LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

III/2011

Aareal Bank Group – Interim Report
1 January to 30 September 2011

Aareal Bank
Group

Key Group Figures

	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010	Change
	€ mn	€ mn	€ mn
Income Statement			
Operating profit	138	94	44
Net income after non-controlling interests	85	51	34
Indicators			
Cost/income ratio (%) [1]	43.9	47.9	
Earnings per share (€)	1.63	1.19	
RoE before taxes (%) [2]	8.3	5.7	
RoE after taxes (%) [2]	5.7	3.6	

	30 Sep 2011	31 Dec 2010	Change
	€ mn	€ mn	€ mn
Portfolio data			
Property financing	22,885	22,884	1
of which: international	19,732	19,195	537
Property financing under management [3]	23,150	23,251	-101
of which: international	19,732	19,195	537
Equity	2,184	1,985	199
Total assets	41,551	41,217	334
	%	%	
Regulatory indicators			
Tier 1 ratio pursuant to AIRBA [4]	16.6	12.9	
Total capital ratio pursuant to AIRBA [4]	20.2	16.5	

	30 Sep 2011	31 Dec 2010	
Rating			
Fitch Ratings			
Long-term	A-	A-	
Short-term	F1	F1	

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

Contents

Letter to Shareholders

Dear shareholders, business associates and Aareal Bank staff,

Aareal Bank Group's successful business development continued into the third quarter of the year; after nine months, consolidated operating profit already exceeded the total for the previous year as a whole.

As was the case in the first two quarters of 2011, consolidated operating profit of € 47 million in the third quarter significantly exceeded the figure for the same period of the previous year (€ 33 million). The ongoing successful business development once again underlines Aareal Bank Group's operative strength, and demonstrates that our prudent and sustainable business policy is bearing fruit.

The debt crisis deteriorated further in some euro zone countries during the third quarter. Discussion focused once more on a permanent and viable solution for Greece's debt problems, and the resulting consequences this would have for the European currency as well as for the European banking system. Against the background of this escalation, participants of the special summit in Brussels on 26 October decided upon an extensive set of measures. According to the summit resolutions, private creditors holding Greek debt will accept a more extensive debt reduction, with a haircut now amounting to 50 %. At the same time, the summit participants agreed upon a recapitalisation for banks, as well as to an increase and the use of leverage for the EFSF, the European rescue fund. The measures adopted largely met a positive response: they must be seen as key steps to resolve the European sovereign debt crisis, and as a sign for the euro member countries' ability to act. What remains to be seen is to what extent these resolutions will in fact contribute to provide relief for the markets. Aareal Bank is not exposed to Greek government bonds, and is thus not affected by the Greek debt reduction.

Real economic growth on a global scale lost momentum in the third quarter. Growth forecasts for important regions in the world and for the global economy as a whole have been downgraded frequently. Concern has been mounting about recessionary trends, or at least a phase of economic sideway movement. Discussion about planned reforms in the financial services and insurance sectors, and about adequate capitalisation of the banks in particular, is still going on. The issues of the aggregate impact of the various regulatory measures on banks and on the real economy, and on steps to safeguard the harmonised implementation of such measures on an international scale in order to prevent competitive distortions, remain unanswered.

Aareal Bank Group has performed well in the financial year to date in this challenging market environment, where it has further strengthened its position and reputation. Despite the still-challenging situation on the financial markets, we executed all of our funding activities as scheduled and have therefore already reached our funding targets for the year as a whole. We also invited investors holding the remaining SoFFin-guaranteed notes (maturing in March 2012) to redeem their notes early. Investors took up our offer in an amount of just under € 0.8 billion. When this bond matures in March 2012, the guarantee facility extended by SoFFin will be repaid in full.

Our operative business is focused on continuously expanding our strengths in the current financial year. In addition to pursuing a risk-sensitive business policy, the cornerstones of our success are the permanent review of the internal structures of Aareal Bank Group and our continuous efforts to respond to changes in the market environment. As a medium-sized bank, this allows us to react quickly and flexibly to the opportunities that arise in the individual markets, and to changes in the market environment as well as the regulatory framework. We are currently reviewing our organisational structure so as to maintain our broad international presence, while servicing particularly promising markets more efficiently. Such measures will enable us to further enhance our position, allowing us to continue on our successful path despite the current challenging environment, and to achieve our target returns.

Structured Property Financing: segment results once again significantly exceed the previous year

During the course of 2011 to date, the property sector was largely stable and improved slightly relative to the previous year, reflecting the still-robust performance of the economy as a whole. This statement also applies to the third quarter, even though the momentum of the recovery on the property markets has eased recently. However, in an economic environment that has eased slightly, the business framework for the commercial property markets was stable to slightly positive: this applies equally to rents and prices – particularly for first-class commercial properties, which users and investors alike continued to focus on in many places. Second-class properties, however, often lagged behind this development. At the same time, there was evidence that interest in commercial properties which are not top of the range – but which have the potential to perform – was greater than in the previous year. These trends were evident for office, retail and logistics properties. The hotel sector, which had already posted a marked recovery last year following a difficult year in 2009, continued to recover in the third quarter of 2011.

The volume of commercial property traded on the investment markets in the third quarter of 2011 climbed over the corresponding period of the previous year, and was roughly consistent with the previous quarter. Investor yield requirements for newly-acquired commercial properties remained stable or declined slightly in many locations, consistent with a rising price trend. Investors continued to focus on first-class properties; nonetheless, there was growing interest in second-tier commercial properties – those which are not top of the range in terms of location or quality. However, the prices of such properties still often lacked the momentum seen with first-class properties, or those offering a stabilised cash flow.

Aareal Bank remains well positioned in the current economic environment to take advantage of attractive opportunities for high-margin new business – whilst maintaining our risk-sensitive lending policy. New business totalled € 3.0 billion from July to September, thus exceeding the figures for both the previous quarter (€ 1.8 billion) and for Q3 2010 (€ 1.2 billion). During the first nine months of 2011, the volume of new business achieved by the Group amounted to € 6.2 billion, which equates to growth of more than 50 % over the first three quarters of the previous year (€ 4.1 billion). The share of initial loan issues relative to the volume of new business increased significantly.

Operating profit in the Structured Property Financing segment of € 42 million for the third quarter of 2011 exceeded the previous year's figure of € 28 million by 50 %, and was therefore also higher than the previous quarter (€ 41 million). The result was burdened by non-recurring effects from the partial repurchase of the remaining SoFFin-guaranteed notes maturing in March 2012. Allowance for credit losses was € 36 million in the third quarter, and was therefore consistent with the quarterly volatility we expected. Burdens to the result from non-trading assets arising from the sale of securities within the scope of our active portfolio management were offset almost fully by a positive figure for net trading income / expenses.

In the first nine months of the year, we succeeded in increasing operating profit in the Structured Property Financing segment by more than 60 % year-on-year, to € 126 million. The increase was largely due to a marked increase in net interest income, and also a lower allowance for credit losses. Aggregate allowance for credit losses after three quarters is € 78 million and is therefore at the lower end of the pro rata forecast range of € 110 to 140 million we had forecast for the full year.

Consulting / Services: volume of deposits remaining on a high level

The institutional housing industry in Germany also remained stable during the third quarter of 2011. Largely constant rental income and long-term financing structures are a sign of continuing solidity. The industry consistently maintains and develops its housing stock, with a particular focus on increasing energy efficiency. The stability of rental cash flows is also bolstered by the ongoing enhancement of management tools for letting and rental claims handling – a trend to which Aareal Bank Group is also making a major contribution, with its range of products and services for the institutional housing industry.

The performance of our IT subsidiary Aareon AG was also on schedule during the third quarter. In particular, Aareon's enterprise resource planning software Wodis Sigma continued to develop positively; with 35 clients signing new contracts this year, a total of 356 clients have opted for Wodis Sigma already. Most of the existing Wodis Sigma clients previously used the Aareon ERP products Wodis and WohnData. To do justice to the strong market demand, Aareon invested further in expanding its advisory and support capacities.

Averaging € 4.8 billion, the volume of deposits from clients from the institutional housing industry remained at a high level during the third quarter of 2011. Strong market penetration, an extensive range of products and services, and many years as the lead bank to the German institutional housing industry are key factors that have contributed to our success and have allowed us to continuously increase the volume of deposits since the first quarter of 2010. Our clients make strong use of the combination of cash investment schemes, specialist services for automated mass electronic payments processing, and the optimisation of downstream processes (together with related advice) which we offer. This enables us to maintain a strong position in the market, despite high competitive pressure.

Operating profit in the Consulting / Services segment for the third quarter of 2011 amounted to € 5 million, unchanged from the figure of € 5 million for the same period of the previous year.

Successful funding activities – very solid capital ratios

Aareal Bank Group continued to successfully carry out its funding activities as planned during the third quarter of 2011. It raised a total of € 0.9 billion in long-term funds on the capital market between July and September 2011. Mortgage Pfandbriefe accounted for just under € 0.6 billion of new issuance, and unsecured refinancing for € 0.3 billion. We have therefore already reached our funding targets for the full year 2011.

We raised a total of € 3.7 billion in long-term funds on the capital market through private and public transactions during the first nine months of the 2011 financial year, comprising € 2.2 billion in Mortgage Pfandbriefe, € 100 million in Public Sector Pfandbriefe, and € 1.4 billion in unsecured refinancing. The bank has therefore maintained the balance of long-term funding at a high level. Our comfortable liquidity situation is also highlighted by the early partial redemption of the remaining SoFFin-guaranteed notes maturing in March 2012.

Aareal Bank remains very solidly financed. Aareal Bank's Tier 1 ratio as at 30 September 2011 stood at 16.6 % (which is also good by international standards), compared to 12.9 % at the year-end 2010. The core Tier 1 ratio, excluding the silent participation and hybrid capital, was 11.5 %.

The Aareal Bank share: sovereign debt crisis impacts on share price development

Although the Aareal Bank share price reached a preliminary high of € 24.52 at the start of the third quarter, it was ultimately impossible to remain unscathed by the negative environment described above. Besides the unresolved problems surrounding the debt crisis in Europe and the US, the ongoing discussions concerning new requirements and reforms had negative implications for shares of the financial services sector.

As a consequence, bank share prices came under pressure. The equity markets clearly differentiated between the banking and the non-banking sectors. The Prime Banks index (CXPB) fell by approx. 35 % in the third quarter, while the DAX and MDAX gave up only approx. 25 % and 24 % respectively. Many European banks are currently trading at or just above the lows seen after the Lehman crisis. On an annual basis, the losses incurred by the DAX (-5 %) and the MDAX (-12 %) were considerably more moderate than the Prime Banks index (CXPB) 37 % decline. The Aareal Bank AG share performed comparatively well in this environment, posting a loss of approx. 20 %.

Outlook: year-to-date results already exceed the full-year figures for 2010

The European sovereign debt crisis is likely to remain at the top of the agenda on the financial and capital markets during the remainder of the 2011 financial year. It is thus fair to expect that market volatility will remain high for the time being, and that the resulting risks in the financial system will persist.

Given the good year-to-date performance and its solid capital and liquidity base, Aareal Bank Group believes that it can act according to anticipated changes in the market environment. This applies both to the active management of our securities portfolio and to our internal organisation, which we continuously review regarding potential efficiency enhancements in all areas.

Aareal Bank Group continues to expect net interest income for the 2011 financial year to exceed the previous year's level. New business for the year as a whole is expected within the upper half of the forecast range of between € 7 billion and € 8 billion. We continue to forecast allowance for credit losses in a range of between € 110 and € 140 million. However, based on the developments of the first nine months, we assume that allowance for credit losses will be at the lower end of the range. As in previous years, the bank cannot rule out additional allowances for unexpected credit losses for 2011. We believe that net commission income for the year 2011 will significantly exceed the previous year's figure. Net commission income will benefit from the relief arising from lower guarantee fees through the redemption of a large proportion of the bonds guaranteed by SoFFin. Administrative expenses continue to be defined by our unchanged cost discipline and the figure for the current year is expected to be marginally higher than the previous year, including the burden associated with the special bank levy (Bankenabgabe).

Looking ahead, economic risks and future developments on financial markets are difficult to assess for the coming months. Generally, Aareal Bank remains in a position to further exceed consolidated operating profit of the 2010 financial year during the current year – having matched the previous year's results after nine months already.

Moreover, we believe that we are still able to match our target return on equity before taxes of between 12 % and 13 %, assuming normalised markets. All in all, we remain confident that we will continue to expand our excellent market position in both segments in the years ahead as well.

Yours sincerely,

The Management Board

Dr Wolf Schumacher **Dirk Große Wördemann** **Hermann J. Merkens** **Thomas Ortmanns**

Group Management Report

Business Environment

Global economy

The situation on the financial and capital markets deteriorated significantly in the third quarter of 2011. The exacerbation of the sovereign debt crisis in some euro zone countries and gloomy economic outlooks in many economic regions significantly drove up uncertainty and volatility on the financial and capital markets. At the same time, growth in the "real" global economy was only moderate.

Economy

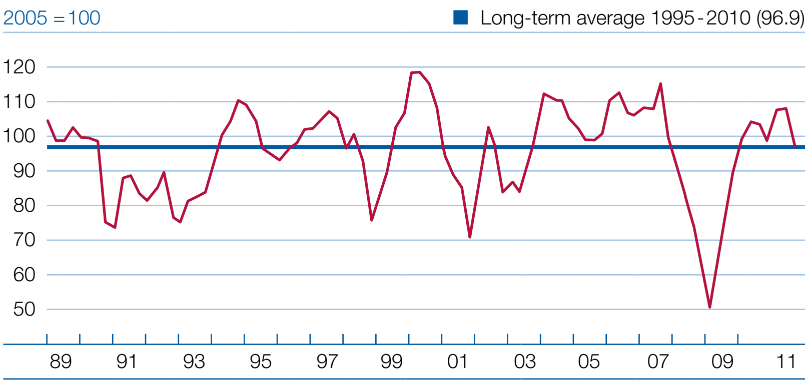
Economic development in the last quarter was only moderate. This is suggested by various indicators such as production indicators, purchasing managers and business climate indices. The ifo global economic climate index for example, contracted during the third quarter in Western Europe, North America and Asia. The decline was most pronounced in North America.

Asia's emerging economies once again posted the highest growth rates. The Chinese economy in particular, continued to grow strongly. However, the economic momentum in these countries eased moderately, partly due to restrained demand from the developed countries, but also because of tighter economic policies designed to ward off the threat of overheating in the domestic economy. Japan's economy recovered again somewhat recently, after the marked collapse in production and reticent consumer spending as a consequence of March's earthquake disaster.

On the other hand, economic development in Europe and North America was weak and cautious. This trend has meanwhile spread to most economies within Europe. Poland and Sweden posted some of the highest year-on-year economic growth rates within the EU, while economic output in Greece and Portugal fell compared with the same period of the previous year. Economic development in the US was also muted.

There was little change in the situation on the labour markets in the third quarter relative to the months before. Unemployment in most countries persisted at a high level and on average, fell only slightly compared with the same period of the previous year. However, marked year-on-year declines were recorded for example, in Belgium, Germany, the Czech Republic and Sweden. Unemployment remained almost unchanged year-on-year in many other countries, whilst climbing to a very high rate especially in Ireland and Spain. Third quarter unemployment was virtually unchanged in the US relative from the previous quarter, remaining at a historical high for the country.

ifo Global Economic Climate*



* Arithmetic mean of the assessment of the current situation and expected developments,
Source: ifo World Economic Survey (WES) III/2011.

Sovereign debt crisis

The sovereign debt crisis deteriorated further in some euro zone countries during the third quarter. The uncertainty surrounding a sustainable and viable solution had a key role to play here. Concerns about future developments and contagion to other countries also grew considerably. At the same time, an agreement was reached on the debate about raising the debt ceiling in the US, just before the deadline after which government spending would no longer have been fully guaranteed. However, a final agreement was not reached on how to reduce the budget deficit. This means that a sustained solution to the US debt problem has yet to be found. Shortly after the agreement was reached, the rating agency Standard & Poor's (S&P) downgraded the US sovereign rating for the first time ever, by one notch, from the best possible AAA rating. Ratings by Moody's and Fitch were maintained, however. These developments in the euro zone and the US – in light of the gloomy economic outlook – significantly drove up tension and uncertainty on the financial and capital markets.

The slump on the equity markets was merely a consequence of the heightened uncertainty. Other major impacts were the extremely high volatility on the markets, in relation to interest as well as exchange rates, higher risk premiums on securities classified by investors as high risk, and the reduction in securities issuance. There was friction on the interbank markets, demonstrated by the banks' increased use of the deposit facility with the European Central Bank (ECB). To counter the tension on the financial and capital markets and to support the provision of liquidity to the banks, the ECB agreed at the start of August to conduct a longer-term refinancing tender, with a term of around six months. To guarantee liquidity in US dollars, the ECB together with other central banks agreed in mid-September to offer US dollar liquidity with a term of around three months. The ECB also reactivated its securities purchasing programme in response to a deterioration of the sovereign debt crisis in some euro zone states. Within the scope of this programme, it bought bonds from those countries whose bonds were under pressure, especially Italy and Spain.

Market participants and observers became increasingly doubtful about the consolidation process and Greece's ability to service its debt. Having already put together a first support package for Greece in May 2010, a further aid package was agreed at the special summit held in Brussels in mid-July. However, these measures only provided short-term relief to the financial and capital markets.

The discussions on the future development of the European sovereign debt crisis and any further measures taken within this context characterised the economic and financial debate, even beyond the euro zone.

Furthermore, discussions continued concerning planned reforms to the regulatory and supervisory environment, and regarding levies to be charged to the banking sector. The issues of the aggregate impact of these measures on banks and on the real economy, and on steps to safeguard a harmonised implementation of such measures on an international scale to prevent competitive distortions, were of major importance.

Exchange rates, interest rates and inflation

Interest and exchange rate volatility remained high in the third quarter. In the course of the European sovereign debt crisis, the euro weakened significantly against the US dollar, following considerable fluctuation in September. The euro also depreciated relative to the pound sterling and the Japanese yen during the third quarter. In contrast, it was slightly higher at the end of the quarter vis-à-vis the Canadian dollar and the Swedish krona. It weakened considerably against the Swiss franc at the start of the quarter. Acting against the strong appreciation of the Swiss franc, the Swiss National Bank (SNB) decided to tighten the already low target range for three-month LIBOR, followed by the decision not to tolerate any €/CHF exchange rate below a minimum threshold of 1.20 – and to take corresponding measures if necessary. This had the effect of driving the exchange rate just above this minimum rate, where it remained until the end of the quarter.

The long-term interest rates of the most important currencies in which we are active fell significantly in the third quarter to reach a very low level. It must be taken into consideration in this context that the risk premiums on securities classified by investors as high-risk increased considerably at the same time. Short-term interest rate developments were inconsistent during the quarter under review. Euro, Canadian dollar and Japanese yen short-term rates were virtually at the same level at the end of the quarter as they were at the beginning; however, pound sterling and US dollar short-term rates rose. Swiss franc interest rates declined even further from an already very low level.

The rate of inflation remained high in many countries during the third quarter. Annual inflation in the euro zone averaged 2.7 % in the third quarter and therefore still above the ECB's medium-term target range of just below 2 %. Annual inflation rates were also substantially higher in some Eastern European countries such as Russia, but they were also high in the United Kingdom at over 4 %, as well as in the emerging economies of Asia. Annual inflation in China was above 6 %, whilst remaining almost constant in Japan. Annualised inflation in the US on the other hand, rose slightly to 3.8 %.

To combat the upside risks for price stability, the ECB raised its key rate slightly by 0.25 percentage points at the start of the quarter, to 1.5 %. However, the ECB continued to pursue an expansive monetary policy, with interest rates remaining low and in view of the revival of the longer-term refinancing tender. The central banks of China, Denmark and Sweden also raised their key rates slightly.

Global commercial property markets

The value and rental development of commercial property is influenced on the one hand by different property-specific factors, such as location, the specifications of the building or the building management – and on the other, by factors relating to changes to the general economic situation. Macro-economic factors include in particular total economic output, measured for example, by the change in gross domestic product and labour market developments, as well as long-term interest rates.

Global economic output in the third quarter was only moderate. Unemployment hardly changed, and remained high in many countries. At the same time, long-term interest rates fell to an extremely low level. These macro-economic factors exercised little momentum on the value and rental development of the property markets in the third quarter. However, uncertainty was also evident on the property markets as a consequence of the sovereign debt crisis, the resulting tension on the financial and capital markets and increased concerns about the economy.

There was little change in the rents for commercial property on many markets in the third quarter, where the picture remained broadly stable. This was the case especially for first-class commercial properties. Only a very few markets exhibited highly fluctuating average rents. Rents on the commercial property markets of the important economic centres were averaging slightly higher levels, or were consistent with the same period of the previous year. There were very few examples of first-class markets where rents fell below last year's levels. Although there was evidence of stabilising trends in properties not included in this segment in relation to the factors determining rent and value, they were of considerably less interest to market participants than properties in the premium segment. The individual structures of the factors determining rent and value, such as the location or specifications of the buildings continue to be of crucial significance also for second-tier properties.

The trends described above were evident for office, retail and logistics properties. The positive development in the hotel sector over the previous year continued in many important hotel locations. The important indicator for a hotel‘s success, namely the average revenue per available hotel room, was generally higher in the third quarter compared with the corresponding period of the previous year. It declined only in very few locations.

The volume of commercial property traded also rose in the third quarter relative to the same period of the previous year, so that it was in line with the previous quarter. Investors continued to focus on first-class properties. Nonetheless, compared to the previous year we noted growing interest in non-first-class commercial property with potential for increases in value. Investor yield requirements from newly-acquired commercial properties were largely stable in most of the important economic centres. On some markets, falling yield requirements deviated from the trend. In certain individual markets, yield requirements increased for high-quality commercial property. A decline in the yield requirements (in otherwise identical circumstances) leads to higher prices: correspondingly, higher yields lead to a price decline. Properties that are not included in the premium segment often lagged behind the high-quality properties, or those with stable cash flows, in terms of price performance.

Institutional Housing Industry

The third quarter again proved successful for the institutional housing industry in Germany. This was evidenced in particular by largely constant rental income and long-term financing structures. The sector continues to focus especially on sustainable property management and development, with a strong emphasis on increasing energy efficiency.

Offer prices on the property market were mostly stable to slightly rising. However, differences in rental levels remained between growth regions and those subject to contraction. While locations with a high rate of unemployment and low productivity recorded rising vacancies, demand for housing increased in many German economic centres. The rise in rents was greater over the same period of the previous year, especially in the big cities. Hamburg and Berlin posted the highest increases in value.

The robust German economy and stability on the property market sustained the demand for German residential property portfolios, above all in the densely populated regions. Investors comprised both international as well as domestic institutional buyers, with an investment focus on smaller residential property portfolios in economic growth regions showing strong housing demand. However, larger-sized housing portfolios were also traded again.

Modern technology platforms are becoming increasingly important on the market for property management software. Systems are becoming more user-friendly, and new functionalities can be realised quicker. Cloud computing is one of the most important IT trends: IT services can be obtained through a network such as the internet, without being dependent on any one platform. The optimisation of business process and their outsourcing to facilitate cost-cutting are crucial factors to a property company's success. Furthermore, IT departments are faced with an increasingly more complex application environment in conjunction with shorter technology life-cycles. More frequently, major innovations are being replaced by an ongoing flow of innovation. This development requires companies to implement complex IT strategies.

Income Statement

After the first nine months of the 2011 financial year, operating profit amounted to € 138 million (9m 2010: € 94 million). The significant year-on-year increase was largely due to higher net interest income and lower allowance for credit losses.

Net interest income of € 401 million was 8 % higher than the previous year (€ 370 million). The rise was attributable predominantly to higher average margins generated in the lending business. Compared with the previous year, the low interest rate environment burdened the profitability of the deposit-taking business with the institutional housing industry.

Allowance for credit losses amounted to € 78 million during the first nine months of the financial year (9m 2010: € 97 million), and was therefore at the lower end of the pro-rata forecast range of € 110 million to € 140 million for the full financial year.

Net commission income of € 99 million was higher than the previous year (€ 86 million). This figure includes costs of € 18 million (9m 2010: € 20 million) incurred for bonds guaranteed by SoFFin. The year-on-year increase of net commission income was due for the most part to the

Consolidated Income Statement of Aareal Bank Group

€ mn	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Net interest income	401	370
Allowance for credit losses	78	97
Net interest income after allowance for credit losses	**323**	**273**
Net commission income	99	86
Net results on hedge accounting	2	2
Net trading income/expenses	14	-5
Results from non-trading assets	-18	11
Results from investments accounted for using the equity method	1	5
Results from investment properties	7	0
General administrative expenses	280	271
Net other operating income/expenses	-10	-7
Impairment of goodwill	0	0
Operating profit	**138**	**94**
Income taxes	39	29
Net income/loss	**99**	**65**
Allocation of results		
Net income/loss attributable to non-controlling interests	14	14
Net income/loss attributable to shareholders of Aareal Bank AG	85	51
Appropriation of profits		
Net income/loss attributable to shareholders of Aareal Bank AG	85	51
Silent participation by SoFFin	16	24
Consolidated profit/loss	**69**	**27**

acquisition by Aareon AG of the Dutch subsidiary SG|automatisering bv in the fourth quarter of 2010.

Net trading income/expenses of € 14 million were largely attributable to the measurement of trading derivatives used to hedge interest rate and currency risk, and to unrealised changes in value from the sale of hedging instruments on selected EU sovereign countries.

Results from non-trading assets of € -18 million were largely due to the sale of fixed-income securities (9m 2010: € 11 million).

At € 280 million (9m 2010: € 271 million), general administrative expenses were largely consistent with the previous year, taking into consideration the additional expenditure generated by SG|automatisering bv, Aareon's Dutch subsidiary acquired in the fourth quarter of 2010.

Net other operating income and expenses amounted to € -10 million (9m 2010: € -7 million), reflecting in particular expenses incurred with one particular property.

Overall, consolidated operating profit for the first nine months of the financial year totalled € 138 million (9m 2010: € 94 million). Taking into consideration taxes of € 39 million and non-controlling interest income of € 14 million, net income attributable to shareholders of Aareal Bank AG amounted to € 85 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated income stood at € 69 million.

Segment Reporting

Structured Property Financing

Business development

We continued to pursue our risk-sensitive lending policy in the third quarter of 2011, as well as consistently managing our loan portfolio. We achieved new business of € 3.0 billion in the quarter under review, significantly exceeding the volume of new business of € 1.2 billion generated in the third quarter of 2010. The volume of new business generated in the first three quarters of 2011 therefore totalled € 6.2 billion. It was also noticeably higher than the volume for the corresponding period of the previous year (€ 4.1 billion). The share of loan renewals has declined considerably compared with the first three quarters of 2010, while the share of initial loan issues increased by more than half over the previous year.

At 81 %, Europe accounted for the largest share by far of new business in the first nine months of 2011, followed by North America with 17 %. The volume of new business generated in Asia was low, accounting for only 2 %.[1)]

Europe

Rents for high-quality commercial property were on average virtually unchanged in the third quarter of 2011 on most European property markets compared with the previous quarter, but were higher than – or almost identical to – the same period of the previous year. During the third quarter, premium segment rents rose only in some commercial property markets in the important economic centres. These included for example, the office market in Hamburg, the retail markets in London's West End, Milan and Stockholm, the logistics markets in Amsterdam and Rotterdam, as well as all three market segments in Moscow. There was hardly any reduction in rents in the premium segment during the third quarter. Although rental development for properties located in peripheral locations or of lesser quality tended to stabilise, it was outperformed by high-quality property.

In the hotel sector, there was evidence of an improvement in profitability in the big European cities in the third quarter, measured by average revenues per available hotel room. Very few European centres experienced a fall in average revenues per hotel room. These included for example, Geneva and Zurich, where the hotel industry was burdened by the strong Swiss franc.

Investor interest continued to focus predominately on buying first-class properties. However, for other property – promising investors development potential – demand was stronger than in the previous year. The volume of transactions conducted on the commercial property markets in the third quarter was significantly higher than in the previous year. The volume increased relative to the previous quarter too, although the growth rate was lower. Investor yield requirements were unchanged on the vast majority of markets in the third quarter. Yield requirements on some markets in the premium segment fell slightly, whilst rising only sporadically.

In Europe, we generated new business in the amount of € 2.4 billion in the quarter under review, so that new business in the first three quarters stood at € 5.0 billion. Western Europe accounted for the highest share by far, and also dominated transaction volumes on the European markets. On the other hand, the respective shares accounted for by Northern Europe, Southern and Eastern Europe were perceptibly lower.

[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.

North America (NAFTA states)

On average, rents in North America were largely unchanged during the third quarter. In the US, the national averages for office, retail and logistics rents remained almost constant. However, the various markets were characterised by pronounced differences in some cases. For example, average office rents rose in New York and San Francisco, while remaining stable in Los Angeles and falling slightly in Washington DC. Demand for rental space was primarily for top-quality properties, while lower-quality properties lagged behind this development and had to face concessions in some cases. The national averages for vacancy ratios among the different types of property declined only slightly in the US, and therefore remained high.

On the American hotel market, national average revenues per available hotel room rose over the corresponding period of the previous year, due to an improvement in the occupancy ratios as well as higher average room rates.

In North America, investors focused on first-class properties located in the most important big cities. Transaction volumes on the commercial property markets were lower compared with the previous quarter but significantly higher than the same quarter of the previous year. On average, investor yield requirements for newly-acquired commercial properties fell slightly.

The volume of new business generated in North America amounted to € 0.5 billion in the third quarter of 2011, and therefore totalled € 1.1 billion for the first three quarters of this year. This new business was accounted for almost exclusively by the US, with a very small share generated in Mexico.

Asia

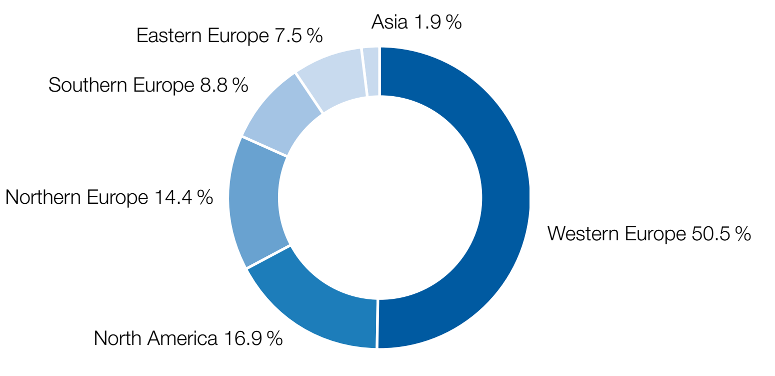
For the most part, rents on the markets for first-class commercial property increased or were – in some cases – almost unchanged in China's most important locations and in Singapore. This applied in particular to various rental markets for retail properties. Rental development in Tokyo on the other hand was weaker. Although the volume of commercial property transactions continued to be burdened by March's severe earthquake disaster in Japan, aggregate transaction volumes in Asia rose compared with the previous quarter, and were consistent with the corresponding quarter of the previous year. Investor yield requirements from newly-acquired properties in the premium segment were mostly stable in China's most important big cities and fell only sporadically. The trend was somewhat more inconsistent in Singapore. Investor yield requirements for high-quality properties in Tokyo's sub-markets were virtually unchanged.

The hotel markets developed differently in the most important big East Asian cities – as was the case already in the previous quarter. While average revenues per available hotel room rose over the same quarter of the previous year in Beijing, Singapore and Hong Kong, they posted a significant decline in Shanghai and Tokyo. Shanghai's hotel market benefited last year from the World Expo; Japan's tourism industry and the hotel markets continued to be affected by the earthquake catastrophe.

Our new business in Asia was low in the third quarter of 2011, at less than € 0.1 billion. After the first three quarters of this year, new business conducted in Asia has therefore totalled € 0.1 billion.

New business 1 January-30 September 2011

by region (%) Total volume: € 6.2 billion



Segment result

At € 42 million, operating profit generated in the Structured Property Financing segment in the third quarter of 2011 was significantly higher than in the previous year (Q3 2010: € 28 million) and exceeded the figure for the previous quarter (€ 41 million).

Net interest income in the quarter under review amounted to € 123 million. This figure includes the non-recurring expense arising from the partial repurchase of the SoFFin-guaranteed bond.

Allowance for credit losses in the third quarter of 2011 amounted to € 36 million (Q3 2010: € 32 million), and was therefore consistent with the quarter-on-quarter fluctuation range we expected.

Net commission income of € 4 million showed a significant improvement over the previous year (Q3 2010: € -5 million). The improvement is largely due to lower costs incurred from the SoFFin-guaranteed bond that have meanwhile been redeemed early, and the partial buyback of the second SoFFin-guaranteed bond. These costs totalled € 3 million in the quarter under review (Q3 2010: € 10 million).

Net trading income / expenses of € 20 million was largely attributable to the measurement of trading derivatives used to hedge interest rate and currency risk, and to unrealised changes in value from the sale of hedging instruments on selected EU sovereign countries.

Results from non-trading assets of € -22 million (Q3 2010: € -4 million) were largely due to the sale of fixed-income securities.

At € 54 million, general administrative expenses in the third quarter matched the corresponding level of the previous year (Q3 2010: € 54 million).

Structured Property Financing segment result

€ mn	Quarter 3 2011	Quarter 3 2010
Net interest income	123	121
Allowance for credit losses	36	32
Net interest income after allowance for credit losses	**87**	**89**
Net commission income	4	-5
Net results on hedge accounting	2	-2
Net trading income / expenses	20	2
Results from non-trading assets	-22	-4
Results from investments accounted for using the equity method	–	0
Results from investment properties	3	0
General administrative expenses	54	54
Net other operating income / expenses	2	2
Impairment of goodwill	0	–
Operating profit	**42**	**28**
Income taxes	12	10
Segment result	**30**	**18**
Allocation of results		
Segment result attributable to non-controlling interests	4	4
Segment result attributable to shareholders of Aareal Bank AG	26	14

Overall, operating profit for the Structured Property Financing segment was € 42 million in the third quarter (Q3 2010: € 28 million). Taking tax expenses of € 12 million into consideration (Q3 2010: € 10 million), the segment result was € 30 million (Q3 2010: € 18 million). According to the allocation of results, segment results of € 26 million in the third quarter were attributable to shareholders of Aareal Bank AG (Q3 2010: € 14 million).

Consulting / Services

Business development – institutional housing industry

Aareon AG

The positive development of the business with the Wodis Sigma ERP system continued in the third quarter. 35 clients signed contracts this year, making a total of 356 clients that have already opted for Wodis Sigma. Most of the existing Wodis Sigma clients previously used the Aareon ERP products Wodis and WohnData. To do justice to the strong market demand, Aareon invested further in expanding its advisory and support capacities.

As expected, demand for SAP® solutions remained muted, with clients concentrating on Aareon's SAP® consultancy services. Development of Blue Eagle Release 6.2, which will be rolled out in November 2011, is on schedule.

The business with the established GES system remains stable overall. Back in 2009, the WohnData Client Advisory Council and Aareon agreed on the WohnData run time: WohnData clients should determine their IT strategies, select their software and agree a conversion project for 2010 / 2011. A large number of clients had already converted to another Aareon ERP product: further conversion projects are already in operation or are in the planning phase.

The Integrated Services product line continued to develop favourably. Demand was particularly strong for the Mareon service portal and the insurance solution BauSecura. Aareon launched the first iPhone application ("app") for Mareon in the quarter under review, which allows registered tradesmen to view and process their orders remotely. Using the app, on-site order processing can be speeded up and valuable information can be documented.

As expected, international business was positive in the third quarter too. Aareon France signed an SAP partnership agreement at the end of the second quarter of 2011 and can now sell SAP® licences in the contractually-agreed market segment as of the third quarter. In this respect, Aareon France will also be able to take advantage of the experience and know-how of Aareon Deutschland GmbH. Aareon UK succeeded in acquiring additional new clients, including NPT Homes Ltd in Neath Port Talbot, which manages 9,000 rental units. The Dutch subsidiary SG|automatisering launched the latest Release 2.2 of the new SG|tobias^{AX} product generation that was launched in 2010 on schedule in the third quarter.

Payments and deposit-taking

In cooperation with Aareal Bank Group's wholly-owned Aareal First Financial Solutions AG subsidiary, our Institutional Housing Unit offers a highly-automated mass payments system to our commercial housing sector clients with the BK 01 product family. Aareal Bank Group's objective is to increase the volume of deposits through new client acquisition, as well as to intensify the business relationships with existing clients.

The volume of deposits in the quarter under review averaged € 4.8 billion (Q2 2011: € 4.7 billion), thus remaining at a high level. The volume in 2011 was up strongly compared to the previous year.

Our clients continue to make strong use of the combination of cash investment schemes, specialist services for automated mass electronic payments processing, the optimisation of downstream processes (together with related advice) which we offer. This enables us to maintain a strong position in the market, despite strong competitive pressure.

This is also reflected in the number of new clients acquired for the deposit-taking and payments business. We gained another 10 new institutional housing industry business partners, managing around 20,000 units, in the third quarter of 2011.

Segment result

Operating profit in the Consulting / Services segment was € 5 million in the third quarter of 2011 (Q3 2010: € 5 million).

At € 50 million, revenues generated in the previous quarter were higher than in the corresponding period of the previous year (€ 45 million). The result was largely attributable to the acquisition by Aareon of the Dutch subsidiary SG|automatisering bv in the fourth quarter of 2010.

Staff expenses in the quarter under review amounted to € 27 million. This figure included, amongst other things, additional expenses generated by SG|automatisering bv, Aareon's Dutch subsidiary acquired in the fourth quarter of 2010.

On balance, the Consulting / Services segment yielded a net contribution of € 5 million to consolidated operating profit (Q3 2010: € 5 million). After deduction of taxes, the segment result for the third quarter of 2011 was € 4 million (Q3 2010: € 4 million).

Consulting / Services segment result

€ mn	Quarter 3 2011	Quarter 3 2010
Sales revenue	50	45
Own work capitalised	0	0
Changes in inventory	0	0
Other operating income	2	3
Cost of materials purchased	5	6
Staff expenses	27	22
Depreciation, amortisation and impairment losses	3	3
Results from investments accounted for using the equity method	–	–
Other operating expenses	12	12
Interest and similar income / expenses	0	0
Operating profit	**5**	**5**
Income taxes	1	1
Segment result	**4**	**4**
Allocation of results		
Segment result attributable to non-controlling interests	1	1
Segment result attributable to shareholders of Aareal Bank AG	3	3

Financial Position

Aareal Bank Group's total assets as at 30 September 2011 amounted to € 41.6 billion, after € 41.2 billion as at 31 December 2010.

Property financing portfolio

The volume of Aareal Bank Group's property financing portfolio[1] stood at € 22.9 billion as at 30 September 2011, so that it has remained stable relative to year-end 2010 (€ 22.9 billion). The international portfolio has increased slightly to € 19.7 billion, and now accounts for 86 % of the total portfolio (31 December 2010: 84 %). The chart below illustrates the very broad regional diversification overall.

The performance of the property financing portfolio was defined during the course of the 2011 financial year by a higher portfolio turnover compared with the same period of the previous year. This higher portfolio turnover is the result of an increase in new business activity, repayments and syndications. The repayments exceeded our expectations slightly due to individual large-volume cases.

Securities portfolio

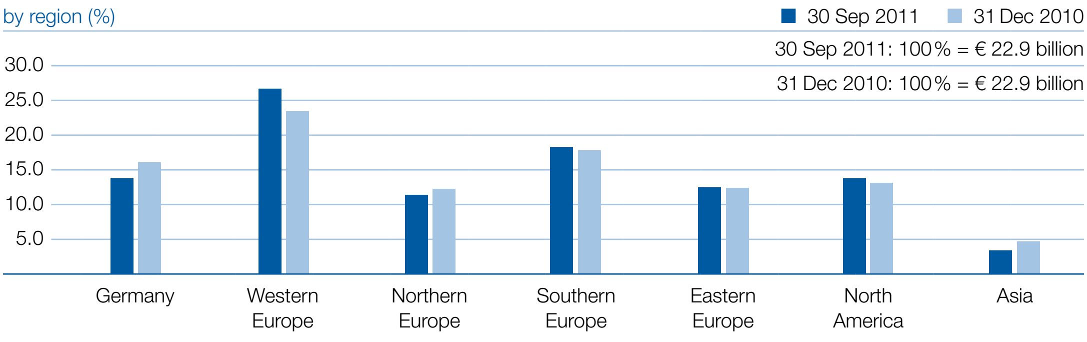
Commensurate with the still-volatile market environment, our (very adequate) liquidity reserves are invested in a high-quality securities portfolio. The securities portfolio can be used to procure short-term liquidity, for example through repurchase transactions conducted on the money market.

As at 30 September 2011, the securities portfolio worth € 12.3 billion (with a nominal volume of € 11.0 billion) comprised four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABS). 96 %[2] of the overall portfolio is denominated in euro. 98 %[2] of the portfolio has an investment grade rating[3].

Refinancing and equity

Aareal Bank Group continued to successfully carry out refinancing activities in the third quarter of 2011 and also continues to enjoy a good liquidity situation. Long-term funding as at 30 September 2011 amounted to € 25.5 billion and comprised Pfandbriefe (German covered bonds), unsecured and subordinated issues. Aareal Bank also had

Property financing volumes (amounts drawn)



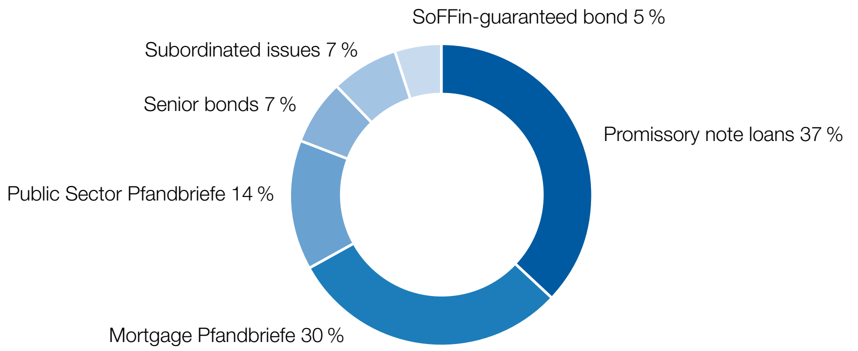
[1] As at 30 September 2011, the portfolio of property financings under management totalled € 23.2 billion (31 December 2010: € 23.3 billion). Property financings under management include the € 0.3 billion property financing portfolio managed on behalf of Deutsche Pfandbriefbank AG.

[2] Details based on the nominal volume

[3] The rating details are based on the composite ratings.

Capital market refinancing mix as at 30 September 2011

% Total volume: € 25.5 billion



€ 4.8 billion at its disposal from deposits generated from the business with the institutional housing industry, as well as institutional money market investor deposits in the amount of € 4.9 billion.

More than € 0.9 billion in long-term funds was raised on the capital market during the third quarter. This comprised Mortgage Pfandbriefe in the amount of € 0.6 billion, Public Sector Pfandbriefe of € 60 million, as well as unsecured refinancing of € 0.3 million.

We raised a total of € 3.7 billion in long-term funds on the capital market through private and public transactions during the first nine months of the financial year, comprising € 2.2 billion in Mortgage Pfandbriefe, € 100 million in Public Sector Pfandbriefe and € 1.4 billion in unsecured funding. Aareal Bank has therefore maintained its long-term funding inventory at a high level.

In early July, we invited investors holding the remaining SoFFin-guaranteed notes (maturing in March 2012) to redeem their notes early. Investors took up our offer in the amount of just less than € 0.8 billion. When this bond matures in March 2012, the guarantee facility extended by SoFFin will be repaid in full.

Since we conduct 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 in the previous quarters, no open-market transactions were concluded with the ECB during the first nine months of the financial year.

Regulatory indicators

Key indicators pursuant to AIRBA

	30 Sep 2011	31 Dec 2010
€ mn		
Tier 1 capital	2,494	2,284
Liable capital	3,037	2,910
Risk-weighted assets (incl. market risk)	15,000	17,663
%		
Tier 1 ratio	16.6	12.9
Total figure	20.2	16.5

Report on Material Events after the Reporting Date

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

Risk Report

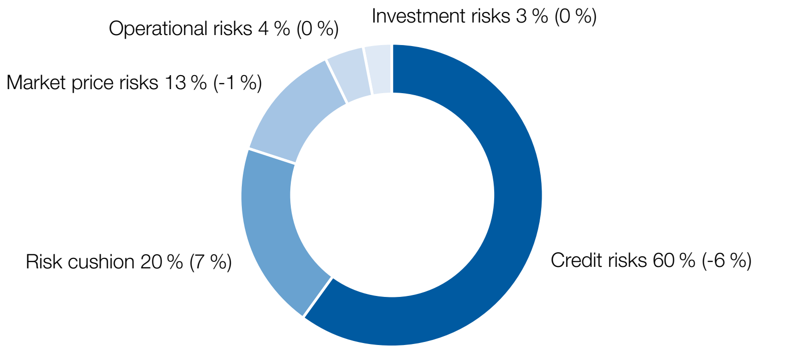
Aareal Bank Group Risk Management

The Annual Report 2010 contains a comprehensive description of Aareal Bank Group's risk management approach, including the corresponding organisational structure and workflows in the lending and trading businesses, as well as the methods and procedures used for measuring and monitoring risk exposure. Within the scope of this interim report, we will once again briefly outline the key components of our risk management structure, together with the key developments during the period under review.

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

Allocation of aggregate risk cover

% (change from 31 December 2010 (% points)) as at 30 September 2011



At 60 %, credit risks account for the largest part of the bank's aggregate risk cover; 13 % is retained to cover market price risks, 4 % for operational risks and 3 % for investment risks. In addition, a substantial portion (20 %) of the aggregate risk cover serves as a risk cushion, which is not applied to risk limits, and is thus available for risk types that cannot be quantified (for example, reputational or strategic risks). Overall, aggregate risk cover and risk limits are harmonised to ensure Aareal Bank's ability to bear risk at any time, based on the going concern assumption – even against the background of market distortions as a result of the financial markets and economic crisis. The diagram below shows the allocation of aggregate risk cover to types of risk as at 30 September 2011.

Since aggregate risk cover is an inadequate measure to assess risk-bearing capacity, we have defined special tools for managing this type of risk. These tools are described in detail in the section "Liquidity risk" and in the 2010 Annual Report.

Credit risks

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.

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

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

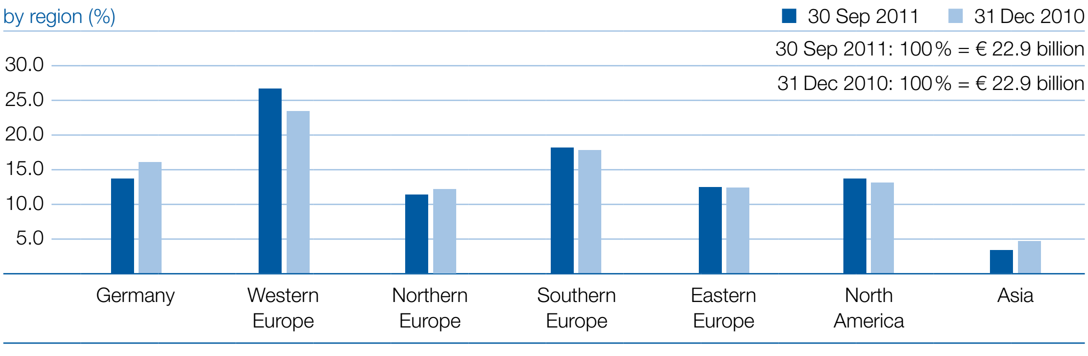
Aareal Bank employs various risk classification procedures for the initial, regular, or event-driven assessment of counterparty risk; these procedures are adapted specifically to meet the requirements of the relevant business activity and are subject to permanent review and improvement. Responsibility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

Methods used to measure 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 model-based analysis and monitoring of risk concentrations is also carried out on the basis of the credit risk models used in the bank. The models in question allow the bank to include in particular, rating changes and diversification effects in the assessment of the risk concentrations.

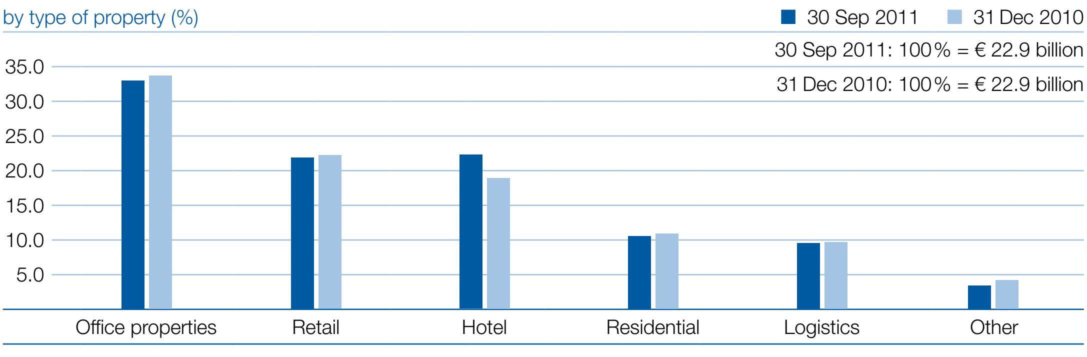
The bank uses specific tools to monitor individual exposures on an ongoing basis where this is required: besides the tools already described, this includes rating reviews, monitoring of construction phase loans or residential property developers, the monitoring of payment arrears, and the regular, individual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

A credit risk report that complies with the Minimum Requirements for Risk Management (MaRisk)

Property financing volumes (amounts drawn)



Property financing volumes (amounts drawn)



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

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

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 used on a selective basis. Loan syndication is used as an element of portfolio management.

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

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

Market price risks

Definition

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

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

Risk measurement and monitoring

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

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

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator. Determined on a daily basis for the Group and all its operating units, the VaR figure takes into account the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from 250-day historical data maintained within the bank. The loss potential is determined applying a 99 % confidence interval and a ten-day holding period.

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

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 IFRS). Hence, the analysis provided represents a very extensive disclosure of market price risks by industry standards.

€ mn	MAX	MIN	Mean	Limit
Q3 2011 (2010 year-end values) 99 %, 10-day holding period				
Aareal Bank Group – general market price risk	66.5 (71.5)	34.5 (36.5)	50.0 (46.2)	– (–)
Group VaR (interest rates)	61.4 (67.5)	32.5 (30.6)	45.8 (40.9)	– (–)
Group VaR (FX)	17.3 (17.9)	12.5 (13.4)	13.9 (15.6)	– (–)
VaR (funds)	8.6 (11.9)	3.0 (6.0)	6.3 (7.7)	60.0 (60.0)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	20.0 (20.0)
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)	121.0 (112.4)	85.0 (71.4)	105.0 (96.2)	– (–)
Aggregate VaR – Aareal Bank Group	128.0 (122.2)	97.7 (85.4)	117.3 (108.0)	181.0 (181.0)

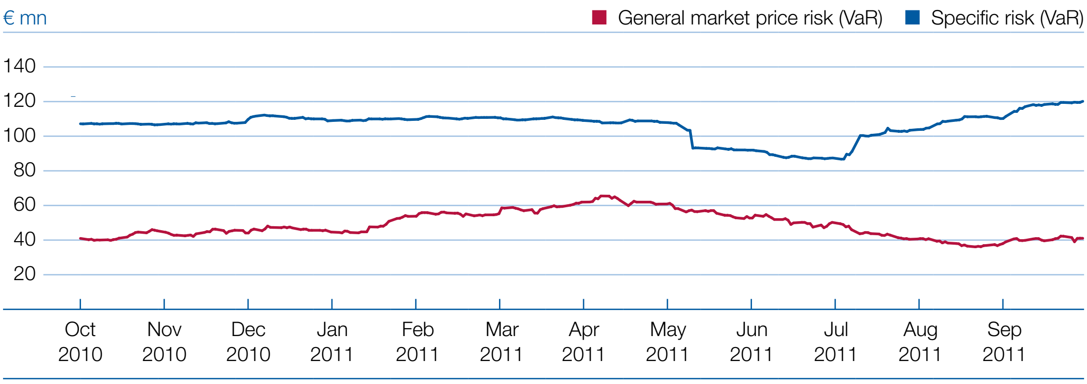
To ensure that Aareal Bank's figures are comparable to those published by other institutions, the risk parameters shown below were determined for a one-day holding period:

€ mn	MAX	MIN	Mean	Limit
Q3 2011 (2010 year-end values) 99 %, 1-day holding period				
Aareal Bank Group – general market price risk	21.0 (22.6)	10.9 (11.5)	15.8 (14.6)	– (–)
Group VaR (interest rates)	19.4 (21.3)	10.3 (9.7)	14.5 (12.9)	– (–)
Group VaR (FX)	5.5 (5.7)	4.0 (4.2)	4.4 (4.9)	– (–)
VaR (funds)	2.7 (3.8)	0.9 (1.9)	2.0 (2.4)	19.0 (19.0)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	6.3 (6.3)
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)	38.3 (35.5)	26.9 (22.6)	33.2 (30.4)	– (–)
Aggregate VaR – Aareal Bank Group	40.5 (38.7)	30.9 (27.0)	37.1 (34.2)	57.2 (57.2)

Aggregate VaR – Aareal Bank Group

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

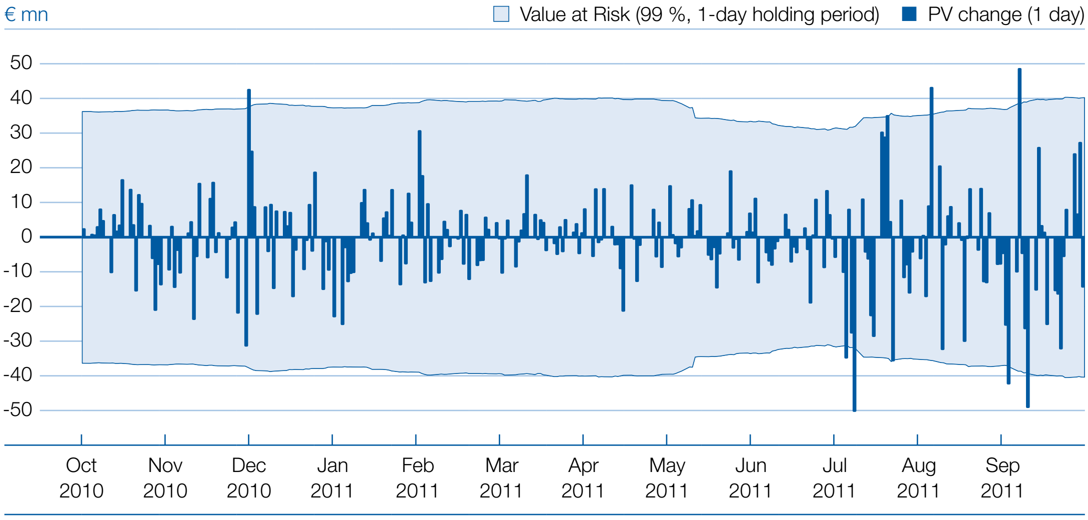
General market price risk and specific risk during 2010/2011



Backtesting

The quality of forecasts made using this statistical model is checked through a weekly backtesting process. The quality of the statistical procedure used to measure risk is checked using a binomial test, whereby daily profits and losses from market fluctuations are compared with the upper projected loss limit (VaR) forecast on the previous day (known as "clean backtesting"). In line with the selected confidence level of 95 %, only a small number of events are expected to break out of the VaR projection (≤ 5 for a 250-day period). The number of negative outliers at Group level never exceeded five during the last 250 trading days, affirming the high forecasting quality of the VaR model we use.

Present values and 1-day VaR during 2010/2011



Trading book

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

Liquidity risks

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

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

Operational risks

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

Aareal Bank's policy for managing and monitoring operational risks is geared to achieving a risk-minimising or loss-limiting effect at an early stage, by employing a pro-active approach. The Risk Report in the 2010 Annual Report contains a detailed description of controlling tools employed by the bank to manage operational risk, plus the relevant responsibilities.

The current analysis using these controlling tools has indicated that the bank is not exposed to any disproportionate operational risks, nor did it indicate any material risk concentration.

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

Investment risks

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

Due to the special character of some exposures (e.g. marketing risks), special methods and procedures are employed to deal with investment risk. All relevant Group entities are subject to regular audits, including a review and assessment of their risk situation. A quarterly investment risk report is submitted to the bank's Management Board. There were no significant changes in investment risk during the period under review.

Outlook

Business Environment

Global economy

The outlook for the global economy has worsened perceptibly in recent months. This is indicated by various early indicators such as the performance of business climate indices. We anticipate economic performance to be weak during the remainder of this year, and during the next year. A global recession cannot be ruled out entirely either, even if this is not the most likely scenario.

There are serious threats to economic development, due to the persistent uncertainty on financial and capital markets, as well as uncertainty affecting businesses and private households which leads to investment and consumption being postponed. Self-fulfilling prophecies on the market also pose a threat. Going forward, economic development will crucially depend on the outcome of the sovereign debt crisis in the euro zone, and on the US debt situation. The special summit in Brussels at the end of October adopted extensive measures to support Greece, and to overcome the euro zone sovereign debt crisis, including a more extensive debt reduction for Greece to be accepted by private-sector creditors, a recapitalisation for banks, as well as an increase and the use of leverage for the European Financial Stability Facility (EFSF). The specific impact of each of these measures remains to be seen.

Now for a more detailed look at the forecasts: the advanced economies of Europe and North America will probably lack momentum. At the end of this year, various countries – not only the peripheral members of the euro zone – could see real gross domestic product fall slightly from the previous quarter. However, economic output in the last quarter of 2011 should be higher for the majority of countries compared with the last quarter of 2010. Economic output for the year 2011 as a whole will therefore exceed that of 2010. However, we expect falling annualised economic output in Greece, Portugal and possibly Ireland. We expect this weak economic development to persist into the coming year. Technically, the euro zone countries in particular, as well as other European countries and the US could fall into recession – i.e. falling economic output for at least two consecutive quarters – to a lesser extent at the end of this year and in the following year. We do not expect a relapse into a global recession, although this risk cannot be ruled out entirely.

For 2012 we are forecasting only low real GDP growth rates for the advanced economies, averaging at less one per cent in the euro zone, for example. This will probably impact on the large economies such as Germany and France, too. The economies of Italy and Spain will probably show little or no growth. On the other hand, we expect economic output to fall in Greece and Portugal. The remaining European countries such as the United Kingdom and the emerging economies of Eastern Europe such as Turkey are likely to experience relatively weak economic growth only. For the USA, high private household debt and high levels of unemployment, together with uncertainty amongst the economic players, are curbing demand – which also supports the likelihood of weak economic development. In many countries, aggregate economic demand is burdened further by the measures taken to reduce the state budget deficits. On the other hand, these measures are designed to strengthen investor confidence and to influence economic development through corporate investments. The advanced economies' expansive monetary policy should have a positive effect on the economy.

Economic development in the emerging countries of Asia – China in particular – will remain expansive in the last quarter of this year and in the year ahead. However, in view of the weak growth in the advanced economies, exports and tight monetary policy should weaken China's strong economic momentum slightly. The economy in Japan should recover from its temporary collapse as a consequence of March's earthquake catastrophe, leading to growth in the final quarter of this year and in 2012. Real gross domestic product for the full-year 2011 will decline slightly as a result of the earthquake.

Future economic development is currently subject to considerable uncertainty, including particularly the future development of the European sovereign debt crisis and the question of a sustainable solution to the US debt issue. These issues, together with concerns about the economic outlook in recent months, have raised tensions considerably on the financial and capital markets. If these tensions continue to grow significantly, they could drive the banks to exercise greater caution than expected in relation to lending, or trigger further uncertainty among companies and private households. The economy's susceptibility to shocks has risen.

We are assuming that the tension and volatility on financial and capital markets will remain high. The risks in the financial system have increased compared with the start of the year.

In view of the gloomy economic outlook, no marked improvement in the situation on the labour markets is expected. For the most part, we expect the rate of unemployment to stagnate or fall marginally for the remainder of the year and for the coming year. Rising unemployment cannot be ruled out in individual countries.

Although inflation rates remained high recently, inflation risks have declined. This is supported by the fact that the rise in commodity prices from last year (and the first half of this year) has not continued recently. However, commodity price development and the price of oil in particular, is dependent on speculation and political factors, which makes forecasting future developments difficult. We expect annual inflation rates for the final quarter to remain consistent with present levels. The anticipated weak economic development supports moderate inflation rates in the year ahead. In comparison, higher inflation rates are expected in some Eastern European countries and in the emerging market economies of Asia.

Given the expectations for moderate inflation and in view of the tension on the financial and capital markets, we assume that the central banks will continue to pursue an expansive monetary policy and keep key interest rates low. The US Federal

Reserve announced that its benchmark rate will remain unchanged in the current corridor of 0 to 0.25 % until mid-2013. It also intends to buy long-dated treasury bonds in the amount of USD 400 billion up to June 2012 and sell shorter-dated treasury bonds at the same time, in order to lower long-term interest rates. We expect a comparatively strict monetary policy from the central banks of the Asian emerging economies. We assume that the short-term and long-term interest rates of the currencies in which we are active will remain unchanged from the end of the quarter for the remainder of the year. We expect interest rates to remain virtually unchanged for the coming year, too.

Global commercial property markets

Further developments on commercial property markets will be influenced to a great extent by the future macro-economic environment. In view of the considerable uncertainty concerning the macro-economic environment and hence, weaker sentiment on the property markets, we are taking a cautious stance on rental and price developments. We currently expect largely unchanged rents and prices on average in the final quarter of this year and in the year ahead, although declines are possible in some countries and in their sub-markets. However, any further significant aggravation of tension in the financial and capital markets resulting from an escalation in the European sovereign debt crisis will endanger this unchanged rents and prices scenario. Further intensification of these risks or a far-reaching economic slump would probably lead to falling rents and prices – albeit with a certain time lag. On the other hand, rents and prices could rise if economic development is better than is currently expected.

The high volume of funding for commercial property that is set to expire this year and the next represents another uncertainty factor for property markets. This could lead to fire sales and burden prices if facilities are not renewed or restructured, and potential buyers are hard to find.

It is fair to expect that the various types of commercial property – office, retail and logistics – should be affected to the same extent by the trends described above. We believe that on average, revenues achieved in the hotel sector in the final quarter could exceed the final quarter of 2010. However, these are likely to remain consistent with 2011 in the year ahead or even decline in the event of severe economic burdens.

With regard to the different types of property, users and investors are likely to remain focused on properties that are included in the first-class segment. These properties should perform more favourably in terms of rents and prices compared with lower-quality properties or those in peripheral locations. However, we could envisage growing investor interest in properties that are not included in the premium segment but which offer development potential. This shows that price and rent developments do not depend exclusively on the general economic environment but also on each property's specific features and the respective sub-market.

As we see it, the trend of virtually unchanged rents and prices on average for commercial properties should remain intact for the coming year in Europe, North America and Asia. In Europe, rents and price performance could vary between the individual countries and their regions, for example, owing to differences in economic development. On average, we expect rents and prices in North America to remain practically unchanged. A large number of property loans in the region are set to mature, including those which form part of securitisations. However, this is offset by an expansive monetary policy, which might support the property market. Although the emerging economies of Asia – China in particular – continue to record comparatively high economic growth, which supports the development on the property markets, the momentum is easing. China's restrictive monetary policy and the high volume of newly-built properties also support our cautious assessment vis-à-vis rents and prices. The Japanese property market, to a certain extent, is in a special position due to the earthquake catastrophe. The hotel market should remain under pressure, since fewer foreign visitors are expected, even in the event of an expected improvement year-on-year from the second quarter of 2012 onwards. We anticipate a largely stable development for the other commercial property types, although the effects of the earthquake catastrophe cannot be assessed conclusively.[1)]

Institutional Housing Industry

We expect a stable business development for the institutional housing industry in Germany during the remainder of the year. Corporate investments continue to focus on the renovation of the housing stock to create a sustainable quality of housing.

Besides the necessity for active restoration, additional refurbishments to buildings suitable for the elderly are also required. Given that federal funds for urban development funding were cut from € 455 million to € 410 million in 2011, and KfW's € 100 million subsidy programme for property conversions to suit older people will probably no longer be available in 2012, this could reduce investment activities in the future.

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

Due to the ongoing robustness of the housing market, and unpredictable capital markets, institutional investors will probably continue to invest in the residential property sector in the latter course of the year. Trades involving smaller and medium-sized property portfolios will dominate the residential property investment market.

[1)] Assessments on individual sub-markets and properties could deviate from the general assessment of the commercial property markets outlined.

An aggregate transaction volume in the region of € 5 billion to € 5.5 billion is expected for the year as a whole, whereby investment will focus predominately on the densely populated regions of Berlin, the "Ruhr" region, Frankfurt, Hamburg and Munich.

Cloud computing is one of the most important trends in the IT sector and will also become increasingly important in the market for property management software. The growing complexity of the IT environment, constantly increasing volumes of data and rapidly changing requirements represent a challenge for property companies. This is where cloud computing comes into its own, offering the opportunity to obtain IT services through a network such as the internet, without being dependent on any one platform. The use of cloud computing is likely to focus on the issue of data protection and data security.

Corporate development

Structured Property Financing

In view of the greater uncertainty in the macroeconomic environment and the gloomier economic outlook, we remain cautious regarding future developments on the markets for commercial property and expect rents and market values to remain virtually unchanged on many markets. Various markets could also post declines.

These developments are also taken into account in our allowance for credit losses. We will also continue to take into account our policy of consistently managing our loan portfolio, active portfolio management and the broad diversification of our financings in terms of risk and return.

We will consistently pursue our lending policy, oriented on risk and return, when originating new business. The share of initial loan issues in new business will remain higher than in 2010, albeit lower than in the property market boom years of 2006 and 2007.

Loan syndication already showed signs of recovery last year. The opportunity to distribute credit risks for large-volume financings among several banks has clearly improved during the year. We also continue to believe that the possibility to sell down will remain intact, and that the syndication markets will be more active than in previous years.

Subject to the performance of the relevant foreign currencies vis-à-vis the euro, we expect a slightly higher portfolio volume for the 2011 financial year compared with year-end 2010.

The current level of uncertainty, especially in relation to the European sovereign debt crisis, the question surrounding a sustainable solution to the US debt problem and the resulting tensions on the financial and capital markets, are significant to the anticipated developments. We assume that the situation will not deteriorate further to any great extent, although we believe that nervousness and volatility on the financial and capital markets will remain high for the time being. Any significant increase in the tensions on the financial and capital markets is expected to once again lead to an increase in the renewal ratios; also, in this case syndication markets would be available to a very limited extent only.

Consulting / Services

Aareon AG

All in all, we expect higher sales revenues in the 2011 financial year and a slight increase in the overall result compared with the previous year.

Modern technology platforms are becoming increasingly important on the market for property management software. Systems are becoming more user-friendly, and new functionalities can be realised quicker. Aareon is very well positioned with its Wodis Sigma ERP product generation. Cloud computing is one of the most important IT trends: IT services can be obtained through a network such as the internet, without being dependent on any one platform. As part of the Aareon Cloud service, the new Wodis Sigma Release 3.0, which will be available in the fourth quarter, will respond to this trend. It will be presented at the Wodis Sigma Forum in Bochum in November. In addition to the licence model, Aareon thus offers its client more opportunities to subscribe to Software as a Service (SaaS) from the Aareon Cloud and to benefit from the advantages of cloud computing tailored to the needs of the institutional housing industry. Aareon Cloud is an "exclusive cloud" that is available only to the Aareon client base. Data is held in the Aareon data centre located in Mainz, which guarantees data security and protection at the highest level. Wodis Sigma Release 3.0 will also allow the acquisition of additional applications from Aareon Cloud. Aareon Cloud clients pay long-term charges for the SaaS but do not need to buy a licence.

We anticipate further migration of WohnData and Wodis clients to Wodis Sigma and expect an increase in the business with SaaS from the Aareon Cloud. We will invest further in expanding the advisory and support capacities in the Wodis Sigma product line.

In line with expectations, we anticipate muted demand in the SAP® solutions product line and Blue Eagle, which will concentrate on Aareon's SAP® advisory solutions.

As we see it, fees secured for the established GES system will fall slightly by the end of the year, whilst the advisory business is expected to increase. However, the product results will be lower than last year's level due to lower fees secured through low unit volumes as well as less special programming. In the medium term, we expect GES clients will increasingly convert to other Aareon ERP solutions, which will lead to a shift in revenues to other product lines.

We expect higher revenues in the Integrated Services product line through distribution successes achieved; especially with the Mareon service portal, the document management system Aareon DMS, the insurance solution BauSecura and Aareon's invoicing service. Mareon's marketing campaigns on the occasion of the 10th anniversary of the service portal will also contribute to this. Unfortunately, the IT Outsourcing product line will only partially offset the decline in revenue owing to the end of a contractual relationship with a major client in 2010.

We expect a marked increase in the revenues generated by the International Business product group, with the Dutch subsidiary SG|automatisering bv that was acquired on 1 November 2010 contributing a substantial share thereof. We believe that the market success of the ERP products Prem'Habitat 2.0 and PortalImmo Habitat 2.0 will continue for our French subsidiary Aareon France SAS. Despite the intensive price competition on the UK market, we expect higher revenues through new client business.

Aareon Group's total expenditure is expected to increase over the previous year, especially owing to higher staff expenses. This is attributable in particular to the increase in employee numbers through the acquisition of SG|automatisering bv.

Payments and deposit-taking

The process automation procedures for electronic mass payment services (BK 01 products) offered by the bank's Institutional Housing Unit continued to generate stable deposits for the bank's refinancing activities in the third quarter.

Despite the ongoing massive competition for deposits, the volume was maintained in the third quarter of 2011 at the high level of the previous quarter, averaging € 4.8 billion. We rate this as a sign of the confidence our clients place in the bank. We expect the positive trend to continue in the fourth quarter, especially in the area of deposits paid by tenants.

Given the ongoing low interest rate environment, we expect margins will continue to remain under pressure in the fourth quarter. Good opportunities should also arise in the course of the financial year – not only to acquire new clients, but also to intensify the business relationships with our existing client base. This also applies to our payments services for energy suppliers.

Group targets

The European sovereign debt crisis is likely to remain at the top of the agenda on the financial and capital markets during the remainder of the 2011 financial year. It is thus fair to expect that market volatility will remain high for the time being, and that the resulting risks in the financial system will persist.

Given the good year-to-date performance and its solid capital and liquidity base, Aareal Bank Group believes that it can act according to anticipated changes in the market environment. This applies both to the active management of our securities portfolio and to our internal organisation, which we continuously review regarding potential efficiency enhancements in all areas.

Aareal Bank Group continues to expect higher net interest income for the 2011 financial year compared with the previous year, whereby the current low interest rate environment will tend to lead to lower margins in the deposit-taking business. However, this will be offset above all by higher margins generated in the lending business.

We continue to forecast allowance for credit losses in a range of between € 110 and € 140 million. However, based on developments during the first nine months, we assume that allowance for credit losses will be at the lower end of the range. As in the previous years, the bank cannot rule out additional allowances for unexpected credit losses that may be incurred during 2011.

We believe that net commission income for the year 2011 will significantly exceed the previous year's figure. Net commission income will benefit from the relief arising from lower guarantee fees through the redemption of a large proportion of the bond guaranteed by SoFFin.

Net trading income / expenses essentially comprises the results of hedge transactions related to the refinancing of our core business (predominantly currency and interest rate hedges). We only engage in traditional own-account trading to a very limited extent. The item also includes changes in value from the sale of hedges for selected EU sovereign countries, so-called credit default swaps (Sovereign CDS). In our opinion, the measurement of the hedging transactions will remain subject to the same high volatility as in the last two years, especially in the current environment. As a result, it is impossible to forecast net trading income/expenses.

Because of our consistently conservative risk policy, we do not currently anticipate any need for write-downs on non-trading assets. Against the background of current market developments however, we may continue to restructure the securities portfolio within the framework of our active portfolio management. Moderate burdens to net income from financial investments from the sale of securities can therefore not be ruled out.

Administrative expenses continue to be defined by our unchanged cost discipline, and the figure for the current year is expected to be marginally higher than in the previous year, including the burden associated with the special bank levy (Bankenabgabe).

From today's perspective, new business for the year as a whole is expected within the upper half of the forecast range of between € 7 billion and € 8 billion.

Contrary to our original expectations, interest rates that are relevant to the profitability of the deposit-taking business in the Consulting/Services segment remain very low. Against the background of this very challenging interest rate environment, we expect segment operating profit to be down slightly on the previous year.

Looking ahead, economic risks and future developments on financial markets are difficult to assess for the coming months. Generally, Aareal Bank remains in a position to further exceed consolidated operating profit of the 2010 financial year during the current year – having matched the previous year's results after nine months already.

Consolidated Finacial Statements
Statement of Comprehensive Income

Income Statement

€ mn	Note	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Interest income		822	653
Interest expense		421	283
Net interest income	1	**401**	**370**
Allowance for credit losses	2	78	97
Net interest income after allowance for credit losses		**323**	**273**
Commission income		142	131
Commission expenses		43	45
Net commission income	3	**99**	**86**
Net results on hedge accounting		2	2
Net trading income/expenses	4	14	-5
Results from non-trading assets	5	-18	11
Results from investments accounted for using the equity method		1	5
Results from investment properties		7	0
General administrative expenses	6	280	271
Net other operating income/expenses	7	-10	-7
Impairment of goodwill		0	0
Operating profit		**138**	**94**
Income taxes		39	29
Net income/loss		**99**	**65**
Allocation of results			
Net income/loss attributable to non-controlling interests		14	14
Net income/loss attributable to shareholders of Aareal Bank AG		85	51
Appropriation of profits			
Net income/loss attributable to shareholders of Aareal Bank AG		85	51
Silent participation by SoFFin		16	24
Consolidated profit/loss		**69**	**27**
€			
Earnings per share		**1.63**	**1.19**
Diluted earnings per share		**1.63**	**1.19**

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

Statement of Comprehensive Income

Reconciliation from Net Income/Loss to Total Comprehensive Income

€ mn	Note	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Net income/loss		**99**	**65**
Changes in revaluation surplus	8	-58	-6
Changes in hedging reserves	8	2	0
Changes in currency translation reserves	8	1	0
Changes in reserves from transactions under common control	8	–	0
Gains and losses directly recognised in equity (after taxes)		**-55**	**-6**
Total comprehensive income		**44**	**59**
Allocation of total comprehensive income			
Total comprehensive income attributable to non-controlling interests		14	14
Total comprehensive income attributable to shareholders of Aareal Bank AG		30	45

Statement of Comprehensive Income

Income Statement (Quarterly Development)

€ mn	Quarter 3 2011	Quarter 2 2011	Quarter 1 2011	Quarter 4 2010	Quarter 3 2010
Interest income	297	273	252	250	231
Interest expenses	164	139	118	111	100
Net interest income	**133**	**134**	**134**	**139**	**131**
Allowance for credit losses	36	24	18	8	32
Net interest income after allowance for credit losses	**97**	**110**	**116**	**131**	**99**
Commission income	49	46	47	56	42
Commission expenses	11	15	17	19	18
Net commission income	**38**	**31**	**30**	**37**	**24**
Net results on hedge accounting	2	2	-2	-4	-2
Net trading income/expenses	20	2	-8	13	2
Results from non-trading assets	-22	2	2	-23	-3
Results from investments accounted for using the equity method	–	1	0	0	0
Results from investment properties	3	2	2	-17	0
General administrative expenses	93	96	91	95	88
Net other operating income/expenses	2	-10	-2	-2	1
Impairment of goodwill	0	0	–	0	–
Operating profit	**47**	**44**	**47**	**40**	**33**
Income taxes	13	14	12	11	11
Net income/loss	**34**	**30**	**35**	**29**	**22**
Allocation of results					
Net income/loss attributable to non-controlling interests	5	4	5	4	5
Net income/loss attributable to shareholders of Aareal Bank AG	29	26	30	25	17

Statement of Comprehensive Income

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

€ mn	Quarter 3 2011	Quarter 2 2011	Quarter 1 2011	Quarter 4 2010	Quarter 3 2010
Net income/loss	**34**	**30**	**35**	**29**	**22**
Changes in revaluation surplus	-36	-10	-12	8	19
Changes in hedging reserves	2	–	–	–	–
Changes in currency translation reserves	1	0	0	1	-2
Changes in reserves from transactions under common control	–	–	–	-1	0
Gains and losses directly recognised in equity (after taxes)	**-33**	**-10**	**-12**	**8**	**17**
Total comprehensive income	**1**	**20**	**23**	**37**	**39**
Allocation of total comprehensive income					
Total comprehensive income attributable to non-controlling interests	5	4	5	4	5
Total comprehensive income attributable to shareholders of Aareal Bank AG	-4	16	18	33	34

Segment Reporting

Segment Results

€ mn	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Net interest income	372	338	0	0	29	32	401	370
Allowance for credit losses	78	97					78	97
Net interest income after allowance for credit losses	**294**	**241**	**0**	**0**	**29**	**32**	**323**	**273**
Net commission income	-3	-8	132	127	-30	-33	99	86
Net results on hedge accounting	2	2					2	2
Net trading income/expenses	14	-5					14	-5
Results from non-trading assets	-18	10	0	1			-18	11
Results from investments accounted for using the equity method		5	1				1	5
Results from investment properties	7	0					7	0
General administrative expenses	159	161	122	112	-1	-2	280	271
Net other operating income/expenses	-11	-7	1	1	0	-1	-10	-7
Impairment of goodwill	0	0					0	0
Operating profit	**126**	**77**	**12**	**17**	**0**	**0**	**138**	**94**
Income taxes	36	24	3	5			39	29
Net income/loss	**90**	**53**	**9**	**12**	**0**	**0**	**99**	**65**
Allocation of results								
Net income/loss attributable to non-controlling interests	12	12	2	2			14	14
Net income/loss attributable to shareholders of Aareal Bank AG	78	41	7	10	0	0	85	51
Allocated equity	1,373	1,399	80	75	524	409	1,977	1,883
Cost/income ratio (%)	43.9	47.9	91.2	86.8			56.5	58.6
RoE before taxes (%)	11.0	6.2	16.6	26.9			8.3	5.7
Employees (average)	**869**	**936**	**1,489**	**1,321**			**2,358**	**2,257**

Segment Reporting

Segment Results (Quarterly Development)

€ mn	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010
Net interest income	123	121	0	0	10	10	133	131
Allowance for credit losses	36	32					36	32
Net interest income after allowance for credit losses	**87**	**89**	**0**	**0**	**10**	**10**	**97**	**99**
Net commission income	4	-5	45	39	-11	-10	38	24
Net results on hedge accounting	2	-2					2	-2
Net trading income/expenses	20	2					20	2
Results from non-trading assets	-22	-4	0	1			-22	-3
Results from investments accounted for using the equity method		0						0
Results from investment properties	3	0					3	0
General administrative expenses	54	54	40	35	-1	-1	93	88
Net other operating income/expenses	2	2	0	0	0	-1	2	1
Impairment of goodwill	0						0	
Operating profit	**42**	**28**	**5**	**5**	**0**	**0**	**47**	**33**
Income taxes	12	10	1	1			13	11
Net income/loss	**30**	**18**	**4**	**4**	**0**	**0**	**34**	**22**
Allocation of results								
Net income/loss attributable to non-controlling interests	4	4	1	1			5	5
Net income/loss attributable to shareholders of Aareal Bank AG	26	14	3	3	0	0	29	17
Allocated equity	1,373	1,399	80	75	524	409	1,977	1,883
Cost/income ratio (%)	40.9	47.2	88.3	87.4			52.9	57.8
RoE before taxes (%)	10.8	6.6	23.7	24.1			8.3	5.9

Segment Reporting

Consulting / Services Segment – Reconciliation of Income Statement

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

€ mn			Income statement classification – bank									
			Net interest income	Net commission income	Results from non-trading assets	Results from investments accounted for using the equity method	General administrative expenses	Net other operating income / expenses	Impairment of goodwill	**Operating profit**	Income taxes	**Segment result**
	Q3 2011		0	45	0		40	0		**5**	1	**4**
	Q3 2010		0	39	1		35	0		**5**	1	**4**
Income statement classification – industrial enterprise												
Sales revenue	Q3 2011	50		50								
	Q3 2010	45		45								
Own work capitalised	Q3 2011	0					0					
	Q3 2010	0					0					
Changes in inventory	Q3 2011	0						0				
	Q3 2010	0						0				
Other operating income	Q3 2011	2						2				
	Q3 2010	3			1			2				
Cost of materials purchased	Q3 2011	5		5								
	Q3 2010	6		6								
Staff expenses	Q3 2011	27					27					
	Q3 2010	22					22					
Depreciation, amortisation and impairment losses	Q3 2011	3					3					
	Q3 2010	3					3					
Results from investments accounted for using the equity method	Q3 2011											
	Q3 2010											
Other operating expenses	Q3 2011	12			0		10	2				
	Q3 2010	12			0		10	2				
Interest and similar income / expenses	Q3 2011	0	0									
	Q3 2010	0	0									
Operating profit	**Q3 2011**	**5**	**0**	**45**	**0**		**40**	**0**				
	Q3 2010	**5**	**0**	**39**	**1**		**35**	**0**				
Income taxes	Q3 2011	1									1	
	Q3 2010	1									1	
Segment result	**Q3 2011**	**4**										
	Q3 2010	**4**										

Statement of Financial Position

€ mn	Note	30 Sep 2011	31 Dec 2010
Assets			
Cash funds		785	922
Loans and advances to banks	9	2,605	2,034
Loans and advances to customers	10	24,760	24,661
Allowance for credit losses		-334	-332
Positive market value of derivative hedging instruments		1,749	1,321
Trading assets	11	465	428
Non-trading assets	12	10,685	11,428
Investments accounted for using the equity method		2	3
Investment properties		220	220
Intangible assets	13	85	91
Property and equipment	14	98	95
Income tax assets		19	31
Deferred tax assets		87	69
Other assets	15	325	246
Total		**41,551**	**41,217**
Equity and liabilities			
Liabilities to banks	16	2,948	5,168
Liabilities to customers	17	24,968	22,846
Certificated liabilities	18	7,634	7,619
Negative market value of derivative hedging instruments		1,613	1,181
Trading liabilities	19	556	675
Provisions	20	231	237
Income tax liabilities		9	30
Deferred tax liabilities		32	27
Other liabilities	21	143	181
Subordinated equity	22	1,233	1,268
Equity	23, 24		
Subscribed capital		180	128
Capital reserves		721	511
Retained earnings		903	836
Other reserves		-163	-108
Silent participation by SoFFin		300	375
Non-controlling interest		243	243
Total equity		2,184	1,985
Total		**41,551**	**41,217**

Statement of Changes in Equity

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

€ mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Reserves from transactions under common control	Other reserves: Revaluation surplus	Other reserves: Hedging reserves	Other reserves: Currency translation reserves	Silent participation by SoFFin	Total	Non-controlling interest	Total equity
Equity as at 1 January 2010	**128**	**511**	**780**	**1**	**-112**	**0**	**1**	**525**	**1,834**	**243**	**2,077**
Total comprehensive income for the period			51	0	-6	0	0		45	14	59
Capital increase											
Costs of capital increase											
Payments to non-controlling interests										-14	-14
Dividends											
Silent participation by SoFFin								-150	-150		-150
Costs associated with the silent participation by SoFFin			-24						-24		-24
Other changes											
Equity as at 30 September 2010	**128**	**511**	**807**	**1**	**-118**	**–**	**1**	**375**	**1,705**	**243**	**1,948**

Statement of Cash Flows (condensed)

€ mn	2011	2010
Cash and cash equivalents as at 1 January	**922**	**990**
Cash flow from operating activities	-1,035	175
Cash flow from investing activities	746	-610
Cash flow from financing activities	152	21
Total cash flow	**-137**	**-414**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 September	**785**	**576**

Notes to the Consolidated Financial Statements (condensed)

Basis of Accounting

Legal Framework

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

This quarterly financial report for the period ended 30 September 2011 was prepared pursuant to the provisions of section 37y no. 3 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG") in conjunction with section 37x (3) of the WpHG. It comprises the present interim condensed consolidated financial statements, as well as an interim group management report (see Group Management Report). The condensed consolidated financial statements were approved for publication by the Management Board on 7 November 2011.

Aareal Bank AG prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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

All subsidiaries of Aareal Bank AG have been consolidated. Joint ventures and associates have been accounted for using the equity method in the present interim consolidated financial statements.

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 2010 were also applied in the preparation of these condensed interim consolidated financial statements, including the calculation of comparative figures.

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

- Improvements to IFRSs (issued by the IASB in May 2010)
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters IFRS 7
- Revised IAS 24 Related Party Disclosures

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

Notes to the Statement of Comprehensive Income

(1) Net interest income

€ mn	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Interest income from		
Property loans	512	415
Public-sector loans	26	18
Other lending and money market operations	130	80
Debt and other fixed-income securities	154	139
Current dividend income	0	1
Total interest income	**822**	**653**
Interest expenses for		
Bonds issued	105	65
Registered mortgage Pfandbriefe	55	31
Promissory note loans	123	83
Subordinated equity	25	20
Term deposits	83	60
Payable on demand	26	17
Other banking transactions	4	7
Total interest expenses	**421**	**283**
Total	**401**	**370**

(2) Net loan loss provisions

The allowance for credit losses amounted to € 78 million during the first nine months of the financial year 2011 (previous year: € 97 million).

(3) Net commission income

€ mn	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Commission income from		
Consulting and other services	111	105
Trustee loans and administered loans	2	4
Securities transactions	1	1
Securitisation transactions	–	1
Other lending and money market operations	21	12
Other commission income	7	8
Total commission income	**142**	**131**
Commission expenses for		
Consulting and other services	15	16
Securities transactions	19	21
Securitisation transactions	0	2
Other lending and money market transactions	6	1
Other commission expenses	3	5
Total commission expenses	**43**	**45**
Total	**99**	**86**

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

Commission expenses from securities transactions include guarantee fees of € 18 million (previous year: € 20 million) in connection with the SoFFin-guaranteed bonds.

(4) Net trading income/expenses

€ mn	1 Jan-30 Sep 2011	1 Jan-30 Sep 2010
Results from derivative financial instruments	14	-2
Currency translation	0	-3
Net income/expenses from other positions held for trading	–	0
Total	**14**	**-5**

Net trading income/expenses is 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.

(5) Results from non-trading assets

€ mn	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Result from debt securities and other fixed-income securities	-11	14
of which: Loans and receivables	5	6
Available for sale	-16	8
Result from equities and other non-fixed income securities	-7	-2
of which: Available for sale	-8	-3
Designated as at fair value through profit or loss	1	1
Results from equity investments (AfS)	0	-1
Total	**-18**	**11**

The result from debt securities and other fixed-income securities is attributable to the sale of fixed-income securities.

(6) General administrative expenses

€ mn	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Staff expenses	172	161
Other administrative expenses	92	94
Depreciation, amortisation and impairment of property and equipment and intangible assets	16	16
Total	**280**	**271**

Staff expenses include, amongst other things, additional expenses generated by SG|automatisering bv, Aareon's Dutch subsidiary, acquired in the fourth quarter of 2010.

(7) Net other operating income/expenses

€ mn	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Income from properties	4	6
Income from the reversal of provisions	0	7
Income from goods and services	3	3
Miscellaneous	11	11
Total other operating income	**18**	**27**
Expenses for property	12	10
Expenses for services used	0	0
Write-downs of trade receivables	0	0
Expenses for other taxes	1	1
Miscellaneous	15	23
Total other operating expenses	**28**	**34**
Total	**-10**	**-7**

(8) Reconciliation from Net Income/Loss to Total Comprehensive Income

€ mn	1 Jan - 30 Sep 2011	1 Jan - 30 Sep 2010
Net income/loss	**99**	**65**
Changes in revaluation surplus, after tax	**-58**	**-6**
Gains and losses on remeasuring available-for-sale financial instruments, before tax	-90	-14
Reclassifications to the income statement, before tax	16	11
Taxes	16	-3
Changes in hedging reserves, after tax	**2**	**0**
Profit/loss from derivatives used to hedge future cash flows, before taxes	3	0
Reclassifications to the income statement, before tax	–	–
Taxes	-1	0
Changes in currency translation reserves, after tax	**1**	**0**
Profit/loss from translating foreign operations' financial statements, before taxes	1	0
Reclassifications to the income statement, before tax	–	0
Taxes	–	–
Changes in reserves from transactions under common control, after tax	**–**	**0**
Gains and losses from transactions under common control, before tax	–	0
Reclassifications to the income statement, before tax	–	–
Taxes	–	–
Profit/loss directly recognised in equity, after taxes	**-55**	**-6**
Total comprehensive income	**44**	**59**

Notes to the Statement of Financial Position

(9) Loans and advances to banks

€ mn	30 Sep 2011	31 Dec 2010
Term deposits and current account balances	1,035	958
Public-sector loans	159	213
Receivables from securities repurchase transactions	1,337	811
Other loans and advances	74	52
Total	**2,605**	**2,034**

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

(10) Loans and advances to customers

€ mn	30 Sep 2011	31 Dec 2010
Property loans	22,458	22,392
Public-sector loans	1,638	1,641
Other loans and advances	664	628
Total	**24,760**	**24,661**

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

(11) Trading assets

€ mn	30 Sep 2011	31 Dec 2010
Positive market value of trading derivatives	465	428
Total	**465**	**428**

Trading assets are allocated to the measurement category "Held for trading" (HfT).

The trading derivatives reported are mainly used to hedge the economic market price risks.

(12) Non-trading assets

€ mn	30 Sep 2011	31 Dec 2010
Debt and other fixed-income securities	10,514	11,393
of which: loans and receivables (LaR)	6,093	6,463
Held to maturity (HtM)	171	557
Available for sale (AfS)	4,250	4,373
Equities and other non-fixed-income securities	170	34
of which: available for sale (AfS)	166	29
Designated as at fair value through profit or loss (dFVtPL)	4	5
Interests in affiliated companies (AfS)	–	–
Other investments (AfS)	1	1
Total	**10,685**	**11,428**

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

Reclassified financial assets

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

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

€ mn	Carrying amount 30 Sep 2011	Fair value 30 Sep 2011	Carrying amount 31 Dec 2010	Fair value 31 Dec 2010
from AfS to LaR	**5,449**	**4,935**	**5,537**	**5,357**
Asset-backed securities	30	28	31	30
Bank bonds	822	818	984	1,004
Covered bonds	639	602	683	652
Public-sector issuer	3,958	3,487	3,839	3,671
from HfT to LaR	**321**	**277**	**388**	**347**
Asset-backed securities	321	277	382	341
Public-sector issuer	–	–	6	6
Total	**5,770**	**5,212**	**5,925**	**5,704**

If the bank had not opted for reclassification, this would have resulted in a € 3 million loss (before tax) for the first nine months of the current financial year (previous year: profit of € 6 million), and € -237 million (after tax) (previous year: € -113 million) would have been recognised in the revaluation surplus.

Bonds of selected European countries

The following overview shows bonds of selected European countries included in non-trading assets of the measurement category „Loans and receivables“ (LaR):

€ mn	Nominal amount 30 Sep 2011	Carrying amount 30 Sep 2011	Fair value 30 Sep 2011	Nominal amount 31 Dec 2010	Carrying amount 31 Dec 2010	Fair value 31 Dec 2010
LaR category						
Greece	–	–	–	–	–	–
Italy	914	1.111	790	914	979	896
Ireland	–	–	–	–	–	–
Portugal	–	–	–	–	–	–
Spain	–	–	–	–	–	–
Total	**914**	**1.111**	**790**	**914**	**979**	**896**

The revaluation surplus related to the above-mentioned government bonds in the LaR category amounted to € -72 million (before taxes) as at 30 September 2011 (31 December 2010: € -74 million). The revaluation surplus is attributable to government bonds 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).

The following overview shows bonds of selected European countries included in non-trading assets of the measurement category ”Available for sale“ (AfS):

€ mn	Nominal amount 30 Sep 2011	Carrying amount 30 Sep 2011	Fair value 30 Sep 2011	Nominal amount 31 Dec 2010	Carrying amount 31 Dec 2010	Fair value 31 Dec 2010
AfS category						
Greece	–	–	–	–	–	–
Italy	710	674	674	410	401	401
Ireland	–	–	–	–	–	–
Portugal	100	62	62	100	88	88
Spain	–	–	–	225	211	211
Total	**810**	**736**	**736**	**735**	**700**	**700**

The revaluation surplus related to the above-mentioned government bonds in the AfS category amounted to € -116 million (before taxes) as at 30 September 2011 (31 December 2010: € -44 million).

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

(13) Intangible assets

€ mn	30 Sep 2011	31 Dec 2010
Goodwill	50	50
Proprietary software	22	26
Other intangible assets	13	15
Total	**85**	**91**

(14) Property and equipment

€ mn	30 Sep 2011	31 Dec 2010
Land and buildings and construction in progress	81	79
Office furniture and equipment	17	16
Total	**98**	**95**

(15) Other assets

€ mn	30 Sep 2011	31 Dec 2010
Property	107	125
Trade receivables (LaR)	31	27
Miscellaneous	187	94
Total	**325**	**246**

(16) Liabilities to banks

€ mn	30 Sep 2011	31 Dec 2010
Payable on demand	731	583
Term deposits	253	290
Promissory note loans	574	634
Securities repurchase and open-market transactions	1,072	3,336
Registered mortgage Pfandbriefe	105	94
Registered public-sector Pfandbriefe	145	147
Miscellaneous	68	84
Total	**2,948**	**5,168**

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

(17) Deposits from customers

€ mn	30 Sep 2011	31 Dec 2010
Payable on demand	4,046	3,813
Term deposits	5,624	5,093
Promissory note loans	8,962	8,370
Registered mortgage Pfandbriefe	2,989	2,448
Registered public-sector Pfandbriefe	3,347	3,122
Total	**24,968**	**22,846**

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

(18) Certificated liabilities

€ mn	30 Sep 2011	31 Dec 2010
Medium-term notes	1,645	1,197
Bearer mortgage Pfandbriefe	4,468	4,058
Bearer public-sector Pfandbriefe	97	99
Other debt securities	1,424	2,265
Total	**7,634**	**7,619**

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

(19) Trading liabilities

€ mn	30 Sep 2011	31 Dec 2010
Negative market value from trading derivatives	556	675
Total	**556**	**675**

Trading liabilities are allocated to the measurement category ”Held for trading“ (HfT).

(20) Provisions

€ mn	30 Sep 2011	31 Dec 2010
Provisions for pensions and similar obligations	93	92
Other provisions	138	145
Total	**231**	**237**

(21) Other liabilities

€ mn	30 Sep 2011	31 Dec 2010
Liabilities from outstanding invoices	5	8
Prepaid expenses	4	4
Liabilities from other taxes	13	29
Trade payables (LaC)	8	10
Other liabilities (LaC)	113	130
Total	**143**	**181**

(22) Subordinated equity

€ mn	30 Sep 2011	31 Dec 2010
Subordinated liabilities	534	560
Profit-participation certificates	473	480
Contributions by silent partners [1]	226	228
Total	**1,233**	**1,268**

[1] The silent participation by SoFFin is classified as equity in accordance with IFRSs; it is therefore not reported under contributions by silent partners, but as a separate item in equity (see Note 23).

Items of subordinated equity are allocated to the measurement category ”Liabilities measured at amortised cost“ (LaC).

(23) Equity

€ mn	30 Sep 2011	31 Dec 2010
Subscribed capital	180	128
Capital reserves	721	511
Retained earnings	903	836
Other reserves		
Revaluation surplus	-168	-110
Hedging reserves	2	–
Currency translation reserves	3	2
Silent participation by SoFFin	300	375
Non-controlling interest	243	243
Total	**2,184**	**1,985**

On 14 April, the Management Board of Aareal Bank AG resolved, with the approval of the Supervisory Board, to increase the Company's share capital in a rights issue against cash contributions. 17,102,062 new ordinary bearer shares with a proportionate share in the nominal share capital of € 3.00 per share were issued. As a result, the Company's share capital increased from € 128 million to € 180 million. Gross issue proceeds amounted to € 270 million.

On 28 April, Aareal Bank AG made the second partial repayment – in an amount of € 75 million – related to the silent participation provided by SoFFin.

(24) Treasury shares

No treasury shares were held during the period under review.

Other Notes

(25) Contingent liabilities and loan commitments

€ mn	30 Sep 2011	31 Dec 2010
Contingent liabilities on guarantees and indemnity agreements	355	310
Loan commitments	1,813	1,697
of which: irrevocable	1,295	1,191

(26) Employees

	1 Jan-30 Sep 2011	1 Jan-31 Dec 2010
Salaried employees	2,276	2,217
Executives	82	77
Total	**2,358**	**2,294**
of which: Part-time employees	435	376

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

(27) Related party transactions

No material transactions with related parties were entered into during the first nine months of the 2011 financial year.

(28) 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

Supervisory Board

Hans W. Reich [1) 2) 3) 4) 5)], Kronberg
Chairman of the Supervisory Board
Chairman Public Sector Group, Citigroup Inc.

Erwin Flieger [1) 3) 4) 5)], Geretsried
Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Boards of
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York-Detlef Bülow [1) 2) 6)], Messel
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Christian Graf von Bassewitz [2) 3) 4)], Dusseldorf
Banker (ret'd.)
Former Spokesman of the General Partners
of Bankhaus Lampe KG

Manfred Behrens, Hannover
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Thomas Hawel [6)], Saulheim
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Dieter Kirsch [3) 6)], Nackenheim
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Dr. Herbert Lohneiß [3) 4)], Gräfelfing
Former Chief Executive Officer
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German Chartered Accountant, tax consultant

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Helmut Wagner [6)], Hahnheim
Aareon Deutschland GmbH

Management Board

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Chairman of the Management Board

Dirk Große Wördemann
Member of the Management Board

Hermann Josef Merkens
Member of the Management Board

Thomas Ortmanns
Member of the Management Board

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

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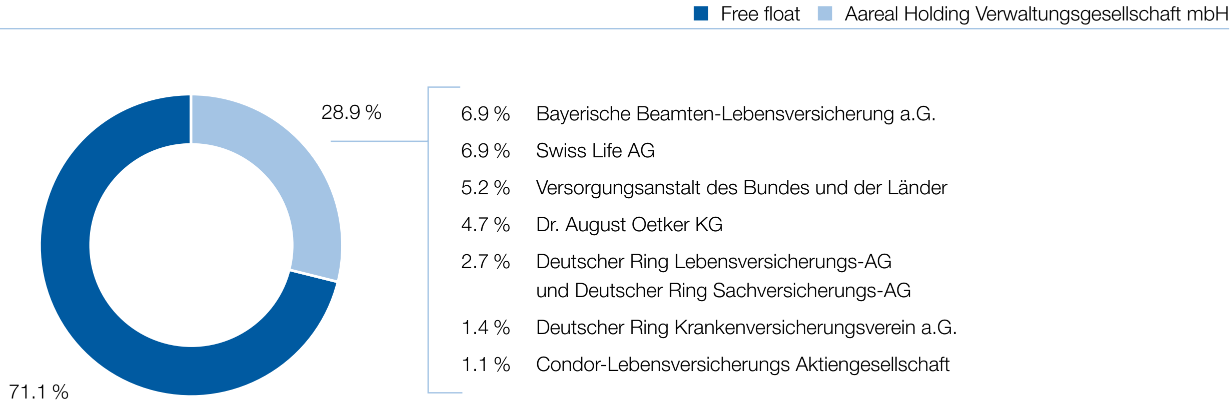
Fax: +353 1 6702785

Shareholder Structure | Financial Calendar

Shareholder Structure



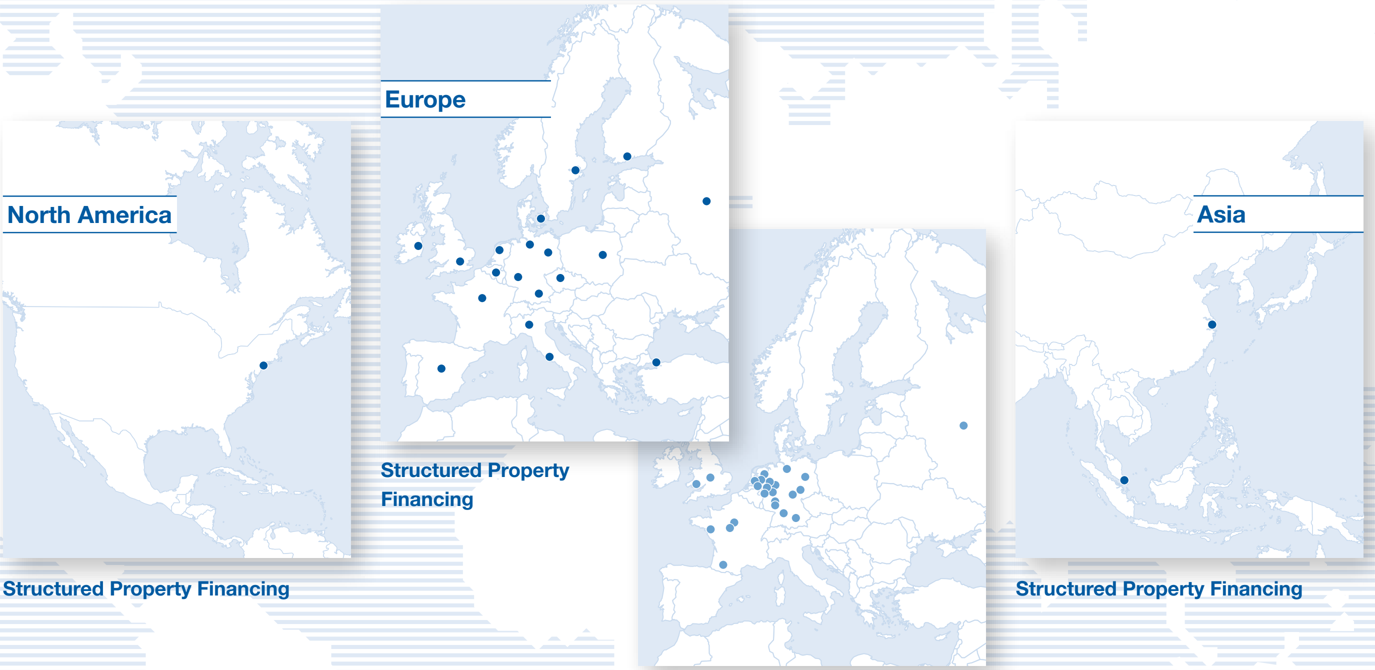
6.9 %	Bayerische Beamten-Lebensversicherung a.G.
6.9 %	Swiss Life AG
5.2 %	Versorgungsanstalt des Bundes und der Länder
4.7 %	Dr. August Oetker KG
2.7 %	Deutscher Ring Lebensversicherungs-AG und Deutscher Ring Sachversicherungs-AG
1.4 %	Deutscher Ring Krankenversicherungsverein a.G.
1.1 %	Condor-Lebensversicherungs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

as at 30 September 2011

Financial Calendar

29 March 2012	Presentation of annual report as at 31 December 2011
23 May 2012	Annual General Meeting – Kurhaus, Wiesbaden

Locations



North America: Structured Property Financing

Europe: Structured Property Financing

Europe: Consulting / Services

Asia: Structured Property Financing

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

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

as at 30 September 2011

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11/2011

Aareal Bank
Group