



Aareal Bank

Press Release

Contact:

Jörg Müller

Phone: +49 611 348-2306

joerg.mueller@aareal-bank.com

Aareal Hyp merged into Aareal Bank AG Frequent issues of Jumbo mortgage bonds planned

Wiesbaden, 6 March 2006 – Aareal Hyp, the wholly-owned mortgage bank subsidiary of Aareal Bank AG, has been merged into its parent company. As a result of this merger, which became effective upon registration with the Commercial Register, Aareal Hyp has ceased business activities, and will be integrated – both legally and organisationally – into Aareal Bank. Dr. Wolf Schumacher, Chairman of the Management Board of Aareal Bank, emphasised that the bank had achieved another major milestone in its strategic realignment: “By integrating our mortgage bank subsidiary, we have reduced the complexity of the Aareal Bank Group. Furthermore, we are now in a position to directly exploit the benefits of issuing mortgage covered bonds.”

Following the integration of Aareal Hyp, and by virtue of a license held by Aareal Bank, the bank is now in a position to issue its own *Pfandbriefe* and hence, to benefit from the associated funding advantages. “As a Jumbo *Pfandbrief* issuer, we are broadening our capital market presence to reach an international scale, whilst expanding our investor base”, Schumacher added. Aareal Bank envisages placing Jumbo issues on a regular basis, with a view towards raising the share of covered mortgage bonds in Aareal Bank Group’s funding mix, from currently around 10% to a level between 40% and 60% in the medium term.

Schumacher further explained that “Aareal Bank seeks to leverage Jumbo *Pfandbriefe*, as a well-established international capital market segment, to expand its placement power beyond Germany”. Aareal Bank’s mortgage bank subsidiary had already launched its first Jumbo *Pfandbrief* issue at the end of January 2006. Having gained a top triple-A rating from Fitch Ratings, the €1 billion bond with a five-year benchmark maturity was three times oversubscribed within a very short period of time. Schumacher added that broadening the international diversification of the bank’s liability side – in line with the structure of its lending business – will “strengthen Aareal Bank’s capital market presence by expanding its investor base, whilst reinforcing the bank’s image as a reliable, fair and competent issuer”.