

# THE INTERNATIONAL PROPERTY SPECIALIST



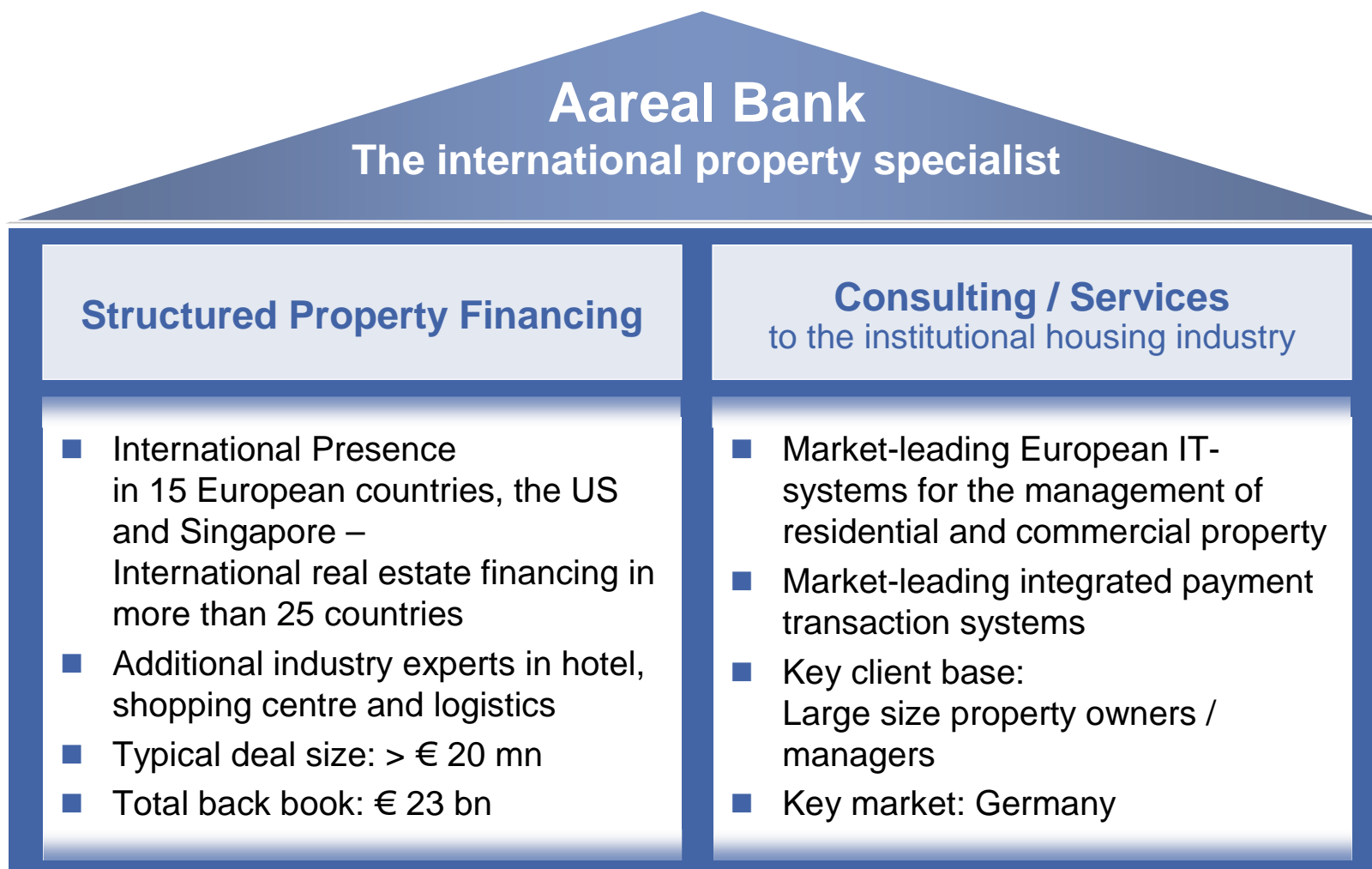
## 10th German Corporate Conference

Heading for the 5th bull year  
Frankfurt, 20 - 21 June 2007

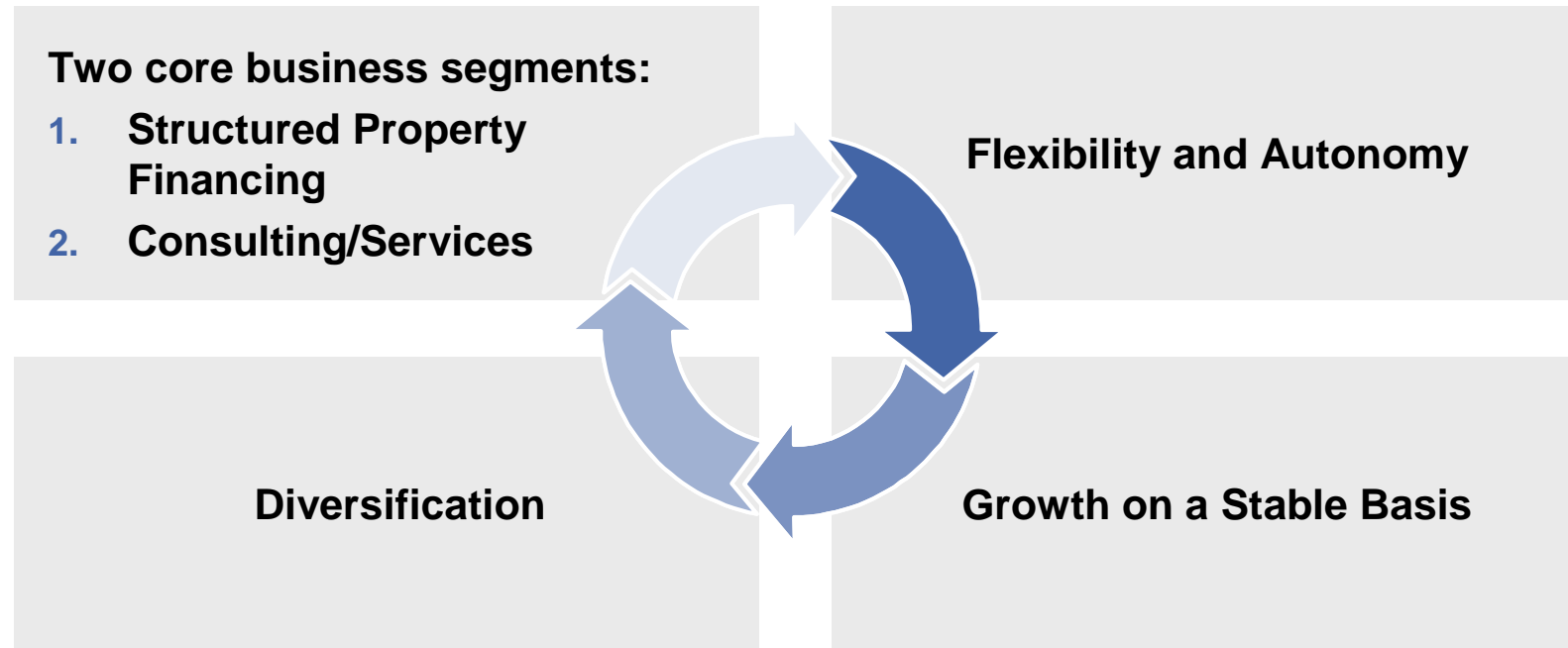


**Aareal Bank**

# Business Segments – Major Activities



# Aareal Bank Group: The Specialist for Real Estate Professionals



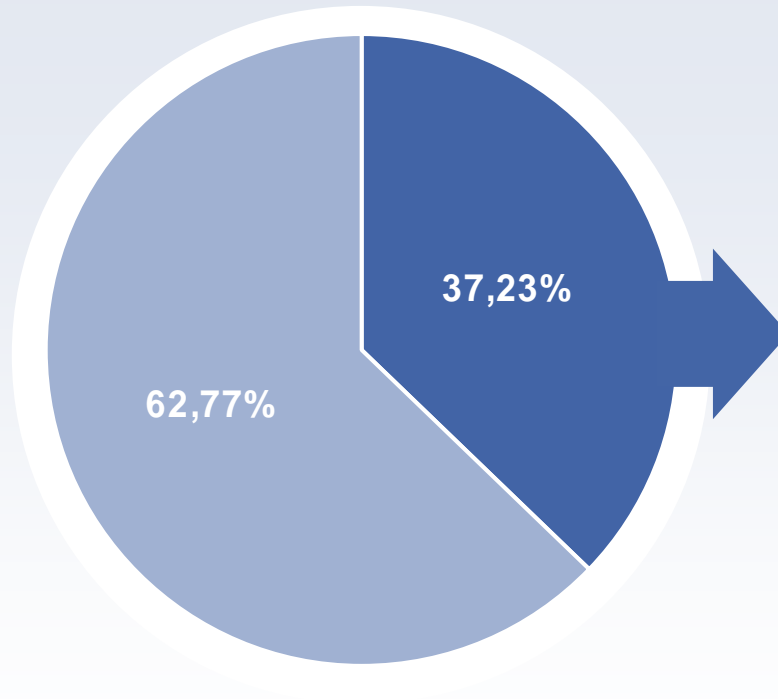
Our target for a 3 year time horizon (2009):

- 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
- 5.25%** Deutscher Ring Beteiligungs-Holding
- 1.36%** Condor Lebensversicherung

- Free float
- Aareal Holding Verwaltungsgesellschaft mbH



# Structured Property Financing



Acreal Bank

# The Aareal Bank Network



New York



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



**Aareal Bank**

# 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

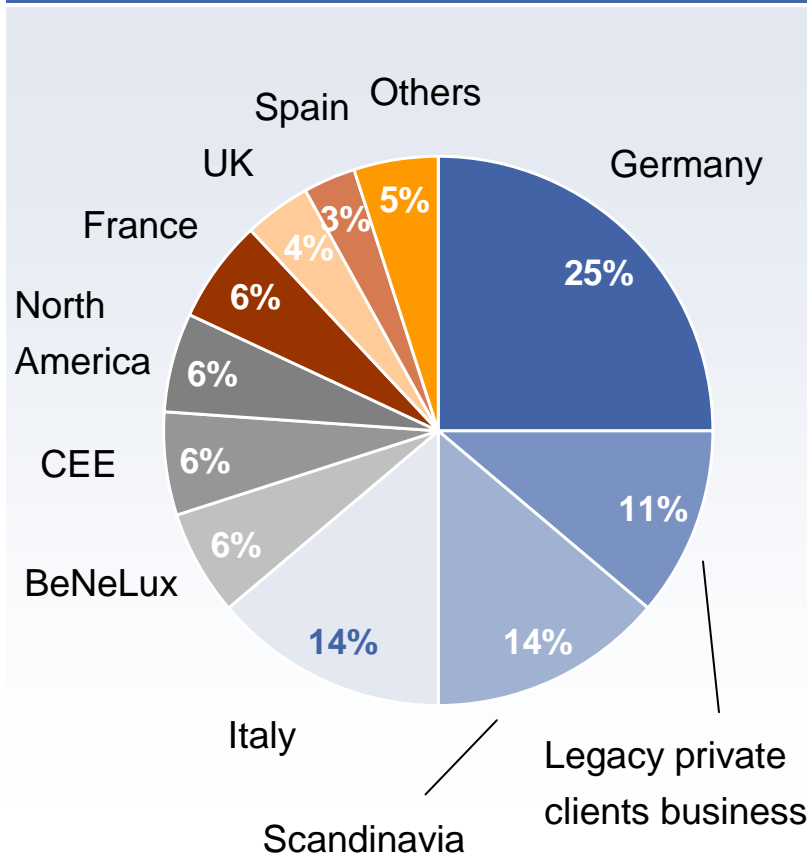
## Network of regional market experts and sector specialists



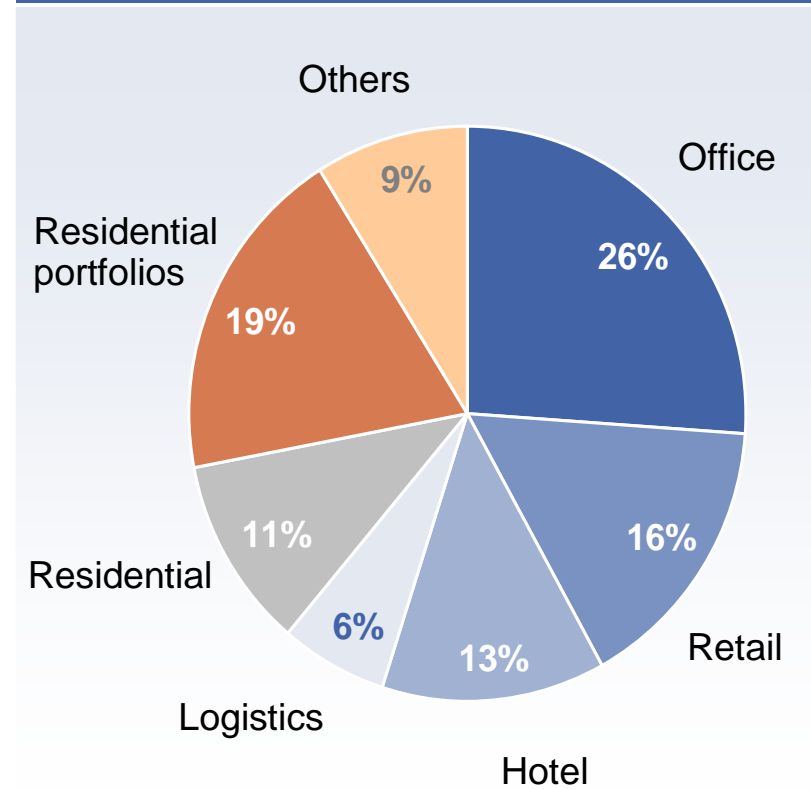
**Aareal Bank**

## Portfolio diversification by region and object type

**Portfolio by region 31.03.2007**  
Total volume : € 23.0 bn

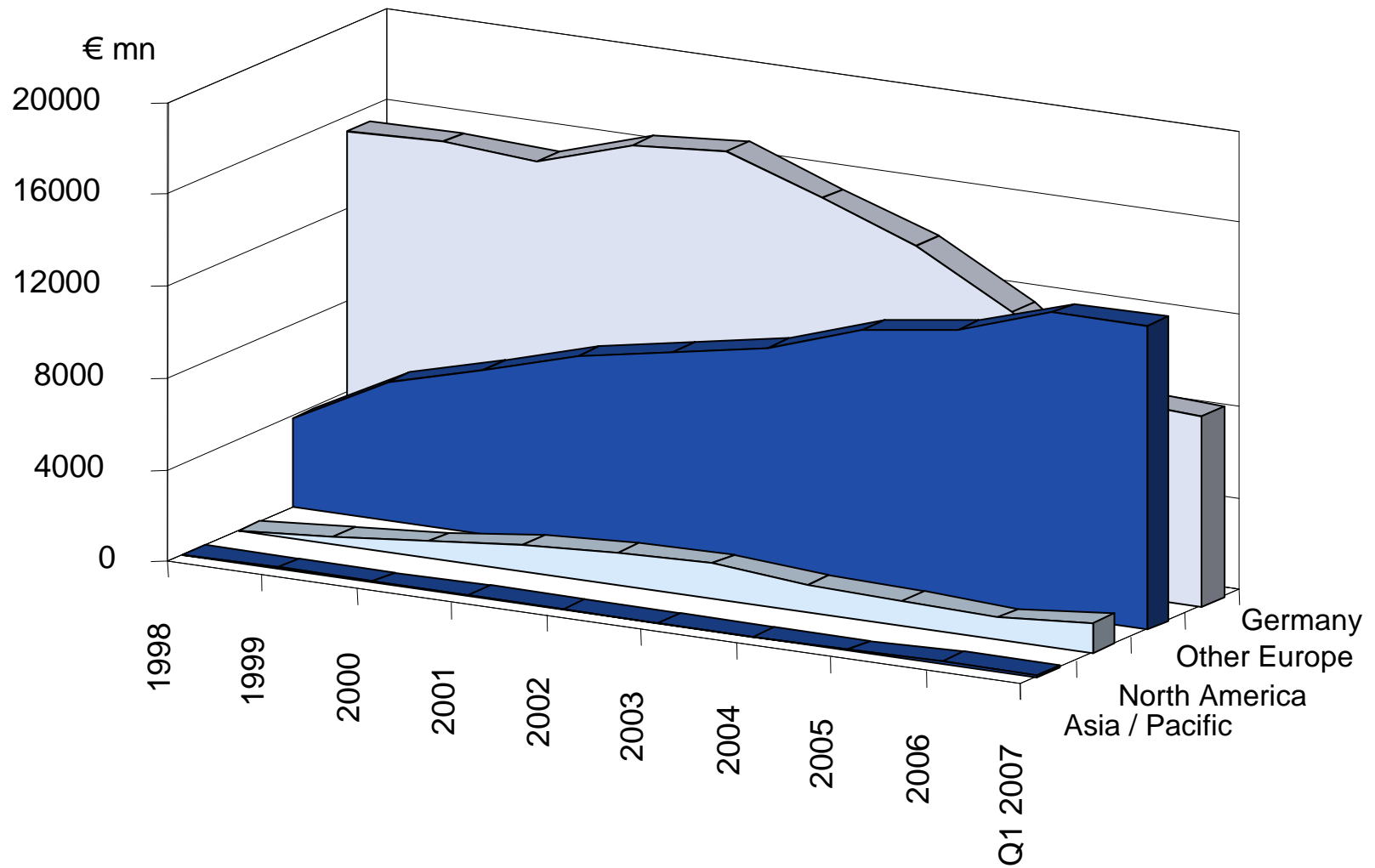


**Portfolio by object type 31.03.2007**  
Total volume : € 23.0 bn





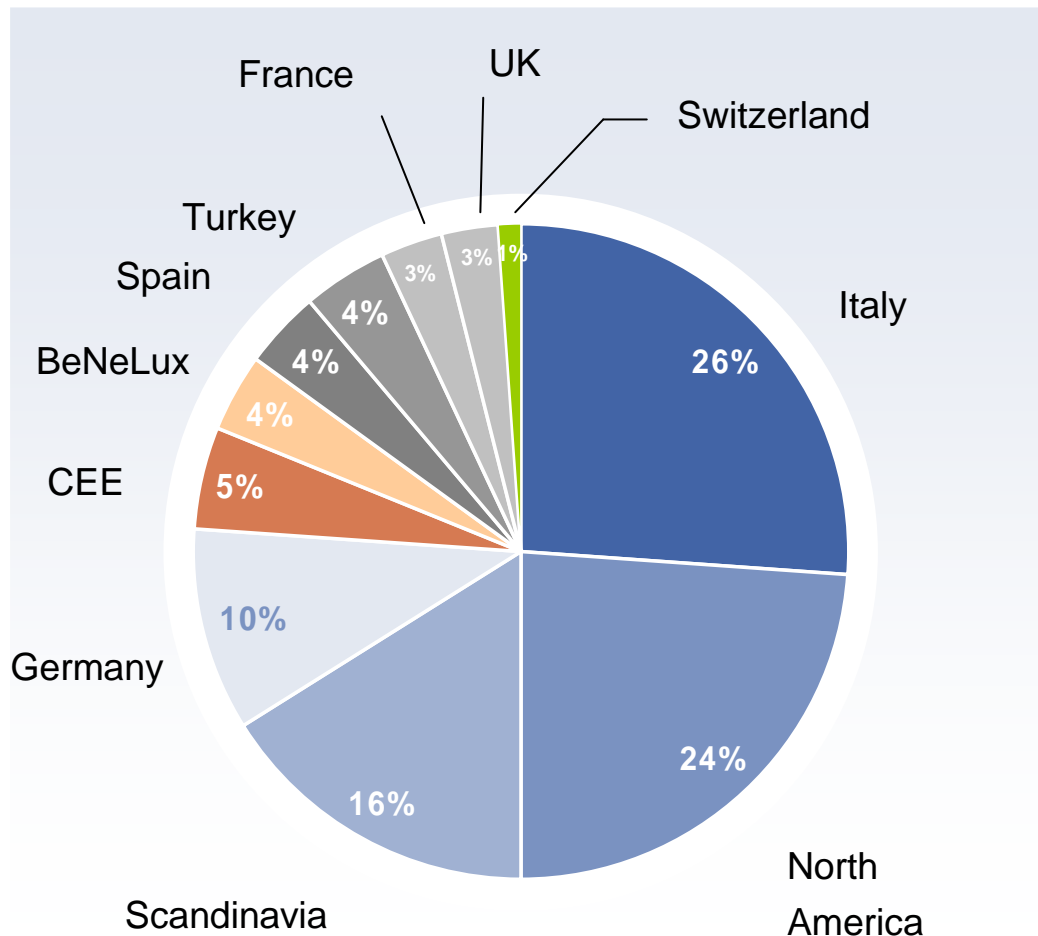
# Development of portfolio by region



**Aareal Bank**

# 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

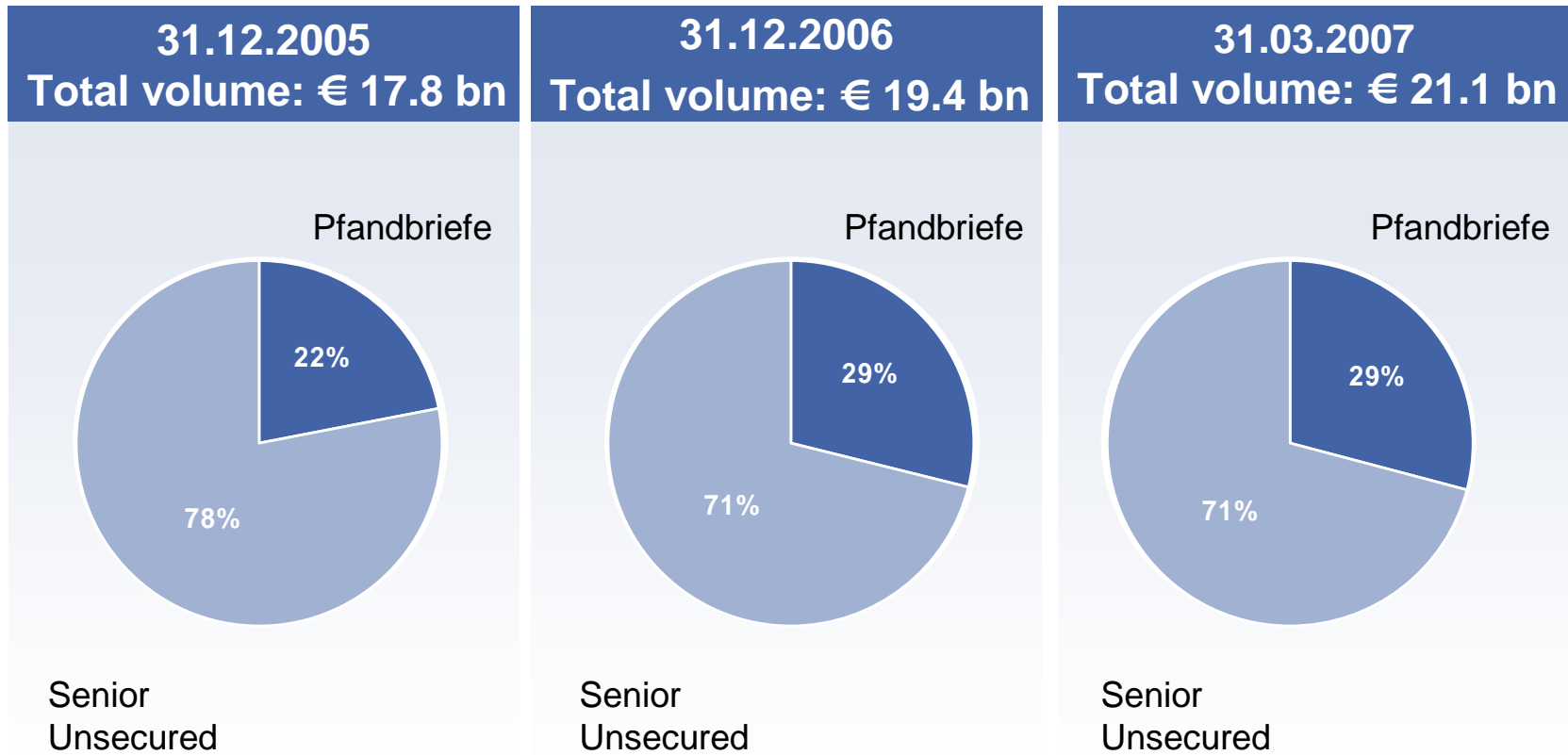
- Expansion US business
- Strengthen presence in Canadian business
- Further market analysis Mexico
- Broaden customer base

### 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

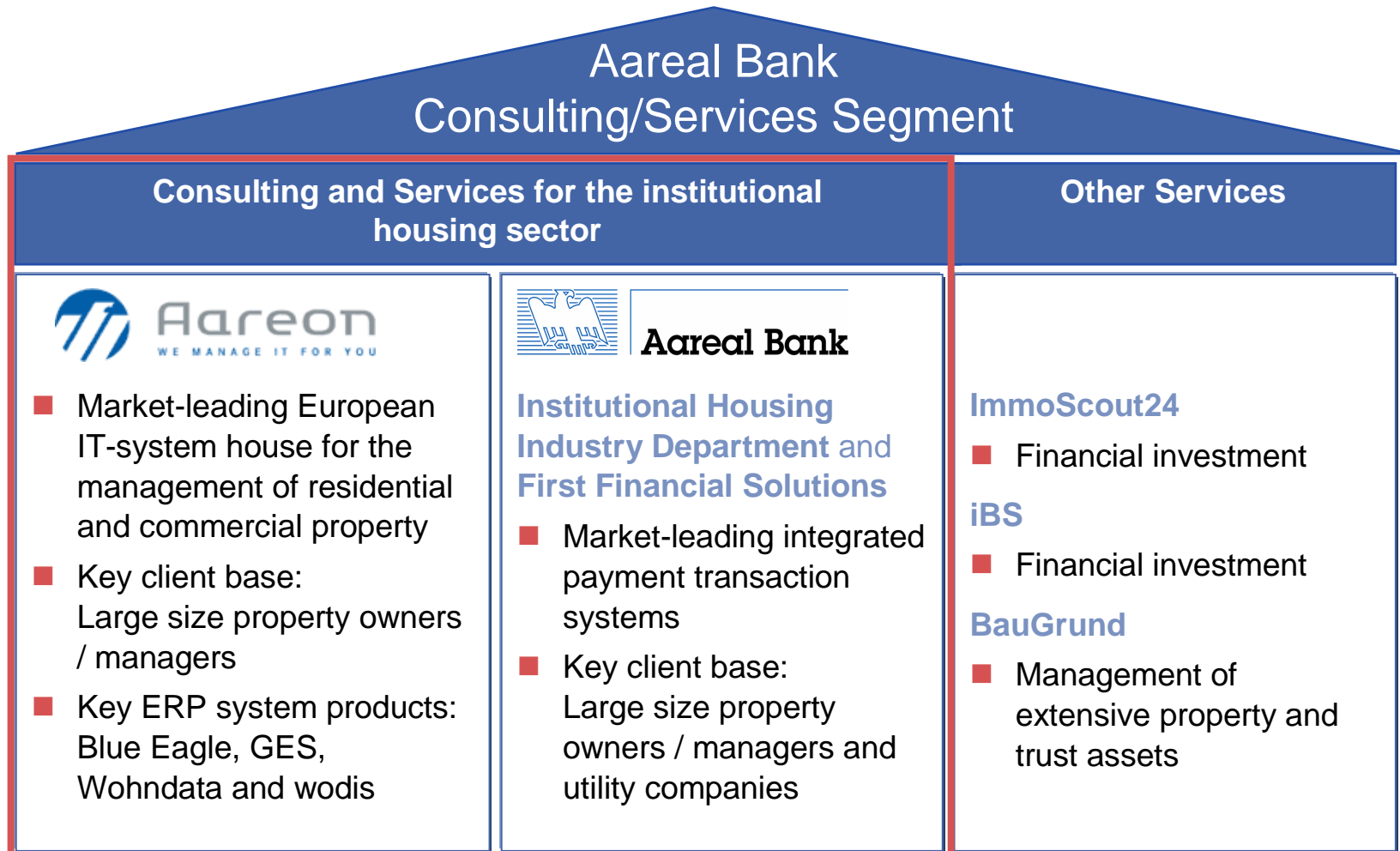


# Consulting/Services

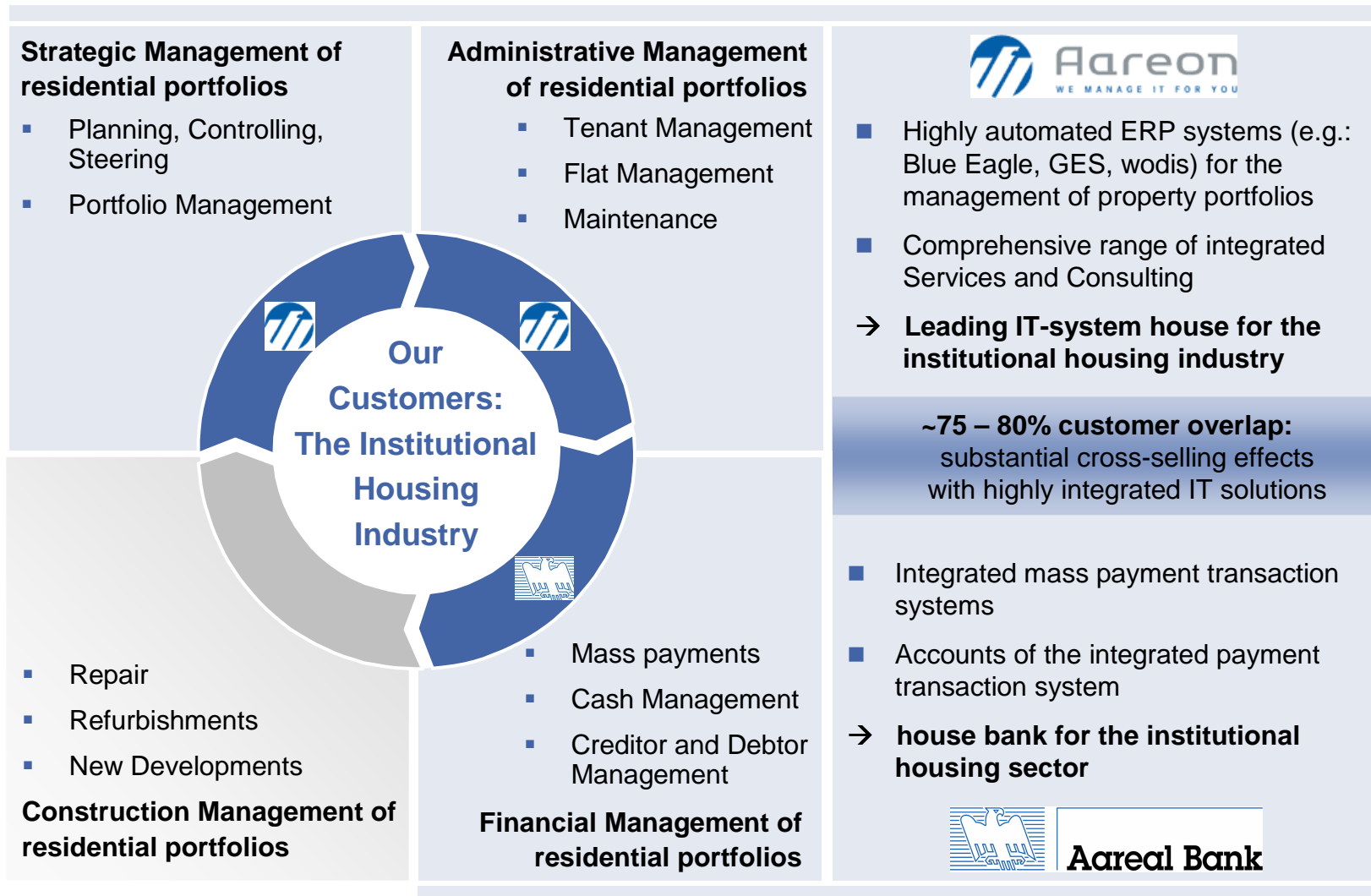


Acreal Bank




# Consulting/Services – major activities



# Services provided to the Institutional Housing Sector



## Institutional housing sector: Integral element of group strategy

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





## Institutional Housing Sector: Breakdown of performance targets

IT-Services business Aareon Group <sup>1)</sup>					Integrated Payment Solutions Institutional Housing department / AFFS <sup>1)</sup>				
	2006	2007p	2008p	2009p		2006	2007p	2008p	2009p
Revenues (€ mn)	178	140 -150 <sup>2)</sup>	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
<b>EBIT (€ mn)</b>	<b>11</b>	<b>10-20</b>	<b>30-40</b>	<b>35-40</b>	<b>Gross result <sup>2)</sup> (€ mn)</b>	<b>1</b>	<b>5-10</b>	<b>10-20</b>	<b>15-20</b>
Head Counts <sup>3)</sup>	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



Acreal Bank

## Group Figures Q1 2007

	Q1 2007	Q1 2006
	€ mn	€ mn
Net interest income	98	98
Net loan loss provisions	22	22
<b>Net interest income after net loan loss provisions</b>	<b>76</b>	<b>76</b>
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
<b>Operating Profit</b>	<b>79</b>	<b>39</b>
Income taxes	23	9
Results from discontinued operations	0	0
<b>Group net income</b>	<b>56</b>	<b>30</b>
<b>Allocation of results</b>		
Minority interest income / loss	5	5
<b>Gains attributable to shareholders of Aareal Bank AG</b>	<b>51</b>	<b>25</b>

- 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



**Aareal Bank**

# 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
<b>Net interest income after net LLP</b>	<b>62</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>10</b>	<b>76</b>	<b>76</b>
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
<b>Operating Profit</b>	<b>72</b>	<b>34</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>39</b>
Income taxes	21	9	2	0			23	9
Results from discontinued operations						0	0	0
<b>Group net income</b>	<b>51</b>	<b>25</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>30</b>
<b>Allocation of results</b>								
Minority interest income / loss	4	4	1	1			5	5
<b>Gains attributable to shareholders of Aareal Bank AG</b>	<b>47</b>	<b>21</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>25</b>
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

20

- 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



**Aareal Bank**

## 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
<b>Tier 1 Ratio</b>	<b>7.2%</b>	<b>7.3%</b>	<b>7.0%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>7.2%</b>
<b>Total capital Ratio</b>	<b>11.9%</b>	<b>12.1%</b>	<b>12.0%</b>	<b>12.2%</b>	<b>12.2%</b>	<b>12.6%</b>

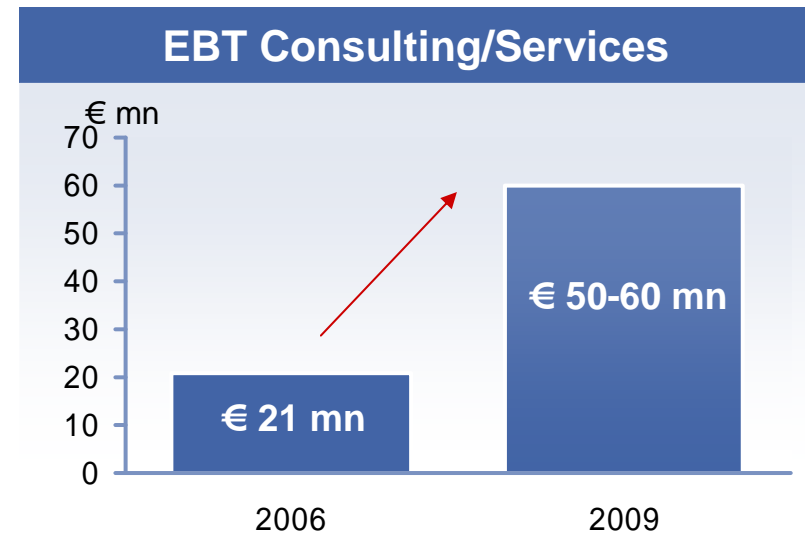
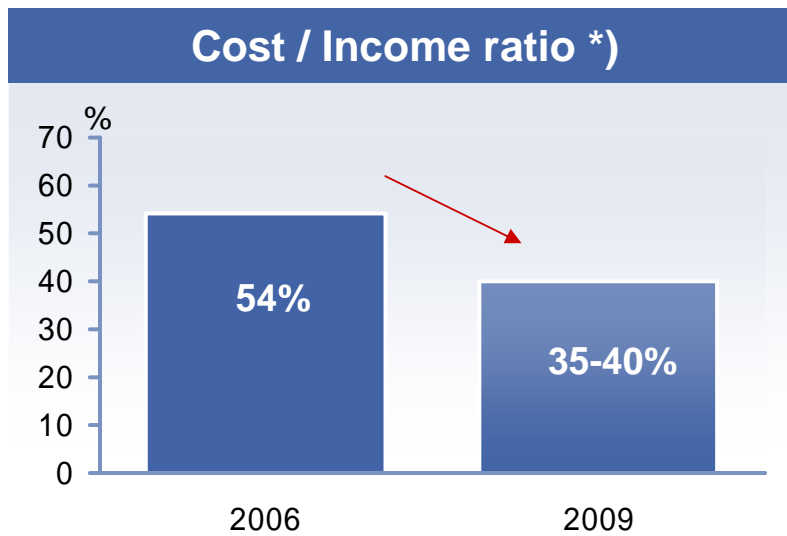
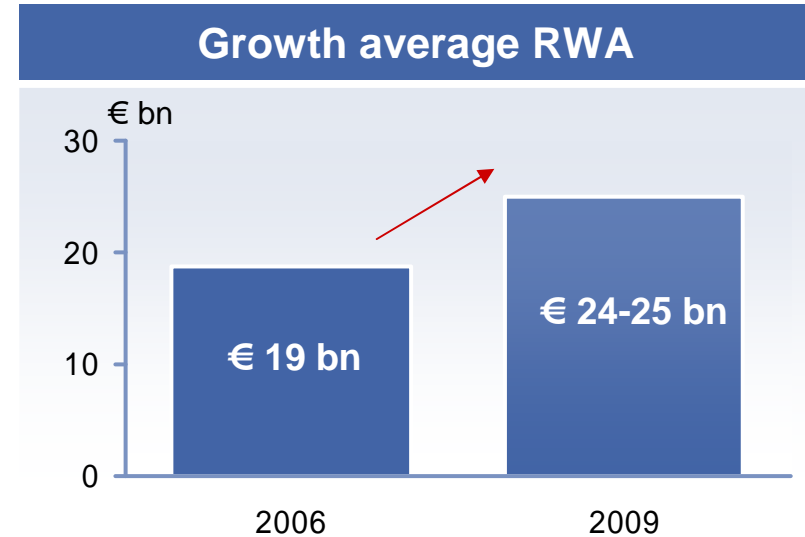
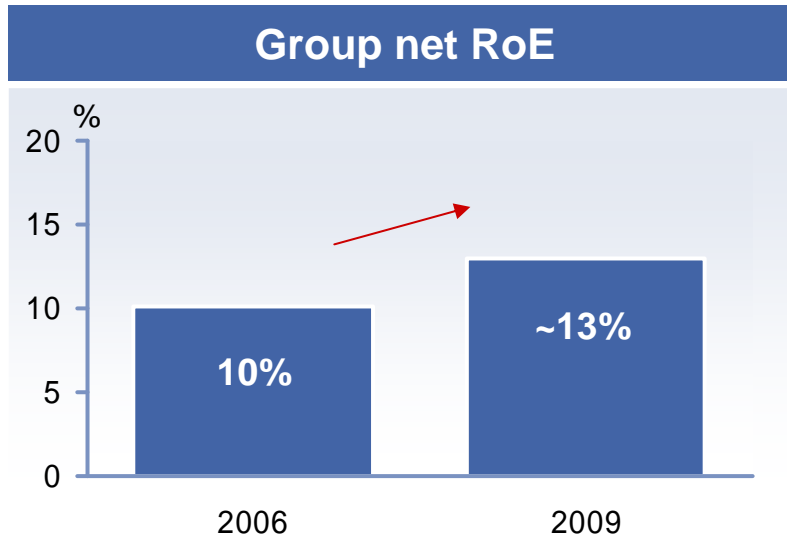


# Targets



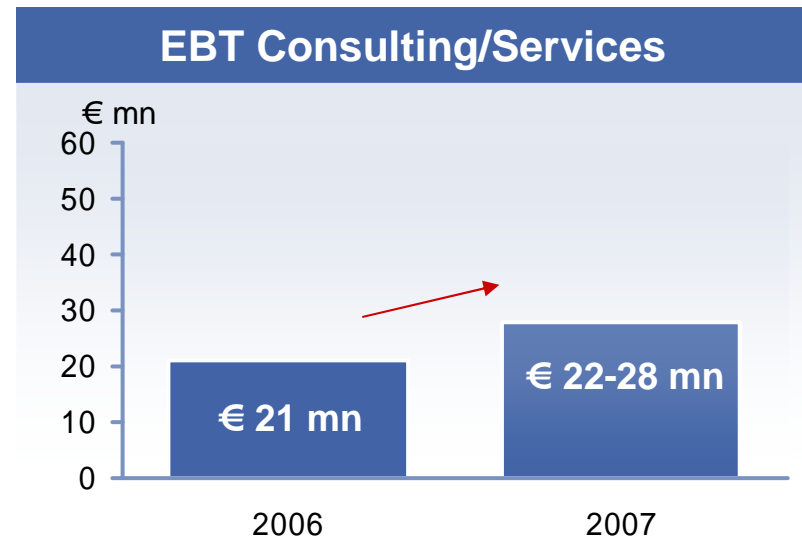
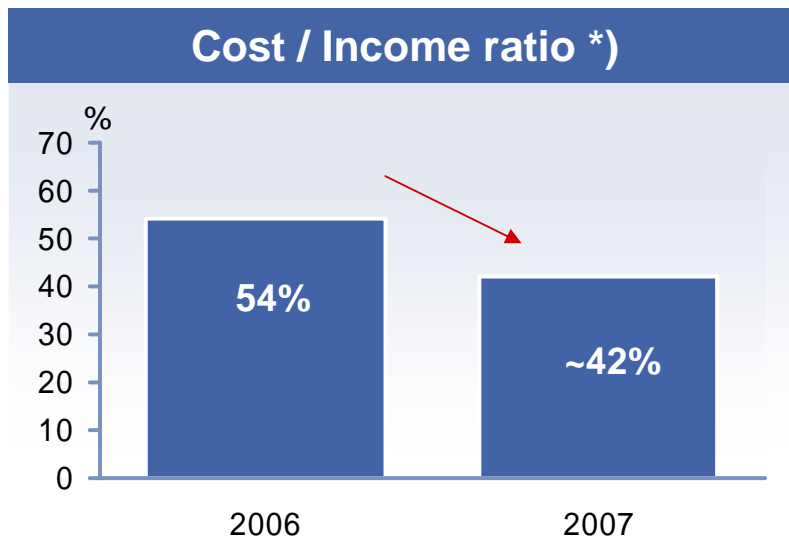
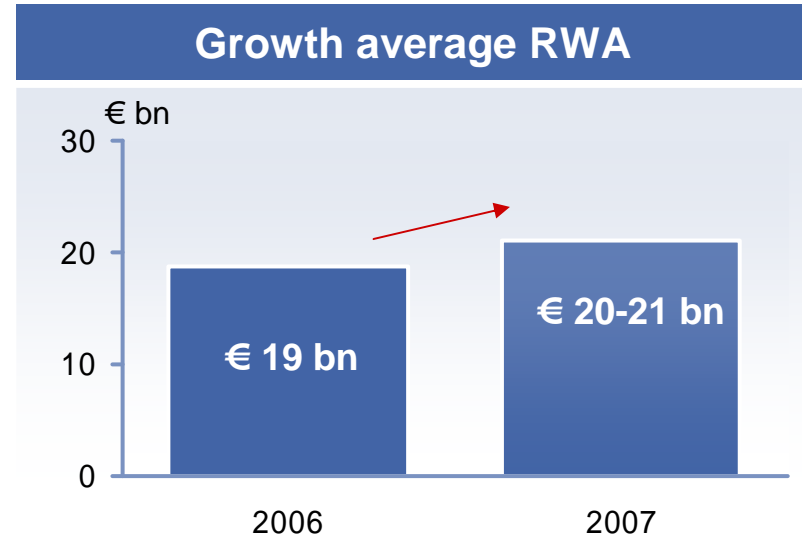
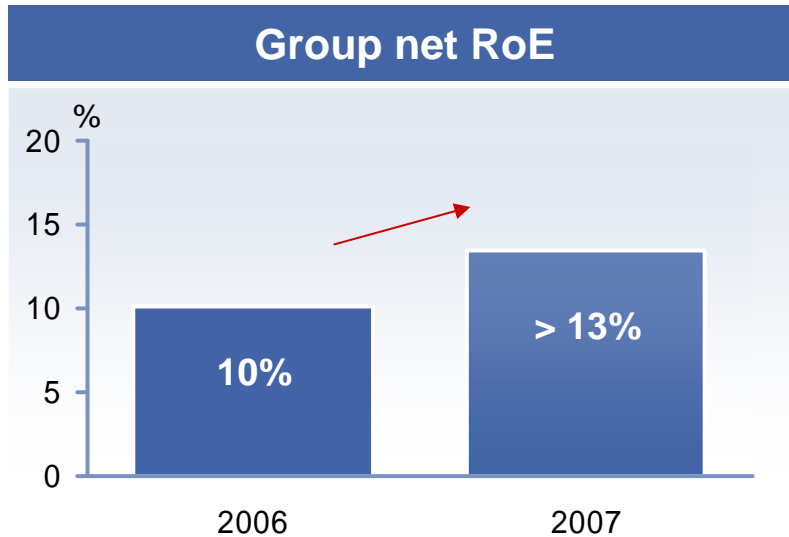
Acreal Bank

# Financial targets 2009: operative performance





# Financial targets: milestones 2007



# Appendix



Acreal Bank

# 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

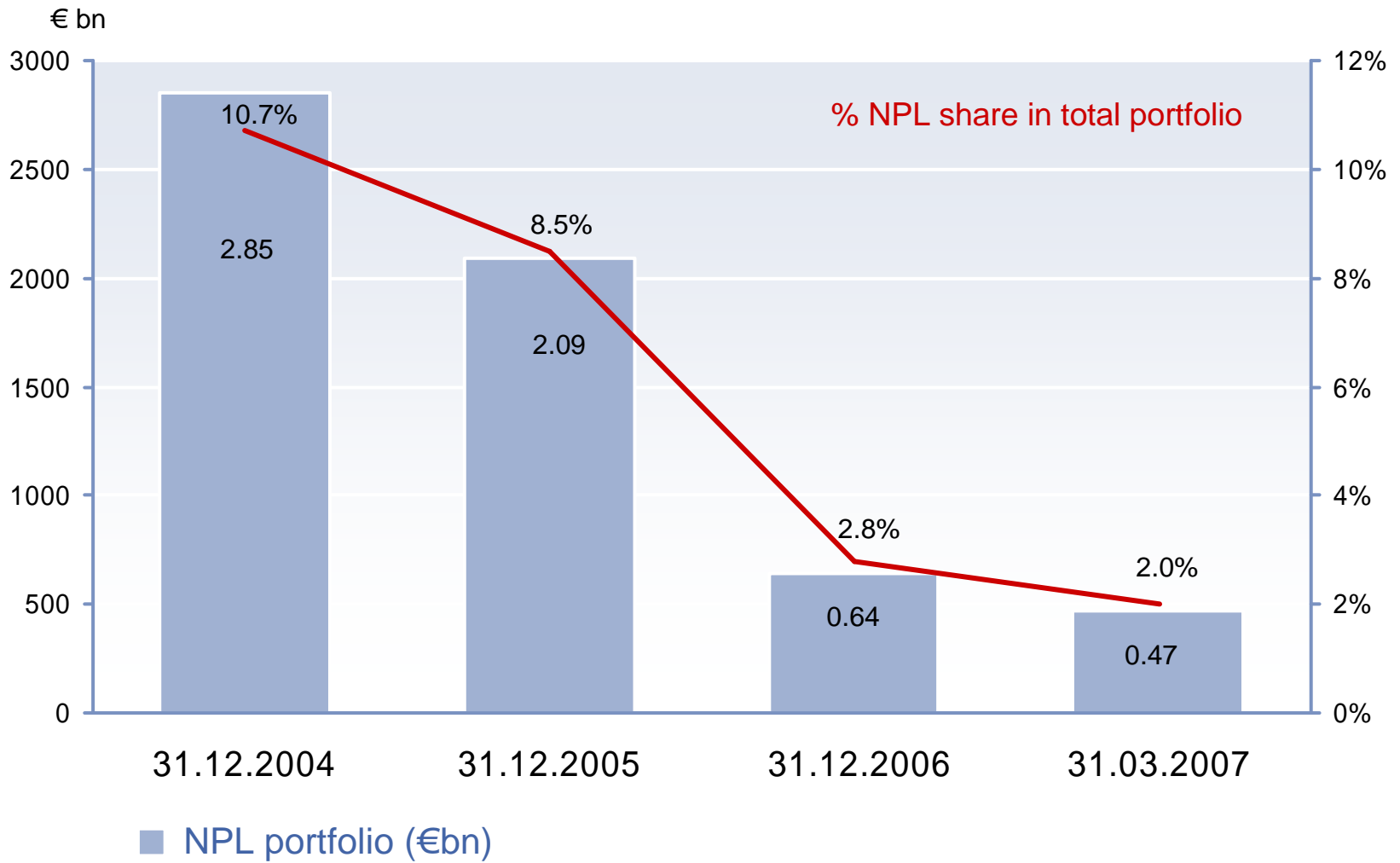
- ✓ Legacy NPL portfolio
- ✓ Aareal Hypotheken Vermittlung
- ✓ Aareal Hypotheken Management
- ✓ Via Capital
- ✓ Aareal Asset Management
- ✓ BauGrund Stadtentwicklung
- ✓ Interhotel properties and SPVs
- ✓ Further foreclosed assets and investment properties
- BauGrund Immobilien-Management und -Service
- 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



Acreal Bank

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



## Contact

- **Christof M. Schörnig (CFO)**  
Member of the Management Board  
Phone: +49 611 348 3591  
[christof.schoernig@aareal-bank.com](mailto:christof.schoernig@aareal-bank.com)
- **Jürgen Junginger (Head of Investor Relations)**  
Managing Director Investor Relations  
Phone: +49 611 348 2636  
[juergen.junginger@aareal-bank.com](mailto:juergen.junginger@aareal-bank.com)
- **Alexandra Beust**  
Senior Manager Investor Relations  
Phone: +49 611 348 3053  
[alexandra.beust@aareal-bank.com](mailto:alexandra.beust@aareal-bank.com)





# 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**