

## **Aareal Bank reports a clearly stronger position at the close of 2005's fourth quarter - Announcement in accordance with § 15 WpHG**

Aareal Bank reports a clearly stronger position at the close of 2005's fourth quarter. Consolidated net profit for the Aareal Bank Group after minority interests was EUR 20 million for the quarter, compared to a net EUR 15 million loss for the same period in 2004. The strategic realignment embarked upon in April 2005, which is reflected in a six-point programme, was a significant factor in the course of business last year.

Aareal Bank's new business grew by 25%, to EUR 7.1 billion. International new business rose by 31%, to EUR 6.1 billion, whilst at EUR 1 billion, new business in Germany was fully in line with the bank's projections.

In another positive development, the core capital ratio according to the German Banking Act improved to 8.4% (30 Sep 2005: 8.1%), and the total capital ratio rose to 14.5% (14.1%). According to BIS rules, the core capital ratio rose to 7.2% after 6.9% and the total capital ratio to 12.6% after 12.2%.

Aareal Bank carried out a comprehensive review of its loan portfolios during the 2005 financial year. This exercise resulted in write-downs on claims and provisioning requirements totalling EUR 273 million, which has impacted significantly on the results in the financial statements presented. Aareal Bank Group recorded net losses after minority interest of EUR 55 million for the year 2005. Aareal Bank reduced its portfolio of non-performing loans to EUR 2.085 billion during the year under review, through two NPL portfolio sales combined with additional disposals of individual exposures.

The bank expects clearly positive results for 2006, based on the expedited reduction of its NPL portfolio, a return of risk costs to normal levels, and the continued expansion of its international business. On this basis, Aareal Bank plans to be able to distribute a dividend again in 2007, for the 2006 financial year.