



Aareal Bank

Press Release

Contacts:

Press

Sven Korndörffer

Phone: +49 611 348-2306

sven.korndorffer@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 remains on track in a challenging market environment

- **Successful 2008 financial year: consolidated net income before taxes of €117 million affirmed by audited figures; Aareal Bank profitable in all quarters**
- **SoFFin support secures Aareal Bank's proven business model for the long term, preserves funding flexibility, and prepares the bank for future challenges**
- **Projections for key financial indicators 2009 affirmed, despite further economic slowdown**
- **Dr Wolf Schumacher, Chairman of the Management Board: "The bank has retained its capacity to act, even in a difficult market environment."**

Wiesbaden, 27 March 2009 – Based on the solid results posted for the last year, despite massive market distortions, Aareal Bank Group is confident of being able to hold its course in a market environment that continues to be challenging. "Our performance during the extremely challenging year 2008 has demonstrated the feasibility and sustainability of our business model. The primary objective for 2009 is to continue mastering the crisis affecting financial markets and the economy", explained Dr Wolf Schumacher, Chairman of the Management Board of Aareal Bank AG, at the bank's press conference to present the financial statements in Frankfurt. "Not least thanks to the support measures agreed upon with the German Financial Markets Stabilisation Fund ("SoFFin"), we are in an excellent position to achieve that objective", he added.

On 15 February 2009, Aareal Bank had announced its decision to utilise the German government support programme for the banking sector. This preventive move was designed to secure the bank's successful future, on the basis of its proven business model, to prepare for any uncertainties ahead, and to secure a good starting point for the post-crisis period. Under the agreement, SoFFin will provide a €525 million silent participation and extend a guarantee facility covering unsecured securities issues of up to €4 billion.

The agreement with SoFFin has since been finalised, and is now being implemented. The silent participation, which bears interest at 9%, is expected to be contributed on 31 March 2009. Moreover, Aareal Bank has already used the framework guarantee agreed upon, having successfully placed a debut €2 billion state-guaranteed benchmark bond on 17 March 2009 that met with strong response by German and international investors.

"This has already shown that our decision to seek support under the government support programme was right", Schumacher added. "We thus avoided any competitive funding disadvantages for the bank. At the same time, this successful bond issue has already covered a major part of our funding requirements for the full year 2009. This means that Aareal Bank Group retains full flexibility and capacity to act in its business of providing finance to its clients."

Successful financial year 2008 despite financial and economic crisis

Aareal Bank Group continued its successful business performance in 2008, a year of great turbulence for the entire financial sector. Based on audited figures, the Group ended the 2008 financial year with a profit before taxes of €117 million; the previous year's figure of €380 million was heavily influenced by positive one-off effects totalling €221 million. Adjusted for these special items, the pre-tax profit of €153 million in 2008 almost matched the results achieved in 2007 (€159 million).

Aareal Bank Group experienced particularly robust growth in consolidated net interest income, which was up close to 15%, from €411 million to €472 million. Higher margins from new business more than compensated for a slight drop in property finance volumes. This item also reflects the more favourable interest rate environment.

After inclusion of allowance for credit losses amounting to €80 million (2007: €77 million), the Group reported consolidated net interest income after allowance for credit losses of €392 million (2007: €334 million). This represents an increase of some 17%.

Net commission income increased year-on-year by €8 million to €150 million. The Consulting/Services and Structured Property Financing segments both contributed to this rise.

Net trading income improved from €-26 million in 2007 to €-23 million in 2008; the figure reflects continued market distortions resulting from the financial markets crisis. The positive effect of hedging transactions was offset by the negative effect of the reduced valuation of financial instruments in the trading portfolio and increased current securitisation expenses.

Results from non-trading assets were negative, at €-95 million. This figure is the consequence of measures to restructure our investment portfolio in line with our conservative risk policy designed to reduce the volatility of results. The 2007 figure of €206 million was largely influenced by extraordinary income of €153 million from the disposal of our holdings in Immobilien Scout GmbH.

Administrative expenses were down € 14 million, or just under 4%, to € 347 million, a reflection of strict cost discipline at Aareal Bank Group.

Group net income after minority interests was € 60 million, down from a 2007 figure of € 290 million that was heavily shaped by one-off effects.

Both of Aareal Bank Group's business segments contributed to the very good results for 2008 in the face of difficult market conditions.

In the **Structured Property Financing segment**, Aareal Bank continued to pursue a highly selective new business strategy based on quality and earnings, while also focusing on financing activities with attractive risk/return profiles. In view of the changed business environment, on the back of the economic and financial crisis that worsened as the year progressed, new business was allowed to decline from € 11.7 billion to € 5.5 billion. Given the difficult market conditions in 2008, Aareal Bank considers this volume satisfactory.

Allowance for credit losses for the segment remained essentially unchanged, at € 80 million (2007: € 77 million), a reflection of Aareal Bank's high-quality credit portfolio.

The fall in the segment result before taxes, from € 197 million to € 73 million, is primarily a result of the financial markets crisis and its impact on net trading income and results from non-trading assets which could not be offset by a sharp rise in net interest income. In addition, 2007 results were influenced by one-off effects.

The **Consulting/Services segment** delivered stable earnings in 2008. Operating profit came in at € 44 million, some 50% higher than last year's adjusted figure of € 30 million. Profits after taxes for the segment totalled € 30 million (2007: € 172 million incl. extraordinary income).

Aareon AG, a wholly-owned subsidiary of Aareal Bank AG, consolidated its market position in the financial year 2008 as the leading IT consulting and systems house in the property sector. It also reported origination successes across all product lines.

Aareal Bank was also able to expand its market share in the Institutional Housing Business. Deposits taken from the commercial housing sector averaged € 4.3 billion over the course of 2008. In spite of the ongoing financial markets crisis, this was only slightly below the previous year's average level of € 4.5 billion and serves to further underscore the faith that clients place in the financial performance and stability of Aareal Bank.

Outlook for 2009 affirmed

The macro-economic environment has deteriorated further in 2009: researchers now expect economic performance in key markets to decline to a much stronger extent than anticipated only a few weeks ago. It is still too early to talk about an overall improvement on financial markets: in particular, very high volatility is likely to remain prevalent. As a result, it is still impossible to make concrete forecasts

for business performance and results for the year 2009 as a whole. Even though the business environment has deteriorated further, Aareal Bank currently maintains its projections for key financial indicators in 2009, as published in February.

The Management Board anticipates net interest income to range between € 420 million to € 440 million. Compared to the previous year's result, the figure will be burdened by the planned reduction in new business originated in Structured Property Financing. From today's perspective, new business will range between € 2 billion and € 3 billion, with a predominant focus on business with the existing client base and existing financings. Whilst the allowance for credit losses will be markedly higher than in 2008, the Management Board expects it to remain at a manageable level of between € 90 million to € 150 million. "Despite the further deterioration in the economic outlook, we envisage being able to remain within this range", Schumacher said. In the Consulting/Services segment, the Group envisages a continuation of the positive performance seen over recent years, with further earnings increases; performance will depend upon interest rate developments going forward.

"Our short-term focus is on strengthening and protecting our tried-and-tested, successful business model. Thanks to our stronger capital base and the enhanced funding flexibility, we see ourselves in a good position to succeed", Schumacher explained. "Backed by the agreement with SoFFin, Aareal Bank is well positioned to deal with the challenges ahead and has also secured a good starting point for the post-crisis period. We will see major opportunities to return to profitable growth over the medium to long-term horizon: for instance, we are observing a re-entry of property investors with a long-term view. This will lead to a rise in market quality, and to an improvement in the risk/return ratio of the financings. Moreover, we expect competitive pressures to abate as some competitors withdraw from the commercial property finance market or cut back their relevant business lines", Schumacher added. "The bank will remain a reliable partner for its clients, and a secure employer. We are highly confident that Aareal Bank will once again create value for its shareholders in the future", he summarised.

Note to editors: the full 2008 Annual Report is available for download on <http://www.aareal-bank.com/annualreport2008>

Aareal Bank

Aareal Bank AG is one of the leading international specialist property banks. The Aareal Bank share is included in Deutsche Börse's small-cap SDAX 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 results for the 2008 financial year
(in accordance with IFRS)**

	1.1.-31.12.2008	1.1.-31.12.2007	Change
	€mn	€mn	%
Net interest income	472	411	14.8%
Net loan loss provisions	80	77	3.9%
Net interest income after net loan loss provisions	392	334	17.4%
Net commission income	150	142	5.6%
Net result on hedge accounting	0	1	-100.0%
Net trading income	-23	-26	-
Results from non-trading assets	-95	206	-146.1%
Results from companies accounted for at equity	7	68	-89.7%
Results from investment properties	-1	1	-200.0%
Administrative expenses	347	361	-3.9%
Net other operating income	34	18	88.9%
Impairment of goodwill	0	3	-100.0%
Operating Profit	117	380	-69.2%
Income taxes	39	72	-45.8%
Consolidated net income / loss	78	308	-74.7%
Allocation of results			
Consolidated net income / loss attributable to minority interests	18	18	0.0%
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	60	290	-79.3%

	31.12.2008	31.12.2007	Change
	€mn	€mn	%
Portfolio data			
Property finance	22,813	22,550	1.2%
of which international	18,655	16,878	10.5%
Property finance under management	23,462	23,992	-2.2%
of which international	18,655	16,878	10.5%
Shareholders' equity	1,429	1,627	-12.2%
Total assets	41,177	40,202	2.4%

	1.1.-31.12.2008	1.1.-31.12.2007
Key financial indicators		
Cost/Income ratio (%) *)	56.6	43.6
Earnings per share (€)	1.41	6.77
RoE after taxes (%)	4.5	25.0

*) Structured Property Financing segment

2008 segment reporting by operating unit (in accordance with IFRS)

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	403	347	0	0	69	64	472	411
Provision for loan losses	80	77					80	77
Net interest income after net loan loss provisions	323	270	0	0	69	64	392	334
Net commission income	29	24	193	186	-72	-68	150	142
Net result on hedge accounting	0	1					0	1
Net trading income / expenses	-23	-26					-23	-26
Results from non-trading assets	-95	52	0	154			-95	206
Results from companies accounted for at equity	7	63		5			7	68
Results from investment properties	-1	1			0	0	-1	1
Administrative expenses	200	212	151	154	-4	-5	347	361
Net other operating income / expenses	33	25	2	-6	-1	-1	34	18
Impairment of goodwill		1	0	2			0	3
Operating profit	73	197	44	183	0	0	117	380
Income taxes	25	61	14	11			39	72
Consolidated net income / loss	48	136	30	172	0	0	78	308
Allocation of results								
Consolidated net income / loss attributable to minority interests	16	16	2	2			18	18
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	32	120	28	170	0	0	60	290
Allocated equity	964	926	72	67	295	163	1,331	1,156
Cost/income ratio in %	56.6	43.6	77.5	45.5			63.8	44.0
RoE after taxes in %	3.4	12.9	38.5	252.2			4.5	25.0