

Aareal Bank AG sells fourth non-performing loan portfolio with an aggregate volume of approx. EUR 1.4 billion - Ad-hoc disclosure pursuant to section 15 of the German Securities Trading Act

Target reduction in the bank's NPL portfolio for 2006 achieved ahead of schedule

Wiesbaden, 21. September 2006. Aareal Bank has sold a fourth portfolio of non-performing loans (NPLs) – the largest to date, with a volume of around EUR 1.4 billion – to the Japanese Shinsei Bank, Limited. The portfolio comprises predominantly non-performing loans. The results of the transaction comply with the targets for 2006 communicated to date, restoring the bank's ability to distribute dividends. With this transaction, Aareal Bank has now reduced its non-performing loan portfolio to under EUR 0.7 billion. The parties have agreed not to disclose the terms of the sale; the agreed consideration is in the three-digit million euro range.

Under the transaction, the investor acquires 847 loans relating to a total of 852 properties, including residential as well as commercial properties. Aareal Bank has sold a total of four NPL portfolios since June 2005, with an aggregate volume of around EUR 2.2 billion. The target to reduce the bank's NPL portfolio to approximately EUR 1 billion by the end of 2006 was achieved ahead of schedule.

In contrast to earlier transactions, a key feature in marketing this portfolio is a transfer of the non-performing loans concerned to Aartemis Credit Management GmbH (a wholly-owned subsidiary of Aareal Bank), by way of partial universal succession. The investor has already assumed the economic risk exposure to the overall portfolio, from the time of executing the transaction documentation. Shinsei Bank Limited will, in turn, take over the portfolio by acquiring the capital of Aartemis Credit Management GmbH by the end of the first quarter of 2007.

Shinsei Bank is a leading NPL investor in Germany with a minority stake in SGK Servicegesellschaft Kreditmanagement mbH, an NPL asset management company.