

THE INTERNATIONAL
PROPERTY SPECIALIST

Analyst Conference Call Q3 2006

13 November 2006



Areal Bank

Group Facts and Figures Q3 2006



Acreal Bank

Group P&L Q3 2006

	Q3 2006	Q2 2006	Q3 2005
	€ mn	€ mn	€ mn
Net interest income	97	102	93
Net loan loss provisions	22	22	189
Net interest income after net loan loss provisions	75	80	-96
Net commission income	38	44	41
Results from hedges	4	3	1
Net trading income	5	-4	-7
Results from non-trading assets	16	13	5
Results from companies accounted for at equity	1	0	0
Results from investment properties	0	-1	-15
Administrative expenses	93	94	99
Other operating income	-3	-1	-23
Depreciation of goodwill	0	0	0
Operating Profit	43	40	-193
Income taxes	17	9	-78
Group net income	26	31	-115
Allocation of results			
Minority interest income / loss	4	5	5
Gains attributable to shareholders of Aareal Bank AG	22	26	-120

- Interest income affected by securitisations and portfolio sale in Q3 2006 (with retrospective effect 31.7.2006)
- Underlying commission income stable (as high commissions from Asset Management segment in Q2 are non-recurring)
- Admin expenses successfully reduced despite one-off effect from Aareon restructuring plan (€ 6 mn)
- RoE after taxes = 9.4%
- EpS = 1.71 € in 9 M 2006

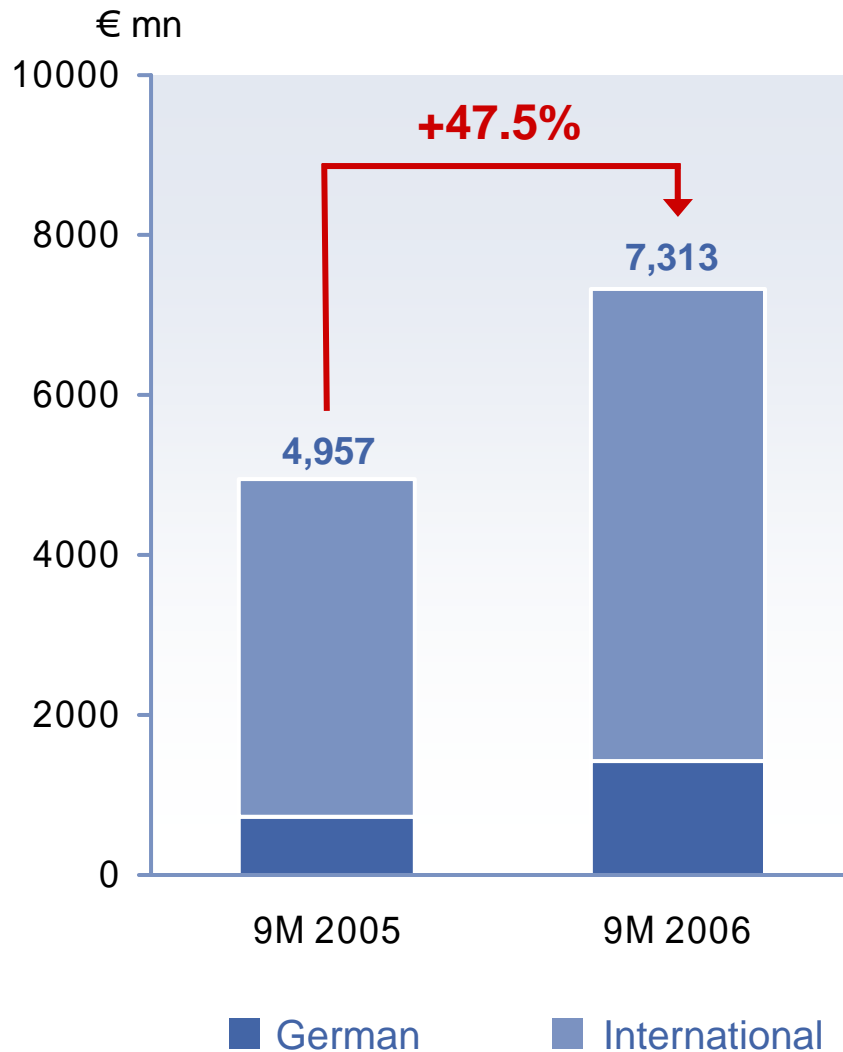


Structured Property Financing



Acreal Bank

Continued new business growth

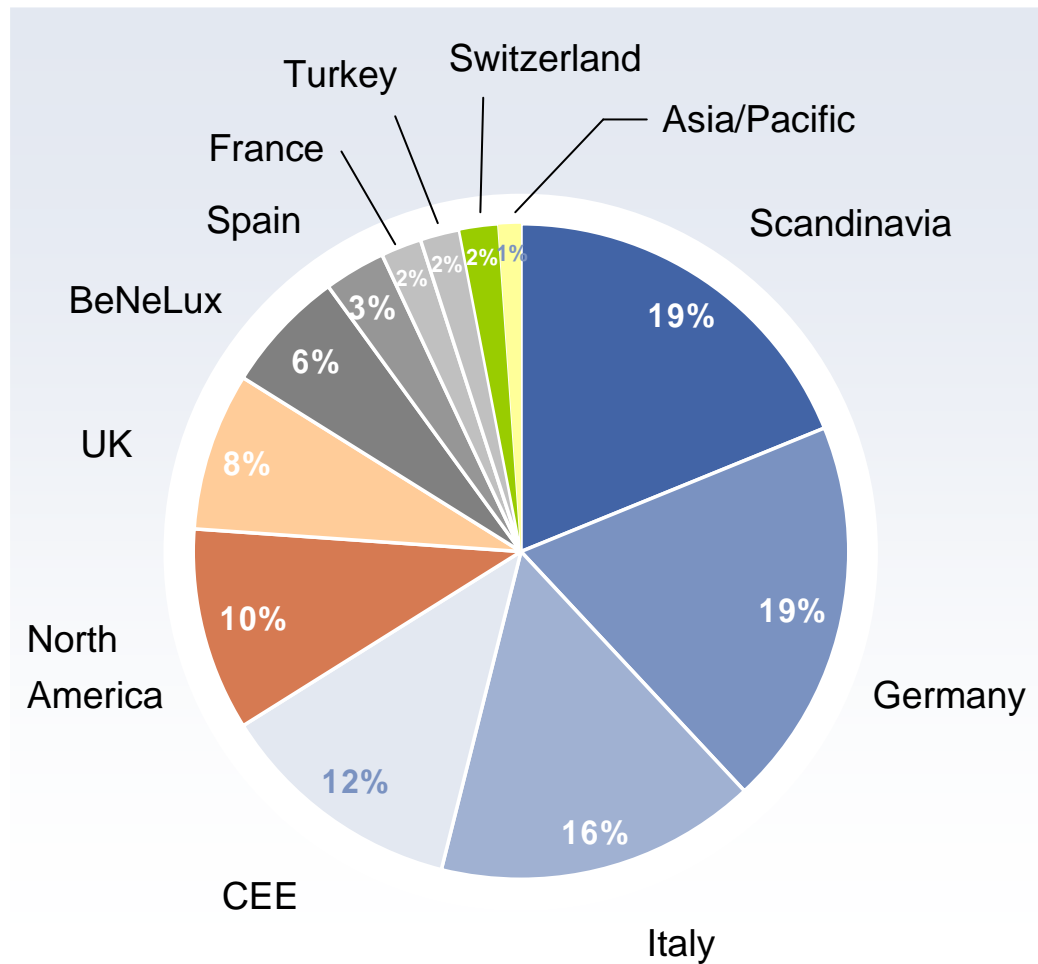


- Increase of new business volume by nearly 50%
- New business target of € 7 bn in 2006 already achieved after 9 months
- New target for the full year: > € 8 bn
- 81% of new business is international



New business by region

Total new business 1.1.-30.9.2006: € 7.3 bn



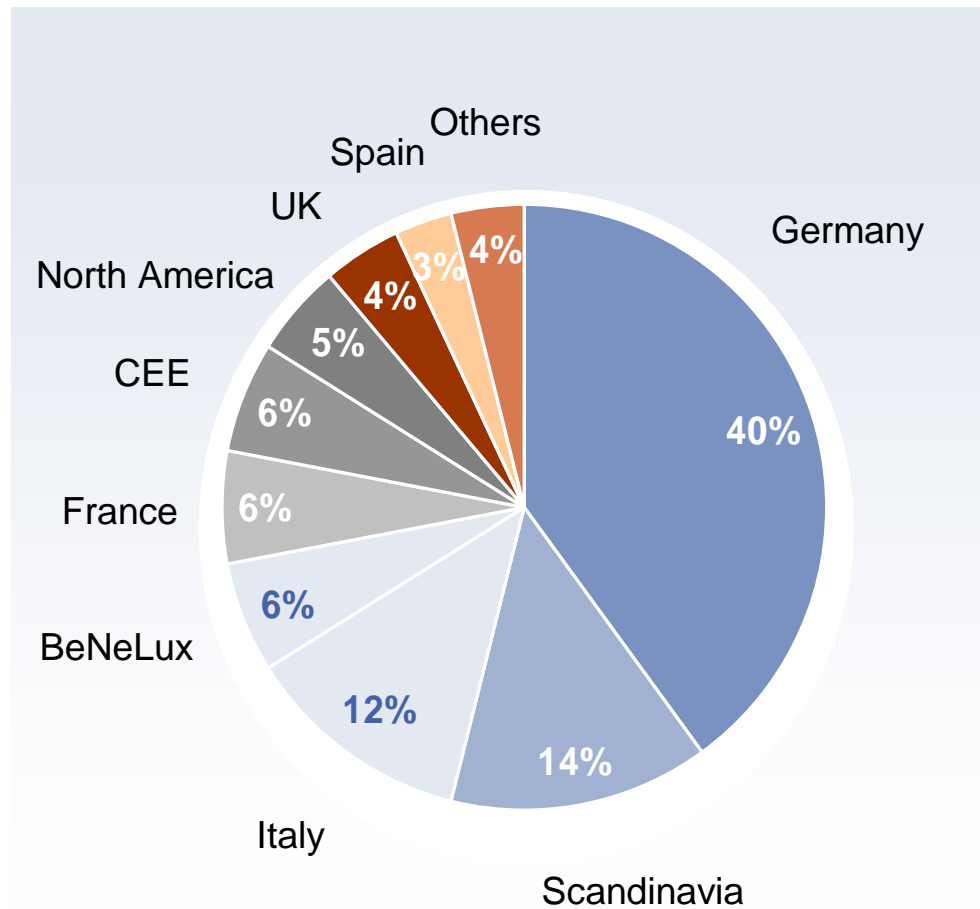
- Principle of one central head of all Nordic countries and branches has proved itself successful
- Similar introduction of:
 - Head of CEE and Russia,
 - Head of Asia and
 - Head of North America
- Office in Helsinki in preparation
- Office in Shanghai planned



Aareal Bank

Property financing portfolio by region

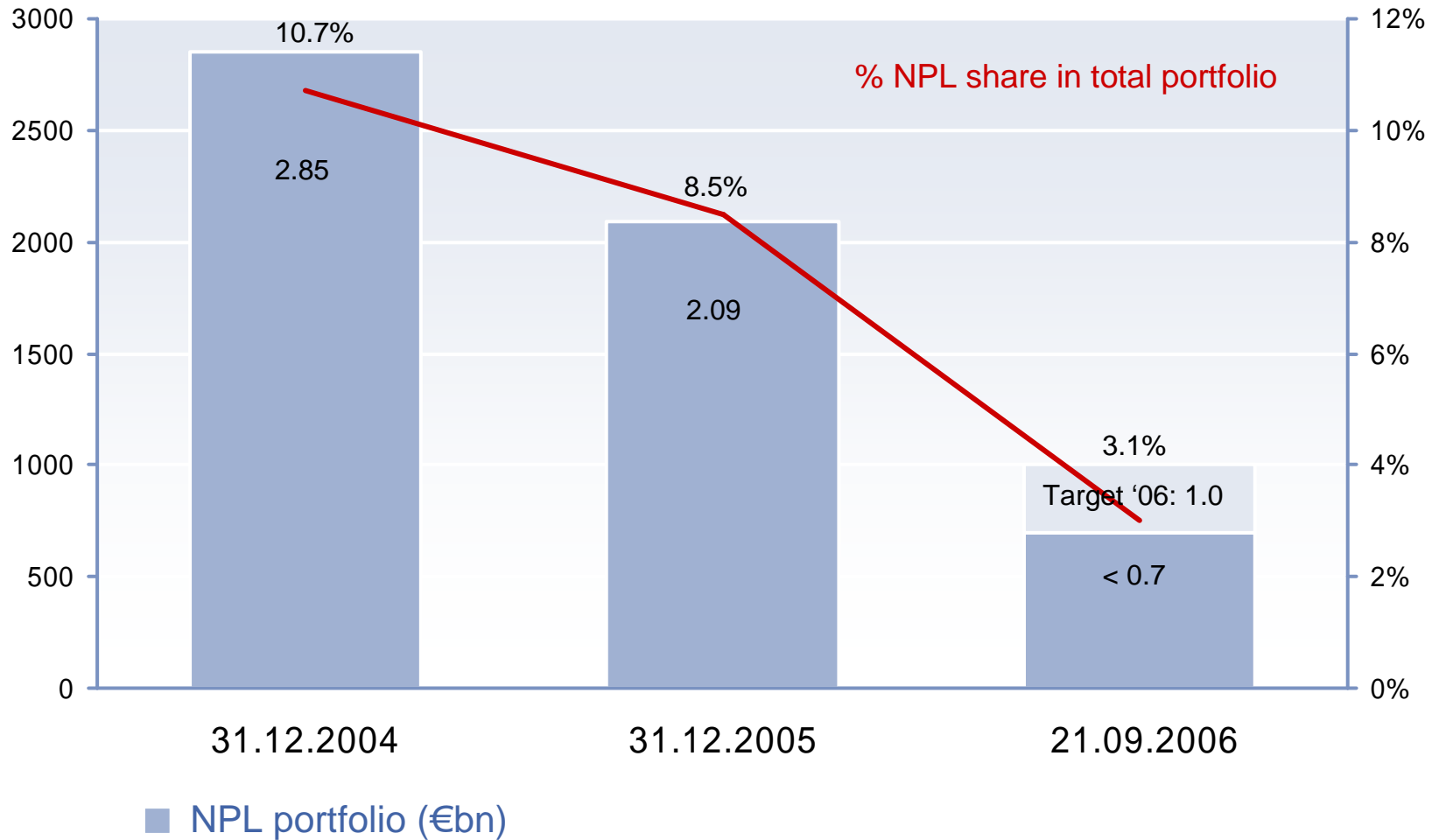
Total portfolio 30.9.2006: € 22.2 bn



- German portfolio reduced to 40% of total portfolio
- Reduction of German portfolio and increase of international portfolio further optimises the regional diversification of the back book



Target reduction of our NPL portfolio outperformed



Consulting / Services



Acreal Bank

Consulting/Services segment reporting Q3 2006

Consulting/Services Segment	Q3 2006	Q2 2006	Q3 2005
	€ mn	€mn	€ mn
Net interest income	0	0	0
Net loan loss provisions			
Net interest income after net loan loss provisions	0	0	0
Net commission income	39	41	43
Results from hedges			
Net trading income			
Results from non-trading assets	14		
Results from companies accounted for at equity			0
Results from investment properties			
Administrative expenses	46	40	48
Other operating income	5	-2	1
Depreciation of goodwill	0	0	0
Operating Profit	12	-1	-4
Income taxes	5	0	-1
Group net income	7	-1	-3
Allocated Shareholder capital	90	84	103
Cost / income ratio in %	81.7	100.8	107.1
RoE after taxes in %	27.8	-3.6	-11.4

- BauGrund: business line “urban development” sold
- Approval of swap deal with Techem by cartel office
 - € 11 mn positive effect in results from non-trading assets for the book value gain of the sale of the energy metering business
- Agreement on restructuring plan for Aareon
 - € 6 mn effect on admin expenses
- RoE after tax = 27.8%



Realignment of the Institutional Housing Sector: Targets

Consulting / Services to the Institutional Housing Sector	
IT-Services business Aareon	Banking business Institutional Housing department / AFFS
<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 1. ✓ Establishment of a joint profit centre calculation 2. ✓ Integrated product and sales strategy 3. Strict cost management

- Current focus on increase of profitability
- Target 2006: positive one-digit-million contribution to the segment EBT
- Target 2008: € 40 – 50 mn contribution to the segment EBT



Realignment of the Institutional Housing Sector: Current development Aareon AG

Increase of Profitability

- Around 50 further implementations of Blue Eagle
- Reduction of admin expenses
 - social plan for Aareon, which costs 6 million Euros and was fully realised in this quarter's P&L
 - Respective FTE reduction already realised to a large extent

Product Strategy

1. **Blue Eagle** (Premium solution for customer with more complex ERP / IT requirements)
2. **GES and WohnData** (Well established standard solution for housing industry processes for long-established customers)
3. **Wodis** (Less complex solution for medium-sized customers)

Organisational Structure and Culture

- New organisational structure implemented
 - Right sizing especially regarding back office / admin units
 - More efficient reporting structures implemented
- Steering system developed further



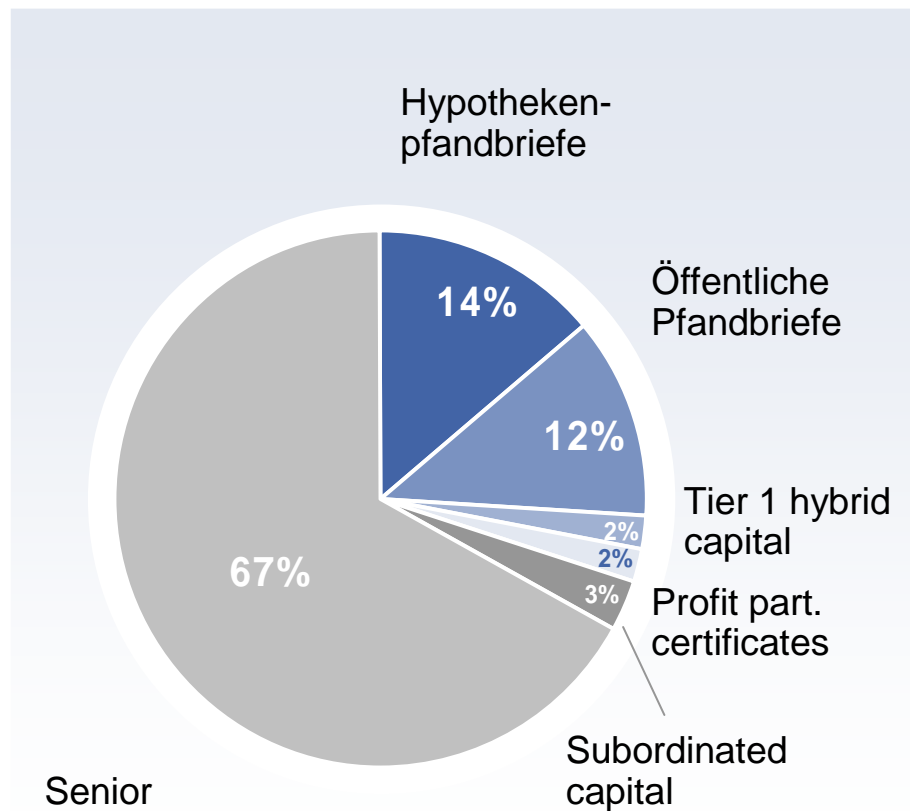
Refinancing



Acreal Bank

Long-term refinancing structure

Group Refinancing structure as at 30.09.2006



- Long-term credit rating upgrade by Fitch to “A-” on 7 Nov 2006
- Issue of more than 3.25 bn € long term funding in 9M 2006
- More than 50% of the issues were Pfandbriefe (covered bonds)
- First Pfandbrief benchmark in SEK



Targets



Acreal Bank

Target results 2006

	2006 (target)	9M 2006
Net loan loss provisions (€ mn)	80 - 90	66
Operating Profit (€ mn)	>150	122
Net RoE (%)	>8.0	9.4
Tier I ratio (%)	7.1	7.0

- Key figures well in line or exceeding expectations
→ Increase of 2006 targets after very successful first nine months
- Normalised risk provisioning in 2006
- Administrative expenses reduction in 2006
- Operating profit target 2006: increased to > € 150 mn
- Net RoE target 2006: exceeding capital costs



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.

