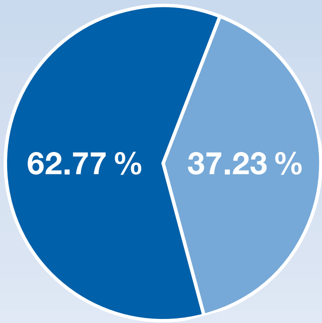
INTERIM REPORT
AAREAL BANK GROUP
AS AT 30 SEPTEMBER 2008

1 JANUARY TO 30 SEPTEMBER 2008

Aareal Bank

SHAREHOLDER STRUCTURE



Aareal Holding Verwaltungsgesellschaft mbH

8.94 %	Bayerische Beamten-Lebensversicherung a.G.
8.94 %	Schweizerische Lebensversicherungs- und Rentenanstalt
6.68 %	Versorgungsanstalt des Bundes und der Länder
6.06 %	Bankhaus Lampe KG
5.25 %	Deutscher Ring Gruppe
1.36 %	Condor Lebensversicherungs-AG (R+V Versicherung AG)

Free float

Aareal Holding Verwaltungsgesellschaft mbH

Imprint

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KEY GROUP FIGURES

	01 Jan - 30 Sep 2008	01 Jan - 30 Sep 2007	Change
Consolidated Income Statement	**€ mn**	**€ mn**	**€ mn**
Operating profit	106	353	-247
Consolidated net income after minority interests	56	272	-216
Indicators			
Cost/income ratio (%) [1]	56.2	45.3	
Earnings per share (€)	1.30	6.36	
RoE after taxes (%) [2]	5.6	31.4	

	30 Sep 2008	31 Dec 2007	Change	Change
Portfolio Data	**€ mn**	**€ mn**	**€ mn**	**%**
Property finance	22,972	22,550	422	2
of which: international	18,664	16,878	1,786	11
Property finance under management	23,685	23,992	-307	-1
of which: international	18,664	16,878	1,786	11
Shareholders' equity	1,536	1,627	-91	-6
Total assets	39,738	40,202	-464	-1
Regulatory indicators	**%**	**%**		
Tier 1 ratio (German Banking Act/CRSA) [3]	8.0	–		
Total capital ratio (German Banking Act/CRSA) [3]	11.9	–		

	30 Sep 2008	31 Dec 2007
Rating		
Fitch Ratings, London		
Long-term	A-	A-
Short-term	F2	F2

[1] Structured Property Financing segment only
[2] on an annualised basis
[3] Since the beginning of 2008, the ratios have been calculated in accordance with the Credit Risk Standard Approach (CRSA) pursuant to the German Solvability Ordinance. The result for the current 2008 financial year of Aareal Bank AG was taken into account in the determination of the CRSA figures.

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LETTER TO SHAREHOLDERS

Dear shareholders, business associates and Aareal Bank staff,

Defined by the effects of an ever-deteriorating international financial crisis and signs of a global economic downturn, the third quarter of the current financial year was undoubtedly the most difficult quarter in decades for the banking sector. Aareal Bank Group has performed well in this challenging environment. Our business model proved itself once more. With a pre-tax result of € 31 million in the third quarter, Aareal Bank Group has posted positive results in all quarters since the onset of the financial market crisis.

Structured Property Financing: net interest income continues to rise

Despite the ongoing turmoil on international financial markets, third-quarter developments in our Structured Financing segment replicated the positive success of the previous quarters. At € 99 million, net interest income continued to perform well over the previous quarter (€ 95 million). It also increased substantially over the same period of the previous year (€ 83 million).

The results in our interest-bearing business were also virtually unchanged, even in an environment characterised by increasing uncertainty on important property markets and despite the sale of a portfolio of residential property loans to Deutsche Postbank AG.

We continue to apply our selective business policy, which is oriented strictly towards quality and return, to our new business, generally concentrating on transactions with attractive risk / return profiles. New business in the third quarter amounted to € 2.1 billion and hence to € 5 billion in the first three quarters of the current year, after € 8.8 billion in the first three quarters of 2007.

We consider this volume to be adequate, against the background of current market conditions. In any event, quality rather than the absolute quantity of new business is decisive for us.

We consistently pursued our three-continent strategy during the third quarter as well; this provides strong regional diversification and therefore compensates for market volatility in individual countries.

International financings meanwhile account for around 79 % of Aareal Bank's overall credit portfolio: the bank's property lending portfolio benefits from a broad regional diversification.

Consulting / Services: leading market position maintained

The satisfactory business development in the Consulting / Services segment, with results improved over the previous year, continued into the third quarter. Backed by our diverse and high-performance product portfolio, we continued to command our position as market leader.

Averaging just below € 4.5 billion, deposits generated by the Consulting / Services segment in the business with the institutional housing sector remained at a high level. This highlights the quality of the business relations Aareal Bank Group fosters with this client base and the confidence the institutional housing sector places in our company as a reliable partner.

We acquired more than 40 new clients managing some 70,000 rental units for our tried and tested payment services applications.

Our subsidiary Aareon AG, the leading European systems house for the housing sector, also forged ahead during the period under review.

Overall, the Consulting / Services segment is an important pillar of our business – particularly in the challenging market environment we are experiencing at present: besides stable sources of income, the deposits generated offer a major competitive advantage to Aareal Bank Group's refinancing activities.

Refinancing: solid liquidity position

Aareal Bank Group's liquidity position is particularly solid in the current tense environment on the capital market. We raised a total of € 2.3 billion in long-term funds in the first nine months of the 2008 financial year. Aareal Bank's property financing portfolio to be refinanced totalled € 23 billion as at 30 September 2008; this was financed by € 19.8 billion in long-term funds and just under € 4.5 billion in a stable and lasting deposit base originated from Institutional Housing Business clients. With additional deposits provided by institutional money market clients, it is evident that Aareal Bank's liquidity position is very solid indeed.

Crisis affecting financial markets: Aareal Bank not immune to the consequences of the crisis

The crisis on the financial markets reached new heights last quarter, especially after the collapse of Lehman Brothers, a US investment bank. Banks around the world struggled with further write-downs and refinancing difficulties. Government-backed measures were introduced in many countries to shore up the banking sector and keep the systemic crisis under control.

Despite its balanced and sustainable business model, its solid liquidity situation and capital base, Aareal Bank was also unable to escape the consequences of the financial markets crisis. All in all, we recognised a net burden of € 10 million on third-quarter income that was attributable to the financial markets crisis. Thanks to the cautious risk policy adopted in recent years, Aareal Bank is therefore only moderately affected compared with its competitors – despite the extreme volatility experienced on capital markets towards the end of the third quarter (and further exacerbated at the beginning of Q4), across all asset classes.

Aareal Bank Group's Tier 1 ratio as at 30 September 2008 was 8.0 % in accordance with the German Banking Act (Credit Risk Standard Approach). Based on the consolidated balance sheet as at 30 September 2008 in accordance with IFRS, the Group's leverage (defined as the ratio of total assets to shareholders' equity) was 30.7 excluding, and only 22.5 including hybrid equity instruments. We thus consider our capital base to be appropriate – also against the background of current developments in the banking sector.

The Aareal Bank share price suffered considerably in the course of the financial crisis. Our share price was affected severely by the knock-on effect on equity markets, due to the sharp distortions experienced by some competitors and the general loss of confidence in the banking sector. As we see it, this price decline is by no means justified from a fundamental perspective.

Strategic position: we remain on track despite serious market distortions

The positive result for the third quarter of 2008 meant that Aareal Bank has posted a profit in all quarters since the outbreak of the financial crisis. We see this as proof of the coherence of our strategic position, and of the sustainability of our business model.

Aareal Bank Group's mid-sized structure allows it to react quickly and flexibly to changes in the market. Thanks to our forward-looking management systems, we can respond to changes in keeping with market conditions and consistently develop our strategic orientation.

We therefore remain convinced that Aareal Bank Group is well-positioned. In spite of the crisis affecting financial markets, our operating business is within budget after the first nine months of the year. Nevertheless, as the dramatic market distortions seen over recent weeks have shown, the current environment does not permit any reliable forecast for the year 2008 as a whole.

Yours sincerely,

The Management Board

Dr. Wolf Schumacher | Norbert Kickum | Hermann J. Merkens | Thomas Ortmanns

GROUP MANAGEMENT REPORT

Environment

Macro-economic environment

Global economic growth stopped accelerating in 2006, and leading indicators started pointing to an economic slowdown since early 2007. Whilst the resulting impact varies by economy, the slowdown is currently being exacerbated by the financial markets crisis.

Financial markets crisis

The first nine months of the current 2008 financial year were characterised by the strained situation on financial markets. In addition, the end of the third quarter was defined by a renewed deterioration, which has extended beyond: this was triggered by the collapse of many US banks that experienced financial difficulties, some of which were taken over by other financial institutions. The US administration as well as numerous European governments took action to support the financial system as well as certain non-financial sectors. Specific measures taken to support financial institutions included recapitalisation, the provision of guarantees and the direct acquisition of equity stakes, together with steps to strengthen the protection of depositors. Some of these measures, including e.g. the German Financial Markets Stabilisation Act (FMStG), were implemented only after the end of the period under review.

Various central banks, including the European Central Bank (ECB), the US Federal Reserve, and the Bank of England, offered liquid funds within the scope of repurchase agreements in order to provide banks with sufficient liquidity.

Economy

Business climate, production and consumer confidence indices, which have been declining since 2007, fell further during the third quarter of 2008, suggesting that the economies in the US, Europe and Japan are under considerable pressure and on the brink of a recession. The liquidity crunch on the interbank market, which led to a shortage of loans for corporate borrowers, also contributed to this effect.

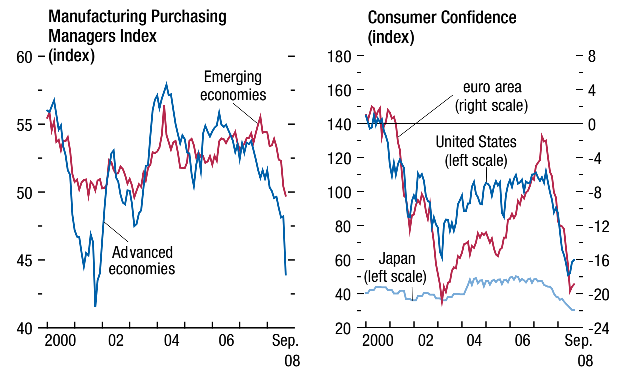
The US economy performed better than expected in the second quarter, due to an economic programme introduced in favour of the private consumer. However, the sharp fall in the production index in the third quarter and the sharp rise in unemployment highlighted a significant economic slowdown in the US – as well as the risk of a recession.

Falling production indices in the euro zone also point towards further weakening of the economic trend. The business climate index fell sharply in Germany. The UK, Spain and Ireland were not only affected by the financial markets crisis, but also by the sharp decline in residential property prices in their

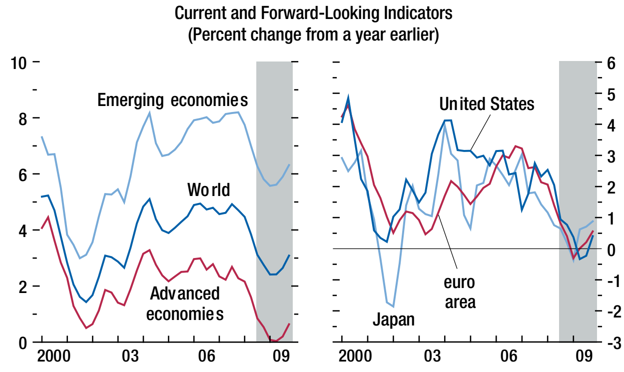
Advanced economies: Australia, Canada, Denmark, euro area, Japan, New Zealand, Norway, Sweden, Switzerland, United Kingdom, and United States.

Emerging economies: Argentina, Bolivia, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Estonia, Hongkong SAR, Hungary, India, Indonesia, Israel, Korea, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, Singapore, Slovak Republic, South Africa, Taiwan Province of China, Thailand, Turkey, Ukraine, and Venezuela.

Japan's consumer confidence data are based on a diffusion index, where values greater than 50 indicate improving confidence.



Sources: International Monetary Fund (IMF): World Economic Outlook, October 2008; NTC Economics and Haver Analytics



Sources: International Monetary Fund (IMF): World Economic Outlook, October 2008; Haver Analytics and IMF staff; Outlook: IMF estimates

own countries, which impacted on the construction industry in particular. Unemployment in the euro zone has recently been rising slightly, albeit to varying degrees from region to region. Whilst the employment market still remained favourable in Germany, unemployment climbed substantially in Spain, triggered especially by the problems in the country's local construction industry. Central and East European economies showed diverging trends recently: whilst the economies in Poland, the Czech Republic, and in Slovakia have been relatively resilient, Hungary, the Ukraine, Belarus and the Baltic states have been facing economic problems – some of them serious ones, with negative growth. Although Russia still posted positive economic development, liquidity distortions in the banking sector were also evident.

The significant fall in industrial production and low consumer confidence in Japan also point towards further economic slowdown. High economic growth in China decelerated, but remained positive, as Chinese growth was supported increasingly by domestic demand.

Inflation and monetary policy

While euro zone inflation remained high in the third quarter, it eased slightly in the month of September. Euro zone inflation for example, in September, fell to 3.6 % from 3.8 % in August, largely on the back of falling oil prices. German inflation fell to 2.9 %. In the third quarter therefore, the ECB remained torn between its objective to combat inflation on the one hand and to address a weakening economy on the other. Faced with the threat of inflation, the ECB hiked the main refinancing rate for the first time in more than a year, by 0.25 % points at the start of July. By contrast, the Bank of England and the Fed left their benchmark rates unchanged in the third quarter. Shortly after the end of the period under review however, the ECB – as well as the central banks of the US, Canada, Sweden, the UK and Switzerland – agreed to reduce their rates in a concerted action. This move was preceded by the Australian central bank a day earlier. The cuts in key rates were justified by the increased downside risks for economic growth, as a result of the latest exacerbation of the crisis affecting financial markets: ECB believes this has further reduced inflationary risks. The Chinese central bank also decided to cut its benchmark rate on 8 October 2008, having already reduced rates in September. This saw a change from the restrictive monetary policy pursued by the Chinese central bank in the first half of 2008.

The euro exchange rate relative to the USD and the Japanese Yen declined considerably during the third quarter, but remained stable against pound sterling.

Sector-specific environment

Structured Property Financing

Developments on property markets in the third quarter continued to be defined by the financial markets crisis, as well as by the economic slowdown. As a consequence of the liquidity shortage on interbank markets, the generally restricted lending activities of all banks impacted heavily on the market for commercial property, too.

The volume of transactions conducted on the commercial property markets continued to fall in the third quarter. This is not only due to restricted lending and the disruption of securitised financung structures, but also to the prevailing divergence in the price perceptions of property buyers and sellers, uncertainty among investors, and fears surrounding general economic development. Large-volume transactions have dried up almost entirely in Europe. Investors with high levels of equity, e.g. pension funds, have become increasingly important.

Investors continued to enjoy a rise in property returns in the US and in many European countries. The first signs of rising returns on investment for commercial property were evident in Asia.

Consulting / Services: Institutional Housing Business

The financial crisis hardly impacted on the operative business of the German housing sector in the current business year. The sector enjoys a very solid position, and its main source of refinancing is through stable rental income that is largely independent of the financial crisis. Additionally, many housing companies have high equity ratios and long-term financing in place, which provides additional stability.

In the course of the year, the strong demand from international investors in the German residential property market that had characterised the market in the two previous years, continued to ease. Practically no large portfolio sales were conducted in the third quarter. All in all, the volume of residential property portfolio acquisitions was down considerably on the previous periods.

The primary topics relevant to the industry were rising energy prices, the introduction of the ”energy pass“ (a mandatory energy efficiency certificate for German residential properties), and the associated capital expenditure.

Group Profitability

Against the background of the deterioration of the financial markets crisis, the International Accounting Standards Board (IASB) adopted amendments to standards IAS 39 and IFRS 7 (”Reclassification of Financial Assets“) on 13 October 2008. These amendments (which may be applied with retrospective effect as of 1 July 2008) were approved by the EU, and published in the Official Journal on 16 October 2008. In particular, the amendments provide for the option to reclassify certain non-derivative financial assets within the measurement categories pursuant to IAS 39, and subject to certain conditions.

Aareal Bank Group opted for reclassification, and now carries certain securities (which were previously measured at market value) at amortised cost. This approach is based on the fact that no active market existed for these securities during the third quarter of 2008, and on Aareal Bank Group's intention to hold these assets for a longer-term period. Had these assets not been reclassified, third-quarter income would have been reduced by € 17 million and the burden on the revaluation surplus would have amounted to € 39 million. Please refer to the explanations in the Notes to the Consolidated Financial Statements on page 43 for more details regarding this reclassification.

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Interest income	1,491	1,398
Interest expenses	1,153	1,096
Net interest income	**338**	**302**
Allowance for credit losses	60	63
Net interest income after allowance for credit losses	**278**	**239**
Commission income	143	152
Commission expenses	41	47
Net commission income	**102**	**105**
Net result on hedge accounting	3	4
Net trading income / expenses	0	-6
Results from non-trading assets	-36	188
Result from investments accounted for using the equity method	3	68
Results from investment properties	0	1
Administrative expenses	261	273
Net other operating income / expenses	17	27
Impairment of goodwill		
Operating profit	**106**	**353**
Income taxes	36	67
Consolidated net income / loss	**70**	**286**
Allocation of results		
Consolidated net income / loss attributable to minority interests	14	14
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	56	272

Aareal Bank Group achieved operating profit of € 106 million in the first nine months of the 2008 financial year (9m 2007: € 353 million; adjusted for non-recurring effects: € 114 million). Taking taxes and minority interest income into consideration, consolidated net income after minority interests was € 56 million (9m 2007: € 272 million).

Net interest income rose by roughly 12 % in the first nine months of the financial year, to € 338 million (9m 2007: € 302 million).

The increase is largely attributable to the greater volume of property financings in 2007, and to higher margins achieved.

Considering the allowance for credit losses of € 60 million (9m 2007: € 63 million), net interest income after allowance for credit losses amounted to € 278 million (€ 239 million). This equates to an increase of more than 16 %.

Net commission income was down by € 3 million compared with the same period of the previous year, to € 102 million (9m 2007: € 105 million). Higher revenues in the Consulting / Services segment were offset by lower net commission income earned in the Structured Property Financing segment.

After the first nine months of the 2008 financial year, net trading income / expenses was flat (9m 2007: -€ 6 million). This figure includes income from hedges related to negative results reflected in the results from non-trading assets.

The net result from non-trading assets was negative, at -€ 36 million (9m 2007: € 188 million). Besides impairment charges, the net figure reflected the restructuring in the securities portfolio that we undertook within the scope of a conservative risk policy, in order to reduce the volatility in the result of individual portfolios. Last year's figure includes the income of € 153 million from the sale of the stake in Immobilien Scout GmbH.

The net result from investments accounted for using the equity method amounted to € 3 million (9m 2007: € 68 million). Last year's figure includes the positive non-recurring effect (€ 63 million) from the measurement of our stake held in Deutsche Interhotel Group.

At € 261 million, administrative expenses were down considerably on the previous year's figure of € 273 million. The 4.4 % reduction reflects the strict cost discipline we continue to apply.

At € 17 million, net other operating income and expenses was down on the previous year's figure of € 27 million. The net figure includes € 8 million in provisions recognised for measures to enhance the efficiency of loan processing in our German business. Last year's figure included the positive effect from a one-off payment of € 37 million received from DEPFA in the first quarter of 2007.

On aggregate, the items resulted in consolidated operating profit of € 106 million (9m 2007: € 353 million; adjusted: € 114 million).

After deduction of € 36 million in taxes and minority interest income of € 14 million, consolidated net income attributable to shareholders of Aareal Bank Group for the first nine months of 2008 amounted to € 56 million.

Segment Report

Structured Property Financing

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

Business development

The interest-bearing business in the Structured Property Financing segment remained virtually constant compared with the same period of the previous year. As at 30 September 2008, the volume of property financing under management amounted to € 23.7 billion (30 September 2007: € 23.7 billion), despite the sale of a retail portfolio sized at € 1.5 billion to Deutsche Postbank AG.

We also continued to apply in the third quarter of 2008 our selective business policy, which is oriented strictly towards quality and return and concentrated on transactions with attractive risk / return profiles.

The segment generated € 2.1 billion in new business in the third quarter. New business in the first three quarters of the current year totalled € 5 billion, after € 8.8 billion in the same period of the previous year. We consider this volume to be in line with the current market conditions. In any event, quality rather than the absolute quantity of new business is decisive for us.

Europe accounted for 63 % of new business, followed by North America with 25 % and Asia with 12 %.

During the first three quarters, we succeeded in increasing our interest margin for new business over the same period of the previous year, whilst maintaining conservative mortgage lending value ratios.

Europe

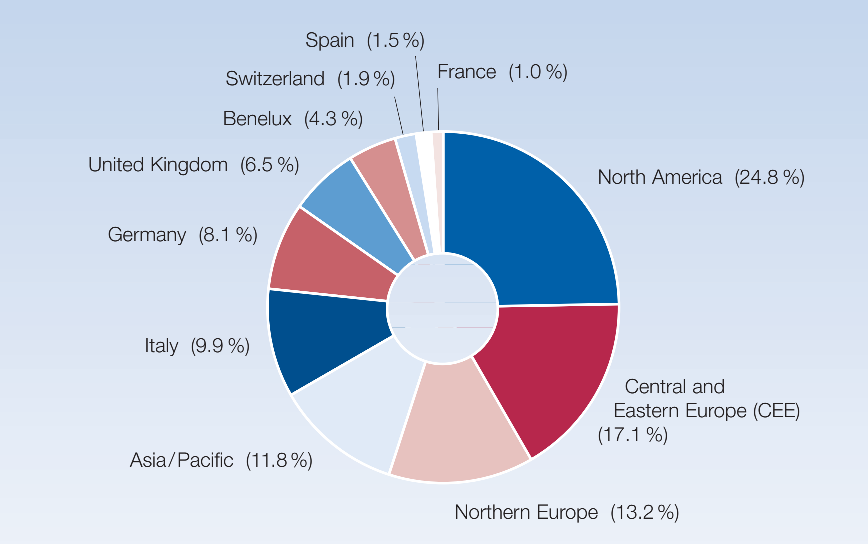
Transaction volumes on the markets for commercial property continued to contract in Europe.

The return requirements for new investments in commercial property rose further. Higher returns were observed in London, for example, while yields in some German cities, as well as in Central and Eastern European locations such as Prague, Warsaw or Moscow, tended to remain stable.

The first drop in office property rents was recorded in London, which is particularly affected by the financial crisis with its high share of office space rented to the financial sector.

Our volume of new business in Europe amounted to € 1.3 billion in the third quarter, and totalled € 3.2 billion in the first three quarters of 2008. At 17 %, the Central and Eastern European countries accounted for the largest share of overall new business within Europe, followed by Italy with 10 % and Germany with 8 %.

New business by region – 01 Jan - 30 Sep 2008 (%): € 5.0 bn



North America

The North American market for commercial property was also defined by low transaction volume in the period under review; large-volume transactions were almost non-existent. Owing to its dependency on the financial market, the market for office property in Manhattan was especially affected, with rising vacancy ratios accompanied by a slight decline in rents. Tenants requiring less space for their own needs were looking increasingly for sub-tenants, so that the ratio for office property rental from sub-letting rose.

Our volume of new business in North America amounted to € 0.7 billion in the third quarter, and totalled € 1.2 billion in the first three quarters of the current year.

Asia / Pacific

Asia's banking system was stable, owing to the relatively low level of exposure to the sub-prime market. Performance on the property market was solid. Nonetheless, rents on the Asian markets for commercial class-A property fell slightly in the third quarter and the first signs of rising return requirements by investors were evident.

Our new business in Asia amounted to € 0.1 billion in the third quarter, while the volume of new business in the first three quarters of 2008 was € 0.6 billion.

Segment result

The burden on earnings due to the aggravation of the financial markets crisis in the third quarter of 2008 was compensated for by good operating income, so that the Structured Property segment once again posted positive operating income of € 20 million in the third quarter of 2008.

Net interest income was € 99 million, after € 83 million in the comparable period of the previous year and € 95 million in the previous quarter. The increase of approx. 19 % over the previous year was largely attributable to the greater volume of property financings, and to higher margins achieved in new business.

Structured Property Financing	Quarter 3 / 2008 € mn	Quarter 3 / 2007 € mn
Net interest income	99	83
Allowance for credit losses	20	19
Net interest income after allowance for credit losses	**79**	**64**
Net commission income	7	4
Net result on hedge accounting	1	-1
Net trading income / expenses	25	-13
Results from non-trading assets	-37	9
Result from investments accounted for using the equity method		63
Results from investment properties	0	0
Administrative expenses	50	55
Net other operating income / expenses	-5	-7
Impairment of goodwill		
Operating profit	**20**	**64**
Income taxes	8	29
Segment result	**12**	**35**

Allowance for credit losses of € 20 million remained within the scope of our annual planning (2007: € 19 million).

At € 7 million, net commission income for the third quarter of 2008 was up € 3 million over last year's figure of € 4 million.

Net trading income / expenses included ongoing expenditure for securitisation transactions (-€ 2 million), as well as a write-down on a bond issued by Lehman Brothers (-€ 7 million); these items were offset by other income in the amount of € 34 million from various derivatives that were used especially to hedge the market value of our securities portfolio. Net trading income for the third quarter therefore totalled € 25 million (Q3 / 2007: -€ 13 million).

At -€ 37 million, results from non-trading assets for the period under review were dominated by the current market turbulence. The figure includes € 15 million in write-downs on equity holdings, which we recognised in income rather than in the revaluation surplus.

The overall direct burden on third-quarter income resulting from the financial markets crisis amounted to € 10 million. In addition, a net € 40 million in unrealised losses was recognised in the revaluation surplus during the third quarter of 2008.

At € 50 million, administrative expenses were down € 5 million on the same period of the previous year (€ 55 million) and down € 2 million on the previous quarter. Personnel expenses were reduced from last year. Our strict cost discipline continues to be reflected in stable other administrative expenses.

Net other operating income / expenses of -€ 5 million were roughly unchanged from the same period of the previous year (-€ 7 million). The net figure includes € 8 million in provisions recognised for measures to enhance the efficiency of loan processing in our German business.

Overall, operating profit for the Structured Property Financing segment was € 20 million. Taking into consideration tax expenses of € 8 million, the segment result in the third quarter of 2008 was € 12 million.

Without the reclassification of financial assets, as described in the "Group profitability" section on page 13, the operating profit of the Structured Property Financing segment for the third quarter of 2008 would have been € 17 million lower. Please also refer to the explanations in the Notes to the Consolidated Financial Statements on page 43 for more details regarding this reclassification.

Aareal Bank has not exercised the "fair value option" which permits the carrying of liabilities at market value; this is in line with its previous financial statements.

Consulting / Services

Business development Institutional Housing Business

This segment, which comprises Aareon AG, Aareal First Financial Solutions AG and the bank's Institutional Housing Business, offers a comprehensive range of services for managing properties and processing payment flows to institutional housing sector clients.

Aareon AG

The positive trend in the business development of Aareon AG continued during the third quarter, with sales successes reported in all product lines. Another reference site of the Blue Eagle property software was rolled out in the third quarter: Altonaer Spar- und Bauverein eG (managing 8,300 units) is considered to be a very innovative company in the industry.

VLW Vereinigte Leipziger Wohnungsgenossenschaft e.G (8,300 units under management) was one of a number of new customers to choose Wodis, our system for medium-sized enterprises. Overall, more than 20 conversions to Wodis – from competitor systems and from Aareon's existing systems – were realised in the first nine months of the 2008 financial year.

The business with the existing GES and Wohndata systems was also very stable in the third quarter. We also reported a high level of demand for advisory services for additional models and integrated services.

Interest shown in the document management system Aareon DMS that was launched in early 2008 remained intact in the period under review.

Aareon succeeded in carving out a leading position in the French market with the acquisition of Sylogis.com. The company offers property management software and

[1] The result from the Consulting/ Services segment is reported on the basis of an income statement classification aligned to industrial companies.

A reconciliation to the segment result shown in the segment reporting can be found on page 40 of this interim report.

advisory services. The agreement was signed on 12 September 2008 and came into effect on 1 October 2008.

Aareon France also acquired an additional major client; Adoma, a company operating in the social housing sector with 80,000 units under management, decided to switch to Aareon France's Prem' Habitat solution.

Payments and deposit-taking

Our product portfolio in the bank's Institutional Housing Business enabled us to strengthen our leading market position in the course of the current financial year.

This year, we acquired more than 40 new clients, managing some 70,000 rental units, for the tried and tested payment services applications BK01 and BKXL, as well as for our newly introduced Aareal Account product.

Notwithstanding the financial markets crisis, the average volume of deposits from the housing sector remained stable in the third quarter. At nearly € 4.5 billion in the first nine months of the financial year, it was virtually unchanged from the same period of the previous year.

Our long-standing and close business relationships with institutional housing sector clients contributed substantially to the stability of our deposit-taking business.

In order to guarantee further growth in the deposit-taking business, we have invested in our technical infrastructure and have implemented a new account management system jointly with our clients. This system is SEPA-compatible and therefore already designed to meet the requirements and opportunities of electronic payments in the single European payments area.

These measures and events, coupled with new products designed to target additional customer groups (for example, offering important developments in optimising processes for housing companies), should further enhance our market position in the medium term.

Segment result [1]

At € 11 million, operating profit generated by the Consulting / Services segment was in line with the previous two quarters. The result – adjusted for non-recurring income of € 153 million from the sale of the Immobilien Scout stake – was increased by € 7 million over the same quarter of the previous year.

Third-quarter sales revenues and cost of materials purchased were unchanged from the previous year, at € 54 million and € 8 million respectively.

Last year's other operating income included € 153 million in non-recurring income received from the sale of our share in

Immobilien Scout GmbH. Adjusted for this effect, the result was unchanged from the previous year.

Staff expenses in the quarter under review amounted to € 24 million. Our ongoing policy of strict cost management reduced the figure by € 4 million over the same quarter of the previous year.

Other operating expenses of € 11 million were down € 2 million from the same period of the previous year. On balance, the Consulting / Services segment yielded a net contribution of € 11 million to the (quarterly) consolidated operating profit (Q3 / 2007: € 157 million; adjusted: € 4 million).

Consulting / Services	Quarter 3 / 2008 € mn	Quarter 3 / 2007 € mn
Sales revenue	54	54
Own work capitalised	0	0
Changes in inventory	0	0
Other operating income	3	156
Cost of materials purchased	8	8
Staff expenses	24	28
Depreciation, amortisation and impairment losses	3	4
Result from investments accounted for using the equity method		
Other operating expenses	11	13
Interest and similar income / expenses	0	0
Profits from ordinary activities	**11**	**157**
Income taxes	3	4
Segment result	**8**	**153**

After deduction of taxes, the segment result for the third quarter was € 8 million (Q3 / 2007: € 153 million).

Financial Situation

Total assets

Consolidated total assets as at 30 September 2008 amounted to € 39.7 billion, after € 40.2 billion as at 31 December 2007.

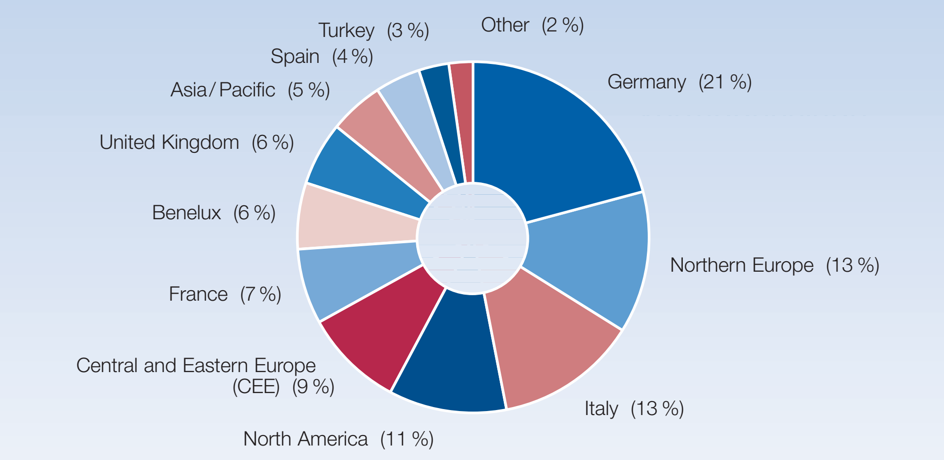
Property financing portfolio

As at 30 September 2008, the property financing portfolio under management totalled € 23.7 billion. This equates to a slight decline of 1.3 % over year-end 2007 (€ 24 billion), which is attributable in particular to the disposal of a portfolio of residential property loans totalling around € 1.5 billion to Deutsche Postbank AG.

We successfully increased the international share of the portfolio by 10.7 % in the first nine months of the year, to € 18.7 billion. This corresponds to a share of 79 % of the total portfolio. Meanwhile, the aforementioned portfolio sale has reduced the German share by 29.6 % to around € 5 billion.

This decline was largely compensated for by the increase in the volume of international financings. We have therefore continued to successfully diversify our portfolio.

Property financing portfolio under management by region as at 30 Sep 2008 (%): 23,7 € bn



The performance of the property financing portfolio in the first nine months of the year was defined in particular by a very selective policy vis-à-vis new business and by lower prepayments of existing financings.

Refinancing and shareholders' equity

Refinancing strategy and own issues

Despite the difficult situation on the financial markets, Aareal Bank Group was able to cover its funding requirements in the first nine months of the current financial year.

The Group placed a total of more than € 2.3 billion in long-term funds on the capital market during the period under review. Of this amount, mortgage bond issues *(Hypothekenpfandbriefe)* accounted for some € 1.6 billion. At € 53 million, the share of public-sector covered securities *(öffentliche Pfandbriefe)* was negligible. The remaining € 700 million was accounted for by senior unsecured issues.

Continuing to represent a key component of Aareal Bank's funding mix, Pfandbrief issuance in fact gives us a clear refinancing advantage in the current difficult phase on the capital markets.

The property financing portfolio to be refinanced totalled € 23.0 billion as at 30 September 2008. The long-term funds available to refinance this portfolio amounted to € 19.8 billion. Aareal Bank also holds just under € 4.5 billion in stable deposits from the institutional housing sector, helping to clearly reduce the bank's dependency on the money and capital markets. We also have deposits from institutional money market clients. This underlines Aareal Bank's solid liquidity position.

The analysis of the maturity profile also highlights our comfortable liquidity position: average contractual repayments from our property loan portfolio will exceed the average redemptions of our long-term funding in the next three years.

Equity capital and regulatory indicators in accordance with the German Banking Act (CRSA)

Regulatory indicators as defined by the KWG (CRSA) [1]	30 Sep 2008
	€ mn
Tier 1 capital	1,857
Risk-weighted assets (incl. market risk)	23,438
	%
Tier 1 ratio	**8.0**
Total capital ratio	**11.9**

[1] Since the beginning of 2008, the ratios have been calculated in accordance with the Credit Risk Standard Approach (CRSA) pursuant to the German Solvability Ordinance. The result for the current 2008 financial year of Aareal Bank AG was taken into account in the determination of the CSRA figures.

Aareal Bank Group's tier 1 ratio as at 30 September 2008 was 8.0 % in accordance with the German Banking Act (Credit Risk Standard Approach). Based on the consolidated balance sheet as at 30 September 2008 in accordance with IFRS, the Group's leverage (defined as the ratio of total assets to shareholders' equity) was 30.7 excluding, and only 22.5 including hybrid equity instruments. We thus consider our capital base to be appropriate – also against the background of current developments in the banking sector.

Risk Report

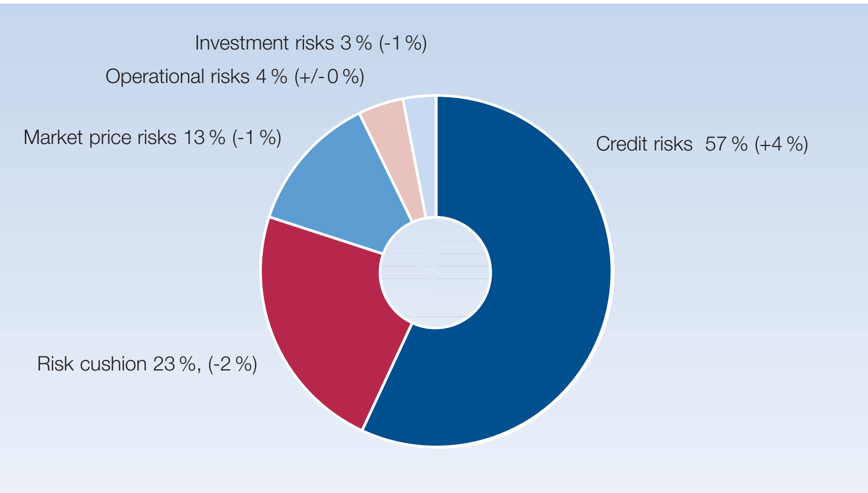
Aareal Bank Group Risk Management

The 2007 Annual Report 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 risk management. In line with the overall business strategy, the risk strategy is revised at least once a year, and approved by the Management Board. Suitable risk management and risk control processes are deployed to implement the risk strategy, and to ascertain the bank's uninterrupted ability to bear risk.

At 57 %, the major part of the Bank's aggregate risk cover is related to credit risks. 13 % of the cover assets pool is retained to cover market risks, 4 % for operational risks and 3 % for investment risk. As in previous quarters, a substantial portion (23 %) 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). The diagram below shows the allocation of aggregate risk cover to types of risk, and the changes compared to 31 December 2007.

Allocation of aggregate risk cover
30 Sep 2008 (change from 31 Dec 2007)



Since aggregate risk cover is an inadequate measure to assess risk-bearing capacity regarding liquidity risk, we have defined special tools for managing and monitoring this type of risk. These tools are described in detail in the section "Liquidity risk", and in the Annual Report 2007.

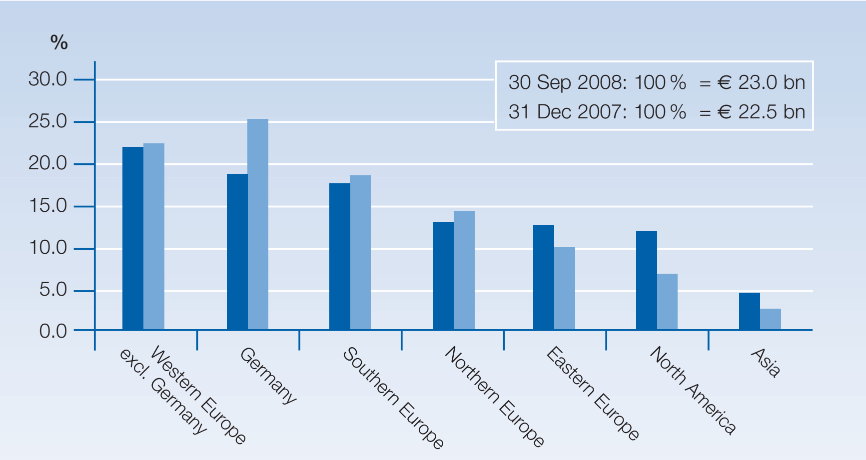
Credit risks

Aareal Bank defines credit risk or counterparty 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 risk.

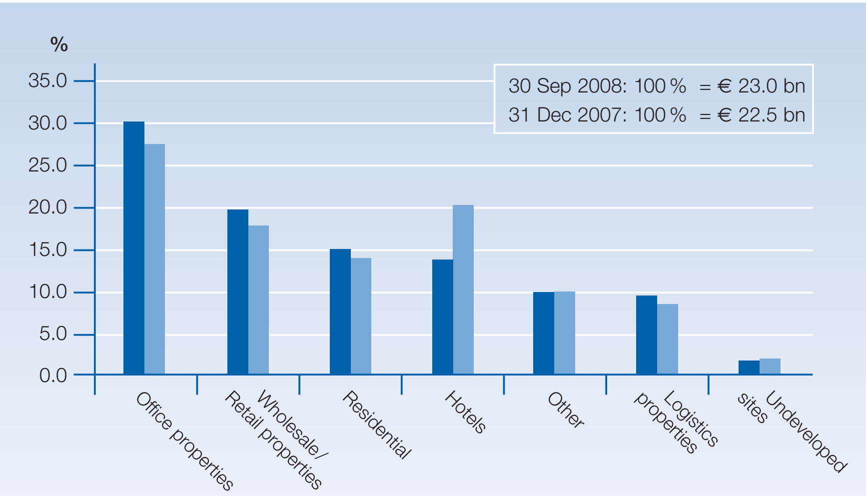
Aareal Bank's structural organisation and business processes are consistently geared towards effective and professional risk management. The organisation of operations and workflows in the credit and trading business comply with extensive regulatory requirements.

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

Property financing volume (amounts drawn) by country group



Property financing volume (amounts drawn) by type of property



30 Sep 2008 31 Dec 2007

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 assumed by the head office.

Methods used to measure and monitor concentration and diversification effects on a portfolio level include two diverse credit risk models. As a result, portfolio information required to take risk management decisions is now available within an even shorter timeframe than before.

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 the limits and their current usage regularly and without delay.

Our approach to managing the credit portfolio includes synthetic securitisation and syndication techniques, as well as the sale of sub-portfolios. The objective is to keep optimising our credit portfolio, in order to achieve an optimal risk / return ratio. The results of credit portfolio management are reflected in the broad diversification of our property finance business.

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

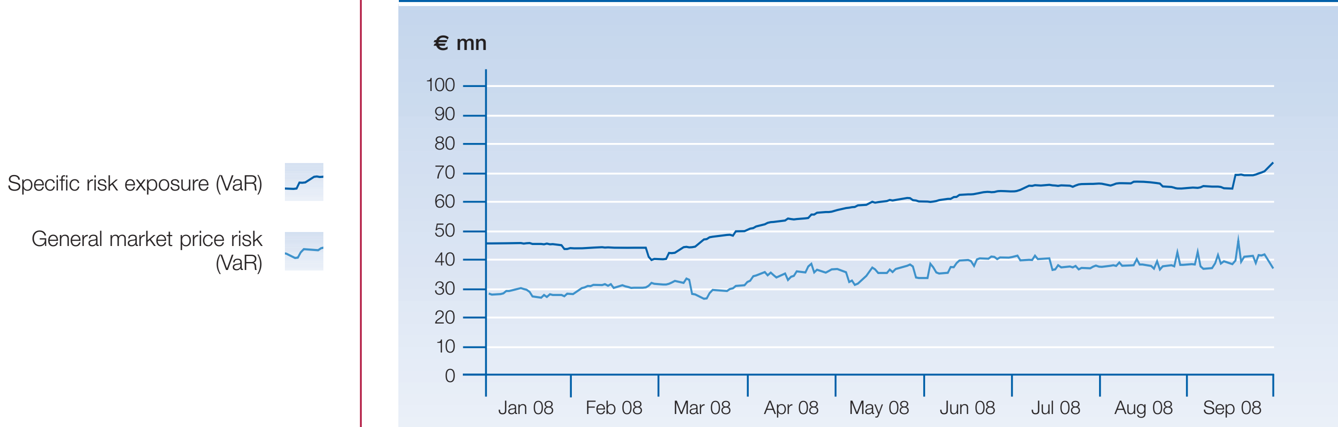
Our comprehensive approach to risk management also includes measuring and monitoring country risk exposure. When defining country risk, in addition to the risk of sovereign default or default of state entities, Aareal Bank also considers the risk that a counterparty could become unable to meet its payment 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 unit is responsible for the continuous monitoring of country limits, and for periodic reporting on limit utilisation.

Market price risks

Market price risk is broadly defined as the threat of losses due to changes in market parameters. Aareal Bank's market price risk exposure continues to predominantly comprise interest rate risks, whilst currency risks are largely eliminated through hedges. Hence, the primary market price risk exposures are related to the interest rate, equity prices, exchange rates, and implied volatility

Q1-Q3/2008 (values for 2007) 99 % / 10-day holding period	MAX		MIN		Mean		Limit	
Aareal Bank Group – general market price risks	46.8	(32.2)	26.7	(23.7)	35.3	(26.8)		
Group VaR (interest rates)	35.6	(27.2)	7.3	(10.0)	20.5	(15.2)		
Group VaR (FX)	11.4	(7.0)	3.8	(1.7)	7.1	(3.7)		
VaR (funds)	28.8	(26.4)	21.5	(17.9)	25.1	(21.7)	60.0	(60.0)
Aggregate VaR in the trading book	12.4	(4.0)	0.1	(0.1)	3.9	(0.9)	20.0	(20.0)
Trading book VaR (interest rates)	11.8	(2.8)	0.1	(0.1)	2.3	(0.7)		
Trading book VaR (FX)	0.2	(0.2)	0.0	(0.0)	0.1	(0.0)		
VaR (equities)	1.9	(3.6)	0.0	(0.0)	0.2	(0.5)		
Specific risk exposure (Group)	74.2	(5.3)	40.1	(0.6)	57.1	(3.7)		
Aggregate VaR – Aareal Bank Group	84.0	(32.6)	51.3	(23.7)	67.2	(27.1)	181.0	(181.0)

Market price risks – Aareal Bank Group – Q1-Q3/2008 (€ mn)



risk parameters. All relevant parameters are covered by our management and monitoring tools.

Derivative financial instruments are entered into predominantly in the trading book, whilst in the banking book they are primarily used as hedging instruments. Spread risks between the various yield curves (e.g. government / Pfandbrief / swap curve) are also taken into account. The risk exposure from bonds that is not related to market price or interest rate risks is managed specifically at Group level.

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.

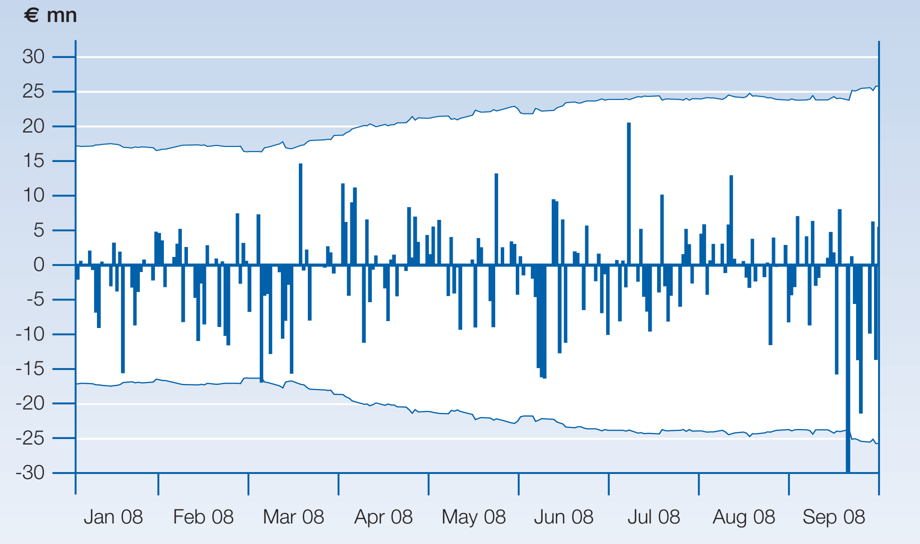
Value-at-risk (VaR) has been broadly accepted as the predominant method for measuring general market price risk. The VaR for market price risk quantifies the exposure as a negative divergence from the current aggregate value of the bank's financial transactions.

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. Since 2008, the Group has extended the calculation of "specific" risks

Value at risk (99 % / 1-day holding period)

Change in present value (1 day)

Present values and 1-day VaR during the first half of 2008 (€ mn)



(those which are not correlated with general market movements) to include all bonds held (as opposed to only those in the trading book). Accordingly, overall Group VaR increased as of 1 January 2008.

Limits were unchanged during the period under review. No limit breaches were detected, and overall limit usage was low.

Backtesting

The quality of forecasts made using the statistical model is checked through a weekly backtesting process. Within the scope of this model, 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"). The number of negative outliers at Group level was always lower than three during 2008 to date (and was always lower than three at Group level during 2007).

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 for the purposes of the German Solvability Ordinance *(Solvabilitätsverordnung)*. Given the small number of transactions and low volumes concluded during 2008, trading book risks played a low role in the overall risk scenario.

During the 2008 financial year, the processes employed proved to be able to quantify the risks arising from market price fluctuations in a timely and accurate manner, even for new products introduced.

Liquidity risks

Liquidity risk in the narrower sense is defined as the risk that current or future payment obligations cannot be met 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 senior management.

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 section 11 of the German Banking Act (Grundsatz II), 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 Shareholder's Equity" (page 22).

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 Annual Report 2007 contains a detailed description of controlling tools employed by the bank to manage operational risk, plus the relevant responsibilities.

A current analysis using these controlling tools has not indicated any disproportionate operational risk exposure during the period under review.

Investment risks

Aareal Bank defines 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 risks arising from contingencies vis-à-vis 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

Macro-economic environment

The threat of a recession has intensified for many developed countries, as the most recent intensification of the crisis affecting financial markets considerably increased the downside risks for global economic development.

The severe shortage of liquidity on the interbank market has resulted in a further credit crunch, with tighter lending conditions being applied. Against this background, the various support measures implemented and resolved by the various countries are a first step to restore the normal operation of the interbank market, and thus to overcome the systemic crisis. Further measures seem to be necessary to counter recessionary trends.

Despite the positive effects of state support measures, we anticipate a deterioration in investment climate and consumer sentiment. Most Western European countries and the US are therefore facing the risk of a recession. Poland, the Czech Republic and the Slovak Republic have been affected to a lesser extent to date, as they enjoyed a relatively robust economic development. However, their economies could also slow down on the back of lower demand for imports from West European countries and the US. The Russian economy in particular has come under additional pressure due to the recent declines in commodity prices, especially for crude oil. In the Baltic states, Estonia and Latvia continue to face the threat of negative growth, whereas the outlook for Lithuania is somewhat more positive. Hungary, the Ukraine and Belarus are experiencing significant economic problems which will continue to burden these countries in the future.

Japan also faces weak economic development coupled with the threat of a recession. Lower exports should also slow down the economy in China, although economic growth should continue to remain high compared with other regions.

As we see it, the effects of the current development will continue to feed through to next year. We are unable to asses how extensive and lasting the effects on the economy will be, since it depends largely on the duration and intensity of the financial markets crisis.

Development of international property markets

The uncertainty and reticence among investors and tenants generated by the financial markets crisis makes it difficult to forecast market development in the current environment. The following trends are currently foreseeable:

As a consequence of the financial markets crisis, we expect transaction volumes to remain much lower than in the last two years. Additionally, we forecast return requirements to continue rising in most locations. The development in rent levels will be influenced mainly by the issue of the extent and duration of the economic slowdown.

Europe

In our opinion, transaction volumes in Europe will be considerably lower than in previous years. We expect investment returns to rise in most locations. With international investor interest waning in Central and Eastern European countries as a consequence of the financial crisis, returns which have been largely stable up to now here could also be affected.

North America

We forecast very low transaction volumes and rising returns for North America. The threat of a recession and ongoing weakness in financial markets should place rents under pressure.

Asia / Pacific

The cautious stance adopted by international investors should also lead to falling transaction volumes in the emerging Asian countries as well as in established Asian markets, such as Japan. It is difficult to deliver a general forecast on rental development in Asia, given the impact of factors such as economic trends that vary greatly from region to region.

Due to the expected economic slowdown in Japan, we see further pressure on commercial rents. We also forecast rental pressure in China, following the period of high growth seen over recent years.

Development of German institutional housing sector

The German property sector is currently experiencing a modernisation drive, owing to changes in structures and processes, brought about by extended technical and organisational frameworks. This development is also being accelerated by improved property management and greater sensitivity in relation to energy-efficiency issues.

We believe that expectations will continue to rise vis-à-vis the commercial housing sector, from politicians, shareholders and owners, as well as from tenants. Increasingly, the housing sector must maintain a balance between actively structuring living space for the tenants on the one hand, and acting in a commercially feasible manner and fulfilling legal provisions on the other.

Tenants' concerns and maintenance-related problems will therefore represent the greatest challenge for housing companies in the near future. Tenants' concerns include the expected rise in ancillary costs, primarily through higher energy costs.

Other issues relevant to the industry are ways to enhance profitability, and to improve business processes, making them more transparent. The housing sector still offers great potential that can only be utilised by means of suitable and future-proof IT systems.

We expect little or no activity in relation to the sale of large-volume portfolios on a short- or medium-term horizon.

Corporate development

Structured Property Financing

The latest exacerbation of the financial markets crisis and resulting high levels of uncertainty on international property and financial markets make it impossible to deliver concrete forecasts for the Structured Property Finance segment.

Given the lower new business volume and significantly lower prepayments, we expect net commission income in the Structured Property Financing segment to decline in the current financial year.

Our objective to increase the Pfandbrief share in the refinancing mix remained unchanged. The significant distortions on the financial markets have also led to a slight widening of risk premiums for Pfandbriefe. It is difficult to forecast how Pfandbrief spreads will develop.

According to the legislative intent to the German Financial Markets Stabilisation Act (FMStG), Pfandbriefe are already safe, thanks to the existing special legal framework in Germany. In more than 200 years of German Pfandbrief history, there has not been a single default – and the German government gave its assurance that this track record would continue, expressing its readiness to adopt suitable legal measures to protect German Pfandbriefe, including existing issues, at short notice, to the extent necessary to preserve the proper operation of this market.

We believe that the assurances given by the Federal government are a key factor to preserve a further stable and functioning Pfandbrief market.

In contrast, the risk premiums on senior unsecured issues have risen significantly, as uncertainty prevails in relation to future development.

The general lack of confidence on the financial markets represents a major challenge to the refinancing of the banks. Thanks to our conservative refinancing strategy, we are favourably positioned to successfully meet this challenge.

Consulting / Services

The strategic focus of our subsidiary Aareon AG remains on increasing revenue through the migration process of existing customers to the Blue Eagle / SAP IT solution as well as on the acquisition of new customers. In conjunction with this, advisory services will also contribute significantly to the growth in revenue.

We will, for the most part, retain our market share in relation to our existing products GES and WohnData. The transfer of GES customers to Blue Eagle / SAP as well as to Wodis is likely to lead to a slight fall in revenue. The integrated Wodis IT product, and our other integrated services, will also contribute substantially to this development.

Our Institutional Housing Business will also continue to focus on new client acquisition and on improved utilisation of cross-selling potential. Highly-automated mass payments systems for the bank's institutional housing clients, which are integrated into their administrative processes, will continue to generate a stable level of deposits for Aareal Bank's refinancing in the future. We can use these stable deposits as long-term funding. This reduces our dependency on the capital market, which represents a decisive competitive advantage, especially in the current market environment.

Aareal Bank Group will continue to benefit from the sustained contribution to results from the bank's Institutional Housing Business.

Our target for the current financial year is to generate a result of € 40 to 50 million before taxes in the Consulting / Services segment. After the first nine months, we are well on track towards achieving this goal.

Aareal Bank Group

We welcome the German Financial Markets Stabilisation Act *(Finanzmarktstabilisierungs-*

gesetz – "FMStG"), adopted on 17 October 2008 by the German parliament, as a first step to restore the stability of the banking sector. Given the international profile of our business, we are analysing and assessing stabilisation measures undertaken in numerous countries, closely monitoring their implementation, particularly in terms of competitive aspects. At this stage, however, we are not yet in a position to assess the full specifications of all stabilisation measures, their impact on the market, and hence, on Aareal Bank.

We remain convinced that Aareal Bank Group is well-positioned. In spite of the crisis affecting financial markets, our operating business is within budget after the first nine months of the year. Nevertheless, as the dramatic market distortions seen over recent weeks have shown, the current environment does not permit any reliable forecast for the year 2008 as a whole.

Positive performance in the Consulting/Services segment is expected to continue.

Report on material events after the reporting date

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

CONSOLIDATED INCOME STATEMENT
OF AAREAL BANK GROUP

	Note	01 Jan - 30 Sep 2008	01 Jan - 30 Sep 2007
		€ mn	€ mn
Interest income		1,491	1,398
Interest expenses		1,153	1,096
Net interest income	1	**338**	**302**
Allowance for credit losses	2	60	63
Net interest income after allowance for credit losses		**278**	**239**
Commission income		143	152
Commission expenses		41	47
Net commission income	3	**102**	**105**
Net result on hedge accounting		3	4
Net trading income / expenses	4	0	-6
Results from non-trading assets	5	-36	188
Results from investments accounted for using the equity method		3	68
Results from investment properties		0	1
Administrative expenses	6	261	273
Net other operating income / expenses	7	17	27
Impairment of goodwill			
Operating profit		**106**	**353**
Income taxes		36	67
Consolidated net income / loss		**70**	**286**

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	56	272

	€	€
Earnings per share	**1.30**	**6.36**
Diluted earnings per share	**1.30**	**6.36**

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 financial year.

CONSOLIDATED INCOME STATEMENT
(QUARTERLY DEVELOPMENT)

	Quarter 3 2008	Quarter 2 2008	Quarter 1 2008	Quarter 4 2007	Quarter 3 2007
	€ mn	€ mn	€ mn	€ mn	€ mn
Interest income	512	494	485	505	488
Interest expenses	395	380	378	396	388
Net interest income	**117**	**114**	**107**	**109**	**100**
Allowance for credit losses	20	20	20	14	19
Net interest income after allowance for credit losses	**97**	**94**	**87**	**95**	**81**
Commission income	47	49	47	53	47
Commission expenses	13	14	14	16	15
Net commission income	**34**	**35**	**33**	**37**	**32**
Net result on hedge accounting	1	0	2	-3	-1
Net trading income / expenses	25	-3	-22	-20	-13
Results from non-trading assets	-37	-8	9	18	162
Results from investments accounted for using the equity method		3	0		63
Results from investment properties	0	0	0	0	0
Administrative expenses	84	89	88	88	93
Net other operating income / expenses	-5	16	6	-9	-10
Impairment of goodwill				3	
Operating profit	**31**	**48**	**27**	**27**	**221**
Income taxes	11	16	9	5	33
Consolidated net income / loss	**20**	**32**	**18**	**22**	**188**
Allocation of results					
Consolidated net income / loss attributable to minority interests	5	4	5	4	5
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	15	28	13	18	183

SEGMENT REPORTING
BY OPERATING UNIT

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
Net interest income	286	256	0	0	52	46	338	302
Allowance for credit losses	60	63					60	63
Net interest income after allowance for credit losses	**226**	**193**	**0**	**0**	**52**	**46**	**278**	**239**
Net commission income	16	20	140	133	-54	-48	102	105
Net result on hedge accounting	3	4					3	4
Net trading income/expenses	0	-6					0	-6
Results from non-trading assets	-36	34	0	154			-36	188
Results from investments accounted for using the equity method	3	63		5			3	68
Results from investment properties	0	1			0	0	0	1
Administrative expenses	154	164	110	112	-3	-3	261	273
Net other operating income/expenses	15	32	3	-4	-1	-1	17	27
Impairment of goodwill								
Operating profit	**73**	**177**	**33**	**176**	**0**	**0**	**106**	**353**
Income taxes	26	58	10	9			36	67
Consolidated net income/loss	**47**	**119**	**23**	**167**	**0**	**0**	**70**	**286**
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	35	107	21	165	0	0	56	272
Allocated shareholders' equity	981	844	73	73	266	237	1,320	1,154
Cost/income ratio (%)	56.2	45.3	78.5	41.0			63.1	43.4
RoE after taxes (%)	4.8	16.8	37.5	301.5			5.6	31.4

SEGMENT REPORTING (QUARTERLY DEVELOPMENT)

BY OPERATING UNIT

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation/ Other		Aareal Bank Group	
	€ mn		€ mn		€ mn		€ mn	
	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007	Quarter 3 2008	Quarter 3 2007
Net interest income	99	83	0	0	18	17	117	100
Allowance for credit losses	20	19					20	19
Net interest income after allowance for credit losses	**79**	**64**	**0**	**0**	**18**	**17**	**97**	**81**
Net commission income	7	4	46	46	-19	-18	34	32
Net result on hedge accounting	1	-1					1	-1
Net trading income / expenses	25	-13					25	-13
Results from non-trading assets	-37	9	0	153			-37	162
Results from investments accounted for using the equity method		63						63
Results from investment properties	0	0			0	0	0	0
Administrative expenses	50	55	35	40	-1	-2	84	93
Net other operating income / expenses	-5	-7	0	-2	0	-1	-5	-10
Impairment of goodwill								
Operating profit	**20**	**64**	**11**	**157**	**0**	**0**	**31**	**221**
Income taxes	8	29	3	4			11	33
Consolidated net income/loss	**12**	**35**	**8**	**153**	**0**	**0**	**20**	**188**
Allocation of results								
Consolidated net income / loss attributable to minority interests	4	4	1	1			5	5
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	8	31	7	152	0	0	15	183
Allocated shareholders' equity	981	844	73	73	266	237	1,320	1,154
Cost / income ratio (%)	59.5	46.2	78.7	21.7			65.2	31.9
RoE after taxes (%)	3.3	14.5	38.8	834.2			4.5	63.3

CONSULTING / SERVICES SEGMENT – RECONCILIATION OF THE INCOME STATEMENT

Consulting / Services segment – reconciliation of the segment result from an ”industrial enterprise“ classification of the income statement to the ”bank“ classification, which is the basis for segment reporting

			Income statement classification – bank									
			Net interest income	Net commission income	Results from non-trading assets	Results from investments accounted for using the equity method	Adminis-trative expenses	Net other operating income / expenses	Impairment of goodwill	**Operating profit**	Income taxes	**Segment result**
	Q3 2008		0	46	0		35	0		**11**	3	**8**
	Q3 2007		0	46	153		40	-2		**157**	4	**153**
Income statement classification – industrial enterprise												
Sales revenue	Q3 2008	54		54								
	Q3 2007	54		54								
Own work capitalised	Q3 2008	0					0					
	Q3 2007	0		0			0	0				
Changes in inventory	Q3 2008	0						0				
	Q3 2007	0						0				
Other operating	Q3 2008	3					2	1				
Income	Q3 2007	156			153		1	2				
Cost of materials purchased	Q3 2008	8		8								
	Q3 2007	8		8								
Staff expenses	Q3 2008	24					24					
	Q3 2007	28					28					
Depreciation, amortisation	Q3 2008	3					3					
and impairment losses	Q3 2007	4					4					
Results from investments accounted for using	Q3 2008											
the equity method	Q3 2007											
Other operating	Q3 2008	11			0		10	1				
expenses	Q3 2007	13			0		9	4				
Interest and similar	Q3 2008	0	0									
income / expenses	Q3 2007	0	0									
Results from ordinary	**Q3 2008**	**11**	**0**	**46**	**0**		**35**	**0**				
activities	**Q3 2007**	**157**	**0**	**46**	**153**		**40**	**-2**				
Income taxes	Q3 2008	3									3	
	Q3 2007	4									4	
Segment result	**Q3 2008**	**8**										
	Q3 2007	**153**										

CONSOLIDATED BALANCE SHEET

OF AAREAL BANK GROUP

	Note	30 Sep 2008	31 Dec 2007
Assets		**€ mn**	**€ mn**
Cash funds		961	1,051
Loans and advances to banks	8	567	2,245
Loans and advances to customers	9	25,254	24,985
Allowance for credit losses		-225	-190
Positive market value of derivative hedging instruments		903	899
Trading assets	10	1,046	1,819
Non-current assets held for sale and discontinued operations		20	20
Non-trading assets	11	10,536	8,811
Investments accounted for using the equity method		2	92
Investment properties		100	10
Intangible assets	12	78	80
Property and equipment	13	95	101
Income tax assets		21	32
Deferred tax assets		107	61
Other assets	14	273	186
Total		**39,738**	**40,202**
Shareholders' equity and liabilities		**€ mn**	**€ mn**
Liabilities to banks	15	4,959	4,953
Liabilities to customers	16	22,353	21,790
Certificated liabilities	17	6,628	7,862
Negative market value of derivative hedging instruments		1,118	1,128
Trading liabilities	18	1,438	995
Obligations from disposal groups held for sale and discontinued operations		0	0
Provisions	19	224	273
Income tax liabilities		15	18
Deferred tax liabilities		55	55
Other liabilities	20	173	183
Subordinated equity	21	1,239	1,318
Shareholders' equity	22, 23		
Subscribed capital		128	128
Capital reserves		511	511
Retained earnings		678	554
Reserves from transactions under common control		-9	-26
Revaluation surplus		-71	70
Minority interest		243	243
Consolidated profits		56	147
Total shareholders' equity		1,536	1,627
Total		**39,738**	**40,202**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	2008	2007
	€ mn	€ mn
Consolidated shareholders' equity as at 01 January	**1,627**	**1,372**
Retained earnings	-2	13
Reserves from transactions under common control	17	-2
Revaluation surplus	-141	11
Minority interest	0	1
Dividend payment	-21	-21
Consolidated net income / loss attributable to shareholders of Aareal Bank AG	56	272
Consolidated shareholders' equity as at 30 September	**1,536**	**1,646**

CONSOLIDATED STATEMENT OF CASH FLOWS

	2008	2007
	€ mn	€ mn
Cash and cash equivalents as at 01 January	**1,051**	**1,331**
Cash flow from operating activities	1,727	531
Cash flow from investing activities	-1,717	220
Cash flow from financing activities	-100	-94
Total cash flow	**-90**	**657**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 September	**961**	**1,988**

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.

The present quarterly financial report was prepared in accordance with section 37y no. 2 in conjunction with section 37w (2) nos. 1 and 2, 37 (3) and 37 (4) of the German Securities Trading Act ("WpHG"). It comprises the present interim condensed consolidated financial statements, as well as an interim group management report (see Group Management Report).

Aareal Bank AG prepares its interim condensed 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. Certain disclosures required in accordance with IAS 34 were made in the Group Management Report; this is in line with the procedure applied for the consolidated financial statements 2007. The reporting currency is the euro (EUR).

Scope of consolidation

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 consolidated financial statements.

Effective 31 March 2008, Aareal Financial Services USA Inc., Wilmington / Delaware, hitherto a subsidiary of Aareal Bank Group, was merged into Aareal Capital Corporation, Wilmington / Delaware, which had been established in January 2008 (also as a member of Aareal Bank Group)

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

Accounting policies

Against the background of the deterioration of the financial markets crisis, the International Accounting Standards Board (IASB) adopted amendments to standards IAS 39 and IFRS 7 ("Reclassification of Financial Assets") on 13 October 2008. These amendments were approved by the EU, and published in the Official Journal on 16 October 2008.

The amendments provide for the option to reclassify certain non-derivative financial assets within the measurement categories pursuant to IAS 39, with retrospective effect from 1 July 2008, and subject to certain conditions. On account of the present situation on financial markets, amongst other factors, Aareal Bank Group believes these conditions to be fulfilled. Aareal Bank Group therefore used the option available, and reclassified certain securities as of 1 July 2008, using the market value prevailing on that date. As a result of this reclassification, these assets (which were previously measured at market value) are now carried at amortised cost. This approach is based on the fact that no active market existed for these securities during the third quarter of 2008, and on Aareal Bank Group's intention to hold these assets for a longer-term period. The table below gives details on the reclassification.

The net interest margin recognised on the reclassified assets during the third quarter of 2008 amounted to € 0.3 million (ABS) and € 0.3 million (Bank bonds), respectively.

No impairment was required for the reclassified assets during the third quarter of 2008, nor were there any disposals of such assets. Adjustments to market values for the preceding reporting period (Q2/2008) amounted to -€ 1 million (ABS) and € 14 million (Bank bonds), respectively. Had these assets not been reclassified, third-quarter income would have been reduced by € 17 million; the burden on the revaluation surplus would have amounted to € 39 million.

Except for the above, the accounting policies applied in the preparation of the consolidated financial statements 2007 were also applied for this interim report.

Measurement category in accordance with IAS 39		Nominal value as at 01 Jul 2008	Expected cash flows as at 01 Jul 2008	Carrying amount as at 30 Sep 2008	Market value as at 30 Sep 2008
from	to	€ mn	€ mn	€ mn	€ mn
Held for Trading (hft)	**Loans and Receivables (lar)**	**570**	**815**	**529**	**512**
of which: ABS		560	801	520	505
of which: Bank bonds		10	14	9	7
Available for Sale (afs)	**Loans and Receivables (lar)**	**487**	**651**	**444**	**393**
of which: ABS		56	76	54	52
of which: Bank bonds		431	575	390	341
		1,057	**1,466**	**973**	**905**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Net interest income

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Interest income from		
Property loans	778	704
Public-sector loans	66	63
Other lending and money market operations	345	366
Fixed-income securities and debt register claims	291	256
Current dividend income	11	7
Other interest income	0	2
Total interest income	**1,491**	**1,398**
Interest expenses for		
Bonds issued	382	368
Borrowed funds	327	324
Subordinated equity	57	58
Term deposits taken	298	236
Overnight deposits taken	87	94
Other banking transactions	2	16
Total interest expenses	**1,153**	**1,096**
Total	**338**	**302**

(2) Allowance for credit losses

The allowance for credit losses amounted to € 60 million during the first nine months of the financial year 2008 (2007: € 63 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 2008 € mn	01 Jan - 30 Sep 2007 € mn
Net commission income from		
Consulting and other services	76	76
Trustee loans and administered loans	8	12
Securities transactions	2	-1
Securitisation transactions	-6	-12
Other lending and capital market transactions	11	21
Net other commission income	11	9
Total	**102**	**105**

(4) Net trading income

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Results from derivative financial instruments	10	6
Currency translation	1	1
Net income / expenses from other positions held for trading	-11	-13
Total	**0**	**-6**

(5) Results from non-trading assets

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Results from		
Securities sales	-5	26
the measurement of securities	-31	0
the disposal of participating interests	0	162
the measurement of participating interests	0	0
Total	**-36**	**188**

(6) Administrative expenses

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Staff expenses	155	169
of which: for pensions	18	14
Other administrative expenses	90	89
Depreciation, amortisation and impairment of property and equipment and intangible assets	16	15
Total	**261**	**273**

(7) Net other operating income/expenses

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Income from properties	4	8
Income from the release of provisions	9	6
Income from goods and services	1	2
Other	26	58
Total other operating income	**40**	**74**
Expenses for properties	1	6
Expenses for services used	0	0
Write-downs of trade receivables	1	0
Expenses for other taxes	1	3
Other	20	38
Total other operating expenses	**23**	**47**
Total	**17**	**27**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(8) Loans and advances to banks

	30 Sep 2008 € mn	31 Dec 2007 € mn
Term deposits and current account balances	279	431
Public-sector loans	272	333
Receivables from securities repurchase transactions	0	1,377
Other loans and advances	16	104
Total	**567**	**2,245**

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

(9) Loans and advances to customers

	30 Sep 2008 € mn	31 Dec 2007 € mn
Property financing	22,972	22,550
Public-sector loans	1,838	1,738
Other loans and advances	444	697
Total	**25,254**	**24,985**

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

(10) Trading assets

	30 Sep 2008 € mn	31 Dec 2007 € mn
Debt and other fixed-income securities	648	1,390
Positive market values of standalone derivatives	398	429
Total	**1,046**	**1,819**

Trading assets are allocated to the measurement category “held for trading” (HFT).

(11) Non-trading assets

	30 Sep 2008 € mn	31 Dec 2007 € mn
Debt and other fixed-income securities	9,955	8,213
of which: loans and receivables (LAR)	1,623	955
held to maturity (HTM)	407	–
available for sale (AFS)	7,925	7,258
Equities and other non-fixed income securities (AFS)	576	594
Interests in affiliated companies (AFS)	–	–
Other investments (AFS)	5	4
Total	**10,536**	**8,811**

Non-trading assets are allocated to the measurement categories ”loans and receivables“ (LAR), ”held to maturity“ (HTM) and ”available for sale“ (AFS).

(12) Intangible assets

	30 Sep 2008 € mn	31 Dec 2007 € mn
Goodwill	29	29
Proprietary software	36	37
Other intangible assets	13	14
Total	**78**	**80**

(13) Property and equipment

	30 Sep 2008 € mn	31 Dec 2007 € mn
Land, buildings and assets under construction	78	84
Office furniture and equipment	17	17
Total	**95**	**101**

(14) Other assets

	30 Sep 2008 € mn	31 Dec 2007 € mn
Properties	44	44
Trade receivables (LAR)	38	34
Other	191	108
Total	**273**	**186**

(15) Liabilities to banks

	30 Sep 2008 € mn	31 Dec 2007 € mn
Payable on demand	321	203
Term deposits	627	1,223
Promissory note loans borrowed	761	1,366
Liabilities from securities repurchase transactions and open-market operations	2,817	1,546
Registered mortgage bonds	372	398
Other	61	217
Total	**4,959**	**4,953**

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

(16) Liabilities to customers

	30 Sep 2008 € mn	31 Dec 2007 € mn
Payable on demand	3,204	3,570
Term deposits	6,303	5,547
Promissory note loans borrowed	8,435	8,472
Registered mortgage bonds	4,386	4,199
Other	25	2
Total	**22,353**	**21,790**

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

(17) Certificated liabilities

	30 Sep 2008 € mn	31 Dec 2007 € mn
Medium-term notes	2,184	2,765
Bearer mortgage bonds	3,704	3,233
Other debt securities	740	1,864
Total	**6,628**	**7,862**

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

(18) Trading liabilities

	30 Sep 2008 € mn	31 Dec 2007 € mn
Negative market values of standalone derivatives	305	170
Other liabilities held for trading	1,133	825
Total	**1,438**	**995**

Trading liabilities are allocated to the measurement category “held for trading” (HFT).

(19) Provisions

	30 Sep 2008 € mn	31 Dec 2007 € mn
Provisions for pensions and similar obligations	111	108
Other provisions	113	165
Total	**224**	**273**

(20) Other liabilities

	30 Sep 2008 € mn	31 Dec 2007 € mn
Liabilities from outstanding invoices	8	30
Deferred income	25	24
Liabilities from other taxes	5	22
Trade payables (LAC)	8	11
Other liabilities (LAC)	127	96
Total	**173**	**183**

(21) Subordinated equity

	30 Sep 2008 € mn	31 Dec 2007 € mn
Subordinated liabilities	551	603
Profit-participation certificates	460	483
Contributions by silent partners	228	232
Total	**1,239**	**1,318**

Items of subordinated equity are allocated to the measurement category "liabilities measured at amortised cost" (LAC).

(22) Treasury shares

No treasury shares were held during the period under review.

(23) Dividends

The Ordinary Shareholders' Meeting of Aareal Bank AG on 21 May 2008 resolved that a dividend of € 0.50 per share be paid (equivalent to a total payout of € 21 million), from net profit for 2007.

OTHER DISCLOSURES

(24) Contingent liabilities and irrevocable loan commitments

	30 Sep 2008 € mn	31 Dec 2007 € mn
Contingent liabilities on guarantees and indemnity agreements	609	733
Irrevocable loan commitments	4,234	4,600

(25) New property financing

	01 Jan - 30 Sep 2008 € mn	01 Jan - 30 Sep 2007 € mn
Commercial property financing	4,640	7,983
of which: international	4,430	7,348
Property finance for commercial housing	343	769
of which: international	149	396
Total	**4,983**	**8,752**

(26) Employees

	01 Jan - 30 Sep 2008	01 Jan - 31 Dec 2007
Number of employees in the banking business	1,145	1,151
Number of employees in other businesses	1,330	1,395
Total	**2,475**	**2,546**
of which: part-time employees	359	438

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 major transactions with related parties were carried out during the first nine months of 2008.

EXECUTIVE BOD

EXECUTIVE BODIES

Supervisory Board

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

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

York-Detlef Bülow [1) 2) 5)], Katzenelnbogen
Deputy Chairman of the Supervisory Board
Aareal Bank AG

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

Manfred Behrens, Munich
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 [3) 4)], Munich
Former Chief Executive Officer of
Siemens Financial Services GmbH
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Joachim Neupel [2) 3) 4)], Meerbusch
Certified Accountant and Tax Advisor

Prof. Dr. Stephan Schüller [1) 2)], Hamburg
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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 of the Management Board

Norbert Kickum
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 Credit and Market Risk Committee
4) Member of the Committee for Urgent Decisions
5) Employee representative

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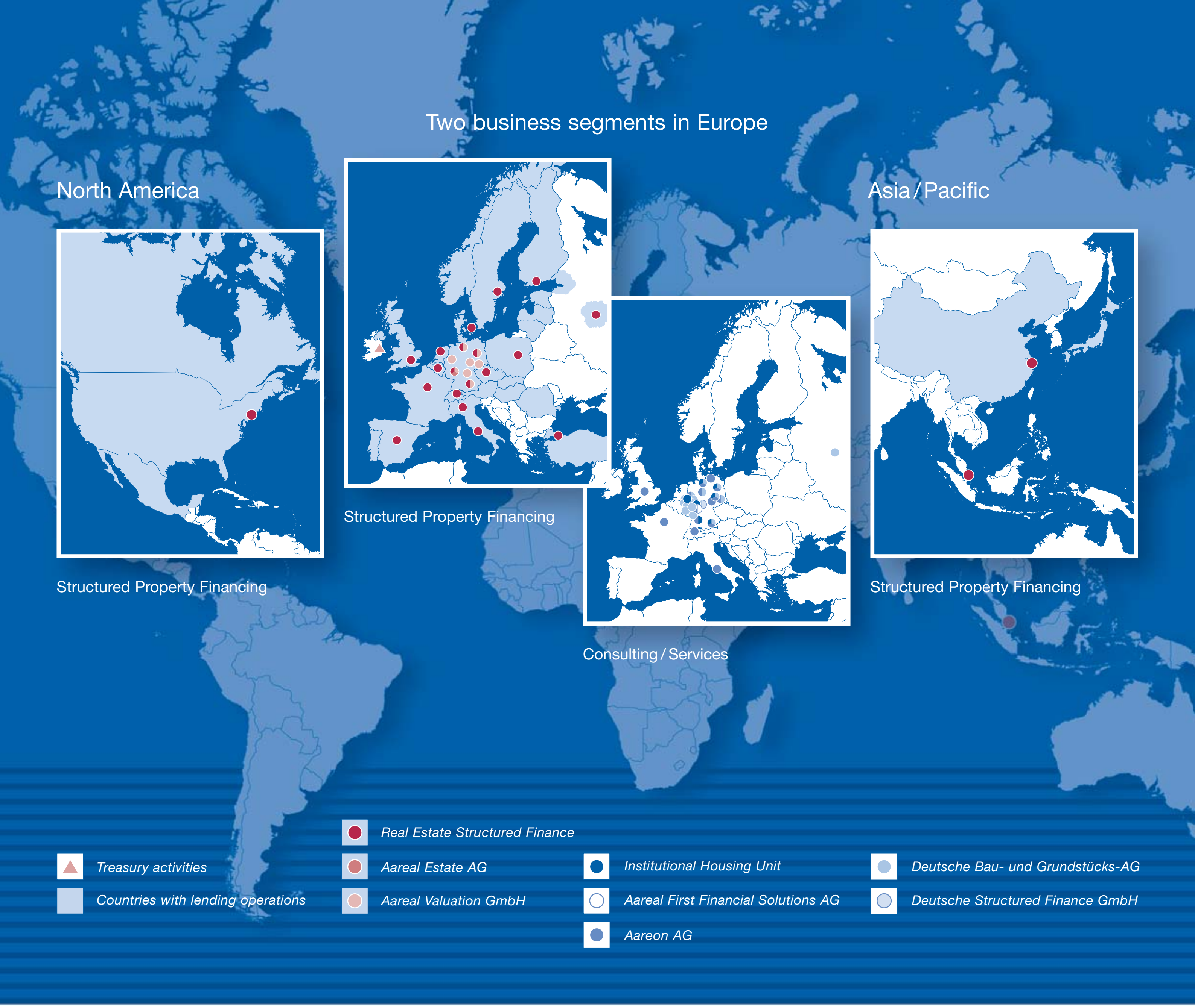

11/2008

FINANCIAL CALENDAR

07 May 2009	Annual General Meeting – Kurhaus, Wiesbaden

AMSTERDAM
BERLIN
BRUSSELS
COPENHAGEN
DUBLIN
HAMBURG
HELSINKI
ISTANBUL
LONDON
MADRID
MILAN
MOSCOW
MUNICH
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