LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

II/2013

Aareal Bank Group – Interim Report

1 January to 30 June 2013

SINCE 1923 TRUSTED 90 YEARS

Aareal Bank Group

Key Group Figures

	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012	Change
	€ mn	€ mn	€ mn
Income statement			
Operating profit	92	88	4
Net income after non-controlling interests	53	55	-2
Indicators			
Cost/income ratio (%)[1]	40.1	44.1	
Earnings per share (€)	0.88	0.92	
RoE before taxes (%)[2]	7.3	7.3	
RoE after taxes (%)[2]	4.7	5.1	

	30 Jun 2013	31 Dec 2012	Change
	€ mn	€ mn	€ mn
Portfolio data			
Property finance	23.538	23.304	234
of which: international	20.135	19.991	144
Property finance under management[3]	23.714	23.496	218
of which: international	20.135	19.991	144
Equity[4]	2.387	2.317	70
Total assets[4]	44.342	45.750	-1.408
	in %	in %	
Regulatory indicators			
Tier 1 ratio pursuant to AIRBA[5]	17,5	16,7	
Total capital ratio pursuant to AIRBA[5]	21,6	20,6	

	30 Jun 2013	31 Dec 2012	
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] The comparative figures 2012 were adjusted. Further information is included in the section "Accounting policies" in the notes to the consolidated financial statements.
[5] Advanced Internal Ratings-Based Approach (AIRBA)

Contents

Letter to Shareholders

Dear Shareholders,
business associates and Aareal Bank staff,

Throughout the second quarter of the 2013 financial year the macro-economic environment remained largely unchanged, compared to the previous quarter – for the banking sector as a whole, and thus also for Aareal Bank. Whilst the prevailing European sovereign debt crisis continued to burden economic momentum in Europe, numerous banks, companies and sovereign issuers succeeded in raising significant refinancing volumes, at favourable terms, on the capital markets during the first six months of the year.

Yet the considerable difficulties in agreeing upon a rescue plan for Cyprus during the first half of 2013, as well as the related political discussion concerning the bail-in by investors, also clearly showed that a substantial solution to the European sovereign debt crisis is still quite some time away, with significant potential for backlashes still present. Accordingly, the European Central Bank lowered its key interest rates to a record low; most recently, the ECB indicated that it intends to maintain this interest rate level over the medium term. Yet in spite of these measures, it is fair to expect the unresolved debt crisis to burden the real economy in many European nations for some time.

Global economic momentum remained low during the second quarter, albeit with significant regional divergence. The European economy in particular suffered from restrictive fiscal policies adopted by many countries, continued reticence by companies to invest, and a low propensity to consume by private individuals. Economies in Southern Europe remained in recession, whilst economic developments in the other European countries were muted. In contrast, growth in other major world regions was markedly stronger: Asian growth economies have continued to post the highest economic growth rates, even though the overall picture was clouded somewhat by the muted development of the Chinese economy – albeit on a high level. The US economy was able to continue its uptrend seen during the first three months during the second quarter. Most recent forecasts for the remainder of the year indicate a slow recovery of the world economy: overall, global economic growth in 2013 is expected to be in line with the previous year's level.

Further details concerning the future regulatory framework for the banking sector have been settled during the second quarter. The Basel III rules have been enshrined in law with the adoption of the CRD IV reform package by the European Parliament and the stricter capital and liquidity rules adopted by the German parliament, the Bundestag. Just like the resolution regime for distressed banks or laws to introduce a two-tier banking system, these rules are part of a 'new normality' for banks, characterised by higher capital requirements, stricter liquidity rules, and hence, lower expected profitability.

In this environment, which continues to be shaped by uncertainty, Aareal Bank managed another good performance during the second quarter of the 2013 financial year: with consolidated operating profit of € 45 million, we repeated the good performance of the previous year's quarter. Not least against the background of the economic situation, which continues to be challenging, and the correspondingly demanding business environment, we consider this result once again as being a confirmation of the Bank's tried-and-tested strategy and its viable business model – with its two strong pillars of Structured Property Financing and Consulting/Services.

In commercial property financing, the developments of the first quarter continued, with intensifying competition – especially for first-class properties with low loan-to-value ratios on many markets in Western and Northern Europe. Banks showed a slightly increased propensity to lend for project developments, cross-border portfolios, second-class properties or locations, as well as for financings with high loan-to-value ratios. The US market was characterised by high liquidity, also supported by noticeable volumes of new securitisations.

New business in the Structured Property Financing segment totalled € 2.4 billion in the second quarter – double the amount originated in the same quarter of the previous year. Newly originated loans accounted for 55 per cent of total new business during the second quarter. Aggregate new business originated during the first six months amounted to € 4.4 billion, compared to € 1.7 billion achieved in the same period of the previous year. Our current full-year target for new business in the Structured Property Financing segment is € 6 billion to € 7 billion. From today's perspective, it is perfectly possible for the Bank to generate new business volumes between € 7 billion to € 8 billion this year, against the background of a more active transaction environment characterised by higher liquidity, particularly in the United States. This will lead to higher loan repayments, which on balance will be offset by exploiting existing, attractive opportunities for new business. The Bank's property financing portfolio thus showed a slight increase in volume to € 23.5 billion as at 30 June 2013, up 1 per cent from the 2012 year-end.

The turnaround in net interest income seen in the first quarter of 2013 was confirmed during the second quarter, when we were able to benefit from the high quality of new business underwritten during previous periods. Net interest income was burdened by the persistent low interest rate environment, affecting the investment of cash and cash equivalents. Nonetheless, net interest income in the Structured Property Financing segment of € 124 million was € 9 million higher than in the same period of the previous year.

At € 28 million, Aareal Bank's allowance for credit losses in the second quarter was higher than the low figure reported in the previous year, but it was within the fluctuation range we had expected. We see this as proof of the continued high quality of our credit portfolio – clearly, it is our goal to preserve this quality in the future. For this purpose, besides the consistent and successful monitoring of our credit exposures, we rely on Aareal Bank's proven strengths: our high degree of property expertise, many years of market knowledge and the Bank's mid-sized structure.

As in the previous period, results in our Consulting/Services segment continued to be influenced by various developments during the second quarter. Our IT subsidiary Aareon continued to develop favourably, both in its domestic business and internationally. Operating profit amounted to € 6 million, compared with € 4 million in the same quarter of the previous year. Aareon succeeded in winning new corporate clients for its Wodis Sigma product line, which sets the benchmark for institutional housing software, thanks in particular to its interface with state-of-the-art cloud computing.

In contrast, the segment's banking business was once again burdened by the prevailing low interest rate environment. Deposit volumes from the institutional housing industry clients continued to develop very favourably: we were able to further increase the previous quarter's high average level of € 6.7 billion to € 7.2 billion. Yet the persistently low interest rate environment continued to burden income generated from the deposit-taking business, leading to a € 5 million segment loss for the quarter under review.

However, this is an effect which we consciously tolerate, since the importance of the 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 property financing business, and one that is largely independent of 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 funding mix. Particularly in the light of upcoming regulatory changes, we see the deposit-taking business as one of our strategic competitive advantages. Moreover, we consider the continuous growth in deposit volumes as evidence for the high level of trust which the Bank continues to enjoy as the long-standing lead bank to the institutional housing industry in Germany.

As in the previous quarter, we successfully conducted planned funding activities during the second quarter, securing our good liquidity status. Deserving special mention is the successful issue of a GBP 200 million Mortgage Pfandbrief issue, which was very well received by investors, and a € 500 million benchmark Mortgage Pfandbrief that was also a very successful issue. Overall, we raised long-term funds in the amount of € 1.2 billion.

Our capital ratios not only meet the forthcoming requirements of the Basel III regime but also are excellent by industry standards. As at 30 June 2013 the tier 1 ratio was 17.5 per cent, which is comfortable on an international level. The core tier 1 ratio was 12.0 per cent. Aareal Bank therefore remains very solidly financed.

The first half of our anniversary year – Aareal Bank celebrates its 90th anniversary in 2013 – has therefore proved to be successful. We are optimistic for the Bank's business during the remainder of the year, not least thanks to the good performance seen in the second quarter.

Aareal Bank continues to believe there is a good chance the Bank's consolidated operating profit will match that of 2012; there is even potential to reach the very good results achieved in 2011.

In summary, we can state that Aareal Bank is in top condition, and prepared for the known challenges ahead. We can rely on the expertise of the Bank's 90-year history, and are aware of the strengths of our business model. This includes the ability to adjust to the "new normality" for banks, as outlined above – that state of affairs requires a very robust liquidity situation and capital base. In turn, this allows us to exploit attractive market opportunities whenever they arise. As shareholders, business associates and employees, you expect Aareal Bank to deliver a solid performance, and to sustainably increase the Company's value. To fulfil this remains our top objective.

For the Management Board

Yours Sincerely, Wolf Schumacher

Dr Wolf Schumacher
Chairman

Group Management Report

Business and Operating Environment

Macro-economic environment

The main features of the macro-economic environment in the second quarter of 2013 remained largely unchanged compared with the previous quarter. Global economic momentum remained low – albeit with marked regional differences. Labour markets were weak in many places, and the financial and capital markets remained highly segmented.

Economy

The European sovereign debt crisis, a restrictive financial policy pursued in many countries accompanied by high unemployment, as well as the efforts in the private sector to reduce debt, have all contributed to inhibit overall economic demand and the economy in the euro zone. Many indicators suggest that the economy in the euro zone was very subdued in the second quarter. The euro zone's southern member states were particularly affected by a recessionary trend. However, economic development was sluggish, too, in the other euro zone countries, and was also muted in most European countries outside the euro zone, including Denmark, Poland, Sweden, and the UK.

Economic growth in the US appeared to be moderate in the second quarter, supported primarily by the private household sector. The economy grew in Canada and Mexico, too.

China's economy continued to post high growth rates by international standards, although economic momentum was less pronounced compared with previous years. Japan recorded positive economic growth in the second quarter.

As a result of the subdued economic development, the situation remained strained on the vast majority of labour markets within the European Union (EU). Unemployment rose further in some countries, while remaining virtually unchanged in other European countries. Especially in the southern periphery countries of the euro zone, and most notably in Spain, the unemployment rate was generally very high. However, it also remained above 10 % in France and Poland. Germany, Luxembourg and Austria continued to have the lowest unemployment rates in the EU. Following a period of several months during which the unemployment rate fell in the US, it remained almost constant in the second quarter of 2013. Unemployment was also largely unchanged in Japan.

Sovereign debt crisis

In the course of the sovereign debt crisis, the financial and capital markets remained segmented between the so-called core euro zone countries and the periphery states. However, the yield spreads between these groups of countries narrowed during the quarter under review. Government bond yields in the southern periphery states, including Italy and Spain, fell significantly at the start of the quarter. During the rest of the quarter, however, they climbed again, and ended the quarter only slightly lower than at the end of the previous quarter. On the other hand, government bond yields in the core countries, such as Germany and France, increased – albeit at low levels.

At the end of June, the euro zone finance ministers agreed on regulations on how banks can be recapitalised directly from the European Stability Mechanism (ESM) bailout fund. This regulation would only apply to systemically relevant banks that can be restructured, and which no longer have access to private capital, and whose home country could not provide the aid alone. This instrument will be available for use in the second half of 2014 at the earliest.

Public authorities continued to face high deficits and rising debt in numerous advanced economies. Owing to the weak economy, some European countries were unable to reach the targeted deficit reductions previously agreed upon. In the US, the regulation on suspending the ceiling on government debt expired in May. However, special measures introduced by the Treasury Department, amongst other things, prevented this cap from being breached. In addition, significant payments to the state by the government-controlled mortgage lenders Fannie Mae and Freddie Mac also helped to ease the situation.

Financial and capital markets, monetary policy and inflation

Numerous banks, companies and sovereign issuers succeeded in placing significant volumes of bonds, at favourable terms, on the international financial and capital markets during the quarter under review. It must be taken into account that the yields on bonds issued by countries that investors consider to be safe, such as Germany and the US, rose during the second quarter of 2013, but remained at low levels. At the end of April, Aareal Bank successfully placed a debut Mortgage Pfandbrief denominated in pound sterling with a benchmark volume of GBP 200 million. A € 500 million Mortgage Pfandbrief placement followed in June. The volatility on the financial and capital markets increased worldwide during May and June.

The euro exchange rate appreciated in the second quarter relative to various important currencies in which we are active – specifically, against the Japanese yen, the Canadian dollar, the Swedish krona and the US dollar. The euro exchange rate appreciated marginally over the pound sterling and the Swiss franc. The exchange rate remained almost unchanged relative to the Danish krone.

The segmentation of the euro zone's financial and capital markets for issuers from countries with very low yields (such as Germany) and countries with significant risk premiums (such as Italy and Spain) weakened in the second quarter, but nonetheless exists. One must take this segmentation into consideration when analysing interest rate developments. Long-term interest rates[1] climbed in the second quarter for the most important currencies in which we are active, but remained at low levels. Short-term interest rates[2] on the other hand changed only marginally during the quarter.

Prompted by the low underlying price pressure and gloomy economic climate, the ECB reduced its benchmark interest rate by 0.25 percentage points to 0.50 % at the beginning of May. The Danish central bank also cut its benchmark rate slightly to 0.20 % at the same time. Overall, many central banks continued to pursue an expansive monetary policy, with low key interest rates. In June, the US central bank (the Fed) raised the prospect that it would start reducing its monthly bond purchases of USD 85 billion this year. The yields on bonds from various countries, such as the US and Germany, rose on the back of this news but remained on a low level.

Inflationary pressure weakened further in the second quarter, although there was evidence of a certain upward trend recently. Commodity prices in particular had a weakening effect on inflation. The average annual rate of inflation in the euro zone was 1.4 % in the second quarter. Annual inflation in the US was comparable, while the level in China was moderate, albeit slightly higher. Japan, on the other hand, reported slight deflation year-on-year.

Regulatory environment

The focus in the banking sector remained on the various regulatory and reform measures during the second quarter. The Capital Requirements Regulation (CRR) directive was agreed at a European level, and published in the EU Official Journal, thus implementing the recommendations of the Basel Committee for Banking Supervision (the "Basel III" framework) at a European level. Specifically, these include setting stricter requirements for equity instruments, the implementation of liquidity ratios and a leverage ratio, raising the capital requirements for counterparty credit risk, and further standardisation of the regulatory details in the EU (the "single rule book"). Additionally, the lower chamber of German parliament (the Bundestag)

[1] Calculated on the basis of the 10-year swap rate vs. 6-month Euribor (or vs. LIBOR or comparable reference rates for non-euro currencies)

[2] Calculated on the basis of 3-month Euribor (or vs. LIBOR or comparable reference rates for non-euro currencies)

adopted the CRD IV Implemention Act, which implements the Fourth European Capital Requirements Directive (CRD IV) into German law. This largely comprises the deconstruction of legal provisions in the German Banking Act (Kreditwesengesetz – "KWG") that are regulated in the EU regulation (CRR) and the inclusion of regulations from CRD IV in the KWG on stricter financial sanctions, on corporate governance and capital buffers.

In March 2013, the EU Parliament agreed to gradually transfer the supervision for certain banks to the ECB. Accordingly, the ECB will take responsibility for the supervision of all banks with total assets of more than € 30 billion from 2014 onwards. This also applies to the three largest banks of the respective countries, regardless of whether they reach this total assets threshold. The ECB can also assume supervision of a bank if that institution is regarded as constituting a systemic risk. Supervision of the other banks will remain with the national authorities. Supervision by the ECB comprises all euro states and all other EU member states that want to participate.

Sector-specific and business developments

Structured Property Financing segment

We continued to pursue our risk-sensitive lending policy in the quarter under review, too, as well as consistently managing our loan portfolio.

The volume of new business originated in the second quarter amounted to € 2.4 billion (Q2 2012: € 1.2 billion), so that € 4.4 billion was generated in the entire first half of 2013 (H1 2012: € 1.7 billion). In contrast to 2012, we exploited opportunities for new business from the very beginning of 2013, in a more active transaction environment with higher liquidity, especially in the US. This significantly increased new business.

The share of newly-originated loans was 55.0 % in the second quarter (Q2 2012: 37.2 %) and 57.0 % for the entire first half of 2013 (H1 2012: 27.2 %). At 74.8 %, we achieved the highest share of new business in the first two quarters of 2013 in Europe, followed by North America with 22.7 % and Asia with 2.5 %.[1)]

Overall, competition on the market for commercial property finance intensified further. As was the case at the start of the year, competition was intense in the business of financing first-class properties with a low LTV (loan-to-value) and in top locations on numerous Western and Northern European markets. Competition was not quite as intense in Eastern Europe. In Southern Europe, on the other hand, restraint continued to be exercised in commercial property financing. In Europe, there was evidence of a slight increase in the willingness of the banks to lend, with regard to financing project developments, cross-border portfolios, second-tier properties or in peripheral locations as well as properties with high LTVs. Overall, the readiness to provide finance remained muted here.

In the US, the market for commercial property financing remained defined by a high degree of liquidity and intense competition. This was not only due to the activities of domestic banks but of life assurance companies too. The market for securitisations (Commercial Mortgage Backed Securities – "CMBS") also contributed here, with issues of substantial size.

The market environment was also competitive in Asia, with regional banks as well as various major international banks being active in particular.

The commercial property markets were essentially unchanged in the second quarter of 2013. These were characterised by largely stable rents and yields[2)] on the markets for first-class commercial properties, and by investors focusing on first-class

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 yields are associated with rising property market values, whilst rising yields correspondingly produce falling values, all other things remaining equal.

properties in the corresponding locations. There was also interest in opportunities with a higher risk profile in some core markets, such as Germany and the US. Lower quality properties, or those in peripheral locations, lagged behind the premium segment and, in some places, rents and valuations also came under pressure. The global transaction volumes for commercial property increased in the second quarter of 2013 compared with the same period of the previous year. This was also the case for the first half of the year as a whole.

Europe

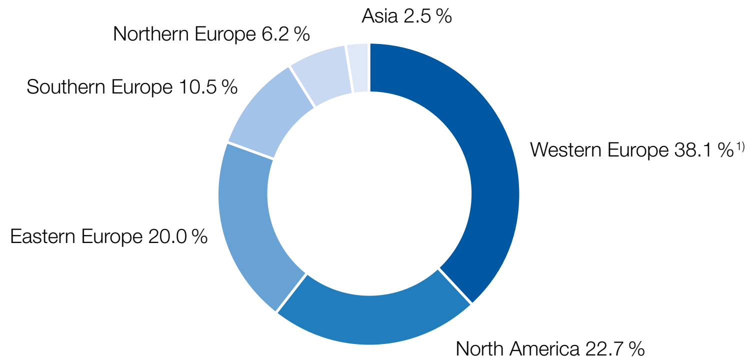
In most of the European economic centres, rents on the markets for first-class commercial property remained stable compared with the previous quarter. This applied to the markets for high-quality office, retail and logistics properties. Diverging rental development was evident in only a few of the premium markets. Examples of rising rents were the office markets in London's West End, the retail markets again in London's West End, Frankfurt and Istanbul, as well as the logistics market in Amsterdam. On the other hand, rents fell for example on the office markets in Milan and Paris, as well as in the Rotterdam retail market. Rents tended to come under pressure for commercial properties outside the first-class segment.

The performance on the hotel markets varied in the second quarter of 2013 and fluctuated significantly on some markets during the quarter. The important indicator for the hotel industry – average revenue per hotel room – increased in some big European cities compared with the same period of the previous year. Examples included were Hamburg, Copenhagen and Paris. At the same time, this indicator fell in other economic centres such as Helsinki, Madrid and Moscow.

Investor interest remained focused on first-class properties that offer investors a secure cash flow. However, investors were meanwhile also looking for opportunities with a higher risk profile. Transaction volumes in Europe were comparable with the same period of the previous year, but increased overall during the first half-year. Investor yield requirements for newly-acquired commercial property in the high-quality segment remained stable in the second quarter of 2013 compared with the previous quarter, in the vast majority of European economic centres. Developments deviated in only a few of the markets. Yield requirements fell, for example, in the premium segment on the markets for office property in Brussels and Frankfurt, on the market for retail property in Istanbul and the City of London, as well as on the logistics market in London. In contrast, rising yields were registered on the office market in Barcelona, the retail markets in The Hague and Rotterdam, and for logistics property in Barcelona and The Hague.

New business 1 January-30 June 2013

by region (%) Total volume: € 4.4 bn



[1] including Germany

Properties that are not included in the premium segment with regard to factors determining value lagged behind the high-quality properties, or those with stable cash flows, in terms of price developments: there was evidence of some pressure on prices here.

We originated new business in the amount of € 1.7 billion in Europe during the second quarter, and thus a total of € 3.3 billion for the first two quarters of the year. In terms of the first half-year, Western Europe accounted for the largest share, ahead of Eastern Europe. Southern and Northern Europe followed quite some distance behind.

North America (NAFTA states)

The national average for rents continued to increase gradually on the markets for office, retail and logistics properties in the US. The situation was a little more differentiated regionally. Rents rose significantly over the previous quarter, e.g. on the office markets in San Francisco and the logistics market in New York, while various other markets, such as the office market in New York and retail property markets in Chicago and Los Angeles, posted only slight rent increases. In contrast, average rents fell gradually to slightly, e.g. on the office markets of Boston, Los Angeles and Washington DC. The national vacancy ratios in the US remained almost constant for the different types of commercial property.

The upwards trend in the US hotel sector continued during the second quarter. The national average revenue per available hotel room in the second quarter of 2013 was higher than in the corresponding period of the previous year, due to an increase in both the occupancy ratio as well as in average room rates. Average revenues per available hotel room also increased in Canada and Mexico over the same quarter of the previous year.

The volume of transactions concluded in North America in the second quarter as well as in the entire first half-year posted a marked increase year-on-year. Investors' yield requirements in the US hardly changed from the first to the second quarter.

In North America, we generated new business in the amount of € 0.7 billion in the second quarter; this translates into a total of € 1.0 billion for the first half of the year. This new business was generated almost exclusively in the US.

Asia

The development of rents for first-class commercial property varied in Asia. While rents for high-quality office property in Beijing tended to increase marginally over the previous quarter, they were predominantly lower in Shanghai. However, developments deviated on individual sub-markets in these big cities. Rents for first-class office property increased slightly in Tokyo. Office rents were largely stable in Singapore. Rental development for retail property in the premium segment of Beijing and Shanghai was slightly positive. Rents for retail property in Singapore and Tokyo remained virtually stable. The rents for first-class logistics properties increased in Beijing and Tokyo but remained unchanged in Shanghai and Singapore.

Compared with the same quarter of the previous year, the average revenues per available hotel room in the hotel sector in Beijing and Singapore decreased. On the other hand, average revenues in Tokyo increased markedly.

Second quarter transaction volumes in Asian commercial property were roughly in line with the same quarter of the previous year, but looking at the first half of the year, transaction volumes increased. Investors' yield requirements in relation to the aforementioned big cities were largely stable in the second quarter. This applied to office, retail and logistics properties.

Our new business in Asia amounted to € 0.1 billion in the first half-year, and was accounted for solely by China.

Consulting/Services segment

Institutional Housing Unit

The institutional housing industry in Germany proved stable again in the second quarter. This was evidenced in particular by largely constant rental income and long-term financing structures.

The long-standing trend remains intact on the housing market in Germany. Due to the ongoing demand for housing and the associated price increases, residential rents showed a rising trend in the course of the year, despite the slowdown in rent increases in the big cities. Rents offered in April 2013 were around 2 % higher than at the end of 2012. Rents in the major cities have increased by approx. 9 % since 2010 and by around 5 % in rural areas. The vacancy ratio on the German residential property market continues to vary regionally: it averages around 3 %. While vacancies have stagnated at approx. 6 % for many years in regions with shrinking population numbers, growth regions have posted falling vacancy ratios to around 2 % at present.

Ongoing volatility on the financial and capital markets sustained the demand for German residential property, above all in smaller and medium-sized portfolios and project developments. German institutional investors in particular remained active. Besides private equity funds and closed-end funds, property and project developers tend to dominate on the seller side.

Our 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 – which is also evident in new client acquisition; the business partners acquired in the second quarter of 2013 currently manage some 81,000 residential units between them.

Gradual developments within the meaning of efficient business processes are another decisive sign of quality. In order to facilitate a timely and smooth transition to the SEPA euro payments procedure for our clients at the start of 2014, we invested considerable resources in developing the accounting system and the payment systems used during the period under review.

The volume of deposits increased again, to average € 7.2 billion during the quarter under review (Q1 2013: € 6.7 billion). This is attributable to a significant increase in current account balances and deposits at notice, and to higher rental deposits to a lesser extent.

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 the 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, and one that is largely independent of capital markets developments. In addition to the German Pfandbrief and unsecured bank bonds, they represent an important pillar in the Bank's long-term funding mix. Especially in the current capital market environment, Aareal Bank therefore sees this business as possessing a particular competitive advantage.

Aareon

The digitalisation of processes offers considerable potential to the institutional housing industry with regard to optimising a tenant-oriented strategy. Starting points are integrated, state-of-the-art customer relationship management (CRM) systems as well as mobile solutions. This central trend was also addressed at the 23rd Aareon Congress, held in Garmisch-Partenkirchen (Bavaria) in May.

Cloud computing also remains a current trend on the market for property management software. Data from Aareon's Cloud Computing is held in Aareon's certified data-processing centre, which guarantees a high level of data security and protection. Since 2011, Aareon has offered – amongst other things – the Wodis Sigma ERP system as a service from the exclusive Aareon Cloud. 86 clients have already opted in favour of the system.

In order to convert the national payment systems to the Single Euro Payments Area (SEPA), Aareon offers the necessary functions in all ERP systems. Acceptance levels among the clients are high. The SEPA mass conversion phase began in the second quarter. Close to 200 clients have already converted to the SEPA platform, or are on the point of doing so.

The number of Wodis Sigma clients increased further in the previous quarter, to 487.

Demand for SAP® consultancy services in the SAP® solutions product line and Blue Eagle was particularly strong, as well as in Aareon's own consultancy services. The Blue Eagle ERP system moved to the new 6.3 release on schedule in April. With this release, Aareon is the first provider in this market segment to offer the clients all of the necessary requirements for conversion to the SEPA procedures as described above.

The volume of business with the established GES system remained stable. The GES version 05/2013 was rolled out on schedule. The focus lies on further developing the functions for SEPA.

The Integrated Services product line continues to see demand, especially for the Mareon service portal, the BauSecura insurance solutions, and the Aareon invoicing service. Within the scope of a joint project, Aareon and IT-Power GmbH, Flensburg (which operates nationwide), have successfully connected Stadtwerke Mühlhausen and the two property management companies Wohnungsgenossenschaft Mühlhausen eG and Städtische Wohnungsgesellschaft mbH Mühlhausen to Aareon's invoicing service. This service provides property management companies and their business partners with a simple, quick exchange and the facility to process invoices electronically.

In the I-stay@home project funded by the European Union, Aareon and 14 other European partners jointly develop an IT-based platform that offers access to affordable assistance services. This is designed to offer elderly people the opportunity to remain self-sufficient and living within their own four walls for as long as possible. Aareon is the leading IT partner for the project. The development of the platform through the project partners is progressing on schedule. Since May 2013, Aareon has also been a partner of the European Federation for Living (EFL), a union of institutional housing industry companies from several European countries. The I-stay@home consortium of partners is made up mainly of members and EFL partners.

In the Netherlands, the SG|tobias^{AX} system was rolled out for additional clients. In France, the property management company Adona (managing 80,000 rental units) opted in favour of Aareon France to develop a CRM web-based solution for prospective tenants. In the UK, QL Housing – including the mobile solution from 1st Touch – was rolled out for the important Barnet Group, London (15,000 rental units).

Financial Position and Performance

Financial performance

Group

Net interest income was burdened by the persistent low interest rate environment, affecting the deposit-taking business as well as the investment of cash and cash equivalents. Nonetheless, net interest income in the first half of 2013 was down only slightly over the same period of the previous year, at € 247 million (H1 2012: € 251 million), thanks to new business generated in previous periods.

Allowance for credit losses amounted to € 45 million during the first six months of the financial year (H1 2012: € 37 million). It was therefore lower than the pro rata forecast range of € 110 million to € 150 million for the financial year, but within the range we had expected.

Net commission income of € 77 million was roughly in line with the previous year's figure of € 80 million.

The aggregate of net trading income/expenses and the net result on hedge accounting of € 8 million was primarily attributable to the measurement of derivatives used to hedge interest rate and currency risks, as well as from realised and unrealised changes in value from the sale of hedges for selected EU sovereign countries.

The results from non-trading assets amounted to € -6 million, compared to € -3 million for the corresponding period of the previous year.

Consolidated net income of Aareal Bank Group

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Net interest income	247	251
Allowance for credit losses	45	37
Net interest income after allowance for credit losses	**202**	**214**
Net commission income	77	80
Net result on hedge accounting	-3	-5
Net trading income/expenses	11	-23
Results from non-trading assets	-6	-3
Results from investments accounted for using the equity method	–	–
Results from investment properties	0	5
Administrative expenses	182	180
Net other operating income/expenses	-7	0
Impairment of goodwill	0	–
Operating profit	**92**	**88**
Income taxes	29	23
Net income/loss	**63**	**65**
Allocation of results		
Net income/loss attributable to non-controlling interests	10	10
Net income/loss attributable to shareholders of Aareal Bank AG	53	55
Appropriation of profits		
Net income/loss attributable to shareholders of Aareal Bank AG	53	55
Silent participation by SoFFin	10	10
Consolidated profit/loss	**43**	**45**

At € 182 million, administrative expenses were slightly higher than last year's level (€ 180 million).

After taking into account net other operating income and expenses (€ -7 million), this yields consolidated operating profit of € 92 million for the first six months of 2013 (H1 2012: € 88 million). After deduction of taxes of € 29 million and non-controlling interest income of € 10 million, net income attributable to shareholders of Aareal Bank AG amounted to € 53 million. Taking into consideration the net interest payable on the SoFFin silent participation, consolidated net income stood at € 43 million.

Structured Property Financing segment

Net interest income in the segment was burdened by the persistent low interest rate environment, affecting the investment of cash and cash equivalents. At the same time, thanks to new business originated in recent periods, net interest income in the second quarter of 2013 of € 124 million exceeded the same period of the previous year (Q2 2012: € 115 million).

Allowance for credit losses in the quarter under review amounted to € 28 million (Q2 2012: € 25 million), and was therefore within the projected range.

Structured Property Financing segment result

€ mn	Quarter 2 2013	Quarter 2 2012
Net interest income	124	115
Allowance for credit losses	28	25
Net interest income after allowance for credit losses	**96**	**90**
Net commission income	3	6
Net result on hedge accounting	0	5
Net trading income/expenses	5	-7
Results from non-trading assets	-5	-3
Results from investments accounted for using the equity method	–	–
Results from investment properties	0	2
Administrative expenses	47	47
Net other operating income/expenses	-2	-2
Impairment of goodwill	0	0
Operating profit	**50**	**44**
Income taxes	15	11
Segment result	**35**	**33**
Allocation of results		
Segment result attributable to non-controlling interests	5	4
Segment result attributable to shareholders of Aareal Bank AG	30	29

The aggregate of net trading income/expenses and the net result on hedge accounting of € 5 million was primarily attributable to the measurement of derivatives used to hedge interest rate and currency risks, as well as from unrealised changes in value from the sale of hedges for selected EU sovereign countries.

The results from non-trading assets amounted to € -5 million from € -3 million for the corresponding quarter of the previous year.

At € 47 million, administrative expenses in the second quarter matched the corresponding level of the previous year (€ 47 million).

Overall, operating profit for the Structured Property Financing segment was € 50 million (Q2 2012: € 44 million). Taking into consideration tax expenses of € 15 million (Q2 2012: € 11 million), the segment result in the second quarter of this year was € 35 million (Q2 2012: € 33 million.

Consulting/Services segment

Sales revenue generated in the Consulting/Services segment during the second quarter of 2013, which amounted to € 44 million was down slightly on the corresponding figure of the previous year (Q2 2012: € 47 million). The persistent low interest rate environment burdened the margins from the deposit-taking business that are reported in sales revenues.

Staff expenses in the quarter under review amounted to € 29 million, and were therefore slightly higher than in the same period of the previous year.

On the whole, other items were roughly unchanged from the previous year.

Consulting/Services segment result

€ mn	Quarter 2 2013	Quarter 2 2012
Sales revenue	44	47
Own work capitalised	1	1
Changes in inventory	0	0
Other operating income	1	3
Cost of materials purchased	5	6
Staff expenses	29	28
Depreciation, amortisation and impairment losses	4	3
Results from investments accounted for using the equity method	–	–
Other operating expenses	13	13
Interest and similar income/expenses	0	0
Operating profit/loss	**-5**	**1**
Income taxes	-1	0
Segment result	**-4**	**1**
Allocation of results		
Segment result attributable to non-controlling interests	0	1
Segment result attributable to shareholders of Aareal Bank AG	-4	0

Overall, operating profit for the segment in the second quarter of 2013 was € -5 million (Q2 2012: € 1 million). Aareon's contribution was € 6 million (Q2 2012: € 4 million).

After taking taxes into consideration, the segment result in the second quarter amounted to € -4 million (Q2 2012: € 1 million).

Net assets

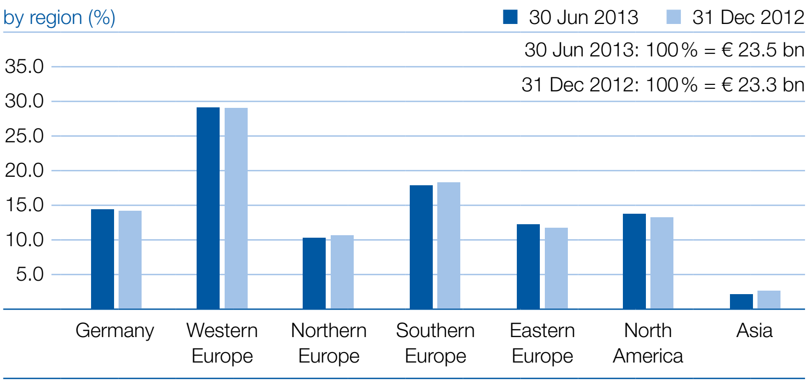
Aareal Bank Group's total assets as at 30 June 2013 amounted to € 44.3 billion, after € 45.7 billion as at 31 December 2012.

Property financing portfolio

The volume of Aareal Bank Group's property financing portfolio stood at € 23.5 billion as at 30 June 2013. This represents an increase of 1.0 % over the 2012 year-end figure (€ 23.3 billion). This relatively moderate increase in portfolio growth (considering the increase in newly-originated loans) is largely due to the high volume of repayments during the first half of the year.

The international share of the portfolio fell slightly to 85.5 % (€ 20.1 billion). The following chart illustrates the very broad regional diversification of our overall portfolio.

Property financing volume (amounts drawn)



Securities portfolio

Commensurate with the still-volatile market environment, the liquidity reserves maintained are invested in a high-quality securities portfolio. The securities portfolio can be liquidated quickly – for instance, via repo transactions on the money market.

As at 30 June 2013, the nominal volume of the securities portfolio[1] was € 11.3 billion (31 December 2012: € 12.1 billion). It comprises 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 euros. 98 %[2] of the portfolio has an investment grade rating.[3]

Financial position

Refinancing and equity

Aareal Bank Group continued to successfully conduct its funding activities in the second quarter of 2013, thereby securing its very solid liquidity situation. Long-term funding as at 30 June 2013 amounted to € 27.1 billion (31 December 2012: € 26.7 billion) and comprised Pfandbriefe, unsecured and subordinated issues. Aareal Bank also had € 6.9 billion (31 December 2012: € 6.3 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 € 4.8 billion (31 December 2012: € 5.2 billion).

A total of € 1.2 billion in long-term funds was raised on the capital market in the second quarter. This comprised Mortgage Pfandbriefe in the amount of € 1.0 billion, as well as unsecured refinancing of € 200 million. Aareal Bank has therefore maintained its long-term funding at a high level.

Of the public and private issues placed in the second quarter, the GBP 200 million, three-year Mortgage Pfandbrief issued in April and the five-year, € 500 million Mortgage Pfandbrief issued in June are particularly worth mentioning.

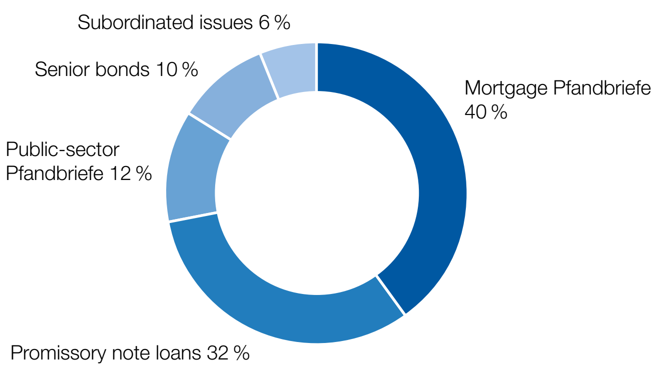
The total volume of long-term funding raised in the first half of 2013 amounted to € 2.6 billion, with Mortgage Pfandbriefe accounting for € 2.1 billion. Unsecured refinancing amounted to € 500 million. In addition, € 45 million in subordinated debt were placed with investors.

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

As at 30 June 2013, Aareal Bank Group's consolidated equity amounted to € 1.8 billion, excluding the SoFFin silent participation and trust preferred securities.

Capital market funding mix as at 30 June 2013

% Total volume: € 27.1 bn



[1] As at 30 June 2013, the securities portfolio was carried at € 12.8 billion (31 December 2012: € 14.0 billion).
[2] Details based on the nominal volume
[3] The rating details are based on the composite ratings.

Regulatory indicators

Regulatory indicator under AIRBA

	30 Jun 2013	31 Dec 2012
€ mn		
Tier 1 capital	2,362	2,430
Total own funds	2,916	2,991
Risk-weighted assets (incl. market risk)	13,488	14,513
%		
Tier 1 ratio	17.5	16.7
Total capital ratio	21.6	20.6

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 2012 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 in strict consideration of 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 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 28 % 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).

Risk-bearing capacity of Aareal Bank Group as at 30 June 2013
– Going-concern approach –

€ mn	30 Jun 2013	31 Dec 2012
Own funds for risk cover potential	2,504	2,359
less 8 % minimum tier 1	1,282	1,288
Freely available funds	**1,222**	**1,071**
Utilisation of freely available funds		
Credit risks	216	239
Market risks	306	281
Operational risks	44	43
Investment risks	26	27
Total utilisation	**592**	**590**
Utilisation as a percentage of freely available funds	**48 %**	**55 %**

We adopt an equally conservative stance with respect to setting risk limits. The aggregation of 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 1 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 table above summarises the Bank's overall risk exposure as at 30 June 2013.

Since aggregate risk cover is an inadequate measure to assess the risk-bearing capacity for liquidity risk, we have defined special tools for managing this type of risk. These tools are described in detail in the section "Liquidity risks".

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. Regulatory requirements are fully taken into account for the organisation of operations and workflows in the credit and trading business.

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 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 held outside of 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.

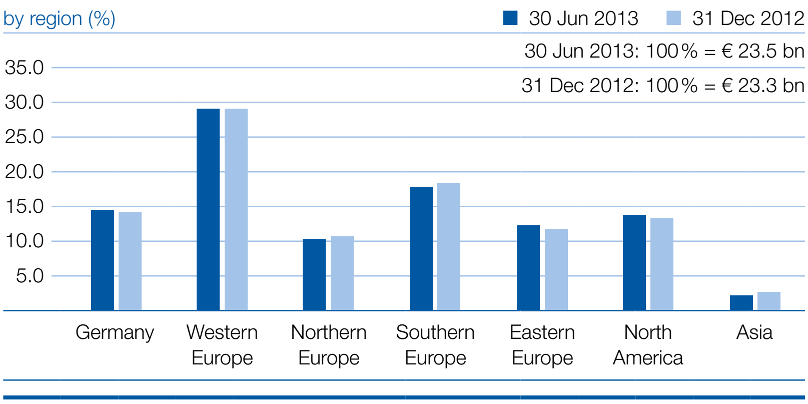
A credit risk report that complies with the Minimum Requirements for Risk Management (MaRisk) is prepared and submitted to the Bank's Management Board and Supervisory Board on a regular basis, at least quarterly. This report contains extensive information on the development of the credit portfolio (covering 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.

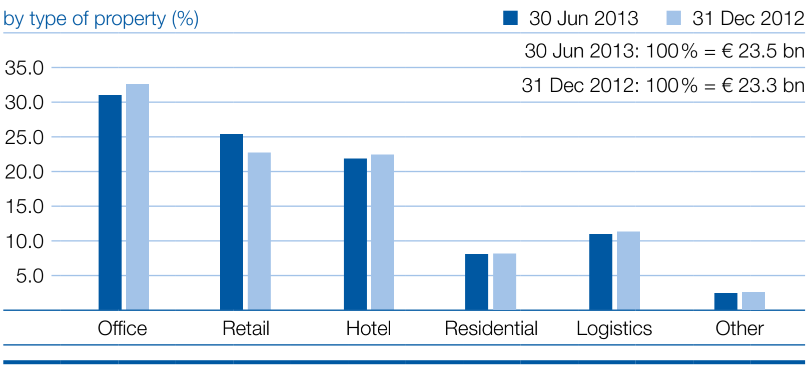
In principle, Aareal Bank pursues a "buy, manage and hold" strategy in managing its credit portfolio: this means that loans are generally held until maturity; sales of loans to third parties during their term are only used on a selective basis. Loan syndication is used as an active element of portfolio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

Property financing volume (amounts drawn)



Property financing volume (amounts drawn)



Country risks

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 – in particular, credit and liquidity risk exposure of the bond portfolio – is managed as part of "specific" risk.

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 indicates the potential loss incurred before countermeasures 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 a 250-day historical data pool 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 numerous 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.

The limit set for the VaR figure is derived from the analysis of the Bank's risk-bearing capacity, which is carried out at least once a year. 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 below, 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
Q2 2013 (2012 year-end values) 95 %, 250-day holding period				
Aareal Bank Group – general market price risk	247.0 (220.3)	137.1 (154.9)	176.9 (183.4)	– (–)
Group VaR (interest rates)	237.4 (236.6)	136.2 (156.3)	172.1 (191.3)	– (–)
Group VaR (FX)	46.5 (65.6)	31.2 (35.1)	37.8 (54.7)	– (–)
VaR (funds)	7.0 (16.3)	4.0 (5.2)	4.9 (8.1)	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)	227.7 (260.8)	193.8 (193.2)	212.4 (232.8)	– (–)
Aggregate VaR – Aareal Bank Group	318.6 (338.2)	249.3 (256.4)	277.3 (296.7)	400.0 (400.0)

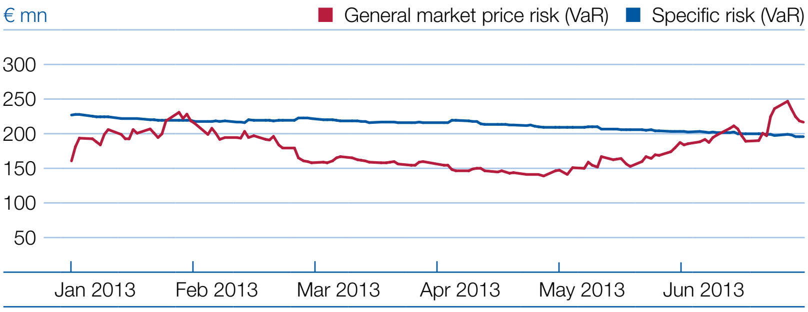
To ensure that Aareal Bank's figures are comparable to those published by other institutions, the risk parameters shown below were determined for a one-day holding period.

€ mn	MAX	MIN	Mean	Limit
Q2 2013 (2012 year-end values) 95 %, 1-day holding period				
Aareal Bank Group – general market price risk	15.6 (13.9)	8.7 (9.8)	11.2 (11.6)	– (–)
Group VaR (interest rates)	15.0 (15.0)	8.6 (9.9)	10.9 (12.1)	– (–)
Group VaR (FX)	2.9 (4.1)	2.0 (2.2)	2.4 (3.5)	– (–)
VaR (funds)	0.4 (1.0)	0.3 (0.3)	0.3 (0.5)	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)	14.4 (16.5)	12.3 (12.2)	13.4 (14.7)	– (–)
Aggregate VaR – Aareal Bank Group	20.1 (21.4)	15.8 (16.2)	17.5 (18.8)	25.3 (25.3)

Aggregate VaR – Aareal Bank Group

Group-wide limits are being continuously monitored as part of the analysis of the Bank's risk-bearing capacity. These limits remained unchanged during the quarter under review; no limit breaches were detected.

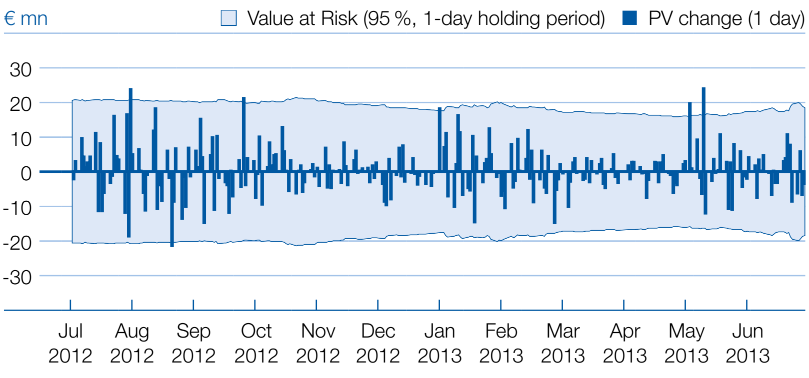
General market price risk and specific risk during 2013



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 for this 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). One negative outlier at Group level occurred during the last 250 trading days, affirming the high forecasting quality of the VaR model we use.

Present values and 1-day VaR during 2012/2013



Trading book

Being authorised to maintain a trading book, Aareal Bank AG is the Group entity 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.

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. 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 2012 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 Management Board 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.

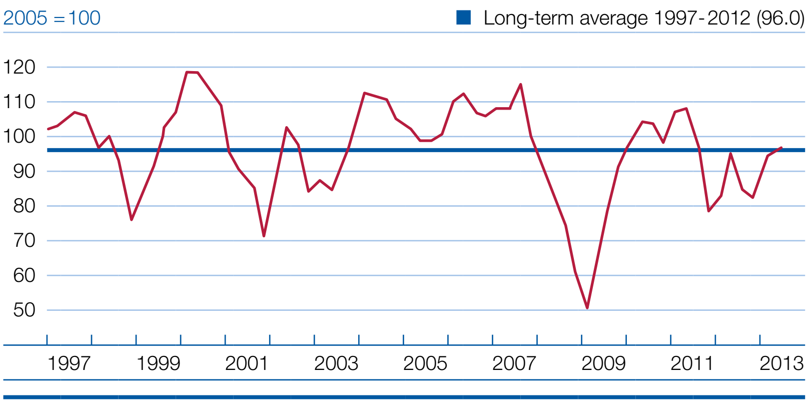
Report on Expected Developments

Macro-economic environment

Economy

Various economic indicators, such as the ifo World Economic Climate index, improved during the quarter under review. Nonetheless, basic economic momentum is low and the global economy continues to find itself in a difficult situation. The uncertainty with respect to the further development of the European sovereign debt crisis, the restrictive fiscal policy pursued in many countries coupled with high unemployment, plus the efforts of the private sector to lower its debt levels, continue to represent considerable pressure and uncertainty. The euro zone in particular is affected by this. Weak demand in Europe is also likely to have negative implications for economic expansion in the rest of the world.

ifo Global Economic Climate*



* Arithmetic mean of the assessment of the current situation and expected developments,
Source: ifo World Economic Survey (WES) II/2013

We are therefore assuming that global economic growth will only gradually gain momentum in the second half of the year. In our view, the global economic growth for the full year 2013 will be in line with the previous year, although we are likely to see marked regional differences. From Aareal Bank's perspective, the anticipated restrained economy may also have negative implications for the development of rents and asset values on the commercial property markets.

The aforementioned pressure and uncertainties will impact mainly on the euro zone. As a consequence, private consumption and the companies' sales prospects, as well as their willingness to invest, will remain inhibited. As we see it, only net exports will have a noticeable positive effect, offsetting the anticipated weak domestic demand. In light of this, the economy in the euro zone will hardly do anything more than stagnate in the second half of the year. Real gross domestic product for the full year 2013 will fall slightly at a rate comparable to the last year. The recession will continue this year in the euro zone's southern member states, where real GDP will fall significantly. We also expect falling economic output in Finland and the Netherlands, albeit to a lesser extent than in the southern euro member states. In our view, real economic output in Belgium and France is likely to remain stable to marginally lower this year. No real economic momentum is either anticipated in the other euro zone countries. The economies in Germany and Austria, for example, are expected to grow only marginally. The scenario looks slightly more positive outside the euro zone. We expect slight economic growth for Poland, Sweden, Switzerland, and the UK. Economic output in Denmark is likely to remain virtually unchanged this year. We anticipate higher growth rates by European standards in the growth economies of Russia and Turkey, whereas we envisage a marked drop in real gross domestic product in the Czech Republic.

Based on improved framework conditions, such as the advances in deleveraging household debt and a recovering residential property market, the economic outlook for the US is considerably more positive than in Europe. However, fiscal policy generates pressure. On the one hand, this policy takes a restrictive approach, on the other hand, negotiations on raising the statutory debt ceiling, which is expected to be reached in autumn, will become increasingly important. Potential related uncertainties among the economic players and the current absence of a sustainable solution to the sovereign debt problem represent risks for the US economy. The momentum in private consumption and investment is likely to lead to a moderate economic recovery in the US in the second half of the year, despite being tempered by the effects of fiscal policy. Real gross domestic product for the full year 2013 will therefore grow moderately. We also anticipate moderate growth for Canada and Mexico this year.

We expect the economy in Japan to grow slightly in 2013, helped by the performance of the yen and the state economic stimulus programme. The Chinese economy will continue to post high real growth rates by international standards although there have been signs lately that it could come in marginally below the previous year. We anticipate a somewhat faster pace of economic growth in Singapore year-on-year.

Many European countries show no signs of improvement in the difficult situation on the labour markets. We continue to expect rising unemployment in most European countries. This applies in particular to countries on the southern periphery of the euro zone. We forecast almost stable unemployment rates for only a few European countries, such as Germany, Poland and the UK. The comparatively positive economic outlook in the US leads us to expect a slight drop in the unemployment rate there.

Future economic development continues to be defined by considerable risks and uncertainties, primarily with respect to further developments concerning the European sovereign debt crisis. The risk that the crisis may escalate is still present, even though it has eased since the middle of last year. An escalation of the sovereign debt crisis goes hand in hand with the threat of a subsequent deep global recession. Even though we do not consider such a deep global recession to be the most likely outcome, the risk still exists. The marked expansion of central bank money supply in recent years represents another risk. Although the expansive monetary policy is currently supporting the economy, the consequences of supplying the economy with liquidity in this manner are unclear, particularly in the longer term.

Financial and capital markets, monetary policy and inflation

The measures taken by the ECB impacting on liquidity, as well as its announcement to buy government bonds if necessary under special circumstances, have substantially helped to calm the markets since the middle of last year. There is no evidence of any material changes in the market situation at present. Nonetheless, the risks on the financial and capital markets remain, especially in view of the sovereign debt crisis and the subdued economic outlook. The financial and capital markets are still very susceptible to shocks, should the sovereign debt crisis escalate again.

With regard to key interest rates, central banks are expected to keep them low for the remainder of the year. Consequently, under current conditions, short-term interest rates are likely to remain at low levels. Looking at long-term interest rates, the risk premiums (spreads) for bonds deemed as unsafe by investors are set to persist. The risk premiums will remain particularly important for euro zone periphery governments as well as the companies located there. This assessment would change, if the risks in these countries were to fall significantly and if there was a prospect of finding a sustainable solution to the sovereign debt crisis. Interest rates in the markets that were most affected by the sovereign debt crisis would then fall, while higher rates would be anticipated in the other euro zone countries, such as Germany.

Inflationary pressure is currently low on account of the subdued economic outlook. As we see it, the rate of inflation will remain moderate in Europe for the rest of the year, and will be lower in 2013 as a whole than it was the year before. We anticipate similar inflationary developments for the US, while we estimate a slightly higher rate in China. A slightly negative inflation rate (deflation) is possible in Japan.

Regulatory environment

It is expected that the trend towards a stricter regulatory framework for the banking business will continue. The various technical regulatory standards still have to be finalised. To nevertheless facilitate the timely implementation, we have continued to pursue the individual issues in numerous projects – devoting considerable resources to this task.

Sector-specific and business developments

Structured Property Financing segment

We believe the trend of intensifying competition will continue on the market for commercial property finance in Europe. In our opinion, this applies especially to core markets, such as Germany, France and the UK. Besides the banks, insurance companies and pension funds might also contribute to this scenario by extending their activities. In contrast, competition and credit supply is likely to remain weak in Southern Europe. Lending activity could also pick up here if the European sovereign debt crisis clearly eases. In future, most banks in Europe will concentrate on extending credit for first-class commercial properties in the corresponding locations, with low LTVs. Nonetheless, we expect the range of financing solutions for properties with a higher risk profile and for large-volume financings to pick up.

The financing markets in North America feature good liquidity. Competition on the markets for commercial property finance in the US is expected to remain strong, and this trend is likely to intensify during the course of the year. The financing markets in China and Japan are also likely to remain competitive.

The high refinancing requirements of investors from expiring loans must be taken into consideration for most markets.

Developments on the commercial property markets are currently exposed to contrasting influencing factors.[1] On the one hand, the muted economic

[1] Assessments of individual sub-markets and properties may deviate from the assessment of the commercial property markets outlined below.

outlook and high unemployment, particularly in Europe, are likely to impact on rents and values. On the other hand, we can expect demand momentum from investors and hence support for property values, due to low interest rates and the high levels of liquidity available. Primarily, it will be first-class properties in good locations that will remain in demand, even though demand for properties with a higher risk profile is likely to increase. Given the persistently gloomy economic outlook, we are increasingly coming to expect falling rents and values in Europe this year. In view of the recession in the Netherlands, Italy and Spain, we assume that average rents and values there will come under considerable pressure in these countries. We also expect falling values on average for other countries, such as Belgium, Finland and France, while countries such as Germany and the UK are expected to remain largely stable. Our expectations for the Turkish market, on the other hand, are slightly positive.

Based on a more positive economic outlook for the US, we expect a slight increase in rents and values there. Good liquidity held by investors also shores up demand for (and support of) property values. We expect rents and values in China to be stable to slightly increasing, while a rising trend in this respect is anticipated for Japan and Singapore.

In our view, the trends described above are likely to apply to office, retail and logistics properties. With regard to hotel property, we assume the revenues per available hotel room will paint a mixed picture in Europe. The hotel sectors in Southern Europe in particular might remain under downside pressure, while Germany, for example, currently features more favourable conditions. We believe a slightly positive development is possible for the hotel sector in North America. A mixed picture is expected in Asia.

The uncertainty in the overall economic environment generates noticeable risks on the commercial property markets. In the event of a deeper recession, more extensive declines in rents as well as in property values are probable. The high volume of financings set to mature could also represent a risk factor, while on the other hand, the low volume of new commercial property on the markets of Europe and North America in recent years could act as a support.

Our current full-year target for new business in the Structured Property Financing segment is € 6 billion to € 7 billion. From today's perspective, it is perfectly possible for the Bank to generate new business volumes between € 7 billion to € 8 billion this year, against the background of a more active transaction environment characterised by higher liquidity, particularly in the United States. Such developments are reflected in higher early repayments on the one hand and in additional new business opportunities on the other hand.

We want to continue to use club deals and syndicated financing in the future too, to allow us to participate in large-volume financings and to diversify risk.

Subject to the performance of the relevant currencies vis-a-vis the euro, we expect the volume of the property finance portfolio for this year to increase compared to the year-end 2012. The regional breakdown of the portfolio is driven by our three-continent strategy, with the regional focus being on Western Europe and North America.

The forecasts are based on the assumption that there will be no protracted global recession, and that recessionary trends should remain restricted to a few European countries. Otherwise, we would have to expect repercussions for new business and portfolio development.

Consulting/Services segment

Institutional Housing Unit

We expect developments within the institutional housing industry in Germany to remain stable also during the course of 2013. Corporate investments continue to focus on the renovation of the housing stock to create a sustainable quality of housing. The conversion of existing housing stock to create affordable housing that is suitable for families or the elderly is necessary in many housing sub-markets.

Against this background, member companies of the Federation of German Housing Enterprises (GdW) plan to increase investments in their existing properties by close to 11 % this year, to almost € 11 billion, with 30 % of investments earmarked for new construction projects.

Given the uncertainties resulting from the European sovereign debt crisis, residential property continues to gain importance, being seen as tangible assets by national and international investors alike. The housing market will remain attractive for numerous investors during the remainder of the year. This trend will be beneficial to future property investors and potential sellers within the institutional housing industry. Prices are expected to rise moderately – on a national average – by around 3 % until year-end. The rental and purchase prices are expected to rise in the low- to mid-quality locations in particular, since the increase of new construction in good locations is expected to ease the situation. We anticipate strong demand on the market for residential property transactions this year, too. We see growing interest from institutional investors, particularly in the high-priced segment of modern housing stock and in project development. Against the background of planned further large-volume portfolio sales, we expect transaction volumes to be high in 2013.

Within the scope of constantly developing our range of products, we will continue to invest in products designed for the management and settlement of rental deposits, as well as in the client-focused improvement of our processes. We see good opportunities during 2013 to acquire new clients and to intensify the business relationships with our existing client base. 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 current account balances and rent deposits. Given the ongoing low interest rate environment, we expect margins in the deposit-taking business will continue to remain under pressure in 2013. However, the importance of this business goes way beyond the interest margin generated from the deposits, which is under pressure in the current market environment. This is because the deposits from the institutional housing industry represent a strategically important additional source of funding for Aareal Bank.

Aareon

The digitalisation of communication in the institutional housing sector and the use of mobile solutions is becoming increasingly important. The IT trend of cloud computing will continue to establish itself too in the market for property management software.

Aareon anticipates further growth in sales revenues for the Wodis Sigma product line. Wodis Sigma is well received by our clients as a service from the Aareon Cloud, and supports the growth in the product line's sales revenues.

We anticipate sales revenues in the GES ERP system in 2013 to be consistent with last year.

We continue to expect a small number of tenders for new implementations on the market for SAP® solutions and Blue Eagle. Aareon anticipates generally stable sales revenues with advisory solutions. A decline is only expected in licence revenues.

Sales revenues are expected to continue rising in the Integrated Services segment. The launch of new products, such as a state-of-the-art sector-specific customer relationship management system (CRM) and mobile solutions, as well as Aareon Archiv kompakt and Mareon FM (facility management), will have a positive effect on sales revenues. The CRM system and mobile solutions are developed in international projects within Aareon Group. This can enhance synergies to increase the benefit of these solutions for the clients. The new products are being launched on the market from 2013 onwards. This will lead to corresponding investment costs in the current and following year.

With the internationalisation of Aareon in mind, the I-stay@home project conducted with 14 other European partners in the institutional housing sector is progressing on schedule. The project for developing an IT-based platform that will offer elderly people access to affordable assistance systems is likely to continue up to 2015.

In the Netherlands, structural changes in the social housing sector are being pursued by policy makers. Aareon is adapting to this by adjusting the product portfolio. Overall, Aareon expects the licence business to make a slightly lower contribution to results in the Netherlands compared with the previous year. Assuming an unchanged cost base, we expect a lower EBIT for 2013.

In France, the introduction of Release 3.0 for the ERP solution PortalImmo Habitat is planned this year. Despite a lower SAP®-related business, Aareon France is expected to record a slight increase in sales revenues in 2013, which will be generated mainly from consulting. The Flexiciel module will be sold on the market in future as software-as-a-service (SaaS). Owing to investment in new products – for example, as part of the I-stay@home project – EBIT is expected to come in at last year's level despite the growth in sales.

In the UK, the price war on the market for ERP solutions continues to exercise a considerable influence on new client acquisition. Nonetheless, Aareon UK is expected to increase sales revenues, with costs remaining constant. The ERP solution QL is being developed further, in line with the latest technological requirements. Demand remains strong for the document management and mobile solutions offered by Aareon UK. Aareon UK will also increase its EBIT contribution this year.

Aareon UK Ltd. will significantly increase the turnover of 1st Touch Ltd., the specialist for mobile solutions acquired in 2012, given the sharp increase in the demand for such products on the market. The growing number of new projects anticipated in both new and existing client business will lead to greater demand for advisors, which 1st Touch Ltd. will address through investment in new personnel capacity – mainly through new hirings. 1st Touch will also positively influence Aareon's EBIT.

All in all, Aareon expects a slight increase in sales revenues. Increased demand, in particular for advisory services for Wodis Sigma, sales growth in integrated services through the new CRM products, Aareon Archiv kompakt and Mareon FM, together with anticipated growth in sales at 1st Touch Ltd., Aareon France SaaS and Aareon UK Ltd., will all combine to offset the decline in licence sales at the Dutch subsidiary. Investments in the new integrated services products, investment costs for I-stay@home, and additional sales-related personnel expenses on account of the recruitment drive at 1st Touch Ltd. will lead to higher costs.

Aareon now expects operating profit for 2013 to come in at last year's level.

Group targets

Net interest income reflects the good margins achieved in the lending business. However, the persistently low interest rate levels will represent a burden on deposit-taking business and on investing cash and cash equivalents, so that net interest income for 2013 is expected to be only slightly higher than the previous year's figure.

Allowance for credit losses is expected to remain in a range between € 110 million and € 150 million. As in the previous years, the Bank cannot rule out additional allowance for unexpected credit losses that may be incurred during 2013.

We expect a stable trend for net commission income in 2013, between € 165 million and € 175 million.

Thanks to the measures implemented in 2012 to optimise our structures and processes, administrative expenses are also expected to rise only slightly compared with 2012, to between € 360 million and € 370 million. We currently envisage administrative expenses at the upper end of this range.

Notwithstanding a still-challenging environment, we believe there is a good chance the bank's consolidated operating profit will match that of

2012; there is even potential to reach the very good results achieved in 2011.

Our current new business target in the Structured Property Financing segment is € 6 billion to € 7 billion for the year 2013. From today's perspective, it is perfectly possible for the Bank to generate new business volumes between € 7 billion to € 8 billion this year.

In the Consulting/Services segment, we now expect Aareon Group to generate operating profit at the level of the previous year.

Consolidated Financial Statements
Statement of Comprehensive Income[1)]

Income Statement

€ mn	Note	1 Jan-30 Jun 2013	1 Jan-30 Jun 2013
Interest income		410	529
Interest expenses		163	278
Net interest income	1	**247**	**251**
Allowance for credit losses	2	45	37
Net interest income after allowance for credit losses		**202**	**214**
Commission income		89	96
Commission expenses		12	16
Net commission income	3	**77**	**80**
Net result on hedge accounting	4	-3	-5
Net trading income/expenses	5	11	-23
Results from non-trading assets	6	-6	-3
Results from investments accounted for using the equity method		–	–
Results from investment properties		0	5
Administrative expenses	7	182	180
Net other operating income/expenses	8	-7	0
Impairment of goodwill		0	–
Operating profit		**92**	**88**
Income taxes		29	23
Net income/loss		**63**	**65**
Allocation of results			
Net income/loss attributable to non-controlling interests		10	10
Net income/loss attributable to shareholders of Aareal Bank AG		53	55
Appropriation of profits			
Net income/loss attributable to shareholders of Aareal Bank AG		53	55
Silent participation by SoFFin		10	10
Consolidated profit/loss		**43**	**45**
€			
Earnings per share		0.88	0.92
Diluted earnings per share		0.88	0.92

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.

[1)] The comparative figures were partially adjusted. Further information is included in the section "Accounting policies" in the notes to the consolidated financial statements.

Statement of Comprehensive Income

Reconciliation from Net Income/Loss to Total Comprehensive Income

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2013
Net income/loss	**63**	**65**
Items that will not be reclassified subsequently to profit or loss		
Changes in the reserve from defined benefit plans	**–**	**-16**
Result from defined benefit plans	–	-24
Taxes	–	8
Items that are reclassified subsequently to profit or loss		
Changes in revaluation surplus	**28**	**60**
Gains and losses on remeasuring AfS financial instruments	36	79
Reclassifications to the income statement	–	–
Taxes	-8	-19
Changes in hedging reserves	**1**	**-14**
Profit/loss from derivatives used to hedge future cash flows	1	-21
Reclassifications to the income statement	–	–
Taxes	0	7
Changes in currency translation reserves	**-2**	**2**
Profit/loss from translating foreign operations' financial statements	-2	1
Reclassifications to the income statement	–	1
Taxes	–	–
Other comprehensive income	**27**	**32**
Total comprehensive income	**90**	**97**
Allocation of total comprehensive income		
Total comprehensive income attributable to non-controlling interests	10	10
Total comprehensive income attributable to shareholders of Aareal Bank AG	80	87

Statement of Comprehensive Income

Income Statement (Quarterly Development)

€ mn	Quarter 2 2013	Quarter 2 2012
Interest income	206	250
Interest expenses	80	128
Net interest income	**126**	**122**
Allowance for credit losses	28	25
Net interest income after allowance for credit losses	**98**	**97**
Commission income	45	45
Commission expenses	6	5
Net commission income	**39**	**40**
Net result on hedge accounting	0	5
Net trading income/expenses	5	-7
Results from non-trading assets	-5	-3
Results from investments accounted for using the equity method	–	–
Results from investment properties	0	2
Administrative expenses	90	89
Net other operating income/expenses	-2	0
Impairment of goodwill	0	0
Operating profit	**45**	**45**
Income taxes	14	11
Net income/loss	**31**	**34**
Allocation of results		
Net income/loss attributable to non-controlling interests	5	5
Net income/loss attributable to shareholders of Aareal Bank AG	26	29

Statement of Comprehensive Income

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

€ mn	Quarter 2 2013	Quarter 2 2012
Net income/loss	**31**	**34**
Items that will not be reclassified subsequently to profit or loss		
Changes in the reserve from defined benefit plans	**–**	**-12**
Result from defined benefit plans	–	-18
Taxes	–	6
Items that are reclassified subsequently to profit or loss		
Changes in revaluation surplus	**8**	**-3**
Gains and losses on remeasuring AfS financial instruments	9	-4
Reclassifications to the income statement	–	–
Taxes	-1	1
Changes in hedging reserves	**-1**	**5**
Profit/loss from derivatives used to hedge future cash flows	-1	7
Reclassifications to the income statement	–	–
Taxes	0	-2
Changes in currency translation reserves	**-2**	**4**
Profit/loss from translating foreign operations' financial statements	-2	3
Reclassifications to the income statement	–	1
Taxes	–	–
Other comprehensive income	**5**	**-6**
Total comprehensive income	**36**	**28**
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	31	23

Segment Reporting

Segment Results

€ mn	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Net interest income	242	236	0	0	5	15	247	251
Allowance for credit losses	45	37					45	37
Net interest income after allowance for credit losses	**197**	**199**	**0**	**0**	**5**	**15**	**202**	**214**
Net commission income	5	10	78	85	-6	-15	77	80
Net result on hedge accounting	-3	-5					-3	-5
Net trading income/expenses	11	-23					11	-23
Results from non-trading assets	-6	-3					-6	-3
Results from investments accounted for using the equity method								
Results from investment properties	0	5					0	5
Administrative expenses	97	96	86	84	-1	0	182	180
Net other operating income/expenses	-6	-3	-1	3	0	0	-7	0
Impairment of goodwill	0						0	
Operating profit	**101**	**84**	**-9**	**4**	**0**	**0**	**92**	**88**
Income taxes	31	22	-2	1			29	23
Net income/loss	**70**	**62**	**-7**	**3**	**0**	**0**	**63**	**65**
Allocation of results								
Net income/loss attributable to non-controlling interests	9	8	1	2			10	10
Net income/loss attributable to shareholders of Aareal Bank AG	61	54	-8	1	0	0	53	55
Allocated equity	1,180	1,270	89	74	971	810	2,240	2,154
Cost/income ratio (%)	40.1	44.1	111.1	96.0			57.1	59.0
RoE before taxes (%) [1]	15.6	12.0	-23.2	4.9			7.3	7.3
Employees (average)	**739**	**797**	**1,539**	**1,503**			**2,278**	**2,300**
Segment assets	**36,938**	**39,513**	**7,404**	**5,875**			**44,342**	**45,388**

[1] On an annualised basis

Segment Reporting

Segment Results (Quarterly Development)

€ mn	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	Quarter 2 2013	Quarter 2 2012	Quarter 2 2013	Quarter 2 2012	Quarter 2 2013	Quarter 2 2012	Quarter 2 2013	Quarter 2 2012
Net interest income	124	115	0	0	2	7	126	122
Allowance for credit losses	28	25					28	25
Net interest income after allowance for credit losses	**96**	**90**	**0**	**0**	**2**	**7**	**98**	**97**
Net commission income	3	6	39	41	-3	-7	39	40
Net result on hedge accounting	0	5					0	5
Net trading income/expenses	5	-7					5	-7
Results from non-trading assets	-5	-3					-5	-3
Results from investments accounted for using the equity method								
Results from investment properties	0	2					0	2
Administrative expenses	47	47	44	42	-1	0	90	89
Net other operating income/expenses	-2	-2	0	2	0	0	-2	0
Impairment of goodwill	0	0					0	0
Operating profit	**50**	**44**	**-5**	**1**	**0**	**0**	**45**	**45**
Income taxes	15	11	-1	0			14	11
Net income/loss	**35**	**33**	**-4**	**1**	**0**	**0**	**31**	**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	30	29	-4	0	0	0	26	29
Allocated equity	1,180	1,270	89	74	971	810	2,240	2,154
Cost/income ratio (%)	38.2	40.3	110.2	97.3			55.3	55.9
RoE before taxes (%) [1]	15.3	12.6	-21.0	3.5			7.2	7.5

[1] On an annualised basis

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	Administrative expenses	Net other operating income / expenses	Impairment of goodwill	**Operating profit**	Income taxes	**Segment result**
	Q2 2013		0	39			44	0		**-5**	-1	**-4**
	Q2 2012		0	41			42	2		**1**	0	**1**
Income statement classification – industrial enterprise												
Sales revenue	Q2 2013	44		44								
	Q2 2012	47		47								
Own work capitalised	Q2 2013	1					1					
	Q2 2012	1					1					
Changes in inventory	Q2 2013	0						0				
	Q2 2012	0						0				
Other operating income	Q2 2013	1						1				
	Q2 2012	3						3				
Cost of materials purchased	Q2 2013	5		5								
	Q2 2012	6		6								
Staff expenses	Q2 2013	29					29					
	Q2 2012	28					28					
Depreciation, amortisation and impairment losses	Q2 2013	4					4					
	Q2 2012	3					3					
Results from investments accounted for using the equity method	Q2 2013											
	Q2 2012											
Other operating expenses	Q2 2013	13					12	1				
	Q2 2012	13					12	1				
Interest and similar income / expenses	Q2 2013	0	0									
	Q2 2012	0	0									
Operating profit	**Q2 2013**	**-5**	**0**	**39**			**44**	**0**				
	Q2 2012	**1**	**0**	**41**			**42**	**2**				
Income taxes	Q2 2013	-1									-1	
	Q2 2012	0									0	
Segment result	**Q2 2013**	**-4**										
	Q2 2012	**1**										

Statement of Financial Position [1)]

€ mn	Note	30 Jun 2013	31 Dec 2012
Assets			
Cash funds		4,350	3,667
Loans and advances to banks	9	1,168	1,552
Loans and advances to customers	10	24,736	24,766
Allowance for credit losses		-297	-302
Positive market value of derivative hedging instruments		1,885	2,365
Trading assets	11	441	576
Non-current assets held for sale and discontinued operations	12	7	9
Non-trading assets	13	11,238	12,286
Investments accounted for using the equity method		1	1
Investment properties		88	88
Intangible assets	14	85	90
Property and equipment	15	100	103
Income tax assets		18	35
Deferred tax assets		103	96
Other assets	16	419	418
Total		**44,342**	**45,750**
Equity and liabilities			
Liabilities to banks	17	1,844	3,284
Liabilities to customers	18	26,501	27,366
Certificated liabilities	19	10,015	8,473
Negative market value of derivative hedging instruments		1,629	2,122
Trading liabilities	20	507	719
Provisions	21	292	290
Income tax liabilities		5	10
Deferred tax liabilities		20	28
Other liabilities	22	135	113
Subordinated capital	23	1,007	1,028
Equity	24, 25		
Subscribed capital		180	180
Capital reserves		721	721
Retained earnings		1,063	1,020
Other reserves		-120	-147
Silent participation by SoFFin		300	300
Non-controlling interest		243	243
Total equity		2,387	2,317
Total		**44,342**	**45,750**

[1)] The comparative figures were partially adjusted. Further information is included in the section "Accounting policies" in the notes to the consolidated financial statements.

Statement of Changes in Equity [1)]

€ mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Reserve from defined benefit plans	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 January 2013	**180**	**721**	**1,016**	**–**	**-99**	**-13**	**4**	**300**	**2,109**	**243**	**2,352**
Adjustment			4	-39					-35		-35
Equity as at 1 January 2013 (adjusted)	**180**	**721**	**1,020**	**-39**	**-99**	**-13**	**4**	**300**	**2,074**	**243**	**2,317**
Total comprehensive income for the period			53		28	1	-2		80	10	90
Payments to non-controlling interests										-10	-10
Silent participation by SoFFin											
Costs associated with the silent participation by SoFFin			-10						-10		-10
Other changes											
Equity as at 30 June 2013	**180**	**721**	**1,063**	**-39**	**-71**	**-12**	**2**	**300**	**2,144**	**243**	**2,387**

€ mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Reserve from defined benefit plans	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 January 2012	**180**	**721**	**929**	**–**	**-221**	**14**	**3**	**300**	**1,926**	**243**	**2,169**
Adjustment			3	-16					-13		-13
Equity as at 1 January 2012 (adjusted)	**180**	**721**	**932**	**-16**	**-221**	**14**	**3**	**300**	**1,913**	**243**	**2,156**
Total comprehensive income for the period			55	-16	60	-14	2		87	10	97
Payments to non-controlling interests										-10	-10
Silent participation by SoFFin											
Costs associated with the silent participation by SoFFin			-10						-10		-10
Other changes			2						2		2
Equity as at 30 June 2012 (adjusted)	**180**	**721**	**979**	**-32**	**-161**	**0**	**5**	**300**	**1,992**	**243**	**2,235**

[1)] The comparative figures were partially adjusted. Further information is included in the section "Accounting policies" in the notes to the consolidated financial statements.

Statement of Cash Flows (condensed)

€ mn	2013	2012
Cash and cash equivalents as at 1 January	**3,667**	**588**
Cash flow from operating activities	-350	756
Cash flow from investing activities	1,055	-900
Cash flow from financing activities	-22	93
Total cash flow	**683**	**-51**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 June	**4,350**	**537**

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 half-yearly financial report for the period ended 30 June 2013 was prepared pursuant to the provisions of section 37w in conjunction with section 37y no. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"). It comprises the present interim condensed consolidated financial statements, as well as an interim group management report (see Group Management Report) and was approved for publication by the Management Board on 6 August 2013.

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.

There were no material changes to the scope of consolidation during the period under review.

Accounting policies

Unless specifically indicated otherwise, the accounting policies applied in the preparation of the consolidated financial statements 2012 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 (IFRICs) were required to be applied for the first time in the reporting period:

- **Amendment to IAS 1 Presentation of Financial Statements**
  The amendment to IAS 1 changes the presentation of the items reported in other comprehensive income within the statement of comprehensive income.

- **IAS 12 Deferred Tax: Recovery of Underlying Assets**
  In accordance with IAS 12 Income Taxes, the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through its use or sale. The amendment introduces the rebuttable presumption according to which the carrying amount is normally recovered through sale. As a consequence of this amendment, SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets, no longer applies for investment properties measured at fair value.

- **Amendment to IAS 19 Employee Benefits**
  In accordance with the amended IAS 19, future unexpected fluctuations of pension obligations as well as any existing plan assets, so-called actuarial gains and losses, are recognised directly in other comprehensive income (Reconciliation from net income/loss to total comprehensive income). The previous election of recognising these gains and losses directly in profit or loss, in other comprehensive income or the deferred recognition under the so-called corridor method, is eliminated. Another change refers to the return on plan assets, which is no longer estimated based on return expectations based on asset allocation. Instead, any income from the expected return on plan assets may be recognised only in the amount of the discount rate. The unrealised actuarial losses accrued as at 31 December 2012 amount to € 51 million and are offset against equity as an increase in pension provisions as at 1 January 2013, taking into account deferred taxes of € 16 million. The restatement of comparative figures resulting from the retrospective application of IAS 8 is as follows:

Adjusted items in the statement of financial position as at 31 December 2012:

€ mn	31 Dec 2012 (reported)	Adjustment	31 Dec 2012 (adjusted)
Deferred tax assets	80	16	**96**
Provisions	239	51	**290**
Equity			
Retained earnings	1,016	4	**1,020**
Other reserves	-108	-39	**-147**

Adjusted items in the statement of financial position as at 1 January 2012:

€ mn	1 Jan 2012 (reported)	Adjustment	1 Jan 2012 (adjusted)
Deferred tax assets	89	6	**95**
Provisions	251	19	**270**
Equity			
Retained earnings	929	3	**932**
Other reserves	-204	-16	**-220**

Adjusted items in the statement of comprehensive income for the period from 1 January to 30 June 2012:

€ mn	1 Jan-30 Jun 2012 (reported)	Adjustment	1 Jan-30 Jun 2012 (adjusted)
Income statement			
Administrative expenses	180	0	**180**
Income taxes	23	0	**23**
Other comprehensive income			
Changes in the reserve from defined benefit plans	–	-16	**-16**

- **IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities**
  The amendments to IFRS 7 concern the disclosures related to the offsetting of financial assets and liabilities. In future, gross and net amounts recognised in the statement of financial position as well as amounts for existing offsetting arrangements – which, however, do not comply with the offsetting criteria – are required as supplementary mandatory disclosure.

- **IFRS 13 Fair Value Measurement**
  IFRS 13 sets out uniform measures and disclosure requirements for fair value measurement which was previously defined in individual standards. The standard increases the extent of disclosures in connection with non-financial assets that are recognised at fair value within the context of business combinations or investment property. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- **Annual Improvements 2009-2011 Cycle**

The new and revised standards and interpretations do not have any additional 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 (IFRICs) had been published by the International Accounting Standards Board (IASB) and adopted by the EU Commission:

New International Financial Reporting Standards	Issued	Endorsed	Effective date
IFRIC 21 Levies	May 2012		Financial years beginning on or after 1 January 2014

Revised International Financial Reporting Standards		Issued	Endorsed	Effective date
IFRS 10	Consolidated Financial Statements	June 2012	April 2013	Financial years beginning on or after 1 January 2014
IFRS 11	Joint Arrangements	June 2012	April 2013	Financial years beginning on or after 1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	June 2012	April 2013	Financial years beginning on or after 1 January 2014
IAS 36	Impairment of Assets	May 2013		Financial years beginning on or after 1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting	June 2013		Financial years beginning on or after 1 January 2014

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 Jun 2013	1 Jan-30 Jun 2012
Interest income from		
Property loans	321	357
Public-sector loans	9	17
Other lending and money market operations	29	72
Debt and other fixed-income securities	51	82
Current dividend income	0	1
Total interest income	**410**	**529**
Interest expenses for		
Bonds issued	52	76
Registered mortgage Pfandbriefe	13	43
Promissory note loans	45	74
Subordinated capital	11	16
Term deposits	29	53
Payable on demand	13	15
Other banking transactions	0	1
Total interest expenses	**163**	**278**
Total	**247**	**251**

(2) Allowance for credit losses

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Additions	46	42
Reversals	3	13
Direct write-offs	5	12
Recoveries on loans and advances previously written off	3	4
Total	**45**	**37**

(3) Net commission income

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Commission income from		
Consulting and other services	80	77
Trustee loans and administered loans	1	9
Securities transactions	–	–
Other lending and money market operations	5	6
Other commission income	3	4
Total commission income	**89**	**96**
Commission expenses for		
Consulting and other services	10	10
Securities transactions	0	3
Other lending and money market transactions	0	1
Other commission expenses	2	2
Total commission expenses	**12**	**16**
Total	**77**	**80**

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

(4) Net result on hedge accounting

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Ineffective portion of fair value hedges	-3	-3
Ineffective portion of cash flow hedges	0	-2
Ineffective portion of net investment hedges	0	–
Total	**-3**	**-5**

(5) Net trading income/expenses

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Net income/expenses from positions held for trading	10	-17
Currency translation	1	-6
Total	**11**	**-23**

Net trading income/expenses was primarily attributable to the measurement of derivatives used to hedge interest rate and currency risks, as well as from realised and unrealised changes in value from the sale of hedges for selected EU sovereign countries.

(6) Results from non-trading assets

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Result from debt securities and other fixed-income securities	-4	0
of which: Loans and receivables (LaR)	-4	0
Available for sale (AfS)	–	0
Result from equities and other non-fixed income securities	-2	0
of which: Available for sale (AfS)	–	0
Designated as at fair value through profit or loss (dFVtPL)	-2	0
Results from equity investments (AfS)	–	-3
Total	**-6**	**-3**

(7) Administrative expenses

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Staff expenses	111	109
Other administrative expenses	61	61
Depreciation, amortisation and impairment of property and equipment and intangible assets	10	10
Total	**182**	**180**

(8) Net other operating income/expenses

€ mn	1 Jan-30 Jun 2013	1 Jan-30 Jun 2012
Income from properties	9	3
Income from the reversal of provisions	0	0
Income from goods and services	1	1
Miscellaneous	6	11
Total other operating income	**16**	**15**
Expenses for properties	3	6
Expenses for services used	0	0
Write-downs of trade receivables	0	–
Expenses for other taxes	1	1
Miscellaneous	19	8
Total other operating expenses	**23**	**15**
Total	**-7**	**0**

Notes to the Statement of Financial Position

(9) Loans and advances to banks

€ mn	30 Jun 2013	31 Dec 2012
Term deposits and current account balances	990	1,363
Public-sector loans	135	146
Receivables from securities repurchase transactions	–	–
Other loans and advances	43	43
Total	**1,168**	**1,552**

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

(10) Loans and advances to customers

€ mn	30 Jun 2013	31 Dec 2012
Property loans	22,526	22,522
Public-sector loans	1,490	1,633
Other loans and advances	720	611
Total	**24,736**	**24,766**

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

(11) Trading assets

€ mn	30 Jun 2013	31 Dec 2012
Positive market value of trading assets	441	576
Total	**441**	**576**

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

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

€ mn	30 Jun 2013	31 Dec 2012
Properties	7	9
Total	**7**	**9**

(13) Non-trading assets

€ mn	30 Jun 2013	31 Dec 2012
Debt and other fixed-income securities	11,216	12,262
of which: Loans and receivables (LaR)	4,734	5,668
Held to maturity (HtM)	96	151
Available for sale (AfS)	6,386	6,443
Equities and other non-fixed income securities	20	22
of which: Available for sale (AfS)	19	19
Designated as at fair value through profit or loss (dFVtPL)	1	3
Interests in affiliated companies (AfS)	–	–
Other investments (AfS)	2	2
Total	**11,238**	**12,286**

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

(14) Intangible assets

€ mn	30 Jun 2013	31 Dec 2012
Goodwill	54	54
Proprietary software	13	15
Other intangible assets	18	21
Total	**85**	**90**

(15) Property and equipment

€ mn	30 Jun 2013	31 Dec 2012
Land and buildings and construction in progress	79	81
Office furniture and equipment	21	22
Total	**100**	**103**

(16) Other assets

€ mn	30 Jun 2013	31 Dec 2012
Properties	326	324
Trade receivables (LaR)	30	29
Miscellaneous	63	65
Total	**419**	**418**

(17) Liabilities to banks

€ mn	30 Jun 2013	31 Dec 2012
Payable on demand	712	915
Term deposits	311	467
Promissory note loans	451	465
Securities repurchase transactions and open-market operations	–	1,007
Registered mortgage Pfandbriefe	223	261
Registered public-sector Pfandbriefe	86	97
Miscellaneous	61	72
Total	**1,844**	**3,284**

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

(18) Liabilities to customers

€ mn	30 Jun 2013	31 Dec 2012
Payable on demand	5,017	5,167
Term deposits	6,691	6,333
Promissory note loans	8,225	8,815
Registered mortgage Pfandbriefe	3,468	3,640
Registered public-sector Pfandbriefe	3,100	3,411
Total	**26,501**	**27,366**

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

(19) Certificated liabilities

€ mn	30 Jun 2013	31 Dec 2012
Medium-term notes	2,684	2,495
Bearer mortgage Pfandbriefe	7,179	5,787
Bearer public-sector Pfandbriefe	35	35
Other debt securities	117	156
Total	**10,015**	**8,473**

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

(20) Trading liabilities

€ mn	30 Jun 2013	31 Dec 2012
Negative market value of trading assets	507	719
Total	**507**	**719**

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

(21) Provisions[1)]

€ mn	30 Jun 2013	31 Dec 2012
Provisions for pensions and similar obligations	149	144
Other provisions	143	146
Total	**292**	**290**

(22) Other liabilities

€ mn	30 Jun 2013	31 Dec 2012
Liabilities from outstanding invoices	9	10
Deferred income	12	5
Liabilities from other taxes	13	17
Trade payables (LaC)	9	8
Other liabilities (LaC)	92	73
Other liabilities	**135**	**113**

(23) Subordinated capital

€ mn	30 Jun 2013	31 Dec 2012
Subordinated liabilities	556	574
Profit-participation certificates	228	227
Contributions by silent partners[2)]	223	227
Total	**1,007**	**1,028**

[2)] 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).

[1)] The comparative figures were partially adjusted. Further information is included in the section ”Accounting policies“, in the notes to the consolidated financial statements.

(24) Equity[1)]

€ mn	30 Jun 2013	31 Dec 2012
Subscribed capital	180	180
Capital reserves	721	721
Retained earnings	1,063	1,020
Other reserves		
Reserve from defined benefit plans	-39	-39
Revaluation surplus	-71	-99
Hedging reserves	-12	-13
Currency translation reserves	2	4
Silent participation by SoFFin	300	300
Non-controlling interest	243	243
Total	**2,387**	**2,317**

(25) Treasury shares

No treasury shares were held during the period under review.

[1)] The comparative figures were partially adjusted. Further information is included in the section "Accounting policies", in the notes to the consolidated financial statements.

Reporting on Financial Instruments

(26) Presentation of the fair value hierarchy in accordance with IFRS 13

The following table shows the carrying amounts of financial instruments held by Aareal Bank Group which are reported at fair value in the statement of financial position, according to the three-tier fair value hierarchy pursuant to IFRS 13.72 et seq. The classification into the individual hierarchy levels is based on the inputs used for fair value measurement.

30 June 2013

€ mn	Total Fair value 30 Jun 2013	Fair value Level 1 30 Jun 2013	Fair value Level 2 30 Jun 2013	Fair value Level 3 30 Jun 2013
Positive market value of derivative hedging instruments	**1,885**	**–**	**1,885**	**–**
Assets held for trading	**441**	**–**	**441**	**–**
Trading derivatives	441	–	441	–
Non-trading assets available for sale	**6,405**	**6,331**	**74**	**0**
Fixed-income securities	6,386	6,328	58	–
Equities/funds	19	3	16	0
Non-trading assets designated as at fair value through profit or loss	**1**	**–**	**1**	**0**
Negative market value of derivative hedging instruments	**1,629**	**–**	**1,629**	**–**
Liabilities held for trading	**507**	**–**	**507**	**–**
Trading derivatives	507	–	507	–

31 December 2012

€ mn	Total Fair value 31 Dec 2012	Fair value Level 1 31 Dec 2012	Fair value Level 2 31 Dec 2012	Fair value Level 3 31 Dec 2012
Positive market value of derivative hedging instruments	**2,365**	**–**	**2,365**	**–**
Assets held for trading	**576**	**–**	**576**	**–**
Trading derivatives	576	–	576	–
Non-trading assets available for sale	**6,462**	**6,387**	**75**	**0**
Fixed-income securities	6,443	6,384	59	–
Equities/funds	19	3	16	0
Non-trading assets designated as at fair value through profit or loss	**3**	**–**	**3**	**0**
Negative market value of derivative hedging instruments	**2,122**	**–**	**2,122**	**–**
Liabilities held for trading	**719**	**–**	**719**	**–**
Trading derivatives	719	–	719	–

The fair value of financial instruments is allocated to Level 1 of the fair value hierarchy if it is determined on the basis of unadjusted quoted prices in active markets for identical assets or liabilities. The determination of fair value is based on the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Another factor to be taken into account is whether Aareal Bank can enter into a transaction for the relevant asset or liability at the price in that market at the measurement date.

Fair values determined using inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly or indirectly, are included in Level 2 of the fair value hierarchy. Financial instruments whose fair value is allocated to Level 2 of the fair value hierarchy are measured using various valuation techniques.

In the case of fixed-income securities or equities for which no current market price is available, fair value is determined on the basis of comparable market prices to the extent possible. To this end, quoted prices on active markets for largely identical or quoted prices on inactive markets for identical or similar securities are used by adjusting the last available market price or the current fair value of another largely identical instrument, to take into account any changes in risk or new information known as of the measurement date. In the absence of comparable market prices for securities, they are measured through an analysis of future payments using the fully-capitalised earnings value approach, where the inputs are based on observable market data. These approaches include the discounted cash flow (DCF) method which is used to determine the present value of contractual cash flows until the expected end of the term. The present value is determined based on the benchmark curve applicable for the relevant market, taking into account mark-ups based on credit quality and liquidity. The valuation model used for options included in the transaction is the commonly used Black-Scholes model, or appropriate numerical procedures.

The fair value of OTC derivatives included in the trading portfolio as well as of OTC hedging derivatives is determined on the basis of sector-specific standardised measurement models such as the present value method or option pricing models. These techniques are based on inputs quoted on active markets, such as interest rates, yield curves and credit spreads. The fair value of foreign exchange forwards is generally based on current forward exchange rates quoted on active markets. Fair values determined using valuation techniques where one or more material inputs are not based on observable market data are assigned to Level 3 of the fair value hierarchy. Products allocated to this level are currently not held by Aareal Bank Group.

In the first half of 2013, there were no transfers between the hierarchy levels for the various financial instruments.

Aareal Bank reviews the allocation of a financial instrument in the fair value hierarchy on the previous year's balance sheet date of the preceding quarter in comparison with the allocation on the current reporting date, to determine whether reclassifications occurred between the individual levels of the fair value hierarchy. The date for recognising reclassifications into the hierarchy levels and for recognising reclassifications from the hierarchy levels is the same.

(27) Comparison of carrying amounts and fair values of the financial instruments

The following table is a comparison of the fair values of the financial instruments with their carrying amounts. The presentation is made for each class of financial instrument:

€ bn	Carrying amount 30 Jun 2013	Fair value 30 Jun 2013	Carrying amount 31 Dec 2012	Fair value 31 Dec 2012
Cash on hand and balances with central banks	**4.3**	**4.3**	**3.7**	**3.7**
Loans and advances to banks (LaR)	1.2	1.2	1.6	1.6
Loans and advances to customers (LaR)	24.4	25.9	24.5	26.0
Non-trading assets (LaR)	4.7	4.4	5.7	5.2
Other assets (LaR)	0.1	0.1	0.1	0.1
Total loans and receivables	**30.4**	**31.6**	**31.9**	**32.9**
Non-trading assets held to maturity	**0.1**	**0.1**	**0.2**	**0.2**
Non-trading assets available for sale	**6.4**	**6.4**	**6.5**	**6.5**
Non-trading assets designated as at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**
Positive market value of derivative hedging instruments	**1.9**	**1.9**	**2.4**	**2.4**
Assets held for trading	**0.4**	**0.4**	**0.6**	**0.6**
Liabilities to banks (LaC)	1.8	1.8	3.3	3.3
Liabilities to customers (LaC)	26.5	26.2	27.4	27.0
Certificated liabilities (LaC)	10.0	10.1	8.5	8.6
Other liabilities (LaC)	0.1	0.1	0.1	0.1
Subordinated capital (LaC)	1.0	0.9	1.0	0.9
Total liabilities measured at amortised cost	**39.4**	**39.1**	**40.3**	**39.9**
Negative market value of derivative hedging instruments	**1.6**	**1.6**	**2.1**	**2.1**
Liabilities held for trading	**0.5**	**0.5**	**0.7**	**0.7**
Financial guarantee contracts	**0.2**	**0.2**	**0.3**	**0.3**
Loan commitments	**1.5**	**1.5**	**2.0**	**2.0**

(28) Day-One Profit or Loss

Aareal Bank Group has entered into transactions that were not effected on the principal market or the most advantageous market for the asset or liability concerned. In these cases, the transaction price does not correspond to the fair value of the asset or liability, because determination of fair value using a valuation technique which assumes a transaction on a principal market results in a fair value that deviates from the transaction price. The financial instruments are carried at the transaction price upon initial recognition. The difference between the transaction price and the fair value measured based on the valuation model (the so-called day-one profit or loss) is amortised over the term of the transaction in the income statement, since the fair value of these financial instruments of the trading portfolio is determined using valuation models whose inputs are not fully based on observable market factors.

The table below shows the development of the day-one profit during the period under review. The day-one profit is recognised as an item to be deducted from the carrying amount of trading assets:

€ mn	2013	2012
Balance as at 1 January	**10**	**7**
Additions from new transactions	12	1
Reversals through profit or loss in the period	2	1
Balance as at 30 June	**20**	**7**

(29) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when currently there is a legally enforceable right to set off the recognised amounts and when the Bank intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following overviews show whether and to what extent financial instruments were actually offset as at the current reporting date. The tables also include disclosures on financial instruments that are part of an enforceable master netting or similar arrangement that does not meet the criteria for offsetting in the statement of financial position.

Financial assets as at 30 June 2013

€ mn	Gross carrying amounts of recognised financial assets	Gross carrying amounts of offset amounts	Net carrying amount reported in the statement of financial position	Financial liabilities which were not subject to offsetting	Collateral received	Remaining net amount
Derivatives	2,030	–	2,030	1,257	837	-64
Reverse repos	–	–	–	–	–	–
Total	**2,030**	**–**	**2,030**	**1,257**	**837**	**-64**

Financial liabilities as at 30 June 2013

€ mn	Gross carrying amounts of recognised financial liabilities	Gross carrying amounts of offset amounts	Net carrying amount reported in the statement of financial position	Financial assets which were not subject to offsetting	Collateral provided	Remaining net amount
Derivatives	2,121	–	2,121	1,257	720	144
Repos	–	–	–	–	–	–
Total	**2,121**	**–**	**2,121**	**1,257**	**720**	**144**

Financial assets as at 31 December 2012

€ mn	Gross carrying amounts of recognised financial assets	Gross carrying amounts of offset amounts	Net carrying amount reported in the statement of financial position	Financial liabilities which were not subject to offsetting	Collateral received	Remaining net amount
Derivatives	2,555	–	2,555	1,571	950	34
Reverse repos	–	–	–	–	–	–
Total	**2,555**	**–**	**2,555**	**1,571**	**950**	**34**

Financial liabilities as at 31 December 2012

€ mn	Gross carrying amounts of recognised financial liabilities	Gross carrying amounts of offset amounts	Net carrying amount reported in the statement of financial position	Financial assets which were not subject to offsetting	Collateral provided	Remaining net amount
Derivatives	2,831	–	2,831	1,571	1,225	35
Repos	–	–	–	–	–	–
Total	**2,831**	**–**	**2,831**	**1,571**	**1,225**	**35**

To reduce counterparty risk, Aareal Bank AG concludes standardised master agreements for financial derivatives and securities repurchase agreements such as the ISDA Master Agreement, the German Master Agreement on Financial Derivatives or the Master Agreement for Securities Repurchase Transactions. In addition, Aareal Bank AG enters into collateral agreements (Credit Support Annex to the ISDA Master Agreement, and Collateral Annex to the German Master Agreement on Financial Derivatives) in which a mutual collateralisation of all claims between the contracting parties is agreed, and which include netting arrangements.

The master agreements for financial derivatives used by Aareal Bank AG include netting arrangements at a single transaction level (so-called "payment netting") which provide for a netting of payments when both parties need to make payments in the same currency on the same date, as set out in the contract. Aareal Bank AG does not offset financial derivatives due to the rules related to payment netting, since the transactions are not settled on a net basis. Aareal Bank Group has not entered into arrangements providing for netting of derivatives across several transactions.

For securities repurchase transactions (repos), depending on the counterparty, payment or delivery netting is made. In line with the rules set out in the master agreement for repo transactions, payments or deliveries of securities may be offset when both counterparties have to make payments in the same currency on the same date, or have to deliver securities of the same type. Transactions effected on the basis of the master agreement for repo transactions generally meet the offsetting requirements of IAS 32. Aareal Bank AG settles on a net basis in the case of transactions within the framework of GC pooling, which means that these transactions are offset in the statement of financial position.

(30) Reclassification of financial assets

In 2008 and 2009, 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). 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 Jun 2013	Fair value 30 Jun 2013	Carrying amount 31 Dec 2012	Fair value 31 Dec 2012
from AfS to LaR	**4,279**	**3,921**	**5,120**	**4,651**
Asset-backed securities	28	28	29	28
Senior unsecured bank bonds	465	476	603	617
Covered bank bonds	502	502	633	623
Public-sector issuer	3,284	2,915	3,855	3,383
from HfT to LaR	**174**	**155**	**213**	**179**
Asset-backed securities	174	155	213	179
Public-sector issuer	–	–	–	–
Total	**4,453**	**4,076**	**5,333**	**4,830**

If the Bank had not opted for reclassification, this would have resulted in a € 15 million gain (before tax) for the first six months of the current financial year (H1 2012: gain of € 7 million), and € 79 million (after tax) (H1 2012: € -17 million) would have been recognised in the revaluation surplus.

(31) Bond and property financing portfolio in selected European countries

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

Bond portfolio as at 30 June 2013 (total)

	Carrying amount			Revaluation surplus[1]			Unrealised gains/ losses[1]
	LaR + HtM	AfS	Total	LaR + HtM	AfS	Total	
€ mn							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	1,093	533	1,626	-49	-27	-76	-165
Portugal	63	157	220	0	-17	-17	-14
Spain	814	191	1,005	-4	0	-4	-70
Total	**1,970**	**881**	**2,851**	**-53**	**-44**	**-97**	**-249**
Total 31 Dec 2012	2,118	795	2,913	-57	-64	-121	-333

[1] figures given on an after-tax basis

Bond portfolio as at 30 June 2013 (by type of security)

	Carrying amount			Revaluation surplus[1]			Un-realised gains/ losses[1]
	LaR	AfS	Total	LaR	AfS	Total	
€ mn							
Government bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	1,093	446	1,539	-49	-27	-76	-165
Portugal	–	97	97	–	-11	-11	–
Spain	–	–	–	–	–	–	–
Total	**1,093**	**543**	**1,636**	**-49**	**-38**	**-87**	**-165**

	Carrying amount			Revaluation surplus[1]			Un-realised gains/ losses[1]
	LaR	AfS	Total	LaR	AfS	Total	
€ mn							
Sub-sovereign bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	–	–	–	–	–	–	–
Portugal	63	–	63	0	–	0	-14
Spain	344	28	372	0	1	1	-64
Total	**407**	**28**	**435**	**0**	**1**	**1**	**-78**

	Carrying amount			Revaluation surplus[1]			Un-realised gains/ losses[1]
	LaR + HtM	AfS	Total	LaR + HtM	AfS	Total	
€ mn							
Covered bank bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	–	74	74	–	0	0	–
Portugal	–	60	60	–	-6	-6	–
Spain	470	163	633	-4	-1	-5	-6
Total	**470**	**297**	**767**	**-4**	**-7**	**-11**	**-6**

	Carrying amount			Revaluation surplus[1]			Un-realised gains/ losses[1]
	LaR	AfS	Total	LaR	AfS	Total	
€ mn							
Senior unsecured bank bonds							
Greece	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Italy	–	13	13	–	0	0	–
Portugal	–	–	–	–	–	–	–
Spain	–	–	–	–	–	–	–
Total	**–**	**13**	**13**	**–**	**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 refer to securities accounted for amortised cost (LaR + HtM). The measurement of unrealised gains/losses included the effect from measurement gains/losses attributable to interest rate changes for hedged securities.

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

The presented AfS securities, with a carrying amount of € 869 million (2012: € 782 million), were allocated to Level 1 of the fair value hierarchy, pursuant to IFRS 7, and measured based on quoted prices on active markets. Securities with a carrying amount of € 13 million (2012: € 13 million) were allocated to Level 2 of the fair value hierarchy. No quoted market prices of the fair value hierarchy level 1 were available for these securities as at the balance sheet date; however, measurement is also directly or indirectly based on observable market prices. Aareal Bank Group does not hold securities measured according to Level 3 of the fair value hierarchy.

The following table is a breakdown of property financing in selected European countries included in loans and advances to customers:

Property financing portfolio as at 30 June 2013

	Carrying amount[1]	Average LTV	Non-Performimg Loans
	€ mn	%	€ mn
Greece	–		–
Ireland	–		–
Italy	3,156	64.2	284
Portugal	–		–
Spain	1,055	87.7	58
Total	**4,211**		**342**
Total as at 31 Dec 2012	4,280		314

[1] Not including valuation allowances

Other Notes

(32) Contingent liabilities and loan commitments

€ mn	30 Jun 2013	31 Dec 2012
Contingent liabilities on guarantees and indemnity agreements	202	273
Loan commitments	1,540	1,979
of which: irrevocable	1,042	1,521

(33) Employees

	1 Jan-30 Jun 2013	1 Jan-31 Dec 2012
Salaried employees	2,157	2,171
Executives	121	124
Total	**2,278**	**2,295**
of which: Part-time employees	437	424

(34) Related party disclosures in accordance with IAS 24

In the first six months of the 2013 financial year, there were no material transactions with related parties that would have to be reported here.

(35) 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
(until 22 May 2013)
Chairman of the Supervisory Board of
Citigroup Global Markets Deutschland AG

Marija G. Korsch [1) 2) 3) 4) 5)], Frankfurt
Chairman of the Supervisory Board
(since 22 May 2013)
Former partner of Bankhaus Metzler seel. Sohn
& Co. Holding 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 of
Swiss Life Deutschland Holding GmbH

Thomas Hawel [6)], Saulheim
Aareon Deutschland GmbH

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

Richard Peters, Kandel
(since 22 May 2013)
President and Chairman of the Management Board
of Versorgungsanstalt des Bundes und der Länder

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

Helmut Wagner [6)], Hahnheim
Aareon Deutschland GmbH

Management Board

Dr Wolf Schumacher
Chairman of the Management Board

Dirk Große Wördemann (until 31 May 2013)
Member of the Management Board

Dagmar Knopek (since 1 June 2013)
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

Responsibility Statement

Statement pursuant to section 37y of the German Securities Trading Act (WpHG) in conjunction with section 37w (2) no. 3 of the WpHG

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Wiesbaden, 6 August 2013

The Management Board

Dr Wolf Schumacher	**Dagmar Knopek**	**Hermann J. Merkens**	**Thomas Ortmanns**

Review Report

To Aareal Bank AG, Wiesbaden

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Aareal Bank AG, Wiesbaden, for the period from 1 January 2013 to 30 June 2013 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt/Main, 6 August 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefan Palm
German Public Auditor (Wirtschaftsprüfer)

ppa. Kay Böhm
German Public Auditor (Wirtschaftsprüfer)

Offices

Wiesbaden Head Office

Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3480
Fax: +49 611 3482549

Structured Property Financing

Brussels
7, rue Guimard
1040 Brussels, Belgium
Phone: +32 2 5144090
Fax: +32 2 5144092

Copenhagen
St. Kirkestræde 1, 3
1073 Kopenhagen K, Denmark
Phone: +45 3369 1818
Fax: +45 70 109091

Istanbul
Ebulula Mardin Caddesi
Maya Meridyen Iş Merkezi
D:2 Blok · Kat. 11
34335 Akatlar-Istanbul, Turkey
Phone: +90 212 3490200
Fax: +90 212 3490299

London
38 Lombard Street
London EC3V 9BS, United Kingdom
Phone: +44 20 74569200
Fax: +44 20 79295055

Madrid
Paseo de la Castellana, 60 - 4D
28046 Madrid, Spain
Phone: +34 915 902420
Fax: +34 915 902436

Moscow
Business Centre ”Mokhovaya“
4/7 Vozdvizhenka Street
Building 2
125009 Moscow, Russia
Phone: +7 499 2729002
Fax: +7 499 2729016

New York
Aareal Capital Corporation
250 Park Avenue
Suite 820
New York NY 10177, USA
Phone: +1 212 5084080
Fax: +1 917 3220285

Paris
29 bis, rue d'Astorg
75008 Paris, France
Phone: +33 1 44516630
Fax: +33 1 42662498

Rome
Via Mercadante, 12/14
00198 Rome, Italy
Phone: +39 06 83004200
Fax: +39 06 83004250

Shanghai
Suite 2902
Tower 2 Plaza 66
No. 1266 Nanjing West Road
Jing An District
Shanghai 200040, P.R. of China
Phone: +86 21 62889908
Fax: +86 21 62889903

Singapore
Aareal Bank Asia Limited
3 Church Street
17-03 Samsung Hub
Singapore 049483, Singapore
Phone: +65 6372 9750
Fax: +65 6536 8162

Stockholm
Hamngatan 11
11147 Stockholm, Sweden
Phone: +46 8 54642000
Fax: +46 8 54642001

Warsaw
RONDO 1
Rondo ONZ 1
00-124 Warsaw, Poland
Phone: +48 22 5449060
Fax: +48 22 5449069

Wiesbaden
Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482950
Fax: +49 611 3482020

Aareal Estate AG
Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482446
Fax: +49 611 3483587

Aareal Valuation GmbH
Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482059
Fax: +49 611 3482640

Deutsche Structured Finance GmbH
Westendstrasse 24
60325 Frankfurt/Main, Germany
Phone: +49 69 9714970
Fax: +49 69 971497510

Consulting / Services

Aareal Bank AG
Institutional Housing Unit
Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482967
Fax: +49 611 3482499

Institutional Housing Unit
Berlin Branch
Wallstrasse 9-13
10179 Berlin, Germany
Phone: +49 30 88099444
Fax: +49 30 88099470

Institutional Housing Unit
Essen Branch
Alfredstrasse 220
45131 Essen, Germany
Phone: +49 201 81008100
Fax: +49 201 81008200

Institutional Housing Unit
Hamburg Branch
Neuer Dovenhof · Brandstwiete 1
20457 Hamburg, Germany
Phone: +49 40 33316850
Fax: +49 40 33316399

Institutional Housing Unit
Leipzig Branch
Neumarkt 2-4
04109 Leipzig, Germany
Phone: +49 341 2272150
Fax: +49 341 2272101

Institutional Housing Unit
Munich Branch
Prinzregentenstrasse 22
80538 Munich, Germany
Phone: +49 89 5127265
Fax: +49 89 51271264

Institutional Housing Unit
Rhine-Main Branch
Paulinenstrasse 15
65189 Wiesbaden, Germany
Hotline: +49 611 3482000
Fax: +49 611 3483002

Institutional Housing Unit
Stuttgart Branch
Büchsenstrasse 26
70174 Stuttgart, Germany
Phone: +49 711 2236116
Fax: +49 711 2236160

Aareon AG
Isaac-Fulda-Allee 6
55124 Mainz, Germany
Phone: +49 6131 3010
Fax: +49 6131 301419

Aareal First Financial Solutions AG
Isaak-Fulda-Allee 6
55124 Mainz, Germany
Phone: +49 6131 4864500
Fax: +49 6131 486471500

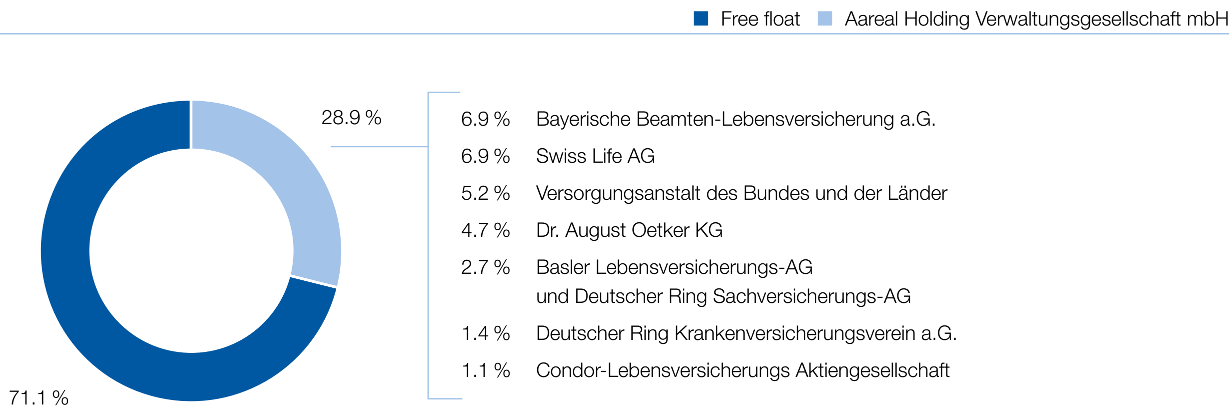
Deutsche Bau- und
Grundstücks-Aktiengesellschaft
Chlodwigplatz 1
53119 Bonn, Germany
Phone: +49 228 5180
Fax: +49 228 518298

Deposit-taking

Dublin
4 Custom House Plaza · IFSC
Dublin 1, Ireland
Phone: +353 1 6369220
Fax: +353 1 6702785

Shareholder Structure | Financial Calendar

Shareholder Structure



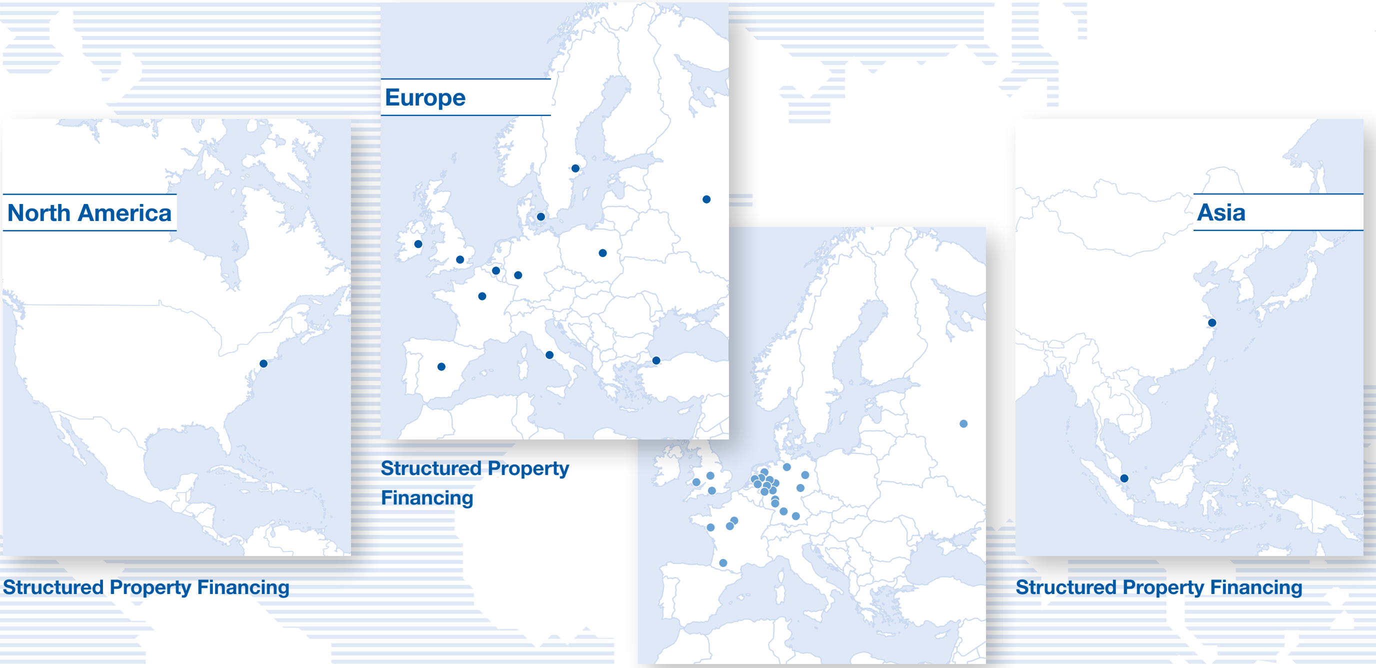
6.9 %	Bayerische Beamten-Lebensversicherung a.G.
6.9 %	Swiss Life AG
5.2 %	Versorgungsanstalt des Bundes und der Länder
4.7 %	Dr. August Oetker KG
2.7 %	Basler Lebensversicherungs-AG und Deutscher Ring Sachversicherungs-AG
1.4 %	Deutscher Ring Krankenversicherungsverein a.G.
1.1 %	Condor-Lebensversicherungs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

as at 30 June 2013

Financial Calendar

12 November 2013	Presentation of interim report as at 30 September 2013
May 2014	Annual General Meeting – Kurhaus, Wiesbaden

Locations



Structured Property Financing (North America)

Structured Property Financing (Europe)

Consulting/Services

Structured Property Financing (Asia)

Aareal Bank, Real Estate Structured Finance: Brussels, Copenhagen, Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden | **Aareal Valuation GmbH:** Wiesbaden | **Aareal Estate AG:** Wiesbaden

Aareal Bank, Institutional Housing Unit: Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Essen, Hamburg, Hückelhoven, Leipzig, Leusden, Mainz, Meudon-la-Forêt, Munich, Nantes, Orléans, Son en Breugel, Southampton, Stuttgart, Swansea, Toulouse | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Moscow, Munich | **Aareal First Financial Solutions AG:** Mainz

as at 30 June 2013

Imprint
Contents:
Aareal Bank AG, Corporate Communications
Design / Layout:
S/COMPANY · Die Markenagentur GmbH, Fulda, Germany
Photographs (cover picture):
Christian Lord Otto Fotodesign, Dusseldorf, Germany

Print CO2 verified

Corporate Responsibility Prime rated by oekom research

FSC® MIX Label from responsible sources FSC® C018996 www.fsc.org

Aareal Bank AG
Investor Relations
Paulinenstrasse 15
65189 Wiesbaden, Germany

Phone: +49 611 348 3009
Fax: +49 611 348 2637

www.aareal-bank.com

08/2013

Aareal Bank Group