

THE INTERNATIONAL
PROPERTY SPECIALIST

Analyst Conference

26 March 2007



Aareal Bank

Agenda

Results and achievements 2006

- 6 step program
 1. New business and portfolio diversification
 2. Non performing loans
 3. Group structure
 4. Organisational structure
 - 5.&6. Corporate culture and transparency
- Facts and figures 2006
- Conclusion 6 step program

FUTURE 2009

- Preface
- Internal structure and steering
- Structured Property Financing
- Consulting / Services
- Human resources
- Financial targets 2007 / 2009



6 step program: Original targets for 2006

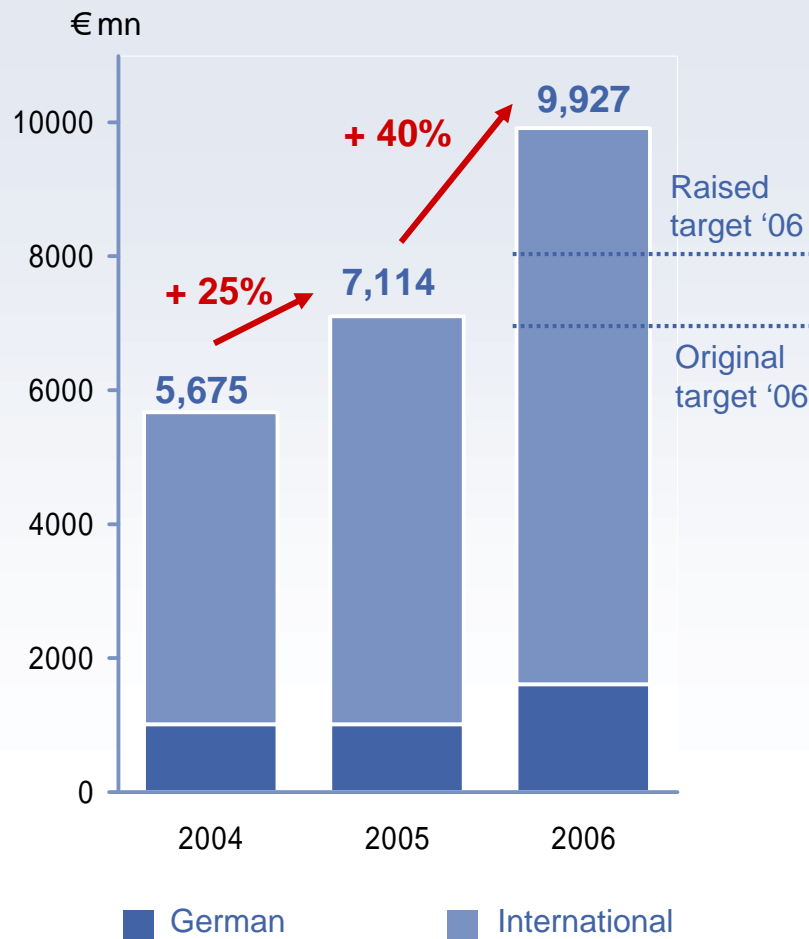
1. New business and portfolio diversification
 - New business volume of € 6.5 – 7.5 billion
 - High diversification in region and object type
 - Improved diversification of refinancing mix and investor base
2. Non performing loans
 - Reduction of NPL portfolio to € 1 bn
 - True sale transaction
3. Group structure
 - Review of further subsidiaries and value maximisation
4. Organisational structure
 - Optimisation of organisational structure of front offices
 - Improvement of cost structure
- 5./6. Corporate culture and transparency
 - Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



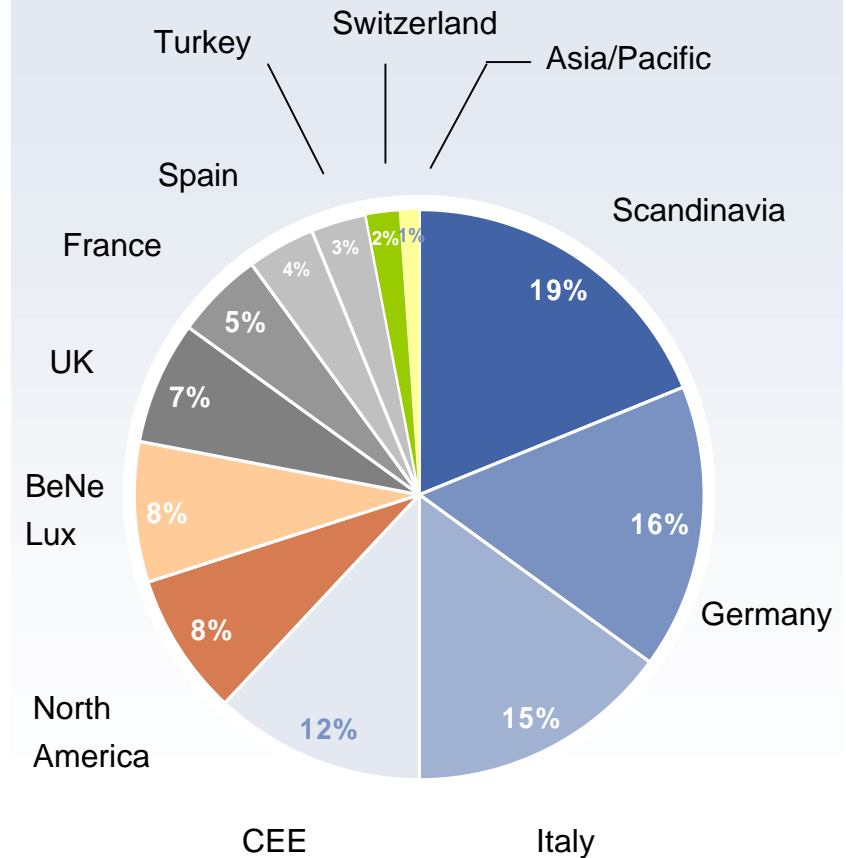
1.

New business and portfolio diversification : New business development 2006

Growth year on year



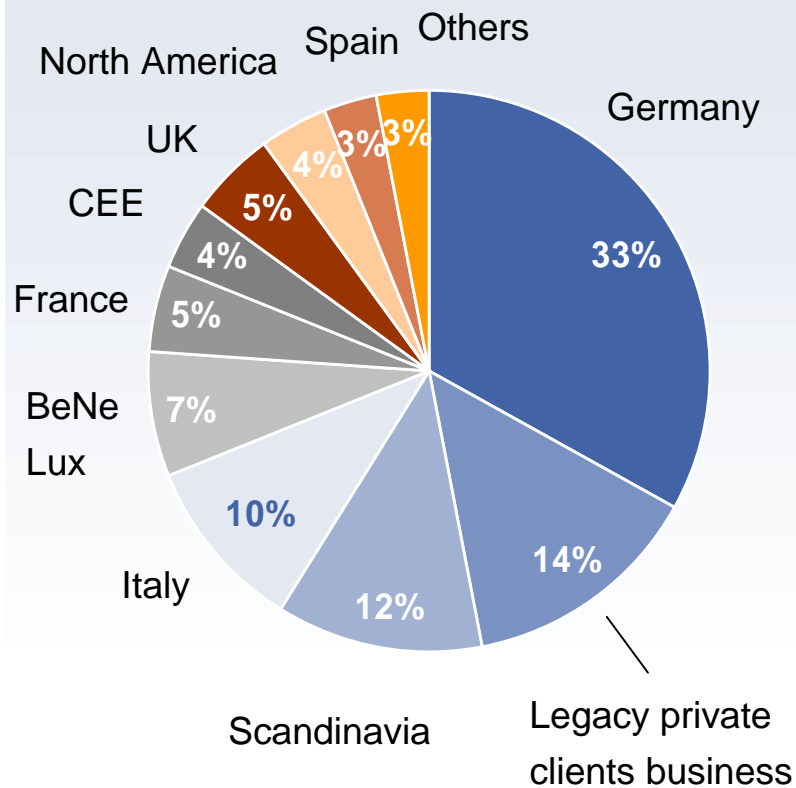
Diversification by region



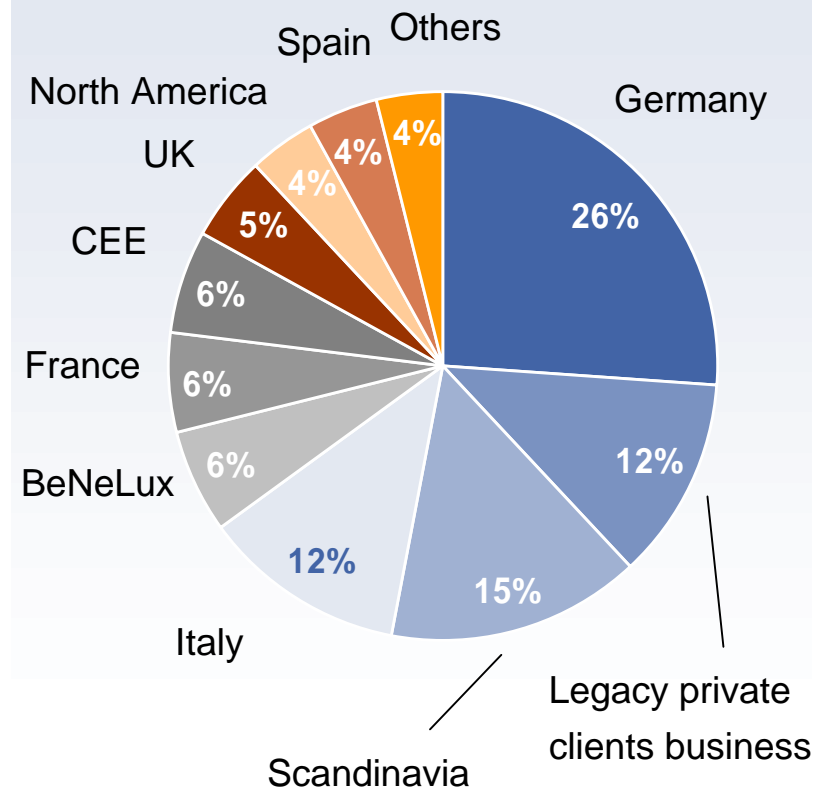
1.

New business and portfolio diversification: Further back book diversification

Portfolio by region 31.12.2005
Total volume: €24.7 bn



Portfolio by region 31.12.2006
Total volume : €22.8 bn

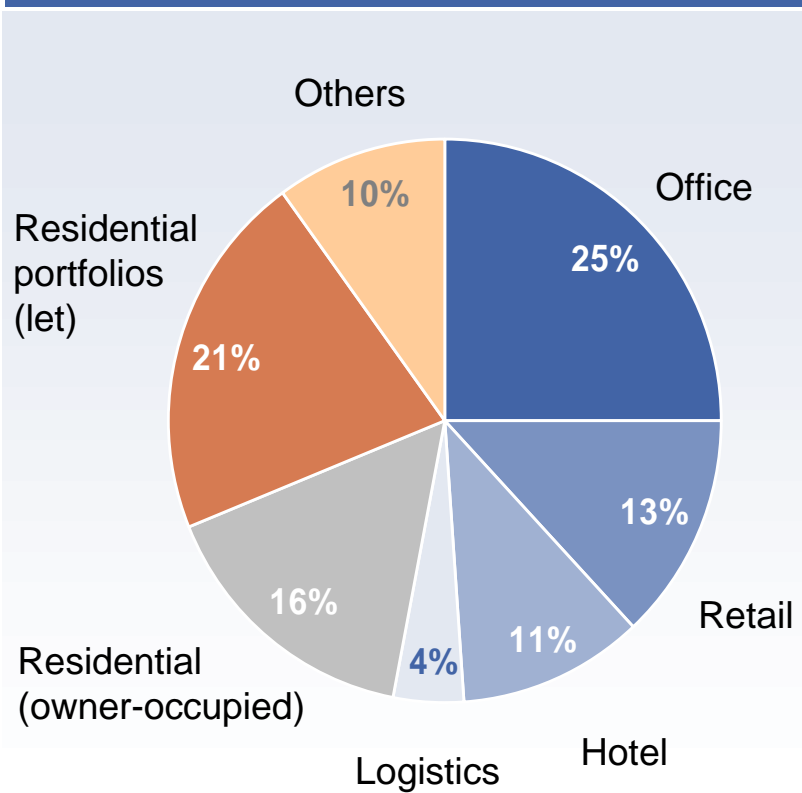


Aareal Bank

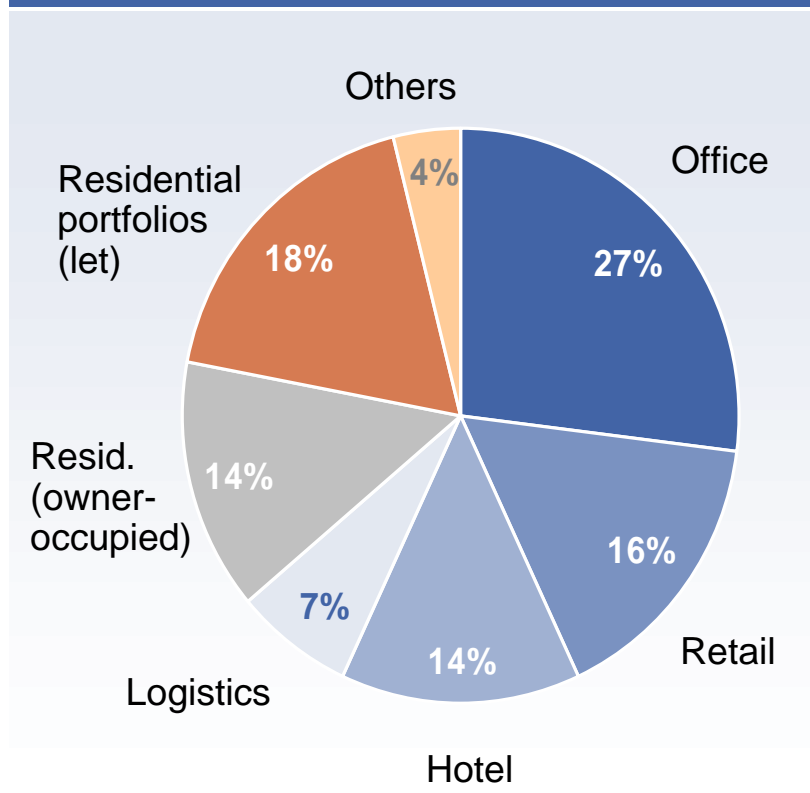
1.

New business and portfolio diversification: Further back book diversification

Portfolio by object type 31.12.2005
Total volume: €24.7 bn

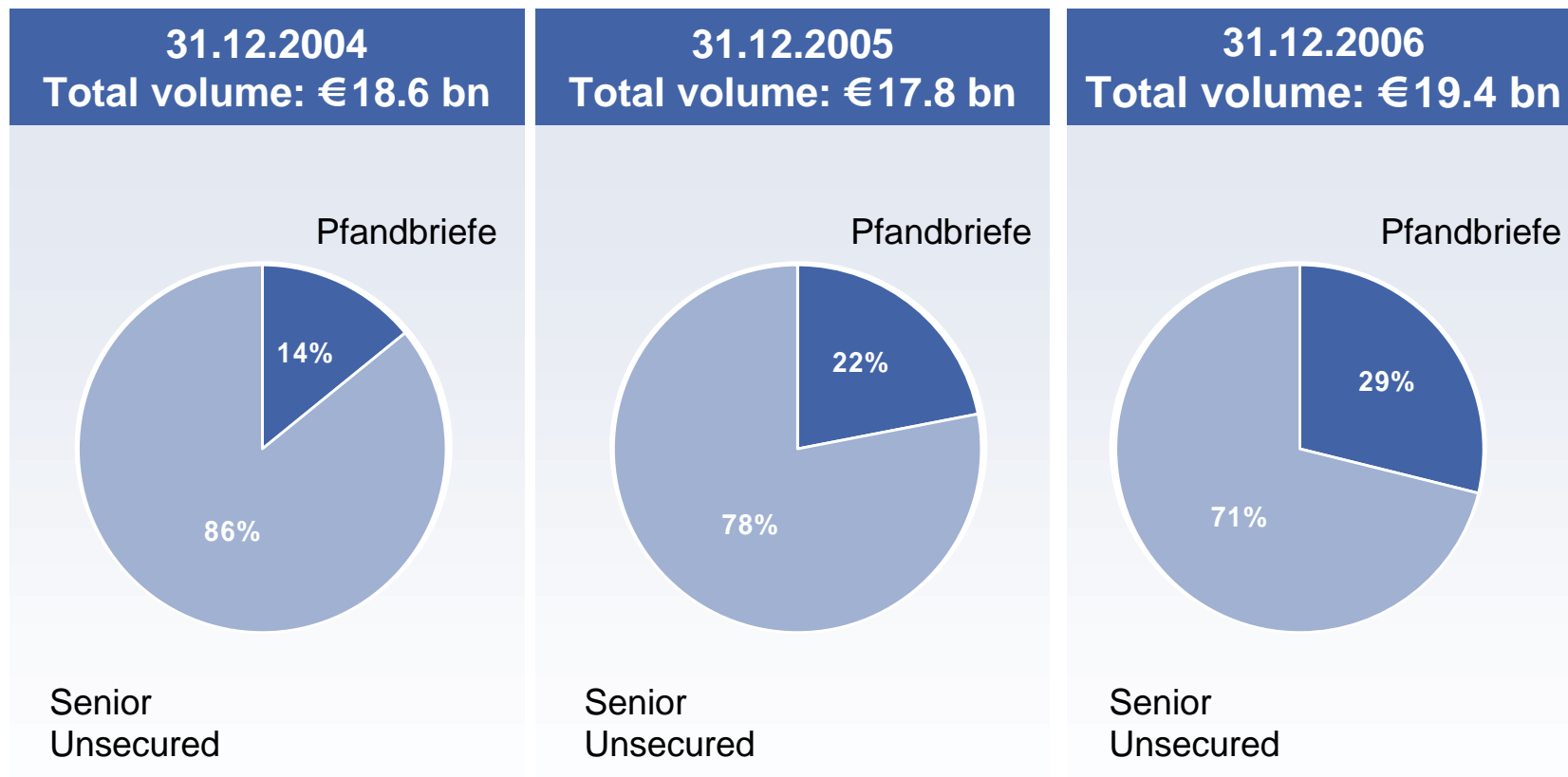


Portfolio by object type 31.12.2006
Total volume : €22.8 bn



1.

New business and portfolio diversification: Improved diversification of long-term refinancing mix



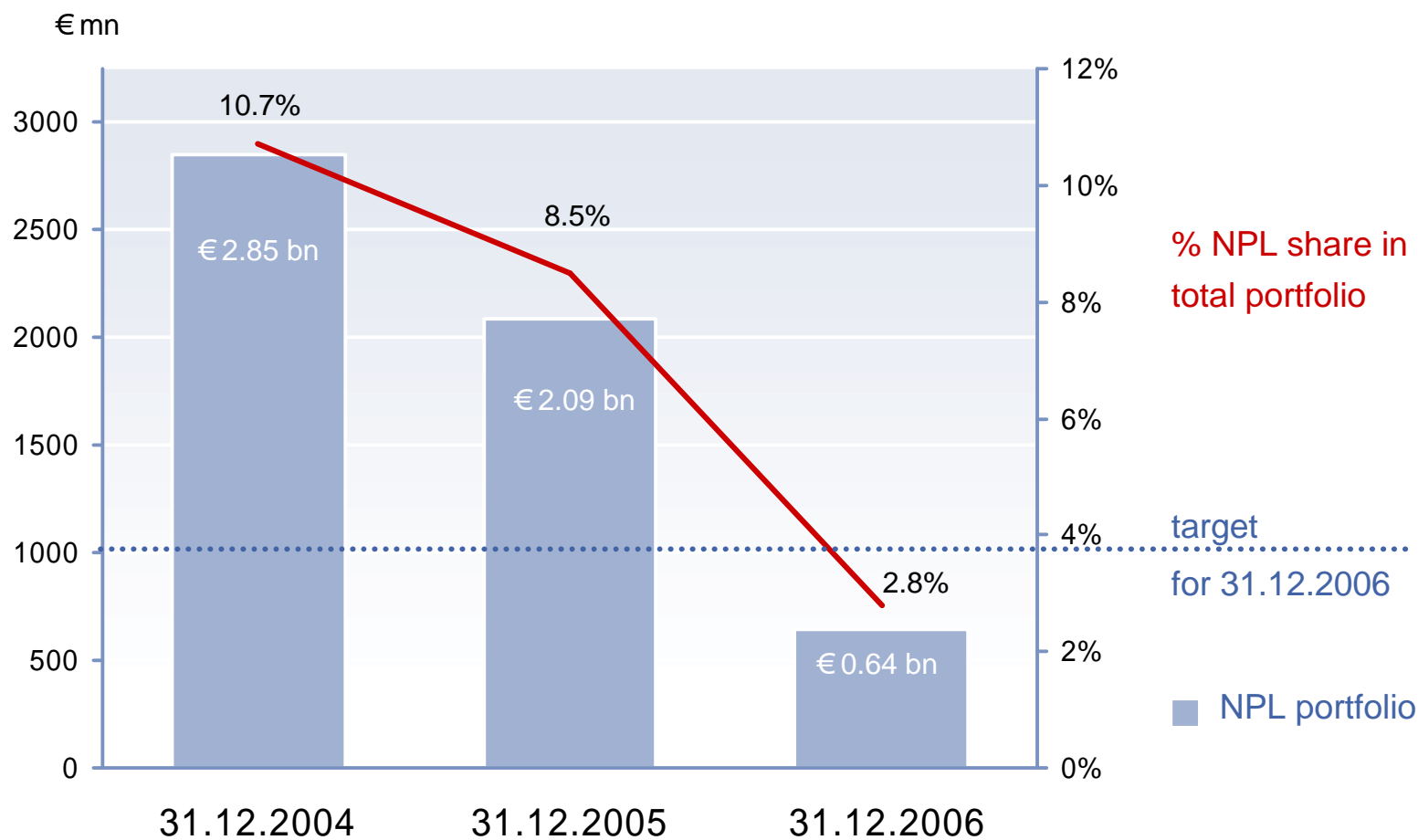
6 step program: Original targets for 2006

1. New business and portfolio diversification
 - ✓ New business volume of €6.5 – 7.5 billion
 - ✓ High diversification in region and object type
 - ✓ Improved diversification of refinancing mix and investor base
2. Non performing loans
 - Reduction of NPL portfolio to €1 bn
 - True sale transaction
3. Group structure
 - Review of further subsidiaries and value maximisation
4. Organisational structure
 - Optimisation of organisational structure of front offices
 - Improvement of cost structure
- 5./6. Corporate culture and transparency
 - Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



2.

Non-performing loans: asset quality further improved in 2006



6 step program: Original targets for 2006

1. New business and portfolio diversification
 - ✓ New business volume of € 6.5 – 7.5 billion
 - ✓ High diversification in region and object type
 - ✓ Improved diversification of refinancing mix and investor base
2. Non performing loans
 - ✓ Reduction of NPL portfolio to € 1 bn
 - ✓ True sale transaction
3. Group structure
 - Review of further subsidiaries and value maximisation
4. Organisational structure
 - Optimisation of organisational structure of front offices
 - Improvement of cost structure
- 5./6. Corporate culture and transparency
 - Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



3.

Group structure: less complex corporate structure and value maximisation achieved

Core Business:

Clear commitment to two core business segments:

Structured Property Financing

- Commercial property lending business with offices in 16 countries on three continents
- All treasury activities
- Aareal Valuation

Consulting / Services (for the institutional housing sector)

- IT systems and related advisory services (Aareon AG)
- Integrated payment services and deposit taking business
- Development of payment transaction systems (AFFS AG)

Financial investments

- ImmoScout24
 - iBS
- Value maximisation by retaining the earnings or sale of these participations (under regular monitoring)



3.

Group structure: less complex corporate structure and value maximisation achieved

Non-core business

- ✓ Aareal Hypotheken Vermittlung
- ✓ Aareal Hypotheken Management
- ✓ Via Capital
- ✓ Aareal Asset Management
- ✓ BauGrund Stadtentwicklung
- ✓ Interhotel properties and SPVs
- ✓ Further foreclosed assets and investment properties
- BauGrund Immobilien-Management und -Service
- Deutsche Structured Finance



6 step program: Original targets for 2006

1. New business and portfolio diversification
 - ✓ New business volume of € 6.5 – 7.5 billion
 - ✓ High diversification in region and object type
 - ✓ Improved diversification of refinancing mix and investor base
2. Non performing loans
 - ✓ Reduction of NPL portfolio to € 1 bn
 - ✓ True sale transaction
3. Group structure
 - ✓ Review of further subsidiaries and value maximisation
4. Organisational structure
 - Optimisation of organisational structure of front offices
 - Improvement of cost structure
- 5./6. Corporate culture and transparency
 - Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



4.

Organisational structure: improved further

- Hub concept for economic regions implemented: *)
 - Northern Europe Hub (for Baltic States, Denmark, Finland, Norway and Sweden)
 - CEE Hub (for Czech Republic, Poland, Slovakia and Russia)
 - North America Hub (for the US, Canada and Mexico)
 - Asia Hub (for China, Japan and Pacific region)
- Reduction of property structured financing offices in Germany from eight to four



*) Where economically and regionally resonable

4.

Organisational structure: improved further

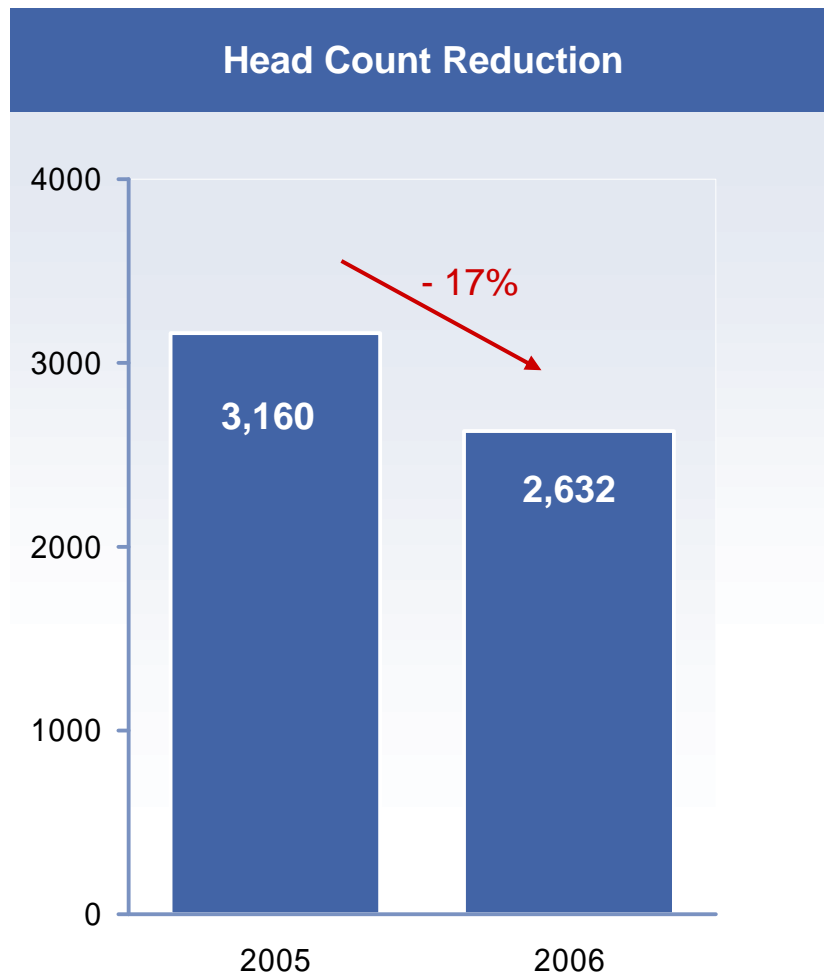


- Network of regional market experts and sector specialists improved further
- Using local opportunities and accompanying international investors



4.

Organisational structure: improved further



- First step of head counts reduction
- Organisational structure realigned
- Improvement of cost structure
- Managing project costs
- Set-up of cost controlling



6 step program: Original targets for 2006

1. New business and portfolio diversification
 - ✓ New business volume of € 6.5 – 7.5 billion
 - ✓ High diversification in region and object type
 - ✓ Improved diversification of refinancing mix and investor base
2. Non performing loans
 - ✓ Reduction of NPL portfolio to € 1 bn
 - ✓ True sale transaction
3. Group structure
 - ✓ Review of further subsidiaries and value maximisation
4. Organisational structure
 - ✓ Optimisation of organisational structure of front offices
 - ✓ Improvement of cost structure
- 5./6. Corporate culture and transparency
 - Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



5.

6.

Corporate culture and transparency

- ✓ First step of implementation of a new remuneration system, especially regarding:
 - performance evaluation
 - agreements on objectives
- ✓ Implementation of corporate guidelines
- ✓ Implementation of a new employee development program
- ✓ Implementation of a new trainee program
- ✓ Cooperation with well established universities (e.g.: European Business School and Cambridge University)



6 step program: Original targets for 2006

1. New business and portfolio diversification
 - ✓ New business volume of €6.5 – 7.5 billion
 - ✓ High diversification in region and object type
 - ✓ Improved diversification of refinancing mix and investor base
2. Non performing loans
 - ✓ Reduction of NPL portfolio to € 1 bn
 - ✓ True sale transaction
3. Group structure
 - ✓ Review of further subsidiaries and value maximisation
4. Organisational structure
 - ✓ Optimisation of organisational structure of front offices
 - ✓ Improvement of cost structure
- 5./6. Corporate culture and transparency
 - ✓ Implementation of new remuneration system, employee development program, trainee program and corporate guidelines



Facts and Figures: Group P&L 2006

	1.1.-31.12.2006	1.1.-31.12.2005	Change
	€ mn	€ mn	%
Net interest income	389	419	-7.2
Net loan loss provisions	89	273	-67.4
Net interest income after net loan loss provisions	300	146	105.5
Net commission income	145	163	-11.0
Results from hedges	9	2	350.0
Net trading income	13	-25	---
Results from non-trading assets	66	46	43.5
Results from companies accounted for at equity	4	-13	---
Results from investment properties	-13	-9	---
Administrative expenses	356	394	-9.6
Other operating income	-8	-6	---
Depreciation of goodwill	0	0	---
Operating Profit	160	-90	---
Income taxes	36	-52	---
Results from discontinued operations	1	2	-50.0
Group net income	125	-36	---
Allocation of results			
Minority interest income / loss	18	19	-5.3
Gains / losses attributable to shareholders of Aareal Bank AG	107	-55	---



Facts and Figures: Segment Reporting 2006

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	1.1.- 31.12.2006	1.1.- 31.12.2005	1.1.- 31.12.2006	1.1.- 31.12.2005	1.1.- 31.12.2006	1.1.- 31.12.2005	1.1.- 31.12.2006	1.1.- 31.12.2005
Net interest income	340	383	0	-1	49	37	389	419
Net loan loss provisions	89	273					89	273
Net interest income after net LLP	251	110	0	-1	49	37	300	146
Net commission income	33	27	167	177	-55	-41	145	163
Results from hedges	9	2					9	2
Net trading income	13	-25					13	-25
Results from non-trading assets	52	45	14	1			66	46
Results from companies accounted for at equity	1	-13	3	0			4	-13
Results from investment properties	-13	-9					-13	-9
Administrative expenses	199	216	164	186	-7	-8	356	394
Other operating income	-8	4	1	2	-1	-12	-8	-6
Depreciation of goodwill		0	0	0			0	0
Operating Profit	139	-75	21	-7	0	-8	160	-90
Income taxes	31	-47	5	-2		-3	36	-52
Results from discontinued operations					1	2	1	2
Group net income	108	-28	16	-5	1	-3	125	-36
Allocated shareholders' equity	765	711	86	104	201	147	1,052	962
Cost / income ratio (%)	54.1	59.1	89.1	103.9			63.5	72.3
RoE after taxes (%)	12.0	-6.1	16.3	-8.1			10.1	-5.7



Facts and Figures: 2006 financial targets outperformed

	2006 (actual)	2006 (raised target)	2006 (original target)
Net loan loss provisions (€ mn)	89	80 - 90	80 - 90
Profit before tax (€ mn)	160	>150	130 - 150
Net RoE (%)	10.1	>8.0	7.5 - 8.0
Tier I ratio (%)	7.3	7.1	7.1

- ✓ Normalised risk provisioning in 2006
- ✓ Pre-tax profit in 2006 well above target
- ✓ Net RoE target 2006: exceeding capital costs
- ✓ Tier 1 ratio increased to 7.3 %



Conclusion 6 step program

Bottom line achievements of the past 1.5 years

- Core business activities strong and clear positioned
- Origination strengthened and portfolios further diversified
- Asset quality strongly enhanced
- Corporate and organisational structures streamlined
- Ability to pay out dividends regained
- Credit Rating upgraded to A- by Fitch Ratings
- Employee commitment and spirit kept high at the same time

Solid basis for growth



FUTURE 2009

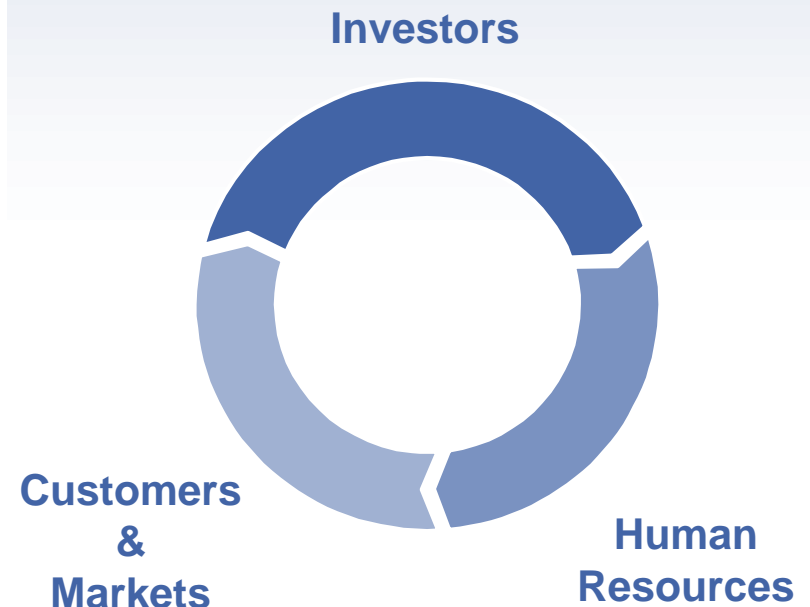
Preface

- FUTURE 2009 is Aareal Bank Group's growth program up to 2009.
- Aareal Bank Group will focus on organic growth.
- The entire program is designed to continue on a stand-alone basis.
- Aareal Bank Group will focus on its two core business segments:
 - Structured Property Financing and
 - Consulting / Services (Institutional Housing Industry)
- In the Structured Property Financing segment, Aareal Bank Group will grow from an International to a Global Real Estate Player.
- In the Consulting / Services segment, Aareal Bank Group will strengthen its leading market position and will substantially contribute to the Group's targets.
- The results of the 6 step program were the basis for the new growth program FUTURE 2009.



Internal structure and steering

- Growing our business must first and foremost be supported by our investors and by our employees
- Internally FUTURE 2009 will be structured and steered according to three main target groups:
 - our investors
 - our customers and markets
 - our human resources
- For each stakeholder group there will be designated targets with assigned responsibilities and milestones to be met each year



Structured Property Financing: Portfolio Growth – gearing up origination

Measures for Optimisation Europe

- Better penetration and utilisation of existing customer base
- Further expansion of Nordic Hub business
- Strengthening of CEE business
- Analysis of untapped European market

Measures for Expansion North America

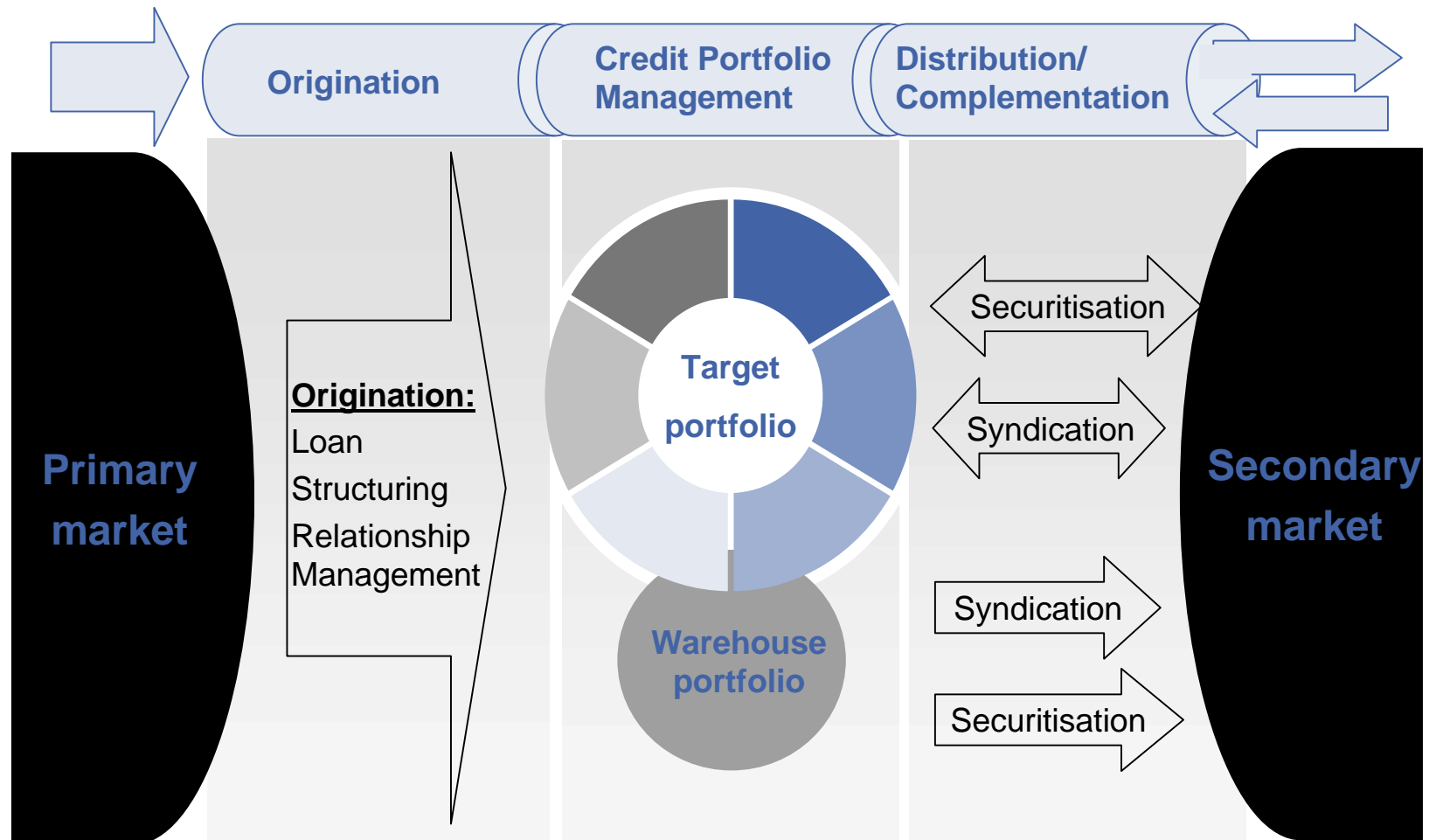
- Expansion US business
- Strengthen presence in Canadian business
- Further market analysis Mexico
- Broaden customer base

Measures for Developing Asia

- Establish Singapore as Asia/Pacific Hub
- Build up sustainable customer base
- Analysis of market entry in India, Japan, South Korea and Malaysia
- Set up office in Shanghai



Structured Property Financing: Buy, manage and sell – Credit Pipeline



Structured Property Financing: Strengthening credit treasury and funding

Credit Treasury

- Strengthening exit channels
- Optimisation syndication and securitisation strategy in Europe
- Implementation of syndication and securitisation activities out of North America Hub and Asia/Pacific Hub
- Risk/return related optimisation of underlying capital and revenues

Treasury

- Expand returns from treasury activities
- Lowering funding costs
 - Increase share of Pfandbrief funding
 - Enlarge product range by strengthening financial engineering / structured funding



Consulting / Services: Strengthen market position and increase profitability

IT-Solutions (Aareon)

- Further roll-out of the strategic product portfolio
- Increase profitability of IT consulting
- Penetration of new market segments and broaden customer base
- Increase of revenues with integrated services
- Improvement of internal efficiency

Integrated Payment Solutions (Aareal Bank and AFFS)

- Expand deposit business
- Broaden customer base
- Further cost reduction program
- Implementation of BK@1 (account-keeping system compatible with SAP)
- Develop and implement additional new payment transaction and deposit products, e.g. for rent deposits (Mietkautionskonten)



Institutional Housing Sector: Breakdown of performance targets

IT-Services business Aareon Group ¹⁾					Integrated Payment Solutions Institutional Housing department / AFFS ¹⁾				
	2006	2007p	2008p	2009p		2006	2007p	2008p	2009p
Revenues (€ mn)	178	140 -150 ²⁾	170 -180	175 - 185	Revenues (€ mn)	47	50-60	60-65	60-70
Expenses (€ mn)	167	130-135	140 -145	140 -145	Direct Expenses (€ mn)	35	35-40	35-40	35-40
EBIT (€mn)	11	10-20	30-40	35-40	Gross result ²⁾ (€mn)	1	5-10	10-20	15-20
Head Counts ³⁾	1040	ca. 940	ca. 910	ca. 925	Head Counts	160	ca. 150	ca. 140	ca. 140

→ Clear positive contribution to segment EBT achieved in 2006

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

- 1) Internal profit centre calculation
- 2) after bank overheads



Human Resources

- One of our key targets is to attract and retain the right people to support our growth program by
 - further strengthening employee development, commitment and recruitment
 - enhancing corporate culture
 - further optimising corporate structures and processes
- Access to high potentials via Aareal Academy
 - cooperation with European Business School (EBS)
 - cooperation with University of Cambridge
- Strengthen existing international employee base of 31 different nations



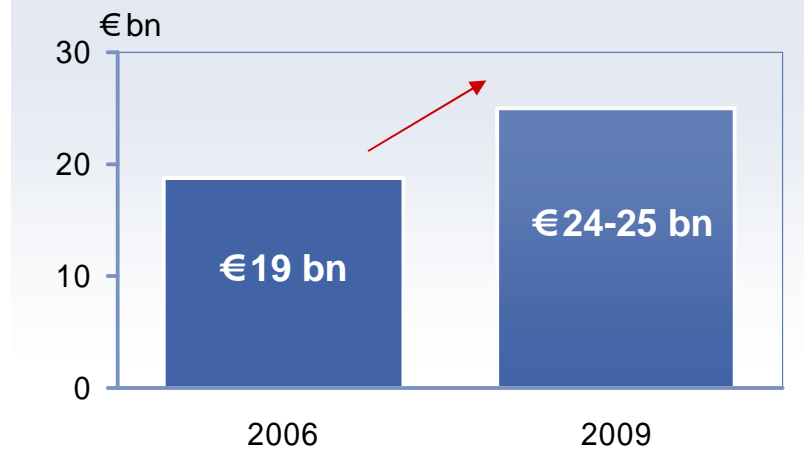
Targets 2007

Financial targets 2009 – operative performance

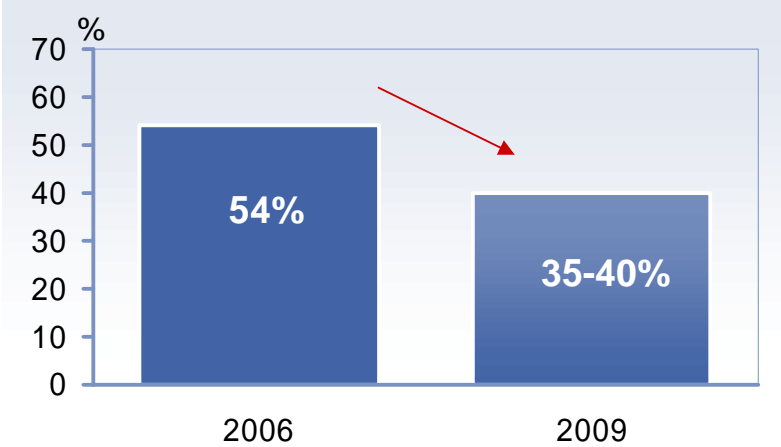
Group net RoE



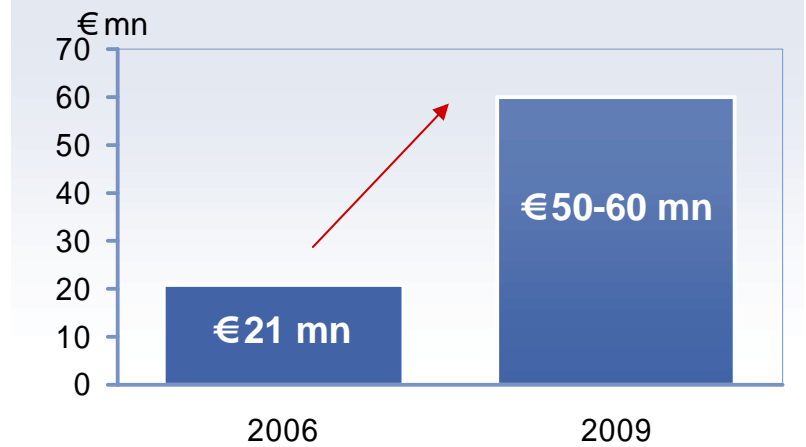
Growth average RWA



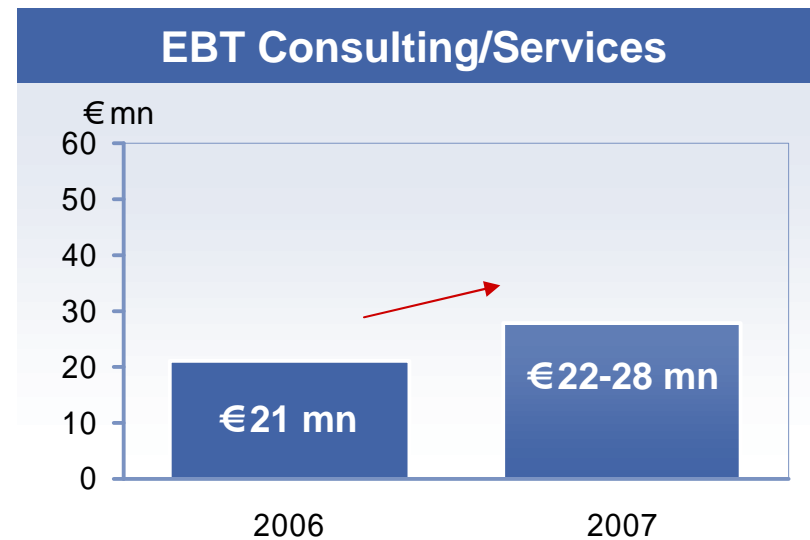
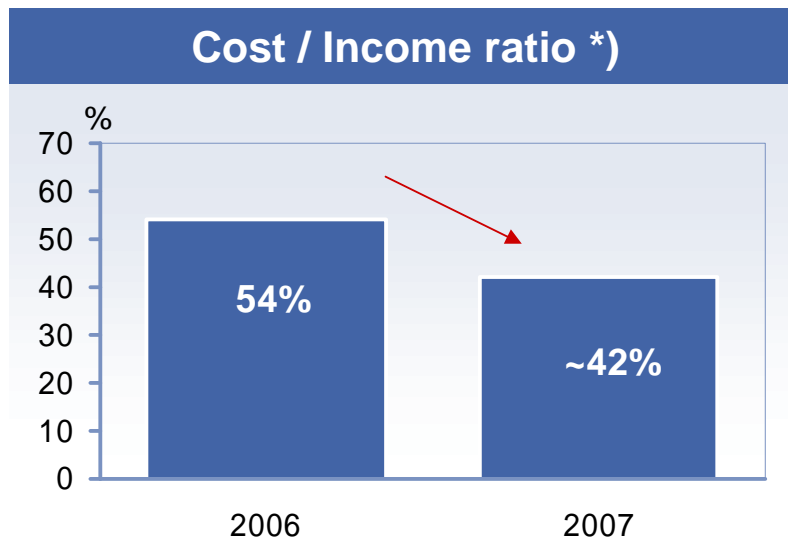
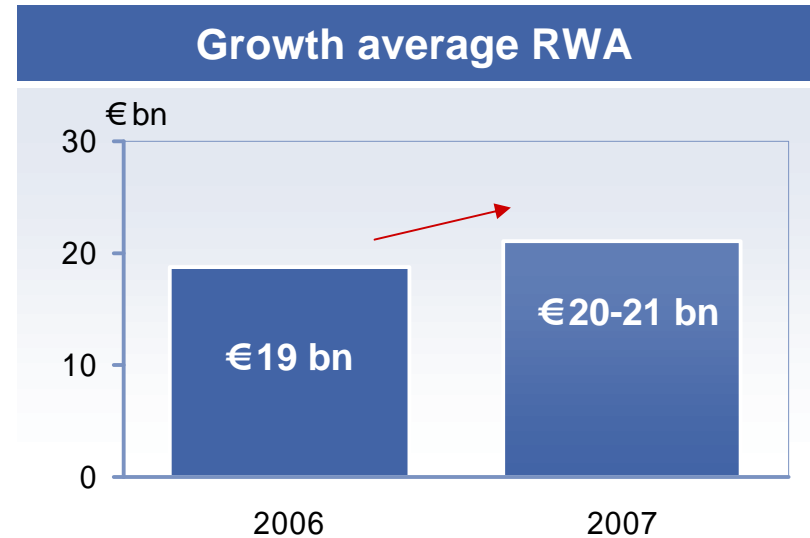
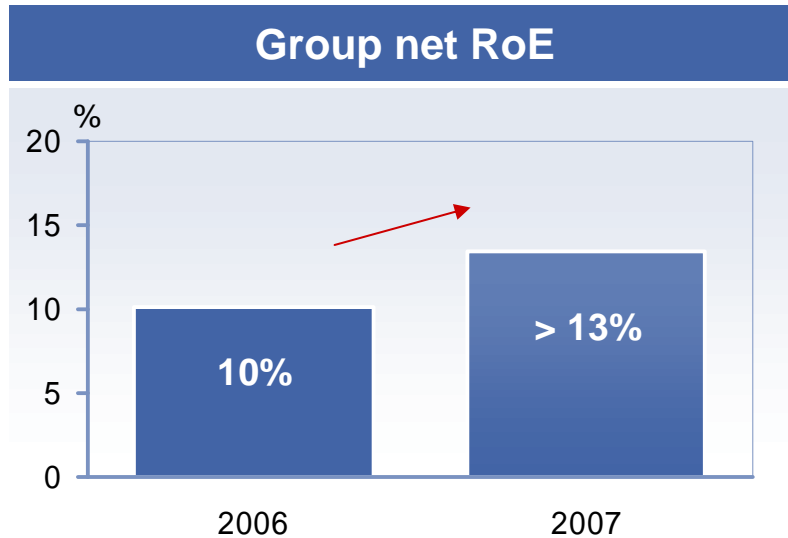
Cost / Income ratio *)



EBT Consulting/Services

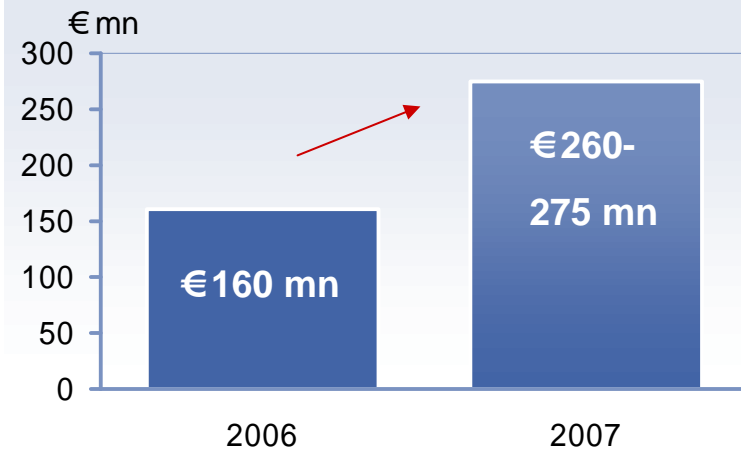


Financial targets: milestones 2007

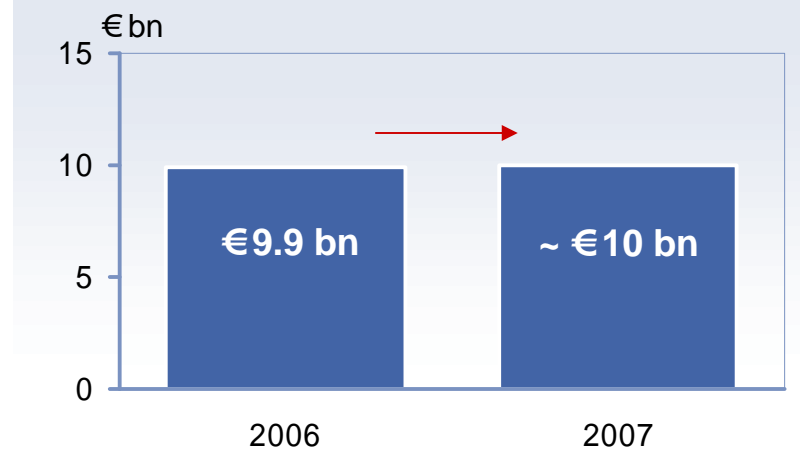


Financial targets: additional guidance 2007

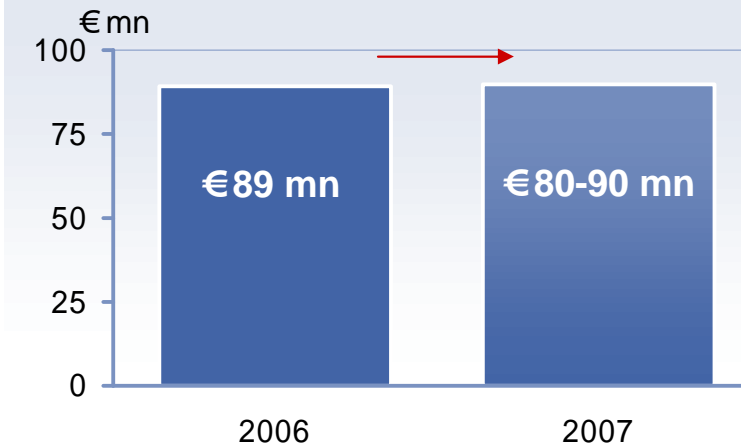
Group profit before tax



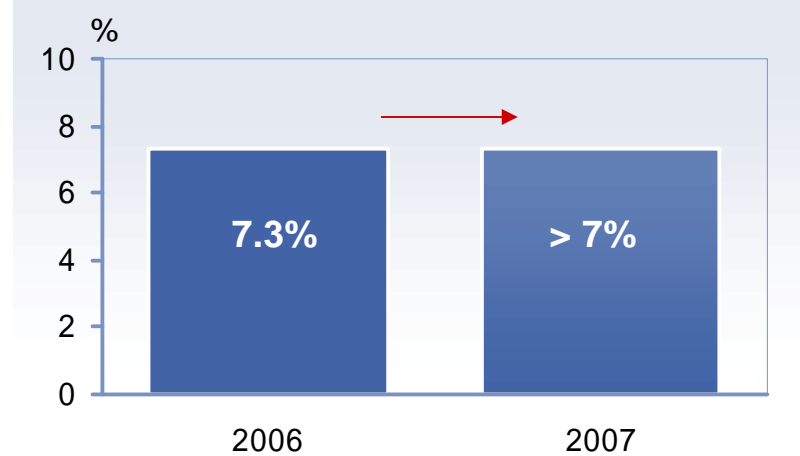
New lending business



Loan loss provisions



Tier I ratio



THE INTERNATIONAL
PROPERTY SPECIALIST

Analyst Conference

26 March 2007



Aareal Bank

Disclaimer

© 2007 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