Speech by

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Chairman of the Management Board

of Aareal Bank AG

on the occasion of the

Annual General Meeting

to be given on 7 May 2009

in Wiesbaden

Manuscript – the spoken word prevails.

I. Welcome

Dear shareholders of Aareal Bank AG,

dear guests,

I would like to extend a warm welcome – also in the name of my fellow members of the Management Board – to today's Annual General Meeting of Aareal Bank AG, here in Wiesbaden. I am delighted to see that so many of you have again accepted our invitation, thereby expressing your continued interest in the company's business – in challenging times, which are not always positive for you as shareholders.

This year's Annual General Meeting of Aareal Bank takes place against a background that could hardly be more challenging. Triggered by the so-called sub-prime crisis which started back in July 2007, our industry has undergone a period of upheaval, the extent of which nobody amongst us was able to imagine. What started as a problem affecting a single asset class – badly-collateralised US mortgages and financial products based thereon – rapidly turned into an all-out crisis of unprecedented proportions hitting the global financial system and ultimately, the real economy – thus exacerbating the already evident slowdown. It looks like we have yet to see the worst of the resulting global recession; likewise, the financial markets crisis is far from over.

Causes and consequences of the worldwide crisis have been analysed and discussed in great detail. That is why I would like to spare you yet another in-depth analysis today. Instead, I will highlight several issues which I believe to be particularly important – in particular since the general business and economic environment had a significant impact on Aareal Bank Group during the financial year under review, which I will report on today in the usual way. Unfortunately, we must expect this situation to prevail for quite some time. I will analyse the implications for our bank in more detail at the end of my comments.

II. Overview of market environment and impact of the crisis

Ladies and Gentlemen,

The global financial services industry has undergone profound changes during the course of the crisis. At times, long-established relationships amongst banks around the world ground to halt, particularly the segment commonly referred to as the interbank market. The situation has not yet returned to normal as yet: all banks are still facing refinancing problems on a massive scale, with securitisation and syndication markets remaining largely inaccessible. The dramatic loss of value across numerous asset classes – which in some cases still persists – has eroded or even destroyed the very substance of many firms: their equity. At the same time, market participants, investors and rating agencies are now expecting banks to maintain a risk cushion in the form of significantly higher capital ratios than before the crisis.

According to estimates by the International Monetary Fund, the overall burden from the crisis will reach an aggregate amount of over three trillion euros. Only a part of this burden has been absorbed by the financial sector so far.

Yet numerous banks in Germany and abroad are already facing problems that threaten their very existence: It was only through massive government support that some of them could be rescued. Especially after the collapse of the US investment bank Lehman Brothers in the autumn of 2008, a collapse of the global financial system was looming, which could only be averted by concerted action between central banks and governments around the world, including in Germany. Governments have turned into shareholders of many of the world's biggest banks. Even though these measures represented a massive political intervention in a competitive environment, given the circumstances, the intervention was necessary, correct, and without alternative.

It is far too early to given an 'all clear' signal. Given the residual risk exposure many banks are still carrying on their books, it is impossible to exclude a further escalation. So far the crisis essentially affected capital market products. Going forward, contagion will increasingly spread to other asset classes such as credit products. No-one has, as yet, been able to predict how long the recession is going to last, or how pronounced it will turn out to be. Accordingly, it is currently impossible to forecast the resulting burden that banks will be facing from loan defaults. Of particular importance for us is the uncertainty regarding the future performance of property markets during the recession.

In short: never before have we had so little planning security, whilst facing so many uncertainties.

Against this background, the crisis has affected all financial institutions, including Aareal Bank. Being an active participant on international financial markets, we could not escape the distortions caused by the crisis; and we continue to suffer from these effects.

But we can justifiably say that we have performed much better than most other banks. We have posted a positive result in every quarter since the outbreak of the financial markets crisis. As far as we are aware, there are few banks – either in Germany or abroad – who can claim such a record.

There are sound reasons for our relatively crisis-proof performance. Our business model, incorporating the two strong columns of Structured Property Financing and Consulting/Services, is sustainable. In contrast to many other banks, we do not need to re-invent ourselves to continue being successful. Conservative, risk-aware, and with a sense of perspective: the way Aareal Bank conducted its business prior to the crisis was already in line with what everyone keeps promising today. We always ensured an appropriate relationship between risk and return, having implemented a sustainable business policy with our successful turnaround in the years 2005 and 2006.

Aareal Bank has never been involved in what the industry commonly refers to as 'regulatory arbitrage': business models designed to exploit gaps or inefficiencies in the international regulatory environment, or set to exhaust available room for manoeuvre to the very limit. This kind of strategy was one of the factors that helped numerous banks worldwide to massively boost their returns. At the same time, this elevated yield expectations of investors holding stakes in such institutions to unsustainable levels. Such an approach will no longer be feasible. In fact, Aareal Bank never behaved like this in the past: the target returns we communicated were always realistic, and appropriate in view of our conservative and traditional business profile as a senior lender focused on clients, carrying business on the balance sheet. We will continue to adhere to this in the future.

We also consistently avoided any exposure to those financial products which caused the biggest losses throughout the industry over recent months. This approach is paying off today.

However, this does not mean that we have not identified any need to adjust. On the contrary: we took all necessary steps – at an early stage – to guide the bank through these challenging times, and to prepare it for the prevailing uncertainty brought about by the crisis affecting financial markets and the economy.

We ensured the application of strict discipline in terms of costs and risk throughout our organisation, and consistently aligned our sales force to the new market situation. At the same time, we had to adapt to major external challenges. On the one hand, we were facing the threat of competitive distortion on refinancing markets, on account of the various government support measures. In this context, we needed to keep an eye on the competitive environment not just in Germany, but in all markets that are relevant for our business. On the other hand, we had to take action to match increased capital requirements for banks. We have in fact been unable to fulfil such requirements through the market, simply because bank equity is not available in the market at economically reasonable terms – at present, or for the foreseeable future.

III. SoFFin support

Therefore, as a precaution, the Management Board of Aareal Bank has taken proactive measures at an early stage, and decided to make use of the German government's support programme for the banking sector.

As you know, we entered into a framework agreement with the German Financial Markets Stabilisation Fund ("SoFFin") in February 2009, which was finalised in mid-

March. In accordance with this agreement, SoFFin has provided Aareal Bank with € 525 million in capital by way of a silent participation, which we received at the end of March. In addition SoFFin has extended a framework guarantee facility with a total volume of up to € 4 billion for new unsecured issues; we have already used this for a larger-sized bond issue. I will discuss this in more detail later.

I would like to make it crystal clear that Aareal Bank has not sought SoFFin support as any sort of emergency measure. In fact, we acted from a position of relative strength. Aareal Bank Group remains healthy to the present day. It benefits from a fundamentally sound and efficient business model. We are convinced that this business model will get us safely through the crisis, and will provide us with an excellent starting point for the post-crisis period.

Ladies and Gentlemen,

We never depended on state support to survive, nor is there such dependence today. Our motivation to seek SoFFin support was to protect our sustainably profitable business on a long-term basis. In our view, the commitment by SoFFin serves only, for a limited period of time, as some type of protection against the uncertainty brought about by the crisis. I would like to emphasise that we have the ambition and the firm intention to repay these funds as soon as the market environment permits us to do so. We obtained this temporary protection at terms and conditions that were in line with the market, and that are definitely manageable for Aareal Bank.

This silent participation has no fixed maturity date, and bears interest at 9% p.a. Considering the fact that we will reinvest the funds, the resulting annual burden amounts to approx. € 15 million. This is less than the total dividend payout last year.

Dear shareholders, we will not distribute any dividends for the financial years 2008 and 2009 in accordance with the agreement entered into with SoFFin. This means that there will be no distribution this calendar year and next. Should Aareal Bank decide to distribute dividends subsequently, during the term of the silent contribution, the interest payable on the silent contribution will increase by 0.5 per cent for each € 0.25 in dividends paid per share.

The silent participation by SoFFin is fully recognised as Tier 1 capital, bringing our pro-forma Tier 1 ratio under the Credit Risk Standard Approach (CRSA) to 10 per cent as at 31 December 2008. Without SoFFin support, it would have been 8 per cent, a ratio that would have been perfectly acceptable to us under normal conditions.

The silent participation has allowed us to fulfil the stricter market requirements regarding our capital base. This will also provide us with the flexibility required to see the bank through the anticipated difficult market phase. Furthermore, the strengthening of our capital base will preserve our ability to conduct our operating business at all times – even during the current crisis. In concrete terms, this means that we will continue to act as a reliable banking partner for our existing clients. Moreover, we have built the basis for resuming the growth strategy that you are familiar with once the crisis has been overcome.

The second component of the support measure, the framework guarantee extended by SoFFin, is a necessary addition in order to strengthen our capital. The guarantee facility has provided Aareal Bank with a solid base and more strategic flexibility for refinancing. In this way, we have returned to a level playing field with those banks that had already sought government support, whilst at the same time safeguarding our ability to continue lending to our existing client base in difficult times.

The costs of the framework guarantee are as manageable as those for the silent contribution: we will pay a commitment fee of 0.1% per annum on the undrawn portion of the framework guarantee. We believe one million euros per each billion guaranteed to be a reasonable price for the additional protection purchased.

As indicated, Aareal Bank already used the SoFFin framework guarantee – this was due to the difficult market conditions that continued to prevail as expected. On 17 March 2009, we very successfully placed a government-guaranteed € 2 billion benchmark bond issue with German and international investors. The issue met with enthusiastic market response: after just two and a half hours, the order book was closed with a volume of more than € 4.4 billion. Strong demand by international investors, who subscribed to 52 per cent of the issue, was particularly gratifying.

The successful issue helped us to raise Aareal Bank's profile on the international capital markets even further, and to expand our investor base. We have thus fully achieved all our objectives for this transaction.

There is an additional aspect which I would like to emphasise in the context of SoFFin support. There will not be any changes to our successful business model. Our executive bodies will remain unchanged. In more concrete terms: we are not subject to any special surveillance. The state will not interfere with our business policy or strategy. On the contrary: our business model has been affirmed through our agreement with SoFFin. We can continue pursuing our successful business policy. As a fundamentally sound bank, there is no need for a restructuring concept –

or even a rescue plan – as other institutions had to submit to the EU authorities. Following an in-depth review of the bank, its business model and management team, we consider this to be an expression of trust by SoFFin.

Aareal Holding has explicitly affirmed its commitment as an anchor shareholder, with its 37.23 per cent stake, and supports the agreement with SoFFin. Aareal Holding has committed to not reducing its stake during the term of the silent contribution, and has entered into a voting agreement with SoFFin. In this way, SoFFin's request that Aareal Holding's blocking minority be guaranteed for the term of the silent contribution was able to be fulfilled.

Even with the additional agreement between Aareal Holding and SoFFin in place, the state has not gained any influence on Aareal Bank Group's strategy or on its operative business – in fact, to our knowledge the government has no intention to exert any such influence.

Ownership of Aareal Bank Group thus remains fully within the private sector. Leveraging its unchanged and sustainable business model, the Group will continue its successful development as an independent bank with a stable shareholder structure.

SoFFin has not imposed any conditions that go beyond the statutory provisions. The [cash] remuneration for individual members of the Management Board will be capped at € 500,000 for the years 2009 and 2010. I already commented on the impact on dividends.

Note that the European Commission has not yet issued a final statement regarding our agreement with SoFFin.

Ladies and Gentlemen,

Aareal Bank adopted a pioneering role, as a healthy bank to actively seek support under the German government programme. This was a good decision, and the right step to take: it was a responsible decision, which is in the interest of our shareholders, investors, clients, and staff. We have a successful business with a coherent, viable, and sustainably profitable business model.

This was, not least, evident in the business performance during the financial year under review, which I will now outline. Bearing in mind that the detailed Group Annual Report for the financial year is available as usual, I will restrict my comments to some highlights.

IV. Review of the 2008 financial year

Aareal Bank was one of the few financial institutions, either at home or abroad, to post sound annual results in 2008 against the background of market distortions and the recession that set in during the second half of the year. We posted a profit in every quarter of the financial year under review – on a Group level, as well as in each of the two business segments, Structured Property Financing and Consulting/Services – even in the fourth quarter of 2008, the toughest the banking sector has seen in decades.

Consolidated profit before taxes amounted to € 117 million – adjusted for non-recurring effects, the figure was € 153 million, and thus almost matched the strong result of € 159 million posted for the previous year. A profit before taxes of € 11 million was achieved in the fourth quarter of 2008 – an extremely challenging period during which hardly any other bank managed to remain profitable. We consider this result as a great success. Our sincere thanks go to our clients and investors for the trust they have placed in us, and in particular to all our members of staff for their extraordinary commitment shown throughout the past year, without which this result would not have been possible.

In the **Structured Property Financing** segment, Aareal Bank generated a respectable operating profit of € 73 million, in spite of market tensions. We continued to apply our selective new business policy, which is oriented strictly towards quality and return, concentrating on transactions with attractive risk/return profiles. We also focused on our existing clients, whose property expertise we can assess particularly well. In view of the changed business environment, new business in 2008 was allowed to decline from € 11.7 billion to € 5.5 billion.

We consider this volume to be adequate, as it reflects the difficult market conditions against the background of the financial markets crisis.

We resolutely pursued our three-continent strategy in the Structured Property Financing segment during 2008. This strategy has helped us achieve a significant degree of regional diversification in our portfolio – which is particularly important in the current environment.

Furthermore, we continued to concentrate our activities on our core businesses during the year under review. We completed a key transaction in July 2008 which had been announced at the last Annual General Meeting. We sold a portfolio of performing German residential property loans totalling approx. € 1.47 billion to Deutsche Postbank. With Postbank, we have succeeded in winning over one of the largest German retail banks, whose core product offers include home loan financing.

In spite of the crisis affecting financial markets and the economy, the **Consulting/Services** segment once again proved to be a reliable source of income that has been largely unaffected to date by turbulence on global financial markets. Our product offer in the Consulting/Services segment is largely focused on the German institutional housing sectors, where we enjoy a market-leading position in all business lines. Compared to other international business sectors, we benefit from the evident stability of German residential property, even during times of crisis.

Adjusted for the significant non-recurring effects in the previous year, the segment's operating profit rose by almost 50 per cent, to € 44 million. Time and again, our decision to hold on to Consulting/Services – and to expand this business – had been criticised in the past. It is now becoming more and more evident that this decision was the right one: quite a few of our competitors would appreciate having something similar in their portfolio in this day and age.

Within the segment, we expanded the leading market position of our Aareon AG subsidiary as well as of the bank's Institutional Housing Business.

Aareon continued to successfully market all of its product lines in 2008, further supported by strong demand for advisory services regarding add-on software modules and integrated services. At the same time, Aareon focused on further developing and optimising its product portfolio. This process continued during the first months of the current year.

The bank's Institutional Housing Business won 81 housing enterprises, managing more than 110,000 residential units between them, as new clients. The volume of deposits from the commercial housing sector remained largely stable, despite the financial markets crisis. This proves that our clients are well capable of judging the quality of our business: in any case, we believe Aareal Bank has convinced the client base of its solidity, stability, and reliability.

Thanks to our product range, we are in an excellent position to continue generating stable and regular cash flows, boosting our deposit base and securing refinancing funds.

Significant synergies are generated between the bank's Institutional Housing Business and Aareon AG's IT systems: roughly 80% of the clients maintain a business relationship with Aareal Bank and with Aareon. We have enhanced this cooperation between the bank and Aareon through the targeted acquisition of customers that use our Wodis IT system for banking business. We are determined to continue exploiting cross-selling potential within the Group in the future.

I would now like to comment on some selected items from our balance sheet and income statement.

- The marked increase in net interest income – up by a respectable 14.8 per cent, to € 472 million – was particularly gratifying. Net interest income is thus our most important source of income by a wide margin. The increase was predominantly attributable to higher interest margins, the replacement of uncovered bond issues by *Pfandbrief*, and to the more benign interest rate levels – particularly in the fourth quarter.

- At € 80 million, allowance for credit losses was virtually unchanged from the previous year: another proof of the high quality of our portfolio. The figure includes a net € 35 million addition to specific allowances and € 11 million in general allowances determined on the basis of our statistical models. With an additional € 34 million in portfolio allowance for credit losses, we have set aside a cushion for the current year: due to the recession, we envisage allowance for credit losses to rise in 2009 – to a marked, but manageable extent. I will come back to this in more detail later.

- Both net trading income and expenses, as well as the result from non-trading assets, were burdened by the impact of the financial markets crisis – and were both clearly negative.

  The net trading loss of € 23 million included negative effects from the valuation of derivatives and fixed-income securities. Following amendments to international accounting standards, we reclassified € 570 million in securities from the held for trading portfolio to loans and receivables during the third quarter, retroactively with effect from 1 July 2008. We opted for reclassification since there no longer was an active market for the securities concerned during the third quarter, and due to our intention to hold these issues for a longer term. Without the reclassification, we would have had to recognise an additional € 56 million in trading expenses for the period ended 31 December 2008. In addition, available-for-sale securities were reclassified to loans and receivables: € 487 million as at 1 July 2008, and € 2.4 billion as at 31 October 2008. No active market existed for these securities, which we will also hold on a long-term basis since we are convinced of their quality. This reclassification provided € 129 million in relief for our revaluation surplus.

- Results from non-trading assets were negative, showing a € 95 million loss. The negative balance was the result of reallocations in our securities portfolio, which were taken to reduce the volatility of results. A net loss of € 61 million was thus realised upon the sale of securities. In addition, the fair value measurement of non-trading assets resulted in expenses totalling € 34 million.

- Overall, the financial markets crisis burdened net trading income and expenses, and the result from non-trading assets, by approximately € 67 million.

- We continue to have our costs well under control. At € 347 million, administrative expenses were down considerably on the previous year's figure of € 361 million.

- Adding up all income and expense items, and deducting taxes and minority interest income, consolidated net income attributable to shareholders of Aareal Bank Group for 2008 amounted to € 60 million. The previous year's figure of € 290 million was dominated by the successful sale of our stake in ImmoScout.

- Consolidated total assets as at 31 December 2008 amounted to € 41.2 billion, approx. one billion euros more than the year before.

- Total property finance under management amounted to € 23.5 billion, down slightly from the previous year's figure of € 24.0 billion. This reflects our pursuit of a new business policy focused strictly on quality and return, in a difficult market environment.

- Aareal Bank Group's regulatory capital totalled € 2.78 billion at the end of 2008, of which Tier 1 capital accounted for € 1.86 billion. We have applied the Credit Risk Standard Approach (CRSA) since 1 January 2008. As explained before, the Tier 1 ratio calculated in this way was 8.0 per cent (excluding SoFFin support).

We successfully executed the refinancing activities we had planned for 2008 during the year – despite serious distortions on the capital markets. Nonetheless, Aareal Bank was not able to escape the changed market framework entirely unscathed. Due to a clearly more cautious stance adopted by investors, it was virtually impossible to place unsecured bank bonds during the second half of the year in particular.

For Aareal Bank, this development brought about a clear increase in the share of mortgage bonds in the bank's funding mix. Even though the German Pfandbrief also suffered during the course of the financial markets crisis, it fared significantly better than any other comparable securities. Moreover, first signs of a sustained market recovery have been evident during the first months of 2009. I therefore remain convinced about the future of Pfandbrief issues as safe, liquid and cost-attractive refinancing vehicles.

We raised around € 3.5 billion in long-term funds during the period under review, with mortgage bonds accounting for € 2.7 million and public-sector covered bonds for € 83 million. The share of Pfandbriefe relative to total issuance therefore amounted to approximately 80%. In contrast, issuing volumes of long-term, uncovered funding vehicles declined significantly year-on-year, to € 710 million.

Aareal Bank continues to have a very solid funding base in place. The average term of long-term funding clearly exceeds the average contractual term of the loan portfolio. Moreover, contractual repayments from our loan portfolio will exceed the average redemptions of the corresponding long-term funding over the next years.

Over and above this, Aareal Bank benefits from one particular aspect: in addition to refinancing via the capital markets, client deposits from the institutional housing sector play an important role in our funding mix. These deposits averaged € 4.3 billion over the course of 2008. I believe this largely stable funding base to be the envy of most of our competitors.

V. The Aareal Bank share

Ladies and Gentlemen,

As this brief summary of the 2008 financial year shows, Aareal Bank once again has every reason to be proud of its achievements and its performance. Unfortunately, the capital markets did not honour Aareal Bank's sustained solid performance during the year under review. Despite the clear differences distinguishing us from our competitors, as outlined before, we could not escape the knock-on effects of the downward spiral which affected all bank shares against the background of the financial markets crisis.

In spite of solid fundamental data, the general loss of confidence within and vis-à-vis the banking sector – which deteriorated as the year progressed – exerted significant selling pressure on our share price. As investors no longer differentiated between different banks, the Aareal Bank share price became entangled in the web of negative sector developments, losing value on a massive scale. The share price reached its low for the year of € 5.06 on 18 December 2008. With a merely marginal recovery to € 5.75 by the end of December, the year-on-year performance was minus 82 per cent. Market capitalisation as at 31 December 2008 was only around € 250 million.

The strong price loss seen during the course of 2008 was largely in line with the negative performance of bank issues overall.

During the course of the current year to date, however, our share price performance has improved. The fall to the year-to-date low of € 3.25 on 23 January 2009 was followed by a strong recovery to yesterday's closing price of € 8.45. Overall, our share price performance has been in line with listed banks in Germany since the turn of the year 2007/2008.

One unfortunate consequence of the massive loss in market capitalisation was the fact that our share no longer complies with the relevant requirements by Deutsche Börse for inclusion in the MDAX: since 23 March, the Aareal Bank share has been included in the SDAX index. We are of course not satisfied with the latest share price development, despite the recovery in 2009 to date. The objective of all our efforts in our Investor Relations activities is to further increase market capitalisation, through a sustained increase in the value of our share. But this requires general trust in the banking sector to be restored. Once this materialises, it will also pave the way for re-admission to the MDAX in the near future.

We would like to thank you, our shareholders, for the trust you have placed in our bank, despite the negative share price performance. We will continue to do everything in our power to justify this trust.

As already mentioned, we are not in a position to distribute a dividend for the past financial year, due to the agreement with SoFFin. This is also evident in item 2 of the agenda for today's General Meeting; specifically, in the proposal for the appropriation of net retained profit contained therein. What I would like to point out, though, is that we managed to negotiate the other details of SoFFin support measures in a manner that is very much in your interests as shareholders. This particularly applies to the capital strengthening, since it takes the form of a silent participation that has prevented any dilution of your shareholding.

VI. Formalities (agenda items)

Ladies and Gentlemen,

At this point, I would to make some further comments on the agenda for today’s Annual General Meeting.

First, I would like to draw your attention to the fact that the explanatory report of the Management Board regarding acquisition-related information under sections 289 and 315 of the German Commercial Code is contained in the Group Management Report, and can be verified there.

Item 1 of today's agenda refers to the presentation of the statutory documents. I already mentioned item 2. Items 3 to 5 comprise the usual formal procedures for approval of the members of the Management Board and Supervisory Board, and the appointment of external auditors.

The authorisations to acquire treasury shares, as proposed under agenda items 6 and 7, serve the purpose of improving the company’s financing options, enhancing flexibility, within the scope permitted by law. The invitation to the Annual General Meeting contains a detailed report on the reasons for the authorisation under agenda item 7, the planned exclusion of shareholders' pre-emptive subscription rights, and the intended use of the authorisation. I would therefore like to refer to this report in this context.

Furthermore, several amendments to the Memorandum and Articles of Association are proposed this year. The first amendment refers to the remuneration for members of a certain Supervisory Board committee. To comply with a recommendation of the German Corporate Governance Code, we decided to establish a Nomination Committee that will be responsible for the selection of candidates to join the Supervisory Board. As this committee's workload is expected to be very low, there are no plans for its activities to be remunerated separately. This requires an amendment to our Memorandum and Articles of Association, which govern the remuneration of Supervisory Board members.

The amendment proposed under agenda item 9 refers to the majority required for the passing of resolutions regarding capital increases. The proposal is to restore the three-quarter majority of the registered share capital represented at the meeting, as stipulated by law. This is in line with a request by SoFFin in connection with the silent contribution provided to our company.

Furthermore, agenda item 10 proposes various amendments to the Memorandum and Articles of Association concerning an impending amendment to the law. The Act Implementing the Shareholder Rights Directive will include certain amendments regarding the law governing general meetings; specifically, this concerns the calculation of the convocation and registration periods, the granting of voting proxies and permissibility of the video and audio transmission of the meeting.

Even though the legislative process has not yet been completed, it is expected that the Act will enter into force prior to the 2010 Annual General Meeting, necessitating the relevant amendments to the Memorandum and Articles of Association at this point in time. These amendments will only be lodged with the Commercial Register if the expected amendments to the law materialise.

VII. Current business developments and outlook

I would now like to turn to developments in the current year, and I will start by stating that 2009 is not expected to be any less challenging than the previous financial year – for the banking sector as a whole as well as for Aareal Bank Group.

The macro-economic framework has clearly deteriorated further since the end of 2008: as you will be aware, economic researchers now expect German gross domestic product to fall by around six per cent. This would be the most dramatic hit to the German economy since the end of World War II. The expectations in other countries are likewise gloomy.

No forecast is currently possible as to when the recession will hit its nadir, and when it will be overcome. What is certain, though, is that the entire banking sector will have to face strongly increasing borrower default rates over the next two years.

Also, there is as yet no sign of any sustained recovery on international financial markets. Volatility is expected to remain high for the time being. Hence, banks will continue to face difficulty in their funding for the foreseeable future – not least due to the general uncertainty prevailing with many investors.

In any case, there is no reason for banks to give the 'all clear'-signal so far. Given the volatile environment, securities portfolios may suffer new write-downs at any time, even for high-quality issues. Also, despite initial positive quarterly results having been posted during recent weeks, we cannot really talk of a sustained recovery in the trust placed in the banking sector – nor are there any indications as to when this trust will be regained. In this respect, the various international stabilisation and support programmes which were launched for banks have not yet had any decisive impact.

What is the situation on the property markets? We can see increasing uncertainty and evident reticence among commercial property investors and tenants, generated by the financial markets crisis – this continues to make it difficult to forecast market development.

However, the following trends are currently foreseeable.

- Transaction volumes will remain low during 2009, and possibly into 2010, particularly when compared to the record-breaking years in 2006 and 2007.

- We anticipate higher expected investment yields – and hence, lower prices – for commercial property, across all regions and sectors.

- Moreover, we expect commercial property rents to come under pressure on a global scale, raising the threat of falling rents even in prime locations.

Since commercial property markets tend to lag the economic cycle, all this is going to drag out well into 2010.

The focus in the German institutional housing sector remains on maintenance and modernisation of residential portfolios, to enhance value. Additional investment in existing properties is required to adapt residential offers to the wishes and preferences of target group tenants. In addition, rising energy prices combined with amended energy savings regulations in Germany (which will come into force in the autumn of 2009) are going to trigger investments in the sector, consequently raising the need for finance.

Considering the prevailing economic crisis, however, housing enterprises are also generally expected to defer investment projects.

In summary, it must be stated that the market environment in the year 2009 will continue to be generally unfavourable for banks. Aareal Bank will not be able to completely escape the turbulence in the overall environment. Nonetheless, we have prepared for any uncertainties ahead, and are confident that we will be able to outperform the sector in the current year.

So far we have continued to perform well, having remained on track during the first months of the year.

We will publish our first-quarter results on 12 May 2009. What I can tell you today, based on current information, is that we continued to be profitable during the period from January to March 2009, as was the case in all quarters since the outbreak of the financial markets crisis – once again, this applies to both the Structured Property Financing and the Consulting/Services segments.

What is the outlook for Aareal Bank Group for the remainder of 2009?

Given the many uncertain factors, it is still impossible to issue a serious forecast for consolidated results for 2009 as a whole. We affirm our key statements regarding the performance for the year as a whole:

- We expect consolidated net interest income to range between € 420 million and € 440 million, which is below the previous year's figure. One of the burdening factors is the conscious reduction in the level of new business originated by the Structured Property Financing segment. Moreover, we will not be able to repeat the very high net interest income posted for the fourth quarter of 2008 – thanks to the favourable interest rate levels then – in the quarterly figures for the current year.

- Given the general economic developments, allowance for (expected) credit losses will clearly exceed the previous year's figures, but will remain manageable, within the communicated range of € 90-150 million for the full year (even though from today's perspective, the upper end of the projected range looks more likely). It is, however, impossible to exclude additional impairments from unexpected losses for 2009.

- Due to the current state of the capital markets, net trading income/expenses and results from non-trading assets cannot be predicted.

- The same applies for the revaluation surplus. Our expectation that the underlying assets will be repaid remains unchanged.

- Administrative expenses are expected to amount to approximately € 360 million, rising only slightly (adjusted for consolidation effects).

- From today's perspective, new business generated in the Structured Property Financing segment is expected to range between € 2 billion and € 3 billion. It is worth noting that we are fully on track in this respect after the first quarter. Our particular focus will be on extensions of existing exposures, and on financings for existing clients.

- The Consulting / Services performance continued to be robust overall, without being directly affected by the financial markets crisis. In our forecasts, we always emphasised that a 'Japanese' interest rate trend (at permanently low levels) would burden the segment's results. This situation has now materialised.

  Aareon continued to optimise its product portfolio, concluding the ongoing development of its SAP-based 'Blue Eagle' property management software during the first quarter. The related measures to adjust staffing levels in this area have led to a non-recurring charge on first-quarter results. Together with expenses for the discontinuation of non-core activities, the aggregate burden of € 6 million will be recognised in income for the first quarter.

  In addition, the economic slowdown caused some of our clients to be clearly reluctant regarding new investment. Given that this trend was evident during the first quarter, we diligently adjusted our projections regarding consultancy revenue for the year as a whole.

Products already implemented on our clients' systems are not exposed to the economic slowdown: these continue to provide a stable, crisis-proof contribution to results. In addition, Aareon refined its Wodis product line, having transferred the product onto a new technology platform with the scope of a new release launched last year. 'Wodis Sigma', the new product generation based on this platform, will be introduced in May, at the Aareon Congress – the company's premier client event. The new development will secure long-term earnings.

Against the background of the developments I have outlined, we are targeting a segment result before taxes of around € 40 million for the current financial year, which is roughly in line with the very good results posted in the previous year.

Ladies and Gentlemen,

All told, in this market environment, Aareal Bank Group must focus on stabilising and protecting our tried-and-tested, successful business model. Taking a medium- to long-term view, however, there are significant opportunities for a return to our path of profitable growth we had embarked upon prior to the financial markets crisis.

The support by SoFFin has not only helped us prepare for weathering the crisis – at the same time, it will provide us with a good starting point for the post-crisis period. Having returned to normality, we will then be able to accelerate our client business immediately, leveraging a strong capital base and sound refinancing.

In any event, we will benefit from the anticipated market consolidation in our business. We expect numerous competitors to withdraw from the commercial property finance business – partly or altogether, voluntarily or because they might be forced to. For us, this will open up new opportunities to gain market share once the crisis has been overcome and the demand for commercial property finance recovers. We will be ready.

In this context, I would like to decisively reject the notion that the commercial property finance business model no longer has a future. Quite to the contrary: first of all, property always turned out to be more resilient than other asset classes during times of crisis. This will be the case once again. Conducted properly – that is to say, with a sense of perspective and realistic expectations regarding returns – commercial property finance is a growth business with manageable risk exposure. I believe we provided sufficient proof to this effect in recent years – and we will show it once again in the future.

Moreover, we will also benefit from certain developments on property markets, such as the increasing exposure of long-term, well-capitalised property investors which we observe. The focus of these investors is on long-term property returns, rather than on short-term profit-taking. In the long run, this will lead to a rise in market quality and to an improvement in the risk/return ratio of the financings. Also, the return to a more attractive pricing of risks and to higher equity stakes in the financings is merely a question of time. As a senior lender being able to capitalise on our own sound client base, we are in the perfect position to benefit from this trend.

VIII. Conclusion

Ladies and Gentlemen,

Even during the current crisis affecting financial markets and the economy, Aareal Bank has shown that it is a fundamentally sound company, with a profitable and coherent business model, together with committed and experienced employees and a strong management team. Despite the severe crisis and distortions on the financial markets and the resulting economic slowdown which has become evident recently, we ended the year with a result that can be considered a very satisfactory one, given the circumstances.

We are in a good position to perform well in the current financial year. We have addressed all challenges resulting from the crisis that are currently foreseeable, thus preparing ourselves for the uncertainties in the years ahead. In particular, we have retained our full operational capacity to act. And of course, not least thanks to SoFFin support, our successful business model offers excellent medium- to long-term potential and opportunities.

That is why we are convinced that Aareal Bank will again create value for you, our shareholders. We count on your support along this path.

Thank you very much for your attention.