



Press Release

Contacts:

Press

Sven Korndörffer

Phone: +49 611 348-2306

sven.korndoerffer@aareal-bank.com

Christian Feldbrügge

Phone: +49 611 348-2306

christian.feldbruegge@aareal-bank.com

Investor Relations

Jürgen Junginger

Phone: +49 611 348-2636

juergen.junginger@aareal-bank.com

Aareal Bank Group posts good results, despite the financial markets crisis

- **Pre-tax profit of € 31 million for the third quarter of 2008; € 106 million (€ 122 million adjusted for non-recurring effects) for the first nine months**
- **Third-quarter net interest income up 17% year-on-year**
- **Allowance for credit losses remains stable**
- **Sound liquidity status, backed by adequate capital base**

Wiesbaden, 11 November 2008 – Aareal Bank posted positive results for the third quarter of 2008, in spite of the escalating crisis affecting global financial markets. Profit before taxes amounted to € 31 million. Adjusted for non-recurring effects attributable to the financial markets crisis, the Q3 result was € 41 million, exceeding both the previous quarter (Q2 2008: € 38 million) and the third quarter of the previous year (Q3 2007: € 32 million). Third-quarter Group net income after minority interest was € 15 million. This means that Aareal Bank Group has posted positive results in each quarterly reporting period since the onset of the financial market crisis.

Financial performance

Consolidated net interest income rose by 17% year-on-year during the third quarter, to € 117 million (Q3/2007: € 100 million), thanks to a higher level of risk-weighted assets and increased margins.

With allowance for credit losses stable, at € 20 million (in line with the two preceding quarters), net interest income after allowance for credit losses was € 97 million, up from € 81 million for the third quarter of 2007.

Net commission income totalled € 34 million, compared to € 32 million in the same period of the previous year.

Net trading income/expenses of € 25 million reflected the impact of hedge transactions, and must be seen as a very satisfactory figure for the third quarter of 2008. The net figure included ongoing expenditure for securitisation

transactions (–€ 2 million), and write-downs on a bond issued by Lehman Brothers (–€ 7 million); these items were offset by € 34 million in income from hedge transactions, whereby the corresponding negative results were reflected in the results from non-trading assets.

At –€ 37 million, results from non-trading assets for the period under review were dominated by the current market turbulence. (The € 162 million figure reported in the same period of the previous year included € 153 million in non-recurring income from the sale of the stake in Immobilien Scout GmbH.) The figure includes € 15 million in write-downs on equity holdings, which we recognised in income rather than in the revaluation surplus.

Against the background of the deterioration of the financial markets crisis, the International Accounting Standards Board (IASB) adopted amendments to standards IAS 39 and IFRS 7 ("Reclassification of Financial Assets"), which the European Union approved in October. In particular, the amendments provide for the option to reclassify certain non-derivative financial assets within the measurement categories pursuant to IAS 39, with retrospective effect from 1 July 2008, and subject to certain conditions.

Aareal Bank Group opted for reclassification, and now carries certain securities (which were previously measured at market value) at amortised cost. This approach is based on the fact that no active market existed for these securities during the third quarter of 2008.

Had these assets not been reclassified, third-quarter income would have been reduced by € 17 million and the burden on the revaluation surplus would have amounted to € 39 million. Aareal Bank would still have posted a noticeable profit for the third-quarter even if it had not used the reclassification option. The net relief on third-quarter results was only € 2 million, with € 17 million attributable to accounting relief options offset by € 15 million in write-downs on equity holdings. The overall direct burden on third-quarter income resulting from the financial markets crisis amounted to € 10 million.

Aareal Bank has not exercised the 'fair value option' which permits the carrying of liabilities at market value; this is in line with its previous financial statements.

At € 84 million, administrative expenses were not only markedly lower year-on-year (Q3 2007: € 93 million), but also improved on the low figure posted for the previous quarter (Q2 2008: € 89 million). This highlights Aareal Bank Group's continued strict cost discipline.

Net other operating income/expenses was –€ 5 million, compared to a € 10 million deficit the year before. The net figure includes € 8 million in provisions recognised for measures to enhance the efficiency of loan processing in our German business.

On balance, consolidated operating profit for the third quarter amounted to € 31 million (Q3 2007: € 221 million, including non-recurring income of € 153 million from the sale of the stake in Immobilien Scout GmbH, plus € 63 million from the Interhotel transaction). After deduction of € 11 million in

income taxes and € 5 million in income attributable to minority interests, consolidated net income after minority interests amounted to € 15 million (Q3 2007: € 183 million).

Operating profit before taxes and minority interests for the first nine months of the financial year was € 106 million; adjusted for non-recurring effects, it was € 122 million. Consolidated net income after minority interests was € 56 million.

Segment performance

Aareal Bank maintained a new business policy – strictly focusing on quality – in its Structured Property Financing segment. New business generated during the period under review was € 2.1 billion, bringing the total figure for the first three quarters of 2008 to € 5.0 billion (9m 2007: € 8.8 billion). Net interest income was € 99 million, compared to € 95 million in the previous quarter, and € 83 million in the third quarter of 2007.

Financing volumes remained virtually unchanged year-on-year: as at 30 September 2008, the volume of property financing under management amounted to € 23.7 billion (30 Sep 2007: € 23.7 billion), despite the sale of a residential financing portfolio sized at € 1.5 billion to Deutsche Postbank AG.

The Consulting/Services segment, serving the institutional housing sector, once again showed a strong performance, delivering the ninth consecutive positive quarterly contribution. At € 11 million, operating profit was in line with the previous two quarters. The result – adjusted for the non-recurring income of € 153 million from the sale of the Immobilien Scout stake – was increased by € 7 million over the same quarter of the previous year.

Sound liquidity status, backed by adequate capital base

Aareal Bank Group continues to maintain sound liquidity, despite the current tensions on financial markets. During the first nine months of the 2008 financial year, the Group raised long-term funds totalling € 2.3 billion. The property financing portfolio to be refinanced totalled € 23.0 billion as at 30 September 2008 (30 Sep 2007: € 22.1 billion). With € 19.8 billion in long-term funding and very stable deposit volumes from the German institutional housing sector of € 4.5 billion, Aareal Bank's liquidity profile is comfortable indeed.

Aareal Bank thus considers its capital base to be appropriate – also against the background of current developments in the banking sector. The bank's tier 1 ratio, in accordance with the German Banking Act (Credit Risk Standard Approach – "CRSA"), was 8.0% as at 30 September 2008, based on € 23.4 billion in risk-weighted assets (30 Jun 2008: € 22.0 billion).

Operating business within budget, despite the financial markets crisis

"Aareal Bank's conservative business model, incorporating the two pillars of Structured Property Financing and Consulting/Services, has proved to be correct and sustainable – particularly during the current crisis", said Dr Wolf Schumacher, Chairman of the Management Board of Aareal Bank AG.

"We remain convinced that Aareal Bank Group is well-positioned. In spite of the crisis affecting financial markets, our operating business is within budget after the first nine months of the year. Nevertheless, as the dramatic market distortions seen over recent weeks have shown, the current environment does not permit any reliable forecast for the year 2008 as a whole", Schumacher added.

Aareal Bank

Aareal Bank AG is one of the leading international specialist property banks. The Aareal Bank share is included in Deutsche Börse's mid-cap MDAX index. Aareal Bank operates on three continents: leveraging its successful European business model, the bank has established similar platforms in North America and in the Asia-Pacific region. It provides property financing solutions in more than 25 countries.

**Aareal Bank Group: Key financial indicators for the first nine months of the 2008 financial year
(in accordance with IFRS)**

	1.1.-30.09.2008	1.1.-30.09.2007	Change
	€ mn	€ mn	%
Net interest income	338	302	11.9%
Net loan loss provisions	60	63	-4.8%
Net interest income after net loan loss provisions	278	239	16.3%
Net commission income	102	105	-2.9%
Net result on hedge accounting	3	4	-25.0%
Net trading income / expenses	0	-6	-
Results from non-trading assets	-36	188	-
Results from companies accounted for at equity	3	68	-95.6%
Results from investment properties	0	1	-100.0%
Administrative expenses	261	273	-4.4%
Net other operating income / expenses	17	27	-37.0%
Impairment of goodwill			-
Operating Profit *)	106	353	-70.0%
Income taxes	36	67	-46.3%
Consolidated net income / loss	70	286	-75.5%
Allocation of results			
Consolidated net income / loss attributable to minority interests	14	14	0.0%
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	56	272	-79.4%

	30.09.2008	31.12.2007	Change
	€ mn	€ mn	%
Portfolio data			
Property finance	22,972	22,550	1.9%
of which international	18,664	16,878	10.6%
Property finance under management	23,685	23,992	-1.3%
of which international	18,664	16,878	10.6%
Shareholders' equity	1,536	1,627	-5.6%
Total assets	39,738	40,202	-1.2%

	1.1.-30.09.2008	1.1.-30.09.2007
Key financial indicators		
Cost/Income ratio (%) **)	56.2	45.3
Earnings per share (€)	1.30	6.36
RoE after taxes (%) ***)	5.6	31.4

*) Operating profit for the period ended 30 Sep 2007 included non-recurring income of € 153 million from the sale of the stake in Immobilien Scout GmbH, plus € 63 million from the Interhotel transaction.

**) only Structured Property Financing segment

***) on an annualised basis

Aareal Bank Group: Segment reporting by operating unit (in accordance with IFRS)

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007
Net interest income	99	83	0	0	18	17	117	100
Provision for loan losses	20	19					20	19
Net interest income after net loan loss provisions	79	64	0	0	18	17	97	81
Net commission income	7	4	46	46	-19	-18	34	32
Net result on hedge accounting	1	-1					1	-1
Net trading income / expenses	25	-13					25	-13
Results from non-trading assets	-37	9	0	153			-37	162
Results from companies accounted for at equity		63						63
Results from investment properties	0	0			0	0	0	0
Administrative expenses	50	55	35	40	-1	-2	84	93
Net other operating income / expenses	-5	-7	0	-2	0	-1	-5	-10
Impairment of goodwill								
Operating profit *)	20	64	11	157	0	0	31	221
Income taxes	8	29	3	4			11	33
Consolidated net income / loss	12	35	8	153	0	0	20	188
Allocation of results								
Consolidated net income / loss attributable to minority interests	4	4	1	1			5	5
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	8	31	7	152	0	0	15	183
Allocated equity	981	844	73	73	266	237	1,320	1,154
Cost/income ratio in %	59.5	46.2	78.7	21.7			65.2	31.9
RoE after taxes in %	3.3	14.5	38.8	834.2			4.5	63.3

*) Operating profit for the third quarter of 2007 included non-recurring income of € 153 million from the sale of the stake in Immobilien Scout GmbH, plus € 63 million from the Interhotel transaction