</b>	<b>18</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>35</b>	<b>29</b>	<b>22</b>	<b>22</b>
<b>Allocation of results</b>																				
Net income / loss attributable to non-controlling interests	4	4	4	4	4	0	1	0	1	0						4	5	4	5	4
Net income / loss attributable to shareholders of Aareal Bank AG	24	28	19	14	14	2	2	6	3	4	0	0	0	0	0	26	30	25	17	18



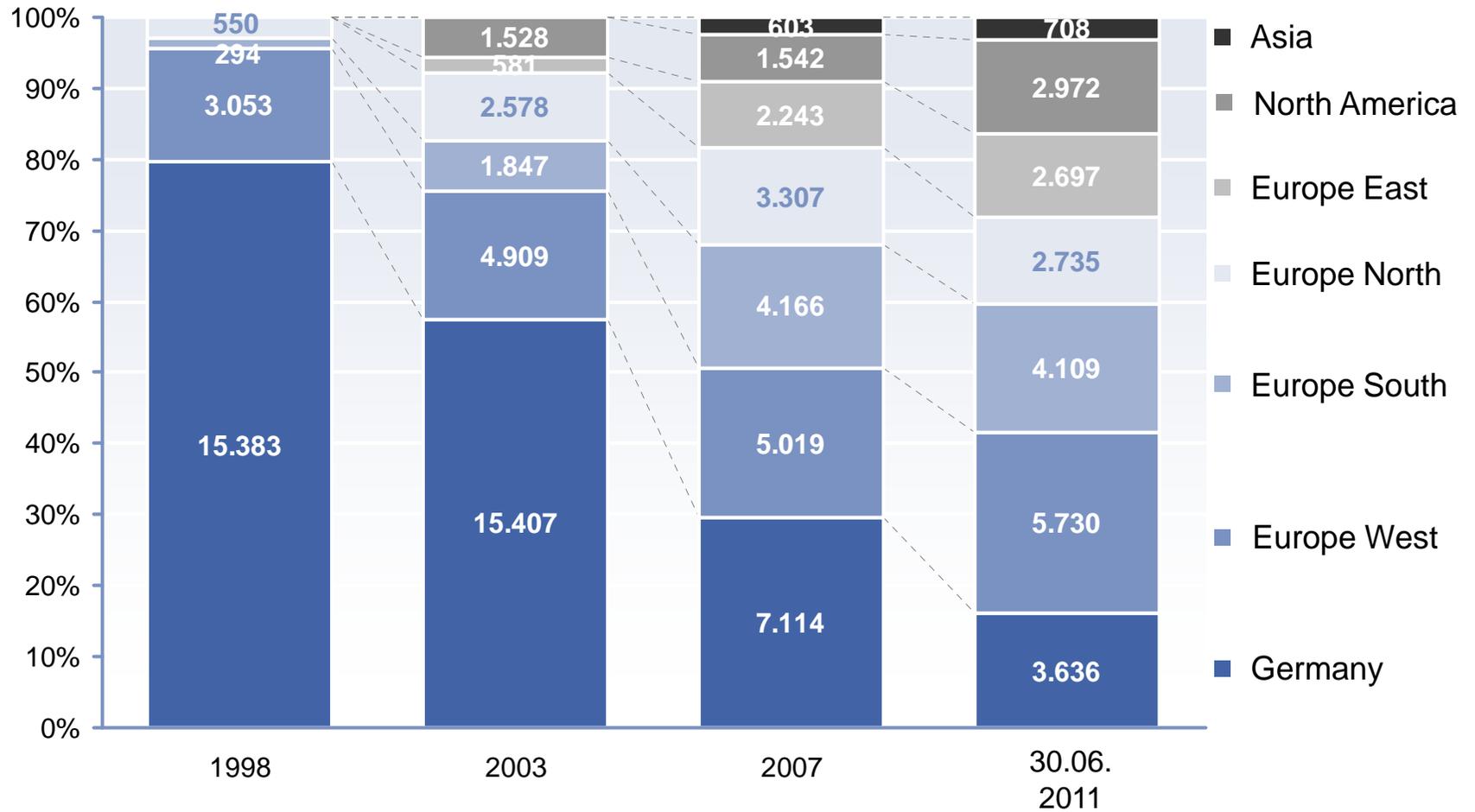
# Revaluation reserve

Change mainly driven by asset spreads



# Development property finance portfolio

## Diversification continuously strengthened (in € mn)



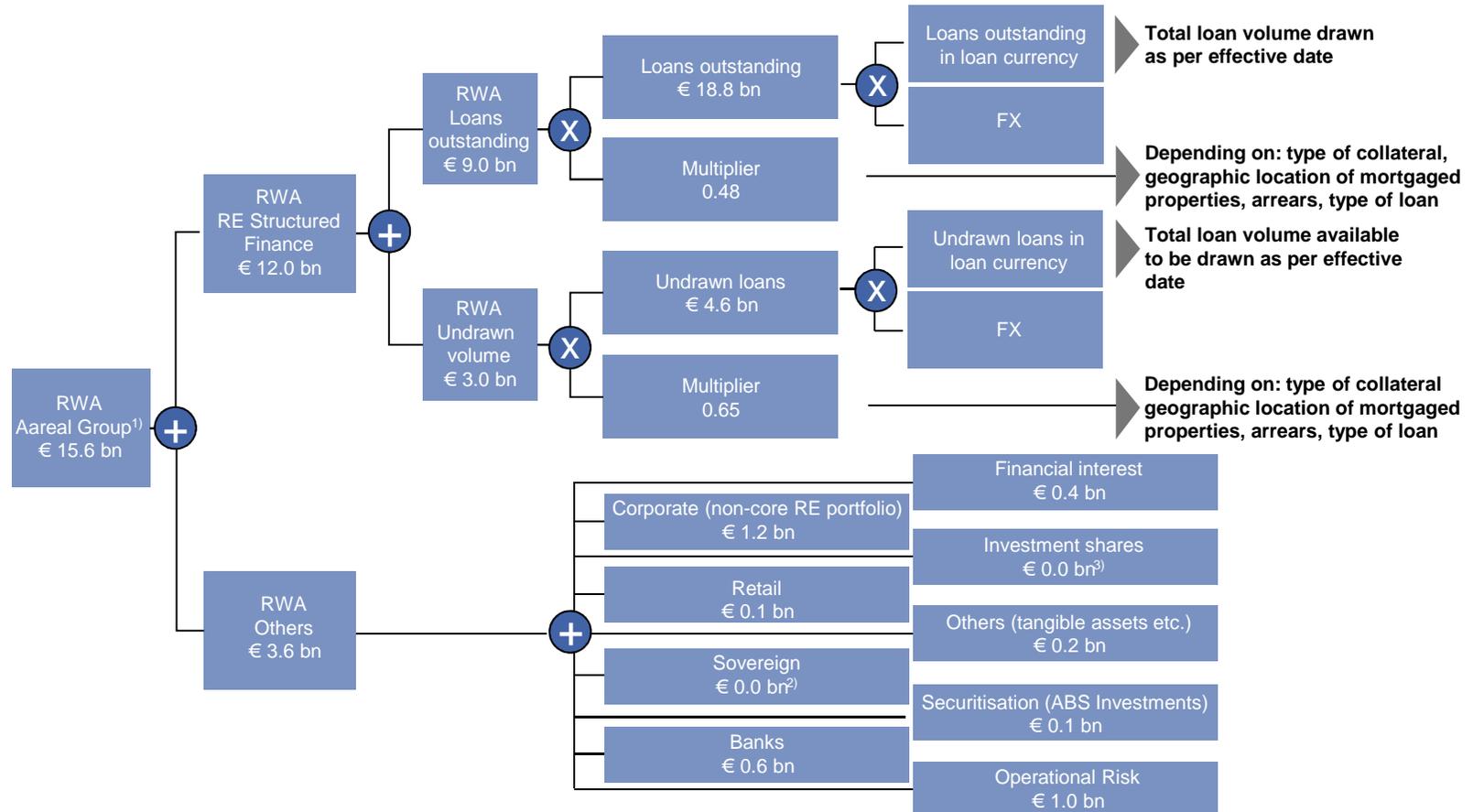
Property finance under management



# From asset to risk weighted asset (RWA)

## Essential factors affecting volume of RWA

Effective date 30/06/2011



1) Excl. of market risk

2) Exposure to Sovereigns amounts to € 17 mn

3) Exposure to investment shares amounts to € 16 mn



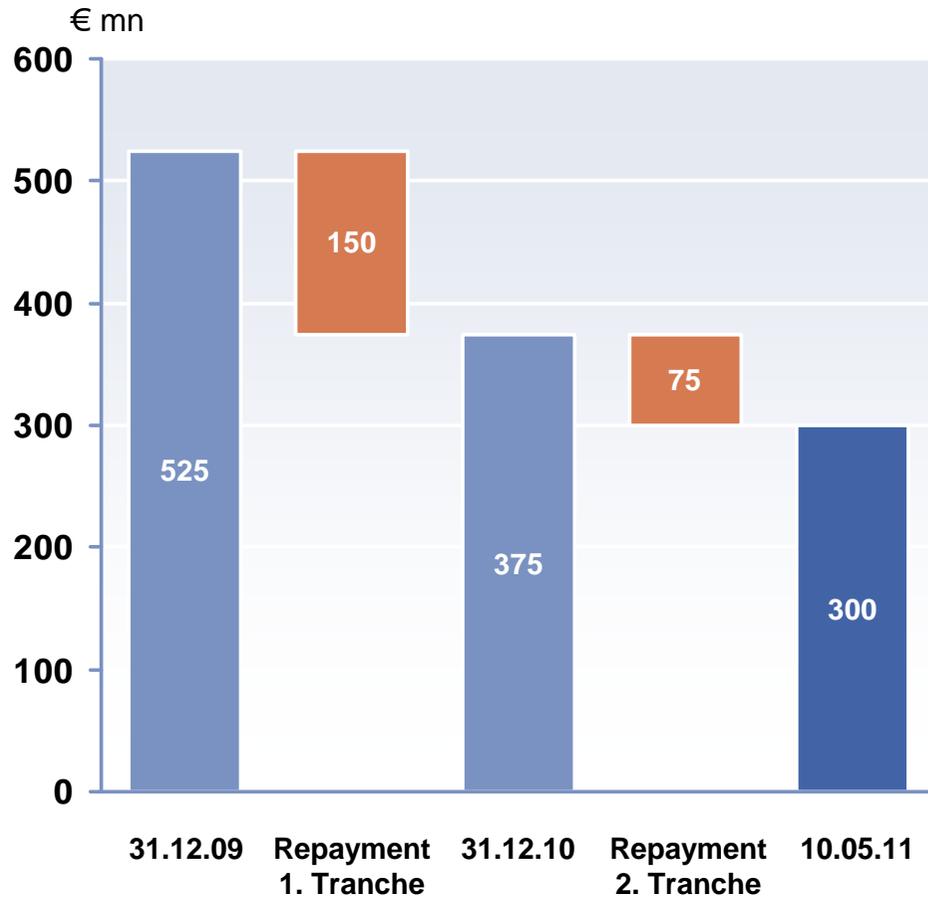
# SoFFin support measures



**Aareal Bank  
Group**

# SoFFin support measures

## Demonstration of strength and soundness



- Aareal Bank was the first bank to start the repayment of the capital support provided by SoFFin
- First tranche amounts to € 150 mn
- Second tranche amounts to € 75 mn
- Manageable size of remaining € 300 mn SoFFin participation



# SoFFin support measures

## Key terms

### Silent participation

- Volume<sup>1)</sup>: € 300 mn in one tranche
- Coupon: 9% (tax deductible)
- Term: perpetual
- Fully recognised as Tier 1 capital
- Call rights: by Aareal Bank only, acc. to sec. 10(4)3 German Banking Law (KWG)
- 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 ~0.18 € DpS<sup>2)</sup>
- 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<sup>3)</sup>: € 1,2 bn
- Term: ≤ 36 months
- Guaranteed obligations: bearer bonds
- Drawdown period expired 31.12.2010
  - First bond:  
€ 2 bn fully placed in 03/2009,  
€ 800 mn partially tendered in 07/2011  
remaining € 1.2 bn maturing 26.03.2012
  - Second bond:  
€ 2 bn onto own book 07/2010  
early redemption 04/2011  
(originally maturing 05.06.2013)
- Commitment fee: 10 bp  
(for undrawn guarantee)
- Drawdown fee:
  - ≤ 12 months: 50 bp p.a.
  - > 12 months: 94.8 bp p.a.

1) Original volume: € 525 mn, first repayment tranche of € 150 mn in July 2010, second repayment tranche of € 75 mn in April 2011

2) Adjusted relative to the capital increase

3) After early redemption of second bond and partial repurchase of first bond remaining volume down from € 4 bn



# Capital increase



**Aareal Bank  
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# Successfully completed rights issue

Gross proceeds of € 269.6 mn

Key dates	
Thu, 14 April 2011	Aareal Bank AG resolved on capital increase
Thu, 14 April 2011	Aareal Holding successfully completed pre-placement of new shares
Mon, 2 May 2011	Aareal Bank AG successfully completed capital increase. 99.73 per cent of subscription rights have been exercised.
Tue, 3 May 2011	Settlement of new shares subscribed



## Details on successfully completed rights issue terms

Terms of the offering	
Company	Aareal Bank AG (“Aareal Bank” or the “Company”)
Number of shares	17.102.062 new shares by way of subscription offer to the existing shareholders
Subscription ratio	2 for 5 (i.e. 2 new for 5 existing shares)
Subscription price	€ 15.75 per share
Gross proceeds	€ 269.6 mn
Pre-placement of Aareal Holding	<ul style="list-style-type: none"> <li>▪ Aareal Holding participates via tail swallowing, i.e. upfront placement of 4.99 mn new shares to exercise its remaining subscription rights for new shares</li> <li>▪ Shareholding post offering of 28.9%</li> </ul>
Use of proceeds	<ul style="list-style-type: none"> <li>▪ Expanding profitable new business opportunities</li> <li>▪ Strengthening the regulatory capital base</li> <li>▪ Further partial repayment of € 75 mn of SoFFin Silent Participation</li> </ul>
Offer structure	<ul style="list-style-type: none"> <li>▪ Public offering in Germany and Luxembourg</li> <li>▪ Private placement to international institutional investors outside the US in accordance with Regulation S</li> </ul>
Lock-up	9 months for Company; 6 months for Aareal Holding

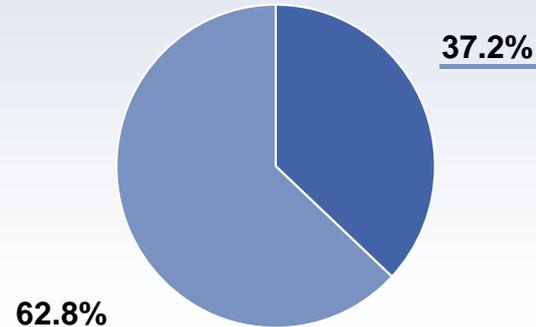


# Shareholder structure

## 17 mn new shares guarantee a higher free float

### Structure before capital increase

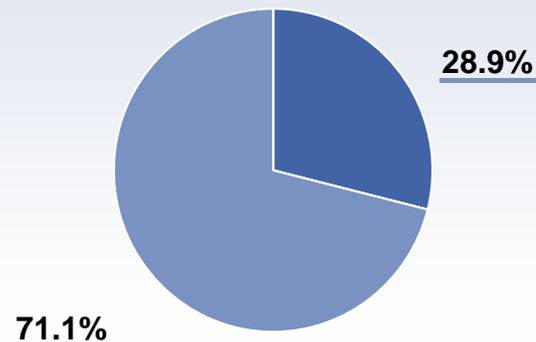
Total number of shares: 42,755,159



8.9%	Bayerische Beamten Lebensversicherung a.G.
8.9%	Swiss Life AG
6.7%	Versorgungsanstalt des Bundes und der Länder
6.1%	Dr. August Oetker KG
3.4%	Deutscher Ring Lebensversicherungs-AG und Deutscher Ring Sachversicherungs-AG
1.8%	Deutscher Ring Krankenversicherungsverein a.G.
1.4%	Condor Lebensversicherung AG

### Structure after capital increase

Total number of shares: 59,857,221



6.9%	Bayerische Beamten Lebensversicherung a.G.
6.9%	Swiss Life AG
5.2%	Versorgungsanstalt des Bundes und der Länder
4.7%	Dr. August Oetker KG
2.7%	Deutscher Ring Lebensversicherungs-AG und Deutscher Ring Sachversicherungs-AG
1.4%	Deutscher Ring Krankenversicherungsverein a.G.
1.1%	Condor Lebensversicherung AG

- Free float
- Aareal Holding Verwaltungsgesellschaft mbH



# 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
  - Contract is signed by customer
  - Fixed loan value and margin
- **Core Tier I Ratio** = 
$$\frac{\text{Tier 1 capital} \text{ ./} \text{ hybrids} \text{ ./} \text{ SoFFin silent participation}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** = 
$$\frac{\text{Operating profit} \text{ ./} \text{ Net income/loss attributable to non-controlling interests}}{\text{Allocated (average) equity}}$$
- **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 on 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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