

THE INTERNATIONAL
PROPERTY SPECIALIST

German Small Mid Cap Financial Seminar

May 2007



Aareal Bank

Business Segments – Major Activities

Aareal Bank

The international property specialist

Structured Property Financing

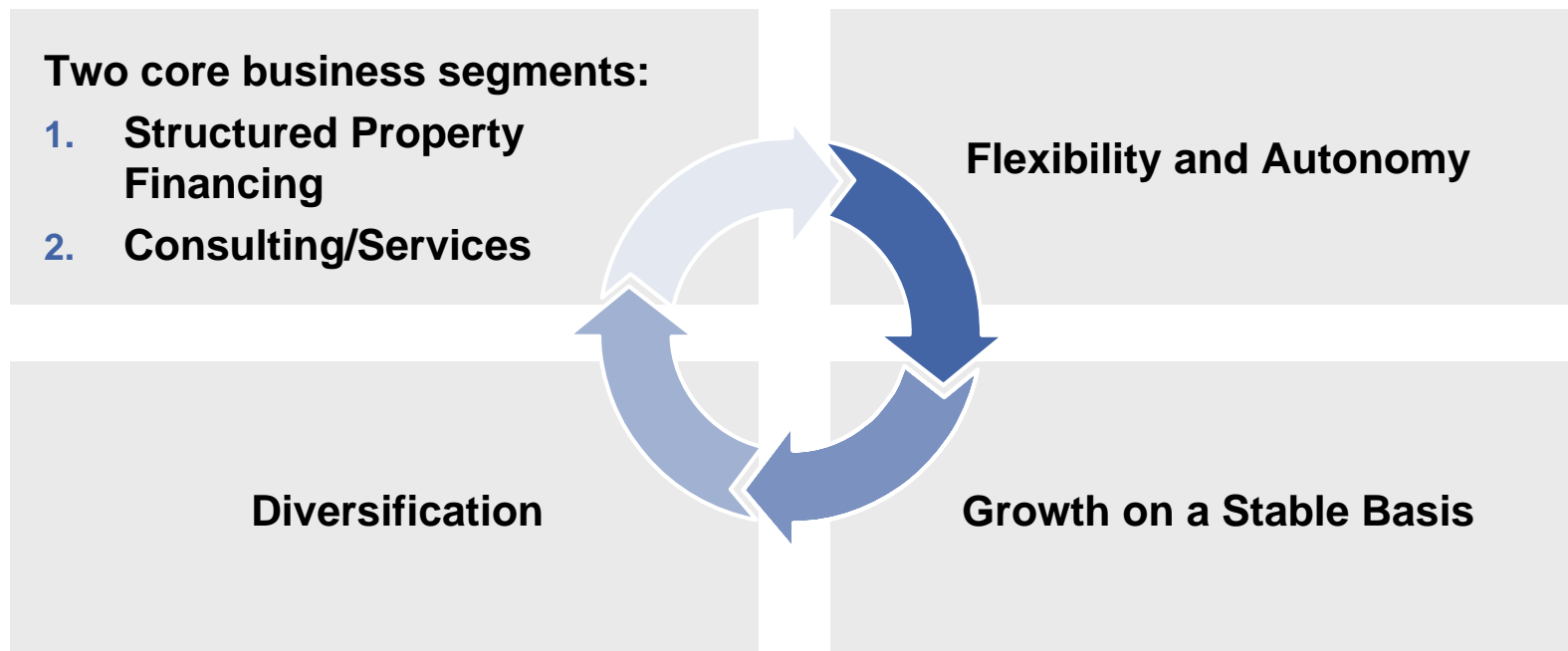
- International Presence in 15 European countries, the US and Singapore – International real estate financing in more than 25 countries
- Additional industry experts in hotel, shopping centre and logistics
- Typical deal size: > €20 mn
- Total back book: €23 bn

Consulting / Services to the institutional housing industry

- Market-leading European IT-systems for the management of residential and commercial property
- Market-leading integrated payment transaction systems
- Key client base: Large size property owners / managers
- Key market: Germany



Aareal Bank Group: The Specialist for Real Estate Professionals



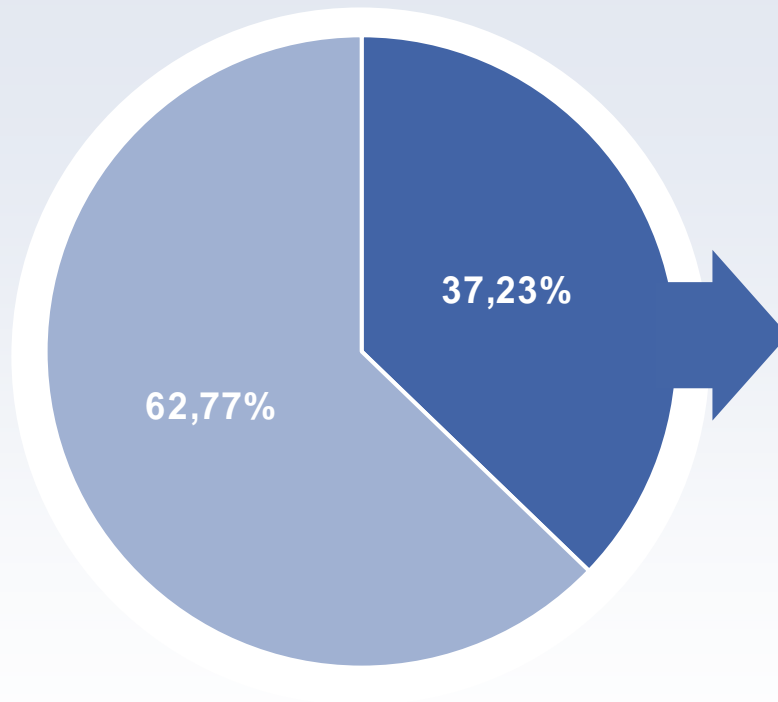
Our target for a 3 year time horizon (2009):

- ➔ Net earnings growth in order to reach a net RoE of ~13 %
- ➔ Whilst maintaining high diversification, flexibility and autonomy



Shareholder Structure

Aareal Holding Verwaltungsgesellschaft mbH



8.94% Bayerische Beamten
Lebensversicherung a.G.

8.94% Schweizerische
Lebensversicherungs-
und Rentenanstalt

6.68% Versorgungsanstalt des
Bundes und der Länder

6.06% Bankhaus Lampe KG

5.52% Deutscher Ring
Beteiligungs-Holding

1.36% Condor Lebensversicherung

■ Free float

■ Aareal Holding Verwaltungsgesellschaft mbH



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Structured Property Financing



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The Aareal Bank Network



New York



in 15 European countries, the US and Singapore –
International Property Financing in more than 25 countries



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Aareal Bank – One of the leading international specialists in structured real estate finance

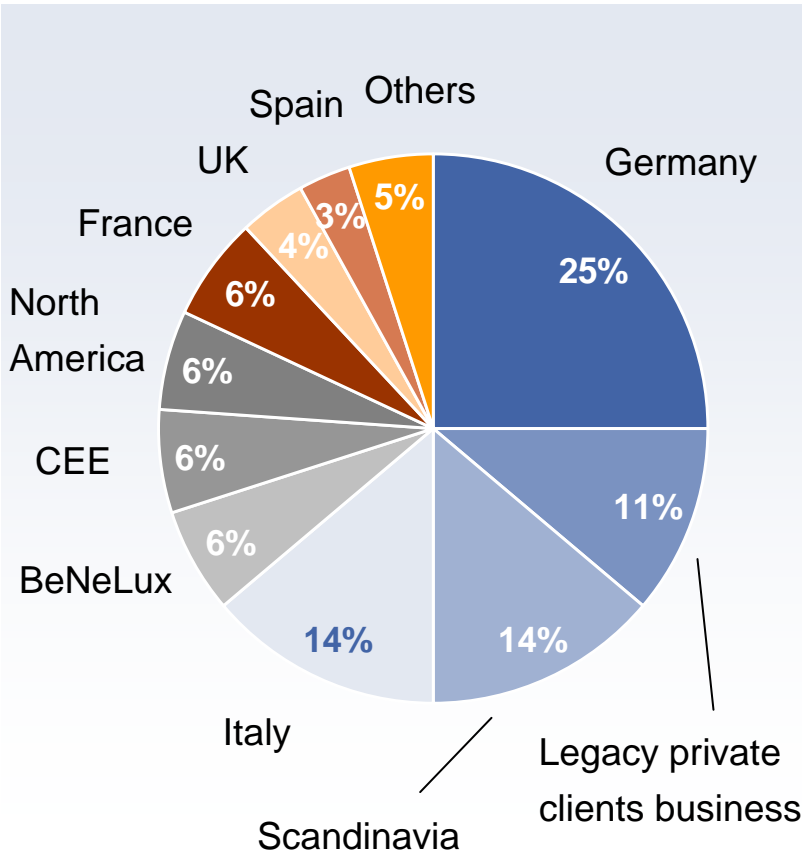
- International Presence in 15 European countries, the US and Singapore
- Additional industry experts in hotel, shopping centre and logistics
- In-depth know-how in local markets and special properties
- International experience with employees from 31 nations
- Typical deal size: > €20 mn
- Typical products, for example:
 - single asset investment finance
 - portfolio finance (local or cross-boarder)
 - construction finance

Network of regional market experts and sector specialists

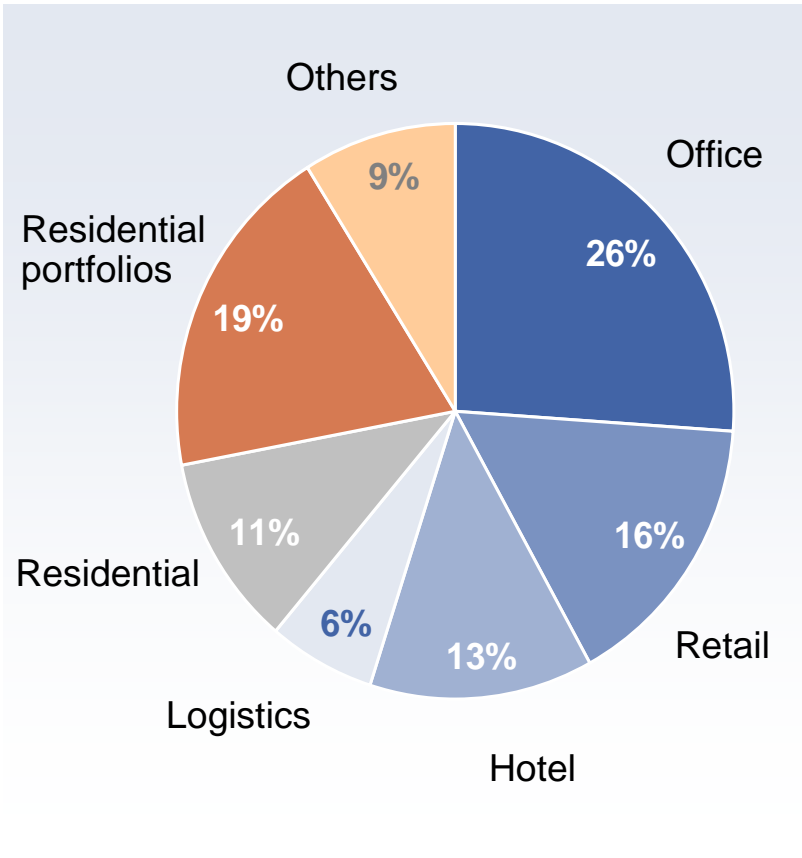


Portfolio diversification by region and object type

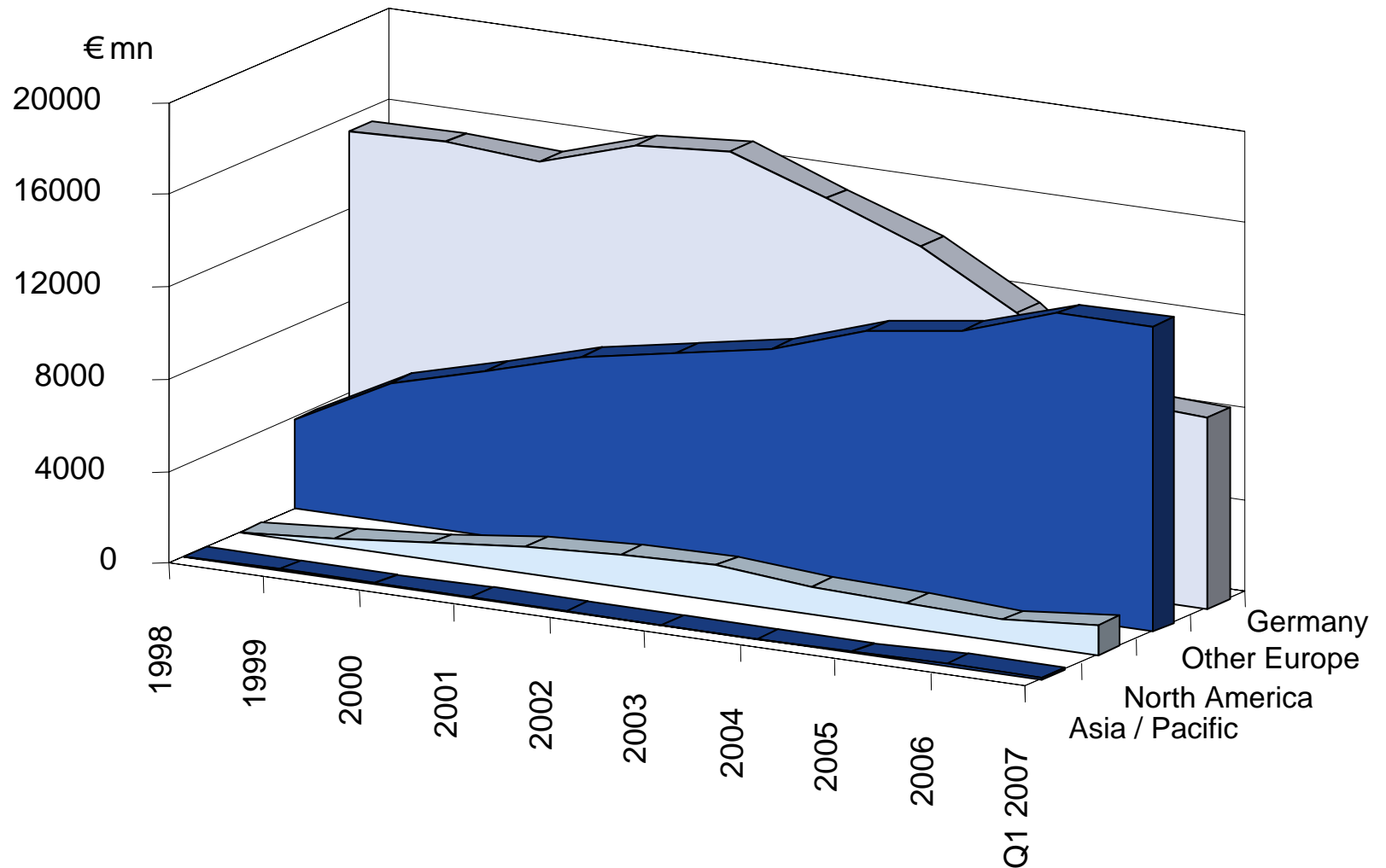
Portfolio by region 31.03.2007
Total volume : €23.0 bn



Portfolio by object type 31.03.2007
Total volume : €23.0 bn

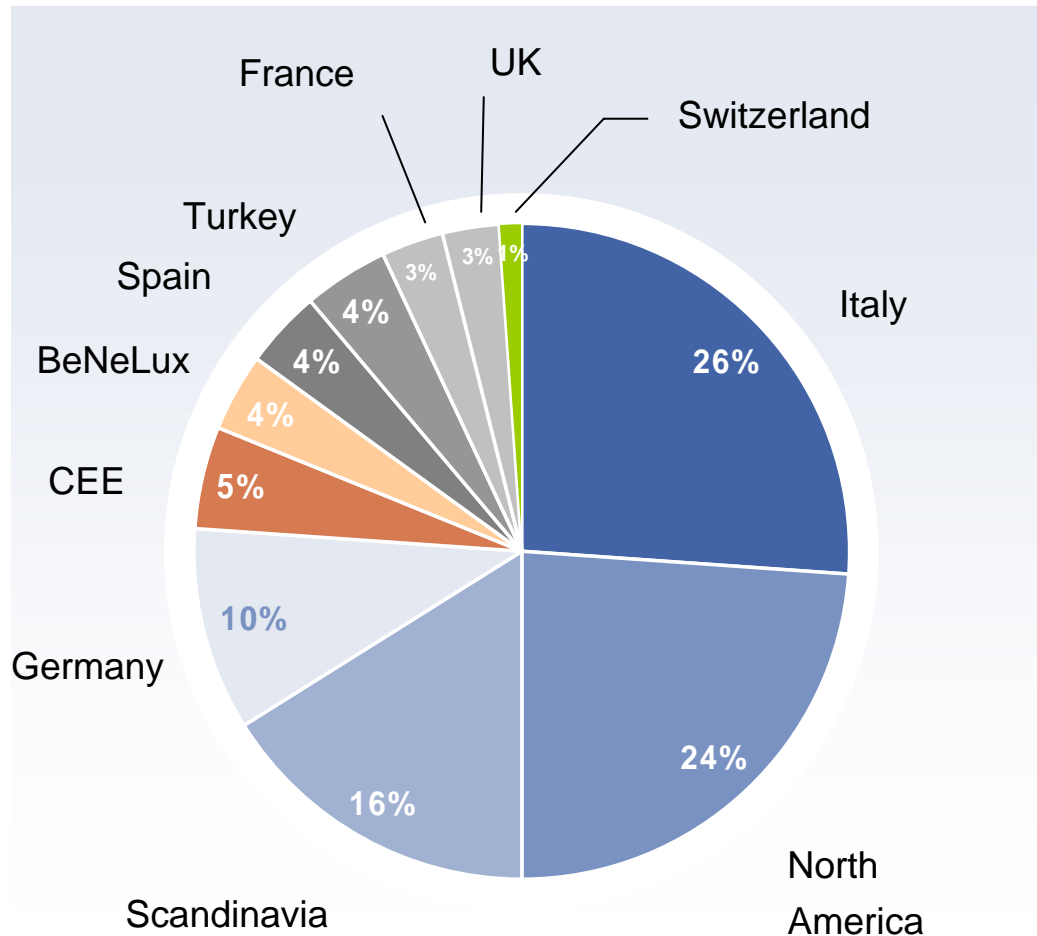


Development of portfolio by region



New business by region

Total new business Q1 2007 : €2.2 bn



- High new business level of 2006 maintained
- Stable margins
- North America Hub: capacity strengthened
- New office in Helsinki opened
- Office in Shanghai planned



Portfolio Growth – gearing up origination Measures and new business targets until 2009

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

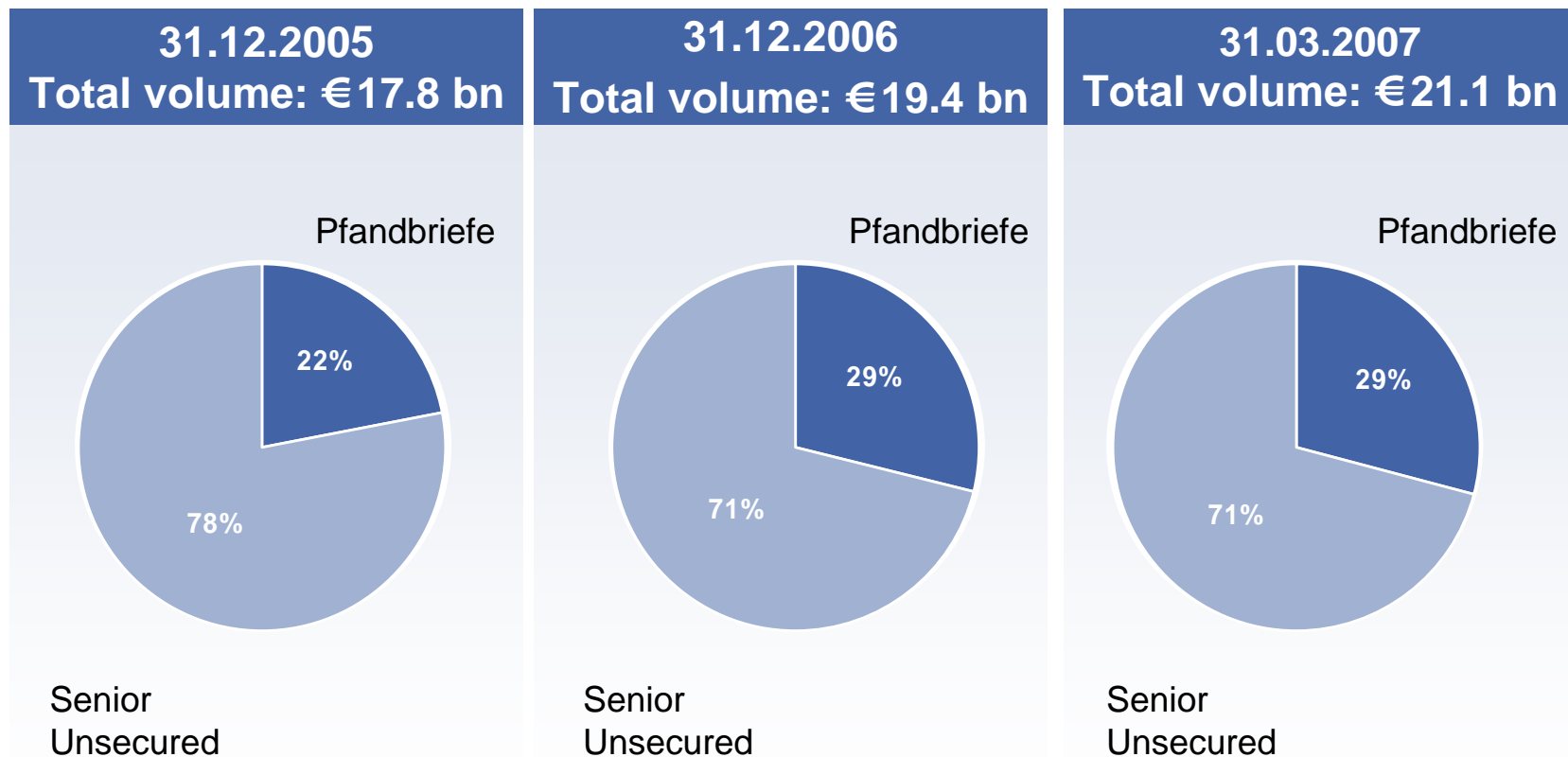
- Expansion US business
- Strengthen presence in Canadian business
- Further market analysis Mexico
- Broaden customer base

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



Development of long-term refinancing mix





Consulting/Services



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Consulting/Services – major activities

Aareal Bank Consulting/Services Segment

Consulting and Services for the institutional housing sector	Other Services
 <ul style="list-style-type: none"> ■ Market-leading European IT-system house for the management of residential and commercial property ■ Key client base: Large size property owners / managers ■ Key ERP system products: Blue Eagle, GES, Wohndata and wodis 	 <p>Institutional Housing Industry Department and First Financial Solutions</p> <ul style="list-style-type: none"> ■ Market-leading integrated payment transaction systems ■ Key client base: Large size property owners / managers and utility companies <p>ImmoScout24</p> <ul style="list-style-type: none"> ■ Financial investment <p>iBS</p> <ul style="list-style-type: none"> ■ Financial investment <p>BauGrund</p> <ul style="list-style-type: none"> ■ Management of extensive property and trust assets

Services provided to the Institutional Housing Sector

Strategic Management of residential portfolios

- Planning, Controlling, Steering
- Portfolio Management

Administrative Management of residential portfolios

- Tenant Management
- Flat Management
- Maintenance



- Repair
- Refurbishments
- New Developments

Construction Management of residential portfolios

- Mass payments
- Cash Management
- Creditor and Debtor Management

Financial Management of residential portfolios



- Highly automated ERP systems (e.g.: Blue Eagle, GES, wodis) for the management of property portfolios
 - Comprehensive range of integrated Services and Consulting
- **Leading IT-system house for the institutional housing industry**




~75 – 80% customer overlap:
substantial cross-selling effects
with highly integrated IT solutions

- Integrated mass payment transaction systems
 - Accounts of the integrated payment transaction system
- **house bank for the institutional housing sector**



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Institutional housing sector: Integral element of group strategy

<p>1.</p> <p>Customer Deposits</p>	<p>Highly stable customer deposits without expensive branch network</p> <ul style="list-style-type: none">➤ ~ € 1.5 bn stable current account money➤ ~ € 3 bn stable term deposits➤ Increasing tendency	
<p>2.</p> <p>Earnings Stability</p>	<p>Non-cyclical and stable group earnings contributions</p> <ul style="list-style-type: none">➤ devoid of credit risk➤ 60% market share of Aareon in Germany➤ Long-established customer base➤ Long-running contracts	
<p>3.</p> <p>Group RoE</p>	<p>Group RoE enhancement</p> <ul style="list-style-type: none">➤ Very low equity engagement➤ Segment EBT Target 2009: € 50 – 60 mn	

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



Facts and Figures



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Group Figures Q1 2007

	Q1 2007	Q1 2006
	€ mn	€ mn
Net interest income	98	98
Net loan loss provisions	22	22
Net interest income after net loan loss provisions	76	76
Net commission income	37	35
Results from hedges	2	-1
Net trading income	2	5
Results from non-trading assets	12	11
Results from companies accounted for at equity	0	3
Results from investment properties	0	0
Administrative expenses	89	88
Other operating income	39	-2
Depreciation of goodwill	0	0
Operating Profit	79	39
Income taxes	23	9
Results from discontinued operations	0	0
Group net income	56	30
Allocation of results		
Minority interest income / loss	5	5
Gains attributable to shareholders of Aareal Bank AG	51	25

- Net interest income and provision income slightly picking up
- Admin expenses in line
 - incl. a special payment to employees (total of €3 mn)
- ImmoScout dividend
 - coming through in Q2'07
 - Q1'06: €3 mn in results from comp. accounted for at equity
- €37 mn one-off in other operating income (compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding)
 - Future compensation for expected deferred tax asset burden of net €15-20 mn resulting from the impending German tax reform



Segment reporting Q1 2007

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€mn		€mn		€mn		€mn	
	1.1.- 31.03.2007	1.1.- 31.03.2006	1.1.- 31.03.2007	1.1.- 31.03.2006	1.1.- 31.03.2007	1.1.- 31.03.2006	1.1.- 31.03.2007	1.1.- 31.03.2006
Net interest income	84	88	0	0	14	10	98	98
Net loan loss provisions	22	22					22	22
Net interest income after net LLP	62	66	0	0	14	10	76	76
Net commission income	8	7	44	40	-15	-12	37	35
Results from hedges	2	-1					2	-1
Net trading income	2	5					2	5
Results from non-trading assets	12	9	0	2			12	11
Results from companies accounted for at equity				3			0	3
Results from investment properties	0	0					0	0
Administrative expenses	54	49	36	41	-1	-2	89	88
Other operating income	40	-3	-1	1	0	0	39	-2
Depreciation of goodwill				0			0	0
Operating Profit	72	34	7	5	0	0	79	39
Income taxes	21	9	2	0			23	9
Results from discontinued operations						0	0	0
Group net income	51	25	5	5	0	0	56	30
Allocation of results								
Minority interest income / loss	4	4	1	1			5	5
Gains attributable to shareholders of Aareal Bank AG	47	21	4	4	0	0	51	25
Allocated shareholders' equity	770	708	87	98	189	151	1,046	957
Cost / income ratio (%)	38.5	50.5	84.4	90.2			48.9	61.7
RoE after taxes (%)	24.2	12.0	18.1	14.4			19.3	10.4

- Structured Property Financing
Other operating income: €45 mn
Other operating expenses: €5 mn

- Consulting/Services
Other operating income: €2 mn
Other operating expenses: €3 mn



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Regulatory indicators (BIS)

Capital ratios (according to BIS)	31.03.07	31.12.06	30.09.06	30.06.06	31.03.06	31.12.05
	€mn	€mn	€mn	€mn	€mn	€mn
Core capital	1,446	1,406	1,319	1,295	1,282	1,281
Total capital	2,397	2,365	2,283	2,266	2,260	2,260
RWA	20,208	19,477	19,076	18,553	18,549	17,926
Tier 1 Ratio	7.2%	7.3%	7.0%	7.1%	7.0%	7.2%
Total capital Ratio	11.9%	12.1%	12.0%	12.2%	12.2%	12.6%

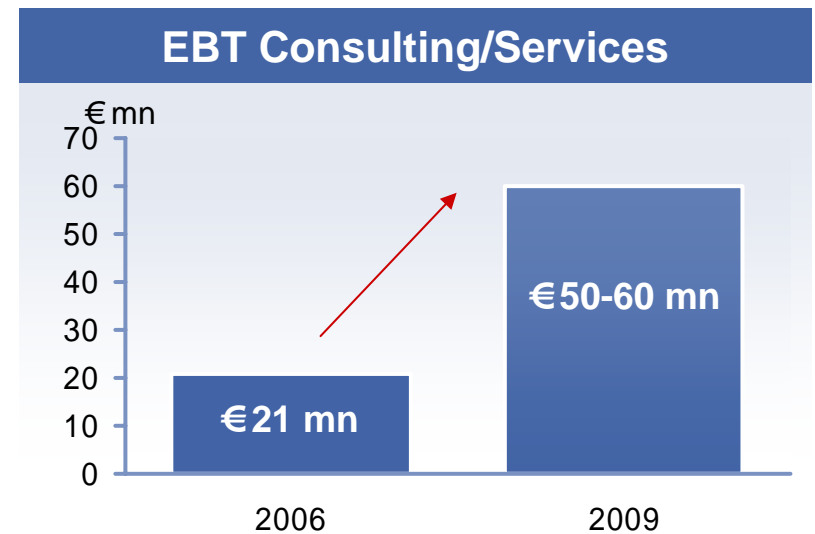
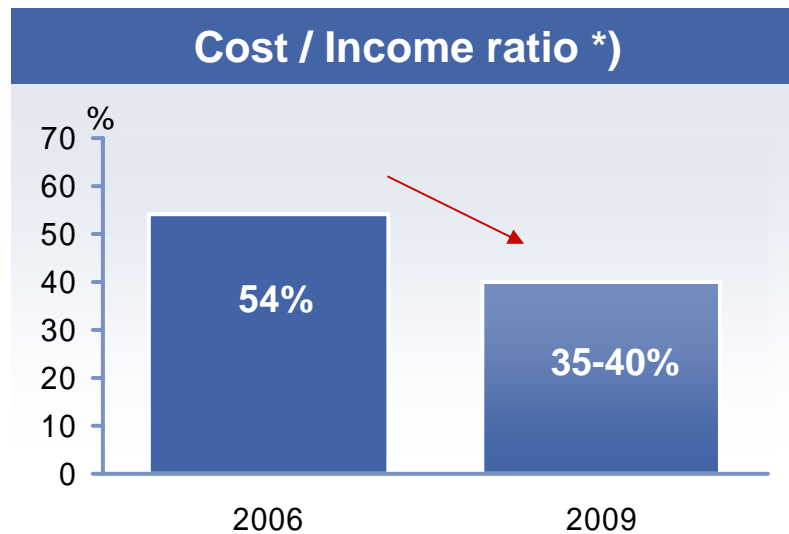
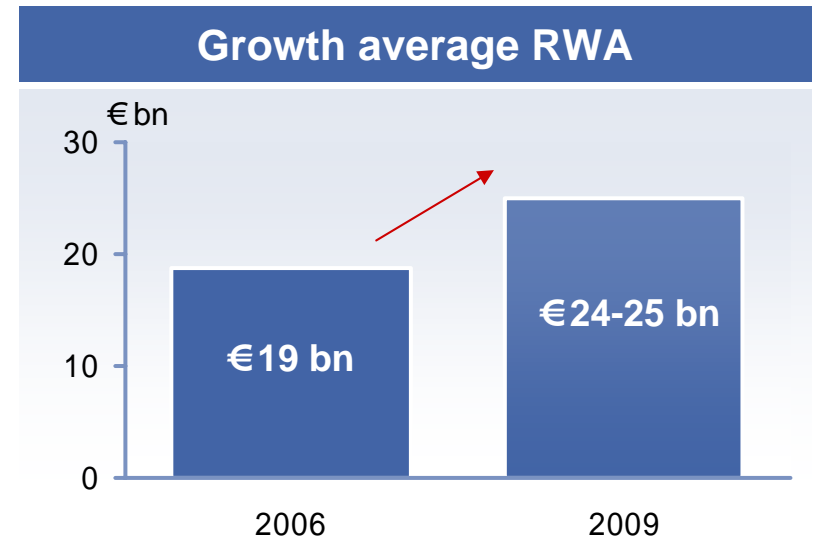
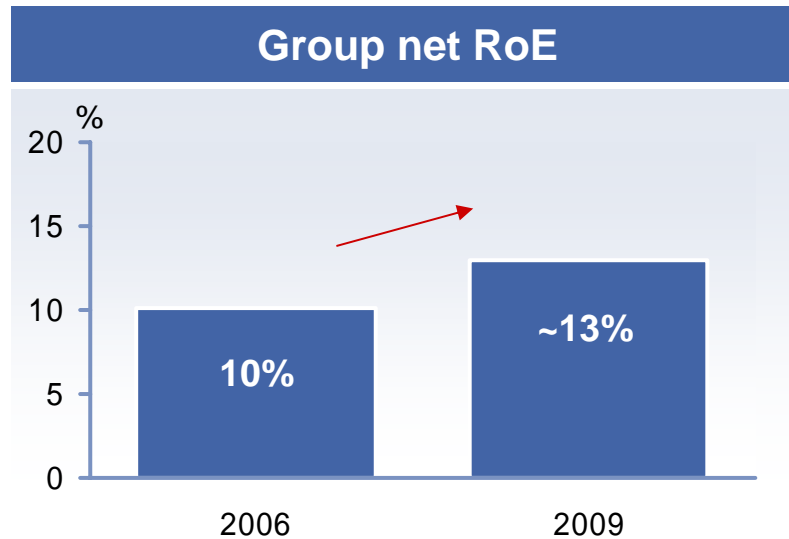


Targets

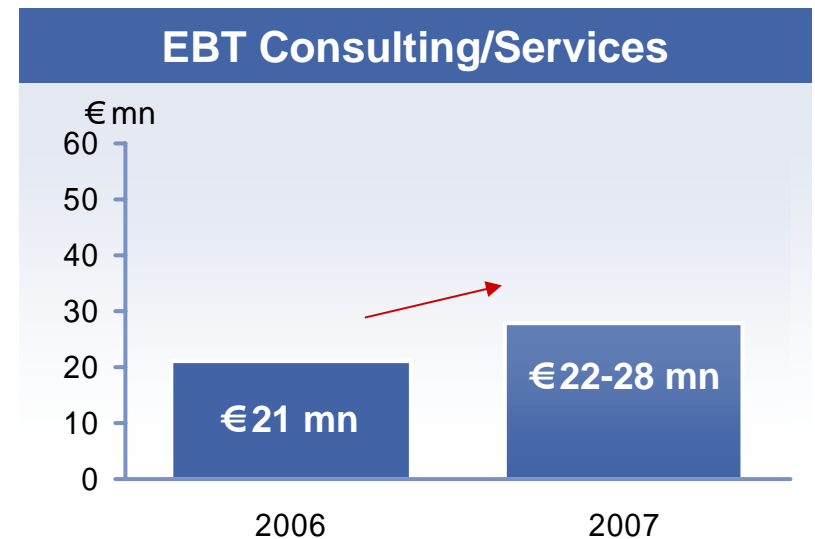
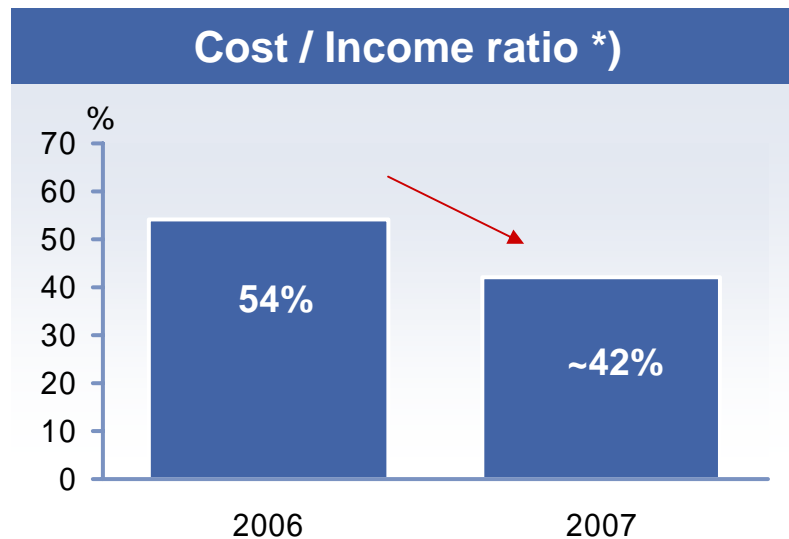
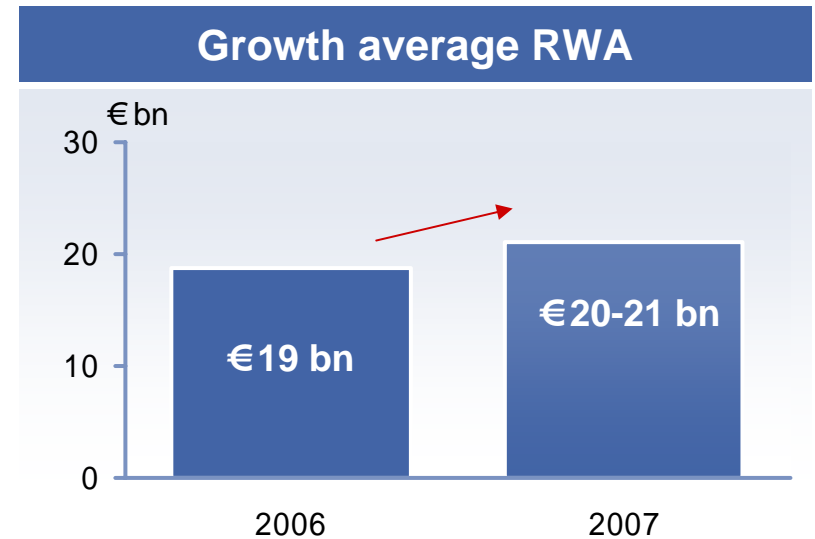
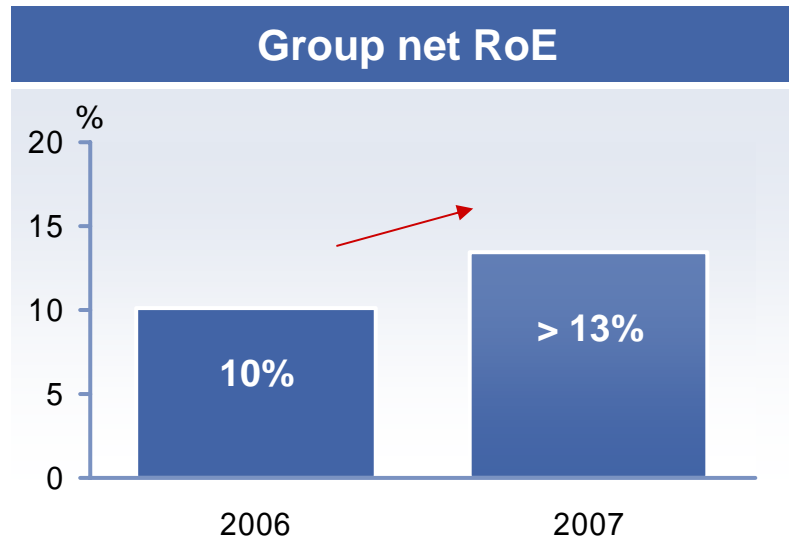


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Financial targets 2009: operative performance



Financial targets: milestones 2007



Appendix



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Group structure

Core Business

Clear commitment to two core business segments:

1. Structured Property Financing

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

2. Consulting / Services

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

Non-core business

- ✓ Legacy NPL portfolio
- ✓ 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
- Legacy private clients portfolio

Financial investments

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



NPL portfolio reduction concluded



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



Definitions and Contacts



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Definitions

- **Property Financing Portfolio =**

- Payed-out financings on balance sheet
- Inkl. remaining property loans on DEPFA books

- **New Business =**

- Newly acquired business incl. renewals (excl. interest rate prolongations)
- Contract is signed by customer
- Fixed loan value and margin

- **Net RoE=**
$$\frac{\text{Group net income after minorities}}{\text{Allocated (average) equity}}$$

- **Allocated equity = Average of:**

- Equity minus minorities and revaluation surplus (start of period less dividends) and
- Equity minus minorities and revaluation surplus (end of period less expected dividends)

- **CIR:**
$$\frac{\text{Admin expenses + other operating expenses}}{\text{Net income}}$$

- **Net Income =** net interest income + net commission income + net result from hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + other operating income



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