Speech by
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Chairman of the Management Board of Aareal Bank AG

on the occasion of the

Annual General Meeting

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in Wiesbaden

- Manuscript – the spoken word prevails -

I. Welcome and introduction

Dear shareholders,

dear guests,

I would like to take this opportunity, also on behalf of my fellow members of the Management Board, to welcome you here to Aareal Bank AG's Annual General Meeting. My colleagues and I are delighted that you have once again accepted our invitation, thereby expressing your continued interest in Aareal Bank and your strong relationship with our Company.

Before I turn to our very positive performance in the year under review and report on current business development, I would like to offer you a brief overview of the economic environment in which we are operating.

II. Market environment 2011

At this point last year, I expressed the opinion that we were seeing signs of a gradual return to normal on the markets that are relevant to us. However, developments in the latter half of 2011 showed us once again how fragile the sentiment on the global markets still is.

The European sovereign debt crisis escalated sharply, especially in the second half of the year. Heightened concerns again about the exit of individual euro member states, or their financial collapse, together with the various – initially unsuccessful – political efforts to find a solution to the crisis and the associated increase in risks in the financial system, once again drove up uncertainty and volatility on the financial and capital markets. The outcome was a loss of confidence among many investors in government bonds that were previously considered secure. The downgrades of important euro zone countries by the rating agencies – even France was not spared – at the end of last year and the start of this year intensified the situation even more.

This was exacerbated during the second half of the year by growing concerns of a weaker world economy. Many companies deferred investments in view of the uncertain environment. The economic downturn was reflected in the downgrading across the board of growth forecasts for the important economies and the global economy overall, which we saw at the start of this year.

Uncertainty on the capital markets also reflected the recognition that politicians have so far failed to fulfil their duty of establishing a stable and sustainable legislative and regulatory framework, to the extent that would be desirable. This was due in particular to the process of achieving democratic legitimacy for the necessary changes – by its very nature; such a process cannot proceed fast enough to satisfy the needs of nervous markets.

Despite unprecedented intensive summit diplomacy, it was very late in the day before the political actors in Europe succeeded in temporarily calming the markets – resulting in a sharp rise in equity prices during the first three months of the current year, for instance. The resolutions adopted at the start of 2012 are a step in the right direction; a second aid package was agreed upon for Greece, and important steps resolved towards a binding fiscal regulatory framework. Yet it remains to be seen to what extent these resolutions will in fact contribute to the goal of achieving a truly stable union as quickly as possible.

The extensive liquidity measures provided by the European Central Bank also improved confidence on the markets, temporarily. This was reflected in – amongst other things – the high number of unsecured bonds issued by European banks during the first quarter. More unsecured bonds were issued between January and March 2012 than in the first half of 2011 overall. Spreads also narrowed, compared with the fourth quarter of the previous year. We also took advantage of the favourable market environment at the start of the year; I will explain this to you later.

Overall, fresh and rising concerns over Spain's public finances since April show that the situation on the financial and capital markets remains strained for the time being. There is still no sign of a quick, substantial solution to the European sovereign debt crisis. We are doubtful as to whether the ECB's liquidity measures can bring about a lasting improvement. This also applies to the European fiscal pact that still has to prove its effectiveness.

Dear shareholders,

The topics outlined here show that our industry was operating in a difficult environment. Furthermore, the banking sector worldwide faced additional burdens. Numerous regulatory reforms were initiated; others are still being discussed, or are about to be implemented. It remains unclear what the cumulative effects of the various measures will look like. At this point, I want to make it quite clear that regardless of how necessary efficient regulation is after the experience gained from the crisis, unless we take care, the cumulative effects of the planned regulatory restrictions could overwhelm the banks. In turn, the banks might ultimately fail to live up to their macro-economic role of financing growth and innovation. This cannot be in the interests of politicians or the economy in general – especially not in a difficult economic situation overall, as I have described. Moreover, the various measures adopted by politicians as well as national and international regulators require more coordination. This is not the time for symbolic political gestures at the expense of the banks and ultimately the economy. Now is the time for wise regulation with a sense of perspective!

Ladies and Gentlemen,

Many of the uncertainties referred to above still exist, and will continue to accompany us through this year too. Risks in the financial system continue to abound: it is still too early to sound the 'all clear'. Rather, there are many reasons for still acting with caution – as you have come to expect from Aareal Bank.

Aareal Bank is based on an unchanged solid foundation. Our business model, incorporating the strong two columns of Structured Property Financing and Consulting/Services for the institutional housing industry, is consistent and sustainable. Our prudent business policy has proven itself, especially in difficult times such as these.

This is evident from last year's result, which I will now outline to you.

III. Review of the 2011 financial year

Ladies and Gentlemen,

The financial year under review was – in terms of the operating result – the most successful in Aareal Bank's history. And we achieved this in a very challenging environment. Consolidated operating profit advanced by 38 per cent to € 185 million. We are particularly pleased with the fact that we consistently delivered very good results in every quarter of the year.

Once again, we have to thank the tremendous efforts and strong commitment of our staff and managers throughout the Group for this success. I would like to take this opportunity, also on behalf of my colleagues on the Management Board, to express my sincere thanks for their cooperation.

I will now look at our performance during 2011 in more detail. However, I will limit my comments, as usual, to the most important key figures and developments. As always, we have provided you with our detailed annual report, containing very comprehensive information.

Simply put, Aareal Bank achieved or even surpassed its key targets set for the 2011 financial year. This applies to the outlook forecast at the start of that year, and to the updated guidance communicated after the first nine months. Allow me to summarise the highlights briefly:

- Net interest income climbed to € 547 million. We therefore more than achieved our target of exceeding the figure for the previous year.
- At € 112 million, allowance for credit losses remained at the lower end of the projected target corridor. The same applies here too: significant target achievement.
- The increase in administrative expenses compared to the previous year was higher than planned. I will explain the reasons behind this shortly.
- The volume of new business was increased to a sizeable € 8 billion, also thanks to the scope provided by the capital increase.
- At € 20 million, operating profit generated in the Consulting/Services segment, however, was below the objective stated. The prevailing low interest rate environment is making things difficult for us, since it continues to weigh on the margins in the deposit-taking business.

- The bank's capitalisation remains sound. It is even better than that: we are operating at a very comfortable level since the successful capital increase conducted last year.
- Our refinancing and liquidity situation is also very solid. Not only have we successfully concluded all refinancing activities planned, but we have also exploited further opportunities on the capital market.

I would like to go into more detail here about the individual items in the income statement:

- Consolidated net interest income amounted to € 547 million and was therefore up 7 per cent over the already very good figure for the previous year. The renewed increase in net interest income was largely based on the higher average margins achieved in the lending business. Net interest income, on the other hand, was burdened by the persistent low interest rate environment that continued to have a negative effect on the margins in the deposit-taking business with the institutional housing industry.
- The prudent business policy we pursued in recent years paid off in the allowance for credit losses. Totalling € 112 million, allowance for credit losses is only marginally higher than the € 105 million for the previous year, despite the economic downturn on some important markets. At the same time, the figure – as we announced in the course of the year – was at the lower end of the forecast range of € 110 to 140 million. This once again confirms the quality of our loan book.
- Net commission income improved to € 144 million, compared with € 123 million in the previous year. The increase is due to lower running costs, compared with the previous year, for the guarantee facility extended by

SoFFin. The item also includes, for the first time, full net commission income of € 17 million from SG automatisering bv, which we acquired in the fourth quarter of 2010.

- Reflecting volatile markets, the aggregate of net trading income/expenses, the result from non-trading assets, and the result from hedge accounting, amounted to minus € 9 million, after minus € 6 million in the previous year. Net trading income/expenses was primarily attributable to the measurement of derivatives used to hedge interest rate and currency risks, as well as from unrealised changes in value from the sale of hedges for selected EU sovereign countries. Results from non-trading assets were defined largely by the sale of fixed-income securities within the scope of active portfolio management.
- In this context, I would like to add another thought on the European sovereign debt crisis: thanks to the good business development, Aareal Bank was able to react at any time to any worsening of the market situation, by taking appropriate measures within the scope of active portfolio management. It was therefore able to limit the impact of the European sovereign debt crisis on the bank.
- Administrative expenses of € 382 million were higher than the previous year's figure of € 366 million. The figure includes special effects, including the bank levy that was imposed for the first time in 2011, as well as expenses incurred in conjunction with measures taken to improve efficiency and optimise income. We continue to pursue strict cost discipline within the Group. We are permanently enhancing our efficiency. However, as one can see from the earnings development, we are not cutting costs at the expense of our business and future opportunities.

- Instead, we consistently took advantage of opportunities that arose for high-margin new business in 2011, on the basis of our approach that is strictly oriented towards risk and return. All in all, we increased the volume of new business in the Structured Property Financing segment to a sizeable € 8 billion – that is around 20 per cent more than the previous year, and considerably more than was originally anticipated.

Overall, as I already stated, consolidated operating profit for the 2011 financial year amounted to € 185 million, an increase of 38 per cent over the € 134 million for the previous year – and at the same time, a record figure for Aareal Bank. We therefore achieved our objective of exceeding the previous year's result, moreover achieving it after only three quarters.

After deduction of taxes of € 52 million and non-controlling interest income, net income attributable to Aareal Bank AG shareholders was € 114 million; this represents an increase of around 50 per cent over 2010. After deduction of net interest payable on the SoFFin silent participation, consolidated net income stood at € 93 million, more than twice that of the previous year.

Ladies and Gentlemen,

The two segments both produced sound performances again, contributing to this very good result, notwithstanding the difficult market environment.

We increased operating profit in the **Structured Property Financing** segment by significantly more than 50 per cent, to € 165 million. This result was due in particular to a sharp rise in net interest income, combined with a still moderate allowance for credit losses. Despite the economic slowdown – particularly in the second half of the year – we took advantage of the opportunities for attractive new business that were available to us. Last spring, we conducted a successful capital increase, which I will discuss in a moment. As we clearly stated at the time, one of the objectives of the capital increase was to enhance our scope for expanding new business. The results speak for themselves: new loans with a focus on exposures eligible for inclusion in cover accounted for more than 60 per cent of the volume of new business – which expanded to € 8 billion.

We will continue to pursue our tried-and-tested (and successful) three-continent strategy in the future. This will allow us to exploit market opportunities in all the regions of the world that are particularly important to our business. At 78 per cent, Europe accounted for the largest share of new business. North America is a strong pillar, accounting for just under 20 per cent, while Asia's share fell to just under 2 per cent last year.

We had to face a slight decline in operating profit to € 20 million in our second strong pillar, the **Consulting/Services** segment for the institutional housing industry. This is due to persistently lower interest rate levels, which had a negative effect on the margins in the deposit-taking business. In view of market circumstances, however, we can be satisfied with this result.

The business of our IT subsidiary Aareon developed on schedule. Aareon was able to increase revenues again last year, and also concluded the financial year with a very good result. The company's multi-product strategy continues to pay off.

Aareon succeeded in acquiring numerous new clients last year as well, especially with the Wodis Sigma product line that was launched in 2009. An additional 56 users opted for Wodis Sigma in 2011: this software solution is now used by 382 property companies of all size categories.

Aareon's international business also developed favourably in line with planning. The Dutch company SG automatisering bv contributed sales revenues of € 20 million. As expected, the company – which is the second-largest supplier of IT solutions to the institutional housing industry in the Netherlands – has proved to be the excellent addition to our European portfolio we expected.

In the banking business with the German institutional housing industry, we successfully maintained our position as the preferred banking partner of the industry, acquiring 80 additional clients during the year that are managing more than 230,000 residential units. This means that there are now 2,700 business partners throughout Germany using our banking services and products.

Competition for deposits throughout the entire German banking sector intensified further in 2011 against the background of the uncertainty on refinancing markets. Despite this, we succeeded in increasing the volume of deposits in the financial year under review from € 4.1 billion to an average of € 4.7 billion. Deposits from the institutional housing industry represent an important additional source of funding for us. The strategic importance of this business therefore goes way beyond the interest margin – which is permanently under pressure in the current market environment – generated from the deposits.

Ladies and Gentlemen,

The capital and liquidity base of banks remained the focus of attention last year, not only in general, but above all of the regulatory authorities and the rating agencies.

We can ascertain the following for Aareal Bank: we have a very solid and comfortable capital base, also by international standards, which we were able to strengthen even further during the year under review.

As at 31 December 2011, the bank's Tier 1 ratio was 16.3 per cent, after 12.9 per cent the year before. The core Tier 1 ratio was 11.3 per cent. These ratios are based on the full reinvestment of profits generated during the 2011 financial year.

The capital increase that we concluded successfully in May 2011 also contributed towards further improving our capital base. We would like to take this opportunity to once again express our heartfelt thanks to you as our shareholders, for the trust you have placed in the bank, which is reflected in the exercise ratio of 99.7 per cent for the subscription rights.

As you know, we have used around € 270 million of the proceeds to further strengthen our capital base. We used another part of the proceeds as capital backing for new business concluded in the year under review. Additionally, some of the proceeds were used to repay another partial amount of € 75 million of the silent participation from SoFFin. The facility has now been reduced to € 300 million.

We remain under no pressure regarding the repayment of the residual amount. As a rule, we manage our total capital position flexibly within the framework of the relevant regulations and on the basis of our business strategy. We will therefore strive to always the find the optimum mix, comprising various equity and debt instruments in line with our current business environment. The remaining SoFFin silent participation, which we continue to service in full, must also be considered against this background.

In 2011, we dramatically reduced SoFFin's total exposure to Aareal Bank, by scaling back the guarantees extended. In April 2011, against the background of our good refinancing situation, we carried out an early redemption of the SoFFin-guaranteed € 2 billion bond maturing in June 2013, which the bank held on its own books, in agreement with SoFFin. The bank also bought back debt securities from investors, in an amount of just under € 0.8 billion of the remaining SoFFin-guaranteed € 2 billion bond maturing on 26 March 2012. Now that this bond issue has meanwhile matured, we will no longer be making use of any issuing guarantees from SoFFin. Accordingly, we no longer have to pay guarantee fees, which offers further relief to net commission income.

I just mentioned our good funding status. Despite the challenging environment on the capital markets, we succeeded in achieving all of our planned funding targets for 2011 – not at the end of the year, but after three quarters. We raised a total of € 4.3 billion in medium- and long-term funds on the capital market. The issue volume of longer-term uncovered bonds amounted to € 1.6 billion. This is particularly noteworthy when we recall how difficult the environment was in 2011, particularly for unsecured issues. We also issued € 2.7 billion in Pfandbriefe. The volume highlights once again the great significance of the Pfandbrief as a reliable instrument at all times in our funding strategy.

Ladies and Gentlemen,

I can conclude that 2011 clearly was a positive year. Although the environment deteriorated again, Aareal Bank once again performed well, and further strengthened its position in a changed market and competitive environment.

IV. The Share

Ladies and Gentlemen,

As shareholders, you will look at 2011 as being another very volatile year on the equity markets. I have already mentioned the key factors that influenced events. The intensifying European debt crisis during the second half of the year drove down share prices significantly on the equity markets. This was undoubtedly compounded by the shock of the severe earthquake in Japan and the accompanying nuclear plant disaster at Fukushima, which sent equity markets into a tailspin in March 2011.

The Aareal Bank share was unable to avoid the ongoing rollercoaster ride on the stock exchanges. This was evident in the extremely high volatility of our share price: the share traded at € 20.52 at the start of the year, the annual high of € 24.52 was reached on 4 July and the annual low of € 9.48 on 22 September. It traded at € 13.99 at the end of December. This kind of volatility cannot be explained by Aareal Bank's stable business model, which is geared towards sustainable profitability and a conservative risk profile. It is supposed to be due to uncertainty on the financial markets and the generally sceptical view of many investors vis-a-vis our sector.

A review of last year's share price development shows that our approach certainly attracted attention on the equity markets. This refers to the preliminary business figures for 2010 that were presented in February 2011, which drove up the share price by 2 euros on the day they were announced, as well as to the positive outlook for 2011 – both of which were presented within the scope of the financial statements press conference on 31 March. The simultaneous announcement that the SoFFin-guaranteed € 2 billion bond (which was held on the bank's own books) would be redeemed early was another notable influence upon the share price. The aforementioned capital increase was also well received overall on the market.

The markets experienced the strongest downward spiral from summer 2011 onwards as the European sovereign debt crisis intensified, with August becoming one of the 'darkest' months on the equity markets in the last decade. The DAX posted several negative records on its downward spiral at the start of August, such as the highest weekly loss since 2008 with a 12 per cent decline, or the highest daily loss in its history with an intraday minus of up to 7.1 per cent on 2 August. The DAX had never before fallen every day for ten consecutive trading days.

Despite the bank's good half-year figures, the Aareal Bank share could not escape this negative trend.

After the DAX and MDAX had lost approximately 25 per cent or just under 20 per cent, respectively, from their 2010 year-end levels, the first signs of some stabilisation became visible in September last year, mainly thanks to the resilience of the German economy in the face of recessionary fears. However, price losses continued for the Prime Banks Performance Index CXPB, which includes the German banking shares. The index fell by more than 45 per cent from year-end 2010. This negative trend among the financial issues was significantly reinforced by a series of downgrades for European countries and their banks by the three major rating agencies – Standard & Poor's, Moody's, and Fitch Ratings.

The negative underlying sentiment that burdened the banks in particular dominated the final quarter of 2011 too, where we again drew positive attention with the publication of our good third-quarter figures. The quarterly result once again exceeded market expectations and reinforced the fact that the subdued price development of previous weeks was not due to Company-specific factors. Quite the contrary: we reiterated our outlook in an environment in which banks were publishing generally disappointing quarterly results and downgrading their guidance. Consequently, our share price recovered by around 20 per cent.

Looking back, and taking 2011 as a whole, the DAX and the MDAX weakened by 14.7 and 12.7 per cent respectively during the year, while the Prime Banks Performance Index CXPB declined by a massive 34.3 per cent. Our share ended the year at a price of € 13.99, which was 32.5 per cent lower than at year-end 2010 and therefore marginally better than the industry average.

Some share prices recovered significantly at the start of this year. This was due to the so-called longer-term refinancing operation (LTRO) conducted by the European Central Bank. For the first time in its history, the ECB offered three-year funds to commercial banks at a fixed rate of 1 per cent. These measures were designed to alleviate the refinancing challenges evident on the interbank market. More than 500 banks took up this offer, borrowing funds totalling € 489 billion.

The Aareal Bank share benefited disproportionately from the ensuing positive market trend, and reached its year-to-date high of € 19.82 on 6 February. The subsequent discussions about a Greek debt restructuring and the conclusion then reached at the summit coincided with another three-year LTRO offered by the ECB, which provided the market with an additional € 530 billion in funds.

Following the publication of the preliminary business figures for 2011 on 21 February, our share price gave up the gains it had made since the start of the year. This was certainly not as a result of the record operating result I have just referred to. Rather, the market adopted a tentative stance in relation to the cautious outlook we had stated to the capital market, true to our approach of open and transparent communications.

We are, of course, not happy with the performance of the Aareal Bank share in recent months. As a bank, we operate in a sector environment that is affected by the European sovereign debt crisis, especially with regard to the share price, even if this impacts to a very limited extent on us as an individual bank. We are not totally immune to it. Nonetheless, we will continue to do everything in our power to help present our share from a differentiated perspective, with good results and ongoing positive business development.

V. Agenda

Ladies and Gentlemen,

At this point, I would like to discuss briefly the agenda for today's Annual General Meeting.

First of all, I would like to draw your attention to the fact that the comprehensive report of the Management Board regarding disclosures required under sections 289 (4) and 315 (4) of the German Commercial Code can be found on our website. You can also obtain a copy today at our information booth.

Agenda item no.1 refers to the presentation of the statutory documents. Under agenda item no.2, we propose to transfer the net retained profit of € 10 million to other retained earnings.

I already referred to this item elsewhere in my presentation. The SoFFin agreement required the freezing of dividends: now that this agreement has ended, we could theoretically afford a distribution again for the 2011 financial year. However, the Management Board and the Supervisory Board propose to once again reinvest net retained profit in full. Commercial prudence requires that we account for the uncertainty factors I have just outlined in a comprehensive manner. This is why we want to take the precautionary measure of strengthening our capital base, in order to secure the Company's resilience.

At this point, I would like to explicitly solicit your understanding and support for this step. It represents another milestone for the sustained strengthening of Aareal Bank Group, and we are convinced that it is in the best interests of the Company as well as in your interests as shareholders.

Agenda item nos. 3 and 4 of the agenda propose a resolution to grant formal approval to the Management Board and the Supervisory Board. Agenda item no. 5 contains the proposal regarding the appointment of the external auditors.

In agenda item no. 6 we propose to replenish the bank’s authorised capital to € 89,785,830; this is equivalent to 50 per cent of the current issued share capital. In the event that the exclusion of subscription rights is necessary in the interests of the Company, we will limit this to 20 per cent of the issued share capital. Of course, the statutory 10 per cent cap continues to apply to capital increases against cash contributions with a simplified exclusion of shareholders' pre-emptive rights. The authorisation runs for a period of five years. Management deems it necessary to retain the authorised capital to allow the bank to strengthen its capital base in a flexible manner in the future too. The Management Board's detailed reports in these authorisations in agenda item no. 6 were published with the agenda. They are also available on Aareal Bank's website, as well as in printed form at this Annual General Meeting. I would like to make reference to these reports. This proposal to create authorised capital constitutes a global authorisation: there is no concrete intention to use this authorisation at present.

In agenda item no. 7, we propose to endorse the current system for the remuneration of members of the Management Board that was explained by Mr Reich. The Company has also drawn up a corresponding remuneration report that is available on Aareal Bank's website as well as at this Annual General Meeting.

We also propose an amendment of the Memorandum and Articles of Association in agenda item no. 8. It creates the opportunity to permit postal voting at future Annual General Meetings; in other words, votes can be cast in writing, by fax or e-mail. This extends the opportunities for shareholders to vote. The decision whether to offer these options at future Annual General Meetings will be taken by the Management Board, taking into consideration the interests of the Company and the shareholders.

Dear shareholders,

On behalf of the Management Board and the Supervisory Board, I respectfully request your approval of the agenda items stated above.

VI. Current business development and outlook

I would now like to turn to current developments in the market environment and in relation to our business.

The fundamental trends that I described at the outset kept us fully occupied again at the start of this year.

That is why the first three months of the 2012 financial year once again presented a major challenge to Aareal Bank Group and the banking sector worldwide. The global financial system is undoubtedly still exposed to significant risks while the European sovereign debt crisis remains unresolved. Despite the initial soothing effects of the EU summit resolutions from January and February, as well as the LTRO confidence-building measures taken by the ECB that I described at the start of my report, the situation on the financial and capital markets remains tense. The regulatory requirements represent another burden for the banking industry, as I mentioned earlier.

The macro-economic environment is also defined by uncertainty. Moreover, real economic development has also varied greatly in the different regions of the world from the start of the year up to now. While the economy remained weak in the euro zone, where the southern member states are currently facing a marked recession, economic development in North America was moderately positive and therefore clearly improved. The Asian economies – especially China – continued to post the highest growth rates, even though the speed at which they were expanding has eased somewhat. Japan also posted a slight recovery in the first quarter of 2012. The renewed increase in the price of oil is burdening the entire world economy.

Commercial property markets were largely robust overall, despite weaker economic development in some regions. This translated into stable rental developments, in particular for first-class properties in Europe and North America. Rents increased in Asia, albeit at a slower pace than before. Transactions paint a different picture: while the volume and quantity fell slightly in Europe, they rose significantly in North America.

In this heterogeneous environment, we continue to pursue our selective approach that is oriented strictly on quality, return and risk, the results of which were seen in the first quarter of this year.

We published our detailed interim report for the first three months of 2012 on 10 May. I therefore want to focus on a few key statements here that I deem particularly important.

Our business in the first three months of the year was defined by the still-challenging market environment. Aareal Bank's good performance during this period – and in this environment – is therefore all the more encouraging.

The result for the first quarter of 2012 was down only slightly on the strong figures posted for the first quarter and final quarters of 2011. In view of the challenging environment, we are very satisfied with the solid consolidated operating profit of € 43 million. As we see it, this once again confirms the robustness of our business model. The good performance overall in the first quarter proves yet again that Aareal Bank Group's prudent business policy continues to pay off.

As previously announced, we operated a very cautious liquidity and investment strategy, to account for the challenging environment. This impacted on net interest income, which at € 129 million, was just under last year's figure, despite higher average margins in the lending business.

Allowance for credit losses in the first quarter amounted to € 12 million, compared with € 18 million in the corresponding period of the previous year. It is therefore considerably lower than the pro rata forecast range of € 110 to 140 million for the financial year but within the anticipated fluctuation range. Hence, no matter how positive it is for us, the figure for the first three months cannot be projected for the year as a whole.

Net commission income rose to € 40 million after € 30 million for the previous year. This is largely due to lower costs in relation to the remaining SoFFin-guaranteed bond in 2012, of which we had redeemed a significant portion in the previous year, and which matured in March of this year.

Reflecting distortions due to high market volatility, the aggregate of net trading income/expenses, the result from non-trading assets and the result from hedge accounting together amounted to minus € 26 million, after minus € 8 million in the previous year. Net trading income/expenses of minus € 16 million and the result from hedge accounting of minus € 10 million are primarily due to the measurement of derivatives used to hedge interest rate and currency risk.

These items – which have been very volatile since the outbreak of the crisis – should of course return to normal volatility levels once the financial markets stabilise. For a bank like Aareal, which does not operate any substantial trading activities, these items should not have a significant permanent impact on income – a state that we will restore in the foreseeable future. Once thing is clear: should the measures adopted by the EU, the ECB and the IMF fail to succeed in the medium term, market volatility is set to remain high. We therefore cannot exclude continued material fluctuations in these items during future quarters.

Administrative expenses of € 91 million were unchanged from the previous year, and therefore in line with our projections. This reflects the high level of cost discipline we continue to pursue.

The consolidated operating profit of € 43 million, less taxes and non-controlling interest income, translates into net income attributable to shareholders of Aareal Bank AG of € 26 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated net income in the first quarter stood at € 21 million.

Ladies and Gentlemen,

Performance at our **Structured Property Financing** segment was good overall at the start of the year. Although the segment's operating profit was down slightly on the corresponding figures for the previous year, at € 40 million, we are very satisfied given the environment I have described and our correspondingly cautious liquidity and investment strategy.

We continued to pursue our consistent and selective approach that is oriented strictly on quality, return and risk, throughout the first quarter. Looking at the quarter under review, it is evident that we responded to prevailing market uncertainty by adopting a cautious stance vis-a-vis new business and focusing instead on renewals.

Although market conditions are unlikely to change in the coming months, we plan to take up the opportunities presented in new lending business more vigorously than before during the course of the year. Against this background, we are sticking with our projected new business target of € 4.5 to 5.5 billion for the year as a whole.

The **Consulting/Services** segment held its ground in a difficult market environment. The segment's operating profit amounted to € 3 million, compared with € 4 million in the same quarter of the previous year. The historically low interest rate environment prevails, which is unfavourable for the profitability of the deposit-taking business. On the other hand, we welcomed a further increase in the average volume of deposits in the institutional housing industry, to € 5 billion.

The business activities of our IT subsidiary Aareon were in line with expectations in the first quarter, which is traditionally the weakest quarter of the year for its markets. A further six new clients were acquired for Wodis Sigma during the period. The number of new contracts was lower than in the previous quarter, since many clients had opted for our software in the final quarter of 2011, prior to year-end.

Let me now touch briefly on the developments regarding our capitalisation and funding.

Aareal Bank remains very solidly financed. We placed unsecured issues and Pfandbriefe in the amount of € 1 billion each in the first quarter of the current financial year. We have therefore conducted a substantial part of our funding activities planned for the year as a whole, achieving the corresponding planning certainty, also for our lending business.

In view of the future requirements as defined by Basel III, we feel we are well positioned with our capital ratios. As at 31 March 2012, the Tier 1 ratio increased over year-end 2011, to 16.6 per cent. The core Tier 1 ratio improved to 11.6 per cent. Aareal Bank therefore remains very solidly financed.

Ladies and Gentlemen,

Let me summarise the first quarter as follows: we enjoyed a very satisfactory start to the new year, and once again confirmed the stability and sustainability of our business model in a market environment that remains challenging. We exercise strict control over our risks and costs. We are well positioned and funded, so that we can take advantage of new business opportunities that arise during the current year. This will allow us to further expand our market position in a sustainable manner.

What are our individual expectations for the remainder of the year? On what assumptions have we based our outlook?

I have already indicated it several times: we do not expect any significant improvement in the environment for the remainder of the year. Rather, the environment is going to remain uncertain for the entire banking sector.

Three factors in particular will concern us in the future: the macro-economic environment, the regulatory environment, and the political environment.

We believe the growth trend for the global economy will slow significantly in 2012, bringing about a recession in some countries. Positive trends will not re-appear before 2013. This opinion is also shared by the leading economic research institutes. We also anticipate rising prices for various commodities; unemployment is expected to rise in some parts of Europe. Interest rates are expected to remain low for some time yet, against the background of the European sovereign debt crisis. We expect rates to rise in the medium term.

We continue to be confronted in the regulatory environment by uncertainty surrounding the cumulative effects of the various proposals for reform. This affects both the banks and the real economy. The impact is clear: we see a regulatory patchwork that will distort competition and lead to rising administrative expenses for the banks. The regulatory authorities are paying no heed to the difficult situation in the financial sector. Instead, they are imposing additional burdens. There is a danger that the cumulative effects of the various regulatory measures will exert banks to an unsustainable degree: banks might ultimately fail to live up to their macro-economic role of financing growth and innovation, to the extent desired by politicians as well – in a situation where, as pointed out, economic momentum has noticeably slowed.

The political environment will continue to be defined in the months ahead by discussions concerning the ongoing European sovereign debt crisis and further public sector austerity programmes. A secure political framework has not yet been put in place. The political fallout for the banking industry is also unclear. The key words here are additional European Banking Authority (EBA) stress tests, the bank levy, or even a financial transaction tax.

The persistent risks impact in particular upon economic development, which is determined on the one hand by the continued volatility and risks on the financial markets. On the other hand, economic growth is also suffering from a lack of economic stimulus in Europe. This might also put pressure on property prices in the months ahead. Further market distortions cannot be ruled out, as the European sovereign debt crisis persists.

By their very nature, we have very little impact on the factors and risks referred to above. However, we can prepare ourselves for those risks which are foreseeable. We have done this too, as you have come to expect from us. As cautious business people, we take the uncertain environment into consideration, by – for example – securing our very stable capital base and conducting our liquidity planning on the basis of very conservative assumptions. This also involves increasingly depositing our liquidity with the ECB – we knowingly accept that the low rate of interest payable on these funds is the price of higher security. And not least, we continue to comply with our self-imposed demands concerning the risk profile of financings within the scope of new business.

I would like to emphasise at this point that our mid-sized structure and high degree of flexibility allows us to react at all times to changes emerging in the environment and to take the opportunities that present themselves. We were and remain fully operational!

We affirm the outlook for 2012 we disclosed in February. Net interest income should be considerably lower than in 2011 as a consequence of our cautious liquidity and investment policy. However, we anticipate a significant rise in net commission income for the full year, since the charges on the SoFFin-guaranteed bonds will no longer apply. The Management Board continues to forecast allowance for credit losses in a range of between € 110 million and € 140 million, which is unchanged from last year. As in previous years, additional allowances for unexpected credit losses cannot be ruled out for 2012.

We anticipate a marked reduction in administrative expenses, due to the cost-cutting measures that resulted in charges last year.

All in all, we see good potential for Aareal Bank to achieve consolidated operating profit that is only slightly below last year's very good result.

What are our projections beyond the current financial year?

We continue to anticipate ongoing high demand for commercial property financing, and are convinced that the future holds promise in the medium to long-term, provided the business is operated with a sense of perspective and the required know-how. You are familiar with the various trends that support this positive assessment: I will refer here only to the population growth in many developing regions of the world, and the greater demand for renovation and investment in the developed markets. These mega trends remain fully intact and ensure continued demand for property and finance.

With regard to our services for the institutional housing industry, we also believe the earnings outlook for Aareal Bank is sustained as market leader in this area. Our excellent reputation as the long-standing lead bank to the institutional housing industry in Germany is the capital we can build on.

A soundly managed bank such as Aareal will continue to utilise its strengths, in an environment that is expected to remain uncertain for the time being: our lending policy that is focused on solidity and sustainability, our renowned proximity to clients and the market, our flexibility as a medium-sized company, our forward-looking refinancing policy and sound balance sheet structure.

VII. Conclusion

Dear shareholders,

the framework conditions for Aareal Bank shares could be easier. However, we have demonstrated in the last few years our ability to respond effectively to these challenges. Your company has emerged even stronger from the crises of the last few years; a crisis that threatened the existence of many banks and forced some of our competitors to make substantial cuts. We have optimised our strategic position, further streamlined our internal structures, consistently improved our competitive position and proven our reputation as a reliable partner to stakeholders.

Aareal Bank is excellently positioned to continue its success story, in a persistently difficult market environment. This will also benefit our clients, employees and not least you, as our shareholders. I would like to express my sincere thanks to you – for your support and the trust you have placed in the bank over the last few years. I hope you will accompany us in the future too.

Thank you very much for your attention.