

INTERIM REPORT AAREAL BANK GROUP

AS AT 30 SEPTEMBER 2007



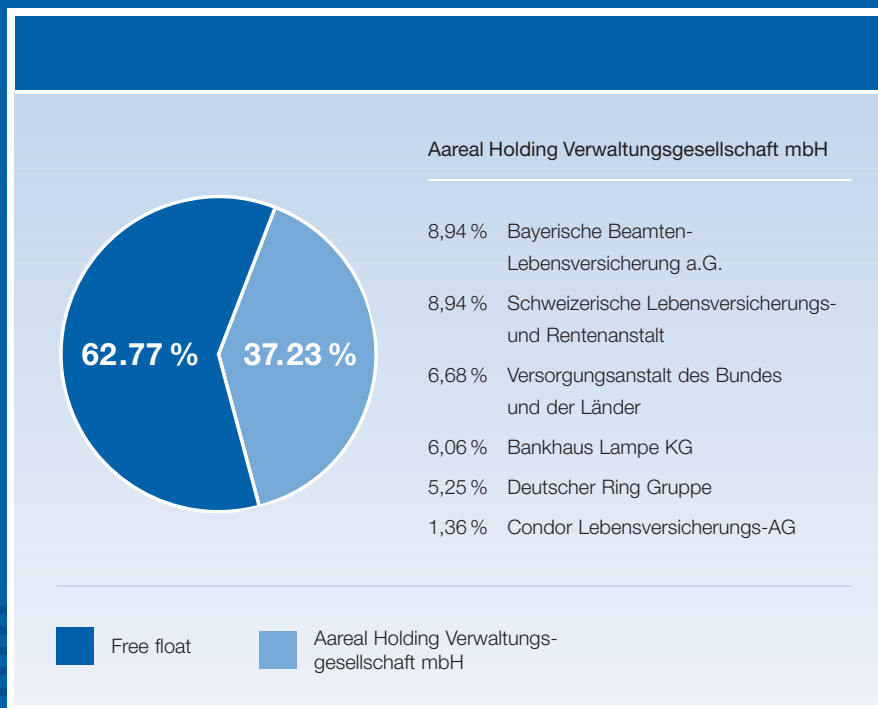
Sept

1 JANUARY TO 30 SEPTEMBER 2007



Aareal Bank

SHAREHOLDER STRUCTURE



Imprint

Contents:

Aareal Bank AG

Konzernstab, Corporate Communications

Cover picture:

Architecture's photography Barbara Staubach, Wiesbaden, Germany

Design/Layout:

s/company, Fulda-Künzell, Germany

Production:

Druckerei Chmielorz GmbH, Wiesbaden-Nordenstadt, Germany

KEY GROUP FIGURES

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KEY GROUP FIGURES

	01 Jan - 30 Sep 2007	01 Jan - 30 Sep 2006	Change
Consolidated Income Statement	€ mn	€ mn	€ mn
Operating profit	353	122	231
Group net income after minority interest income	272	73	199
Indicators			
Cost / income ratio (%) ¹⁾	45.3	54.5	
Earnings per share (€)	6.36	1.71	
RoE after taxes (%) ²⁾	31.4	10.0	

	30 Sep 2007	31 Dec 2006	Change	Change
Portfolio Data	€ mn	€ mn	€ mn	%
Property financing	22,141	20,682	1,459	7
of which: international	16,200	14,289	1,911	13
Property financing under Management	23,694	22,771	923	4
of which: international	16,200	14,289	1,911	13
Shareholder's equity	1,646	1,372	274	20
Total assets	41,094	38,279	2,815	7
Regulatory indicators	%	%		
Core capital ratio (BIS rules) ³⁾	6.9	7.3		
Total capital ratio (BIS rules) ³⁾	11.1	12.1		

	30 Sep 2007	31 Dec 2006
Rating		
Fitch Ratings, London		
Long-term	A-	A-
Short-term	F2	F2

¹⁾ only in the Structured Property Financing segment; ²⁾ on an annualised basis

³⁾ The ratios were calculated in accordance with the definitions by the Basel Committee. No agreement regarding the determination of the ratios has been concluded with the German Federal Financial Supervisory Authority (BaFin).

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LETTER TO SHAREHOLDERS

Dear shareholders, business associates and Aareal Bank staff,

FUTURE 2009, the growth programme we launched in March this year, is already showing clear signs of success. Our clearly-defined focus on two core business segments – Structured Property Financing and Consulting / Services – is bearing fruit: Accordingly, we succeeded in further raising the international profile in our Structured Property Financing segment during the first nine months of the financial year, generating new business at a high level. Net income after minority interests was € 272 million during the period under review – a gratifying result indeed. Third-quarter results were influenced in particular by the very successful sale of our stake in Immobilien Scout GmbH. We remain firmly on course even in the current market environment with the changes sparked by the sub-prime crisis. Particularly gratifying is the way in which profit has developed in the Consulting / Services segment, an area of business that has been making a positive contribution to the Group's success for five consecutive quarters now.

Successful internationalisation

We continued to push ahead with the internationalisation of our Structured Property Financing business, implementing our strategy to actively cover three continents through the establishment of new international office locations. The opening of a representative office in Helsinki in May this year has enhanced the bank's presence in Northern Europe. Aareal Bank now has a local presence in 17 countries worldwide.

We have re-positioned our sales force, establishing regional distribution hubs covering closely-related economic regions. Based on the blueprint of our successful hub in the Nordic region, we started to combine and focus our sales activities in Central and Eastern Europe.

We will build up our Singapore office into a regional hub in the Asian region. This is a location from which we can make ideal use of our local know-how, offering investors an even more direct route to the Asian real estate markets. In August, our Singapore subsidiary obtained its merchant bank license – yet another milestone in the consistent implementation of our strategy for Asia.

Successful development of new business

With a total of € 8.75 billion, Aareal Bank was able to record a strong level of new business for the first nine months. This corresponds to an increase of 19 % over the same period of last year. International transactions accounted for 89 % of new business. In terms of our predicted annual target of € 10 billion, we still remain well on track, with a good chance to exceed this level.

Having seen record levels in direct commercial property investments worldwide during the first half of 2007, we noted signs for a slowdown in property transactions during the third quarter. The supply of financing for commercial property was substantially cut as a result of the crisis affecting the US sub-prime market. The ability of the capital market to take in securitised loans fell strongly during the third quarter of 2007. In this environment, we maintained the new business growth on the same level as during the preceding quarters by capitalising on selected opportunities.



Sub-prime crisis

Aareal Bank is not exposed to the US sub-prime market, neither directly nor indirectly. We currently view the movement towards a more appropriate pricing of credit risks, together with a greater focus on clients' credit rating and on the quality of the financed properties, as positive knock-on effects. As we expect to benefit from this development, our overall view of the current market situation is that it represents an opportunity, which we will exploit to generate additional new business, on a selective basis, and to grow our balance sheet.

Solid refinancing base

Representing as it does a key component of Aareal Bank's funding mix, Pfandbrief issuance in fact gives us a clear competitive edge in the current capital market environment. At present, Aareal Bank sees no need to additionally raise finance through (public) issues, private placements, or Pfandbriefe.

The significant level of deposits generated through the "BK 01" mass payments system distributed by our Institutional Housing Business – € 4.55 billion during the first nine months of the financial year – helps to clearly reduce the bank's dependency on the money and capital markets.

Consulting / Services segment continuing to develop positively

The Consulting / Services segment enjoyed exceptional success during the period under review. A particularly positive development was recorded with regard to our multi-product strategy, which we launched last year, comprising the four enterprise resource planning (ERP) systems Blue Eagle, GES, Wohndata and Wodis. The products are being well received on the market and the first synergistic benefits are emerging. A new sales management system has also reinforced the profit-oriented and customer-focused approach of the Consulting / Services segment.

For five quarters in a row now, the segment has been making a positive profit contribution to Aareal Bank Group's success.

Sale of stake in Immobilien Scout GmbH

Within the scope of realigning its group structure, to focus on the core business segments of Structured Property Financing and Consulting / Services to the institutional housing sector, Aareal Bank had indicated that it would examine strategic options regarding its shareholding in Immobilien Scout.

We successfully terminated our long-term investment in Immobilien Scout GmbH in August, by selling our 66.22 % stake. The purchase price valued Immobilien Scout

GmbH at € 540 million. The sale provided a non-recurring effect boosting income by € 153 million.

Group profitability

During the period under review, Aareal Bank Group achieved consolidated net income after minority interests of € 272 million. This represents an increase of 272.6 % over the € 73 million result recorded for the same period of the previous year. Return on equity after taxes thus amounted to 31.4 %.

Results for the third quarter of 2007 were strongly influenced by non-recurring events. In particular, these included non-recurring income of € 153 million on the disposal of the bank's shareholding in Immobilien Scout GmbH, plus a € 63 million mark-up on our investment in Deutsche Interhotel, which is accounted for at equity. € 27 million in additional one-off charges recognised during the quarter affected net trading income (€ 15 million), administrative expenses (€ 7 million), and net other operating income and expenses (€ 5 million). In addition, a € 13 million tax expense was recognised, reflecting the re-measurement of deferred tax assets following the German business tax reform passed in July 2007.

Net interest income was up slightly, compared with the same period of the previous year, to € 302 million, up € 5 million or 1.7 %.

Growth in income generated from deposits generated in the Consulting / Services segment, to € 46 million, was offset by a decline in net interest income in Structured Property Financing (to € 256 million), reflecting increased competitive pressures which prevailed until August 2007.

Thanks to the good performance of our loan portfolio, we were able to reduce provisions for loan losses during the third quarter of 2007: at € 63 million for the first nine months of the year, these were down 4.5 % year-on-year, and we expect the figure for the year 2007 as a whole to remain at the lower end of the communicated target range of € 80 to 90 million.

At € 105 million, net commission income was up slightly, by € 1 million year-on-year, whereby the previous year's figure included € 7 million in non-recurring income from assets sold by a fund managed by a subsidiary. The net figure was influenced by opposing trends in the two segments. Clients significantly reduced early repayments of property loans, causing prepayment fees generated in Structured Property Finance to decline during the third quarter. This was offset by the positive development in net commission income for the Consulting / Services segment.

Net trading income was a € 6 million loss. The € 12 million negative swing compared to the figure for the same period of the previous year reflected lower mark-to-market

values of securities held for trading, which predominantly affected senior unsecured bank bonds, as well as asset-backed securities. Given that the current market volatility is set to prevail, additional write-downs on these holdings cannot be excluded.

The result from non-trading assets amounted to € 188 million, almost five times the € 39 million recorded in the same period of the previous year. This marked increase was attributable in particular to the € 153 million sales proceeds recognised from the sale of the Immobilien Scout stake. Compared to the operating profit originally budgeted for Immobilien Scout GmbH, the transaction boosted Aareal Bank's projected net income for 2007 by € 140 million after taxes.

The net result from investments accounted for at equity of € 68 million includes a € 63 million mark-up recognised to reflect the disposal of assets within Deutsche Interhotel Group, plus the 2006 dividend from the sale of our stake held in Immobilien Scout GmbH, which was recognised during the second quarter of 2007.

Administrative expenses were up slightly, by 1.9 %, to € 273 million. This increase was predominantly attributable to investments to expand Aareal Bank Group's international business, offset by our successful cost-reduction measures implemented within the scope of realigning Aareon AG. The net figure also includes special remuneration payments (including those to employees),

and expenses for the management buyout of the "Paco unlimited" product line.

After taking into account net other operating income and expenses of € 27 million, consolidated operating profit / loss before taxes amounted to € 353 million. After deduction of € 67 million in taxes (of which € 13 million relate to the re-measurement of deferred taxes), consolidated net income after minority interests was € 286 million.

Segment reporting

Structured Property Financing

This segment brings together the property finance and treasury activities of Aareal Bank.

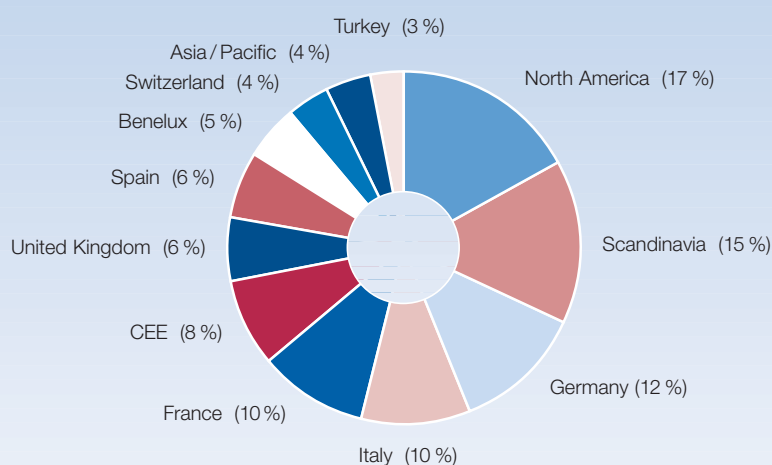
Business development

The property markets on which Aareal Bank is active have performed well during 2007, in line with the world economy, and were mainly characterised by stable to falling vacancy rates, good rental performance and positive developments in rent levels.

Europe

Approximately 15 % of new business during the first nine months of the year was generated in Northern Europe. France, Italy and

New business by region 01 January - 30 September 2007: € 8.75 bn



Germany each accounted for some 10 % of total new business, followed by Central and Eastern Europe (CEE) accounting for about 8 %. We have stepped up our activities in this region. The expansion of our presence in Poland and our consistent implementation of our hub concept are key examples of this commitment.

North America

Our core expertise in the North American market lies in the property finance business for large institutional clients. Aareal Bank is not exposed to the US sub-prime market, neither directly nor indirectly.

We successfully expanded our client base and broadened our product range during the period under review. The success of our investments is visible in the share of new business, which accounted for around 17 % of overall business volume during the first nine months of 2007.

Asia / Pacific

Whilst the Asia / Pacific region contributed just under 4 % of the overall new business, this is a region in which we were able to achieve considerable growth rates over the reporting period. At € 323 million, the volume of new business was five times as

high as during the same period of the previous year.

Having also grown our client base in the region, we are therefore operating entirely to schedule in the expansion of our Asian business. Having submitted an application to license a representative office in Shanghai with the Chinese authorities, we are continuously monitoring additional markets in the region.

Segment result

Net interest income generated in the Structured Property Financing segment amounted to € 256 million for the first nine months of 2007. The moderate 2.3 % decline year-on-year was mainly attributable to more intense competition, which burdened margins until August of this year.

The good performance of our portfolio permitted us to reduce provisions for loan losses during the third quarter of 2007: at € 63 million for the first nine months, the level of impairment charges was down 4.5 % year-on-year, whilst the € 19 million figure for the third quarter was 13.6 % lower than in the second quarter. We envisage provisions for loan losses at the lower end of the € 80 to 90 million range projected for the year 2007 as a whole.

Net commission income declined by € 10 million year-on-year, to € 20 million for the period ended 30 September 2007.

In this context, it should be noted that the figure for the same period of 2006 included € 7 million in non-recurring income from an asset sale by a fund managed by a subsidiary. Adjusted for this special item, net commission income was down by € 3 million.

Net trading income was negative, at € 6 million. The € 12 million negative swing year-on-year reflected the marking-to-market of securities held for trading, largely comprising senior unsecured bank bonds and ABS issues.

The net result from investments accounted for at equity was characterised by a € 63 million mark-up recognised during the third quarter upon distribution of profits from the sale of property assets and operating SPVs to Interhotel Holding.

At € 164 million, administrative expenses were up € 18 million, or approx. 12.3 %, from the same period of the previous year. The increase reflects investments in the international expansion of the business, exploring new markets. The figure also includes special payments made to staff.

Net other operating income and expenses of € 32 million includes a € 37 million compensation payment received from DEPFA BANK plc. As part of our strategy to focus on the property finance business with institutional clients, we plan to sell an existing German sub-portfolio comprising performing retail and other small-sized exposures.

Having initiated the requisite preparations for this disposal during the second quarter of 2007, we recognised € 5 million in expenses for data preparation and portfolio structuring in the third quarter.

Operating profit in the Structured Property Financing segment was up € 71 million, or 67.0 %, to € 177 million.

Consulting / Services

This segment offers a comprehensive range of client-focused services for managing residential property portfolios and processing payment flows for institutional housing sector clients.

Business development

IT Solutions

Our wholly-owned subsidiary Aareon AG extended its market position as a leading consultancy and IT systems house for the property sector during the first nine months of the year. The multi-product strategy introduced at the start of the year is very much favoured by the market. Whilst keeping its portfolio of existing customers stable, Aareon has been able to acquire new reference customers from the competition for its software systems.

Aareon notched up further sales successes during the third quarter of 2007 with the

SAP-based Blue Eagle software package. Aareon was able to bid successfully for almost all the major tenders on the market. Moreover, Aareon succeeded in winning new Blue Eagle users in the commercial property sector. Additionally, numerous existing Aareon customers decided to switch from legacy systems to Blue Eagle.

Wodis, the solution for SMEs acquired from Techem, has been successfully incorporated into the Aareon product portfolio during the period under review. Existing Wodis customers have been integrated without any problems, whilst we have also been able to acquire new customers.

Additionally, income synergies are also emerging in relation to the multi-product strategy. Around 80 Wodis customers, for example, are already making use of the integrated services on offer from Aareon. Conversely, GES and Wohndata customers who are not seeking an SAP-based solution are turning to Wodis.

Aareon AG signed a rental agreement for its new headquarters in Mainz in early July. This clear commitment to its location in Mainz means that Aareon will be merging its four sites there into one, with additional synergies expected to be realised as a result.

Payments and deposit-taking

We have also further strengthened our market position in banking business, underpinned by the market-leading payments

system "BK01". During the first nine months of the financial year we were able to acquire 67 new customers managing a total of 58,000 residential units for payments and deposit-taking business.

The average deposit volume from the housing sector amounted to €4.55 billion during the first three quarters of the year – an increase of approx. €200 million over the same period of the previous year.

Paco unlimited product line

The Aareal Bank Group has sold its "Paco unlimited" product line – comprising access control and automated micropayment billing systems for the institutional housing sector – within the scope of a management buyout. The Bank is therefore consistently adhering to its strategy of focusing on two core business areas.

Segment result

Operating profit climbed from €16 million in the corresponding period of the previous year to €176 million in the first nine months of 2007. Adjusted for €153 million in non-recurring income from the disposal of the Immobilien Scout stake, which was recognised in the third quarter, and also adjusted for a net €10 million in non-recurring effects recorded during the same period of the previous year, operating profit increased almost fourfold, to €23 million (9m 2006: €6 million).

Full-year segment results had been projected and communicated in a range of €22 to 28 million. The significant increase in adjusted operating profit is clear evidence of the successful realignment of the Consulting/Services segment.

Net commission income developed favourably during the first nine-months, up 10.8% to €133 million (9m 2006: €120 million).

Administrative expenditure declined by 11.8%, to €112 million, during the period under review. A €3 million expense has been recognised in the third quarter for the sale of the Paco product line through a management buyout. The comparative figure for the previous year included €6 million in expenditure for a social compensation plan related to the realignment of Aareon AG.

Note 28 presents the results of the Consulting/Services segment using a statement of income format for an industrial entity, including a reconciliation to the bank's income statement.

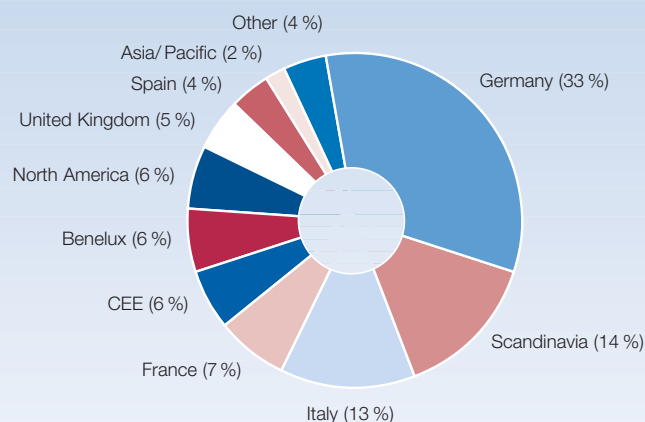
Financial situation

Total assets

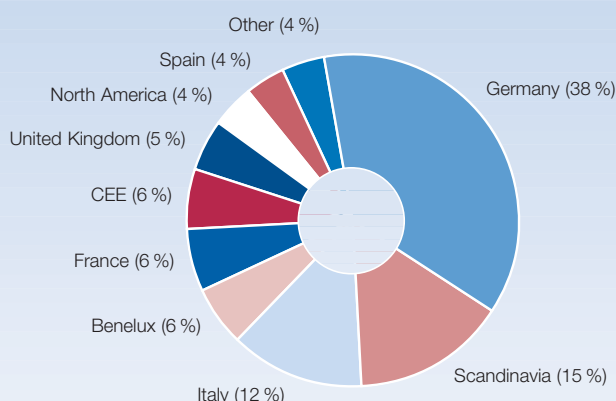
Consolidated total assets as at 30 September 2007 amounted to €41.1 billion, after €38.3 billion as at 31 December 2006.

Property financing under management portfolio by region (%)

Total volume as at 30 September 2007: € 23.7 bn



Total volume as at 31 December 2006: € 22.8 bn



Development of the property lending portfolio

During the first nine months of the current financial year, we succeeded in growing our property financing portfolio under management to € 23.7 billion. This corresponds to an increase of 4.1 % compared with the 2006 year-end.

We were again successful in adding to the regional diversification of our portfolio as a whole. As at 30 September 2007, international property financing accounted for € 16.2 billion. This means that, compared with the year-end figures for 2006, international business was expanded by 13.4 %

and our German business reduced by 11.7 % to € 7.5 billion.

Overall, of our total portfolio under management, € 17.4 billion related to commercial and € 6.3 billion to residential lending business.

Portfolio management and exit strategies

Aareal Bank's non-performing loan (NPL) portfolio is at a long-term reduced level of less than € 500 million. It is our intention to continue reducing gradually this portfolio through further individual sales.

Refinancing and Shareholders' Equity

Refinancing strategy and own issues

By 30 September 2007, Aareal Bank had raised a total of € 4.1 billion of funding. At € 1.7 billion, Pfandbriefe issued this year accounted for a share of overall funding volume in excess of 40 %.

Thanks to strong private placement business and the jumbo Pfandbrief issued in April, we have already raised a large portion of the funding planned for 2007.

Refinancing by means of Pfandbriefe, in view of the level of quality and successful capital market history, offers a favourable method even in difficult capital market phases.

Equity capital/Regulatory indicators

Regulatory indicators (BIS) ¹⁾	30 Sep 2007	30 Jun 2007	31 Mar 2007	31 Dec 2006	31 Dec 2005
	€ mn	€ mn	€ mn	€ mn	€ mn
Core capital	1,498	1,453	1,446	1,406	1,281
Total capital	2,439	2,402	2,397	2,365	2,260
Risk-weighted assets (incl. market risk)	22,025	21,236	20,208	19,477	17,926
	%	%	%	%	%
Core capital ratio	6.9	6.9	7.2	7.3	7.2
Total capital ratio	11.1	11.3	11.9	12.1	12.6

¹⁾The ratio was calculated in accordance with the definitions by the Basel Committee. No agreement regarding the determination of the ratios has been concluded with the German Federal Financial Supervisory Authority (BaFin).

Outlook

We affirm Aareal Bank Group's full-year target of achieving a return on equity after taxes clearly in excess of 20 %. In the Structured Property Financing segment, we will generate aggregate new business of

€ 10 billion by the 2007 year-end, in line with our target, and expect to exceed this level.

In the Consulting/Services segment, operating profit before taxes will lie within the projected range of € 22 to 28 million by the year-end.


In view of the level of quality and successful capital market history, Pfandbrief issues offer a refinancing option at favourable terms, and will therefore continue to play a significant role in Aareal Bank's future refinancing mix.


Aareal Bank will continue to consistently pursue its strategy of internationalisation. The funds raised from the sale of the stake in Immobilien Scout GmbH have been earmarked for investment in the further expansion of the bank's core businesses.


It is still too early to give a definitive assessment of the impact of market turbulence triggered by the sub-prime crisis. The extent to which this will impact the real economy remains to be seen. Given expected restrictions to refinancing property transactions by means of securitisation on the capital market contrary to previous years, we envisage transaction volumes to decline overall. Nevertheless, we will retain our ability, as a balance-sheet lender, to exploit the opportunities available to generate additional new business, on a selective basis, and to grow our balance sheet.


Yours sincerely,

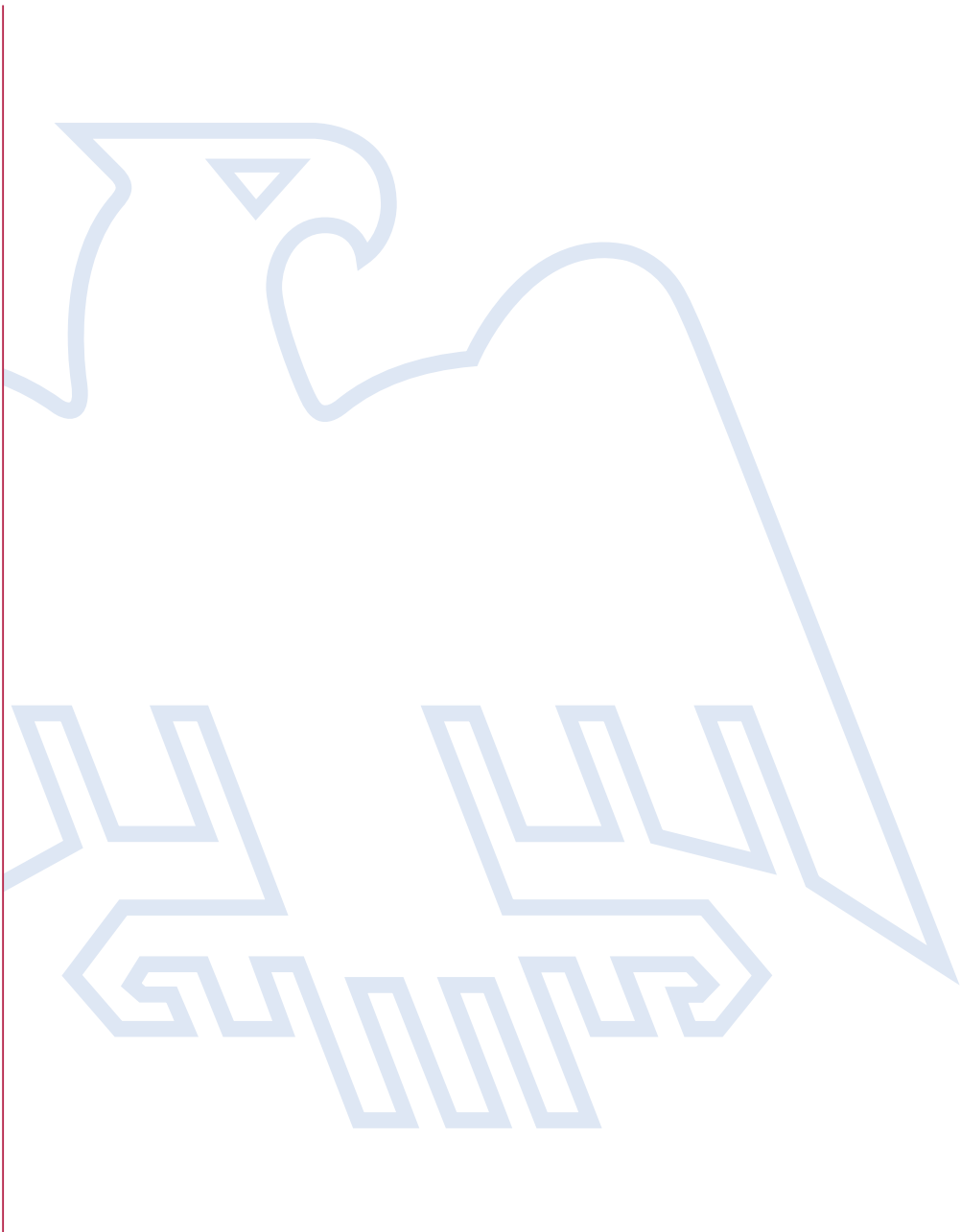
The Management Board


Dr. Wolf Schumacher


Norbert Kickum


Hermann J. Merkens


Thomas Ortmanns



CONSOLIDATED INCOME STATEMENT

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CONSOLIDATED INCOME STATEMENT OF AAREAL BANK GROUP

	Note	01 Jan - 30 Sep 2007	01 Jan - 30 Sep 2006
		€ mn	€ mn
Interest income		1,398	1,186
Interest expenses		1,096	889
Net interest income	1	302	297
Provision for loan losses	2	63	66
Net interest income after net loan loss provisions		239	231
Commission income		152	176
Commission expenses		47	65
Net commission income	3	105	111
Net result on hedge accounting		4	6
Net trading income / expenses	4	-6	6
Results from non-trading assets	5	188	39
Results from companies accounted for at equity	6	68	4
Results from investment properties		1	-1
Administrative expenses	7	273	268
Net other operating income / expenses	8	27	-6
Impairment of goodwill			0
Operating profit		353	122
Income taxes	9	67	35
Results from discontinued operations			0
Consolidated net income / loss		286	87
Allocation of results		€ mn	€ mn
Consolidated net income / loss attributable to minority interests		14	14
Consolidated net income / loss attributable to shareholders of Aareal Bank AG		272	73
		€	€
Earnings per share		6.36	1.71
Diluted earnings per share		6.36	1.71

Earnings per share are determined by dividing the earnings attributable to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding in the financial year.

CONSOLIDATED INCOME STATEMENT (QUARTERLY DEVELOPMENT)

	Quarter 3 2007	Quarter 2 2007	Quarter 1 2007	Quarter 4 2006	Quarter 3 2006
	€ mn	€ mn	€ mn	€ mn	€ mn
Interest income	488	475	435	417	403
Interest expenses	388	371	337	325	306
Net interest income	100	104	98	92	97
Provision for loan losses	19	22	22	23	22
Net interest income after net loan loss provisions	81	82	76	69	75
Commission income	47	52	53	52	55
Commission expenses	15	16	16	18	20
Net commission income	32	36	37	34	35
Net result on hedge accounting	-1	3	2	3	4
Net trading income / expenses	-13	5	2	7	5
Results from non-trading assets	162	14	12	27	15
Results from companies accounted for at equity	63	5			1
Results from investment properties	0	1	0	-12	0
Administrative expenses	93	91	89	88	89
Net other operating income / expenses	-10	-2	39	-2	-3
Impairment of goodwill				0	0
Operating profit	221	53	79	38	43
Income taxes	33	11	23	1	17
Results from discontinued operations				1	0
Consolidated net income / loss	188	42	56	38	26
Allocation of results					
Consolidated net income / loss attributable to minority interests	5	4	5	4	4
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	183	38	51	34	22

SEGMENT REPORTING

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SEGMENT REPORTING BY OPERATING UNIT

	Structured Property Financing		Consulting / Services		Consolidation / Reconciliation / Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006
Net interest income	256	262	0	0	46	35	302	297
Provision for loan losses	63	66					63	66
Net interest income after net loan loss provisions	193	196	0	0	46	35	239	231
Net commission income	20	30	133	120	-48	-39	105	111
Net result on hedge accounting	4	6					4	6
Net trading income / expenses	-6	6					-6	6
Results from non-trading assets	34	23	154	16			188	39
Results from companies accounted for at equity	63	1	5	3			68	4
Results from investment properties	1	-1					1	-1
Administrative expenses	164	146	112	127	-3	-5	273	268
Net other operating income / expenses	32	-9	-4	4	-1	-1	27	-6
Impairment of goodwill				0				0
Operating profit	177	106	176	16	0	0	353	122
Income taxes	58	30	9	5			67	35
Results from discontinued operations								0
Consolidated net income / loss	119	76	167	11	0	0	286	87
Allocation of results								
Consolidated net income / loss attributable to minority interests	12	12	2	2			14	14
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	107	64	165	9	0	0	272	73
Allocated equity	844	744	73	90	237	133	1,154	967
Cost / income ratio (%)	45.3	54.5	41.0	89.8			43.4	64.1
RoE after taxes (%)	16.8	11.5	301.5	13.2			31.4	10.0

SEGMENT REPORTING (QUARTERLY DEVELOPMENT)

BY OPERATING UNIT

	Structured Property Financing		Consulting / Services		Consolidation / Reconciliation / Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	Quarter 3 2007	Quarter 3 2006	Quarter 3 2007	Quarter 3 2006	Quarter 3 2007	Quarter 3 2006	Quarter 3 2007	Quarter 3 2006
Net interest income	83	84	0	0	17	13	100	97
Provision for loan losses	19	22					19	22
Net interest income after net loan loss provisions	64	62	0	0	17	13	81	75
Net commission income	4	11	46	39	-18	-15	32	35
Net result on hedge accounting	-1	4					-1	4
Net trading income / expenses	-13	5					-13	5
Results from non-trading assets	9	1	153	14			162	15
Results from companies accounted for at equity	63	1					63	1
Results from investment properties	0	0			0		0	0
Administrative expenses	55	45	40	46	-2	-2	93	89
Net other operating income / expenses	-7	-8	-2	5	-1	0	-10	-3
Impairment of goodwill				0				0
Operating profit	64	31	157	12	0	0	221	43
Income taxes	29	12	4	5			33	17
Results from discontinued operations								0
Consolidated net income / loss	35	19	153	7	0	0	188	26
Allocation of results								
Consolidated net income / loss attributable to minority interests	4	3	1	1			5	4
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	31	16	152	6	0	0	183	22
Allocated equity	844	744	73	90	237	133	1,154	967
Cost / income ratio (%)	46.2	59.1	21.7	81.7			31.9	65.7
RoE after taxes (%)	14.5	8.8	834.2	27.8			63.3	9.2

CONSOLIDATED BALANCE SHEET

22

CONSOLIDATED BALANCE SHEET OF AAREAL BANK GROUP

	Note	30 Sep 2007	31 Dec 2006
Assets		€ mn	€ mn
Cash Funds		1,988	1,331
Loans and advances to banks	10	3,558	2,691
Loans and advances to customers	11	24,183	23,341
Provision for loan losses		-315	-333
Positive market value of derivative hedging instruments		896	883
Trading assets	12	1,233	726
Non-current assets held for sale and discontinued operations		68	215
Non-trading assets	13	8,288	8,510
Interests in companies accounted for at equity		90	120
Investment properties		10	10
Intangible assets	14	82	84
Property and equipment	15	98	93
Income tax assets		26	42
Deferred tax assets		96	175
Other assets	16	793	391
Total		41,094	38,279
Shareholders' equity and liabilities		€ mn	€ mn
Liabilities to banks	17	4,587	5,212
Liabilities to customers	18	22,875	21,346
Certificated liabilities	19	7,693	7,078
Negative market value of derivative hedging instruments		1,067	974
Trading liabilities	20	1,078	157
Obligations from disposal groups and discontinued operations		2	3
Provisions	21	221	286
Income tax liabilities		24	14
Deferred tax liabilities		95	128
Other liabilities		488	318
Subordinated equity	22	1,318	1,391
Shareholders' equity	23		
Subscribed capital		128	128
Capital reserves		511	511
Retained earnings		413	314
Reserves from transactions under common control		-20	-18
Revaluation surplus		97	86
Minority interest		245	244
Group retained income		272	107
Total shareholders' equity		1,646	1,372
Total		41,094	38,279

CONSOLIDATED STATEMENTS

23

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	2007	2006
	€ mn	€ mn
Consolidated shareholders' equity as at 01 January	1,372	1,241
Retained earnings	13	-26
Reserves from transactions under common control	-2	22
Revaluation surplus	11	19
Minority interest	1	1
Dividends paid	-21	
Consolidated net income/loss attributable to shareholders of Aareal Bank AG	272	73
Consolidated shareholders' equity as at 30 September	1,646	1,330

CONSOLIDATED STATEMENT OF CASH FLOWS

	2007	2006
	€ mn	€ mn
Cash and cash equivalents as at 01 January	1,331	1,494
Cash flow from operating activities	531	176
Cash flow from investing activities	220	822
Cash flow from financing activities	-94	-157
Total cash flow	657	841
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 September	1,988	2,335

BASIS OF ACCOUNTING

Legal framework and reporting entity structure

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.

Aareal Bank AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) applicable within the European Union (EU), in connection with the provisions pursuant to section 315 a (1) of the German Commercial Code (Handelsgesetzbuch – "HGB").

The present interim financial statements comply with IAS 34 and the requirements of German Accounting Standard (GAS) No. 6 for interim reports as laid down by the German Accounting Standards Board (GASB).

All subsidiaries of Aareal Bank AG have been consolidated. Joint ventures are consolidated proportionally, whilst associates were accounted for at equity in the present interim financial statements.

Aareal Bank AG sold its entire 66.22 % stake in the property portal Immobilien Scout GmbH, Berlin, during the third quarter of 2007, for an aggregate consideration of € 358 million.

There were no other material changes to the scope of consolidation.

Accounting policies

The accounting policies applied in the preparation of the Consolidated Financial Statements 2006 were also applied for this interim financial statements, including the calculation of comparative figures.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Net interest income

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Interest income from financing business and money market transactions	1,135	942
Interest income from fixed-income securities and debt register claims	256	237
Other interest income	7	7
Total interest income	1,398	1,186
Total interest expenses	1,096	889
of which: interest expenses for hybrid capital	58	59
Total	302	297

(2) Provision for loan losses

Provisions for loan losses amounted to € 63 million during the first nine months of 2007 (9m 2006: € 66 million). The amount recognised is determined as a proportion of the amounts projected for the year as a whole.

(3) Net commission income

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Net commission income from banking transactions	20	26
Net commission income from non-banking transactions	85	85
Total	105	111

(4) Net trading income

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Measurement of derivative financial instruments	6	3
Currency translation	1	1
Net income/expenses from other positions held for trading	-13	2
Total	-6	6

(5) Results from non-trading assets

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Results from securities sales	26	21
Results from the measurement of securities	0	0
Results from the disposal of participating interests	162	19
Results from the measurement of participating interests	0	-1
Total	188	39

Results from the disposal of participating interests comprise predominantly the income recognised upon the sale of the stake in Immobilien Scout GmbH, Berlin, during the third quarter of 2007.

(6) Results from companies accounted for at equity

The net result from investments accounted for at equity amounting to € 68 million (9m 2006: € 4 million) was influenced by the measurement of the stake held in Deutsche Interhotel Holding GmbH & Co KG.

(7) Administrative expenses

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Staff expenses	169	166
of which: for pensions	14	11
Other general administrative expenses	89	86
Depreciation and amortisation of property and equipment and intangible assets	15	16
Total	273	268

(8) Net other operating income / expenses

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Income from properties	8	48
Income from the release of provisions	6	5
Income from goods and services	2	1
Other	58	8
Total other operating income	74	62
Expenses for properties	6	28
Expenses for services used	0	1
Write-downs of trade receivables	0	2
Expenses for other taxes	3	2
Other	38	35
Total other operating expenses	47	68
Total	27	-6

(9) Income taxes

Income taxes of € 69 million (9m 2006: € 35 million) include expenses of € 13 million related to the re-measurement of deferred taxes recognised in the past; this was necessary due to the German business tax reform passed in July 2007, which will come into effect in 2008.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) Loans and advances to banks

	30 Sep 2007 € mn	31 Dec 2006 € mn
Money market transactions	823	659
Public-sector loans	377	354
Other loans and advances	2,358	1,678
Total	3,558	2,691

(11) Loans and advances to customers

	30 Sep 2007 € mn	31 Dec 2006 € mn
Property loans	22,141	20,682
Public-sector loans	1,725	1,735
Other loans and advances	317	924
Total	24,183	23,341

(12) Trading assets

	30 Sep 2007 € mn	31 Dec 2006 € mn
Debt and other fixed-income securities	842	498
Positive market value of derivative financial instruments	301	225
Other assets held for trading	90	3
Total	1,233	726

(13) Non-trading assets

	30 Sep 2007 € mn	31 Dec 2006 € mn
Debt and other fixed-income securities	7,649	8,027
Equities and other non-fixed-income securities	633	478
Other participations	6	5
Total	8,288	8,510

(14) Intangible assets

	30 Sep 2007 € mn	31 Dec 2006 € mn
Goodwill	32	32
Proprietary software	37	37
Other intangible assets	13	15
Total	82	84

(15) Property and equipment

	30 Sep 2007 € mn	31 Dec 2006 € mn
Land and buildings	83	77
Office furniture and equipment	15	16
Total	98	93

(16) Other assets

	30 Sep 2007 € mn	31 Dec 2006 € mn
Properties	39	16
Trade receivables	123	128
Other	631	247
Total	793	391

The "Other" item includes € 358 million for the claim to the consideration for the sale of our stake in Immobilien Scout GmbH, Berlin.

(17) Liabilities to banks

	30 Sep 2007 € mn	31 Dec 2006 € mn
Payable on demand	580	557
Term deposits	1,323	1,116
Promissory note loans borrowed	1,385	2,124
Liabilities from securities repurchase agreements	697	1,004
Registered mortgage bonds	409	340
Other	193	71
Total	4,587	5,212

(18) Liabilities to customers

	30 Sep 2007 € mn	31 Dec 2006 € mn
Payable on demand	4,533	5,129
Term deposits	5,746	4,578
Promissory note loans borrowed	8,556	7,784
Registered mortgage bonds	4,014	3,819
Other	26	36
Total	22,875	21,346

(19) Certificated liabilities

	30 Sep 2007 € mn	31 Dec 2006 € mn
Medium-term notes	3,163	2,151
Bearer mortgage bonds	2,950	1,830
Other debt securities	1,580	3,097
Total	7,693	7,078

(20) Trading liabilities

	30 Sep 2007 € mn	31 Dec 2006 € mn
Negative market values of derivative financial instruments	164	157
Other liabilities held for trading	914	
Total	1,078	157

(21) Provisions

	30 Sep 2007 € mn	31 Dec 2006 € mn
Provisions for pensions and similar obligations	107	103
Other provisions	114	183
Total	221	286

(22) Subordinated equity

	30 Sep 2007 € mn	31 Dec 2006 € mn
Subordinated liabilities	605	667
Profit-participation certificates	493	504
Contributions by silent partners	220	220
Total	1,318	1,391

(23) Treasury shares

No treasury shares were held during the period under review.

OTHER NOTES

(24) Property financing – Portfolio breakdown by country ¹⁾

	30 Sep 2007 € mn	31 Dec 2006 € mn
Germany	5,941	6,393
Italy	3,191	2,843
Sweden	1,748	1,932
France	1,584	1,354
United Kingdom	1,178	1,025
Netherlands	977	808
Spain	953	915
USA	947	486
Denmark	828	956
Finland	715	514
Poland	688	830
Turkey	556	372
Belgium	525	554
Canada	508	396
Other	1,802	1,304
Total	22,141	20,682

(25) Property financing – Portfolio breakdown by type of loan ¹⁾

	30 Sep 2007 € mn	31 Dec 2006 € mn
Commercial property financing	17,094	15,693
of which: international	15,067	13,383
Property financing for commercial housing	5,047	4,989
of which: international	1,133	906
Total	22,141	20,682

¹⁾ including securitised receivables

(26) New property financing

	01 Jan-30 Sep 2007 € mn	01 Jan-30 Sep 2006 € mn
Commercial property financing	7,983	5,995
of which: international	7,348	5,398
Property financing for commercial housing	769	1,318
of which: international	396	501
Total	8,752	7,313

(27) Number of employees

	01 Jan-30 Sep 2007	01 Jan-30 Dec 2006
Number of employees in the banking business	1,148	1,180
Number of employees in other businesses	1,401	1,532
Total	2,549	2,712
of which: part-time employees	464	398

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

(28) Reconciliation Consulting / Services segment

Segment results for Consulting / Services are presented below, using a statement of income format for an industrial entity, including a reconciliation to the bank's income statement.

01 Jan - 30 Sep 2007 (€ mn)		Income statement classification – bank											
		Net interest income	Provision for loan losses	Net commission income	Results from hedging relationships	Net trading income	Results from non-trading assets ¹⁾	Results from investments accounted for at equity	Administrative expenses	Net other operating income / expenses	Amortisation of goodwill	Operating profit	Taxes
		0		133			154	5	112	-4		176	9
Income statement classification – industrial enterprise													
Revenues	160			160									
Own work capitalised	1			0					1	0			
Changes in inventory	0									0			
Other operating income ¹⁾	161						154		1	6			
Cost of materials	27			27									
Staff expenses	77								77				
Depreciation and amortisation	10								10				
Results from investments accounted for at equity	5							5					
Other operating expenses	37								27	10			
Other interest and similar income	1	1											
Interest and similar expenses	1	1											
Profits from ordinary activities	176	0		133			154	5	112	-4			
Income taxes	9												9
Segment result	167												

¹⁾ Including € 153 million from the sale of our stake in Immobilien Scout GmbH.

EXECUTIVE BODIES

EXECUTIVE BOD

EXECUTIVE BODIES

Supervisory Board

Hans W. Reich ^{1) 2) 3) 4)}, Kronberg
Chairman of the Supervisory Board
Chairman Public Sector Group Europe,
Middle East, Africa of Citigroup Global
Markets Deutschland AG & Co. KGaA

York-Detlef Bülow ^{1) 2) 5)},
Katzenelnbogen
Deputy Chairman of the Supervisory Board
Aareal Bank AG

Erwin Flieger ^{1) 3) 4)}, Geretsried
Deputy Chairman of the Supervisory Board
Chairman of the Management Boards of
Bayerische Beamten Lebensversicherung
a.G., of BBV Holding AG and of
Bayerische Beamten Versicherung AG
(until 13 July 2007)
Chairman of the Supervisory Board of
BBV Group (as of 13 July 2007)

Christian Graf von Bassewitz ^{2) 3) 4)},
Düsseldorf
Banker ret'd.

Manfred Behrens, München
Managing Director of Schweizerische
Lebensversicherungs- und Rentenanstalt
(Swiss Life), German branch office

Tamara Birke ^{3) 5)}, Wiesbaden
Aareal Bank AG

Thomas Hawel ⁵⁾, Saulheim
Aareon Deutschland GmbH

Dr. Herbert Lohneiß, Munich ^{3) 4)}
Chief Executive Officer of
Siemens Financial Services GmbH

Joachim Neupel ^{2) 3) 4)}, Meerbusch
Tax Advisor and Certified Accountant

Prof. Dr. Stephan Schüller ^{1) 2)}, Hamburg
Spokesman of the General Partners of
Bankhaus Lampe KG

Wolf R. Thiel ¹⁾, Marxzell-Schielberg
President and Chairman of the
Management Board of Versorgungsanstalt
des Bundes und der Länder

Helmut Wagner ⁵⁾, Hahnheim
Aareon Deutschland GmbH

Management Board

Dr. Wolf Schumacher
Chairman

Norbert Kickum
Member of the Management Board

Hermann Josef Merkens
Member of the Management Board

Thomas Ortmanns
Member of the Management Board

Christof M. Schörnig
Member of the Management Board
(until 08 August 2007)

¹⁾ Member of the Executive Committee

²⁾ Member of the Accounts and
Audit Committee

³⁾ Member of the Credit and
Market Risk Committee

⁴⁾ Member of the Committee for
Urgent Decisions

⁵⁾ Employee representative



OUR OFFICES

Wiesbaden Head Office

Aareal Bank AG

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

Structured Property Financing

Amsterdam

Byzantium Building
Stadhouderskade 14e
1054 ES Amsterdam, The Netherlands
Phone: +31 20 5898660
Fax: +31 20 5898666

Berlin

Wallstrasse 9-13
10179 Berlin, Germany
Phone: +49 30 880990
Fax: +49 30 88099470

Brussels

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

Copenhagen

Frederiksgade 7, I
1265 Copenhagen K, Denmark
Phone: +45 70 109090
Fax: +45 70 109091

Hamburg

Pelzerstrasse 7
20095 Hamburg, Germany
Phone: +49 40 33316546
Fax: +49 40 33316599

Helsinki

Aleksanterinkatu 44, 4th floor
00100 Helsinki, Finland
Phone: +358 9 6961010
Fax: +358 9 6961011

Istanbul

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

London

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

Madrid

Paseo de la Castellana, 60 - 4D
28046 Madrid, Spain
Phone: +34 917 454160
Fax: +34 917 450775

Milan

Via Paolo Andreani, 6
20122 Milan, Italy
Phone: +39 02 76419001
Fax: +39 02 764190211

Munich

Richard-Strauss-Strasse 24
81677 Munich, Germany
Phone: +49 89 51270
Fax: +49 89 5127211

New York

Aareal Financial Services USA, Inc.
250 Park Avenue · Suite 820
New York NY 10177, USA
Phone: +1 212 5084080
Fax: +1 917 3220285

Paris

Aareal Bank France S.A.
5, rue Scribe
75009 Paris, France
Phone: +33 1 44516630
Fax: +33 1 42669794

Prague

Aareal Financial Service spol. s r.o.
FORUM Building · Václavské náměstí 19
11000 Prague 1, Czech Republic
Phone: +420 234656000
Fax: +420 234656011

Rhine-Main-Ruhr

Paulinenstrasse 15, Germany
65189 Wiesbaden
Phone: +49 611 3483166
Fax: +49 611 3482833

Rome

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

Singapore

Aareal Bank Asia Limited
3 Church Street
17-03 Samsung Hub
Singapore 049483, Singapore
Phone: +65 6866 1410
Fax: +65 6536 8162

Stockholm

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

Warsaw

Aareal Financial Service Polska Sp. z o.o.
RONDO I
Rondo ONZ I
00-124 Warsaw, Poland
Phone: +48 22 5449060
Fax: +48 22 5449069

Zurich

Rennweg 52
8001 Zurich, Switzerland
Phone: +41 43 8887575
Fax: +41 43 8887576

Aareal Estate AG

Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482025
Fax: +49 611 3482775

Aareal Valuation GmbH

Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482134
Fax: +49 611 3482640

Deutsche Structured Finance GmbH

Westendstrasse 24
60325 Frankfurt/Main, Germany
Phone: +49 69 9714970
Fax: +49 69 97149715

Consulting / Services

Aareal Bank AG

Institutional Housing Unit

Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone: +49 611 3482967
Fax: +49 611 3482499

Institutional Housing Unit

Berlin Branch

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

Institutional Housing Unit

Essen Branch

Huyssenallee 48
45128 Essen, Germany
Phone: +49 201 81008100
Fax: +49 201 81008200

Institutional Housing Unit

Hamburg Branch

Pelzerstrasse 7
20095 Hamburg, Germany
Phone: +49 40 33316810
Fax: +49 40 33316399

Institutional Housing Unit

Leipzig Branch

Neumarkt 2-4
04109 Leipzig, Germany
Phone: +49 341 2272160
Fax: +49 341 2272101

Institutional Housing Unit

Munich Branch

Richard-Strauss-Strasse 24
81677 Munich, Germany
Phone: +49 89 5127265
Fax: +49 89 51271264

Institutional Housing Unit

Rhine-Main-Ruhr Branch

Paulinenstrasse 15
65189 Wiesbaden, Germany
Phone-Hotline: +49 611 3482000
Fax: +49 611 3483002

Institutional Housing Unit

Stuttgart Branch

Kriegerstrasse 3
70191 Stuttgart, Germany
Phone: +49 711 2236116
Fax: +49 711 2236160

Aareon AG

Im Münchfeld 1-5
55122 Mainz, Germany
Phone: +49 6131 3010
Fax: +49 6131 301419

Aareal First Financial Solutions AG

Peter-Sander-Strasse 30
55252 Mainz-Kastel, Germany
Phone: +49 6134 560201
Fax: +49 6134 560401

Deutsche Bau- und Grundstücks-Aktiengesellschaft

Chlodwigplatz 1
53119 Bonn, Germany
Phone: +49 228 5180
Fax: +49 228 518298

Deposit-taking

Dublin

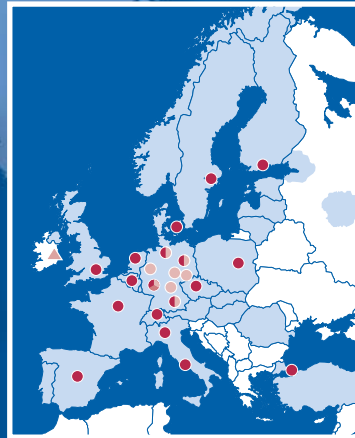
Dublin Exchange Facility
Mayor Street · IFSC
Dublin 1, Ireland
Phone: +353 1 6369220
Fax: +353 1 6702785

Two business units in Europe

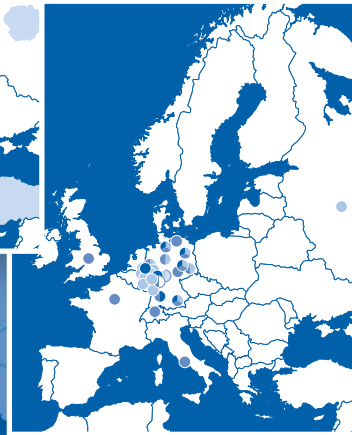
North America



Structured Property Financing



Structured Property Financing



Consulting / Services

Asia / Pacific



Structured Property Financing

▲ Treasury activities

■ Countries with lending operations

● Real Estate Structured Finance

■ Aareal Estate AG

■ Aareal Valuation GmbH

■ Institutional Housing Unit

○ Aareal First Financial Solutions AG

■ Aareon AG

■ Deutsche Bau- und Grundstücks-AG

■ Deutsche Structured Finance GmbH

FINANCIAL CALENDAR

21 May 2008

Annual General Meeting – Kurhaus, Wiesbaden

AMSTERDAM
BERLIN
BRUSSELS
COPENHAGEN
DUBLIN
HAMBURG
HELSINKI
ISTANBUL
LONDON
MADRID
MILAN
MUNICH
NEW YORK
PARIS
PRAGUE
ROME
SINGAPORE
STOCKHOLM
WARSAW
WIESBADEN
ZURICH



Aareal Bank

Aareal Bank AG · Corporate Communications
Paulinenstraße 15 · D-65189 Wiesbaden
Telefon: +49 611 348 3009 · Fax: +49 611 348 2637
E-Mail: ir@aareal-bank.com · www.aareal-bank.com