Speech by

Dr Wolf Schumacher

Chairman of the Management Board

of Aareal Bank AG

on the occasion of the

Annual General Meeting

to be given on 21 May 2008

in Wiesbaden

- the spoken word prevails -

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 the 85th Annual General Meeting of Aareal Bank AG, which is also the sixth AGM since the bank was listed as an independent company in 2002. I am delighted to see that so many of you have again accepted our invitation, thereby expressing your significant interest in our company's business.

As is usual within the scope of this speech, I will look back over the previous financial year and the progress made to date in 2008. I will give you an overview of our expectations for the near future – to the extent that this is possible in this critical and demanding environment. In this context, I will also take a closer look at the crisis which has been affecting international financial markets since last summer, and the consequences thereof. In particular, I will outline the steps taken by Aareal Bank Group to counter the related significant challenges.

2007 was a truly remarkable year, which was characterised by two diverging trends. The period until summer 2007 was defined by intense competition and pressure on margins, with a significant level of prepayments. Trust amongst banks was uncompromised, which is why there were no funding problems at all. Similarly, placing credit risks in the capital market was no problem at all. The turning point came in the summer of last year, when the local crisis affecting the US sub-prime market segment started spreading, and developed into an international financial markets crisis, the end of which is still uncertain.

Against the background of this undoubtedly difficult market environment, the results of the financial year under review – which I would like to look back on first – are all the more remarkable. Bearing in mind that detailed information on the **2007 financial year** is already available in the Group Annual Report, I will concentrate on the highlights:

I. A review of the 2007 financial year

To start with the good news: Aareal Bank Group had a very successful year 2007. Clearly, our strategy of focusing consistently on our two core segments of Structured Property Financing and Consulting/Services proved to be correct and sustainable.

We consistently extended our international presence in Structured Property Financing, strengthening direct contact with our clients. Our strategy entails the combination of local market expertise provided by staff at our offices, and on the industry experience of our teams of experts for financing hotels, logistics properties, and shopping centres.

In the Consulting/Services segment, where we provide services to the institutional housing sector, we further expanded our position as a leading European IT systems house for commercial housing enterprises, and as a market leader for integrated payments systems.

Ladies and Gentlemen, we have reached, and in some cases clearly outperformed, our ambitious targets for the 2007 financial year.

- Aareal Bank concluded the financial year under review with the best result in its corporate history. Consolidated net income after minority interests climbed by 171% to € 290 million, equivalent to a return on equity after taxes of 25%. The pre-tax result soared by 138% to a record € 380 million, supported by non-recurring effects and a significant operative improvement of around 20%.

- The non-recurring effects realised during the financial year under review were no incidental events, but the result of a long-term strategic process. This holds true in particular with respect to the disposal of our stake in Immobilien Scout GmbH. We have consistently streamlined our organisational structure over recent years, divesting of activities outside our core businesses.

- Net interest income grew to € 411 million, an appreciable increase of 5.7%. Net commission income of €142 million was practically unchanged from last year's levels. Loan loss provisioning of € 77 million for the year as a whole was lower than the forecasted target corridor of € 80 to 90 million – this verifies the high quality that Aareal Bank's financing portfolio has achieved after the consistent adjustments of the last years. Net interest income after net loan loss provisions amounted to € 334 million, which is an increase of 11.3% compared to 2006.

- The net trading result was negative, at € 26 million, as a consequence of the write-downs on the securities portfolio brought about by the financial crisis. However, market value adjustments totalling € 31 million and affecting the income statement in the third and fourth quarter, were manageable compared with the bank's competitors. As indicated before, an analysis of the international financial markets crisis will follow at a later stage in my presentation.

- The cost discipline we have adhered to paid off: full-year administrative expenses of € 361 million were only 1.4 % higher than in the previous year. On a quarterly comparison, administrative expenditure remained almost unchanged, in spite of significant investments undertaken during the year to secure the long-term growth of our business, and some special effects.

- In the **Structured Property Financing** segment, the investments made in recent years in our international sales power proved worthwhile. At € 11.7 billion, we even succeeded in exceeding our ambitious target of € 10 billion for new business. New business originated is broadly diversified across regions.

- Also thanks to the strong level of new business, average risk-weighted assets have risen by around 15% to € 21.5 billion. The total volume of property finance under management rose from € 22.8 billion to approx. € 24 billion.

- Clearly, this figure reflects that we resolutely pursued our global expansion trend in Structured Property Financing within the scope of our three-continent strategy during 2007. We successfully started operations in several new countries. Thanks to the broad diversification of our credit portfolio – both in terms of regions and types of property – we have a great deal of flexibility when dealing with diverse changes in regional property markets. This also facilitates greater diversification of risk, so that we are less dependent on individual markets: clearly an advantage, especially in the prevailing difficult market environment.

- In addition to the Structured Property Financing segment, our second pillar Consulting/Services became an increasingly important contributor to income for the Group. At € 30 million, the segment's operative result improved almost four-fold, to exceed the forecast target corridor of € 22 to 28 million.

- Looking at quarterly developments during 2007, results show a clear uptrend which, as I will outline later, has carried into the current year.

- All business units contributed to the positive performance in the Consulting / Services segment.

- Our wholly-owned subsidiary Aareon, which celebrated its 50th anniversary last year, further extended its market position as a leading consultancy and IT systems house for the property management sector.

- Clearly, the realignment Aareon had embarked upon in early 2005 – and which was completed last year – showed positive effects. The 'Wowi Plus' project designed to enhance the performance in the institutional housing business, was launched in 2006. Incorporating a stronger market focus, the project specifically pursued the objectives of enhancing profitability, establishing a product range in line with company strategy, adapting the company structure to current requirements, and furthering a modern corporate culture. The project was concluded in 2007.

- Market response to the more pronounced focus on the needs of each client group – already implemented in 2006 – has been positive. Our new multi-product strategy in particular offers top-tier solutions for a variety of target client groups.

- More than 100 institutional housing clients have already signed up for Blue Eagle, our premium product built on SAP technology: 70 of these new systems have already gone into production. Overall, Aareon's software solutions are employed to manage some eight million rented units throughout Europe.

- BK 01, the market-leading payments software supplied by Aareal Bank AG to the commercial housing sector, yields significant funding benefits for us: average deposit volumes amount to € 4.5 billion. Other banks need extensive and expensive branch networks to generate deposits of this magnitude – we use BK 01, our state-of-the-art payments solution.

In spite of the deteriorating state of financial markets having been burdened by the crisis since mid-2007, the overall summary for the financial year under review could hardly be more positive:

- At a Group level, we fully established our business model, built on two successful columns, during the year under review. We also concluded the process of focusing on our core areas of expertise, having further streamlined our portfolio of shareholdings – especially with the very successful disposal of our stake in ImmoScout. The successful sale of activities classified as 'non-core' further strengthened our capital base. This is particularly valuable in the current environment: a core capital ratio of 7.3% (according to BIS rules, and including the write-downs recognised in the net trading result) means that we have a sound capitalisation.

- We expanded risk-weighted assets in the Structured Property Financing segment in a targeted manner, and observing a strict cost discipline, and further expedited the geographical diversification of our business.

- Following the realignment of Consulting/Services, which has largely been concluded, this segment has returned to sustained profitability.

We therefore have every reason to be proud of our achievements in 2007. I would therefore like to extend my sincere thanks – also on behalf of my colleagues in the Management Board – to all our staff. This success would not have been possible without their extraordinary commitment.

Ladies and Gentlemen,

On balance, the successful business development of last year was unfortunately not reflected in the performance of the Aareal Bank share price. Although our share climbed to its high of € 39.90 on 10 May 2007, the fallout from the US sub-prime crisis as described above was clearly visible and our share fell significantly in the slipstream of the other financial issues. Having hit a low of € 24.93 on 21 November 2007, it recovered by the end of December to € 31.30, which represented a minus of 11.3 per cent year-on-year. Market capitalisation as at 31 December 2007 was around € 1.34 billion.

The Prime Banks performance index (CXPB) – the primary benchmark index for the Aareal Bank share – was down 8.7% year-on-year, reflecting the overall trend of the financial services sector. If we include the FTSE 350 Real Estate index in this comparison, it is evident that the average performance of property shares was even clearly worse.

Extending the review beyond the end of 2007 until today, the Aareal Bank share price underperformed the CXPB. Shares of property banks in particular showed a significant underperformance to the overall bank index (the CXPB) during the period from January to March 2008. We feel that we were punished for the mistakes of others to a certain extent: after all, we did not commit the mistakes which were at the root of the price losses.

The difference between the annual high and low was a massive 15 euros in 2007. Share price volatility continued in the first few months of the current year.

The fall to the year-to-date low of € 17.75 on 20 March 2008 was followed by a strong recovery to € 25.25 on 2 May 2008. For us, this is a sign of continued confidence in Aareal Bank and its management, despite the ongoing financial markets crisis. Yesterday's closing price of € 21,60 equates to a market capitalisation of € 0.9 billion.

We are of course not happy with the latest share price development. The objective of our Investor Relations activities is to further enhance and strengthen the trust placed in Aareal Bank, in order to achieve a sustained increase in the value of our share. We would like to thank you, our shareholders, for the trust you have placed in our bank, despite the negative share price performance.

Having distributed a dividend again for the first time following the successful turnaround in 2007, we would also like you to participate in an appropriate manner in the bank's success this year, too. The Management Board and the Supervisory Board therefore propose to pay an unchanged dividend of € 0.50 per share from Aareal Bank AG's net income of € 285.4 million available for distribution. Exercising its power to retain earnings, pursuant to the German Public Limited Companies Act (*Aktiengesetz*), the Management Board has allocated € 142.5 million to retained earnings. Net retained profit is therefore € 142.9 million, from which the distribution of € 21.4 million will be paid. It is also proposed to allocate the remaining € 121.5 million to other retained earnings; this retention will provide another key contribution for Aareal Bank's future growth.

Dear shareholders, please allow me to make another remark on the issue of dividends: the Management Board and the Supervisory Board have agreed to retain the substantial non-recurring income realised during the financial year under review, in order to grow our core business and to strengthen our capital base. This decision has indeed been vindicated in the current market environment: in contrast to other players, our sound capitalisation allows us to exploit the attractive opportunities available on the market. We believe that this strategy is in the bank's best interest, and also in the interests of investors with a focus on long-term success. Put differently, we have strengthened the company's capital resources from the results generated by the business – something which not every bank can claim these days.

II. Comments on the agenda items:

At this point, I would like comment further on the agenda for today’s Annual General Meeting. First I would like to draw your attention to the report by the Management Board – which is available at this meeting – containing mandatory disclosures pursuant to sections 289 and 315 of the German Commercial Code.

The report includes information on details which must now be disclosed, by virtue of law, in the Management Report, or in the Notes to the Consolidated Financial Statements. More specifically, this includes details regarding the composition of the company’s capital; holders of shares carrying special rights; restrictions on voting rights or transferability affecting the company’s shares; agreements entered into with employees or members of the Management Board in the event of a takeover offer; powers of the Management Board with respect to the issue or repurchase of shares; legal provisions and provisions in the Memorandum and Articles of Association regarding the appointment and removal of members of the Management Board; and direct or indirect shareholdings in the company’s capital that exceed 10% of voting rights.

For your information, all these details – together with further disclosures required by law concerning potential obstacles to a takeover – are provided in the Management Reports, which are available on the Company’s website, and also at the information counters at today’s meeting.

I would like to take a closer look at some of the agenda items of today's Annual General Meeting. Since the resolution on agenda items 3 to 5 is required each year, no further explanation is necessary.

The resolutions proposed under agenda items 6 to10 serve the purpose of improving the company's financing options, together with the required flexibility for management in raising funds. Since the detailed report prepared by the Management Board regarding these agenda items was published with the agenda, and on the internet – and is available at this meeting – I would like to make reference to this report.

In agenda item no. 11, we propose to pass a resolution approving a hive-off and transfer agreement governing the divestment of a loan portfolio to Ariadne Portfolio GmbH & Co. KG. The purpose of this hive-off is to transfer a portfolio of private home loan financings from Aareal Bank to a third-party bank. This homogeneous portfolio of residential loans comprises approx. 28,000 individual exposures, all of which are performing loans.

The Management Board of Aareal Bank AG and the Management of Ariadne Portfolio GmbH & Co. KG have jointly submitted a detailed written report on the hive-off; this report is available for inspection at this General Meeting, and was also made available at our premises and on our website, prior to the Meeting.

Today, we are pleased to inform you that in the meantime we have entered into an agreement with Deutsche Postbank AG on the sale of the loan portfolio. With Postbank, we have succeeded in winning over one of the largest German retail banks, whose core businesses include home loan financing. We are convinced that the Postbank Group will provide our retail customers with a more comprehensive service offer than we were able to, given the different business focus we have adopted.

As you are well aware, we have concentrated on commercial property financing since 2002. Private housing loans are therefore no longer in line with our strategy. The disposal of a loan portfolio from this area of business is therefore entirely consistent with our strategy of focusing strictly on the bank's core areas of expertise.

Even though the purchase agreement entered into with Postbank is not the subject of a resolution to be passed at this General Meeting, I would like to give you some explanations in this respect.

The principal object of the purchase agreement, which is available for inspection at the sign-up desk today, are the shares in Ariadne Portfolio GmbH & Co. KG, which will be transferred upon the acquirer after the hive-off (which is to be resolved at today's meeting) has been registered in the Commercial Register, and the consideration has been paid. This consideration is mainly linked to the present value of future cash flows from the portfolio exposures. At this point, I would like to emphasise that this is a portfolio of the highest quality.

Especially considering the current situation on the capital markets, the conclusion of this agreement represents a great success.

As a result of the hive-off of the loan portfolio onto our subsidiary, Ariadne Portfolio GmbH & Co. KG will fully assume the legal position previously held by Aareal Bank regarding the exposures involved. This permits the transfer of loan relationships in their entirety, including ancillary agreements such as collateral arrangements. The requirements with respect to banking secrecy and data protection are fully complied with in this process. In this context, I would like to stress that extensive measures to protect our customers' rights have been put in place; Postbank has expressly agreed with these measures within the scope of the purchase agreement. At the same time, it is important to note that this transaction differs fundamentally from the circumstances related to the sale of non-performing loans by other banks, which have been the subject of media attention (sometimes, with a distortion of facts).

Furthermore, the purchase agreement contains provisions in case the requisite General Meeting resolution should not be passed, or the relevant resolution be appealed against. In such cases, the acquirer will be granted a sub-participation in substance, until the exposures are transferred in an alternative manner.

It is worth noting that the purchase agreement also comprises financings from the private customer portfolio of DEPFA Deutsche Pfandbriefbank AG, which fell within Aareal Bank's scope of responsibility upon the split of the former DePfa Group, and which we have largely managed since 1999. Overall, DEPFA and Aareal Bank will cease approx. 18,000 customer relationships. We will also reduce complexity within the Aareal Bank Group by reducing the number of interfaces with DEPFA Deutsche Pfandbriefbank AG, and by terminating agreements with cooperation partners and trustees.

I would now like to turn to our Group's business development in the current financial year, and to the outlook for the near future. In this context, I will also present our assessment of the financial markets crisis and its consequences.

III. First quarter of 2008

We have already provided detailed information on our business development during the first quarter of 2008 in our interim report published on the 14th of May. I would like to reiterate that the first quarter of 2008 was the toughest and most challenging quarter the financial services sector has faced to date. Many banks – including some blue-chip names – have had to post a quarterly loss. Fresh capital needed to be injected to ascertain the continued existence of some institutions.

Aareal Bank's situation is decidedly different: in view of the difficult market environment, we decided upon a conservative strategy, with a selective approach to doing business. As a result, we were free to decide, at any time, on our positioning in terms of lending and funding.

Aareal Bank Group held its ground well in a market environment that remains difficult.

- Operating profit of € 27 million, adjusted for non-recurring items, was up 2.4% on the same period of the previous year. It must be noted that firstly, operating profit of € 79 million in the first quarter of 2007 included non-recurring income of € 37 million from a compensation payment received from DEPFA Deutsche Pfandbriefbank AG. On the other hand, further moderate revaluation charges of € 16 million needed to be recognised in the net trading result for the first three months of the current year. Reflecting these special effects, consolidated net income after minority interests amounted to € 13 million, after € 51 million in the first quarter of the previous year.

- Aareal Bank Group's consolidated net interest income once again performed very well in the first three months of 2008, increasing by 9.2% over the same period of the previous year to € 107 million. Loan loss provisioning fell slightly to € 20 million. Net interest income after net loan loss provisions thus amounted to € 87 million, or 14.5 per cent higher year-on-year.

- At € 33 million, net commission income was down slightly, mainly due to the bank's more selective new business policy in 2008, and lower prepayments compared with the previous year.

- The net trading result was down by € 24 million compared with the previous year's figure, to minus € 22 million. This was largely due to the aforementioned direct impact of the global financial markets crisis.

Allow me to discuss this item in more detail. In line with the situation during the second half of 2007, the burden on the net trading result during the first quarter was a consequence of write-downs required due to the revaluation of our portfolio of asset-backed securities, or "ABS".

Market prices for this type of security have come under immense pressure as a result of the crisis which has affected global financial markets since last summer. Sparked by events in the US sub-prime loan market, the contagion effects of this crisis spread rapidly across vast parts of money, credit, and capital markets around the world. Consequently, the required write-downs – which were also promoted by widely-used international accounting standards – impacted directly on the income statements of countless banks, in all of the major economies.

Some of the world's largest and most prestigious financial houses have already posted losses. Leading international banks were forced to resort to investors from the Middle and Far East to restore their capital base, whilst others could only be saved from potential collapse by state intervention or by the spirited involvement of competitors.

Today, the entire financial services sector is facing a massive crisis of confidence, which also affects those institutions whose direct exposure to the crisis has been minor.

Aareal Bank Group is one of these institutions.

In a climate of fear and uncertainty, we must also fight hard to defend and maintain the trust acquired on the capital markets in recent years – even though so far, thanks to our prudent risk policy that we consciously pursued in recent years, we have coped with the financial crisis much better than many other banks.

At this point I am pleased to repeat what we have been emphasising in this context, time and again:

- Aareal Bank was and is not exposed to the US sub-prime market, neither directly nor indirectly.

- We do not hold any investments in US Residential Mortgage Backed Securities (RMBS).

- We do not hold any of the alleged innovative financial instruments that incurred massive losses for other banks. This applies to the complex Collateralised Debt Obligations (CDOs), which are repackaged bundles of loans to the most varied borrowers, as well as to numerous other structured products. Prior to the emergence of the financial markets crisis, such products – which are now making headlines – were only known to experts.

- We also do not hold any asset-backed Commercial Paper, nor are we invested in Structured Investment Vehicles.

- Moreover, we do not hold any transactions guaranteed by US bond insurers, the so-called monoliners, in our books.

- As mentioned before, we could not prevent write-downs – albeit at moderate levels – on our portfolio of asset-backed securities. Nevertheless, we feel very comfortable with our ABS portfolio totalling € 650 million, which we consider as credit surrogate business. The issues held include primarily broadly-diversified European retail home loan financing, of which more than 90 per cent have been assigned a triple-A rating. These ratings have remained stable since the onset of the financial markets crisis. To the contrary: two tranches with an aggregate size of € 13 million were even upgraded to AAA. Moreover, three-quarters of our ABS portfolio is eligible as collateral for ECB refinancing, which also demonstrates the related quality. We acquired the issues involved three to four years ago on average – long before the sub-prime crisis occurred.
  We are monitoring the underlying cash flows on a regular basis. Customers regularly service their interest and capital payments: to the present day, there has not been any payment or other default. Had we acquired this securities

portfolio in the form of loans, we would not have had to recognise a single euro of impairment charges to date. We expect our investment to be repaid at 100%. The write-downs reflect a change in valuation, not a commercial risk.

- We hold a single exposure of less than € 50 million in US Commercial Mortgage Backed Securities (CMBS), comprising a single portfolio of first-class office properties in prime US locations.

- "However, international accounting standards – specifically, IFRS – require that we determine a so-called 'fair value', by marking such investments to market. Considering that there is no commercial risk exposure and that these are long-term investments, I do believe it is fair to question this approach. In my view, it should be possible to re-classify such investments to the 'held-to-maturity' portfolio, on a one-off basis. This would not alter any valuation rules, but would offer those companies a reclassification options who wish to exercise this option once.

- After these explanations, which I do consider necessary, I would like to return to business performance during the first quarter:

- In the **Structured Property Financing** segment, we are pursuing a strict, selective new business policy in the current financial year that focuses on quality and return. We are concentrating on attractive high-margin market opportunities. For this reason, the volume of new business in the first three months fell to € 1.1 billion (Q1 2007: € 2.2 billion). This is also reflected in the drop in transaction volumes on major property markets as a consequence of the financial crisis and the resulting general investor uncertainty.

- In the course of the year, Aareal Bank successfully implemented the three-continent strategy in the Structured Property Financing segment. International markets accounted for just below 90% of new business in the amount of € 1.1 billion, of which 6.6% was attributable to the high-growth regions of Asia/Pacific and 15.9% to North America.

- The property financing portfolio under management amounted to € 23.7 billion as at 31 March 2008. This was down slightly on last year's figure, above all due to our selective new business policy.

- The satisfactory business development of the previous year in the **Consulting/Services** segment for the Institutional Housing Business continued into the first quarter of 2008. Posting a further increase in operating profit to € 11 million, the segment once again demonstrated its increasing importance as a stable source of income. This represents the seventh consecutive positive and growing quarterly contribution by the segment. All of the segment's business units were able to build on the good sales performance of the previous year.

- The importance of the German Pfandbrief for our refinancing activities – which were particularly positive in the course of the year despite the difficult market environment – is growing steadily. We raised € 960 million in long-term funds by mid-May, with mortgage bonds accounting for € 800 million and public-sector covered securities for € 30 million.

Owing to its very high quality and strict regulatory requirements, we firmly believe that the German Pfandbrief is about to experience a revival in the course of the financial markets crisis. As is clearly visible in widening credit spread differentials on the capital markets, German *Pfandbriefe* have already distanced themselves from similar covered bond structures in other European jurisdictions.

Banks in Germany thus have a refinancing vehicle at their disposal which is both cost-attractive and highly liquid, providing them with a clear edge over their international competitors. Furthermore, the regulatory environment governing German Pfandbrief issuance, and its various security mechanisms, prevent a crisis such as the one seen in the US sub-prime market from occurring in Germany.

Aareal Bank is set to clearly expand the Pfandbrief share of refinancing activities in the medium term, from currently 35%: based on our overall property loan portfolio, we expect the share of mortgage bond refinancing to rise from 25% at present to around 30% by year-end.

The significant level of deposits held within our Institutional Housing Business also offers Aareal Bank Group competitive advantages on the refinancing side, and clearly reduces the bank's dependency on the money and capital markets in the current volatile environment. The average deposit volume in the first quarter of 2008 was an impressive € 4.5 billion.

Ladies and Gentlemen,

We have a thoroughly sound capital and funding base. At over 5 years, the average remaining term of long-term funding is considerably higher than the average term of our property loans (3.5 years). Annual maturities of long-term liabilities amount to € 3 billion. In addition, we benefit from a very stable deposit base originated from Institutional Housing Business clients, which we can use for long-term refinancing purposes. In any case, we will not be forced to issue any uncovered bonds this year.

In summary, it is clear that Aareal Bank Group has performed very well in the first quarter of 2008 against the background of the prevailing difficult market situation. Our business model, incorporating the strong two columns of Structured Property Financing and Consulting/Services, has once again proved its robustness.

The same positive summary also holds true for the month of April, during which Aareal Bank Group continued to perform in line with projections.

III. Outlook

Right now, the key question is how the markets will perform over coming months, and how Aareal Bank Group will develop in this challenging environment.

Most of the experts are in full agreement that the financial markets crisis will continue to dominate the current year at least. Market conditions are not expected to normalise before 2009. We share this view.

We therefore believe that present trends in property financing are set to continue during the months ahead:

- As a consequence of the sub-prime crisis, margins on new business have already risen considerably, and are now at an adequate level.

- The share of borrowed funds available to investors for new projects will be further reduced. The equity share will increase instead – a development that we welcome as a financing house.

- Credit spreads for German Pfandbriefe are also unlikely to rise materially. This means that the Pfandbrief will continue to provide us with a cost-effect and liquid refinancing instrument.

- The spreads for bank bonds – so-called senior unsecured issues – will instead remain at their high levels.

- Transaction volumes on important property markets will fall further, reflecting widespread uncertainty among investors.

- We assume that the secondary market for loan receivables will continue to remain highly illiquid. However, this opens up good opportunities for potential portfolio investments that we want to exploit in a targeted manner.

In the short term, the outcome of these inevitable developments on our positioning is that we will continue to pursue our generally very conservative position in the Group. We want to ensure maximum flexibility, whilst maintaining a solid capital base remains a top priority.

We will continue to stick firmly to our selective new business policy in the **Structured Property Financing** segment. We will also exploit market opportunities in a targeted manner in the future, whereby we will prioritise exposures eligible for inclusion in the cover assets pool. The mortgage bond will clearly take centre stage in our refinancing activities. We will also continue to conduct selective, tailor-made private placements.

We are now reaping the rewards of the successful realignment in our **Consulting/Services** segment, which has barely been affected by the financial markets crisis. What we have to do here is to consistently pursue the chosen path.

What does this all mean for our prospective performance in the 2008 financial year?

We remain cautiously optimistic, although the financial markets crisis renders any forecasting in the property financing business extremely difficult. Assuming that the distortions on the financial markets will not prevail, we continue to believe that operating profit in 2008 will match that of the previous year. Positive performance in the Consulting/Services segment is expected to continue.

The positive performance of the previous financial year and also that of the first quarter of 2008, during which our business model once again demonstrated its resilience and sustainability, supports the Management Board as we consistently pursue the implemented strategy with the due care necessary in the current situation. Our long-term strategic orientation on two segments is successful and consistent. Concentration upon the core areas of expertise that we have pursued over the last two years has undoubtedly been good for the bank.

We now have to take the next step in the development of our Group. We must become more streamlined, more flexible and more effective, in order to overcome the challenges thrown up by the market – especially since we do not consider the fundamental changes brought about by the financial markets crisis to be temporary.

Our strategic orientation is not being questioned. Our business model, comprising the two strong pillars of Structured Property Financing and Consulting/Services for the Institutional Housing Business, has proved to be successful, especially in these turbulent times. This is also due to the fact that the Consulting/Services segment generates sources of income that are largely insensitive to the turbulence on the financial markets.

We reacted to the changes in the market environment brought about by the financial crisis, by further developing our strategic orientation, especially in the Structured Property Financing segment. The growth programme embarked upon in early 2007 was adjusted to the new conditions, by incorporating an extended planning horizon.

The necessary adjustments to structures, systems and processes have been identified, and will be implemented in the coming months within the scope of the growth programme FUTURE 2010 – which also encompasses developments in the Consulting/Services segment.

This will create the prerequisite for Aareal Bank Group to continue on its road to success despite the changed environment, and to achieve its ambitious goals.

FUTURE 2010 is a very ambitious programme that will impact on all areas of the group. Painful changes will have to be endured in some long-established structures and processes. In any case, there is no alternative to further operative improvement. The successful implementation of FUTURE 2010 is necessary to permanently secure our competitive edge as well as to preserve the bank's independence and achieve our goals.

Provided markets really do return to normal next year, we want to achieve a return on equity after taxes of around 13 per cent by the year 2010. The cost/income ratio in the Structured Property Financing segment should then be less than 40%. Average risk-weighted assets will increase to € 27 – 28 billion. We are planning an increase from € 65 million to € 75 million in operating profit in the Consulting/Services segment, which is more than double the figure achieved in 2007.

Ladies and Gentlemen,

These objectives are very ambitious, particularly against the background of the tense situation in the market at present. My colleagues on the Management Board are as convinced as I am that we can achieve these objectives. Our success is supported on the one hand by our extremely good strategic position. On the other hand, the management and staff of Aareal Bank have proven their ability on many occasions in the past. If we approach the challenges ahead with the same team spirit and passion, we have no need to fear the future.

Thank you very much for your attention. We will now be pleased to answer your questions.