



Press Release

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Aareal Bank Group posts a good start into the 2010 financial year

- **First-quarter consolidated operating profit rises to € 30 million (Q1 2009: € 24 million)**
- **Allowance for credit losses of € 32 million remains at a manageable level**
- **New Structured Property Financing business increased to € 1.3 billion**
- **Consulting / Services segment continues to show robust business development – deposit volumes from the Institutional Housing Unit remain stable**
- **Outlook for the full year 2010 affirmed**

Wiesbaden, 11 May 2010 – Aareal Bank Group posted a marked increase in results for the first quarter of the 2010 financial year, in spite of the continued challenging market environment for the global property sector. Consolidated operating profit of € 30 million exceeded the results of both the previous quarter (€ 23 million) and of the first quarter of 2009 (€24 million). Aareal Bank thus achieved a positive and satisfactory result, despite the difficult market conditions. Once again, both of the Group's segments contributed to this result.

Dr Wolf Schumacher, Chairman of Management Board, commented on Aareal Bank's first-quarter results: "We have made a successful start into the 2010 financial year, in line with our projections. We continue to keep our risk exposure firmly under control, prudently exploiting opportunities for attractive new business. We benefit from having weathered the crisis well so far, and from our flexibility to act – both strategically and in operative terms. Despite remaining cautious, in view of all the challenges the current market environment still presents to property banks, in principle we are optimistic for the remainder of the year."

Structured Property Financing segment: slight increase in net interest income

Aareal Bank Group believes that its approach of pursuing a sustainable and prudent business policy in the Structured Property Financing segment over the course of the first quarter has once again been confirmed. During the period, Aareal Bank continued to concentrate its business in this segment on the funding requirements of its existing client base; in addition, the bank financed selected new investment projects for target clients. The bank increased its new business in the first quarter to € 1.3 billion compared with € 0.5 billion for the first quarter of the previous year.

At € 106 million, net interest income was higher than in the previous quarter, and also higher than in the same period of the previous year (€ 103 million and € 105 million, respectively). Lower income, as a consequence of the decline in the property financing portfolio (compared with the same period of the previous year) was more than compensated for by higher margins from the lending business and a reduction in the – still comfortable – liquidity reserve.

Allowance for credit losses for the first quarter of 2010 of € 32 million (Q1 2009: € 37 million) remained manageable and within a normal fluctuation range.

At € 24 million, the segment's operating profit was slightly higher than in the same quarter of the previous year (€ 23 million).

Consulting/Services segment: robust business development

Despite the unfavourable interest rate environment, which continued to burden Aareal Bank's deposit-taking business, the Consulting / Services segment showed robust development during the first quarter of 2010. Consolidated operating profit amounted to € 6 million, compared to € 1 million in the previous year. The volume of deposits from the Institutional Housing Unit remained stable, averaging € 3.9 billion during the period under review. This once again reflects the high level of confidence that German institutional housing industry clients place in Aareal Bank as their reliable banking partner.

The business activities of the IT subsidiary Aareon corresponded to seasonal expectations: business levels were thus within the target corridor. The new Wodis Sigma product line developed particularly well during the new financial year to date. In the first quarter alone, 35 contracts for the new product generation were signed.

Capitalisation and funding: solid and stable overall

Aareal Bank Group continues to have a solid funding base and remains well-capitalised. As at 31 March 2010, the Tier 1 ratio measured in accordance with the Credit Risk Standard Approach (CRSA) was 11.2 %, which is high by international standards.

Aareal Bank Group also successfully carried out its funding activities as planned during the first quarter of this year. It raised a total of nearly € 1.2 billion in long-

term funds on the capital market via private and public transactions. This included mortgage bonds with a total volume of nearly € 800 million as well as unsecured funding totalling just under € 400 million. Particularly notable was the successful public placement of a € 500 million 5-year mortgage bond in January of this year.

Notes to Group financial performance

With net interest income of € 117 million for the first three months of the financial year, Aareal Bank Group is back in line with the first quarter of 2009 (€ 117 million) after slight declines in the preceding quarters. Lower income as a consequence of the decline in the property financing portfolio was more than compensated for by higher margins from the lending business and a reduction in the – still comfortable – liquidity reserve. The margin from the deposit-taking business in the Institutional Housing Unit is down slightly compared with the same quarter of the previous year, due to the prevailing low interest rate levels.

Considering the allowance for credit losses of € 32 million, net interest income after allowance for credit losses amounted to € 85 million (Q1 2009: € 80 million).

In contrast to the previous year, net commission income of € 30 million (Q1 2009: € 36 million) reflected € 5 million in running costs for the guarantee facility extended by SoFFin. Adjusted for this effect, net commission income was virtually unchanged year-on-year.

The net trading income/expenses figure of € 6 million (Q1 2009: € 18 million) was largely attributable to the valuation of derivatives used to hedge interest rate and currency risk. There were no charges from the net results from investment securities (Q1 2009: € -17 million).

At € 91 million, administrative expenses were down from last year's level (Q1 2009: € 94 million).

Net other operating income and expenses amounted to € -2 million (Q1 2009: € 0).

Consolidated operating profit for the first three months of 2010 totalled € 30 million (Q1 2009: € 24 million). Taking into consideration taxes of € 9 million and non-controlling interest income of € 5 million, net income attributable to shareholders of Aareal Bank AG amounted to € 16 million (Q1 2009: € 12 million). After deduction of the net interest payable on the SoFFin silent participation, consolidated net income stood at € 8 million (Q1 2009: € 12 million).

Outlook: 2010 remains challenging – Aareal Bank is well-positioned to sustainably strengthen its market position

2010 will not be any less challenging for the financial services industry than 2009 was. Nonetheless, from today's perspective, Aareal Bank sees strong potential to increase its consolidated operating profit this year. Thus far, the bank affirms its communicated outlook for 2010, with a projected increased net interest income of € 460 million to € 480 million. Allowance for credit losses recognised in income is expected to range between € 117 million to € 165 million: the actual level will depend in particular on the extent to which the additional allowance for credit losses (which was increased from € 34 million to €48 million in the 2009 financial year) will, in fact, be utilised. As in the previous year, the bank cannot rule out additional allowances for credit losses that may be incurred during 2010.

Consolidated administrative expenses are expected to remain in line with the previous year, reflecting the Group's continued strict cost discipline. New business generated in the Structured Property Financing segment is currently expected to range between € 4 billion and € 5 billion in 2010, with a lower share of renewals. Operating profit in the Consulting/Services segment is expected to increase slightly over the adjusted figure for 2009.

Aareal Bank expects the market environment to gradually normalise this year, and especially over the course of next year. The Management Board assumes that markets will return to normal again as of 2012. Against this background, Aareal Bank is convinced about the future potential for commercial property financing. This view is supported by the long-term increase in demand for property and property financings, as well as post-crisis changes in the competitive environment and client behaviour.

"We aim to consistently take advantage of the available opportunities for growth, pursuing them from the basis of our lending policy rooted in solidity and stability, our pronounced proximity to clients and the market, our flexibility as a medium-sized company, as well as our forward-looking funding policies and our sound balance sheet structure. Our coherent and viable business model has positioned us favourably, not only to overcome the current challenges confronting us, but also to sustainably further expand our market position and to continue to establish the bank as a leader in our business", said Dr Schumacher.

Note to editors: Aareal Bank's full interim report for the first quarter of 2010 is available for download from <http://www.aareal-bank.com/en/investor-relations/financial-reports/> .

Aareal Bank

Aareal Bank AG is one of the leading international specialist property banks. The Aareal Bank share is included in Deutsche Börse's mid-cap MDAX index. Aareal Bank operates on three continents: leveraging its successful European business model, the bank has established similar platforms in North America and in the Asia-Pacific region. It provides property financing solutions in more than 25 countries.

Aareal Bank Group: Results for the first quarter of 2010 (in accordance with IFRS)

	01.01.- 31.03.2010	01.01.- 31.03.2009*	Change
	Euro m n	Euro m n	%
Profit and loss account			
Net interest income	117	117	0
Allowance for credit losses	32	37	-14
Net interest income after allowance for credit losses	85	80	6
Net commission income	30	36	-17
Net result on hedge accounting	2	1	100
Net trading income / expenses	6	18	-67
Results from non-trading assets	0	-17	-100
Results from companies accounted for at equity	-	-	
Results from investment properties	0	0	
Administrative expenses	91	94	-3
Net other operating income / expenses	-2	0	
Impairment of goodwill	0	-	
Operating Profit	30	24	25
Income taxes	9	8	13
Net income / loss	21	16	31
Allocation of results			
Net income / loss attributable to non-controlling interests	5	4	25
Net income / loss attributable to shareholders of Aareal Bank AG	16	12	33
Appropriation of profits			
Net income / loss attributable to shareholders of Aareal Bank AG	16	12	33
Silent partnership contribution by SoFFin	8	-	
Consolidated retained profit/accumulated loss	8	12	-33

	31.03.2010	31.12.2009	Change
	Euro m n	Euro m n	%
Portfolio data			
Property finance	22,158	21,838	1
of which international	18,557	18,164	2
Property finance under management	22,638	22,348	1
of which international	18,557	18,164	2
Shareholders' equity	2,104	2,077	1
Total assets	40,936	39,569	3

	01.01.- 31.03.2010	01.01.- 31.03.2009*
Key financial indicators		
Cost/Income ratio (%) **)	49.0	46.1
Earnings per share (€)	0.37	0.28
RoE after taxes (%) ***)	3.2	2.8

*) Figures adapted

**) Structured Property Financing segment only

***) on an annualised basis

Q1 2010 segment reporting by operating unit (in accordance with IFRS)

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	01.01. - 31.03. 2010	01.01. - 31.03. 2009*	01.01. - 31.03. 2010	01.01. - 31.03. 2009	01.01. - 31.03. 2010	01.01. - 31.03. 2009*	01.01. - 31.03. 2010	01.01. - 31.03. 2009*
Euro mn								
Net interest income	106	105	0	0	11	12	117	117
Allowance for credit losses	32	37					32	37
Net interest income after allowance for credit losses	74	68	0	0	11	12	85	80
Net commission income	-4	5	45	44	-11	-13	30	36
Net result on hedge accounting	2	1					2	1
Net trading income / expenses	6	18					6	18
Results from non-trading assets	0	-17		0			0	-17
Results from companies accounted for at equity								
Results from investment properties	0	0					0	0
Administrative expenses	52	52	39	43	0	-1	91	94
Net other operating income / expenses	-2	0	0	0	0	0	-2	0
Impairment of goodwill	0						0	
Operating profit	24	23	6	1	0	0	30	24
Income taxes	7	8	2	0			9	8
Net income / loss	17	15	4	1	0	0	21	16
Allocation of results								
Net income / loss attributable to non-controlling interests	4	4	1	0			5	4
Net income / loss attributable to shareholders of Aareal Bank AG	13	11	3	1	0	0	16	12
Allocated equity	1.456	1.280	69	61	424	318	1.949	1.659
Cost/income ratio in %	49,0	46,1	85,7	97,4			59,6	60,3
RoE after taxes in % (**)	3,5	3,6	16,7	5,2			3,2	2,8

*) Figures adapted

**) on an annualised basis