

THE INTERNATIONAL  
PROPERTY SPECIALIST

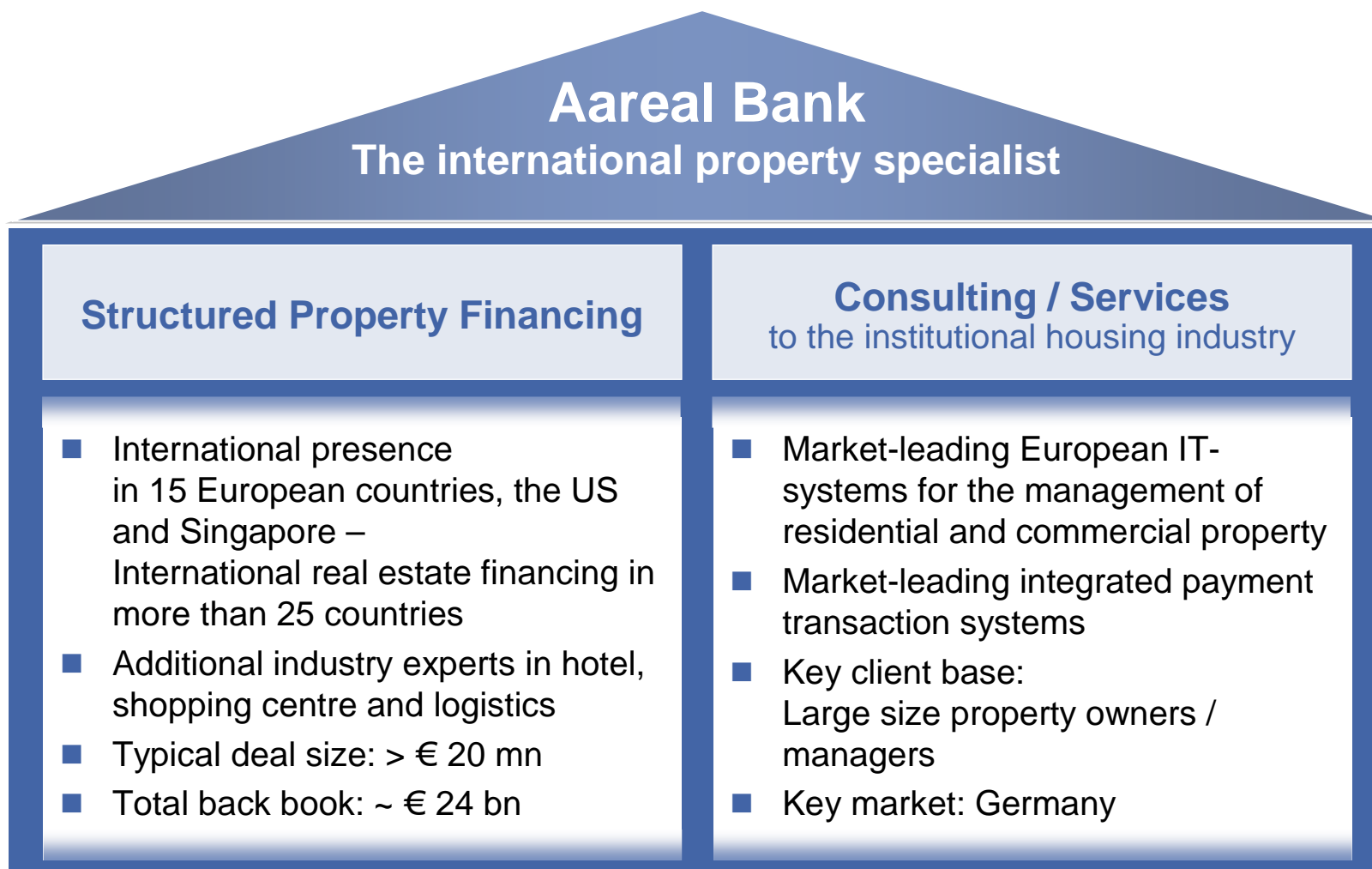
# WestLB Deutschland Conference

Frankfurt am Main,  
15<sup>th</sup> November 2007



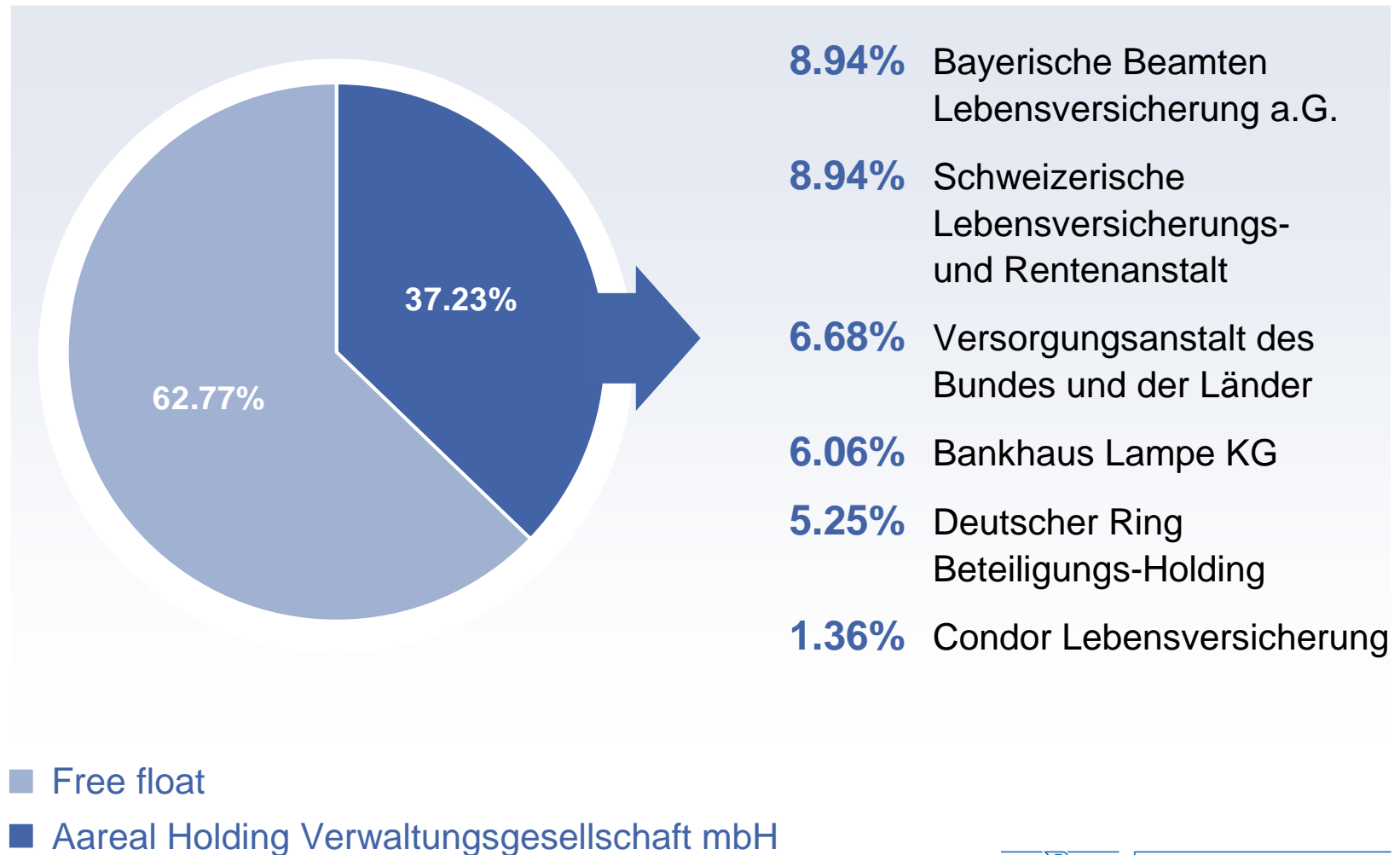
**Aareal Bank**

# Business segments – Major activities



# Shareholder structure

## 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 property financing

- 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

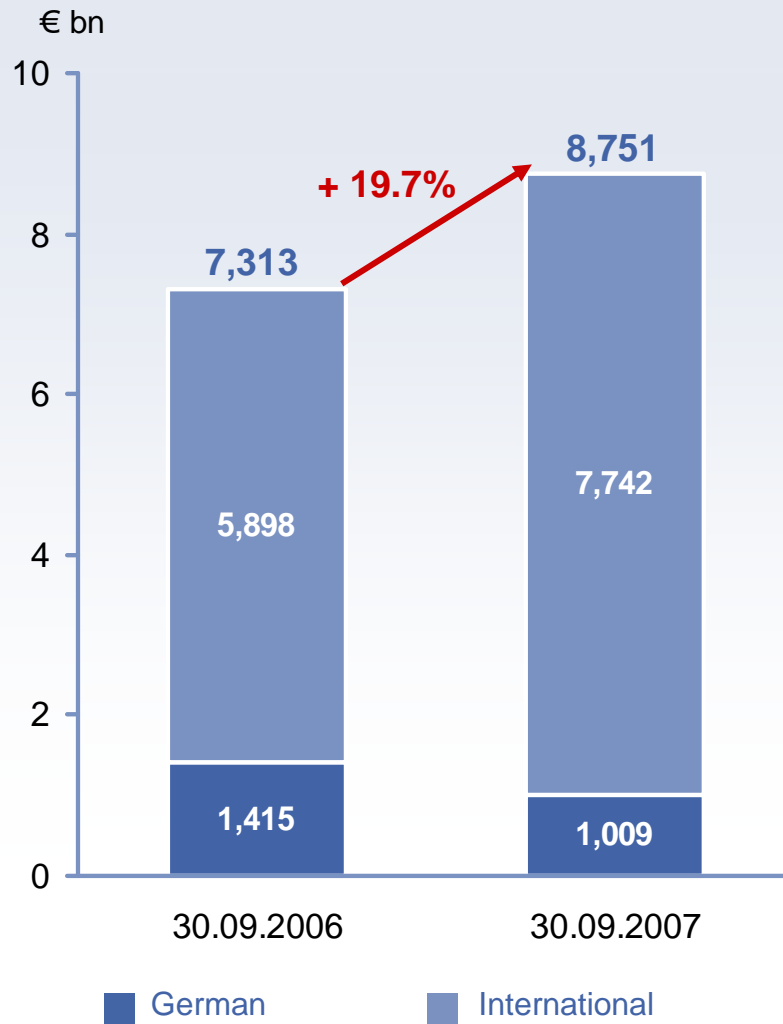
## Network of regional market experts and sector specialists



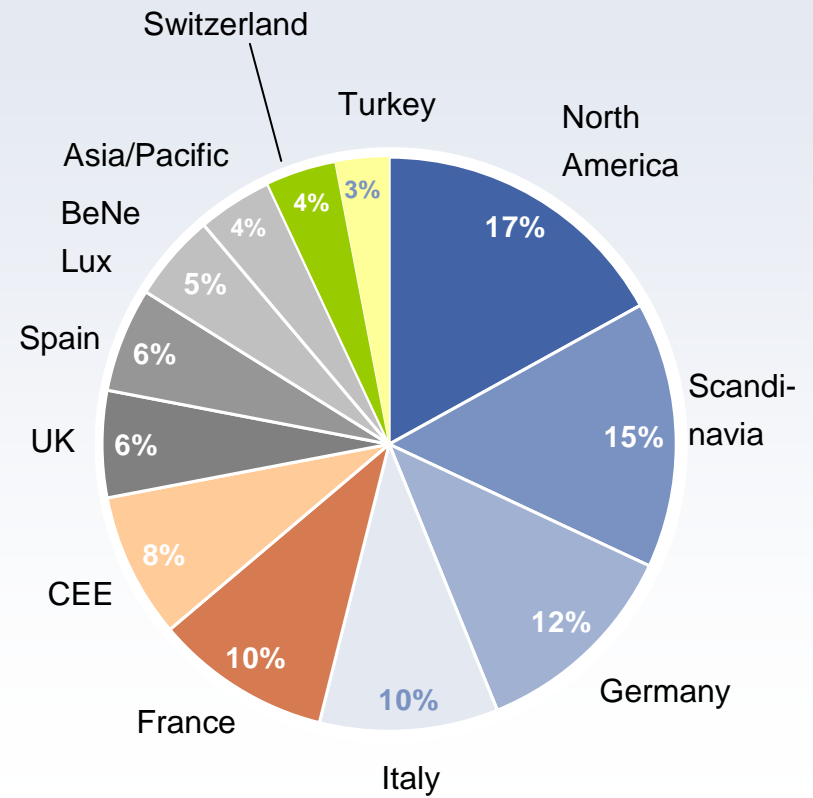


# New business development

## Growth year on year

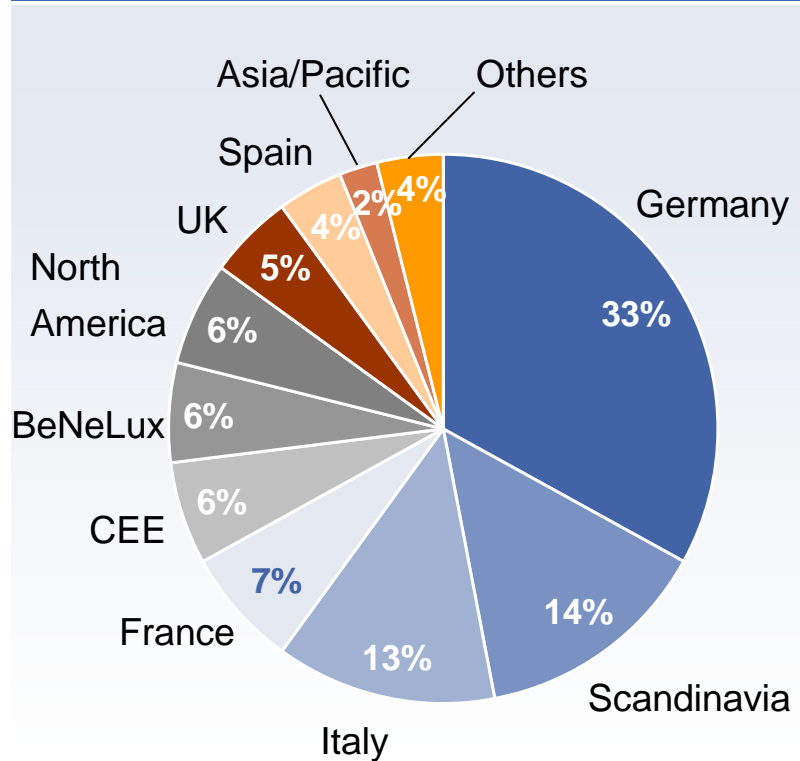


## Diversification by region

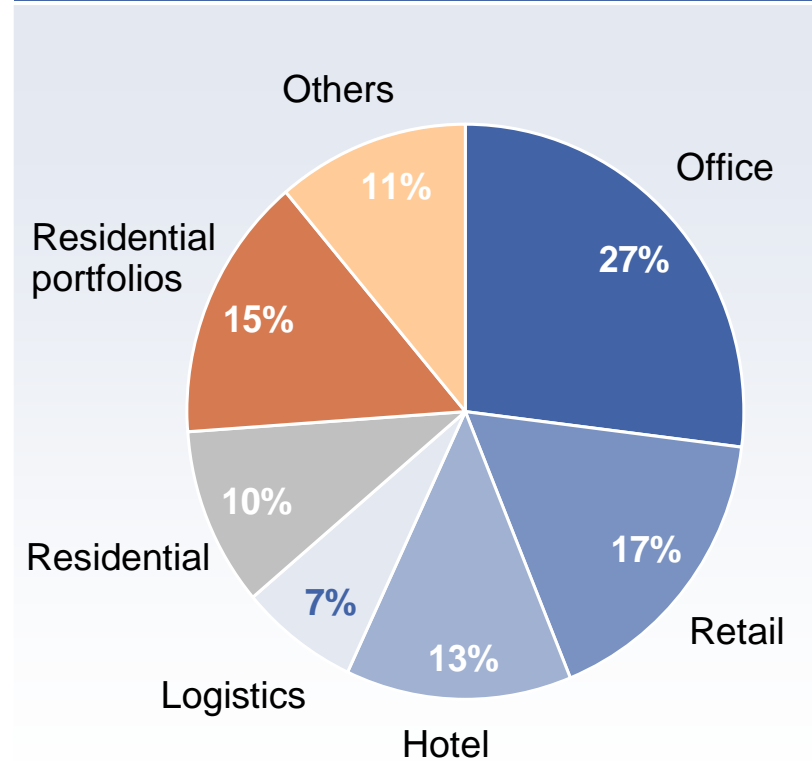


## Portfolio diversification by region and object type

**Portfolio by region 30.09.2007**  
Total volume : € 23.7 bn



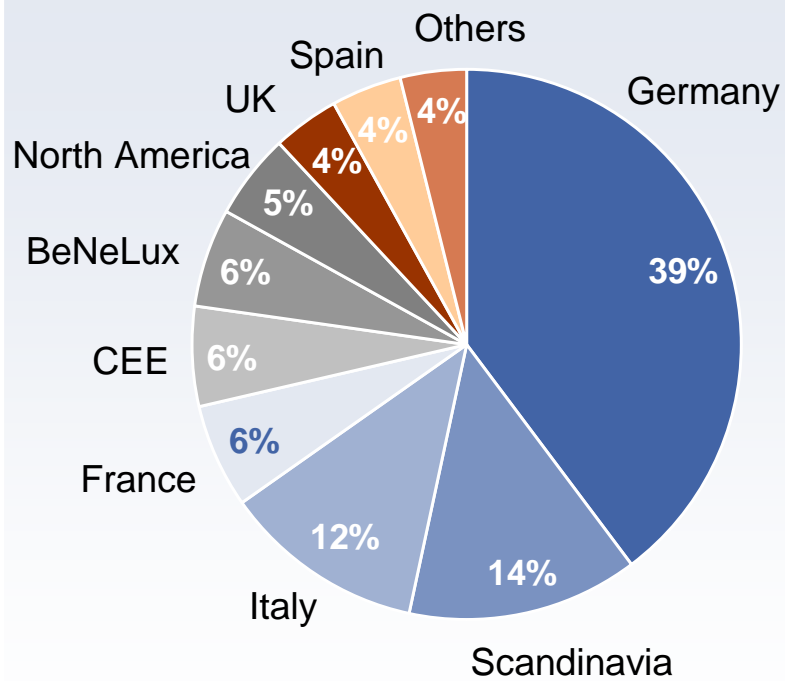
**Portfolio by object type 30.09.2007**  
Total volume : € 23.7 bn



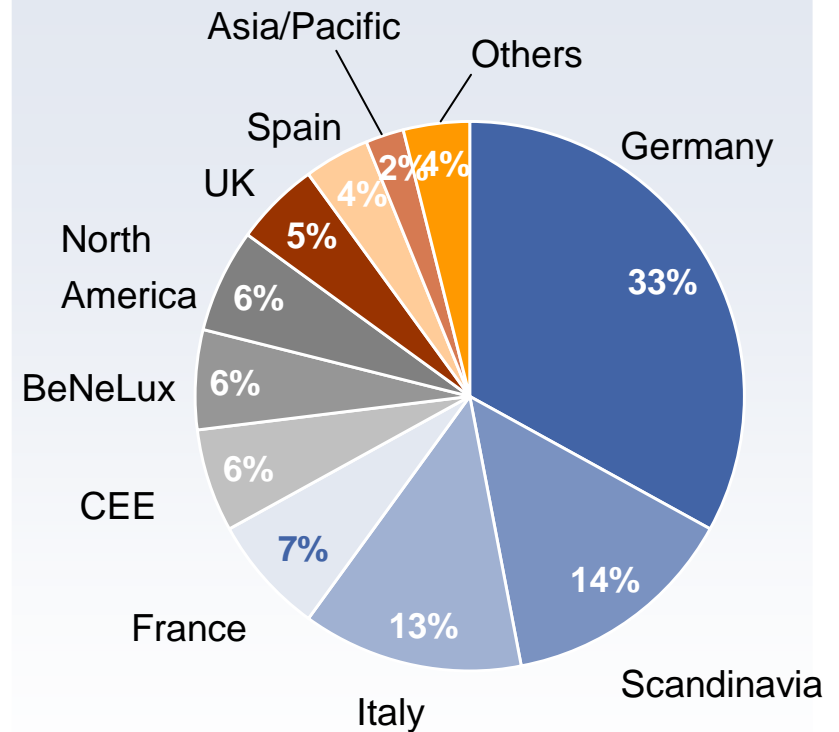


## Development of portfolio diversification by region

**Portfolio by region 30.09.2006**  
**Total volume : € 22.2 bn**

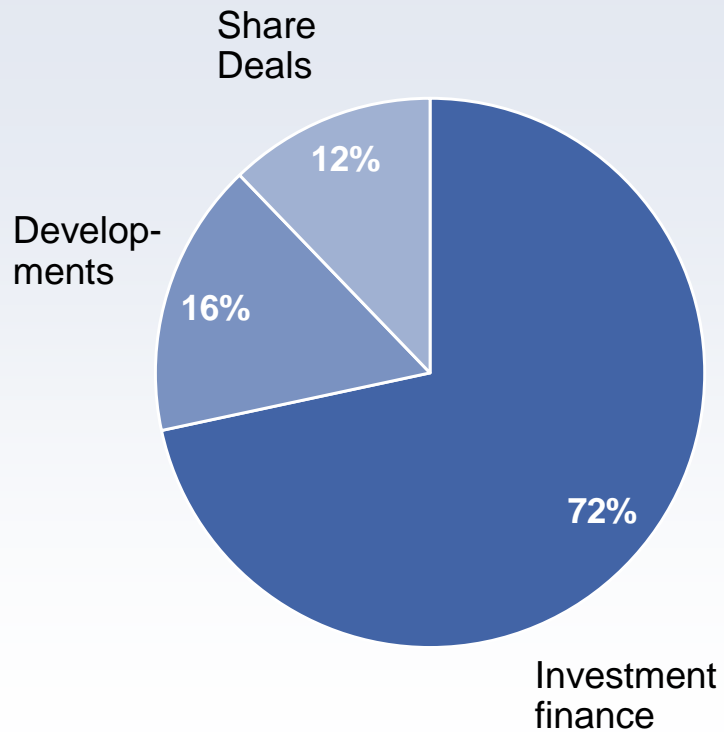


**Portfolio by region 30.09.2007**  
**Total volume : € 23.7 bn**

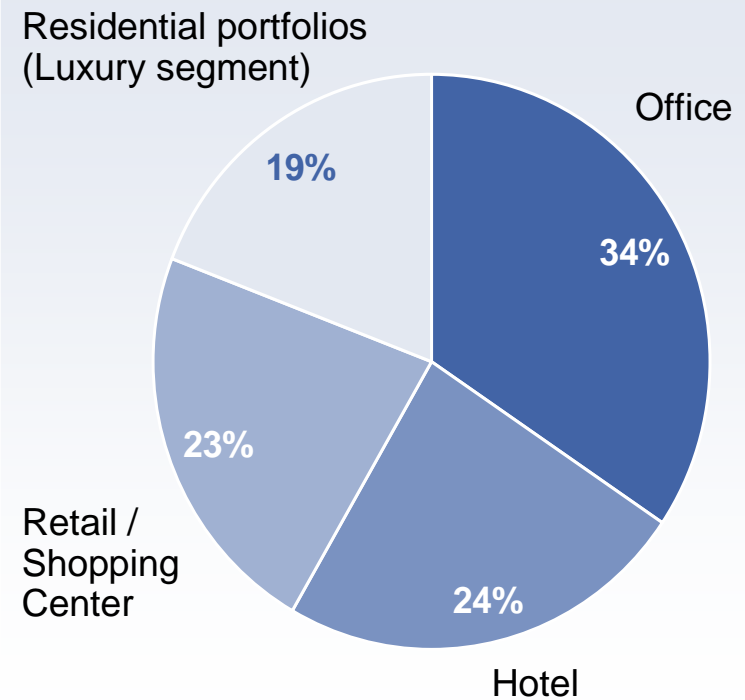


## Aareal US credit portfolio as at 30.09.2007

**Portfolio by product type**  
Total outstanding volume : € 0.95 bn



**Portfolio by object type**  
Total outstanding volume : € 0.95 bn

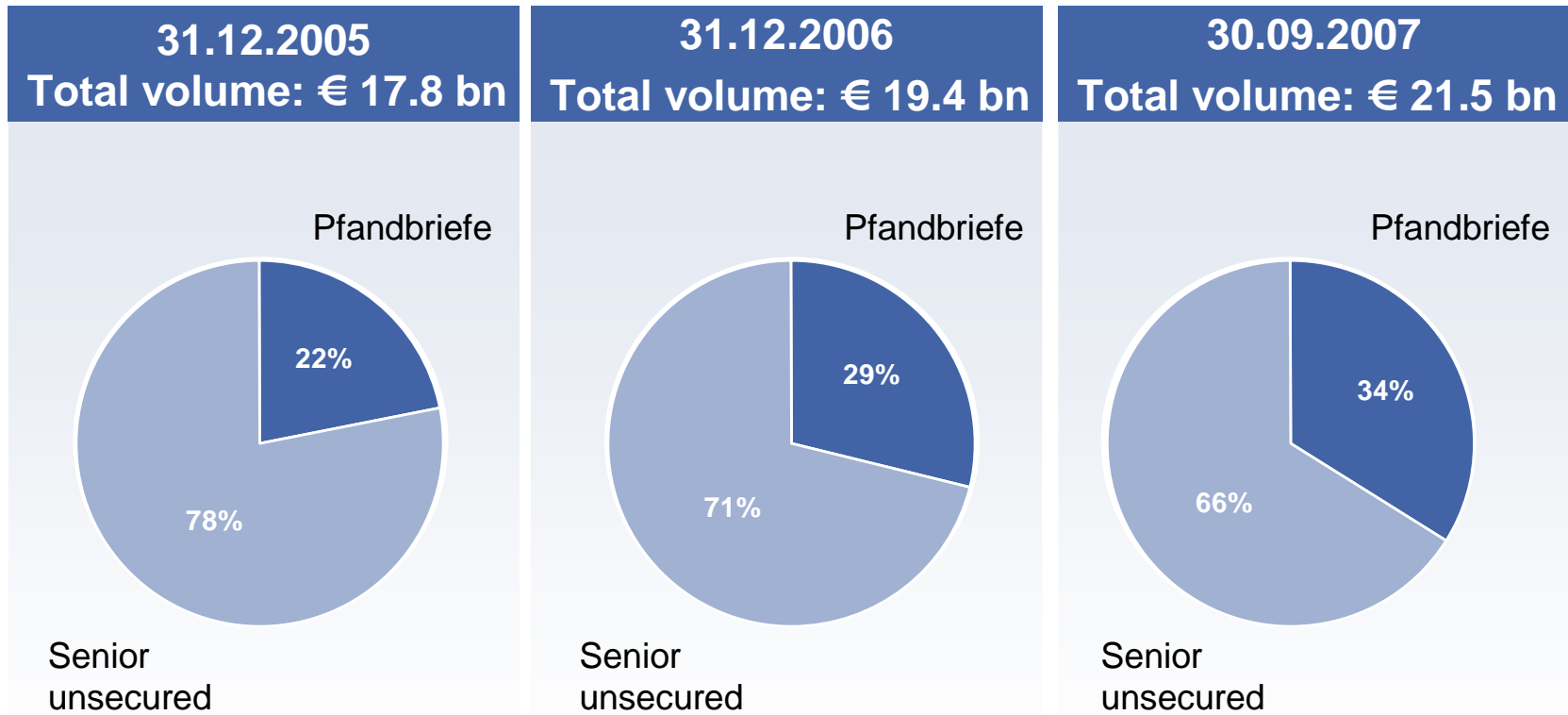


## Special asset classes in current discussions: exposure as at 30.09.2007

Asset Class	Exposure Aareal Bank
US Subprime	<b>None</b>
US RMBS	<b>None</b>
CDOs	<b>None</b>
ABCPs / SIVs	<b>None</b>
Total ABS - of which AAA rated - of which US CMBS	~ € 650 mn ~90% < € 50 mn



## Development of long-term refinancing mix

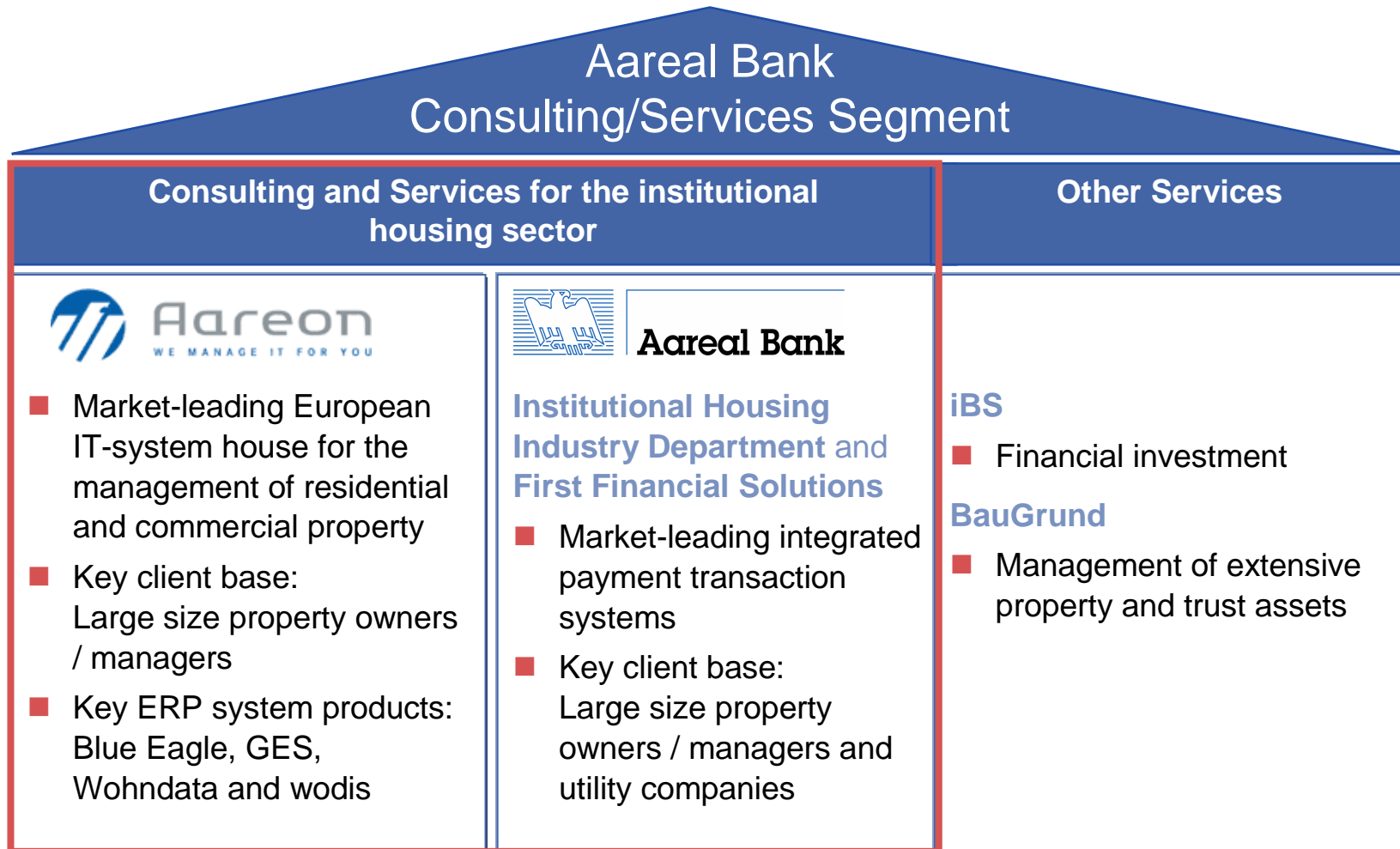


# Consulting/Services



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# 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



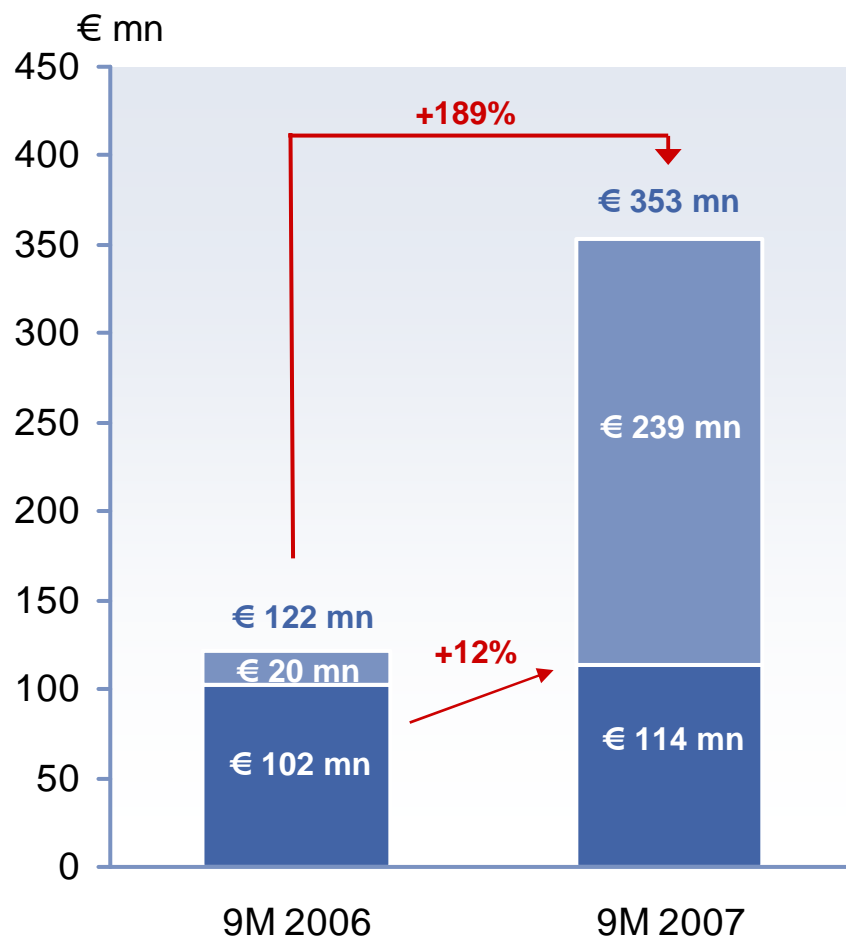
# Facts and Figures



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## Performance

### Profit before tax and special effects



■ Operating profit without one-offs ■ One-off effects

#### ■ One-off effects 9M 2007 (pre-tax) :

- Compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding: **€ 37 mn**
- Further proceeds from sale of Asset Management activities: **€ 6 mn**
- Immoscout dividend: **€ 5 mn**
- Proceeds from Interhotel transaction: **€ 65 mn**
- Proceeds from Immoscout transaction: **€ 153 mn**
- Marked-to-market valuation effect: **€ -15 mn**
- Special expenses (compensation payments, preparation of legacy portfolio sale): **€ -12 mn**

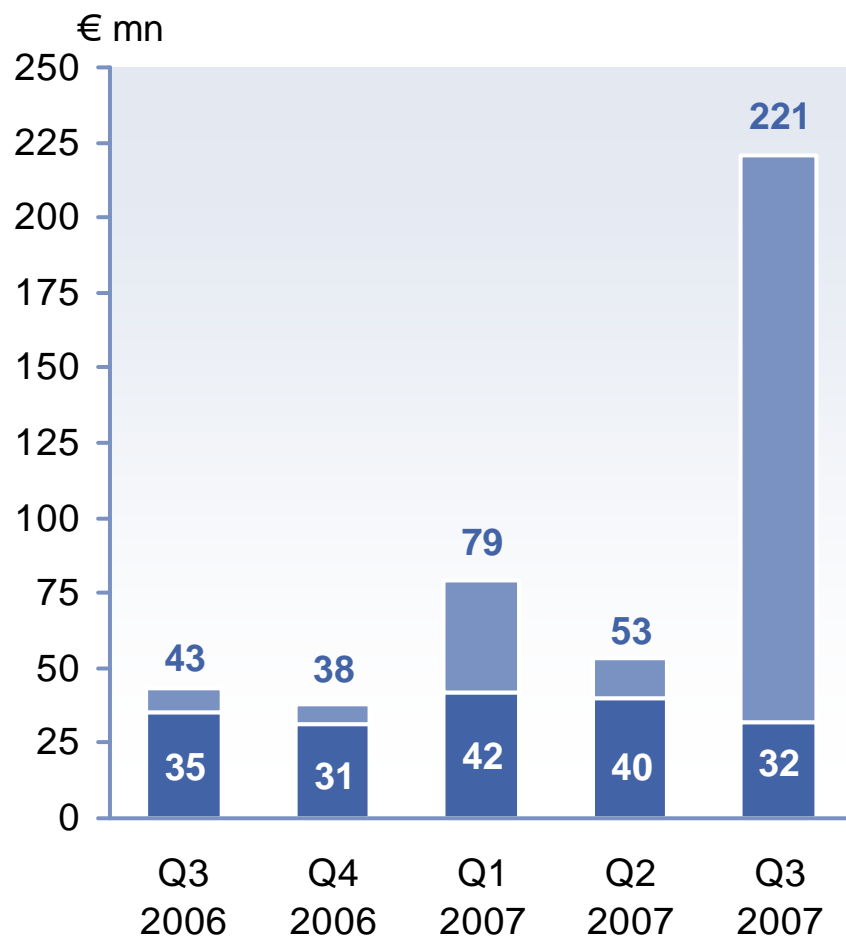
#### ■ One-off effects 9M 2006 (pre-tax) :

- Sale of Aareal Hypotheken Management: **€ 2 mn**
- Immoscout dividend: **€ 3 mn**
- One-off gain from asset sale by the subsidiary DSF: **€ 7 mn**
- Book gain from Techem deal: **€ 11 mn**
- Book gain from Baugrund Stadtentw.: **€ 3 mn**
- Social plan Aareon: **€ -6 mn**



# Performance

## Profit before tax and special effects by quarter



■ Operating profit without one-offs ■ One-off effects

- Pre tax one-off effects Q3 2007:
  - Proceeds from Interhotel transaction: **€ 63 mn**
  - Proceeds from Immoscout transaction: **€ 153 mn**
  - Bond marked-to-market valuation effect: **€ -15 mn**
  - Special expenses (compensation payments, preparation of legacy portfolio sale): **€ -12 mn**
- Pre tax one-off effects Q2 2007:
  - Further proceeds from sale of Asset Management activities: **€ 6 mn**
  - First proceeds from Interhotel transaction: **€ 2 mn**
  - ImmoScout dividend: **€ 5 mn**
- Pre tax one-off effects Q1 2007
  - Compensation payment from DEPFA for a tax refund arising from a tax audit of Interhotel Holding: **€ 37 mn**
- Pre tax one-off effects Q4 2006
  - Book gain from sale of Asset Management activities: **€ 20 mn**
  - Write-down foreclosed assets: **€ 13 mn**
- Pre tax one-off effects Q3 2006
  - Book gain Techem deal: **€ 11 mn**
  - Book gain from Baugrund Stadtentw.: **€ 3 mn**
  - Aareon social plan costs: **€ 6 mn**



# Performance

## Administrative expenses

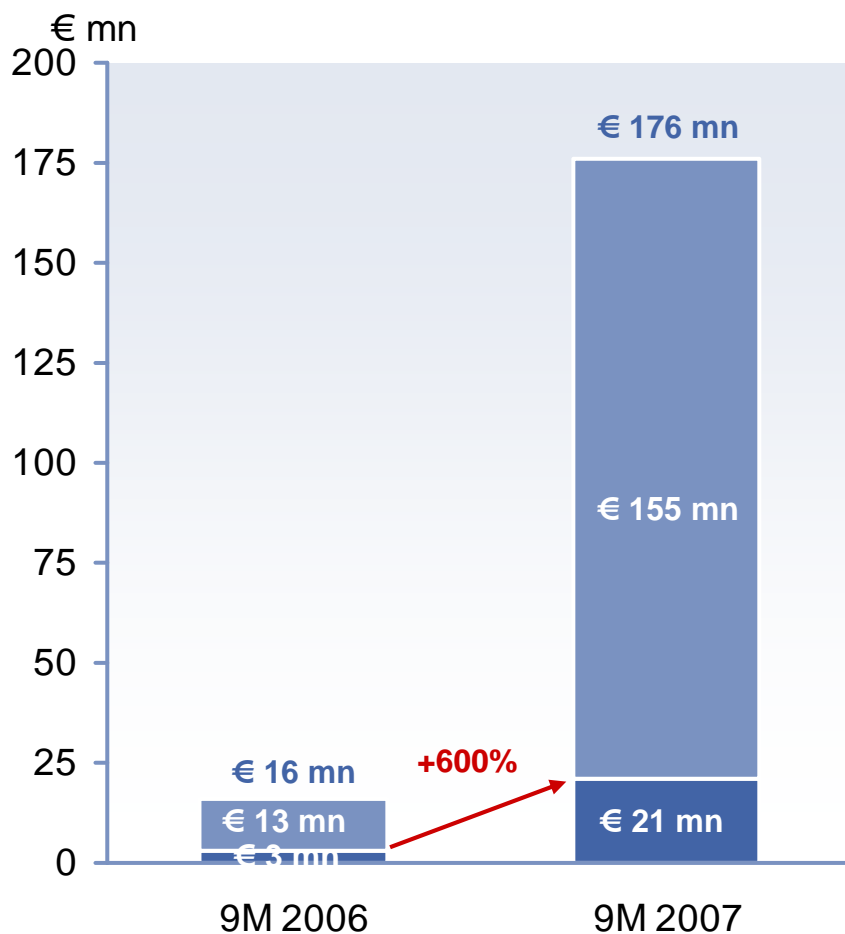


- Nearly stable admin expenses in Aareal Bank Group despite investment into growth and high one-off effects from compensation payments and portfolio sale preparation



## Performance

### Consulting / Services Segment



■ Profit before tax Consulting/Services

#### ■ Segment one-off effects 9M 2007 (pre-tax) :

- ImmoScout dividend: € 5 mn
- Proceeds from ImmoScout transaction: € 153 mn
- Paco sale: € -3 mn

#### ■ Segment one-off effects 9M 2006 (pre-tax) :

- € 2 mn book gain from sale of Aareal Hypotheken Management
- ImmoScout dividend: € 3 mn
- Book gain Techem deal: € 11 mn
- Book gain from sale of Baugrund Stadtentwicklung: € 3 mn
- Aareon social plan costs: € -6 mn



## Group figures 9M 2007

	1.1.-30.09.2007	1.1.-30.09.2006	Change
	€ mn	€ mn	%
Net interest income	302	297	1.7%
Net loan loss provisions	63	66	-4.5%
<b>Net interest income after net loan loss provisions</b>	<b>239</b>	<b>231</b>	<b>3.5%</b>
Net commission income	105	111	-5.4%
Net result on hedge accounting	4	6	-33.3%
Net trading income	-6	6	-
Results from non-trading assets	188	39	382.1%
Results from companies accounted for at equity	68	4	-
Results from investment properties	1	-1	-
Administrative expenses	273	268	1.9%
Net other operating income	27	-6	-
Impairment of goodwill		0	-
<b>Operating Profit</b>	<b>353</b>	<b>122</b>	<b>189.3%</b>
Income taxes	67	35	91.4%
Results from discontinued operations		0	-
<b>Consolidated net income / loss</b>	<b>286</b>	<b>87</b>	<b>228.7%</b>
<b>Allocation of results</b>			
Consolidated net income / loss attributable to minority interests	14	14	0.0%
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>272</b>	<b>73</b>	<b>272.6%</b>



## Segment reporting 9M 2007

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	30. Sep 2007	30. Sep 2006	30. Sep 2007	30. Sep 2006	30. Sep 2007	30. Sep 2006	30. Sep 2007	30. Sep 2006
Net interest income	256	262	0	0	46	35	302	297
Provision for loan losses	63	66					63	66
<b>Net interest income after net loan loss provisions</b>	<b>193</b>	<b>196</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>35</b>	<b>239</b>	<b>231</b>
Net commission income	20	30	133	120	-48	-39	105	111
Net result on hedge accounting	4	6					4	6
Net trading income / expenses	-6	6					-6	6
Results from non-trading assets	34	23	154	16			188	39
Results from companies accounted for at equity	63	1	5	3			68	4
Results from investment properties	1	-1					1	-1
Administrative expenses	164	146	112	127	-3	-5	273	268
Net other operating income / expenses	32	-9	-4	4	-1	-1	27	-6
Impairment of goodwill				0				0
<b>Operating profit</b>	<b>177</b>	<b>106</b>	<b>176</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>353</b>	<b>122</b>
Income taxes	58	30	9	5		0	67	35
Results from discontinued operations						0		0
<b>Consolidated net income / loss</b>	<b>119</b>	<b>76</b>	<b>167</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>286</b>	<b>87</b>
<b>Allocation of results</b>								
Consolidated net income / loss attributable to minority interests	12	12	2	2			14	14
<b>Consolidated net income / loss attributable to shareholders of Aareal Bank AG</b>	<b>107</b>	<b>64</b>	<b>165</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>272</b>	<b>73</b>
Allocated equity	844	744	73	90	237	133	1,154	967
Cost/income ratio in %	45.3	54.5	41.0	89.8			43.4	64.1
RoE after taxes in %	16.8	11.5	301.5	13.2			31.4	10.0

23

- Structured Property Financing:  
Other operating income: € 68 mn  
Other operating expenses: € 36 mn

- Consulting/Services:  
Other operating income: € 6 mn  
Other operating expenses: € 10 mn



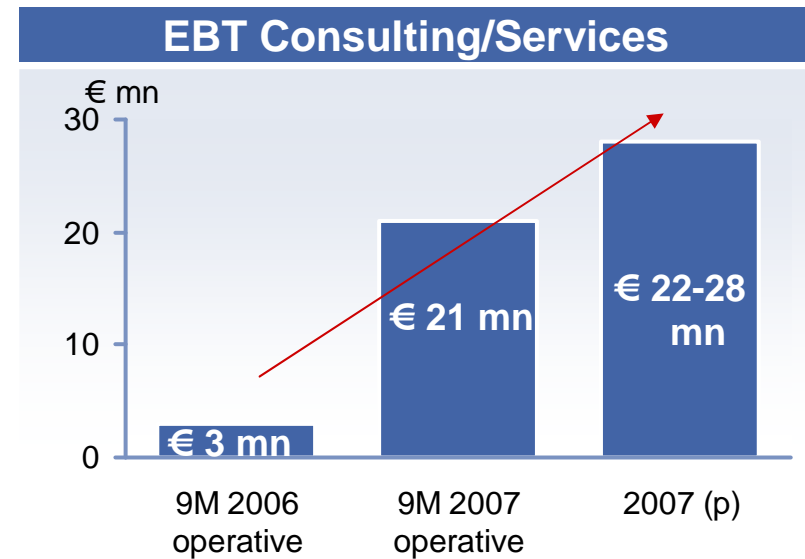
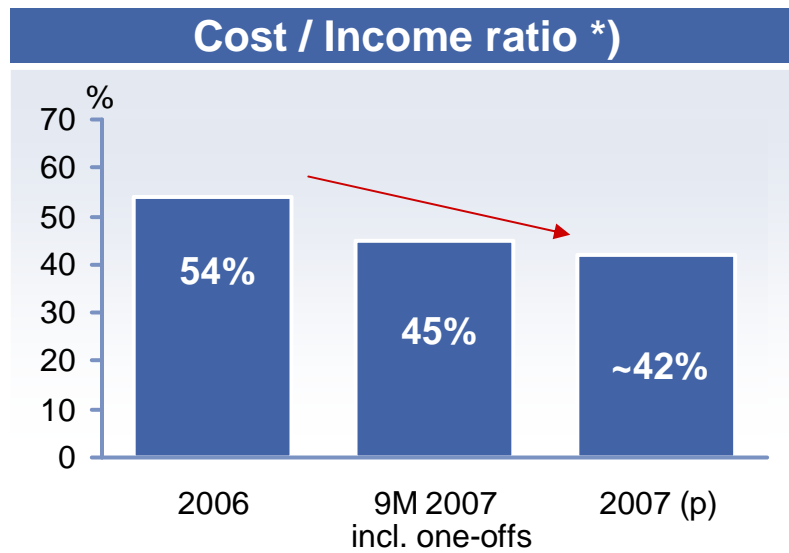
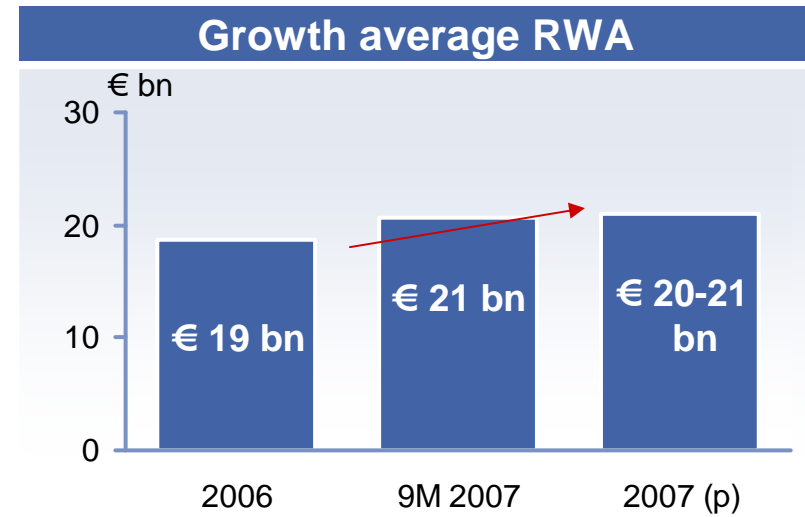
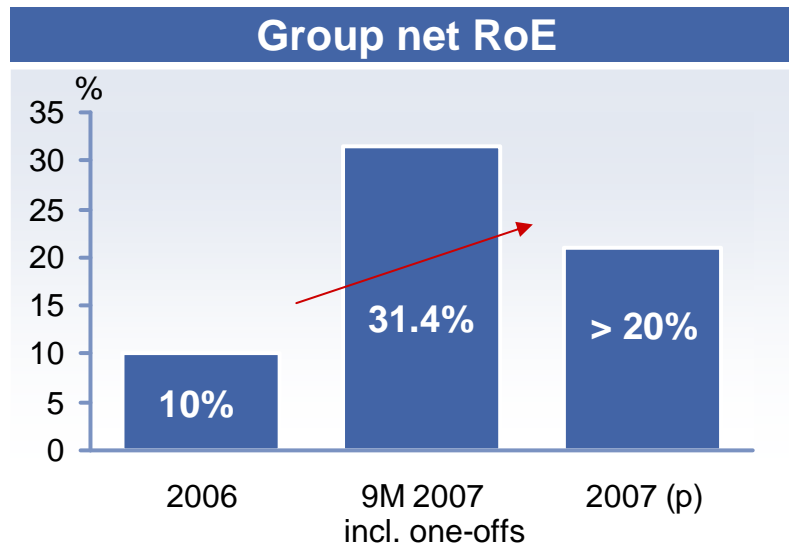
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# Targets



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# Financial targets: milestones 2007



\*) Structured Property Financing segment





# 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 17 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
  - Incl. 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





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