

THE INTERNATIONAL PROPERTY SPECIALIST

Conference Call

15. May 2006



Aareal Bank



Areal Bank

Group Facts and Figures Q1 2006



Group P&L Q1 2006

| | Q1 2006 | Q4 2005 | Q1 2005 |
|---|-----------|-----------|-----------|
| | € mn | € mn | € mn |
| Net interest income | 98 | 97 | 110 |
| Net loan loss provisions | 22 | 24 | 30 |
| Net interest income after net loan loss provisions | 76 | 73 | 80 |
| Net commission income | 36 | 50 | 36 |
| Results from hedges | -1 | 0 | -1 |
| Net trading income | 5 | -11 | -1 |
| Results from non-trading assets | 11 | 20 | 7 |
| Results from companies accounted for at equity | 3 | -8 | 0 |
| Results from investment properties | 0 | 3 | 2 |
| Administrative expenses | 89 | 105 | 95 |
| Other operating income | -2 | 7 | 5 |
| Depreciation of goodwill | 0 | 0 | 0 |
| Operating Profit | 39 | 29 | 33 |
| Income taxes | 9 | 5 | 8 |
| Group net income | 30 | 24 | 25 |
| Allocation of results | | | |
| Minority interest income / loss | 5 | 4 | 5 |
| Gains attributable to shareholders of Aareal Bank AG | 25 | 20 | 20 |

- Group net income after minorities increased by 25%
- Turn around of administrative expense: decrease by 15.2% vs. Q4 2005
- Usual seasonal effect in commission income and effect from sale of two subsidiaries accounting for about € 5 mn income per quarter
- RoE after taxes = 9.7%
- EpS = 0.58 €



Structured Property Financing



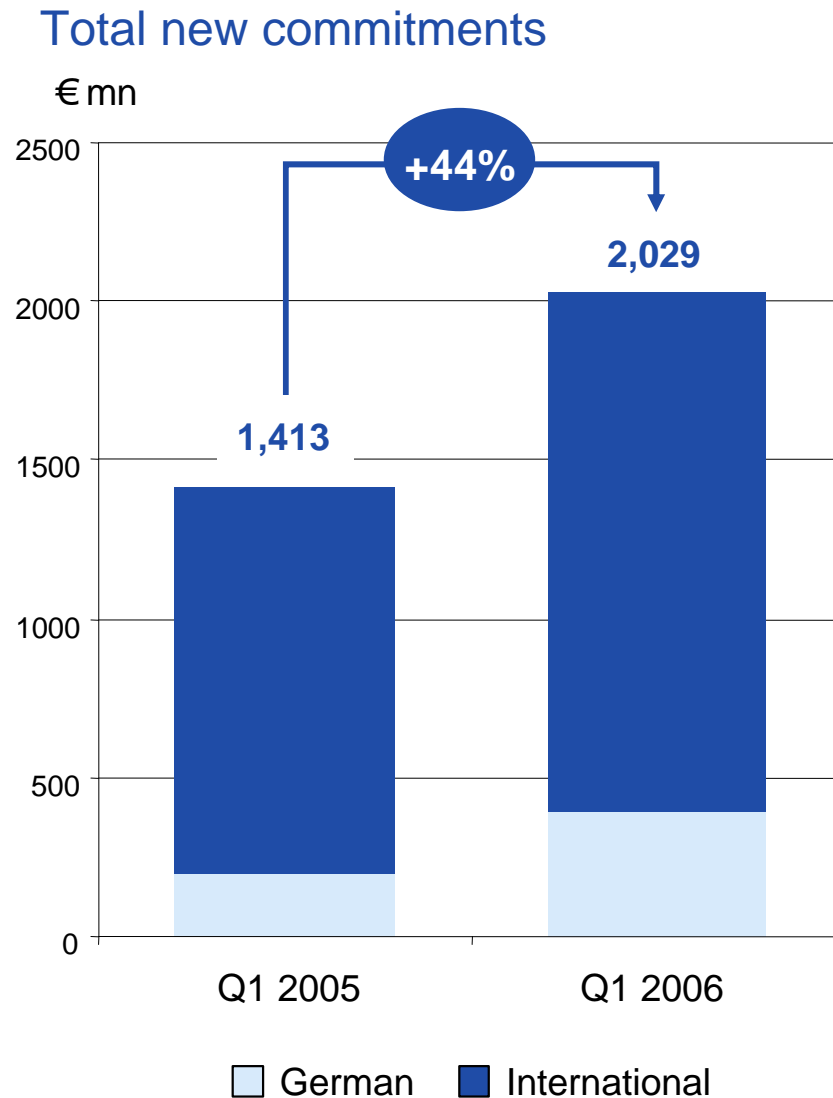
Segment Reporting: Structured Property Financing

| Structured Property Financing Segment | Q1 2006 | Q4 2005 | Q1 2005 |
|---|-----------|-----------|-----------|
| | € mn | € mn | € mn |
| Net interest income | 88 | 89 | 101 |
| Net loan loss provisions | 22 | 24 | 30 |
| Net interest income after net loan loss provisions | 66 | 65 | 71 |
| Net commission income | 7 | 11 | 4 |
| Results from hedges | -1 | 0 | -1 |
| Net trading income | 5 | -11 | 0 |
| Results from non-trading assets | 9 | 19 | 7 |
| Results from companies accounted for at equity | 0 | -16 | 0 |
| Results from investment properties | 0 | 2 | 2 |
| Administrative expenses | 47 | 51 | 50 |
| Other operating income | -4 | 5 | 5 |
| Depreciation of goodwill | 0 | 0 | 0 |
| Operating Profit | 35 | 24 | 38 |
| Income taxes | 10 | 6 | 10 |
| Group net income | 25 | 18 | 28 |
| Allocated Shareholder capital | 688 | 694 | 720 |
| Cost / income ratio in % | 49.5 | 50.7 | 45.1 |
| RoE after taxes in % | 12.5 | 10.6 | 13.6 |

- Decrease in admin expenses by 7.8% vs. Q4 2005
- Cost/Income ratio back below 50%
- Mid-term target for the cost/income ratio in this segment = 35-40%
- RoE after taxes = 12.5%



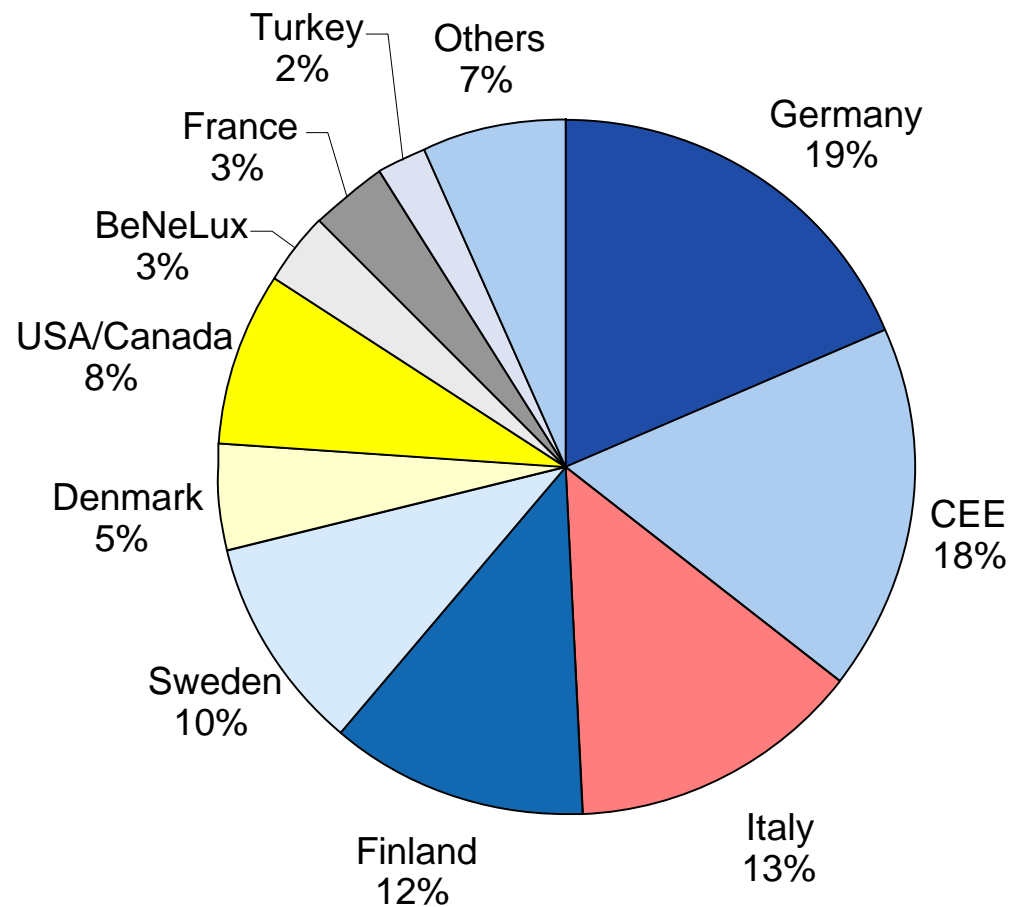
Continued new business growth



- ✓ Increase of new business volume of 44 %
- ✓ High degree of diversification: more than 80% international, no more than 19% in one country.
- ✓ Market entry into Norway and Baltic States prepared
- New business target for FY 2006: approx. € 7 bn



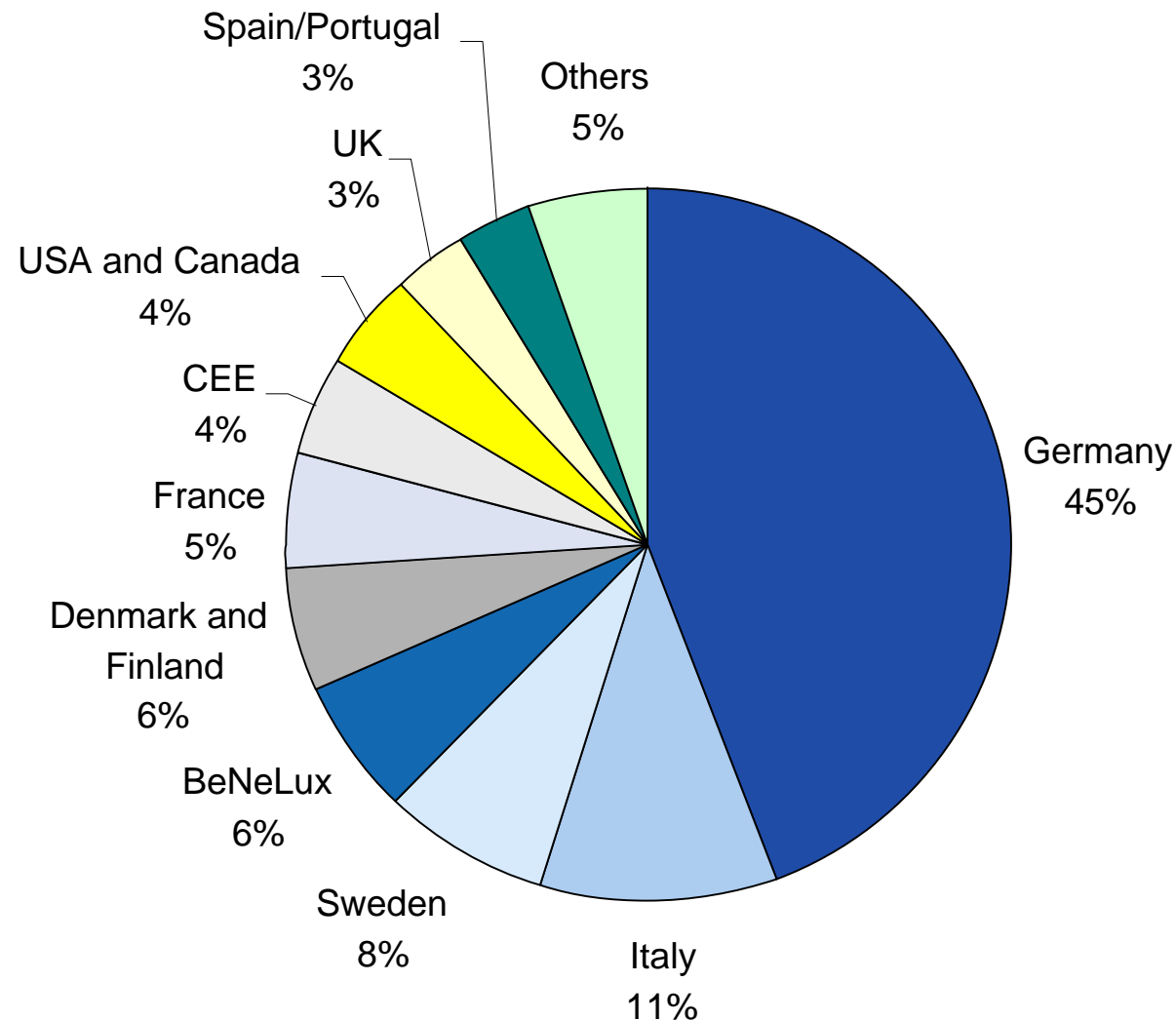
New business Q1 2006 by region: High degree of diversification



Others = GB, Spain, Switzerland



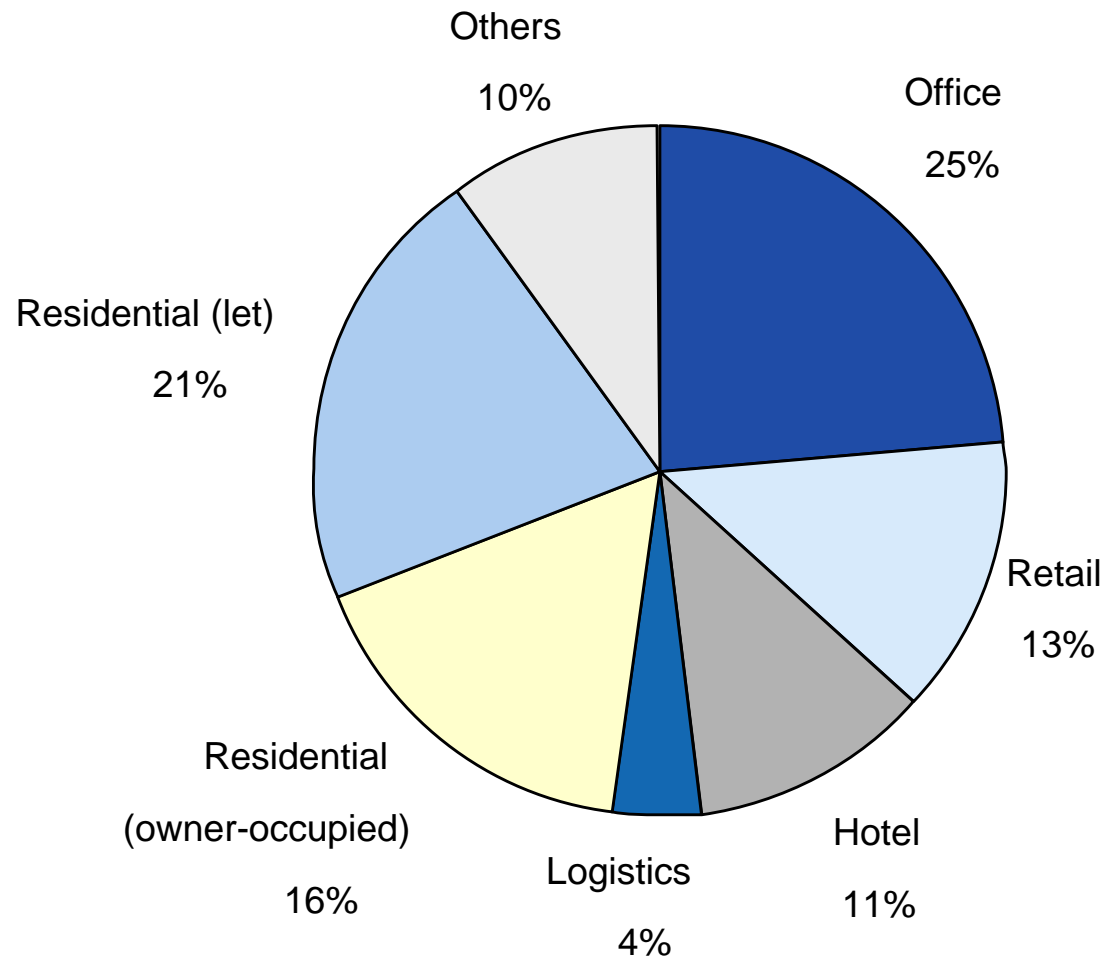
Portfolio diversification: total portfolio by region



Others = Asia, Austria, Mexico, Switzerland, Turkey

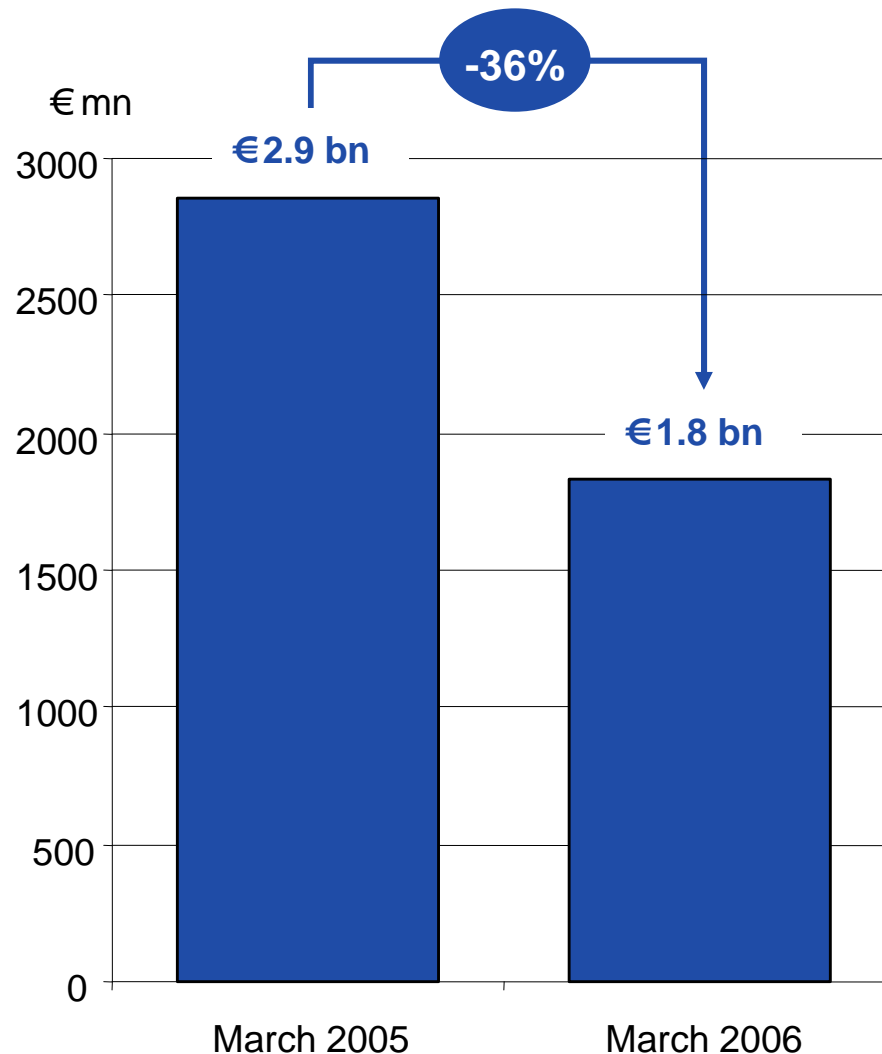


Portfolio diversification: total portfolio by object type





Reduction of the NPL portfolio

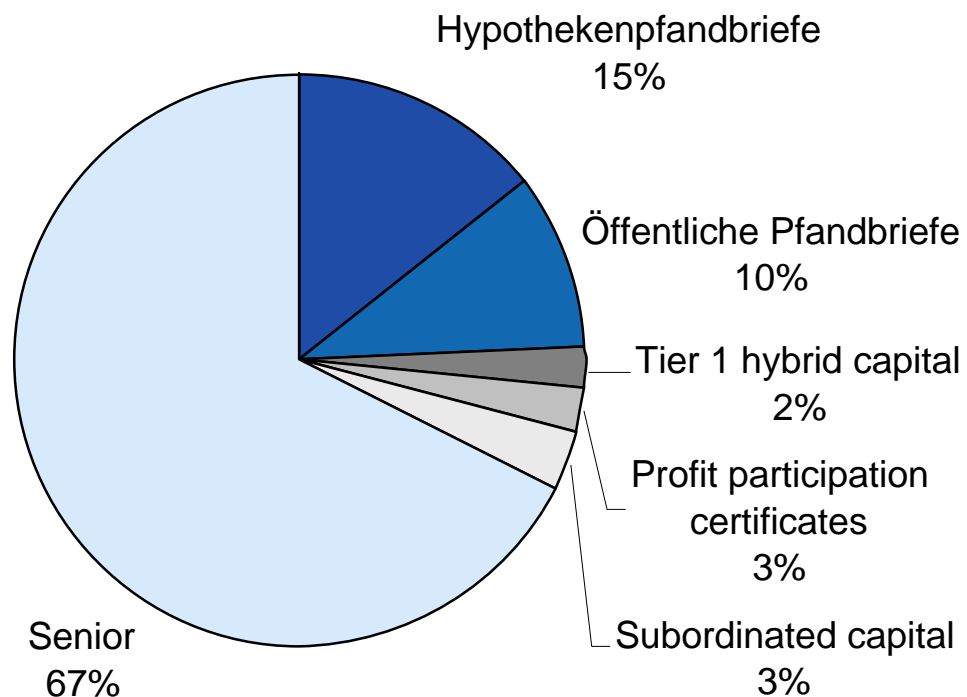


- ✓ Third NPL portfolio sale
 - Private client portfolio
 - Total volume: € 265 mn (plus € 80 mn interest and fees)
 - Ca. 1,800 loans for ca. 1,000 objects
- ✓ Various single workout transactions
- Year's target: reduction of the total NPL portfolio to 1 bn €



Refinancing strategy

Group Refinancing structure
as at 31.03.2006



- Issue of more than 1.7 bn € long term funding in Q1 2006
 - Two thirds Pfandbriefe (covered bonds)
 - One third senior unsecured
- Pfandbriefe will gain a much more important role in Aareal Bank Group's refinancing structure resulting in a significant funding advantage



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Consulting / Services



Segment Reporting: Consulting / Services

| Consulting/Services Segment | Q1 2006 | Q4 2005 | Q1 2005 |
|---|----------|-----------|-----------|
| | € mn | € mn | € mn |
| Net interest income | 0 | -2 | 0 |
| Net loan loss provisions | 0 | 0 | 0 |
| Net interest income after net loan loss provisions | 0 | -2 | 0 |
| Net commission income | 40 | 46 | 41 |
| Results from hedges | 0 | 0 | 0 |
| Net trading income | 0 | 0 | 0 |
| Results from non-trading assets | 2 | 1 | 0 |
| Results from companies accounted for at equity | 3 | 2 | 0 |
| Results from investment properties | 0 | 0 | 0 |
| Administrative expenses | 41 | 47 | 44 |
| Other operating income | 1 | 0 | 0 |
| Depreciation of goodwill | 0 | 0 | 0 |
| Operating Profit | 5 | 0 | -3 |
| Income taxes | 0 | 0 | -1 |
| Group net income | 5 | 0 | -2 |
| Allocated Shareholder capital | 98 | 104 | 105 |
| Cost / income ratio in % | 90.2 | 107.2 | 108.5 |
| RoE after taxes in % | 14.4 | -1.5 | -12.4 |

- Usual seasonal effect in commission income and effect from sale of the two subsidiaries AHM and AHV
- 3mn-dividend from ImmoScout in the results from companies accounted for at equity
- Decrease in admin expenses by 12.8% vs. Q4 2005



Optimisation of Consulting/Services segment

- ✓ Exit from our „services in the private clients business“ by sale of Aareal Hypotheken Vermittlung and Aareal Hypotheken Management
- Targets for the virtual Management Board „Consulting and Services to the institutional property industry“ (including Aareon, the bank’s Institutional Housing Industry department and Aareal First Financial Solutions) :
 - Realigned and harmonised business model incl. product strategy and client strategy
 - Raised efficiency and improved organisational structure
 - Outcome scheduled to be announced with Q2 2006 figures in August
- Review and value maximisation of further participations



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Property Asset Management



Segment Reporting: Property Asset Management

| Property Asset Management Segment | Q1 2006 | Q4 2005 | Q1 2005 |
|---|-----------|----------|-----------|
| | € mn | € mn | € mn |
| Net interest income | 0 | 0 | 0 |
| Net loan loss provisions | 0 | 0 | 0 |
| Net interest income after net loan loss provisions | 0 | 0 | 0 |
| Net commission income | 1 | 3 | 1 |
| Results from hedges | 0 | 0 | 0 |
| Net trading income | 0 | 0 | -1 |
| Results from non-trading assets | 0 | 0 | 0 |
| Results from companies accounted for at equity | 0 | 6 | 0 |
| Results from investment properties | 0 | 1 | 0 |
| Administrative expenses | 3 | 8 | 3 |
| Other operating income | 1 | 5 | 1 |
| Depreciation of goodwill | 0 | 0 | 0 |
| Operating Profit | -1 | 7 | -2 |
| Income taxes | -1 | 0 | -1 |
| Group net income | 0 | 7 | -1 |
| Allocated Shareholder capital | 30 | 27 | 36 |
| Cost / income ratio in % | 119.4 | 93.8 | 167.1 |
| RoE after taxes in % | 0.3 | 99.2 | -14.9 |

- Realignment of Aareal Bank's asset management activities (initiated in 2005) continued according to schedule
- All property asset management services to institutional investors are now united within Aareal Asset Management GmbH.



Targets and Outlook



Target results 2006

| | 2006 (target) | Q1 2006 |
|------------------------------------|--------------------------|----------------|
| | € mn | € mn |
| Net interest and commission income | 580 - 600 | 134 |
| Net loan loss provisions | 80 - 90 | 22 |
| Administrative expenses | 370 - 390 | 89 |
| Operating Profit | 130 - 150 | 39 |

- RoE-target: 7.5 – 8.0 %
- Liberating measures taken in 2005
- Back to normalised risk provisioning in 2006
- Slight Interest income increase in 2006
- Slight Commission income increase in 2006
- Administrative expenses reduction in 2006

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