

THE INTERNATIONAL PROPERTY SPECIALIST

Conference Call

14. August 2006



Aareal Bank



Areal Bank

Group Facts and Figures Q2 2006



Group P&L Q2 2006

	Q2 2006	Q1 2006	Q2 2005
	€ mn	€ mn	€ mn
Net interest income	102	98	119
Net loan loss provisions	22	22	30
Net interest income after net loan loss provisions	80	76	89
Net commission income	44	36	42
Results from hedges	3	-1	2
Net trading income	-4	5	-6
Results from non-trading assets	13	11	14
Results from companies accounted for at equity	0	3	-2
Results from investment properties	-1	0	2
Administrative expenses	94	89	103
Other operating income	-1	-2	5
Depreciation of goodwill	0	0	0
Operating Profit	40	39	43
Income taxes	9	9	13
Group net income	31	30	30
Allocation of results			
Minority interest income / loss	5	5	5
Gains attributable to shareholders of Aareal Bank AG	26	25	25

- Net interest income in line
- Strong commission income despite effect from sale of two subsidiaries accounting for about €5 mn income per quarter
- Same effect in admin expenses levelled out by realignment expenses in the Consulting / Services segment
- RoE after taxes = 9.9%
- EpS = 1.19 € in H1 2006



Structured Property Financing Facts and Figures Q2 2006



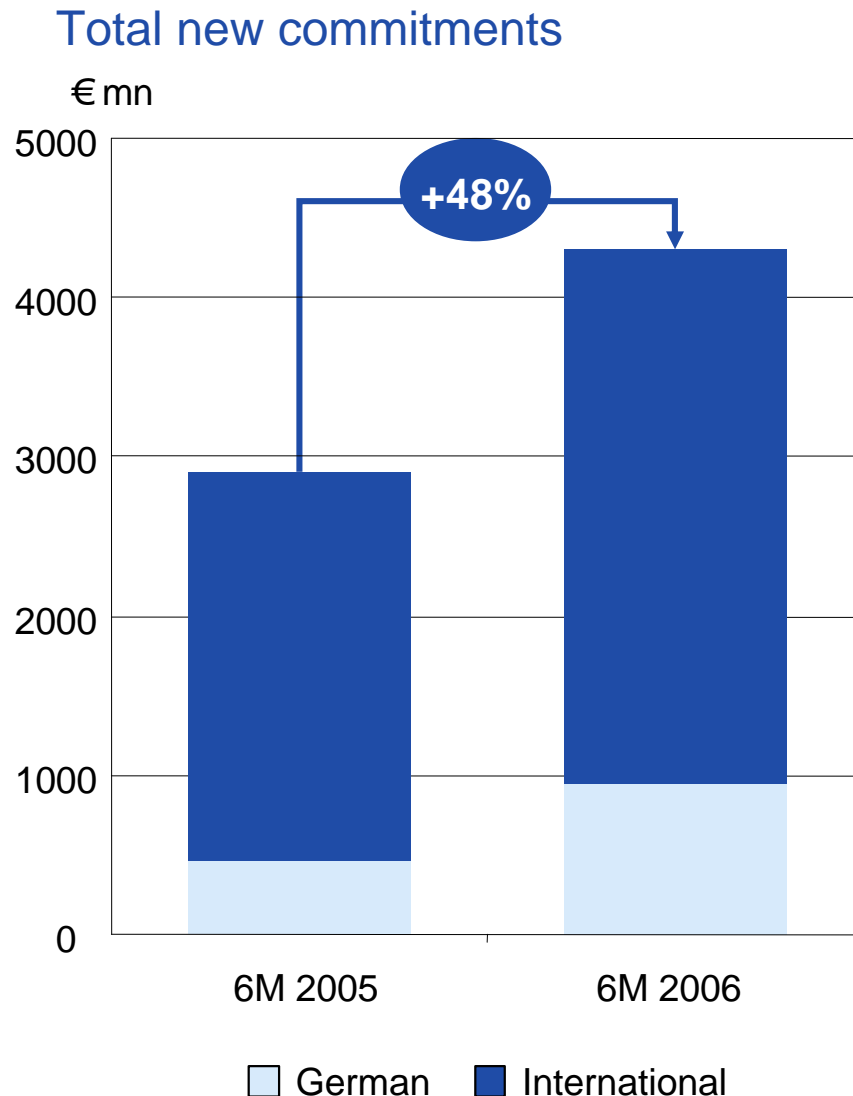
Segment Reporting: Structured Property Financing

Structured Property Financing Segment	Q2 2006	Q1 2006	Q2 2005
	€ mn	€ mn	€ mn
Net interest income	89	88	109
Net loan loss provisions	22	22	30
Net interest income after net loan loss provisions	67	66	79
Net commission income	4	7	2
Results from hedges	3	-1	2
Net trading income	-5	5	-6
Results from non-trading assets	13	9	14
Results from companies accounted for at equity	0	0	0
Results from investment properties	-1	0	2
Administrative expenses	48	47	53
Other operating income	2	-4	9
Depreciation of goodwill	0	0	0
Operating Profit	35	35	49
Income taxes	6	10	15
Group net income	29	25	34
Allocation of results			
Minority interest income / loss	5	4	4
Gains attributable to shareholders of Aareal Bank AG	24	21	30

- Net interest income and Net LLP in line
- Decrease in admin expenses by 9.4% vs. Q2 2005
- Mid-term target for the cost/income ratio in this segment = 35-40%
- RoE after taxes = 12.6%



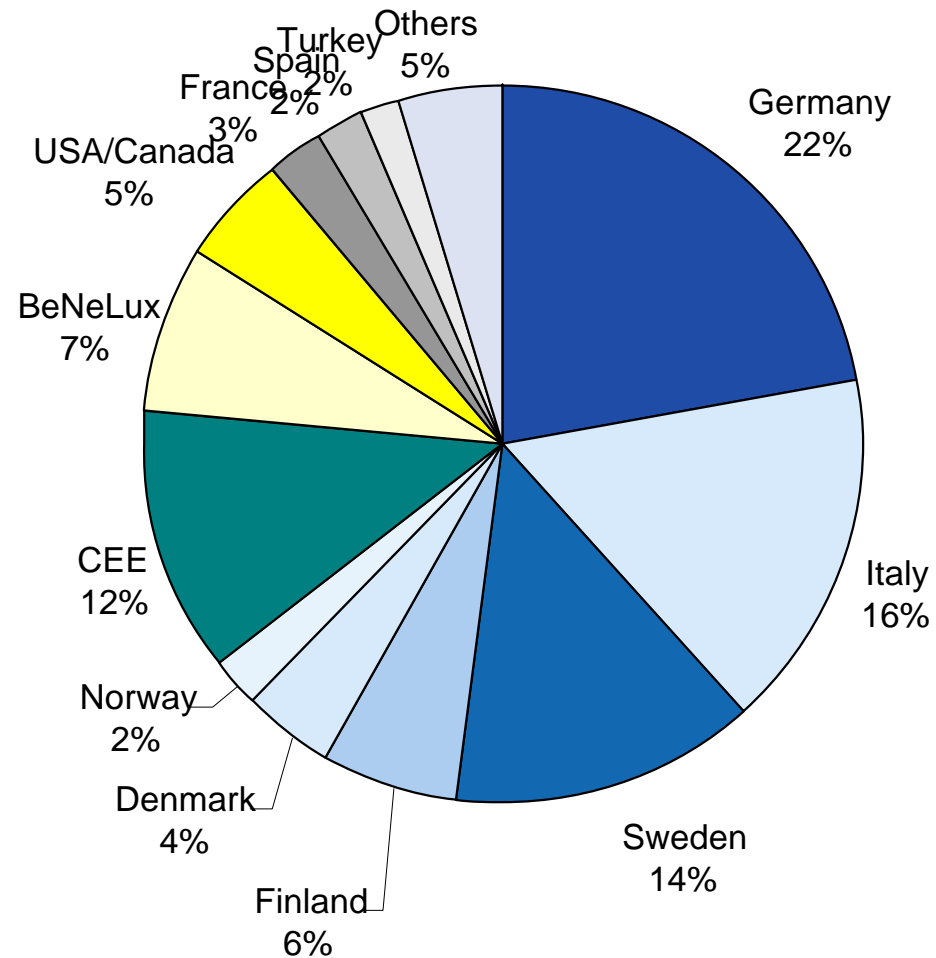
Continued new business growth



- Increase of new business volume of 48 %
- Margins stabilised on last quarter's level, but no trend reversal
- Market entry in Norway
- Principle of one central head of all Nordic countries and branches has proved itself successful
- Similar introduction of:
 - Head of CEE and Russia,
 - Head of Asia and
 - Head of the Americas



New business 6M 2006 by region: High degree of diversification



Others = GB, Spain, Switzerland



Areal Bank

Consulting / Services



Consulting/Services segment

	Institutional Housing Industry	Services in the Private Clients Business	Other Services
Major Subsidiaries / Shareholdings	<ul style="list-style-type: none">■ Aareon■ Bank department■ Aareal First Financial Solutions	<ul style="list-style-type: none">■ Aareal Hypotheken Management GmbH (AHM)■ Aareal Hypotheken Vermittlungs GmbH (AHV)	<ul style="list-style-type: none">■ BauGrund■ ImmoScout24■ iBS
Result of review	<ul style="list-style-type: none">■ Core business■ Not sufficiently profitable	<ul style="list-style-type: none">■ Non-core business■ Not sufficiently profitable	<ul style="list-style-type: none">■ Non-core business■ Some highly lucrative and growing financial investments
Solution	<ul style="list-style-type: none">■ Realignment<ul style="list-style-type: none">■ New product strategy■ Cost efficiency	<ul style="list-style-type: none">■ Sale	<ul style="list-style-type: none">■ Value Maximisation





Realignment of the Institutional Housing Sector: Status Quo 2005

Aareal Bank ¹⁾ - Housing Sector department -			Aareal First Financial Solutions AG ²⁾			Aareon Group ²⁾		
	2004	2005		2004	2005		2004	2005
Gross result (€ mn)	7.8	2.0	Gross result (€ mn)	-8.5	-9.8	EBIT (€ mn)	12.3	8.2
Employees	95	96	Employees	75	74	Employees	1009	1029

- Insufficient profitability during the past years
- Insufficient coordination of sales and marketing activities, product development and investments
- Unclear positioning in the group
- Implementation of the virtual Management Board „Consulting and Services to the institutional housing industry”

1) According to internal profit centre calculation

2) Single / Sub-group financial statements according to IFRS



Realignment of the Institutional Housing Sector: Target

Consulting / Services to the institutional housing sector

Banking business

Institutional Housing department / AFFS

1. Establishment of a joint profit centre calculation
2. Integrated product and sales strategy
3. Strict cost management

IT-Services business

Aareon

1. Review of product strategy with focus on customer needs
2. Focusing on core competences and core business
3. Strict cost management
4. Product costing analysis of all sub segments

Target from 2008:

Group profit contribution of €40 - 50 mn before tax



Realignment of the Institutional Housing Sector: Measures Banking Business

1. Establishment of a joint profit centre calculation
 - More transparency in the profitability of the bank department and Aareal First Financial Solutions together (as one is dependant on the other)
2. Integrated product and sales strategy
 - Customer-oriented focus on core products and services
 - Focus on and continued development of IT-Solutions for integrated payment transaction and account processing
 - Strengthened sales activities and restructuring of front to back office processes
 - Strong rise in deposit volume anticipated during the next two years
 - Rise in provisions for payment transactions by means of new functions in connection with a new pricing system
3. Strict cost management
 - Estimated cost reduction of 10% without effect on quality
 - Reduction of 30 head counts (20% of current total) until 2008



Realignment of the Institutional Housing Sector: Measures IT-Services business (1/2)

1. Review of product strategy with focus on customer needs:

- Premium solution for customer with more complex ERP / IT requirements
(Blue Eagle in cooperation with SAP)
- Well established standard solution for housing industry processes for long-established customers
(GES and WohnData)
- Less complex solution for medium-sized customers (additional product)

2. Focussing on core competences and core business:

- IT-Solutions for the institutional housing industry
- IT-Services (e.g.: hosting) to the institutional housing industry
- Consulting in those two areas

a) Setup of Blue Eagle realigned and finalised

b) Continuation of established GES system

c) Cross over deal with Techem ¹⁾

- Long-term strategic cooperation
- Swap of Aareon Energy Management and die Techem IT Services GmbH (**wodis**)
- As a solution for medium-sized companies, **wodis** completes the realigned product portfolio of Aareon

1) subject to merger control clearance



Realignment of the Institutional Housing Sector: Measures IT-Services business (2/2)

3. Strict cost management

- Identification unnecessary cost drivers
- Reduction of general administrative expenses and costs of production

4. Product costing analysis of all activities

- Identification of inefficient activities and processes
- Head count reduction of 150 FTE¹⁾ during the next two years
- Focus on process efficiency, no effect on service and product quality
- Focus on products and services that are successful and profitable

1) Not yet including Techem cross-over deal



Realignment of the Institutional Housing Sector: Target Breakdown

Banking business				IT-Services business			
Institutional Housing department / AFFS ¹⁾				Aareon Group ¹⁾			
	2006	2007	2008		2006	2007	2008
Revenues (€ mn)	50-55	55-60	60-65	Revenues (€ mn)	170-175	140-150 ²⁾	170-180
Direct Expenses (€ mn)	45-50	40-45	35-40	Expenses (€ mn)	165-170	130-135	140-145
Gross result ²⁾ (€mn)	(5) - 0	0-5	10-20	EBIT (€mn)	5-10	10-20	30-40
Employees	ca. 160	ca. 150	ca. 140	Employees ³⁾	ca. 1050	ca. 940	ca. 910

- 1) Internal profit centre calculation
- 2) after bank overheads
(gross profits before bank overheads:
€ 5-10 mn (2006), € 10-15 mn (2007),
€ 20-30 mn (2008))

- 1) Sub-group financial statements according to IFRS
- 2) Decrease due to strategic sale of Energy-Management
- 3) Including Techem cross over deal



Targets and Outlook



Target results 2006

	2006 (target)	H1 2006
Net loan loss provisions (€ mn)	80 - 90	44
Operating Profit (€ mn)	130 - 150	79
Net RoE (%)	7.5 - 8.0	9.9
Tier I ratio (%)	7.1	7.1

- Normalised risk provisioning in 2006
- Slight interest and commission income increase in 2006
- Administrative expenses reduction in 2006
- Net RoE target: capital costs in 2006

Disclaimer

© 2006 Aareal Bank AG. All rights reserved.

- This document has been prepared by Aareal Bank AG, exclusively for the purposes of a corporate presentation by Aareal Bank AG. The presentation is intended for professional and institutional customers only.
- It must not be modified or disclosed to third parties without the explicit permission of Aareal Bank AG. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law.
- This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to purchase securities. Aareal Bank AG has merely compiled the information on which this document is based from sources considered to be reliable – without, however, having verified it. Therefore, Aareal Bank AG does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Aareal Bank AG accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation.
- This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Aareal Bank AG's control. This could lead to material differences between the actual future results, performance and/or events and those expressed or implied by such statements.
- Aareal Bank AG assumes no obligation to update any forward-looking statement or any other information contained herein.



Aareal Bank