



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 maintains solid results in the third quarter of 2009, despite a difficult market environment

- **Operating profit before taxes of €25 million in line with the previous quarter**
- **Structured Property Financing: allowance for credit losses remains at a clearly manageable level**
- **Consulting/Services showing robust business development, despite interest rates at historical lows**
- **Forecasts for key financial indicators affirmed**

Wiesbaden, 10 November 2009 – Against the background of a market environment that continued to be challenging, Aareal Bank Group maintained its robust business development and once again generated a solid positive result – as it has done in every quarter since the outbreak of the financial markets crisis in summer 2007. The Group's profit before taxes and appropriation/attribution of results for the period from July to September was €25 million, after €25 million in the second quarter and €17 million in the first three months of the current year. The corresponding figure for the third quarter 2008 was €31 million.

"Clearly, we have been holding our course during the current financial year. The fact that we posted another set of satisfactory results – in a challenging market environment – once again emphasises the coherence, sustainability, and crisis-proof performance of our business model, incorporating the two strong pillars of Structured Property Financing and Consulting/Services. The Group's profitability remains high enough, not only to absorb the various difficulties thrown up by the financial markets crisis and the consequences of the weak economy but also to bear the additional costs incurred within the scope of the agreement with SoFFin", said Dr Wolf Schumacher, Chairman of the Management Board of Aareal Bank AG.

Structured Property Financing: sustainable business policy continues to bear fruit

Aareal Bank's Structured Property Financing segment once again posted a solid positive result, in spite of the continued challenges on the commercial property markets. At € 19 million, (Q3 2008: € 20 million), the segment's operating profit was slightly higher than in the previous quarter (€ 18 million).

Aareal Bank's approach to lending from July to September remained very risk-aware, as it has been in the past. New business amounted to € 2.4 billion in the first nine months of 2009. Within the scope of new business, Aareal Bank continued to focus on its existing client base and particularly on loan extensions for existing financing projects.

Net interest income, which accounts for the most important share of segment income, amounted to € 98 million in the third quarter of 2009, after € 99 million in the comparable period of the previous year and € 101 million in the second quarter of 2009. Higher margins in the lending business continued to have a positive effect. Given the volatile market environment, the bank has maintained a very comfortable level of liquidity reserves: this had a slightly negative effect on net interest income, owing to extremely low short-term interest rates.

Despite the impact of the economic crisis, allowance for credit losses remained at a clearly manageable level: the € 36 million recognised during the third quarter of 2009 was lower than in the previous quarter (€ 42 million), and remains within projections. Expected at € 150 million for the current financial year, it is therefore at the upper end of the forecasted target corridor, as has been communicated to date. Given the prevailing market environment, it is however impossible to fully exclude unexpected losses.

"In the third quarter, Aareal Bank Group once again proved that the commercial property finance business is profitable, even in the most severe economic crisis experienced for decades – provided that it is conducted in a sustainable and prudent manner. This clearly confirms our approach, and we will maintain our conservative business policy. This also applies to our tried and tested three-continent strategy to ensure regional diversification of our business: in particular, we have no plans to cut back our international branch network. Our local presence plays a key role in the segment's success", Schumacher noted.

Consulting/Services: robust segment result

Against a background of difficult general economic conditions, the segment's performance was satisfactory. Despite the low interest rate level that was very unfavourable for the deposit-taking business, the segment posted a positive result for the third quarter as well. At € 6 million, operating profit was close to the previous quarter (€ 7 million), even though it fell short of the figure for the same quarter of the previous year (€ 11 million), which had benefited from a more favourable interest rate environment.

At € 50 million, third quarter segment revenue was down slightly on the previous quarter (€ 52 million), and also year-on-year (Q3 2008: € 54 million). The decline was largely due to the low interest rate environment, which is unfavourable for the deposit-taking business with the institutional housing industry. Moreover, the economic weakness resulted in a certain degree of investor reticence regarding new investment in specific customer segments of the Aareon AG subsidiary.

Aareon's new Wodis Sigma product, which was launched in the second quarter, was met with great interest.

However, the deposit volume originated from the Institutional Housing Unit clients, which averaged €3.9 billion in the third quarter and also represents a key refinancing source for Aareal Bank, remained largely stable, irrespective of the unfavourable interest rate environment. This demonstrates the high level of confidence clients keep placing in Aareal Bank, and the solid market position that the Group enjoys in the German institutional housing industry.

"Aareal Bank has been the lead bank for the German institutional housing industry for more than five decades. We maintain long-term contracts in this sector that are backed by long-term customer relationships. This approach is paying off especially in a market environment defined by uncertainties. The Consulting/Services segment is the Group's second strong pillar, and a reliable source of income – which requires lower capital backing relative to the lending business", Schumacher explained.

Solid refinancing situation and good capitalisation

Aareal Bank Group conducted its funding activities successfully during the first nine months of the year, thereby securing its good liquidity situation. The bank raised €5 billion in long-term funds up until the end of September, with Pfandbriefe accounting for €2.2 billion and uncovered issues for €2.8 billion. In the third quarter the bank placed several very successful issues with an aggregate volume of €730 million on the capital markets, by way of both public and private placements. This included a €200 million bearer bond issue placed in September. Aareal Bank invests available liquidity in a conservative manner and to ensure quick access, in order to provide continued financing support to its existing clients as well as being well equipped to deal with a potential deterioration of the situation on financial markets, which cannot be excluded.

As at 30 September 2009, Aareal Bank's Tier 1 ratio – measured in accordance with the credit risk standardised approach (CRSA) – was 10.7%, which is high by international standards.

Notes to consolidated results

Net interest income for the third quarter of 2009 was €111 million (Q3 2008: €117 million), thus amounting to €339 million for the first nine months of the year (9m 2008: €338 million). Net interest income after allowance for credit losses for the first nine months totalled €224 million (9m 2008: €278 million).

Net commission income totalled €28 million for the third quarter (Q3 2008: €34 million), and thus €94 million for the first nine months of the year (9m 2008: €102 million). Net commission income includes expenses of €11 million for the guarantee facility extended by SoFFin for the period from April to September. Adjusted for this, net commission income was up slightly year-on-year.

Net trading income contributed €19 million to third-quarter results (Q3 2008: €25 million), amounting to a total of €44 million for the first nine months of the year. This item was largely attributable to the measurement of stand-alone derivatives; in particular, a recovery in the value of credit derivatives (+€36 million).

The result from non-trading assets for the third quarter was –€ 3 million (Q3 2008: –€37 million) and –€19 million for the first nine months (9m 2008: –€ 36 million).

Administrative expenses amounted to € 88 million in the third quarter (Q3 2008: € 84 million). Taking into account the special charges of € 6 million incurred by Aareon AG, which were already communicated in the first quarter, administrative expenses of € 266 million for the first nine months of 2009 were stable compared with the previous year (€ 261 million).

Net other operating income and expenses for the third quarter was –€ 3 million (Q3 2008: –€ 5 million). The figure of –€ 8 million for the first nine months includes project expenditure (including legal and advisory costs) of € 6 million incurred in the first quarter in conjunction with the support measures agreed between SoFFin and the Bank. Last year's figure of € 17 million included non-recurring income of € 7 million from the Interhotel exposure.

On balance, consolidated operating profit for the third quarter amounted to € 25 million (Q3 2008: € 31 million). After deduction of € 3 million in income taxes and € 4 million in income attributable to non-controlling interests, consolidated net income after non-controlling interests amounted to € 18 million. After deduction of the return on the SoFFin contribution, consolidated net income stood at € 6 million.

Aareal Bank's consolidated operating profit for the first nine months of 2009 totalled € 67 million (9m 2008: € 106 million). Taking into consideration taxes of € 10 million and income attributable to non-controlling interests of € 13 million, net income attributable to shareholders of Aareal Bank AG amounted to € 44 million. After deduction of the return on the SoFFin deposit, consolidated net income stood at € 20 million.

Outlook: expectations for key financial indicators confirmed

Also at the end of the third quarter, Aareal Bank Group confirmed its projections for key financial indicators communicated to date. More concrete guidance is provided regarding certain indicators.

Consolidated net interest income is expected to be around € 455 million, and hence at the lower end of the € 455 - € 475 million range. Taking into account the € 35 million interest expense for the silent participation of SoFFin that is recognised under appropriation of profits, this equates to full-year net interest income of € 420 - € 440 million projected so far.

Allowance for expected credit losses is anticipated at € 150 million for the current year and therefore at the upper end of the forecasted target corridor, as has been communicated to date. It is, however, impossible to exclude additional impairments from unexpected losses for 2009. Administrative expenses are expected in the region of € 360 million and are therefore almost the same as the previous year.

From today's perspective, new business generated in the Structured Property Financing segment is expected to amount to € 3 billion for the year as a whole. Aareal Bank's particular focus is on extensions of existing exposures, and on financing requirements of existing clients. The bank will also exploit selected market opportunities going forward.

Aareal Bank expects net commission income in the Consulting / Services segment to rise again in the fourth quarter, with increased revenues generated by Aareon through the new Wodis Sigma product line as one contributing factor. The bank affirms its forecast of € 25 - € 30 million for the operative segment result before taxes and non-recurring effects – the forecast however remains dependant upon interest rate developments.

Aareal Bank Group anticipates its business environment to remain challenging in 2010: this expectation reflects the ongoing burdens on the real economy, which will impact with a time lag on some property markets, and the assessment that the financial markets crisis has yet to be fully remedied. "Nonetheless, we are convinced that Aareal Bank Group's coherent business model and conservative business policy – and also thanks to the precautionary usage of the measures agreed with SoFFin – has put the best possible prerequisites in place to enable us to endure the crisis in the financial markets and the accompanying economic downturn. At the same time, our company is in a good starting position to deal with the period after the crisis has been overcome. We will then be able to swiftly gain momentum, and to benefit from a competitive situation that has changed to our advantage, due to the crisis", Schumacher said.

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: results for the first nine months of the 2009 financial year (figures in accordance with IFRS)

	01.01.- 30.09.2009	01.01.- 30.09.2008	Change
	Euro mn	Euro mn	
Profit and loss account			
Net interest income	339	338	0.3%
Allowance for credit losses	115	60	91.7%
Net interest income after allowance for credit losses	224	278	-19.4%
Net commission income	94	102	-7.8%
Net result on hedge accounting	-3	3	-200.0%
Net trading income / expenses	44	0	-
Results from non-trading assets	-19	-36	-47.2%
Results from companies accounted for at equity		3	-100.0%
Results from investment properties	1	0	-
Administrative expenses	266	261	1.9%
Net other operating income / expenses	-8	17	-147.1%
Impairment of goodwill	0		-
Operating Profit	67	106	-37.0%
Income taxes	10	36	-72.2%
Net income / loss	57	70	-18.9%
Allocation of results			
Net income / loss attributable to non-controlling interests	13	14	-7.1%
Net income / loss attributable to shareholders of Aareal Bank AG	44	56	-21.4%
Appropriation of profits			
Silent partnership contribution by SoFFin	24	-	-
Consolidated retained profit/accumulated loss	20	56	-64.3%

	30.09.2009	31.12.2008	Change
	Euro mn	Euro mn	
Portfolio data			
Property finance	22,346	22,813	-2.0%
of which international	18,573	18,655	-0.4%
Property finance under management	22,887	23,462	-2.5%
of which international	18,573	18,655	-0.4%
Shareholders' equity	2,043	1,429	43.0%
Total assets	40,649	41,159	-1.2%

	01.01.- 30.09.2009	01.01.- 30.09.2008
Key financial indicators		
Cost/Income ratio (%) *)	46.7	53.5
Earnings per share (€)	1.03	1.30
RoE after taxes (%) **)	3.6	5.6

*) 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	
	Q3 2009	Q3 2008	Q3 2009	Q3 2008	Q3 2009	Q3 2008	Q3 2009	Q3 2008
Euro mn								
Net interest income	98	99	0	0	13	18	111	117
Allowance for credit losses	36	20					36	20
Net interest income after allowance for credit losses	62	79	0	0	13	18	75	97
Net commission income	-3	7	44	46	-13	-19	28	34
Net result on hedge accounting	-4	1					-4	1
Net trading income / expenses	19	25					19	25
Results from non-trading assets	-3	-37	0	0			-3	-37
Results from companies accounted for at equity								
Results from investment properties	1	0				0	1	0
Administrative expenses	49	50	39	35	0	-1	88	84
Net other operating income / expenses	-4	-5	1	0	0	0	-3	-5
Impairment of goodwill			0				0	
Operating profit	19	20	6	11	0	0	25	31
Income taxes	1	8	2	3			3	11
Net income / loss	18	12	4	8	0	0	22	20
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	0	1			4	5
Net income / loss attributable to shareholders of Aareal Bank AG	14	8	4	7	0	0	18	15
Allocated equity	1,251	981	63	73	328	266	1,642	1,320
Cost/income ratio in %	47.8	55.1	85.1	77.8			58.8	62.2
RoE after taxes in %	4.3	3.3	22.6	38.8			4.3	4.5