Aareal Bank Group – Interim Report

1 January to 30 September 2012

Aareal Bank Group

Key Group Figures

	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011	Change
	€ mn	€ mn	€ mn
Income statement			
Operating profit	130	138	-8
Net income after non-controlling interests	82	85	-3
Indicators			
Cost/income ratio (%)[1]	43.2	43.9	
Earnings per share (€)	1.38	1.63	
RoE before taxes (%)[2]	7.1	8.3	
RoE after taxes (%)[2]	5.1	5.7	

	30 Sep 2012	31 Dec 2011	Change
	€ mn	€ mn	€ mn
Portfolio data			
Property finance	22,995	23,986	-991
of which: international	19,721	20,425	-704
Property finance under management[3]	23,195	24,239	-1,044
of which: international	19,721	20,425	-704
Equity	2,326	2,169	157
Total assets	45,042	41,814	3,228
	%	%	
Regulatory indicators			
Tier 1 ratio pursuant to AIRBA[4]	16.8	16.3	
Total capital ratio pursuant to AIRBA[4]	20.0	19.5	

	30 Sep 2012	31 Dec 2011	
Rating			
Fitch Ratings, London			
long-term	A-	A-	
short-term	F1	F1	

[1] Structured Property Financing segment only
[2] On an annualised basis
[3] Property financings under management include the property financing portfolio managed for Deutsche Pfandbriefbank AG
[4] Advanced Internal Ratings-Based Approach (AIRBA)

Contents

Letter to Shareholders

Dear Shareholders,
business associates and Aareal Bank staff,

The environment for Aareal Bank Group – and the banking sector as a whole – once again remained very challenging during the third quarter of the 2012 financial year. This was an environment characterised by a persistently high level of volatility on the financial and capital markets and ongoing concern regarding a potential escalation of the European sovereign debt crisis. The financial system thus continued to be fraught with considerable risk, even though recent developments in Europe aimed at managing the crisis are cause for a certain degree of confidence – and the first signals of a cautious easing are discernible on the markets. Concern surrounding a recessionary trend in the euro zone persists, particularly with regard to Southern Europe.

While the second quarter saw the European sovereign debt crisis escalate further – with the consequent impact on the financial and capital markets, the situation has eased to some degree over the past few months, even if we cannot yet speak of far-reaching stabilisation. One reason for this easing was the government bond purchase programme announced by the European Central Bank (ECB) in September. The decision by the central banks to continue to pursue an expansive monetary policy also had a calming effect. However, it is still too early to sound the all-clear.

The global economy improved only slightly during the third quarter. One of the key reasons for this development was the uncertainty among companies and private households in conjunction with the European sovereign debt crisis, which, by virtue of cross-relationships in international trading, also had a dampening effect in other regions. The austerity measures necessary to get national budgets into shape in some countries dampened macro-economic momentum, as did the repeated hike in oil prices. While economic output within the euro zone contracted, North America grew again in the third quarter, albeit with restrained momentum. Asian economies continued their moderate upwards trend.

Just as before, numerous reform plans and regulatory measures still loom on the horizon for the banking sector. Many measures have already been adopted, while others are still being discussed or prepared. The question as to what the cumulative impact will be for banks and the real economy has yet to be answered. Also often neglected is the issue of how these regulatory plans can be uniformly implemented internationally, in order to prevent European – and particularly German – banks from being subjected to competitive disadvantages. In fact, negative effects on banks' macro-economic role of financing growth and innovation are already evident – particularly in Europe.

Against the background of continued market and sector challenges, Aareal Bank once again posted a satisfactory result in the third quarter of the current financial year. At € 42 million, consolidated operating profit is at a very solid level, albeit below the previous year's strong figure of € 47 million. The reasons behind the decline can be attributed to low interest income owing to our conservative liquidity and investment strategy, as well as the fact that we focused our efforts on issuance in the first half of the year and only began increasing new business as the year progressed.

In commercial property financing, the trends that shaped the first half of the year continued. Most markets remained relatively stable; many banks continued to focus on their domestic markets. A year ago, we had already warned that a credit crunch for large-volume financing could be in store for Europe. Driven primarily by uncertainty in relation to the regulatory framework, it has become increasingly evident that banks have grown more cautious in their role as financing partners, a trend that has not evolved to the same extent in Asia and the USA. Aareal Bank has remained one of the few providers still capable of operating fully on an international scale in the commercial property financing sector. Against this background we have leveraged the bank's key competitive advantages – client proximity and internationality, tremendous property and sector expertise and the flexibility of our mid-sized structure – to consolidate the bank's market position.

New business in the Structured Property Financing segment enjoyed a slight increase over the previous quarter to € 1.3 billion in the period under review. After initially focusing on issuances in the first quarter, we started taking advantage of market opportunities for new lending business in the second quarter. In the third quarter, we consistently pursued this business policy. Our deal pipeline is well stocked as we approach the year-end, and beyond. This is one reason why we remain convinced that we will achieve our published new business target of € 4.5 billion to € 5.5 billion for the current financial year. As things currently stand, we believe there is a good chance that we will reach the upper end of this range.

In light of the aforementioned uncertainty emanating from the European sovereign debt crisis and the largely unresolved regulatory plans, we continued to pursue our cautious liquidity and investment strategy during the third quarter. Accordingly, we continue to hold larger volumes of liquidity at the ECB and Deutsche Bundesbank. The associated negative impact on net interest income is the price we pay for security in this environment. As long as we must assume that the situation on the financial and capital markets will remain difficult, and that volatility will persist, we will firmly adhere to our cautious strategy. We have been able nevertheless to apply a portion of our cash and cash equivalents towards new business, or to maturing issues. We have also once again made investments in high-grade and highly liquid securities to a limited extent.

At € 30 million, allowance for credit losses for the third quarter was within the anticipated range. It stands as a confirmation of the high quality standards to which we subject our property financing portfolio, and which we are able to implement by actively managing our credit exposures.

In the Consulting / Services segment, our subsidiary Aareon AG performed in line with plans. The Wodis Sigma product line is now being used by 416 property clients of all different sizes. We continue to be very satisfied with its international business as well.

The segment's banking business, however, was again impacted by two developments in the third quarter. On the one hand, average deposit volumes from the institutional housing industry performed very well; we were able to increase last quarter's high average level of € 5.5 billion to € 5.8 billion. Decisive success factors included our long-standing experience as the preferred partner of the institutional housing industry, as well as our market coverage and the extensive range of products and services we are able to offer our clients. On the other hand, the persistently low interest rate environment continued to burden income generated from the deposit-taking business, and therefore the segment result, during the quarter under review. The European Central Bank's interest rate policy this year has not given us cause to expect a favourable change in interest rate levels any time in the near future. As a consequence, we anticipate that the segment's result will be more adversely impacted for the year as a whole than we anticipated at the beginning of the year.

Yet the importance of our deposit-taking business in the Consulting/Services segment goes far beyond the interest margin generated from the deposits, which is under pressure in the current market environment. For Aareal Bank, deposits from the institutional housing industry are a strategically important, additional source of funding for the lending business that is largely independent of the developments on the capital markets. In addition to the German Pfandbrief and unsecured bank bonds, they represent an important pillar in the bank's long-term refinancing mix. Especially in the prevailing difficult capital market environment, Aareal Bank therefore sees this business as being a particular competitive advantage.

Our funding activities continued to be successful in the third quarter. With a total of € 3.9 billion in long-term funding raised during the current financial year, we have exceeded the previous year's level. Deserving special mention are three benchmark bonds at € 500 million each, which – together with numerous private placements – secure our very solid liquidity status.

Aareal Bank therefore continues to be very solidly financed, even in an industry-wide comparison. As at 30 September 2012 the Tier I ratio was 16.8 per cent, which is comfortable on an international level. The core Tier I ratio was 11.6 per cent. Aareal Bank thus already complies today with the demanding capital and liquidity requirements under Basel III, which will be gradually implemented until the end of 2018.

In light of the developments described earlier, we do not foresee any far-reaching improvement for the banking sector environment for the remainder of the financial year. The European sovereign debt crisis will remain the key issue for the financial and capital markets. Uncertainty and volatility on the financial and capital markets are expected to persist as a consequence, with existing risks continuing to demand our attention. It will be more important than ever before to coordinate fiscal policy measures with credible, consistent and lasting structural reforms in crisis-affected countries, and on an EU institutional level. This can only be accomplished with concerted efforts from every participant – and that means politicians, financial players and investors alike.

Despite considerable challenges, we continue to see for this year good potential for achieving consolidated operating profit that is only slightly below 2011's very good result. We will continue to seize new business opportunities and further increase the share of newly originated loans in the overall new business volume during the final quarter of 2012. We shall trust in our coherent and sustainable business model, and, for the time being adhere to our cautious liquidity and investment strategy to fully take into account the uncertainties surrounding us. We remain fully convinced that structured property financing has a good future – when practised, as we do, with a sense of proportion and taking a forward-looking stance.

For the Management Board

Yours Sincerely, Wolf Schumacher

Dr Wolf Schumacher
Chairman

Group Management Report

Business and Operating Environment

Macro-economic environment

The macro-economic environment continued to be affected by the European sovereign debt crisis during the third quarter of 2012. This led to a persistent burdening effect on the European economy in particular. North America and Asia on the other hand, featured moderate growth in economic output. Overall, global economic development was only slightly positive.

Economy

One of the key reasons for this development was the uncertainty among companies and private households in conjunction with the European sovereign debt crisis, which, by virtue of cross-relationships in international trading, also had a dampening effect in other regions. In addition, the restrictive fiscal policy embarked upon in many countries for the purpose of consolidating their budgets also curbed overall economic demand. Demand was also subdued in several countries by private households taking steps to reduce their debt levels. Another significant increase in the price of crude oil also weighed on the economy.

Various indicators, such as production ratios or trend barometers, suggest that economic output within the euro zone contracted further in the quarter under review, following negative development in the previous quarter. The euro zone's economy was therefore in recession. Economic weakness was very pronounced especially in the southern member states, such as Greece and Portugal as well as Italy and Spain. The economies in these countries were not only burdened by the uncertainty that prevails among companies and private households, but also by the banks' restrictive lending policies and the extremely restrictive fiscal policy being pursued in those countries. The remaining euro zone countries also recorded falling, or only very slow-growing, economic output. A similar scenario was evident in most European countries outside the euro zone. Denmark and the Czech Republic were examples of countries with weak economic development. In contrast, the economic situation in Poland and Sweden remained comparatively positive. The UK economy benefited in the third quarter from a number of special factors – such as the Olympic Games – which enabled growth.

The North American economy grew once again in the third quarter, albeit at a slow pace. There is still no sign of strong economic momentum.

Economic momentum also declined in Asia. China's economy continued to post strong growth rates by international standards. However, the pace of expansion has eased significantly compared with the previous year. Japanese economic development eased slightly in the third quarter.

Weak economic development continued to define the labour markets. The unemployment rate has hardly changed in most European countries. The periphery euro zone countries, in particular, featured high unemployment, whereas Austria, Germany, Luxembourg, and the Netherlands had the lowest rates within the EU. By contrast, unemployment in the US fell in the third quarter.

Sovereign debt crisis

The European sovereign debt crisis was also the focus of economic policy discussions and the macro-economic environment in the third quarter of 2012. Greece's and Spain's economic situation and their planned reforms played a significant role in this context.

In light of the persistently high yields on government bonds issued by euro zone periphery states, the European Central Bank (ECB) decided to launch a government bond buying programme. The ECB announced the terms of these transactions – referred to as "Outright Monetary Transactions" (OMT) – on 6 September. Within the scope of OMT, the ECB is prepared to buy government bonds on the secondary market, provided that the countries involved make use of an appropriate programme from the EFSF (European Financial Stability Facility) or the ESM (European Stability Mechanism) support measures. Such a programme must either feature the conditions set out in a full-scale adjustment programme, or be a precautionary programme that includes the possibility of buying the bonds of the country in question in the primary market. According to the ECB, the government bonds to be bought will have terms between one to three years. The programme is unlimited in terms of the quantities the ECB will buy. It is also set to be used to buy government bonds from the countries that are currently involved in an adjustment programme, once these countries have re-gained access to the securities markets. With the decision to launch OMT, the ECB terminated its previous programme for buying securities.

Spreads for Italian and Spanish government bonds narrowed dramatically following the announcement of this programme. Equity markets also reacted positively to this announcement, posting price gains.

In September, the German Federal Constitutional Court rejected emergency appeals against the legislation on the ESM and the fiscal pact. However, the Court made ratification of the ESM Treaty conditional upon the proviso that all the payment obligations for Germany arising from the Treaty be limited to Germany's share of the ESM's authorised capital stock (approx. € 190 billion), and that any increase require the approval of the German representative on the ESM's executive bodies.

Financial and capital markets, monetary policy and inflation

Some easing was evident on the financial and capital markets in recent months. The measures announced by the ECB to buy government bonds are likely to have contributed to this. Nonetheless, the situation on the financial and capital markets continued to be defined by uncertainty and volatility.

The external value of the euro was under devaluation pressure at the start of the third quarter, too. It initially continued to depreciate against most of the key currencies in which we are active, up to the start of August. The euro picked up again thereafter. In fact, the value of the euro against the US dollar was somewhat higher at the end of the third quarter compared with the start. At the end of the quarter, the value of the euro against the pound sterling and the Japanese yen was more or less unchanged from the beginning of the quarter. However, it failed to recover completely against the Canadian dollar and the Swedish krona. The euro remained almost constant against the Danish krone and the Swiss franc. It must be taken into account that Denmark is aiming at a largely stable exchange rate against the euro, and that the Swiss Central Bank has not allowed the EUR/CHF exchange rate to fall below 1.20 since September 2011. The exchange rate was just above this limit during the third quarter.

The euro zone's financial and capital markets remained highly segmented by the various countries in the third quarter. Euro zone periphery countries were faced with high spreads for their bonds, even though these narrowed dramatically in the third quarter after the announcement of the ECB's measures. However, Spanish government bond yields rose again at the end of the quarter. When analysing interest rate developments, one must take into consideration the segmentation of the financial and capital markets. In terms of swap rates, the long-term interest rates[1] in the currencies in which we are active were lower, including the euro, US dollar and pound sterling. Short-term interest rates[2] also fell for the most part. This decline was particularly pronounced for the euro. In contrast, short-term Japanese yen, Canadian dollar and Swiss franc interest rates were largely static.

The central banks continued to pursue an expansive monetary policy. The ECB resolved the bond-buying programme described above, expressing the intention to absorb the resulting liquidity effects, however. The ECB also decided at the start of September to change the requirements for collateral

[1] Swap rates (10 year) vs. 6-month Euribor
[2] Calculated on the basis of the 3-month Euribor/LIBOR, or comparable rates (depending on the currency)

that can be pledged to the ECB by commercial banks within the scope of refinancing operations. Accordingly, the use of a rating threshold for marketable bonds that are issued or guaranteed by sovereign states, and for loans to these states, was waived – provided that such countries are admitted to the OMT programme. However, Greek government bonds are excluded from this regulation. The US central bank (Federal Reserve – the "Fed") agreed on an additional quantitative easing programme in mid-September. It intends to buy USD 40 billion of mortgage-backed bonds every month for the time being.

The central banks' key interest rates remained at historically low levels. At the beginning of July, the ECB lowered its key interest rate by 25 basis points, to 0.75 %. The rate of interest for the deposit facility was reduced at the same time to zero. Denmark's and Sweden's central banks also cut their key interest rates further in the third quarter, to 0.20 % and 1.25 % respectively. The Chinese central bank continued with its monetary easing and lowered the key interest rate further in the third quarter. The Central Bank of Russia was the only one to take opposing measures and raised the key interest rate slightly.

Crude oil price development turned around in the summer. Having weakened in the second quarter, the price of oil rose again sharply during the period under review. This also raised inflationary pressure. The annualised rate of inflation within the euro zone increased slightly to an average of 2.5 %. There was a clear trend towards higher inflation in the US in the last two months of the quarter. Annualised inflation in Japan was slightly negative. Inflation was considerably lower in China, especially due to a weaker increase in foodstuffs prices, compared with the previous year.

Regulatory environment and competition

The banking sector continues to face numerous reforms for regulating the financial services industry. The issues of the aggregate impact on banks and on the real economy, and on steps to safeguard the harmonised implementation of such measures on an international scale in order to prevent competitive distortions, remain unanswered.

With regard to the competitive situation on the markets regarding the financing of commercial property, there was evidence of significant reticence among the banks to act as financing partners for large-volume financings in Europe in the third quarter of 2012, especially in southern Europe – and also for properties in second-class locations in other European countries, or for financings with a high loan-to-value ratio (LtV). However, competition in the commercial property finance business intensified in the US. This was due to the activities of the banks and life insurance companies that have already been active in this segment for many years, and also to a recovery on the market for CMBS (commercial mortgage-backed securities). In Asia, the financing market for commercial property can also be described as highly competitive.

Sector-specific and business developments

Structured Property Financing segment

During the third quarter of 2012 we continued to pursue our risk-sensitive lending policy while consistently managing our loan portfolio.

We were able to increase the volume of new business in the period under review over the previous quarter. Third-quarter new business volume amounted to € 1.3 billion (Q3 2011: € 3.0 billion), therefore totalled € 3.0 billion for the first three quarters of 2012 (2011: € 6.2 billion). Having concentrated initially on our issuing activities in the first half-year, we started to increasingly exploit market opportunities presented in the new lending business during the second quarter. This was continued in the third quarter. A comparison with the previous year must take into account that last year's new business benefited from the capital increase conducted in the second quarter of 2011.

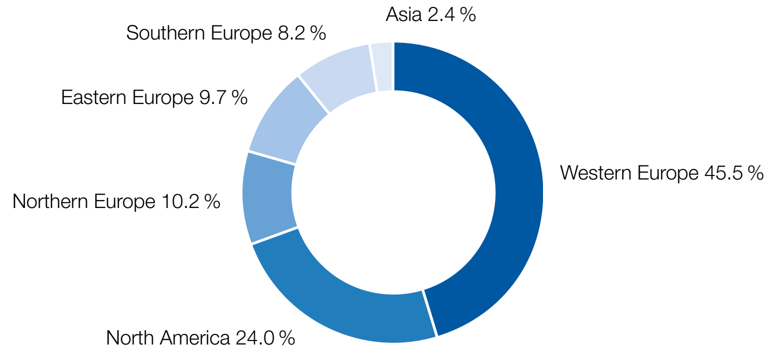
We boosted the number of newly originated loans extended in the third quarter of 2012 over the first two quarters of this year. Nonetheless, the share of newly originated loans relative to total new business was still lower in the first three quarters of 2012 compared with the corresponding period of the previous year.

At 73.6 %, Europe accounted for the largest share of new business in the first three quarters of 2012, followed by North America with 24.0 %. The volume of new business generated in Asia was low, accounting for only 2.4 %.[1)]

Rents and yield requirements by investors on the markets for first-class commercial property remained largely stable during the third quarter. On the other hand, rents and property values in peripheral locations, or for properties of lesser quality, were under pressure. Transaction volumes fell worldwide, compared with the third quarter of 2011. Investor demand continued to concentrate on high-quality properties in the corresponding locations.

New business 1 January-30 September 2012

by region (%) Total volume: € 3.0 bn



Europe

Rents for first-class commercial property in the third quarter, too, were practically stable in the vast majority of European economic centres compared with the previous quarter. Premium segment rents fell in only a few markets, including, for example, the office markets in The Hague, Rome and Zurich, as well as the logistics market in Amsterdam. Similarly, rents in the premium segment increased in only a small number of markets, such as the office market in Munich and the retail markets in Amsterdam, Berlin and Rotterdam. The trend toward constant rents applied to first-class office, retail and logistics properties. Rents tended to come under pressure for commercial properties outside the first-class segment.

Developments in the hotel markets of important European cities varied in the third quarter of 2012, although a positive trend prevailed. The important indicator of average revenues per available hotel room was significantly higher in some parts of various markets – such as Berlin, London, Moscow, Munich, Paris and Prague – compared with the same period last year. In contrast however, this indicator fell quite considerably on some other markets: Amsterdam Airport, Madrid and Rotterdam, for example.

The volume of commercial property transactions in Europe was down compared with the third quarter of 2011, with quite a marked decline recorded in Southern and Eastern Europe. Transaction volumes also fell in Northern Europe, the Benelux states, Germany and France, albeit at a considerably lower rate. The decline in Germany was primarily due to the limited supply of premium property. On the other hand, growth was strong on the UK market, with geographical concentration on London. Throughout the third quarter, investors continued to focus on first-class properties that offer a secure cash flow. Investor yield requirements[2)] from newly-acquired properties in this high-quality segment remained stable in most European economic centres, compared with the previous quarter. Only a few markets saw rising yield requirements in the first-class segment. This affected for example, the office markets in some southern European centres or the logistics markets in various UK loca-

[1)] New business is allocated to the individual regions on the basis of the location of the properties used as collateral. For exposures not collateralised by property, the allocation is based on the borrower's country of domicile.

[2)] Falling yield requirements lead to rising property market values, while rising yield requirements lead accordingly to falling values, all other things remaining equal.

tions. In the premium segment, yield requirements fell in isolated cases only: for example, the office and retail property markets in Paris and Zurich.

Properties that are not included in the premium segment with regard to factors determining value were not at the forefront of investor interest. In terms of price development, they lagged behind high-quality properties or those with a stable cash flow, and performance came under pressure here.

We generated new business of € 1.0 billion in Europe in the third quarter of 2012. The volume of new business generated in Europe in the first three quarters of 2012 therefore totalled € 2.2 billion. Western Europe accounted for the largest share by far of new business in the first three quarters, followed by Northern Europe, which was just ahead of Eastern and Southern Europe.

North America (NAFTA states)

Rental levels for commercial property slightly increased on a national average basis in the US during the third quarter of 2012, compared with the previous quarter. This applied – nationally on average – to office and retail, as well as to logistics property markets. The San Francisco office market deviated from the general trend with a significant rise in rents. Office rents in Boston, Chicago, Los Angeles and New York rose only marginally and remained virtually constant in Washington D.C. Rents for the various types of commercial property in the US slightly increased, and at the same time, the vacancy ratio slightly decreased on a national average basis.

The upside trend in the hotel sector from the previous quarters continued in the US. Revenues per available hotel room rose on a national average basis during the third quarter, compared with the corresponding period of the previous year. The average revenues per available hotel room increased significantly in Mexico, while rising only slightly in Canada.

The volume of commercial property transactions in North America increased over the third quarter of 2011. Investor interest also focused here on high-quality commercial property, although considerable interest was also shown in property outside of the premium segment. On a national average basis, yield requirements in the US for different commercial properties were virtually constant to slightly lower.

We generated new business of € 0.3 billion in North America in the third quarter of 2012. The volume of new business in North America in the first three quarters therefore reached € 0.7 billion, with the US accounting for the majority thereof.

Asia

Rental development in the big Asian cities varied. Rents for first-class office properties in Beijing and Shanghai increased over the previous quarter, whilst static or falling rental levels were evident on some local sub-markets. Rents stabilised in the high-quality segment of Tokyo's office market, which was burdened by falling rents for a long period of time. Rents in Singapore's office market on the other hand, declined significantly. Rents remained virtually stable in the premium retail property segment in Beijing, Shanghai, Singapore and Tokyo. However, the owners of new shopping centres in Beijing have lowered rents to attract new tenants, so that the average rents have fallen slightly. Premium logistics properties in the four previously-mentioned big Asian cities saw slight rental increases.

The recovery in the Tokyo hotel market – following the earthquake catastrophe – continued during the third quarter: average revenues per available hotel room increased accordingly over the corresponding period of the previous year. Average revenues per available hotel room also increased in Beijing, Shanghai and Singapore.

Transaction volumes in Asia fell slightly year-on-year. Investor yield requirements for newly-acquired commercial property appeared to be largely stable in the big Asian cities mentioned above.

New business volume conducted in Asia during the third quarter of 2012 was low so that our new business in Asia in the first three quarters of 2012 was just € 0.1 billion.

Consulting/Services segment

Institutional Housing Unit

The German institutional housing industry continued to prove itself as a stable sector during the third quarter. This was evidenced in particular by largely constant rental income and long-term financing structures. The sector continues to focus particularly on sustainable property management and development, with a strong emphasis on increasing energy efficiency.

The German residential rental market continued to see stable development. Rents offered in August 2012 were around 0.8 % higher than in the first quarter of 2012, with rents in rural areas increasing by 0.6 %, and in the major cities by 1 %.

However, differences in rental levels remained between growth regions and those subject to contraction. While rural areas featured higher vacancy levels, the demand for residential accommodation increased in many German economic centres. Major urban areas in particular benefited from higher demand on the residential rental market.

The ongoing volatility on the financial and capital markets sustained the demand for German residential property portfolios, above all in densely populated regions. German institutional investors in particular remained active. Private investors also showed growing interest in residential property as a means for safeguarding assets.

Our Institutional Housing Unit clients continue to make strong use of the combination of specialist services in conjunction with automated mass electronic payments processing, together with the related advice we offer, as well as cash investment schemes. This enables us to maintain a strong position in the market, despite strong competitive pressure – the new business partners gained over the first nine months of the current year manage more than 80,000 units between them.

The Institutional Housing Unit succeeded in significantly increasing the volume of deposits again during the quarter, up to an average of € 5.8 billion (Q2 2012: € 5.5 billion).

On the other hand, the persistently low interest rate environment in the quarter under review burdened income generated from the deposit-taking business, and therefore the segment result. Yet the importance of our deposit-taking business in the Consulting/Services segment goes far beyond the interest margin generated from the deposits, which is under pressure in the current market environment. For Aareal Bank, deposits from the institutional housing industry are a strategically important, additional source of funding for the lending business that is largely independant of the developments on the capital markets. In addition to the German Pfandbrief and unsecured bank bonds, they represent an important pillar in the bank's long-term refinancing mix. Especially in the prevailing difficult capital market environment, Aareal Bank therefore sees this business as being a particular competitive advantage.

Aareon AG

Cloud computing – one of the most important current IT trends – is becoming increasingly important in the market for property management software, and demand is steadily growing. Using cloud computing, companies can procure and retrieve IT solutions from service providers through a network. This facilitates efficient investments in IT and helps to keep administrative expenses low. Aareon AG has the ability to benefit sustainably from this new trend. It looks back on several decades of experience, both as an IT centre operator and as provider of GES, an ASP-based software solution. ASP, or "Application Service Providing", can be seen as the predecessor of today's cloud computing concept. Response to this type of computing has been positive following Aareon's launch of Wodis Sigma Release 3.0 during the fourth quarter of 2011: the software is also available as a service, provided through the exclusive Aareon Cloud. Data from Aareon's Cloud Computing is held in Aareon's certified data-processing centre in Mainz, which guarantees a high level of data security and protection. 48 clients already use the Wodis Sigma product as a service from the exclusive Aareon Cloud. The mobile use of software solutions and processes, for example, through the use of smartphones and other mobile devices, has emerged as another important trend in the housing industry. The flow of information between housing enterprises and tenants will open up optimisation potential that supports the service for tenants for both sides.

The Wodis Sigma ERP product continues to be well received by the market: 41 contracts were signed with Aareon by the end of the third quarter of 2012. A total of 416 clients have already opted for the system to date. The development of Wodis Sigma Release 4.0 is on schedule. The market launch will take place at the Wodis Sigma Forum, to be held in Bochum during the fourth quarter. The new functions and integration of the current legal requirements will be presented here.

Demand for the SAP® solutions product line and for Blue Eagle was subdued overall; the exceptions were consultancy services for SAP® and other consulting services provided by Aareon. The development of the new Blue Eagle Release 6.3 is on schedule.

The volume of business with the established GES system remained stable. Aareon saw increased client demand for the electronic balance sheet service. This function was introduced with the GES version 05/2012 in the second quarter.

The Integrated Services product line continues to see demand, especially for the Mareon service portal, the BauSecura insurance solutions, and the Aareon invoicing service. RWE – one of the highest-profile electricity and gas utilities in Germany – is one of the companies to have decided in favour of the Aareon invoicing service. This service facilitates the paper-free exchange of invoices between business partners, and purely digital invoice processing. The new Aareon immoblue+ product that was acquired on 1 April serves to optimise rental processes. It was integrated in the customer relationship management service range, and is offered through the exclusive Aareon Cloud. Aareon plans to expand this line of business further in the future.

Aareon offers a high level of data security. This was confirmed by the DQS Seal of Approval for Data Protection 2012, which Aareon and its domestic subsidiaries were awarded in August for the third time.

Aareon is the leading IT partner in the "I-stay@home" project funded by the European Union. Several European companies from the institutional housing industry teamed up and were awarded the tender. These include housing enterprises in Belgium, France, Germany, and the Netherlands, as well as research and technology companies. The project aims to allow older people to stay living within their own four walls for as long as possible, and is becoming increasingly important from a social and economic perspective, in view of the demographic development. The project partners are therefore developing an IT-based platform to access domestic support services.

In France, Loire Habitat, a long-established housing enterprise with 11,000 rental units in the Département Loire, decided in favour of Aareon France's SIG Habitat. SIG Habitat is a geographically oriented information system that reproduces and visualises general information (purchasing power, local transport) as well as individual information (vacancies, arrears) geographically and was acquired by Aareon France in the first quarter to extend its range of services. Aareon UK leveraged its leading position on the highly competitive UK market for property management software, and bid successfully for various tenders. It acquired an the important new client, Powys County Council, Llandrindod Wells, Wales, with 6,000 rental units. Another step in Aareon's international growth strategy was the 100% takeover of the UK company 1st Touch Ltd., Southampton, with effect from 1 July 2012. 1st Touch is the leading provider of mobile software solutions for the housing industry in the United Kingdom. The company is active under the umbrella of Aareon AG with the existing management at its previous Southampton location, and as an independent operator.

The ERP product generation SG|tobias^{AX} from the Dutch company SG|automatisering continues to be well received by the market. Amsterdam-based De Key, with 35,700 rental units, is an important housing enterprise that decided in favour of SG|tobias^{AX} financials and projects.

Financial Position and Performance

Financial performance

Group

After the first nine months of the 2012 financial year, consolidated operating profit amounted to € 130 million, compared with € 138 million for the same period of the previous year.

Net interest income of € 370 million was € 31 million lower than the previous year (€ 401 million). It was burdened, in particular, by the bank's very cautious liquidity and investment strategy.

Allowance for credit losses amounted to € 67 million during the first nine months of the financial year (9m 2011: € 78 million), thus being lower than the pro-rata forecast range of € 110 million to € 140 million for the financial year, but within the expected range.

Net commission income of € 119 million was higher than the previous year (€ 99 million). Costs for the bonds guaranteed by SoFFin were incurred for the last time in the first quarter of 2012. These amounted to € 3 million (9m 2011: € 18 million).

Consolidated net income of Aareal Bank Group

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Net interest income	370	401
Allowance for credit losses	67	78
Net interest income after allowance for credit losses	**303**	**323**
Net commission income	119	99
Net result on hedge accounting	-7	2
Net trading income/expenses	-17	14
Results from non-trading assets	-2	-18
Results from investments accounted for using the equity method	–	1
Results from investment properties	5	7
General administrative expenses	270	280
Net other operating income/expenses	-1	-10
Impairment of goodwill	–	0
Operating profit	**130**	**138**
Income taxes	33	39
Net income/loss	**97**	**99**
Allocation of results		
Net income/loss attributable to non-controlling interests	15	14
Net income/loss attributable to shareholders of Aareal Bank AG	82	85
Appropriation of profits		
Net income/loss attributable to shareholders of Aareal Bank AG	82	85
Silent participation by SoFFin	15	16
Consolidated profit/loss	**67**	**69**

Net trading income / expenses and the net result on hedge accounting of € -24 million were primarily attributable to the measurement of derivatives used to hedge interest rate and currency risk, as well as to unrealised changes in value from the sale of hedges for selected EU sovereign countries.

At € 270 million, administrative expenses were down from last year's level (9m 2011: € 280 million). The main reason for this are the measures to optimise our structures and processes which were initiated last year.

Net other operating income and expenses amounted to € -1 million (9m 2011: € -10 million). The previous year's figure reflected in particular expenses incurred with one individual property.

Overall, consolidated operating profit for the first nine months of the financial year totalled € 130 million (9m 2011: € 138 million). Taking into consideration taxes of € 33 million and non-controlling interest income of € 15 million, net income attributable to shareholders of Aareal Bank AG amounted to € 82 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated net income stood at € 67 million (9m 2011: € 69 million).

Structured Property Financing segment

Operating profit in the Structured Property Financing segment was € 42 million in the third quarter of 2012 (Q3 2011: € 42 million).

Net interest income in the quarter under review amounted to € 114 million. The figure was burdened, in particular, by the bank's cautious liquidity and investment strategy.

Allowance for credit losses in the third quarter of 2012 amounted to € 30 million (Q3 2011: € 36 million), and was therefore within the projected range.

Structured Property Financing segment result

€ mn	Quarter 3 2012	Quarter 3 2011
Net interest income	114	123
Allowance for credit losses	30	36
Net interest income after allowance for credit losses	**84**	**87**
Net commission income	6	4
Net result on hedge accounting	-2	2
Net trading income / expenses	6	20
Results from non-trading assets	1	-22
Results from investments accounted for using the equity method	–	–
Results from investment properties	0	3
General administrative expenses	51	54
Net other operating income / expenses	-2	2
Impairment of goodwill	–	0
Operating profit	**42**	**42**
Income taxes	10	12
Segment result	**32**	**30**
Allocation of results		
Segment result attributable to non-controlling interests	5	4
Segment result attributable to shareholders of Aareal Bank AG	27	26

Net trading income / expenses, and the net result on hedge accounting of € 4 million, were largely attributable to the measurement of trading derivatives used to hedge interest rate and currency risk, and to unrealised changes in value from sold hedging instruments on selected EU sovereign countries.

At € 51 million, administrative expenses in the third quarter were below the previous year's level (Q3 2011: € 54 million).

Overall, operating profit for the Structured Property Financing segment was € 42 million in the third quarter (Q3 2011: € 42 million). Taking tax expenses of € 10 million into consideration (Q3 2011: € 12 million), the segment result was € 32 million (Q3 2011: € 30 million).

Consulting / Services segment

At € 44 million, sales revenue generated in the previous quarter was lower than in the corresponding period of the previous year (€ 50 million). The decline resulted mainly from the performance of the Institutional Housing Unit. The interest margin generated from the deposit-taking business and reported in sales revenues was burdened by the ongoing low interest rate environment.

Staff expenses amounted to € 27 million during the quarter under review and were therefore in line with the same period of the previous year.

On the whole, other income earnings variables were roughly unchanged from the previous year. On balance, the operating result of the Consulting / Services segment was € 0 million (Q3 2011: € 5 million).

Consulting / Services segment result

€ mn	Quarter 3 2012	Quarter 3 2011
Sales revenue	44	50
Own work capitalised	0	0
Changes in inventory	0	0
Other operating income	1	2
Cost of materials purchased	5	5
Staff expenses	27	27
Depreciation, amortisation and impairment losses	3	3
Results from investments accounted for using the equity method	–	–
Other operating expenses	10	12
Interest and similar income / expenses	0	0
Operating profit	**0**	**5**
Income taxes	0	1
Segment result	**0**	**4**
Allocation of results		
Segment result attributable to non-controlling interests	0	1
Segment result attributable to shareholders of Aareal Bank AG	0	3

Net assets

Aareal Bank Group's total assets amounted to € 45.0 billion as at 30 September 2012 (31 December 2011: € 41.8 billion).

Property financing portfolio

The volume of Aareal Bank Group's property financing portfolio stood at € 23.0 billion as at 30 September 2012. This represents a decline of 4.2% compared with year-end 2011 (€ 24.0 billion) and is largely attributable to repayments that exceeded new commitments in the previous nine months. In contrast, the weaker euro – compared with 31 December 2011 – resulted in a slight increase in the property financing volume.

The share of international financings relative to the aggregate property financing portfolio increased slightly, to 85.8 % in the third quarter (equivalent to € 19.7 billion). The following chart illustrates the very broad regional diversification of our overall portfolio.

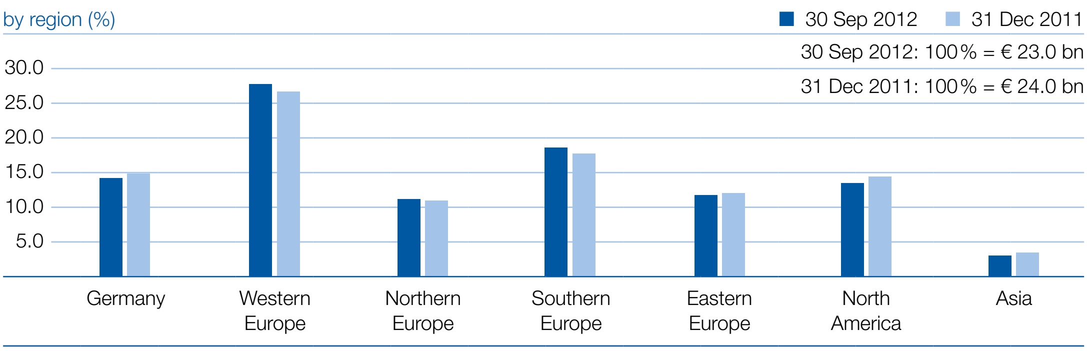
Securities portfolio

Commensurate with the still-volatile market environment, the very adequate liquidity reserves are invested in a high-quality securities portfolio. The securities portfolio can be used to procure short-term liquidity, for example through repurchase transactions conducted on the money market.

As at 30 September 2012, the securities portfolio[1] amounted to € 11.6 billion (nominal volume) compared with € 10.5 billion as at 31 December 2011, comprising four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABS). 97 %[2] of the overall portfolio is denominated in euro. 98 %[2] of the portfolio has an investment grade rating.[3]

The nominal increase in the securities portfolio was a result of purchases of securities issued by first-class public borrowers, with an emphasis on German issuers.

Property financing volume (amounts drawn)



[1] As at 30 September 2012, the securities portfolio was carried at € 13.4 billion (31 December 2011: € 11.8 billion).
[2] Details based on the nominal volume
[3] The rating details are based on the composite ratings.

Financial position

Refinancing and equity

Aareal Bank Group continued to successfully conduct its funding activities in the third quarter of 2012, thereby securing its very solid liquidity situation. As at 30 September 2012, Aareal Bank Group's consolidated equity amounted to € 1.8 billion, excluding the silent participation and trust preferred securities. Long-term funding as at 30 September 2012 amounted to € 26.6 billion (31 December 2011: € 25.8 billion) and comprised Pfandbriefe, unsecured and subordinated debt. Aareal Bank also had € 5.9 billion (31 December 2011 € 4.8 billion) at its disposal from deposits generated from the business with the institutional housing industry, as well as institutional money market investor deposits in the amount of € 5.0 billion (31 December 2011: € 4.5 billion).

The bank raised more than € 500 million in long-term funds on the capital market during the third quarter. This comprised Mortgage Pfandbriefe in the amount of approx. € 200 million as well as unsecured refinancing of approx. € 300 million. Aareal Bank has therefore maintained its long-term funding at a high level.

The total volume of long-term funding raised in the first nine months of 2012 amounted to € 3.9 billion.

As a result of our business activities in various foreign currencies, we have secured our foreign currency liquidity over the longer term by means of appropriate measures.

Regulatory indicators

Key indicators pursuant to AIRBA

	30 Sep 2012	31 Dec 2011
€ mn		
Tier 1 capital	2,406	2,501
Total own funds	2,856	2,988
Risk-weighted assets (incl. market risk)	14,313	15,313
%		
Tier 1 ratio	16.8	16.3
Total capital ratio	20.0	19.5

Report on Material Events after the Reporting Date

There have been no material events subsequent to the end of the interim reporting period under review that need to be disclosed at this point.

Risk Report

Aareal Bank Group Risk Management

The Annual Report 2011 contains a comprehensive description of Aareal Bank Group's risk management approach, including the corresponding organisational structure and workflows in the lending and trading businesses, as well as the methods and procedures used for measuring and monitoring risk exposure. Within the scope of this interim report, we will once again briefly outline the key components of our risk management structure, together with the key developments during the period under review.

The business policy set by the Management Board, and approved by the Supervisory Board, provides the conceptual framework for Aareal Bank Group's risk management. Taking this as a basis, and strictly considering the bank's risk-bearing capacity, we have formulated detailed strategies for managing the various types of risk. These risk strategies, as well as the bank's business strategy, are adapted to the changed environment at least once a year, and then adopted by the Management Board and the Supervisory Board. Suitable risk management and risk control processes are deployed to implement the risk strategies, and to ascertain the bank's ability to bear risk.

Risk-bearing capacity and risk limits

The bank's ability to carry and sustain risk is a core determining factor governing the structure of its risk management system. To ascertain its uninterrupted risk-bearing capacity, Aareal Bank has adopted a dual management approach whereby its risk management is primarily based on the assumption of a going concern. This approach ensures that risk positions are only established to an extent that the institution's continued existence will not be threatened should the risks materialise. A secondary management process ensures that risk positions are only established to an extent that even in the event of liquidation there will still be sufficient potential risk cover in order to service all liabilities (the "gone concern" approach). The statements below relate to the going-concern approach which the bank has implemented as a primary management process.

In accordance with this approach, potential risk cover is determined using data derived from the income statement and from the statement of financial position; this derivation also forms the basis for determining regulatory capital. This involves setting aside the maximum amount of own funds required as potential risk cover to offset risks without causing a breach of minimum requirements pursuant to the German Solvency Regulation (SolvV). Aareal Bank has decided to considerably exceed this minimum requirement, and to prudently apply a minimum core Tier I ratio (calculated in accordance with Basel III) of 8%. Only free own funds exceeding this level are applied as potential risk cover, of which a further 18% is retained as a risk cushion. This cushion is not applied to risk limits, and is thus available for risk types that cannot be quantified (for example, reputational or strategic risks).

We adopt an equally conservative stance with respect to setting risk limits. The aggregation of

Risk-bearing capacity of Aareal Bank Group as at 30 September 2012[1)]
– Going-concern approach –

€ mn	30 Sep 2012
Own funds for risk cover potential	2,359
less 8% minimum tier 1	1,288
Freely available funds	**1,071**
Utilisation of freely available funds	
Credit risks	239
Market risks	320
Operational risks	47
Investment risks	26
Total utilisation	**631**
Utilisation as a percentage of freely available funds	**59%**

[1)] Due to changes in methodology, no comparative figures are available for the same period of the previous year.

individual limits is based on the assumption that no risk-mitigating correlation effects exist amongst different types of risk. Taking into account the prior deduction of a minimum core Tier I ratio of 8 %, the value-at-risk models used to quantify risks are based on a confidence interval of 95 % and a one-year holding period (250 trading days). A monthly report submitted to the Management Board provides information regarding the utilisation of individual limits for the material types of risk, as well as on the overall limit utilisation. The following table summarises the bank's overall risk exposure as at 30 September 2012.

Credit risks

Definition

Aareal Bank defines credit risk or counterparty credit risk as the risk of losses being incurred due to (i) a business partner defaulting on contractual obligations; (ii) collateral being impaired; or (iii) a risk arising upon realisation of collateral. Both credit business and trading activities may be subject to counterparty credit risk. Counterparty credit risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties or issuers. Country risk is also defined as a form of counterparty credit risk.

Risk measurement and monitoring

Aareal Bank's structural organisation and business processes are consistently geared towards effective and professional risk management. The organisation of operations and workflows in the credit and trading business comply with extensive regulatory requirements.

Processes in the credit and trading businesses are designed to consistently respect the clear functional separation of Sales units and Credit Management, up to and including senior management level. The independent Risk Controlling division is responsible for identifying, quantifying and monitoring all material risks at portfolio level, and for maintaining a targeted risk reporting system.

Aareal Bank employs various risk classification procedures for the initial, regular, or event-driven assessment of counterparty credit risk; these procedures are adapted specifically to meet the requirements of the relevant business activity and are subject to permanent review and improvement. Responsibility for development, quality assurance, and monitoring implementation of risk classification procedures, is outside the Sales units.

Methods used to measure, control and monitor concentration and diversification effects on a portfolio level include two diverse credit risk models. Based on these models, the bank's decision-makers are regularly informed of the performance and risk content of property finance exposures, and of business with financial institutions. The models in question allow the bank to include in particular, rating changes and correlation effects in the assessment of the risk concentrations.

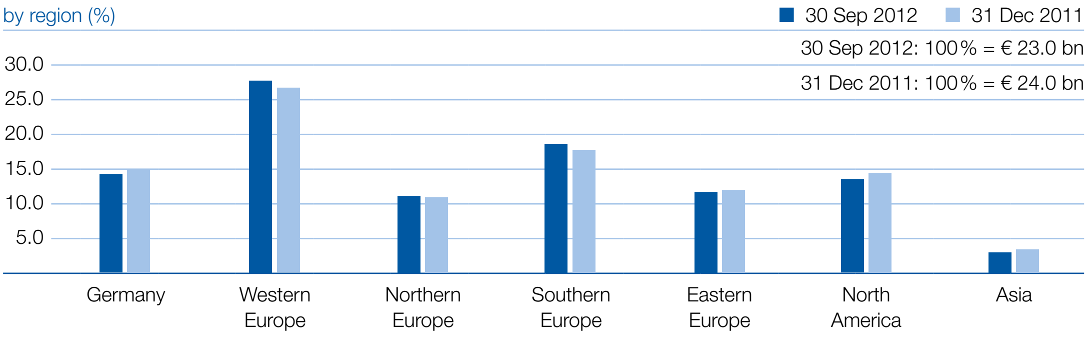
The bank uses specific tools to monitor individual exposures on an ongoing basis where this is required: besides the tools already described, this includes rating reviews, monitoring of construction phase loans or residential property developers, the monitoring of payment arrears, and the regular, individual analysis of the largest exposures.

A credit risk report that complies with the Minimum Requirements for Risk Management (MaRisk) is prepared and submitted to the bank's senior management and Supervisory Board on a regular basis, at least quarterly. This report contains extensive information on the development of the credit portfolio (covering countries, types of property and product types, risk classes and types of collateral), with a particular focus on risk concentrations.

Trading activities are generally restricted to counterparties for whom the requisite limits are in place. All trades are immediately taken into account for the purposes of borrower-related limits. Compliance with limits is monitored in real time by Risk Controlling. Persons holding position responsibility are informed about relevant limits and their current usage, regularly and without delay.

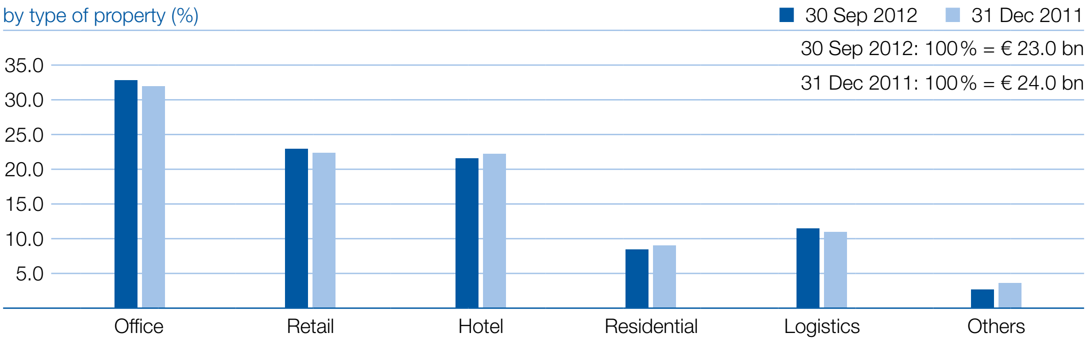
Property financing volume (amounts drawn)

by region (%)



Property financing volume (amounts drawn)

by type of property (%)



In principle, Aareal Bank pursues a "buy, manage and hold" strategy in managing its credit portfolio: this means that loans are generally held until maturity; sales of loans to third parties during their term are only used on a selective basis. Loan syndication is used as an active element of portfolio management.

In summary, during the period under review, the existing set of tools and methods continued to enable the bank to adopt suitable risk management or risk mitigation measures, where required, at an early stage.

Our comprehensive approach to risk management also includes measuring and monitoring country risk exposure. When defining country risk, in addition to the risk of sovereign default or default of state entities, Aareal Bank also considers the risk that a counterparty could become unable to meet its payment obligations as a result of government action, despite being willing and able to pay, due to restrictions being imposed on making payments to creditors (transfer risk). Country risk exposure is managed using a cross-divisional process. The respective country limits are determined on the basis of a country risk assessment carried out by the bank's senior management. The Risk Controlling division is responsible for the continuous monitoring of country limits and for reporting on limit utilisation.

Market price risks

Definition

Market price risk is broadly defined as the threat of losses due to changes in market parameters. Aareal Bank's market price risk exposure predominantly comprises interest rate risks, whilst currency risks are largely eliminated through hedges. Commodity and other price risks are irrelevant for the bank's business. Hence, the primary market price risk exposures are related to the risk parameters interest rates, equity prices, exchange rates, and implied volatilities. All relevant parameters are covered by our management and monitoring tools.

Derivative financial instruments are primarily used as hedging instruments. Spread risks between the various yield curves (e.g. government, Pfandbrief and swap curves) are taken into account. The risk exposure from bonds that is not related to market price or interest rate risks is managed as part of "specific risk", in particular, credit and liquidity risk exposure of the bond portfolio.

Risk measurement and monitoring

Risk Controlling informs the members of the Management Board responsible for Treasury and risk monitoring about the risk position and the market price risk exposure on a daily basis. In addition, the entire Management Board is informed on a monthly basis, within the scope of an extensive risk report. A quarterly report is submitted to the Supervisory Board.

Value-at-risk (VaR) has been broadly accepted as the predominant method for measuring general market price risk. The VaR for market price risk quantifies the exposure as a negative divergence from the current aggregate value of the bank's financial transactions. This absolute amount, expressed in euros, indicates the potential loss incurred before counter-measures take effect. Since this is a statistical approach, the forecast for the potential loss that may be incurred within a specific period of time is for a given confidence interval only.

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator. Determined on a daily basis for the Group and all its operating units, the VaR figure takes into account the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from 250-day historical data maintained within the bank. The loss potential is determined applying a 95% confidence interval and a 250-day holding period.

By their very nature, VaR calculations are based on assumptions regarding the future development of the business, and the related cash flows. Key assumptions used include current account balances which are factored into calculations for a period of two years, using the average residual amount of deposits observed in the past. Loans are taken into account using their fixed-interest period (for fixed-rate exposures), or using their expected maturity (variable-rate exposures). Aareal Bank's equity is not taken into account as a risk-mitigating item. This tends to overstate VaR, demonstrating the conservative approach adopted in our risk measurement processes.

Limits are defined at Group level, as well as for the individual Group entities. Being authorised to maintain a trading book, Aareal Bank AG has defined an additional trading book limit, plus a separate value-at-risk limit for fund assets held.

When interpreting the VaR figures stated on the following page, it should be taken into account that these refer to the overall portfolio (thus including all non-trading positions as defined in IFRSs). Hence, the analysis provided represents a very extensive disclosure of market price risks by industry standards.

€ mn	MAX	MIN	Mean	Limit
Q3 2012 (2011 year-end values) 95 %, 250-day holding period				
Aareal Bank Group – general market price risk	216.9 (176.3)	154.9 (176.3)	179.6 (176.3)	– (–)
Group VaR (interest rates)	236.6 (189.9)	156.3 (189.9)	189.8 (189.9)	– (–)
Group VaR (FX)	65.6 (64.8)	49.7 (64.8)	57.2 (64.8)	– (–)
VaR (funds)	16.3 (11.5)	5.5 (11.5)	8.7 (11.5)	20.0 (20.0)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	5.0 (5.0)
Trading book VaR (interest rates)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
Trading book VaR (FX)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
VaR (equities)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
Group VaR (specific risks)	254.3 (193.9)	193.2 (193.9)	230.0 (193.9)	– (–)
Aggregate VaR – Aareal Bank Group	329.2 (262.7)	256.4 (262.7)	292.3 (262.7)	400.0 (400.0)

To ensure that Aareal Bank's figures are comparable to those published by other institutions, the risk parameters shown below were determined for a one-day holding period:

€ mn	MAX	MIN	Mean	Limit
Q3 2012 (2011 year-end values) 95 %, 1-day holding period				
Aareal Bank Group – general market price risk	13.7 (11.2)	9.8 (11.2)	11.4 (11.2)	– (–)
Group VaR (interest rates)	15.0 (12.0)	9.9 (12.0)	12.0 (12.0)	– (–)
Group VaR (FX)	4.1 (4.1)	3.1 (4.1)	3.6 (4.1)	– (–)
VaR (funds)	1.0 (0.7)	0.3 (0.7)	0.6 (0.7)	1.3 (1.3)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.3 (0.3)
Trading book VaR (interest rates)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
Trading book VaR (FX)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
VaR (equities)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
Group VaR (specific risks)	16.1 (12.3)	12.2 (12.3)	14.5 (12.3)	– (–)
Aggregate VaR – Aareal Bank Group	20.8 (16.6)	16.2 (16.6)	18.5 (16.6)	25.3 (25.3)

Aggregate VaR – Aareal Bank Group

Limits were unchanged during the quarter under review. No limit breaches were detected.

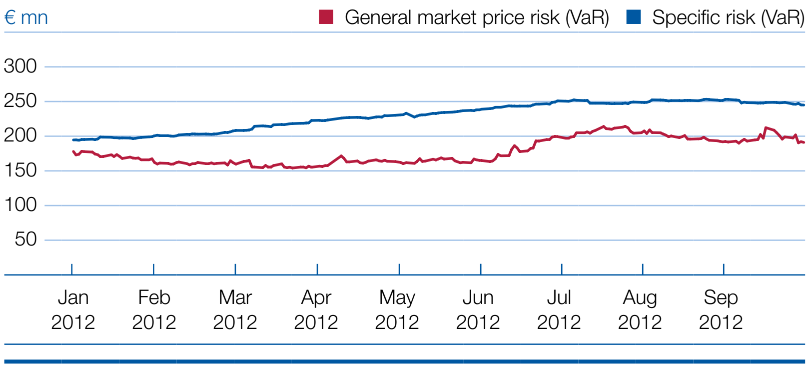
Backtesting

The quality of forecasts made using this statistical model is checked through a weekly backtesting process. The quality of the statistical procedure used to measure risk is checked using a binomial test, whereby daily profits and losses from market fluctuations are compared with the upper projected loss limit (VaR) forecast on the previous day (known as "clean backtesting"). In line with the selected confidence level of 95 %, only a small number of events are expected to break out of the VaR projection (≤ 17 for a 250-day period). Eleven negative outliers at Group level occurred during the last 250 trading days, affirming the high forecasting quality of the VaR model we use.

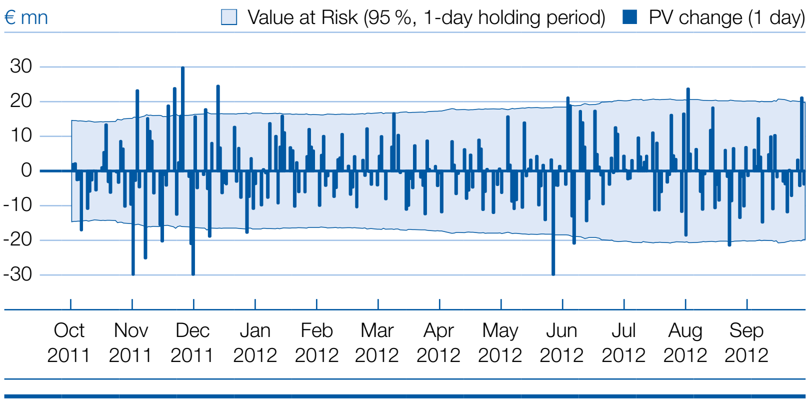
Trading book

Being authorised to maintain a trading book, Aareal Bank AG is the Group entity that is in a position to assign transactions to the trading portfolio as defined by the German Banking Act. Given that no such trades were concluded during the period under review, trading book risks played a negligible role in the overall risk scenario.

General market price risk and specific risk during 2012



Present values and 1-day VaR during 2011/2012



Liquidity risks

Liquidity risk in the narrower sense is defined as the risk that current or future payment obligations cannot be met in full or on time. Aareal Bank's liquidity risk management system is designed to ensure that the bank has sufficient cash and cash equivalents to honour its payment obligations at any future point in time. The risk management and monitoring processes have been designed to cover refinancing and market liquidity risks in addition to liquidity risk in the narrower sense. Treasury is responsible for managing liquidity risks, whilst Risk Controlling ensures the continuous monitoring, including a daily liquidity report submitted to Treasury, and a contribution to the monthly risk report to the entire Management Board.

The appropriateness of the bank's liquidity is assessed in a liquidity report prepared using an internal liquidity risk model: the aggregate of all potential cash inflows and outflows over a three-month period is compared to the liquidity stock. There were no liquidity shortages throughout the period under review. The requirements of the liquidity ratio in accordance with the Liquidity Ordinance, which is relevant to liquidity management, were always complied with, as were the limits set by reference to the liquidity run-off profile. Further details are provided in the comments on the bank's liquidity in the section on "Refinancing and Equity".

Operational risks

Aareal Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure); or through external events. This includes legal risks. In contrast, strategic, reputational and systematic risks are not covered by operational risk management. These risks are managed largely through qualitative measures.

Aareal Bank's policy for managing and monitoring operational risks is geared to achieving a risk-minimising or loss-limiting effect at an early stage, by employing a pro-active approach. The Risk Report in the 2011 Annual Report contains a detailed description of controlling tools employed by the bank to manage operational risk, plus the relevant responsibilities.

The current analysis conducted using these control instruments has shown that the bank is not exposed to disproportionate operational risks; nor did it indicate any material risk concentration.

Operational risk management also includes the reporting to the bank's senior management about outsourced activities and processes.

Investment risks

We define investment risk as the threat of unexpected losses incurred due to an impairment of the investment's carrying amount, or a default of loans extended to investees. The concept of investment risk also encompasses additional risks arising from contingencies vis-à-vis the relevant Group entities.

Due to the special character of some exposures (e.g. marketing risks), special methods and procedures are employed to deal with investment risk. All relevant Group entities are subject to regular audits, including a review and assessment of their risk situation. A quarterly investment risk report is submitted to the bank's Management Board.

There were no significant changes in investment risk during the period under review.

Report on Expected Developments

Macro-economic environment

Economy

The global economy remains in a difficult situation. The global economic climate has deteriorated further recently. Numerous factors are weighing on global economic development. Chief amongst these are the uncertainty as to how the European sovereign debt crisis will develop, the restrictive fiscal policy pursued by many countries, the efforts to reduce private debt levels and high unemployment in many countries, and the renewed rise in the price of crude oil. On the other hand, the expansive monetary policy of many central banks is acting as a stimulus. We therefore assume that global economic growth will be weak in the final quarter. Although a marginal improvement is expected for 2013, we anticipate only muted global economic growth. We are likely to see marked regional differences in economic development in both the final quarter of 2012 and through 2013.

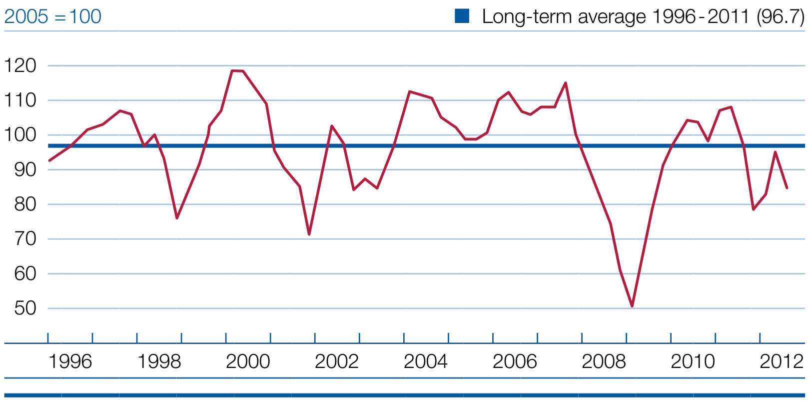
The macro-economic environment and future economic developments are subject to considerable risks and uncertainty, especially with regard to the further development of the European sovereign debt crisis. The risk of the crisis escalating is still present. The distortions on the financial and capital markets, alongside the banking sector's more pronounced reticence to lend and a deep-rooted uncertainty amongst economic operators, all hold the threat of a deep global recession. Even though we do not consider such a deep global recession to be the most likely outcome, the risk does exist, with the economy being clearly vulnerable to shocks.

We forecast falling economic output in the euro zone for the last quarter of 2012, and therefore expect the recession to continue. Hence, real gross domestic product should be slightly lower for the year 2012 as a whole. The southern member states that were worst affected by the sovereign debt crisis should, in our view, experience the most pronounced decline in economic output. The remaining euro zone countries will probably record slightly lower or almost stagnant economic output. Expectations for numerous countries outside the euro zone, such as for example, the Czech Republic, Denmark, and the UK, are comparable. Economic expectations for Poland, Sweden and Turkey are slightly positive by comparison. We expect subdued economic development for Europe's economies next year too, resulting in only a slight increase in real gross domestic product. In our opinion, real gross domestic product for the euro zone will remain roughly in line with this year's level. However, a marked decline in real economic output in 2013 is expected in southern European countries such as, among others, Italy and Spain. While the decline in Italy is likely to be less than in this year, the fall in Spanish economic output should be somewhat more significant in 2013 than in 2012. The high share of non-performing loans held by Spanish banks represents a particular burden.

We anticipate a cautiously upwards economic trend for the fourth quarter of 2012 in North America. Next year, the US is exposed to the risk that a series of extensive fiscal stimulus programmes will expire at the beginning of the year. It has not yet been clarified what measures will be extended. We anticipate moderate real economic output in the US next year: growth rates are likely to be in line with 2012. We also assume growth rates for Canada and Mexico that are roughly on a par with 2012.

The economy in Japan and Singapore is likely to be muted but positive in the final quarter of 2012. We also anticipate slow growth in economic output for Japan next year, while the economy in Singapore could gain some momentum. The Chinese economy will continue to post high growth rates by international standards. However, growth momentum in the fourth quarter of 2012 should be relatively weak. The rate of growth could pick up again slightly in 2013.

ifo Global Economic Climate*



* Arithmetic mean of the assessment of the current situation and expected developments,
Source: ifo World Economic Survey (WES) III/2012

In view of the deterioration in economic outlook, unemployment is expected to continue rising in most European countries in the final quarter of 2012 and in the coming year, too. The rise should be particularly pronounced in the euro zone's southern periphery states. We expect only very few countries to exhibit stable unemployment rates, such as Germany or Poland. Unemployment is expected to stagnate largely in the US in the last quarter of 2012, after which it could fall slowly in 2013.

Financial and capital markets, monetary policy and inflation

The European sovereign debt crisis and its implications are likely to remain key issues for financial and capital markets during the remainder of this year and extending into the next. Uncertainty and risk – and hence, volatility – on the financial and capital markets are expected to remain high. The financial and capital markets are still susceptible to shocks should the sovereign debt crisis escalate.

With regard to expectations for inflation, on the one hand minimal upside pressure is likely, due to the cautious economic outlook. But on the other hand, uncertainty surrounding the crude oil price development – which is influenced by political factors, after all – must be taken into consideration. Inflation in the last quarter of 2012 is expected to remain unchanged from the quarter under review. We anticipate marginally lower inflation rates for the coming year.

Looking at this inflation outlook, the subdued economic outlook, and uncertainty arising from the sovereign debt crisis, monetary policy should remain expansive for the remainder of the year and for next year. Hence, key interest rates should remain low – given the current conditions, this is likely to hold true with regard to short-term interest rates as well. With respect to long-term interest rates, the risk premiums (spreads) for bonds deemed unsafe by investors will be high. The risk premiums for the countries themselves – as well for companies located in those countries – will be very important, especially in the euro zone periphery states. This assessment would change if there were any significant reduction in market uncertainty. Interest rates in the markets that were affected most by the sovereign debt crisis would then fall, while higher rates would be anticipated in other euro zone countries, such as Germany.

Sector-specific and business developments

Structured Property Financing segment

In view of the weak economic outlook, and the considerable uncertainty that prevails in the macroeconomic environment, we expect commercial property market values in the vast majority of countries (particularly in Europe) to decline or to remain virtually unchanged on average by the end of 2012.[1] The low interest environment is likely to provide some support for property values. We also anticipate a stable to falling trend on average for rents in most countries.

Given the particularly weak economic outlook in Italy and Spain, we anticipate the most pronounced declines in rents and values here amongst the countries that are relevant to us. With regard to the other European countries in which we are active, we anticipate largely stable to slightly lower rents and property values (on a national average basis) for the remainder of the year.

We believe the more favourable economic outlook in North America is likely to lead to slightly higher rents and values on the commercial property markets there in the fourth quarter of 2012.

We are cautious in our assessment of rents and values in China because of the slowing economic momentum, and we assume a largely stable trend on average for the remainder of the year. We also share this view for Singapore. The Japanese markets are showing signs of stabilising, which could continue and lead to a slightly positive development.

As we see it, average commercial property values should remain stable or increase slightly in most countries due to the muted economic outlook and in view of the low interest rate environment that is anticipated. A stable performance is expected to prevail in Europe in particular. We are somewhat more sceptical about rental development in Europe, and feel that rents could fall slightly. However, in both Italy and Spain we still anticipate further marked declines in values and rents. In contrast, value and rental performance may turn out to be slightly positive in North America, on the back of moderate economic growth. Asia should continue to see a largely stable trend in 2013.

The trends described above are expected, in our view, to apply to office, retail and logistics property markets. We see a comparable trend for hotel properties with regard to value.

Developments on commercial property markets remain subject to considerable uncertainty and risks, especially in conjunction with the sovereign

[1] Evaluations on individual sub-markets and properties may deviate from the general assessment of the commercial property markets outlined above.

debt crisis. In the event of a deeper recession, more extensive declines in rents as well as in property values are probable; these would occur with a certain time lag. Another risk factor is the high volume of financings which mature during the current year and the years ahead. Should maturing loans not be extended, this might trigger an increased level of sales to redeem residual debt – which would burden prices.

Property values might find support if the sector is increasingly seen as an alternative type of investment in view of the uncertainty concerning the macro-economic environment. Property in the high-quality segment would naturally benefit disproportionally to those properties of lower quality or in peripheral locations, which would be additionally burdened.

The performance of the property markets is being paid particular attention to by Aareal Bank's risk assessment and therefore to its policy on granting loans. We will continue to focus on the consistent management of our credit portfolio as well as on active portfolio management. We will also consistently pursue our policy on granting loans, which is oriented on risk and return in relation to new business.

We remain confident that we will achieve our published new business target of € 4.5 billion to € 5.5 billion in the current year: as it stands at present, we believe that the outlook is good for reaching the upper end of the scale. Furthermore, our deal pipeline is well-stocked for the remainder of the financial year and beyond. During the remainder of the year we will continue to increase the share of newly originated loans in new business, compared to the first three quarters. Looking at 2012 as a whole, however, the share of newly originated loans is expected to remain below the previous year's level.

Having successfully syndicated loans in the first three quarters, we also want to continue executing syndications in the final quarter when the opportunity arises. Liquidity on the syndication market for commercial property financing has increased significantly in the US, while the number of participants on this market remains low in Europe.

Subject to the development of the relevant exchange rates against the euro, we assume that the portfolio volume of property financing will be slightly lower at year-end 2012 compared with the start of the year.

The forecasts are based on the assumption that there will be no profound global recession, and no severe distortions on the financial and capital markets. Such a scenario might involve lower new business volumes, a higher share of renewals and a lower share of prepayments compared to the current assessment, as well as a decline in syndication opportunities.

Consulting / Services segment

Institutional Housing Unit

We also expect developments within the institutional housing industry in Germany to remain stable for the remainder of the year. Companies will continue to pursue a sustainable development of their portfolios, largely aimed at improving the properties' energy efficiency.

The positive sentiment on the residential property market is expected to continue. Rents and purchase prices in the major cities will probably continue to develop favourably, in the light of rising demand for housing and restraint regarding the volume of new construction. Current and future property investors within the institutional housing industry will be able to benefit in future from these rising prices.

The transaction volume in July 2012 was roughly € 6.9 billion, and thus exceeded the overall volume for 2011 by almost 15 %. In view of the sustained interest by institutional (as well as private) investors in German residential property, we expect the transaction volume for the year 2012 as a whole will be significantly higher than in 2011. Besides additional large-volume transactions, the trade with small and medium-sized housing portfolios will also make a contribution.

The Institutional Housing Unit should continue to see good opportunities to acquire new clients, and intensify business relationships with the existing client base during the rest of the year. This also applies to our payments services for utilities and the waste disposal industry.

Looking at the volume of deposits taken, we expect the positive trend to continue, particularly in relation to rent deposits. Contrary to our expectations at the beginning of the year, interest rate levels – which are relevant for income from the deposit-taking business – have continued to decline year-to-date. In light of this, we believe the segment result will remain under pressure. Yet the importance of our deposit-taking business in the Consulting / Services segment goes far beyond the interest margin generated from the deposits, which is under pressure in the current market environment. For Aareal Bank, deposits from the institutional housing industry are a strategically important, additional source of funding for the lending business that is largely independent of the developments on the capital markets. In addition to the German Pfandbrief and unsecured bank bonds, they represent an important pillar in the bank's long-term refinancing mix. Especially in the prevailing difficult capital market environment, Aareal Bank therefore sees this business as being a particular competitive advantage.

Aareon AG

The key trend of cloud computing will also gain importance in the market for property management software. In this context, attention will focus even more on the issues of data protection and data security. Cloud computing provides even more effective support to housing enterprises in mastering their IT-related challenges: This support includes constantly increasing system complexity, permanent innovation, and ever-growing amounts of data. Against this background, the provision of software as a service – through a "cloud" – is growing in importance. IT solutions are procured from a service provider, through a network. This allows for an efficient deployment of IT investments, keeping administrative expenditure low. The mobile use of software solutions and processes – for example, through the use of smartphones and other mobile end-devices – is becoming an increasingly important trend in the housing industry.

Since the market launch of Wodis Sigma Release 3.0 in December 2011, this ERP solution has also been available with a SaaS (software as a service) option, through the Aareon Cloud. We expect a significant increase in sales revenues generated by this product line. Responding to strong demand, Aareon already invested in advisory and support resources during the 2011 financial year.

Given the very low number of tender processes for the SAP® solutions / Blue Eagle product line, we expect demand for these products to remain subdued for the time being. Consultancy revenues are expected to be slightly lower compared with the previous year.

Despite the high degree of client satisfaction with the GES product line, we anticipate a continued migration to newer Aareon ERP solutions. Consequently, GES-related revenues are expected to decline.

Sales revenues in the Integrated Services segment are expected to slightly increase during the current financial year. This increase is attributable in particular to the Mareon service portal, and the Aareon invoicing service. We expect sales revenues from the Aareon DMS document management system to rise moderately. We believe we will be able to acquire new clients in the outsourcing business, and further increase business with the existing client base.

We anticipate a slight increase in sales revenues in the international business segment. Demand for Aareon France's PortalImmo Habitat and Prem'Habitat ERP products is stable. The successful production roll-out of pilot projects for the Flexiciel product will achieve another milestone in France, with additional client projects planned in this connection.

In the Netherlands, we expect the new product generation SG|tobias^{AX} to increase market penetration. Further developments are planned for the SG|Vastgoed, SG|Treasury and StraVis solutions. The Facility Management Informations System (FMIS) offered by the SG|Facilitor subsidiary has become increasingly established on the market. Sales revenues here are expected to grow slightly in 2012.

Despite the ongoing price competition on the UK market, the Aareon UK subsidiary is expected to generate additional sales revenues with new clients, particularly in view of demand for mobile solutions developed for the housing industry.

Considering the expected development of the individual business segments, we anticipate sales revenues to increase slightly, with costs forecast to remain stable. Although personnel expenses will increase slightly, largely due to further hiring of new advisors for the Wodis Sigma product line and staff for Integrated Services, we expect positive effects can be achieved through cost optimisation.

Group targets

Within the scope of the still-unresolved sovereign debt crisis, the Management Board believes financial markets will remain volatile during the current year and therefore expects the risks in the financial system to persist. Economic development will continue to face significant risks and uncertainty as well. The uncertain political framework and cumulative effects of the forthcoming changes to the regulatory environment (which have not yet been clarified) present further challenges.

Aareal Bank counters these uncertainties by pursuing a cautious liquidity and investment strategy, amongst other things. The resulting burden on net interest income can only partially be offset by the positive impact of higher margins from new business originated in the previous and the current year. In this context, ECB's decision to cut its key interest rate at the beginning of July will only marginally burden net interest income. Accordingly, we still expect a considerable decline in net interest income during 2012.

Given the weaker economic projections, we forecast allowance for credit losses in a range of € 110 million to € 140 million, which is unchanged from last year. From today's perspective, that figure is likely to lie at the lower end of this range. As in previous years, additional allowances for unexpected credit losses cannot be ruled out during 2012, particularly in an environment that is subject to negative change.

We expect a significant increase in net commission income in 2012, particularly since the charges pertaining to the SoFFin-guaranteed notes will no longer apply.

Net trading income / expenses essentially comprise the results of hedge transactions related to refinancing our property financing portfolio: these are predominantly currency and interest rate hedges. We only engage in traditional own-account trading to a very limited extent. Net trading income also includes changes in value from the sale of hedges for selected EU sovereign countries. Especially in the current uncertain market environment, we expect the measurement of these hedges to remain as highly volatile as it was in the previous year. As a result, it is impossible to forecast net trading income / expenses.

Thanks to our consistently conservative risk policy pursued in the past, we currently do not anticipate any write-downs on non-trading assets during 2012. Against the background of current market developments for European government bonds, shifts in our securities portfolio are possible, within the scope of active portfolio management. Moderate burdens to net income from financial investments from the sale of securities cannot be ruled out.

Due to measures designed to optimise our structures and processes which were initiated last year, administrative expenses are expected to notably decline this year. We are forecasting a range of between € 350 million and € 360 million; this includes the burden arising from the bank levy.

All in all, despite the significant challenges we face, we see good potential for achieving a consolidated operating profit this year that will come in slightly below the very good result achieved in 2011.

Our well-stocked deal pipeline is just one reason why we remain convinced that we will achieve our published new business target of € 4.5 billion to € 5.5 billion for the current financial year, although we believe that as it stands at present, the out-look is good for the upper end of the scale.

However, contrary to our expectations at the start of the year, interest rate levels – which are relevant for income from the deposit-taking business in our Consulting / Services segment – have further declined in the year to date. Against this background, we expect operating profit in the segment will be down on the previous year.

Consolidated Financial Statements
Statement of Comprehensive Income

Income Statement

€ mn	Note	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Interest income		762	822
Interest expenses		392	421
Net interest income	1	**370**	**401**
Allowance for credit losses	2	67	78
Net interest income after allowance for credit losses		**303**	**323**
Commission income		140	142
Commission expenses		21	43
Net commission income	3	**119**	**99**
Net result on hedge accounting	4	-7	2
Net trading income/expenses	5	-17	14
Results from non-trading assets	6	-2	-18
Results from investments accounted for using the equity method		–	1
Results from investment properties		5	7
General administrative expenses	7	270	280
Net other operating income/expenses	8	-1	-10
Impairment of goodwill		–	0
Operating profit		**130**	**138**
Income taxes		33	39
Net income/loss		**97**	**99**
Allocation of results			
Net income/loss attributable to non-controlling interests		15	14
Net income/loss attributable to shareholders of Aareal Bank AG		82	85
Appropriation of profits			
Net income/loss attributable to shareholders of Aareal Bank AG		82	85
Silent participation by SoFFin		15	16
Consolidated profit/loss		**67**	**69**
€			
Earnings per share		1.38	1.63
Diluted earnings per share		1.38	1.63

Earnings per share are determined by dividing the earnings attributable to ordinary shareholders of Aareal Bank AG by the weighted average of shares outstanding during the reporting period.

Statement of Comprehensive Income

Reconciliation from Net Income/Loss to Total Comprehensive Income

€ mn	Note	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Net income/loss		**97**	**99**
Changes in revaluation surplus	9	111	-58
Changes in hedging reserves	9	-26	2
Changes in currency translation reserves	9	2	1
Gains and losses directly recognised in equity (after taxes)		**87**	**-55**
Total comprehensive income		**184**	**44**
Allocation of total comprehensive income			
Total comprehensive income attributable to non-controlling interests		15	14
Total comprehensive income attributable to shareholders of Aareal Bank AG		169	30

Statement of Comprehensive Income

Income Statement (Quarterly Development)

€ mn	Quarter 3 2012	Quarter 3 2011
Interest income	233	297
Interest expenses	114	164
Net interest income	**119**	**133**
Allowance for credit losses	30	36
Net interest income after allowance for credit losses	**89**	**97**
Commission income	44	49
Commission expenses	5	11
Net commission income	**39**	**38**
Net result on hedge accounting	-2	2
Net trading income/expenses	6	20
Results from non-trading assets	1	-22
Results from investments accounted for using the equity method	–	–
Results from investment properties	0	3
General administrative expenses	90	93
Net other operating income/expenses	-1	2
Impairment of goodwill	–	0
Operating profit	**42**	**47**
Income taxes	10	13
Net income/loss	**32**	**34**
Allocation of results		
Net income/loss attributable to non-controlling interests	5	5
Net income/loss attributable to shareholders of Aareal Bank AG	27	29

Statement of Comprehensive Income

Reconciliation from Net Income/Loss to Total Comprehensive Income (Quarterly Development)

€ mn	Quarter 3 2012	Quarter 3 2011
Net income/loss	**32**	**34**
Changes in revaluation surplus	51	-36
Changes in hedging reserves	-12	2
Changes in currency translation reserves	0	1
Gains and losses directly recognised in equity (after taxes)	**39**	**-33**
Total comprehensive income	**71**	**1**
Allocation of total comprehensive income		
Total comprehensive income attributable to non-controlling interests	5	5
Total comprehensive income attributable to shareholders of Aareal Bank AG	66	-4

Segment Reporting

Segment Results

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
€ mn								
Net interest income	350	372	0	0	20	29	370	401
Allowance for credit losses	67	78					67	78
Net interest income after allowance for credit losses	**283**	**294**	**0**	**0**	**20**	**29**	**303**	**323**
Net commission income	16	-3	124	132	-21	-30	119	99
Net result on hedge accounting	-7	2					-7	2
Net trading income/expenses	-17	14					-17	14
Results from non-trading assets	-2	-18		0			-2	-18
Results from investments accounted for using the equity method				1				1
Results from investment properties	5	7					5	7
General administrative expenses	147	159	124	122	-1	-1	270	280
Net other operating income/expenses	-5	-11	4	1	0	0	-1	-10
Impairment of goodwill		0						0
Operating profit	**126**	**126**	**4**	**12**	**0**	**0**	**130**	**138**
Income taxes	32	36	1	3			33	39
Net income/loss	**94**	**90**	**3**	**9**	**0**	**0**	**97**	**99**
Allocation of results								
Net income/loss attributable to non-controlling interests	13	12	2	2			15	14
Net income/loss attributable to shareholders of Aareal Bank AG	81	78	1	7	0	0	82	85
Allocated equity	1,255	1,373	76	80	834	524	2,165	1,977
Cost/income ratio (%)	43.2	43.9	97.2	91.2			57.8	56.5
RoE before taxes (%)	12.1	11.0	3.2	16.6			7.1	8.3
Employees (average)	**793**	**869**	**1,504**	**1,489**			**2,297**	**2,358**

Segment Reporting

Segment Results (Quarterly Development)

€ mn	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	Quarter 3 2012	Quarter 3 2011	Quarter 3 2012	Quarter 3 2011	Quarter 3 2012	Quarter 3 2011	Quarter 3 2012	Quarter 3 2011
Net interest income	114	123	0	0	5	10	119	133
Allowance for credit losses	30	36					30	36
Net interest income after allowance for credit losses	**84**	**87**	**0**	**0**	**5**	**10**	**89**	**97**
Net commission income	6	4	39	45	-6	-11	39	38
Net result on hedge accounting	-2	2					-2	2
Net trading income/expenses	6	20					6	20
Results from non-trading assets	1	-22		0			1	-22
Results from investments accounted for using the equity method								
Results from investment properties	0	3					0	3
General administrative expenses	51	54	40	40	-1	-1	90	93
Net other operating income/expenses	-2	2	1	0	0	0	-1	2
Impairment of goodwill		0						0
Operating profit	**42**	**42**	**0**	**5**	**0**	**0**	**42**	**47**
Income taxes	10	12	0	1			10	13
Net income/loss	**32**	**30**	**0**	**4**	**0**	**0**	**32**	**34**
Allocation of results								
Net income/loss attributable to non-controlling interests	5	4	0	1			5	5
Net income/loss attributable to shareholders of Aareal Bank AG	27	26	0	3	0	0	27	29
Allocated equity	1,255	1,373	76	80	834	524	2,165	1,977
Cost/income ratio (%)	41.6	40.9	99.7	88.3			55.6	52.9
RoE before taxes (%)	11.9	10.8	0.3	23.7			6.9	8.3

Segment Reporting

Consulting / Services Segment – Reconciliation of the Income Statement

Reconciliation of the segment result from the income statement classification aligned to an industrial enterprise to a bank income statement classification (which is used for the purposes of segment reporting)

€ mn			Income statement classification – bank									
			Net interest income	Net commission income	Results from non-trading assets	Results from investments accounted for using the equity method	General administrative expenses	Net other operating income / expenses	Impairment of goodwill	**Operating profit**	Income taxes	**Segment result**
	Q3 2012		0	39			40	1		**0**	0	**0**
	Q3 2011		0	45	0		40	0		**5**	1	**4**
Income statement classification – industrial enterprise												
Sales revenue	Q3 2012	44		44								
	Q3 2011	50		50								
Own work capitalised	Q3 2012	0					0					
	Q3 2011	0					0					
Changes in inventory	Q3 2012	0						0				
	Q3 2011	0						0				
Other operating income	Q3 2012	1						1				
	Q3 2011	2						2				
Cost of materials purchased	Q3 2012	5		5								
	Q3 2011	5		5								
Staff expenses	Q3 2012	27					27					
	Q3 2011	27					27					
Depreciation, amortisation and impairment losses	Q3 2012	3					3					
	Q3 2011	3					3					
Results from investments accounted for using the equity method	Q3 2012											
	Q3 2011											
Other operating expenses	Q3 2012	10					10	0				
	Q3 2011	12			0		10	2				
Interest and similar income / expenses	Q3 2012	0	0									
	Q3 2011	0	0									
Operating profit	**Q3 2012**	**0**	**0**	**39**			**40**	**1**				
	Q3 2011	**5**	**0**	**45**	**0**		**40**	**0**				
Income taxes	Q3 2012	0									0	
	Q3 2011	1									1	
Segment result	**Q3 2012**	**0**										
	Q3 2011	**4**										

Statement of Financial Position

€ mn	Note	30 Sep 2012	31 Dec 2011
Assets			
Cash funds		3,959	588
Loans and advances to banks	10	1,628	2,912
Loans and advances to customers	11	24,489	25,422
Allowance for credit losses		-298	-318
Positive market value of derivative hedging instruments		2,123	1,801
Trading assets	12	686	421
Non-current assets held for sale and discontinued operations	13	16	172
Non-trading assets	14	11,612	10,010
Investments accounted for using the equity method		2	2
Investment properties		88	88
Intangible assets	15	92	85
Property and equipment	16	103	104
Income tax assets		19	20
Deferred tax assets		88	89
Other assets	17	435	418
Total		**45,042**	**41,814**
Equity and liabilities			
Liabilities to banks	18	3,302	3,073
Liabilities to customers	19	26,758	24,929
Certificated liabilities	20	8,231	7,540
Negative market value of derivative hedging instruments		2,071	1,769
Trading liabilities	21	783	723
Provisions	22	235	251
Income tax liabilities		8	29
Deferred tax liabilities		16	6
Other liabilities	23	149	127
Subordinated capital	24	1,163	1,198
Equity	25, 26		
Subscribed capital		180	180
Capital reserves		721	721
Retained earnings		999	929
Other reserves		-117	-204
Silent participation by SoFFin		300	300
Non-controlling interest		243	243
Total equity		2,326	2,169
Total		**45,042**	**41,814**

Statement of Changes in Equity

€ mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Revaluation surplus	Other reserves: Hedging reserves	Other reserves: Currency translation reserves	Silent participation by SoFFin	Total	Non-controlling interest	Equity
Equity as at 1 Jan 2012	**180**	**721**	**929**	**-221**	**14**	**3**	**300**	**1,926**	**243**	**2,169**
Total comprehensive income for the period			82	111	-26	2		169	15	184
Capital increase										
Payments to non-controlling interests									-15	-15
Dividends										
Silent participation by SoFFin										
Costs associated with the silent participation by SoFFin			-15					-15		-15
Other changes			3					3		3
Equity as at 30 Sep 2012	**180**	**721**	**999**	**-110**	**-12**	**5**	**300**	**2,083**	**243**	**2,326**

€ mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Revaluation surplus	Other reserves: Hedging reserves	Other reserves: Currency translation reserves	Silent participation by SoFFin	Total	Non-controlling interest	Equity
Equity as at 1 Jan 2011	**128**	**511**	**836**	**-110**	**–**	**2**	**375**	**1,742**	**243**	**1,985**
Total comprehensive income for the period			85	-58	2	1		30	14	44
Capital increase	52	218						270		270
Costs of capital increase		-8						-8		-8
Payments to non-controlling interests									-14	-14
Dividends										
Silent participation by SoFFin							-75	-75		-75
Costs associated with the silent participation by SoFFin			-16					-16		-16
Other changes			-2					-2		-2
Equity as at 30 Sep 2011	**180**	**721**	**903**	**-168**	**2**	**3**	**300**	**1,941**	**243**	**2,184**

Statement of Cash Flows (condensed)

€ mn	2012	2011
Cash and cash equivalents as at 1 January	**588**	**922**
Cash flow from operating activities	5,014	-1,035
Cash flow from investing activities	-1,608	746
Cash flow from financing activities	-35	152
Total cash flow	**3,371**	**-137**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 September	**3,959**	**785**

Notes (condensed)

Basis of Accounting

Legal framework

Aareal Bank AG is a listed public limited company incorporated under German law, with its registered office in Wiesbaden, Germany. It is the parent company of an international property finance and services group.

This quarterly financial report for the period ended 30 September 2012 was prepared pursuant to the provisions of section 37y no. 3 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG") in conjunction with section 37x (3) of the WpHG. It comprises the present interim condensed consolidated financial statements, as well as an interim group management report (see Group Management Report). The condensed consolidated financial statements were approved for publication by the Management Board on 6 November 2012.

Aareal Bank AG prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) applicable within the European Union (EU) as at the reporting date, in connection with the provisions pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – "HGB"). In particular, the interim consolidated financial statements comply with the requirements for interim financial reporting set out in IAS 34. The reporting currency is the euro (€).

Scope of consolidation

Subsidiaries of Aareal Bank AG are included in the consolidated financial statements by way of full consolidation. Special funds and special purpose entities are also included by way of full consolidation in accordance with IAS 27 and SIC 12. Joint ventures and companies over which Aareal Bank AG may exercise a significant influence ("associates") are included in the consolidated financial statements, using the equity method.

ZAO Toros, Moscow, was sold on 27 June 2012 and de-consolidated as at the end of the second quarter. The company owns and operates the Redwood logistics park close to Moscow.

There were no other material changes to the reporting entity structure during the period under review. Overall, the changes in the scope of consolidation had no material consequences for the presentation of the financial position and performance.

Accounting policies

Unless specifically indicated otherwise, the accounting policies applied in the preparation of the consolidated financial statements 2011 were also applied in the preparation of these condensed interim consolidated financial statements, including the calculation of comparative figures.

The following financial reporting standards (IASs / IFRSs) and interpretations (SICs and IFRICs) were required to be applied for the first time in the reporting period:

- Amendments to IFRS 7 Financial Instruments: Disclosures

The new and revised standards and interpretations do not have any material consequences for the consolidated financial statements of Aareal Bank Group.

In the period under review, the following financial reporting standards (IASs / IFRSs) and interpretations (SICs and IFRICs) had been published by the International Accounting Standards Board (IASB) and adopted by the EU Commission:

Revised International Financial Reporting Standards		Issued	Endorsed	Effective date
IAS 1	Presentation of Items of Other Comprehensive Income	June 2011	June 2012	Financial years beginning on or after 1 July 2012
IAS 19	Employee Benefits	June 2011	June 2012	Financial years beginning on or after 1 January 2013
	Annual Improvements 2009-2011 Cycle	May 2012		Financial years beginning on or after 1 January 2013

Aareal Bank Group did not opt for early application of these standards, which are required to be applied in future financial years.

Notes to the Statement of Comprehensive Income

(1) Net interest income

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Interest income from		
Property loans	521	512
Public-sector loans	22	26
Other lending and money market operations	99	130
Debt and other fixed-income securities	119	154
Current dividend income	1	0
Total interest income	**762**	**822**
Interest expenses for		
Bonds issued	107	105
Registered mortgage Pfandbriefe	57	55
Promissory note loans	103	123
Subordinated capital	21	25
Term deposits	77	83
Payable on demand	22	26
Other banking transactions	5	4
Total interest expenses	**392**	**421**
Total	**370**	**401**

(2) Allowance for credit losses

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Additions	74	124
Reversals	18	52
Direct write-offs	15	23
Recoveries on loans and advances previously written off	4	17
Total	**67**	**78**

(3) Net commission income

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Commission income from		
Consulting and other services	114	111
Trustee loans and administered loans	12	2
Securities transactions	–	1
Other lending and money market operations	8	21
Other commission income	6	7
Total commission income	**140**	**142**
Commission expenses for		
Consulting and other services	15	15
Securities transactions	3	19
Securitisation transactions	–	0
Other lending and money market transactions	1	6
Other commission expenses	2	3
Total commission expenses	**21**	**43**
Total	**119**	**99**

Commissions from consulting and services primarily include commissions for IT services.

Commission expenses from securities transactions include expenses of € 3 million (2011: € 18 million) for the guarantee facility extended by the German Financial Markets Stabilisation Fund (SoFFin), which expired in the first quarter 2012.

(4) Net result on hedge accounting

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Ineffective portion of fair value hedges	-3	2
Ineffective portion of cash flow hedges	-4	0
Total	**-7**	**2**

(5) Net trading income/expenses

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Net trading income from trading assets/liabilities	-13	14
Currency translation	-4	0
Total	**-17**	**14**

(6) Results from non-trading assets

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Result from debt securities and other fixed-income securities	1	-11
of which: Loans and receivables (LaR)	1	5
Available for sale (AfS)	0	-16
Result from equities and other non-fixed income securities	0	-7
of which: Available for sale (AfS)	0	-8
Designated as at fair value through profit or loss (dFVtPL)	0	1
Results from equity investments (AfS)	-3	0
Total	**-2**	**-18**

The negative result from equity investments is mainly attributable to the sale of shares in ZAO Toros, Moscow. ZAO Toros owns and operates a logistics park close to Moscow.

(7) General administrative expenses

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Staff expenses	167	172
Other administrative expenses	88	92
Depreciation, amortisation and impairment of property and equipment and intangible assets	15	16
Total	**270**	**280**

(8) Net other operating income/expenses

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Income from properties	5	4
Income from the reversal of provisions	2	0
Income from goods and services	2	3
Miscellaneous	13	11
Total other operating income	**22**	**18**
Expenses for properties	7	12
Expenses for services used	0	0
Write-downs of trade receivables	0	0
Expenses for other taxes	1	1
Miscellaneous	15	15
Total other operating expenses	**23**	**28**
Total	**-1**	**-10**

(9) Reconciliation from net income/loss to total comprehensive income

€ mn	1 Jan-30 Sep 2012	1 Jan-30 Sep 2011
Net income/loss	**97**	**99**
Changes in revaluation surplus, after tax	**111**	**-58**
Gains and losses on remeasuring available-for-sale financial instruments, before tax	148	-90
Reclassifications to the income statement, before tax	–	16
Taxes	-37	16
Changes in hedging reserves, after tax	**-26**	**2**
Profit/loss from derivatives used to hedge future cash flows (before tax)	-38	3
Reclassifications to the income statement, before tax	–	–
Taxes	12	-1
Changes in currency translation reserves, after tax	**2**	**1**
Profit/loss from translating foreign operations' financial statements (before taxes)	2	1
Reclassifications to the income statement, before tax	0	–
Taxes	–	–
Gains and losses directly recognised in equity, after tax	**87**	**-55**
Total comprehensive income	**184**	**44**

Notes to the Statement of Financial Position

(10) Loans and advances to banks

€ mn	30 Sep 2012	31 Dec 2011
Term deposits and current account balances	1,422	2,698
Public-sector loans	156	159
Securities repurchase agreements	–	–
Other loans and advances	50	55
Total	**1,628**	**2,912**

Loans and advances to banks are allocated to the measurement category ”Loans and receivables“ (LaR).

(11) Loans and advances to customers

€ mn	30 Sep 2012	31 Dec 2011
Property loans	22,081	23,365
Public-sector loans	1,642	1,618
Other loans and advances	766	439
Total	**24,489**	**25,422**

Loans and advances to customers are allocated to the measurement category ”Loans and receivables“ (LaR).

(12) Trading assets

€ mn	30 Sep 2012	31 Dec 2011
Positive market value from trading assets	686	421
Total	**686**	**421**

Trading assets are allocated to the measurement category ”Held for trading“ (HfT). They are mainly used to hedge economic market price risks.

(13) Non-current assets held for sale and discontinued operations

€ mn	30 Sep 2012	31 Dec 2011
Property	16	172
Total	**16**	**172**

The decrease in this item, compared to 31 December 2011, is attributable to the sale of shares in ZAO Toros, Moscow. ZAO Toros owns and operates a logistics park close to Moscow.

(14) Non-trading assets

€ mn	30 Sep 2012	31 Dec 2011
Debt and other fixed-income securities	11,588	9,985
of which: Loans and receivables (LaR)	5,758	6,044
Held to maturity (HtM)	169	168
Available for sale (AfS)	5,661	3,773
Equities and other non-fixed income securities	22	22
of which: Available for sale (AfS)	19	18
Designated as at fair value through profit or loss (dFVtPL)	3	4
Interests in affiliated companies (AfS)	–	–
Other investments (AfS)	2	3
Total	**11,612**	**10,010**

The item "Debt and other fixed-income securities" mainly consists of public-sector bonds, as well as asset-covered bonds (Pfandbriefanleihen) and bank bonds.

Reclassified financial assets

In the wake of the financial markets and economic crisis, Aareal Bank Group took advantage of the opportunity to reclassify financial assets into another measurement category. Specifically, securities with an aggregate volume of € 6.2 billion were reclassified from the IFRS measurement categories "available for sale" (AfS) and "held for trading" (HfT), to "loans and receivables" (LaR) during 2008 and 2009. In all cases, we opted for reclassification since there was no longer an active market for the securities concerned (in spite of their good quality), and due to our intention to hold these issues for a longer term. Depending on prevailing market conditions, Aareal Bank Group may use this reclassification option again in the future.

The following table compares the carrying amounts of the reclassified assets to their fair values:

€ mn	Carrying amount 30 Sep 2012	Fair value 30 Sep 2012	Carrying amount 31 Dec 2011	Fair value 31 Dec 2011
from AfS to LaR	**5,199**	**4,651**	**5,395**	**4,773**
Asset-backed securities	29	28	30	27
Senior unsecured bank bonds	681	696	790	784
Covered bank bonds	635	606	640	600
Public-sector issuers	3,854	3,321	3,935	3,362
from HfT to LaR	**244**	**201**	**304**	**251**
Asset-backed securities	244	201	304	251
Public-sector issuers	–	–	–	–
Total	**5,443**	**4,852**	**5,699**	**5,024**

If the bank had not opted for reclassification, this would have resulted in a € 11 million profit (before tax) for the first nine months of the current financial year (previous year: loss of € -3 million), and € 58 million (after tax) (previous year: € -237 million) would have been recognised in the revaluation surplus.

Bonds of selected European countries

The following table is a breakdown of the bonds issued by public-sector entities, and bank bonds of selected European countries, which are included in non-trading assets:

Bond values as at 30 September 2012 (total)

€ mn	Carrying amount LaR + HtM	Carrying amount AfS	Carrying amount Total	Revaluation surplus[1] LaR + HtM	Revaluation surplus[1] AfS	Revaluation surplus[1] Total	Unrealised gains/losses[1]
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	1,139	441	1,580	-51	-45	-96	-245
Portugal	64	138	202	-1	-35	-36	-20
Spain	897	128	1,025	-5	-5	-10	-114
Total	**2,100**	**707**	**2,807**	**-57**	**-85**	**-142**	**-379**
Total 31 Dec 2011	2,038	614	2,652	-61	-142	-203	-381

[1] figures given on an after-tax basis

Bond values as at 30 September 2012 (by type of security)

€ mn	Carrying amount LaR	Carrying amount AfS	Carrying amount Total	Revaluation surplus[1] LaR	Revaluation surplus[1] AfS	Revaluation surplus[1] Total	Unrealised gains/losses[1]
Government bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	1,116	355	1,471	-51	-43	-94	-245
Portugal	–	87	87	–	-21	-21	–
Spain	–	–	–	–	–	–	–
Total	**1,116**	**442**	**1,558**	**-51**	**-64**	**-115**	**-245**

€ mn	Carrying amount LaR	Carrying amount AfS	Carrying amount Total	Revaluation surplus[1] LaR	Revaluation surplus[1] AfS	Revaluation surplus[1] Total	Unrealised gains/losses[1]
Sub-sovereign bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	–	–	–	–	–	–	–
Portugal	64	–	64	-1	–	-1	-20
Spain	348	25	373	0	-1	-1	-83
Total	**412**	**25**	**437**	**-1**	**-1**	**-2**	**-103**

€ mn	Carrying amount LaR + HtM	Carrying amount AfS	Carrying amount Total	Revaluation surplus[1] LaR + HtM	Revaluation surplus[1] AfS	Revaluation surplus[1] Total	Unrealised gains/losses[1]
Covered bank bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	–	73	73	–	-2	-2	–
Portugal	–	51	51	–	-14	-14	–
Spain	549	103	652	-5	-4	-9	-31
Total	**549**	**227**	**776**	**-5**	**-20**	**-25**	**-31**

€ mn	Carrying amount LaR	Carrying amount AfS	Carrying amount Total	Revaluation surplus[1] LaR	Revaluation surplus[1] AfS	Revaluation surplus[1] Total	Unrealised gains/losses[1]
Senior unsecured bank bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	23	13	36	0	0	0	0
Portugal	–	–	–	–	–	–	–
Spain	–	–	–	–	–	–	–
Total	**23**	**13**	**36**	**0**	**0**	**0**	**0**

[1] figures given on an after-tax basis

The revaluation surplus for bonds of the "Loans and receivables" (LaR) category is attributable to securities which were reclassified in the years 2008 and 2009 from the measurement category "Available for sale" (AfS) to the measurement category "Loans and receivables" (LaR). Unrealised gains and losses relate to securities carried at amortised cost (LaR and HtM). When determining such unrealised gains and losses, the effects from interest rate-driven measurement of hedged securities were taken into account.

The maturities of the bonds set out above are mainly within the long-term range.

(15) Intangible assets

€ mn	30 Sep 2012	31 Dec 2011
Goodwill	54	50
Proprietary software	17	21
Other intangible assets	21	14
Total	**92**	**85**

(16) Property and equipment

€ mn	30 Sep 2012	31 Dec 2011
Land and buildings and construction in progress	82	83
Office furniture and equipment	21	21
Total	**103**	**104**

(17) Other assets

€ mn	30 Sep 2012	31 Dec 2011
Property	337	323
Trade receivables (LaR)	25	30
Miscellaneous	73	65
Total	**435**	**418**

(18) Liabilities to banks

€ mn	30 Sep 2012	31 Dec 2011
Payable on demand	936	727
Term deposits	456	283
Promissory note loans	471	564
Securities repurchase and open-market operations	1,008	967
Registered mortgage Pfandbriefe	250	135
Registered public-sector Pfandbriefe	119	130
Miscellaneous	62	267
Total	**3,302**	**3,073**

Liabilities to banks are allocated to the measurement category ”Liabilities measured at amortised cost“ (LaC).

(19) Liabilities to customers

€ mn	30 Sep 2012	31 Dec 2011
Payable on demand	4,853	3,943
Term deposits	6,062	5,308
Promissory note loans	8,884	8,855
Registered mortgage Pfandbriefe	3,601	3,507
Registered public-sector Pfandbriefe	3,358	3,316
Total	**26,758**	**24,929**

Liabilities to customers are allocated to the measurement category ”Liabilities measured at amortised cost“ (LaC).

(20) Certificated liabilities

€ mn	30 Sep 2012	31 Dec 2011
Medium-term notes	2,318	1,558
Bearer mortgage Pfandbriefe	5,705	4,476
Bearer public-sector Pfandbriefe	35	97
Other debt securities	173	1,409
Total	**8,231**	**7,540**

Certificated liabilities are allocated to the measurement category ”Liabilities measured at amortised cost“ (LaC).

(21) Trading liabilities

€ mn	30 Sep 2012	31 Dec 2011
Negative market value from trading liabilities	783	723
Total	**783**	**723**

Trading liabilities are allocated to the measurement category "Held for trading" (HfT). They are mainly used to hedge economic market price risks.

(22) Provisions

€ mn	30 Sep 2012	31 Dec 2011
Provisions for pensions and similar obligations	94	91
Other provisions	141	160
Total	**235**	**251**

(23) Other liabilities

€ mn	30 Sep 2012	31 Dec 2011
Liabilities from outstanding invoices	8	10
Deferred income	5	4
Liabilities from other taxes	11	16
Trade payables (LaC)	6	10
Other liabilities (LaC)	119	87
Total	**149**	**127**

(24) Subordinated capital

€ mn	30 Sep 2012	31 Dec 2011
Subordinated liabilities	602	497
Profit-participation certificates	336	472
Contributions by silent partners[1]	225	229
Total	**1,163**	**1,198**

[1] The silent participation by SoFFin is classified as equity in accordance with IFRSs; it is therefore not reported under contributions by silent partners, but as a separate item in equity.

Items of subordinated capital are allocated to the measurement category "Liabilities measured at amortised cost" (LaC).

(25) Equity

€ mn	30 Sep 2012	31 Dec 2011
Subscribed capital	180	180
Capital reserves	721	721
Retained earnings	999	929
Other reserves		
Revaluation surplus	-110	-221
Hedging reserves	-12	14
Currency translation reserves	5	3
Silent participation by SoFFin	300	300
Non-controlling interest	243	243
Total	**2,326**	**2,169**

(26) Treasury shares

No treasury shares were held during the period under review.

Other Notes

(27) Contingent liabilities and loan commitments

€ mn	30 Sep 2012	31 Dec 2011
Contingent liabilities on guarantees and indemnity agreements	276	343
Loan commitments	1,378	1,521
of which: irrevocable	891	1,025

(28) Employees

	1 Jan-30 Sep 2012	1 Jan-31 Dec 2011
Salaried employees	2,172	2,264
Executives	125	122
Total	**2,297**	**2,386**
of which: Part-time employees	414	432

The number of employees is calculated as the average number of staff as at the quarterly dates within the period under review.

(29) Related party disclosures in accordance with IAS 24

No material transactions with related parties were entered into during the first nine months of the 2012 financial year.

(30) Events after the interim reporting period

There have been no material events subsequent to the end of the interim reporting period under review that need to be disclosed at this point.

Executive Bodies of Aareal Bank AG

Supervisory Board

Hans W. Reich [1) 2) 3) 4) 5)], Kronberg
Chairman of the Supervisory Board
Chairman of the Supervisory Board of
Citigroup Global Markets Deutschland AG

Erwin Flieger [1) 3) 4) 5)], Geretsried
Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Boards of
Bayerische Beamten Versicherungsgruppe

York-Detlef Bülow [1) 2) 6)], Messel
Deputy Chairman of the Supervisory Board
Aareal Bank AG

Christian Graf von Bassewitz [2) 3) 4)], Hamburg
Banker (ret'd.)
Former Spokesman of the General Partners
of Bankhaus Lampe KG

Manfred Behrens, Hannover
Chairman of the Management Board
AWD Holding AG

Thomas Hawel [6)], Saulheim
Aareon Deutschland GmbH

Dieter Kirsch [3) 6)], Nackenheim
Aareal Bank AG

Marija Korsch, Frankfurt
(since 11 July 2012)
Former Bankhaus Metzler seel. Sohn & Co.
Holding AG

Dr Herbert Lohneiß [3) 4)], Gräfelfing
Former Chief Executive Officer
of Siemens Financial Services GmbH (ret'd.)

Joachim Neupel [2) 3) 4)], Meerbusch
Chairman of the Accounts and Audit Committee
German Chartered Accountant, tax consultant

Prof Dr Stephan Schüller [1) 2)], Hamburg
Spokesman of the General Partners of
Bankhaus Lampe KG

Wolf R. Thiel [1)], Stutensee
(until 31 March 2012)
Former President and Chairman of the
Management Board of Versorgungsanstalt
des Bundes und der Länder (ret'd.)

Helmut Wagner [6)], Hahnheim
Aareon Deutschland GmbH

Management Board

Dr Wolf Schumacher
Chairman of the Management Board

Dirk Große Wördemann
Member of the Management Board

Hermann Josef Merkens
Member of the Management Board

Thomas Ortmanns
Member of the Management Board

[1)] Member of the Executive Committee; [2)] Member of the Accounts and Audit Committee; [3)] Member of the Risk Committee;
[4)] Member of the Committee for Urgent Decisions; [5)] Member of the Nomination Committee; [6)] Employee representative

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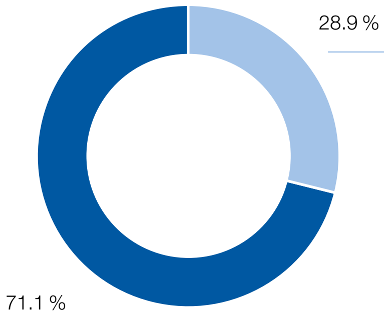
Shareholder Structure | Financial Calendar

Shareholder Structure

■ Free float ■ Aareal Holding Verwaltungsgesellschaft mbH



6.9 %	Bayerische Beamten-Lebensversicherung a.G.
6.9 %	Swiss Life AG
5.2 %	Versorgungsanstalt des Bundes und der Länder
4.7 %	Dr. August Oetker KG
2.7 %	Deutscher Ring Lebensversicherungs-AG und Deutscher Ring Sachversicherungs-AG
1.4 %	Deutscher Ring Krankenversicherungsverein a.G.
1.1 %	Condor-Lebensversicherungs Aktiengesellschaft

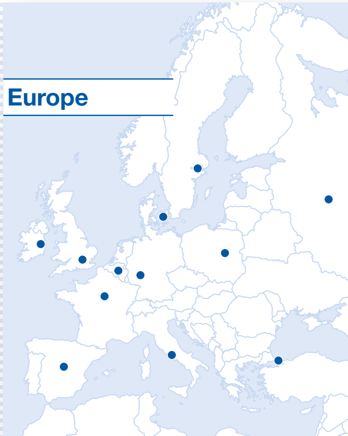
as at 30 September 2012

Financial Calendar

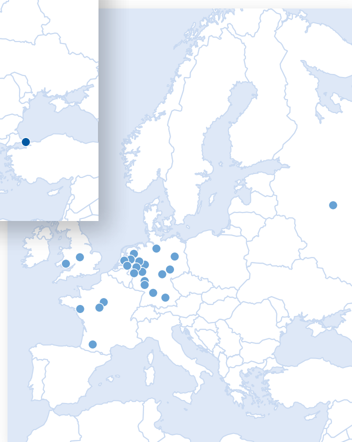
28 March 2013	Presentation of annual report as at 31 December 2012
22 May 2013	Annual General Meeting – Kurhaus, Wiesbaden

Locations

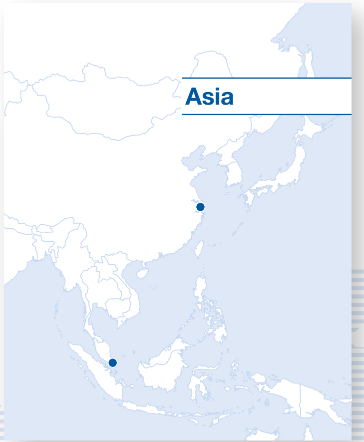
Structured Property Financing



Structured Property Financing



Consulting / Services



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