

LOCAL EXPERTISE  
MEETS GLOBAL EXCELLENCE

# Analyst Conference Call

## Q3 2011 results

November 08, 2011

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



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Group**

# Agenda

- 
- Economic environment
  - Q3 2011 results at a glance
  - B/S structure, capital & funding position
  - Group figures Q3 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!

### Autumn 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>



**Still very challenging: high market volatility, risks in the financial systems and rising fears of a slow down of global economies**



# Q3 2011 results at a glance



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## Q3 2011 results at a glance

2010 operating profit already outperformed after 9M

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Comments
€ mn						
Net interest income	133	134	134	139	131	Q3 burdened by ~ € 3-4 mn net one-off for repurchase of 1 <sup>st</sup> SoFFin Bond
Allowance for credit losses	36	24	18	8	32	LLP stays annualised at the lower end of the given range of € 110 mn to € 140 mn, showing normal quarterly variation
Net commission income	38	31	30	37	24	Relief of costs for SoFFin guarantee materialises
Net result from trading- / non-trading / hedge accounting	0	6	-8	-14	-3	Reflects volatile markets
Administrative expenses	93	96	91	95	88	Cost discipline maintained
Operating profit	47	44	47	40	33	2010 operating profit already outperformed after 9M

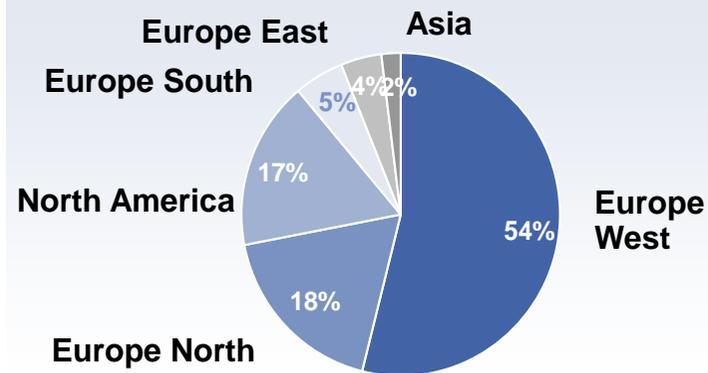


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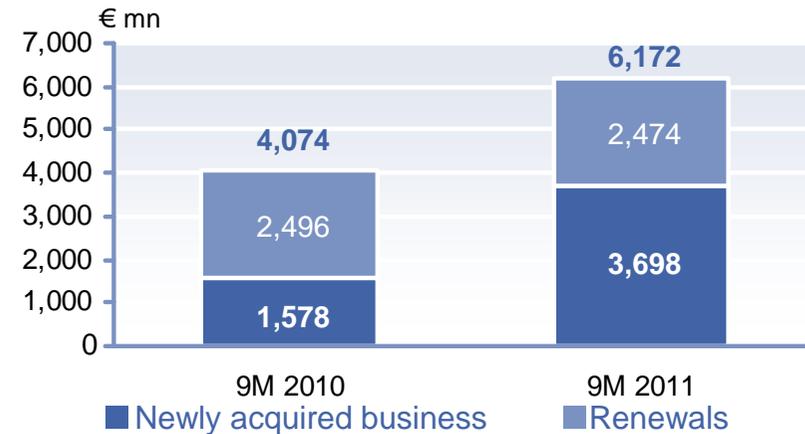
# Structured property financing

## New business with attractive risk-return profile

New business by region 9M 2011



New business origination



P&L SPF Segment	Q3 '11	Q2 '11	Q1 '11	Q4 '10	Q3 '10
€ mn					
Net interest income	123	124	125	129	121
Loan loss provision	36	24	18	8	32
Commission income	4	-2	-5	-1	-5
Net trading result	20	2	-8	13	2
Result non-trad. assets	-22	2	2	-23	-4
Admin expenses	54	54	51	56	54
Others	+7	-7	-2	-23	0
<b>Operating profit</b>	<b>42</b>	<b>41</b>	<b>43</b>	<b>31</b>	<b>28</b>

- Newly acquired business increased by +134%
- Total new business: +52%
- Focus on attractive risk-return profile
- Preferably loans for Pfandbrief cover pool
- Newly acquired business continuously picking up



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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>Q3 '11</b>	<b>Q2 '11</b>	<b>Q1 '11</b>	<b>Q4 '10</b>	<b>Q3 '10</b>
<b>Euro mn</b>					
Sales revenue	50	48	49	56	45
Own work capitalised	0	1	0	1	0
Changes in inventory	0	0	0	0	0
Other operating income	2	2	1	2	3
Cost of material purchased	5	5	5	7	6
Staff expenses	27	28	28	27	22
D, A, impairment losses	3	3	3	3	3
Results at equity acc. investm.	0	1	0	-	-
Other operating expenses	12	13	10	13	12
Results from interest and similar	0	0	0	0	0
<b>Result from ordinary activities</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>5</b>
Income taxes	1	1	1	3	1
<b>Segment result</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>4</b>
Segment result attributed to minority interests	1	0	1	0	1
<b>Segment result after minority interests</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>3</b>

- Deposit volume of the housing industry with € 4.8 bn on a high level
- Lower than originally assumed interest environment burdens segments results vs. plan
- SG I automatisering will regularly enhance Q4-results

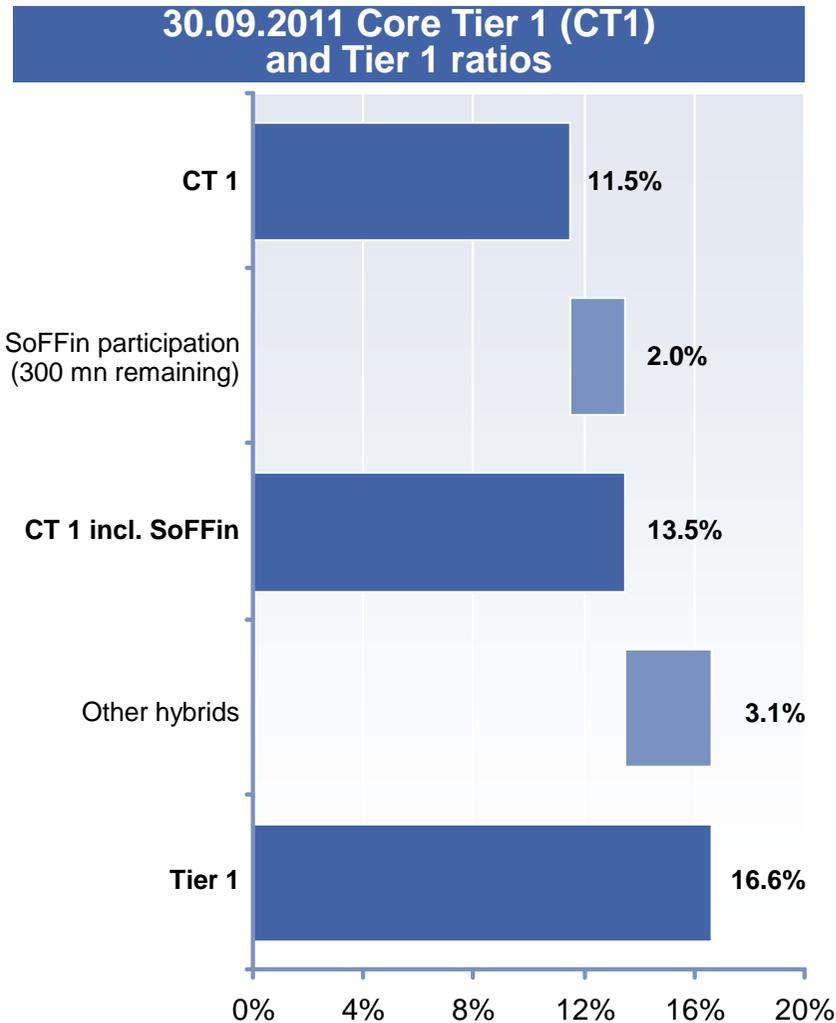


# B/S structure, capital & funding position



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# Strong capital ratios & stable capital structure



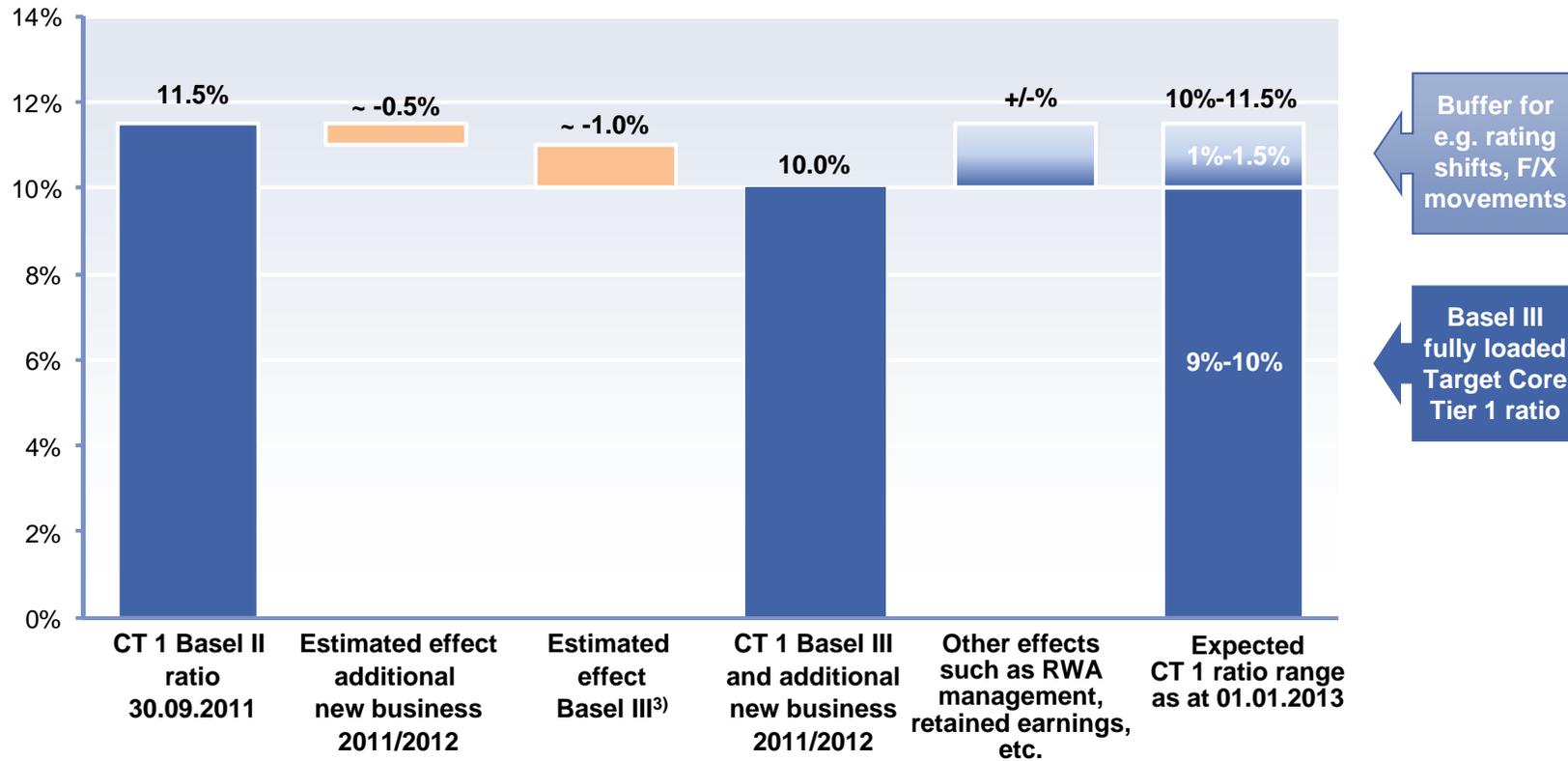
- Targeted Core Tier 1 ratio over-achieved as of today; new business opportunities will be captured only in accordance with achieving this target
- Strong capital ratios in line with business model, company size and capital market expectations
- Full repayment of remaining SoFFin silent participation possible without further capital increase



# Core Tier 1 Basel III fully loaded<sup>1)</sup>

## Temporarily raised to 9% - 10%

Simulation: estimated Basel III effects per 30.09.2011<sup>2)</sup>



1) ex SoFFin and ex hybrids

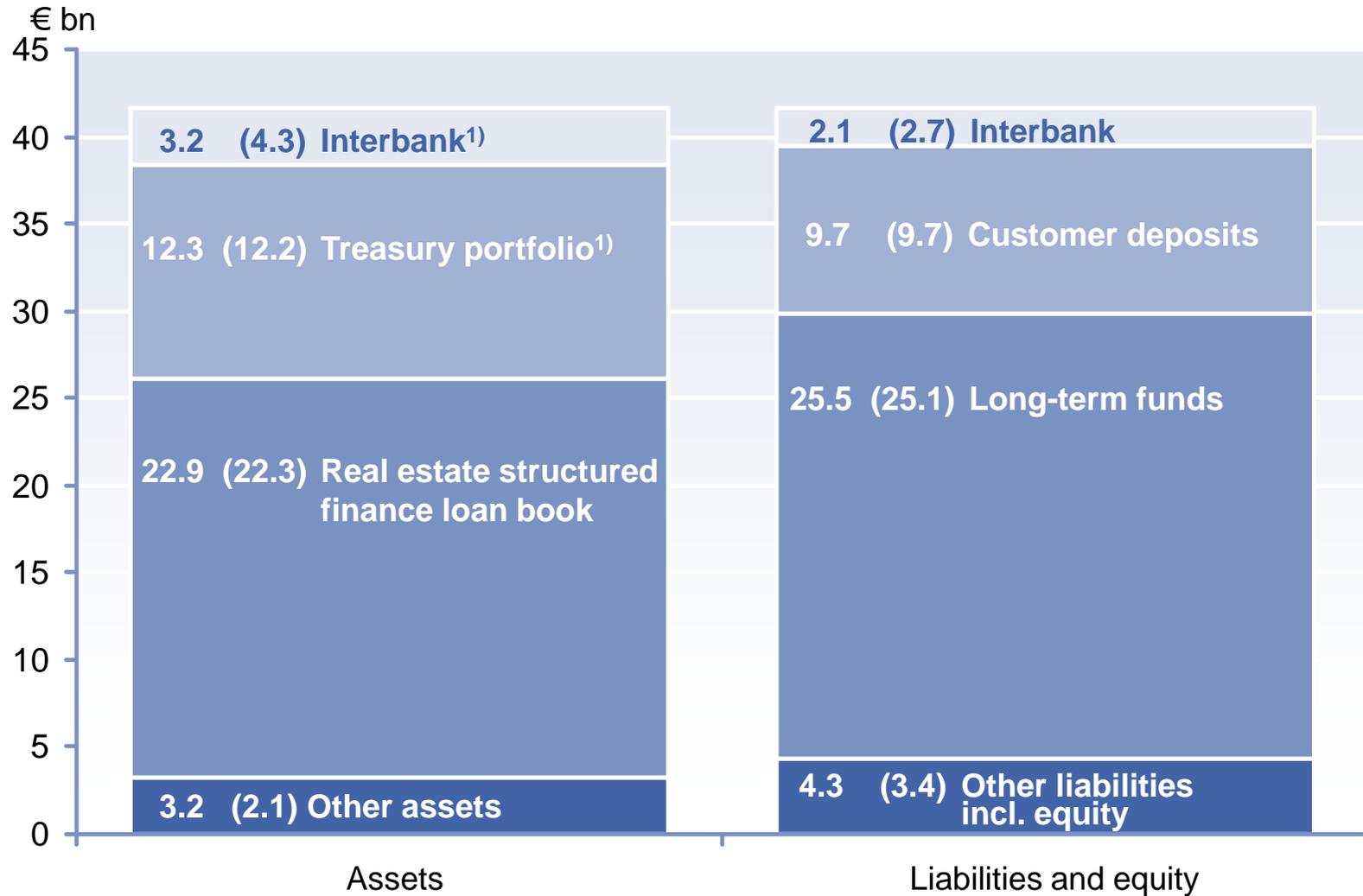
2) Actual figures may vary significantly from estimates

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



# Asset- / Liability structure according to IFRS

As at 30.09.2011: € 41.6 bn (30.06.2011: € 40.9 bn)

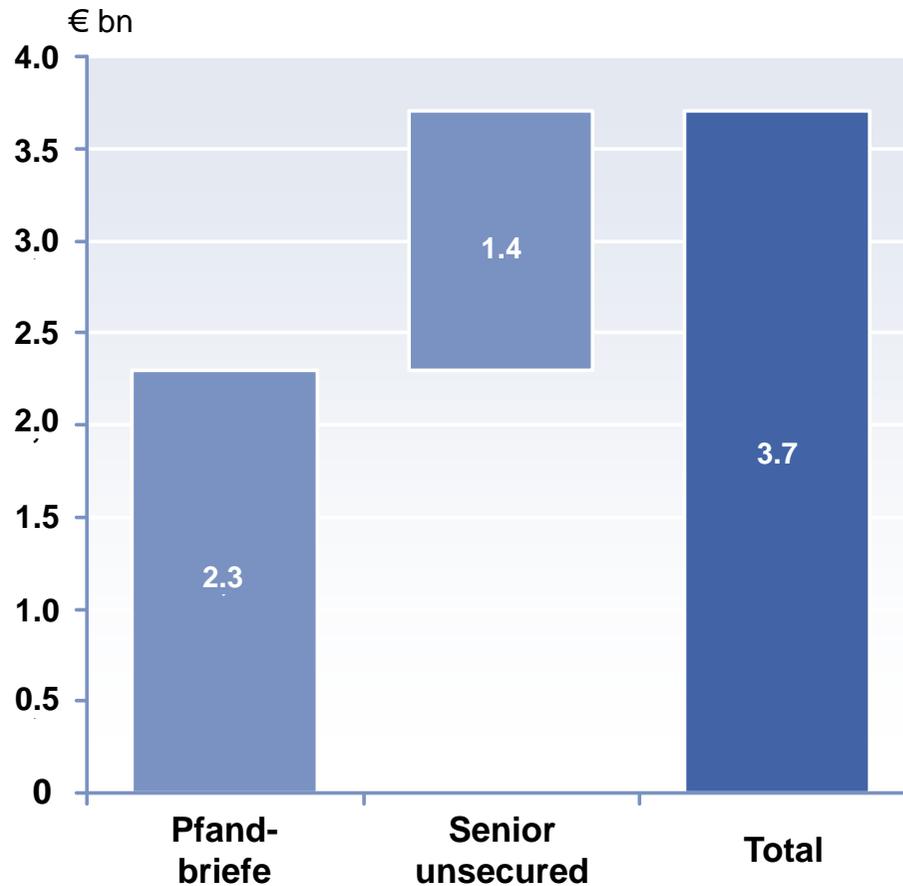


1) Liquidity position clearly exceeds 15% of the total balance sheet. This includes unencumbered ECB-eligible assets, available excess cash at other banks as well as highly liquid government securities



# Refinancing situation 2011

## Flexible use of unsecured and secured funding



### Total funding of € 3.7 bn in 9M 2011

- Pfandbriefe:
  - € 2.3 bn  
thereof two € 500 mn benchmark mortgage Pfandbriefe
- Senior unsecured:
  - € 1.4 bn  
thereof one € 500 mn Senior unsecured benchmark

### Current developments

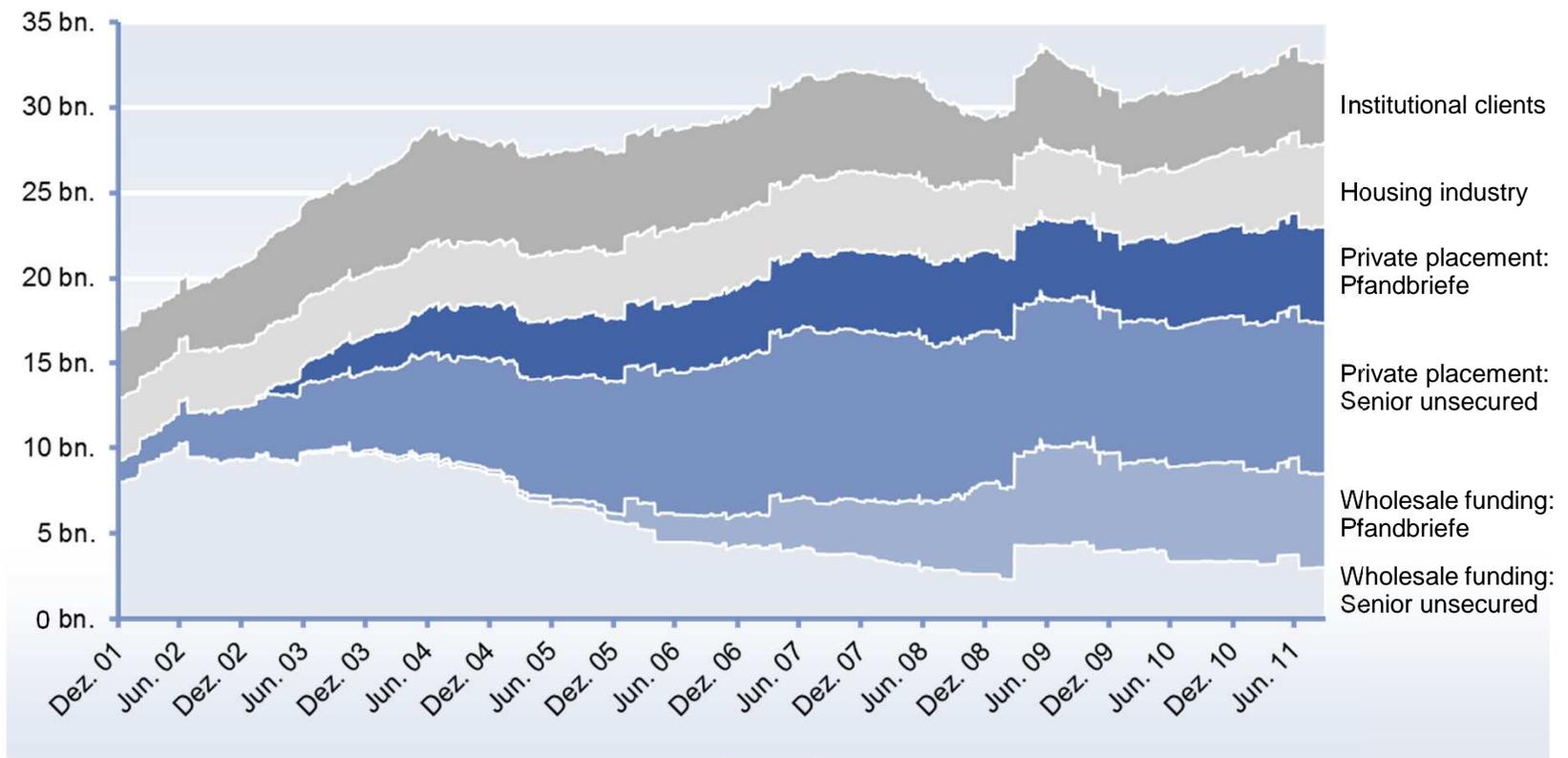
- Continuous demand for private placements
- Funding targets 2011 already fulfilled in mid 2011
- Prefunding 2012 successfully started on adequate price levels



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# 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 30.09.2011, this share had fallen to 26% (or even ~9% without Pfandbriefe)

As at 30.09.2011



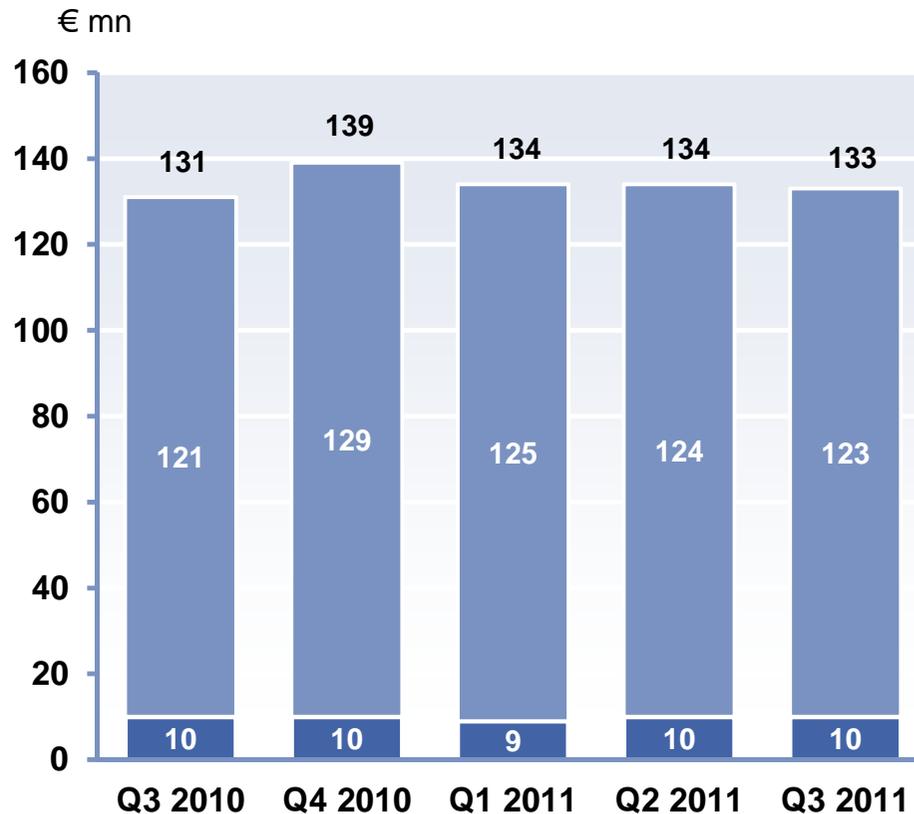
# Group figures Q3 2011



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# Net interest income

## Burdened by one-off for repurchase of 1st SoFFin Bond



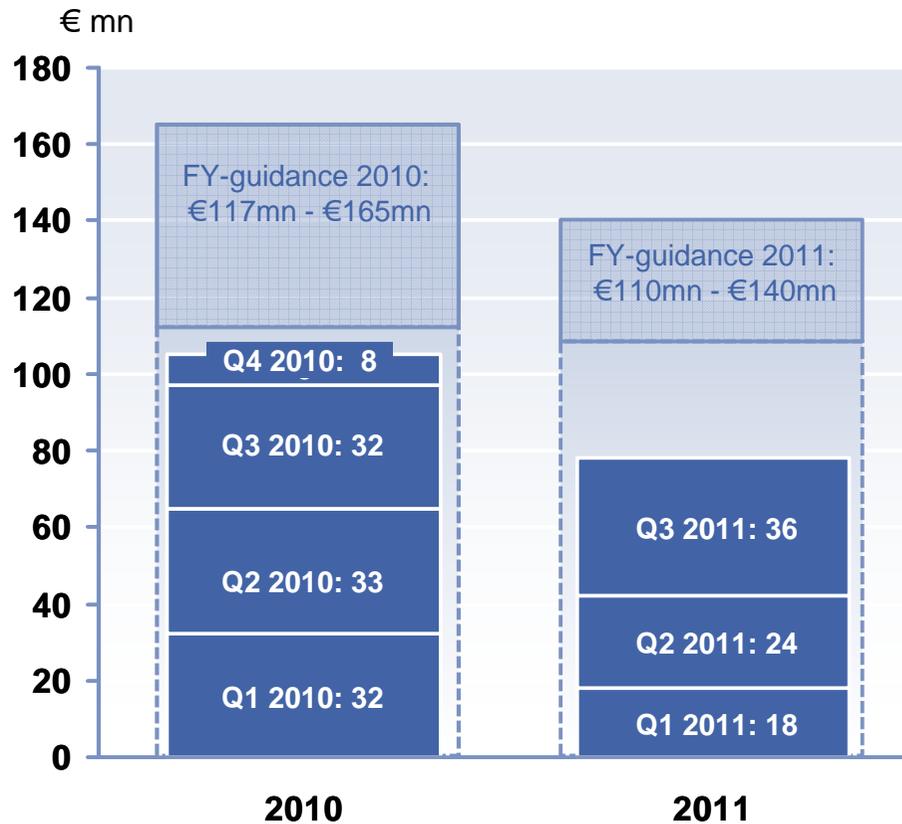
■ NII Structured Property Financing  
■ NII Consulting / Services

- Q3 2011 was burdened by net ~ € 3 - 4 mn for repurchase of € 800 mn of the 1<sup>st</sup> SoFFin Bond
- 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



# Loan loss provisions

## Loan loss provisions within normal quarterly variation



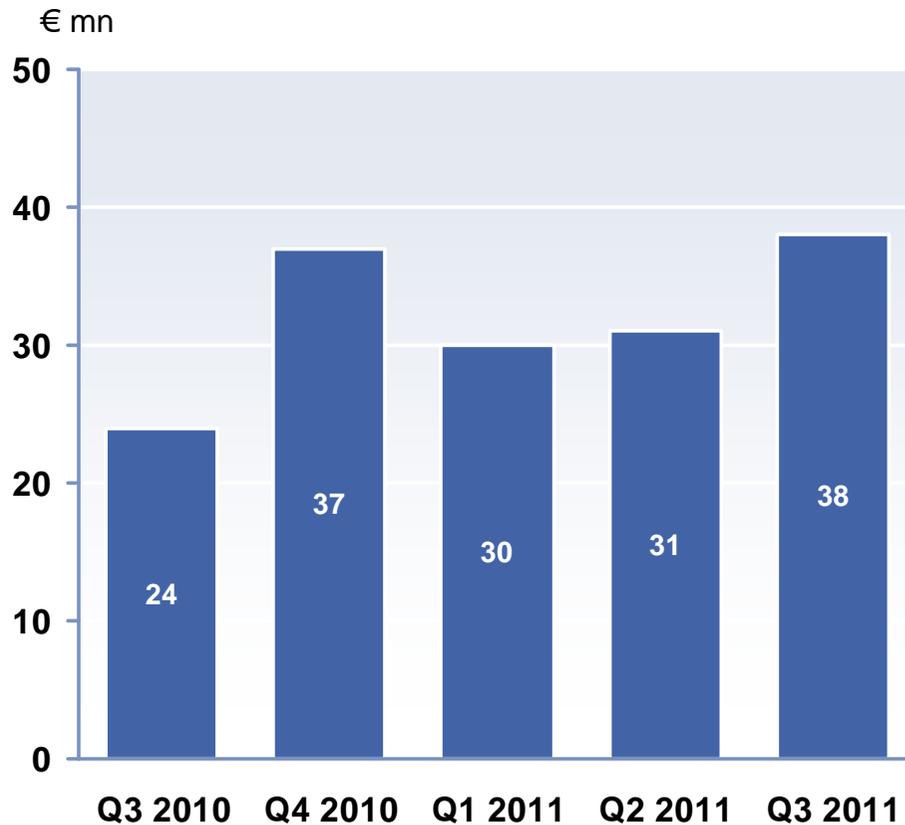
- Close monitoring of our loan portfolio and successful restructuring efforts results in only € 78 mn LLP in 9M
- LLP stays annualised at the lower end of the given range of € 110 mn to € 140 mn, showing normal quarterly variation

■ FY guidance



# Net commission income

## Relief of costs for SoFFin guarantees materialises

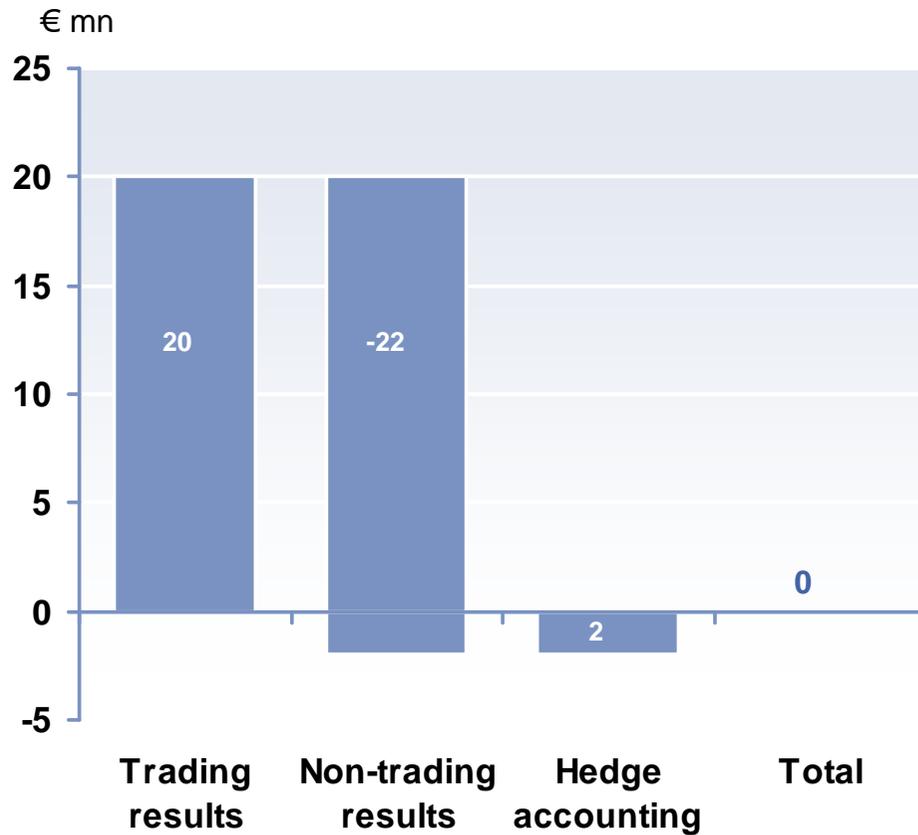


- Early redemption of the 2nd SoFFin Bond (held in own books) relieved NCI starting in Q2 2011, full effect showing in Q3 2011
- € 800 mn repurchase of the 1st SoFFin Bond relieved NCI starting in Q3 2011, full effect will show in Q4 2011



# Trading, non trading and hedge accounting

## Result reflects volatile markets in Q3 2011

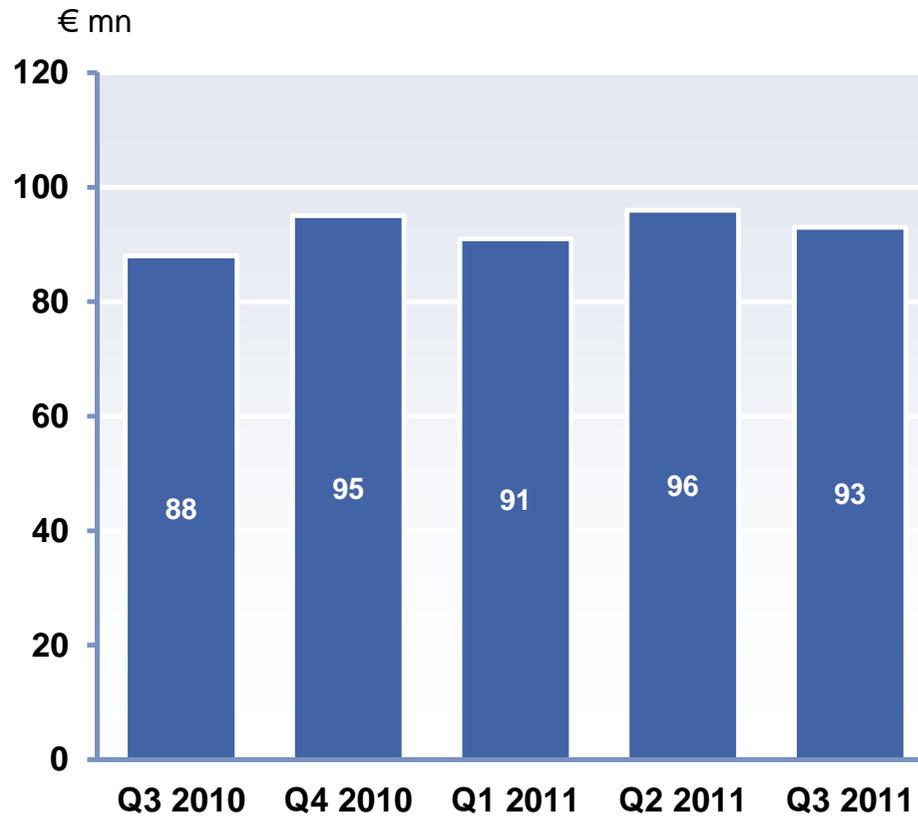


- Trading result reflects
  - Valuation of cross-currency basis swaps and credit derivatives
- Non-trading result reflects
  - Realised losses due to active management of Treasury portfolio



# Admin expenses

## High cost discipline further maintained



- Q3 2011-figures with € 93 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 (~€ 4 mn in 9M)



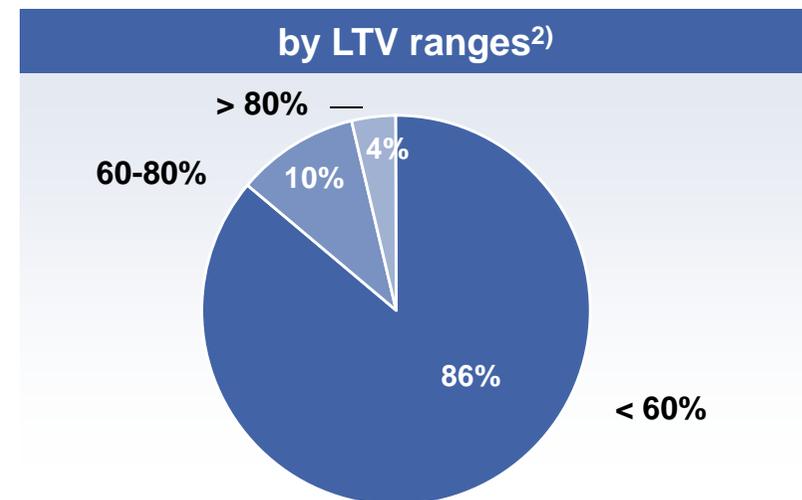
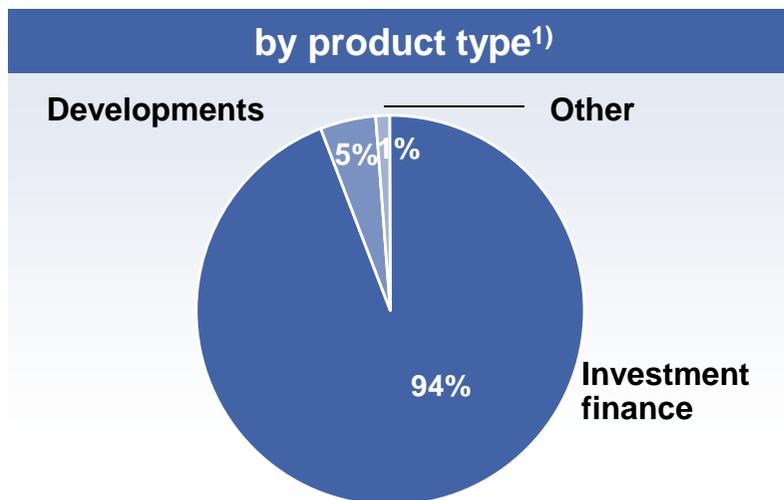
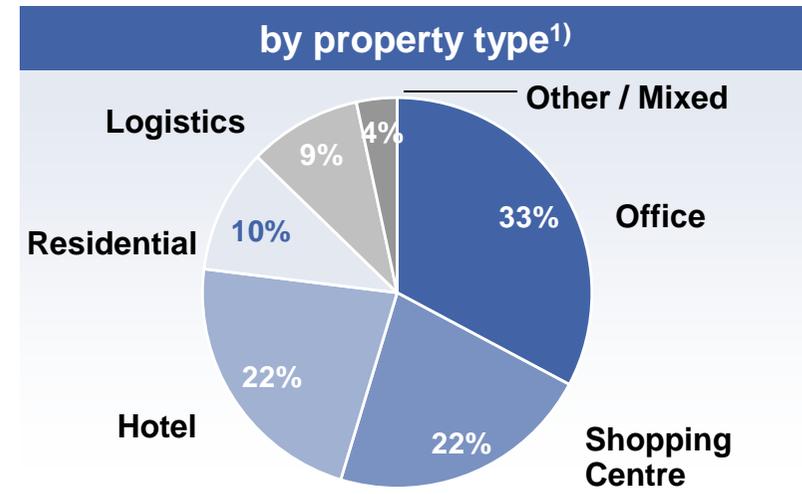
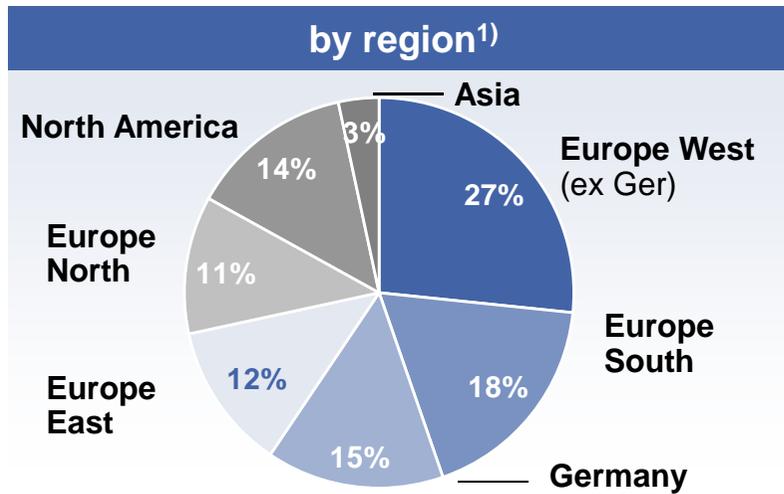
# Asset quality



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# Total property finance portfolio

## High diversification and sound asset quality



1) Total volume under management: € 23.2 bn as at 30.09.2011  
 (consisting of € 22.9 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 30.09.2011



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# Total property finance portfolio

## Continuing conservative approach

### LLP- and NPL development

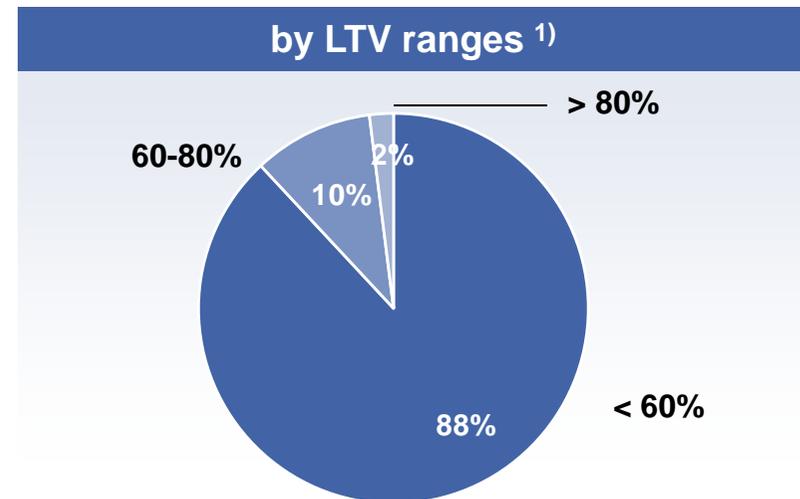
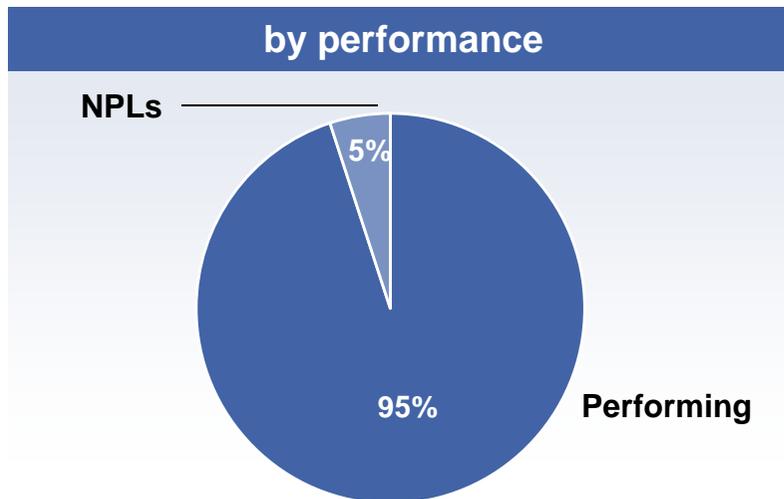
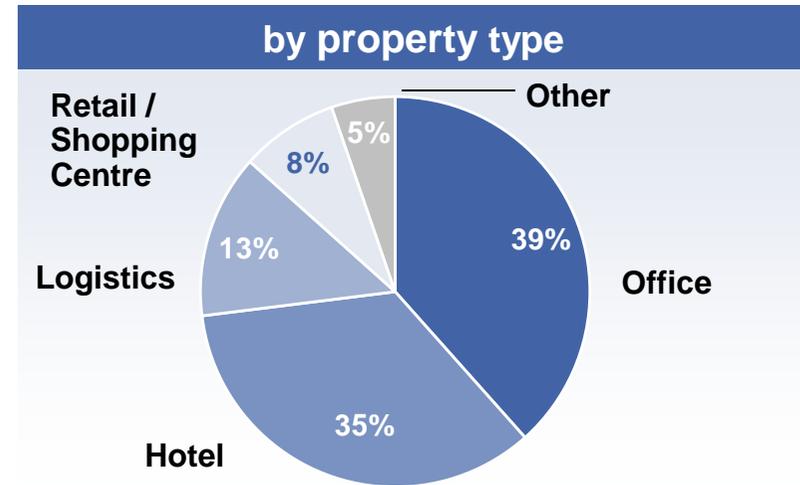
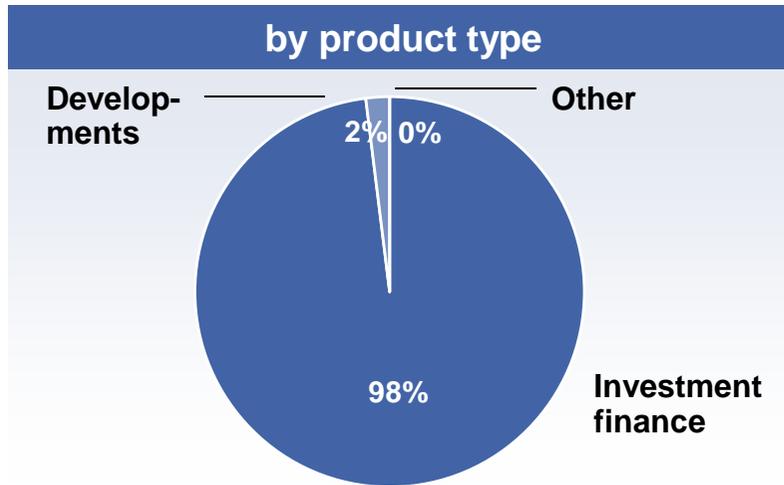
	NPL Exposure <sup>1)</sup>	Specific Allowances <sup>1)</sup>	Portfolio Allowances <sup>2)</sup>
<b>Euro mn</b>			
As at 31.12.2010	791	261	94
Utilisation 9M 2011	-180	-82	-
Addition 9M 2011	299	78	-
As at 30.09.2011	910	257	94
<b>Coverage ratio specific allowances</b>		<b>28.2 %</b>	
		257	94
As at 30.09.2011	910	351	
<b>Coverage ratio incl. portfolio allowances</b>		<b>38.6 %</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 30.09.2011: € 6.1 bn

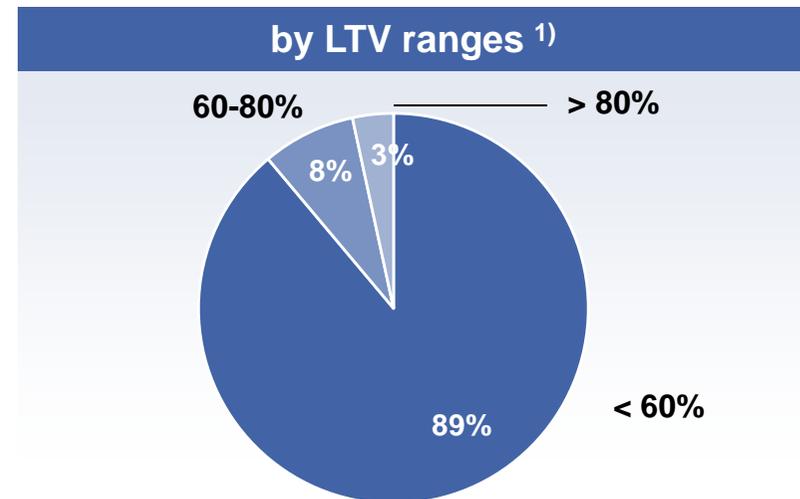
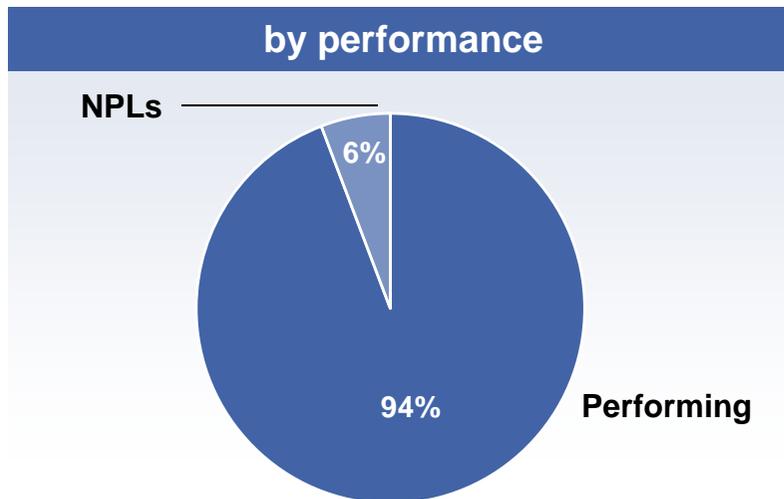
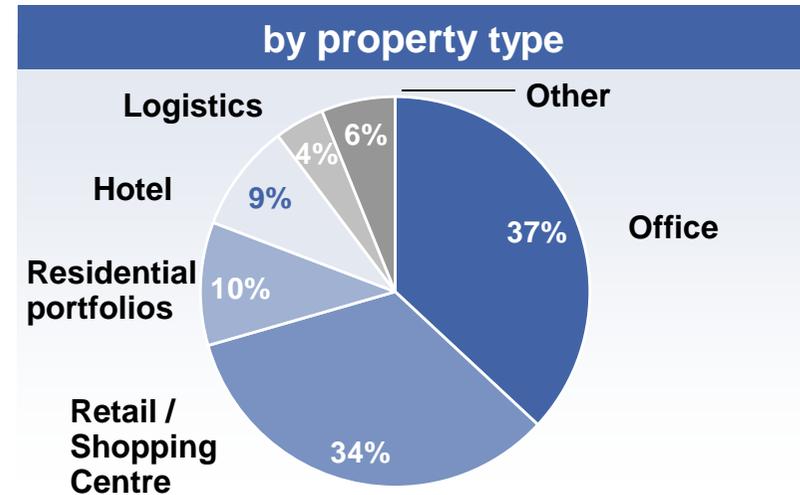
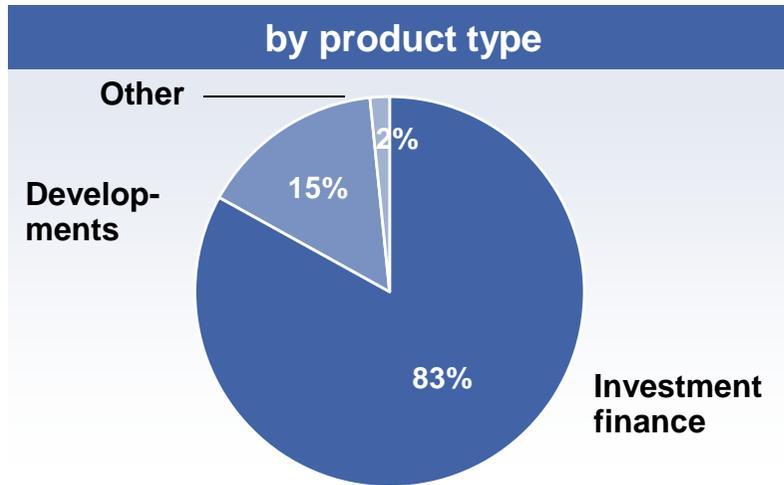


1) Performing business only



# Southern Europe credit portfolio

Total volume outstanding as at 30.09.2011: € 4.2 bn

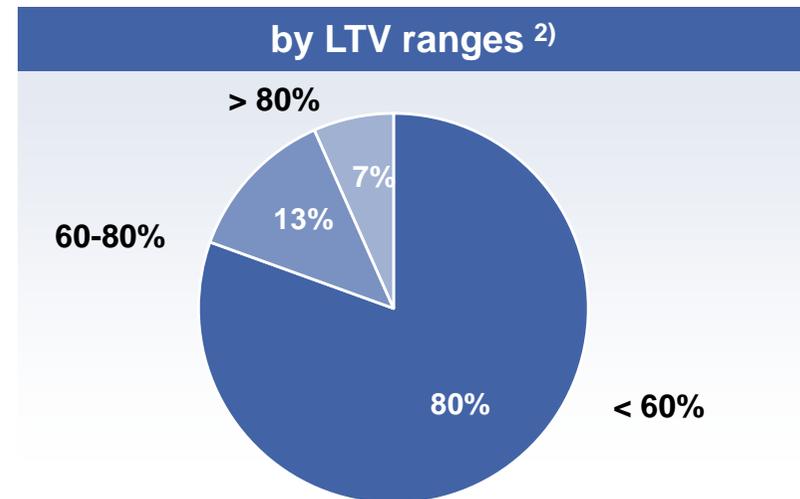
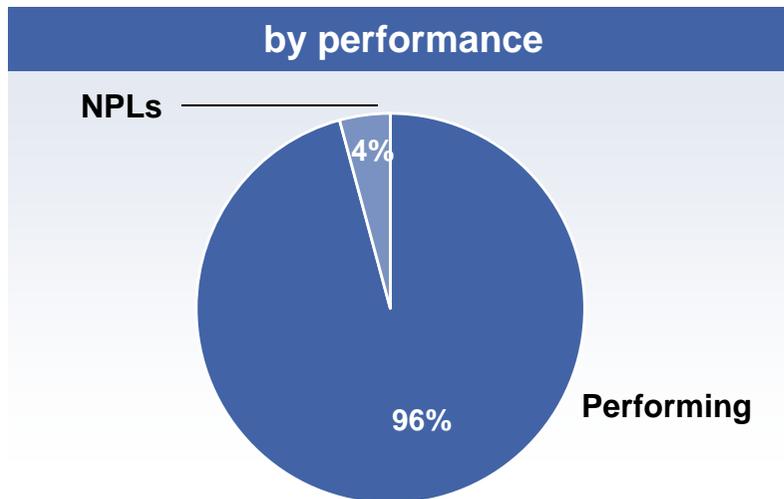
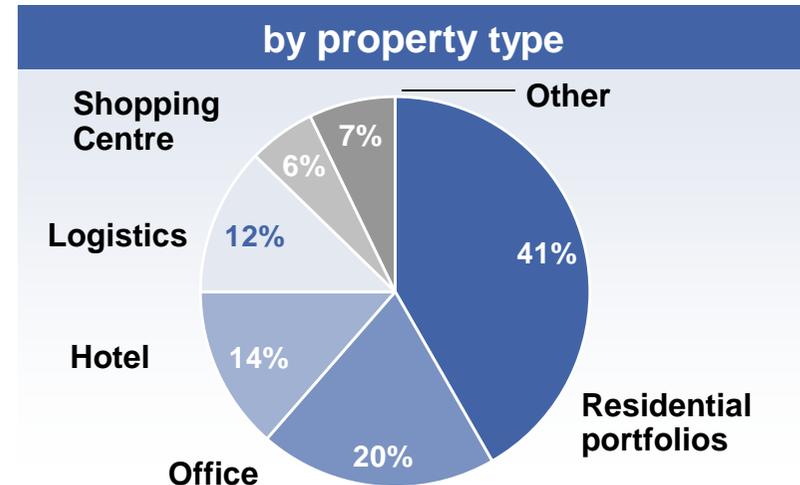
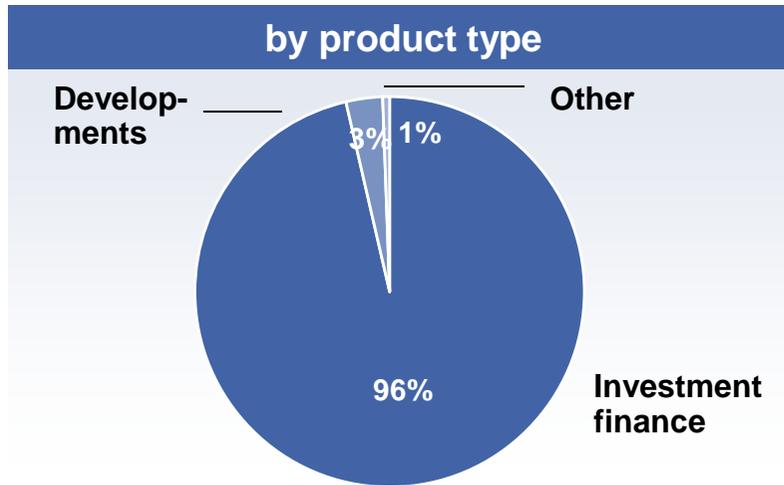


1) Performing business only



# German credit portfolio

Total volume outstanding as at 30.09.2011: € 3.4 bn<sup>1)</sup>

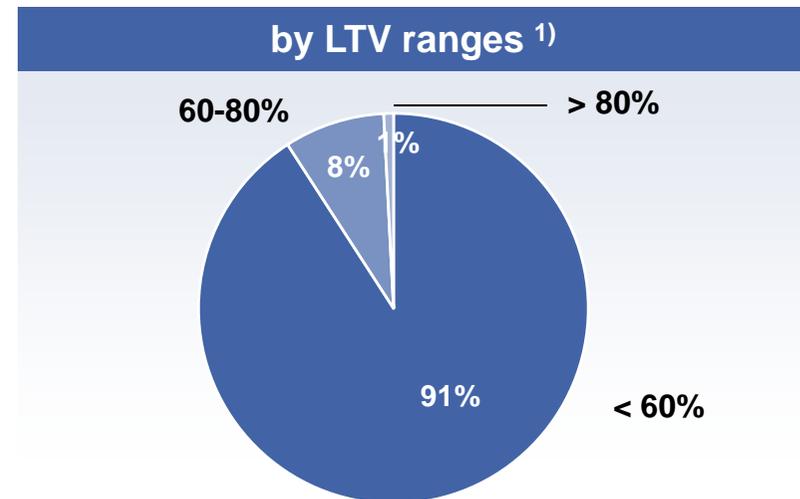
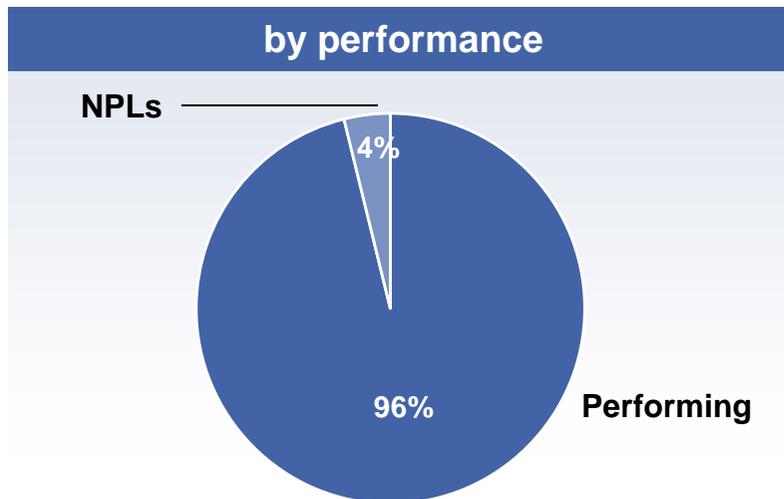
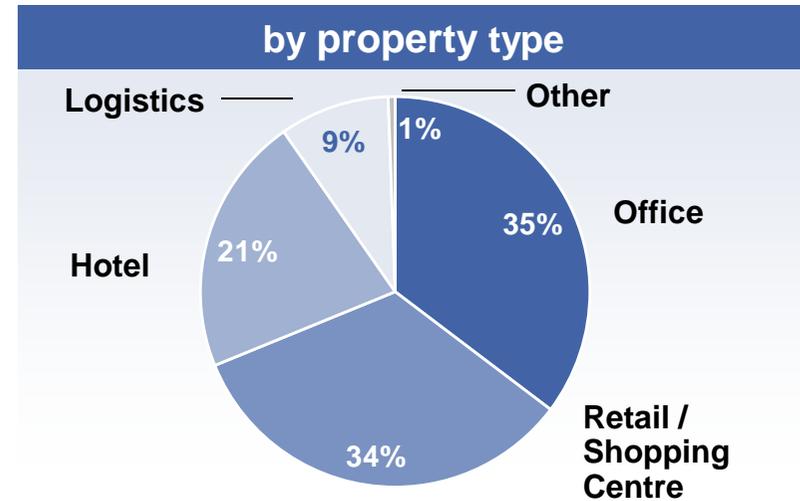
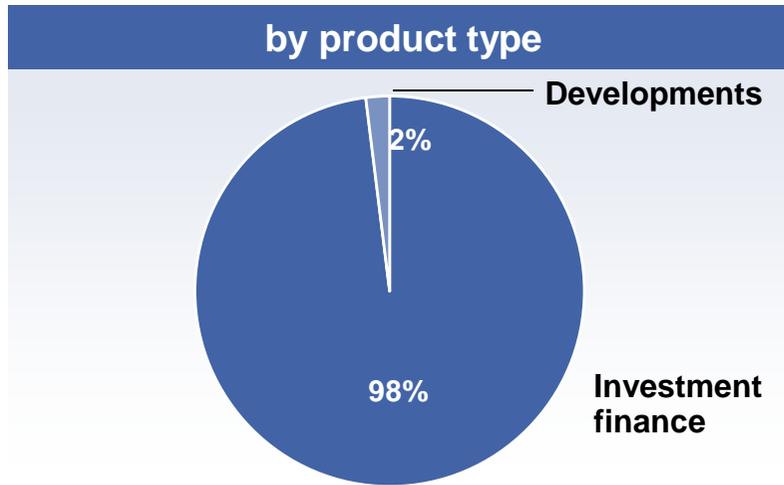


1) Including € 0.3 bn property loans managed on behalf of Deutsche Pfandbriefbank AG  
 2) Performing business only



# Eastern Europe credit portfolio

Total volume outstanding as at 30.09.2011: € 2.9 bn

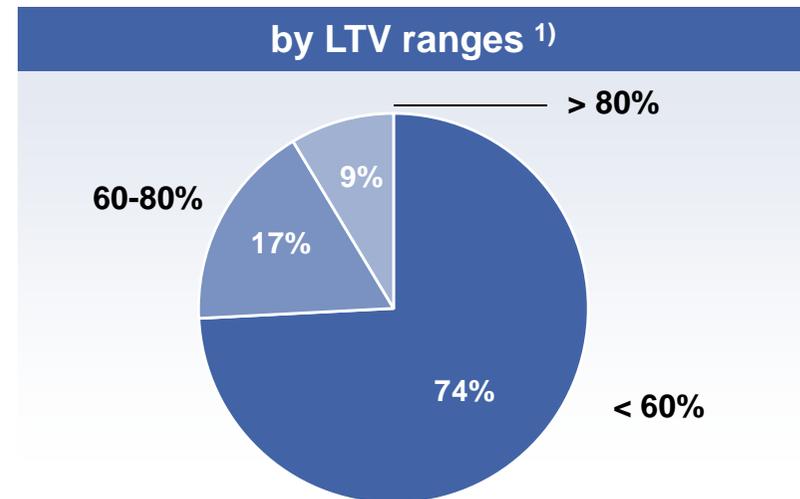
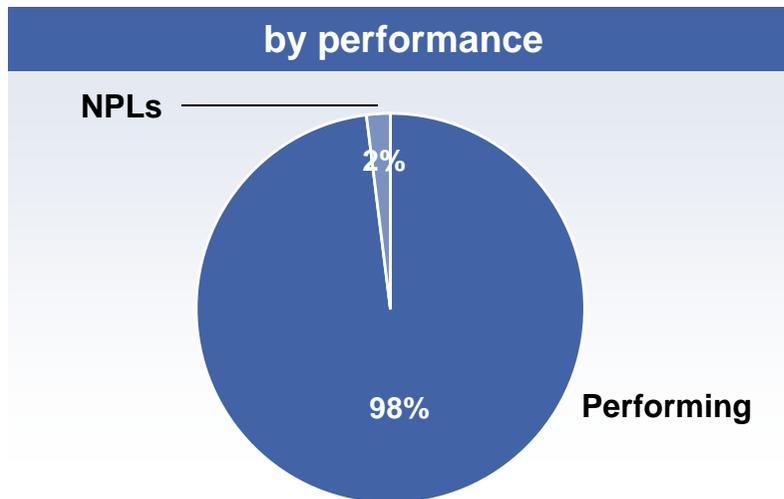
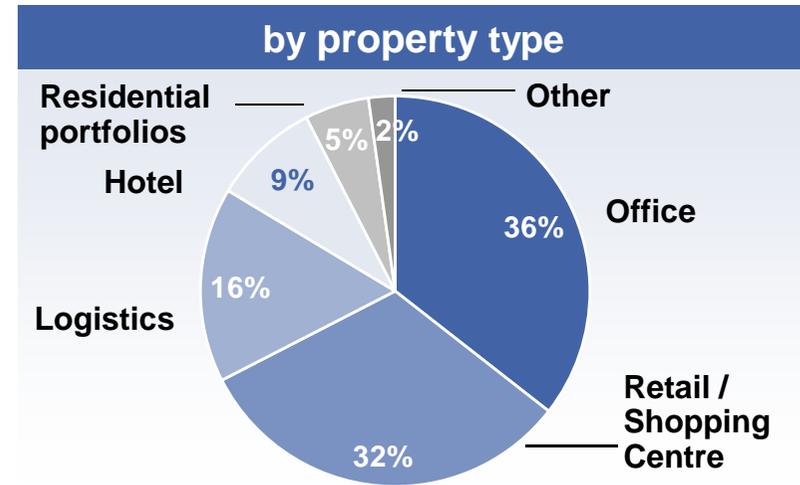
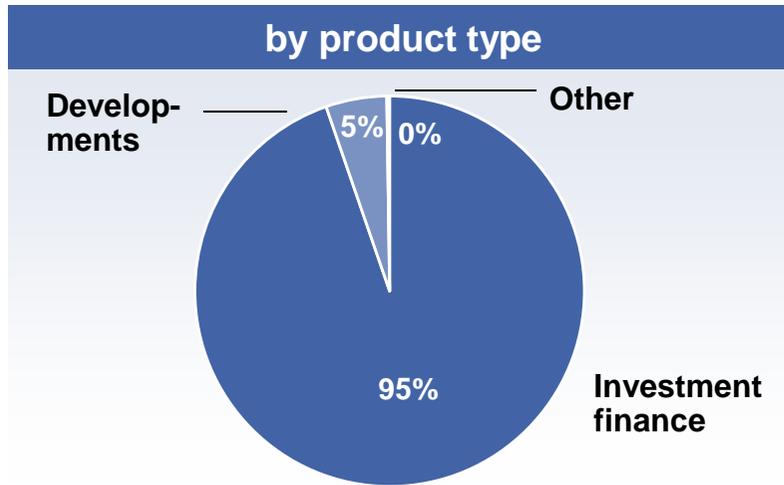


1) Performing business only



# Northern Europe credit portfolio

Total volume outstanding as at 30.09.2011: € 2.6 bn

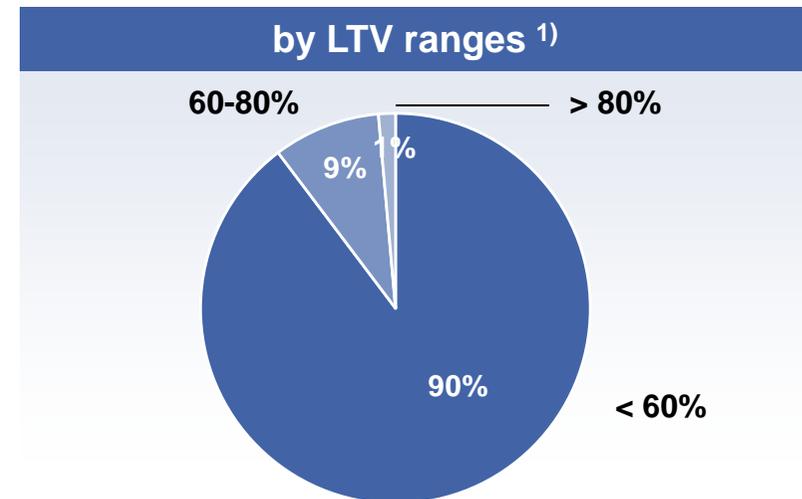
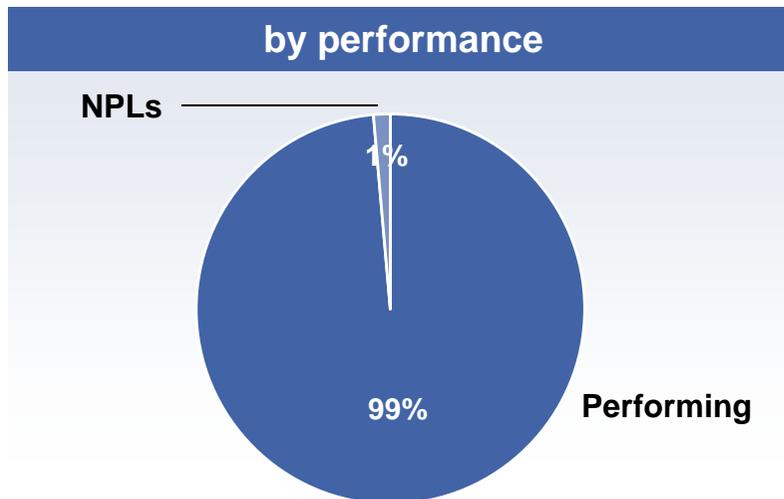
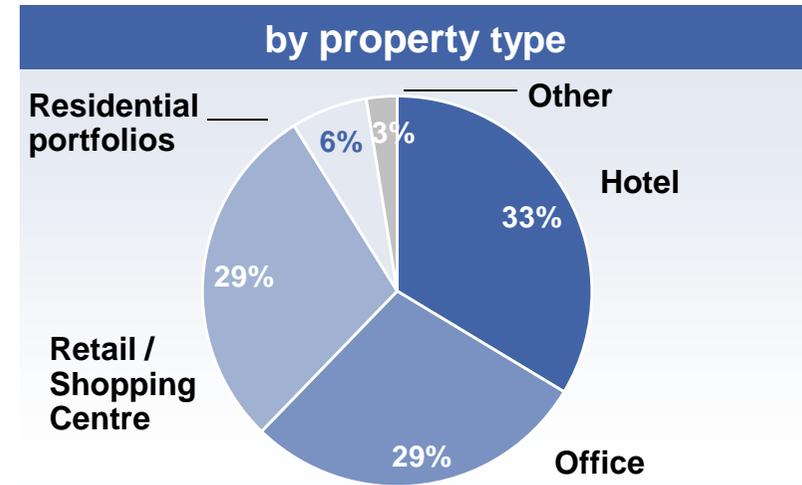
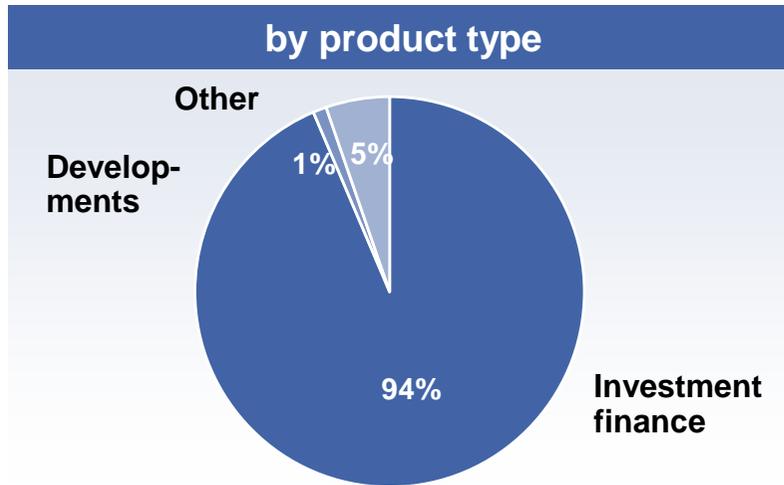


1) Performing business only



# North America credit portfolio

Total volume outstanding as at 30.09.2011: € 3.2 bn

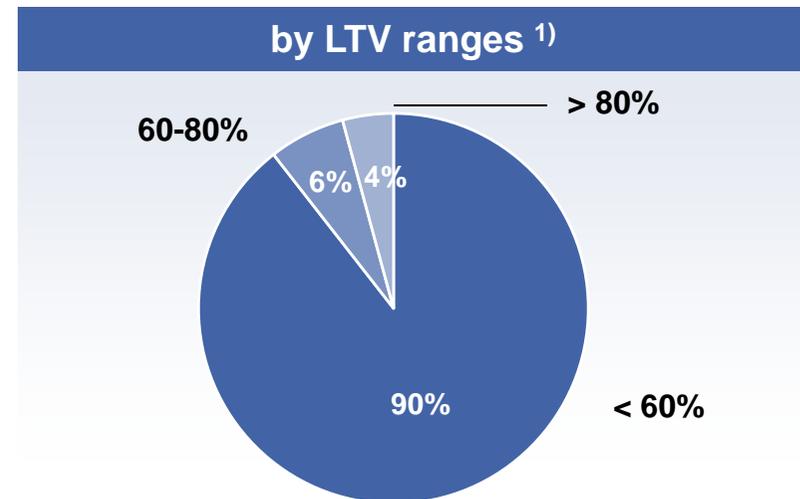
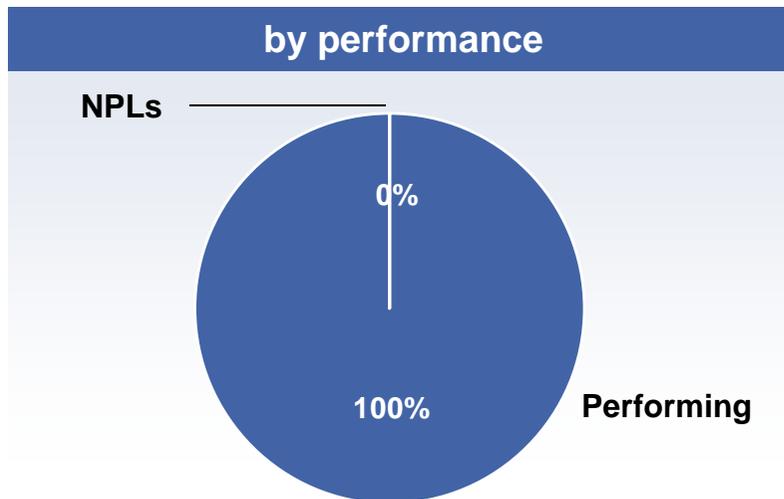
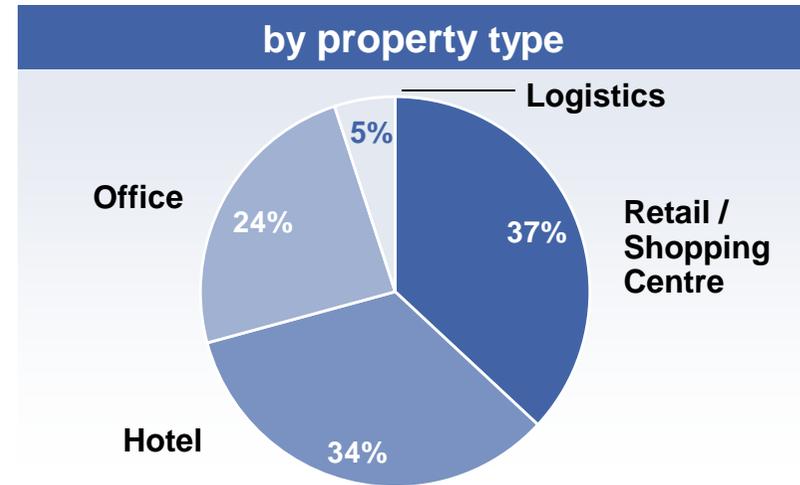
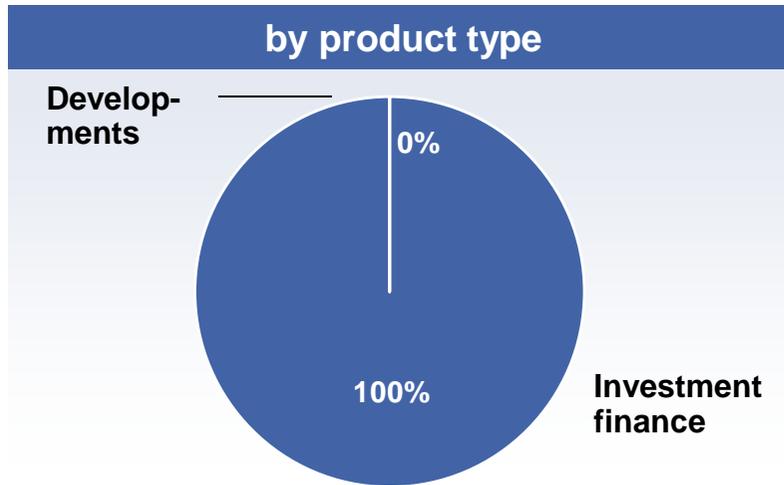


1) Performing business only



# Asia credit portfolio

Total volume outstanding as at 30.09.2011: € 0.8 bn

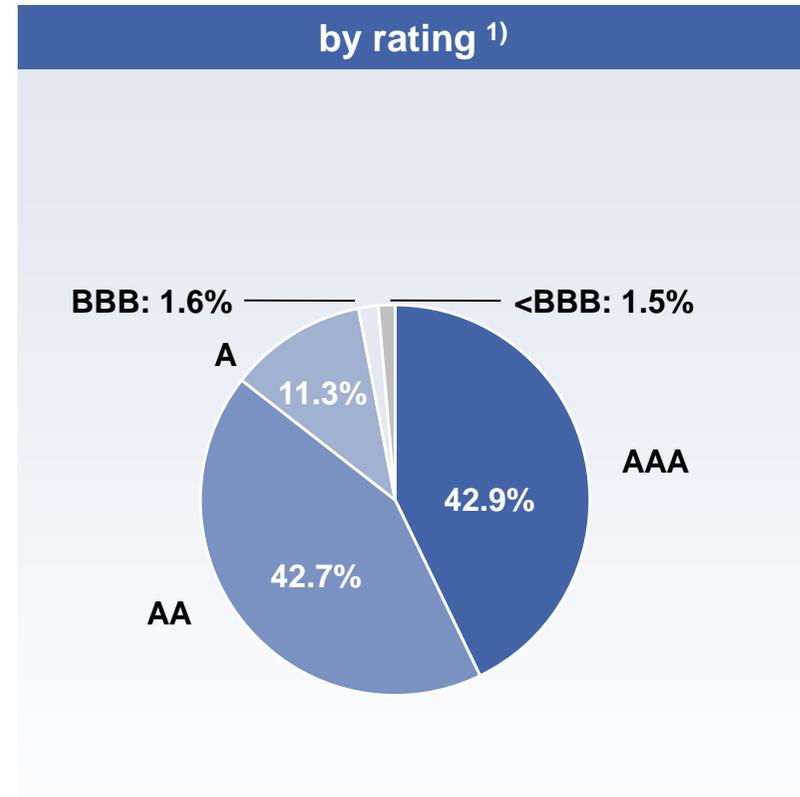
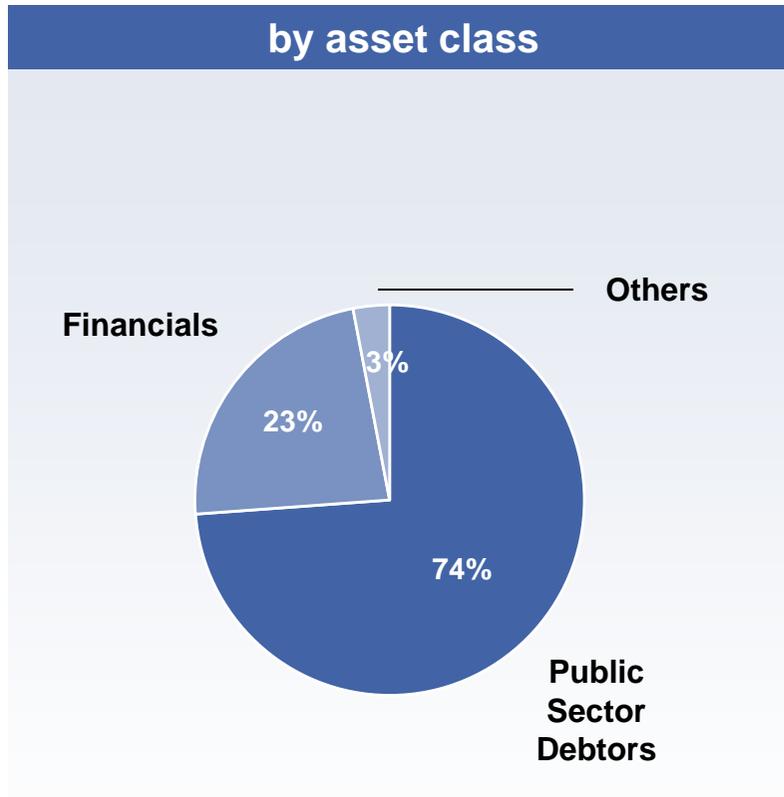


1) Performing business only



# Treasury portfolio

€ 11.0 bn of high quality and highly liquid assets



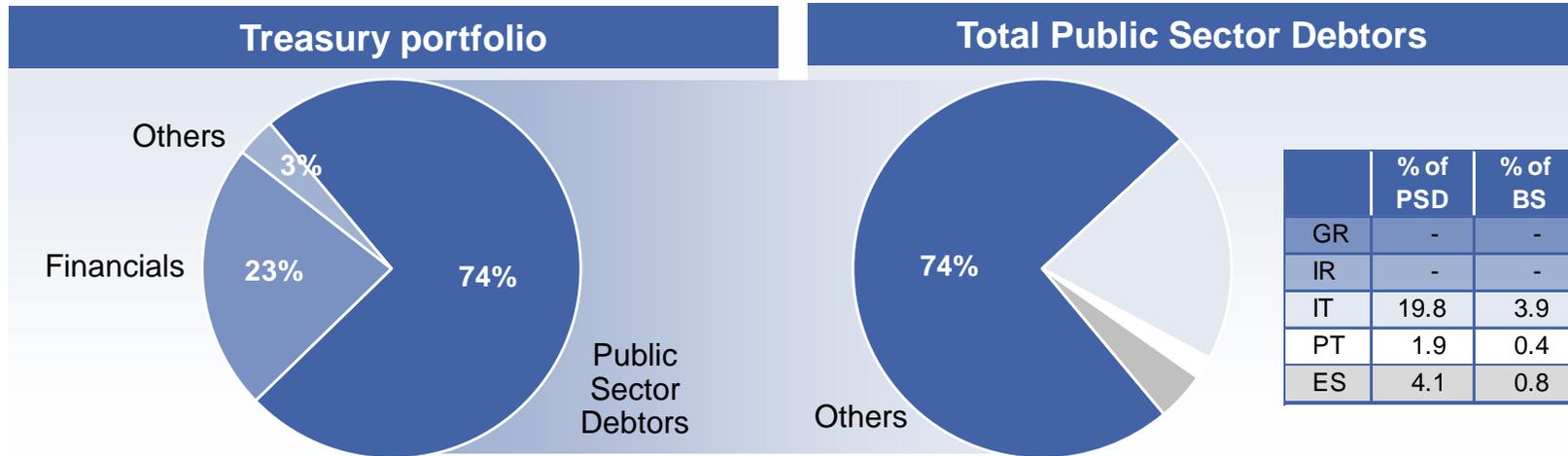
As at 30.09.2011 – all figures are nominal amounts

1) Composite Rating



# Treasury portfolio

## € 8.2 bn Public Sector Debtors



Sovereign			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	1,624	-106	-231
Portugal	100	-38	0
Spain	-	-	-

Sub-Sovereign <sup>1)</sup>			
€ mn	Nominal	Revaluation reserve <sup>2)</sup>	Hidden reserves / burdens <sup>3)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	-	-	-
Portugal	55	-1	-17
Spain	337	-1	-50

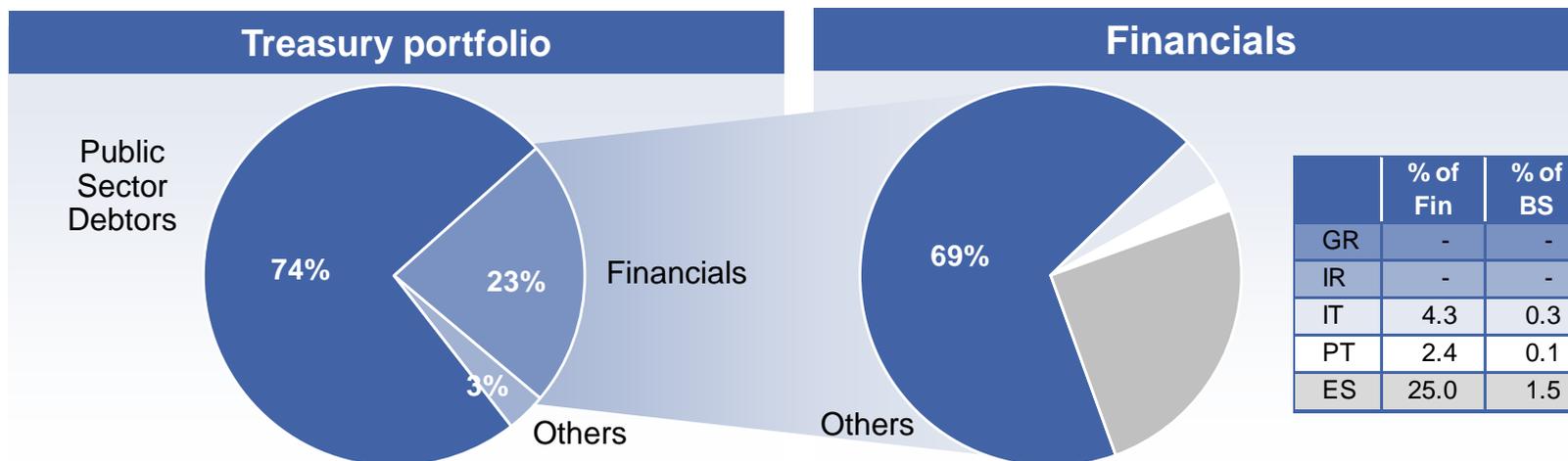
- 30
- 1) Incl. exposure of € 50 mn which is additionally guaranteed by the Sovereign
  - 2) Incl. securities of the AfS- and the LaR-category after tax
  - 3) Incl. securities of the HtM- and the LaR-category after tax



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# Treasury portfolio

## € 2.5 bn Financials



Covered Bonds			
€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	70	-4	0
Portugal	60	-19	0
Spain	616	-11	-33

Senior Unsecured			
€ mn	Nominal	Revaluation reserve <sup>1)</sup>	Hidden reserves / burdens <sup>2)</sup>
Greece	-	-	-
Ireland	-	-	-
Italy	36	0	0
Portugal	-	-	-
Spain	-	-	-

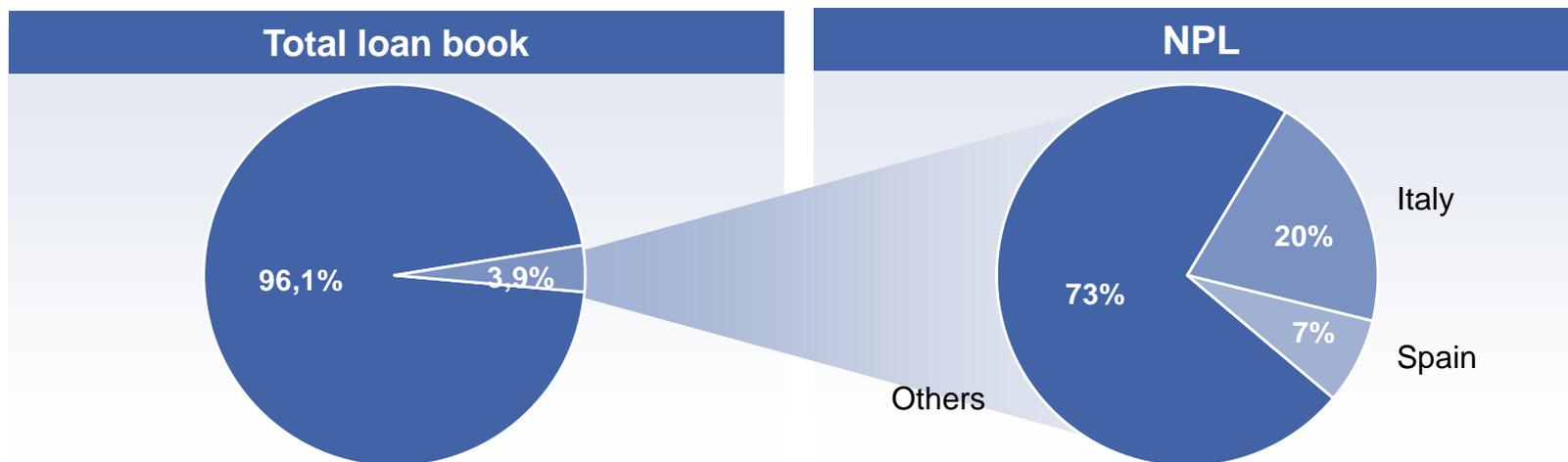
1) Incl. securities of the AfS- and the LaR-category after tax

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



# Total Structured Property Financing Portfolio

€ 23.2 bn of high quality real estate assets



€ mn	Nominal (in mn €)	Average LTV	NPLs (in mn €)
Greece	-	-	-
Ireland	-	-	-
Italy	3.148	59,7%	184
Portugal	-	-	-
Spain	1.038	79,3%	65



# Outlook



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# Outlook

FY operating profit 2010 already outperformed after 9M

2011	
<b>Net interest income</b>	<ul style="list-style-type: none"><li>▪ Target expected above 2010 level</li></ul>
<b>Net loan loss provisions</b>	<ul style="list-style-type: none"><li>▪ Lower end of range between € 110 mn and € 140 mn<sup>1)</sup> expected</li></ul>
<b>Net trading result / results from non-trading assets</b>	<ul style="list-style-type: none"><li>▪ Unpredictable in current markets / no impairments from non-trading assets expected but we do not rule out moderate realisation of losses</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>▪ 9M 2011 operating profit already above FY 2010 level</li></ul>
<b>Pre-tax RoE</b>	<ul style="list-style-type: none"><li>▪ Above 2010 level</li></ul>

**Generally, Aareal Bank remains in a position to further exceed consolidated operating profit of the 2010 financial year during the current year – having matched the previous year's results after nine months already.**

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



# Appendix



**Aareal Bank  
Group**

# Aareal Bank Group

## Key figures Q3 2011

	Quarter 3 2011	Quarter 3 2010	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	133	131	2%
Allowance for credit losses	36	32	13%
<b>Net interest income after allowance for credit losses</b>	<b>97</b>	<b>99</b>	<b>-2%</b>
Net commission income	38	24	58%
Net result on hedge accounting	2	-2	-
Net trading income / expenses	20	2	-
Results from non-trading assets	-22	-3	-
Results from companies accounted for at equity	-	-	-
Results from investment properties	3	0	-
Administrative expenses	93	88	6%
Net other operating income / expenses	2	1	100%
Impairment of goodwill	0	-	-
<b>Operating Profit</b>	<b>47</b>	<b>33</b>	<b>42%</b>
Income taxes	13	11	18%
<b>Net income / loss</b>	<b>34</b>	<b>22</b>	<b>55%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	5	5	0%
Net income / loss attributable to shareholders of Aareal Bank AG	29	17	71%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	5	7	-29%
<b>Consolidated retained profit / accumulated loss</b>	<b>24</b>	<b>10</b>	<b>140%</b>



**Aareal Bank  
Group**

# Aareal Bank Group: Segment Reporting

## Key figures Q3 2011 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.07.- 30.09. 2011	01.07.- 30.09. 2010	01.07.- 30.09. 2011	01.07.- 30.09. 2010	01.07.- 30.09. 2011	01.07.- 30.09. 2010	01.07.- 30.09. 2011	01.07.- 30.09. 2010
Euro mn								
Net interest income	123	121	0	0	10	10	133	131
Allowance for credit losses	36	32					36	32
<b>Net interest income after allowance for credit losses</b>	<b>87</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>97</b>	<b>99</b>
Net commission income	4	-5	45	39	-11	-10	38	24
Net result on hedge accounting	2	-2					2	-2
Net trading income / expenses	20	2					20	2
Results from non-trading assets	-22	-4		1			-22	-3
Results from companies accounted for at equity								
Results from investment properties	3	0					3	0
Administrative expenses	54	54	40	35	-1	-1	93	88
Net other operating income / expenses	2	2	0	0	0	-1	2	1
Impairment of goodwill	0						0	
<b>Operating profit</b>	<b>42</b>	<b>28</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>33</b>
Income taxes	12	10	1	1			13	11
<b>Net income / loss</b>	<b>30</b>	<b>18</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>22</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	4	4	1	1			5	5
Net income / loss attributable to shareholders of Aareal Bank AG	26	14	3	3	0	0	29	17



# Aareal Bank Group

## Key figures 9M 2011

	01.01.- 30.09.2011	01.01.- 30.09.2011	Change
	Euro mn	Euro mn	
<b>Profit and loss account</b>			
Net interest income	401	370	8%
Allowance for credit losses	78	97	-20%
<b>Net interest income after allowance for credit losses</b>	<b>323</b>	<b>273</b>	<b>18%</b>
Net commission income	99	86	15%
Net result on hedge accounting	2	2	-
Net trading income / expenses	14	-5	-
Results from non-trading assets	-18	11	-
Results from companies accounted for at equity	1	5	-80%
Results from investment properties	7	0	-
Administrative expenses	280	271	3%
Net other operating income / expenses	-10	-7	-
Impairment of goodwill	0	0	-
<b>Operating Profit</b>	<b>138</b>	<b>94</b>	<b>47%</b>
Income taxes	39	29	34%
<b>Net income / loss</b>	<b>99</b>	<b>65</b>	<b>52%</b>
<b>Allocation of results</b>			
Net income / loss attributable to non-controlling interests	14	14	0%
Net income / loss attributable to shareholders of Aareal Bank AG	85	51	67%
<b>Appropriation of profits</b>			
Silent partnership contribution by SoFFin	16	24	-33%
<b>Consolidated retained profit / accumulated loss</b>	<b>69</b>	<b>27</b>	<b>156%</b>



**Aareal Bank  
Group**

# Aareal Bank Group: Segment Reporting

## Key figures 9M 2011 by operating units

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.09. 2011	01.01.- 30.09. 2010	01.01.- 30.09. 2011	01.01.- 30.09. 2010	01.01.- 30.09. 2011	01.01.- 30.09. 2010	01.01.- 30.09. 2011	01.01.- 30.09. 2010
	Euro mn							
Net interest income	372	338	0	0	29	32	401	370
Allowance for credit losses	78	97					78	97
<b>Net interest income after allowance for credit losses</b>	<b>294</b>	<b>241</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>32</b>	<b>323</b>	<b>273</b>
Net commission income	-3	-8	132	127	-30	-33	99	86
Net result on hedge accounting	2	2					2	2
Net trading income / expenses	14	-5					14	-5
Results from non-trading assets	-18	10	0	1			-18	11
Results from companies accounted for at equity		5	1				1	5
Results from investment properties	7	0					7	0
Administrative expenses	159	161	122	112	-1	-2	280	271
Net other operating income / expenses	-11	-7	1	1	0	-1	-10	-7
Impairment of goodwill	0	0					0	0
<b>Operating profit</b>	<b>126</b>	<b>77</b>	<b>12</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>138</b>	<b>94</b>
Income taxes	36	24	3	5			39	29
<b>Net income / loss</b>	<b>90</b>	<b>53</b>	<b>9</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>65</b>
<b>Allocation of results</b>								
Net income / loss attributable to non-controlling interests	12	12	2	2			14	14
Net income / loss attributable to shareholders of Aareal Bank AG	78	41	7	10	0	0	85	51



# Aareal Bank Group: Segment Reporting

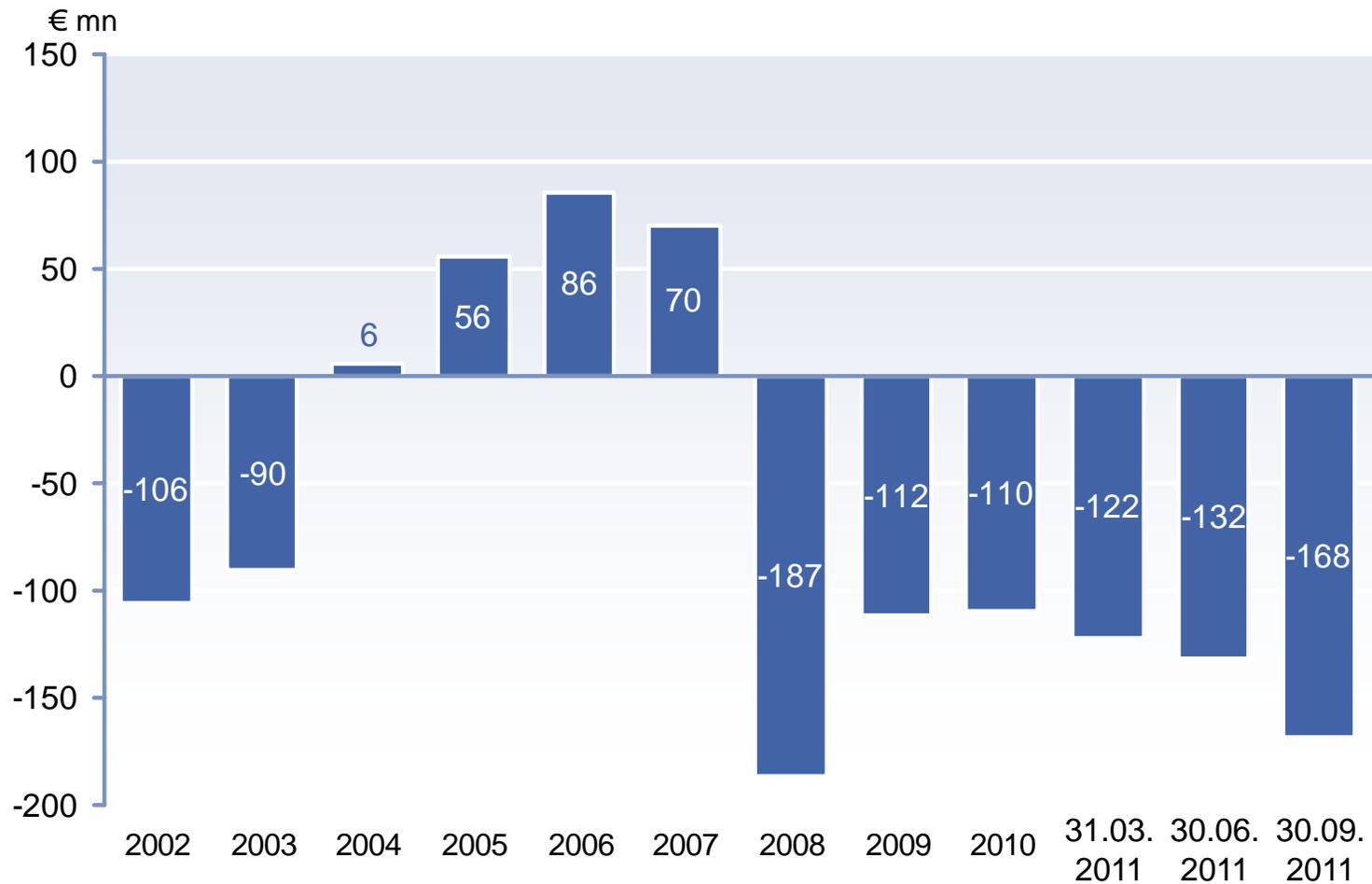
## Key figures - quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3
	2011	2011	2011	2010	2010	2011	2011	2011	2010	2010	2011	2011	2011	2010	2010	2011	2011	2011	2010	2010
Euro mn																				
Net interest income	123	124	125	129	121	0	0	0	0	0	10	10	9	10	10	133	134	134	139	131
Allowance for credit losses	36	24	18	8	32											36	24	18	8	32
<b>Net interest income after allowance for credit losses</b>	<b>87</b>	<b>100</b>	<b>107</b>	<b>121</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>97</b>	<b>110</b>	<b>116</b>	<b>131</b>	<b>99</b>
Net commission income	4	-2	-5	-1	-5	45	43	44	49	39	-11	-10	-9	-11	-10	38	31	30	37	24
Net result on hedge accounting	2	2	-2	-4	-2											2	2	-2	-4	-2
Net trading income / expenses	20	2	-8	13	2											20	2	-8	13	2
Results from non-trading assets	-22	2	2	-23	-4				0	1						-22	2	2	-23	-3
Results from companies accounted for at equity				0	0		1	0									1	0	0	0
Results from investment properties	3	2	2	-17	0											3	2	2	-17	0
Administrative expenses	54	54	51	56	54	40	42	40	40	35	-1	0	0	-1	-1	93	96	91	95	88
Net other operating income / expenses	2	-11	-2	-2	2	0	1	0	0	0	0	0	0	0	-1	2	-10	-2	-2	1
Impairment of goodwill	0	0														0	0		0	
<b>Operating profit</b>	<b>42</b>	<b>41</b>	<b>43</b>	<b>31</b>	<b>28</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>44</b>	<b>47</b>	<b>40</b>	<b>33</b>
Income taxes	12	13	11	8	10	1	1	1	3	1						13	14	12	11	11
<b>Net income / loss</b>	<b>30</b>	<b>28</b>	<b>32</b>	<b>23</b>	<b>18</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>30</b>	<b>35</b>	<b>29</b>	<b>22</b>
<b>Allocation of results</b>																				
Net income / loss attributable to non-controlling interests	4	4	4	4	4	1	0	1	0	1						5	4	5	4	5
Net income / loss attributable to shareholders of Aareal Bank AG	26	24	28	19	14	3	2	2	6	3	0	0	0	0	0	29	26	30	25	17



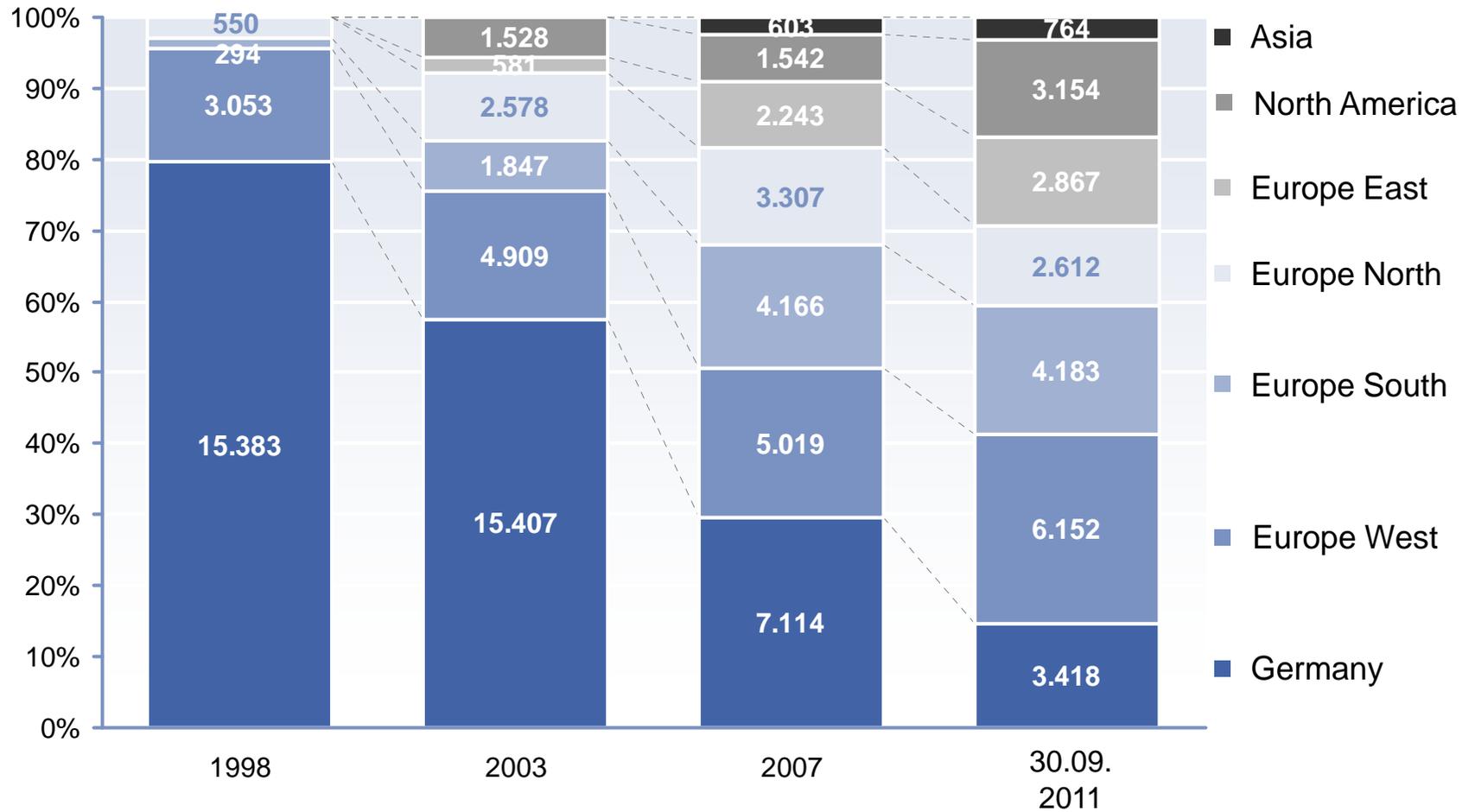
# Revaluation reserve

Change mainly driven by asset spreads



# Development property finance portfolio

## Diversification continuously strengthened (in € mn)



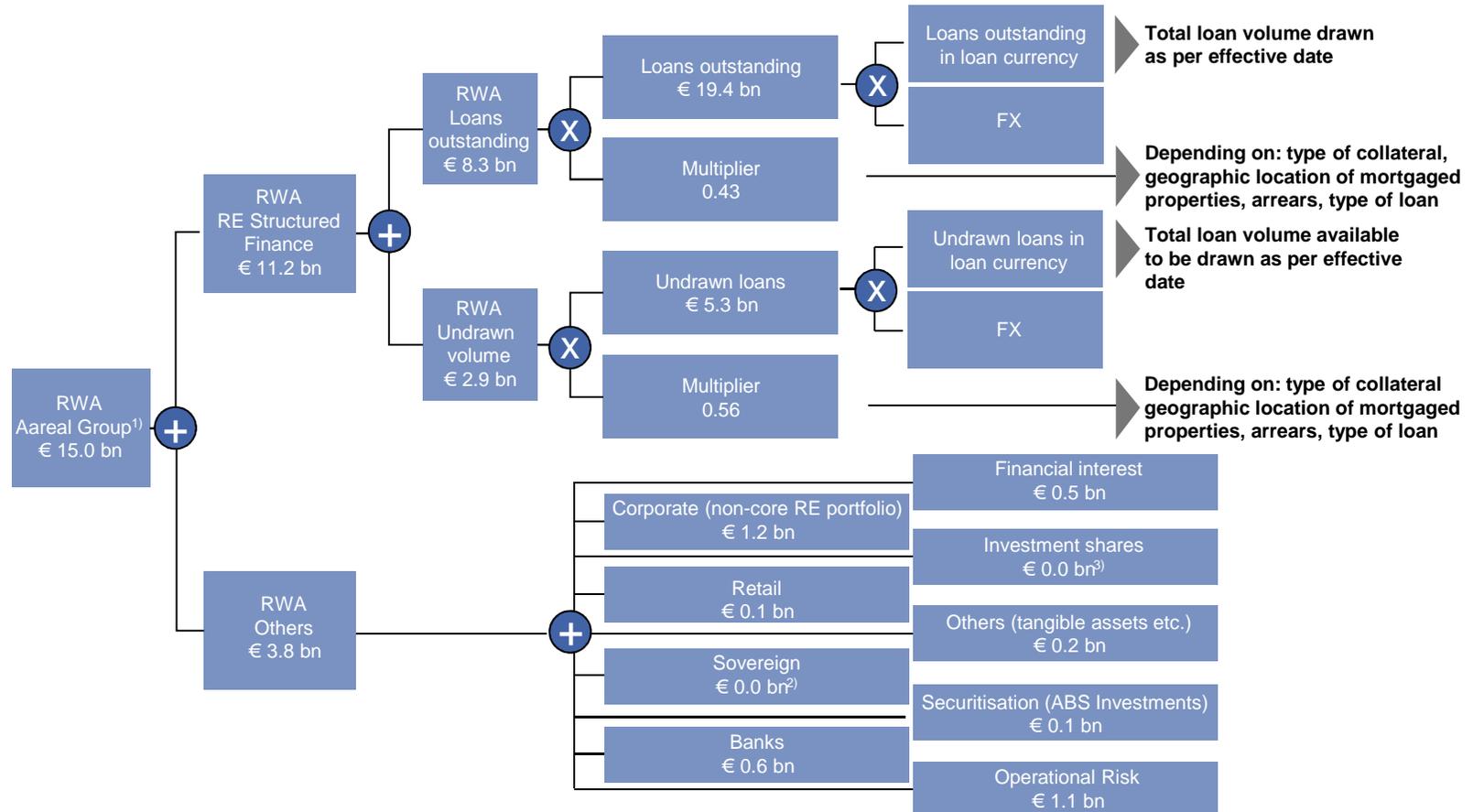
Property finance under management



# From asset to risk weighted asset (RWA)

## Essential factors affecting volume of RWA

Effective date 30/09/2011



1) Excl. of market risk

2) Exposure to Sovereigns amounts to € 17 mn

3) Exposure to investment shares amounts to € 4 mn



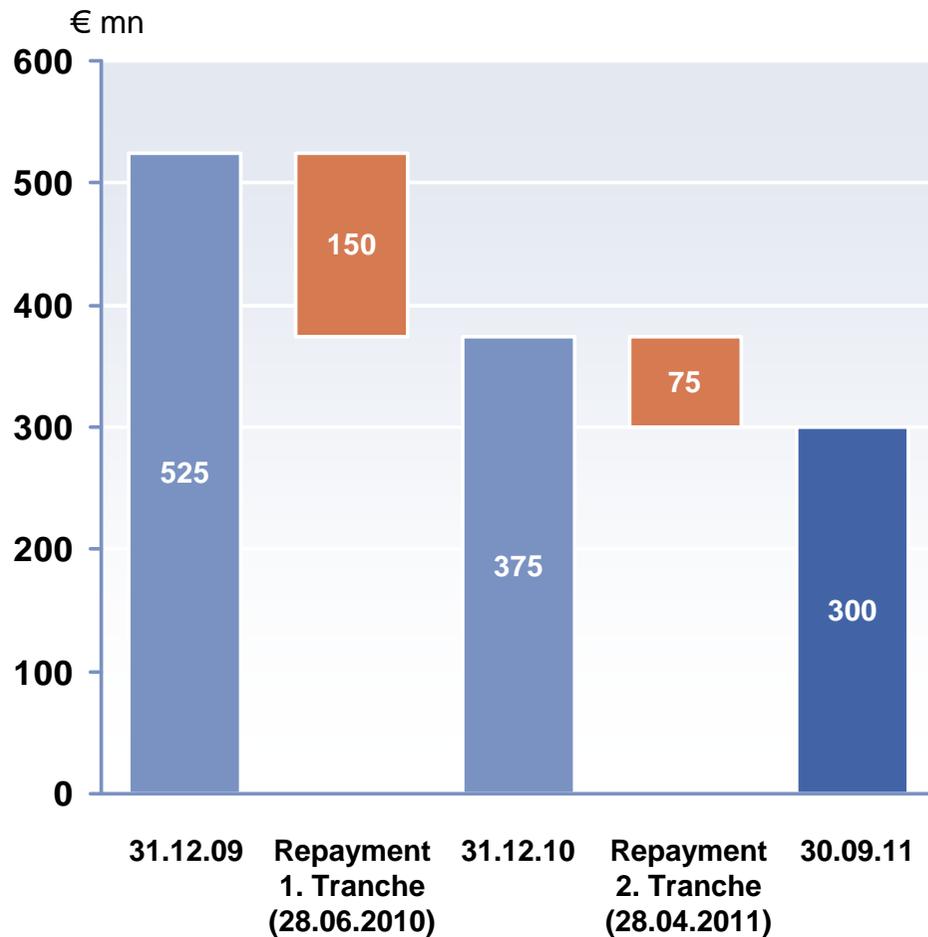
# SoFFin support measures



**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  
Group**

# 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

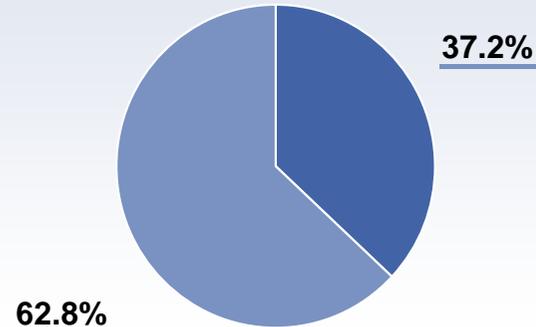


# Shareholder structure

## 17 mn new shares guarantee a higher free float

### Structure before capital increase

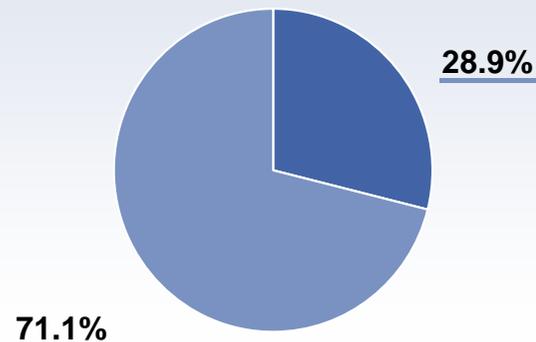
Total number of shares: 42,755,159



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

- **Structured 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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