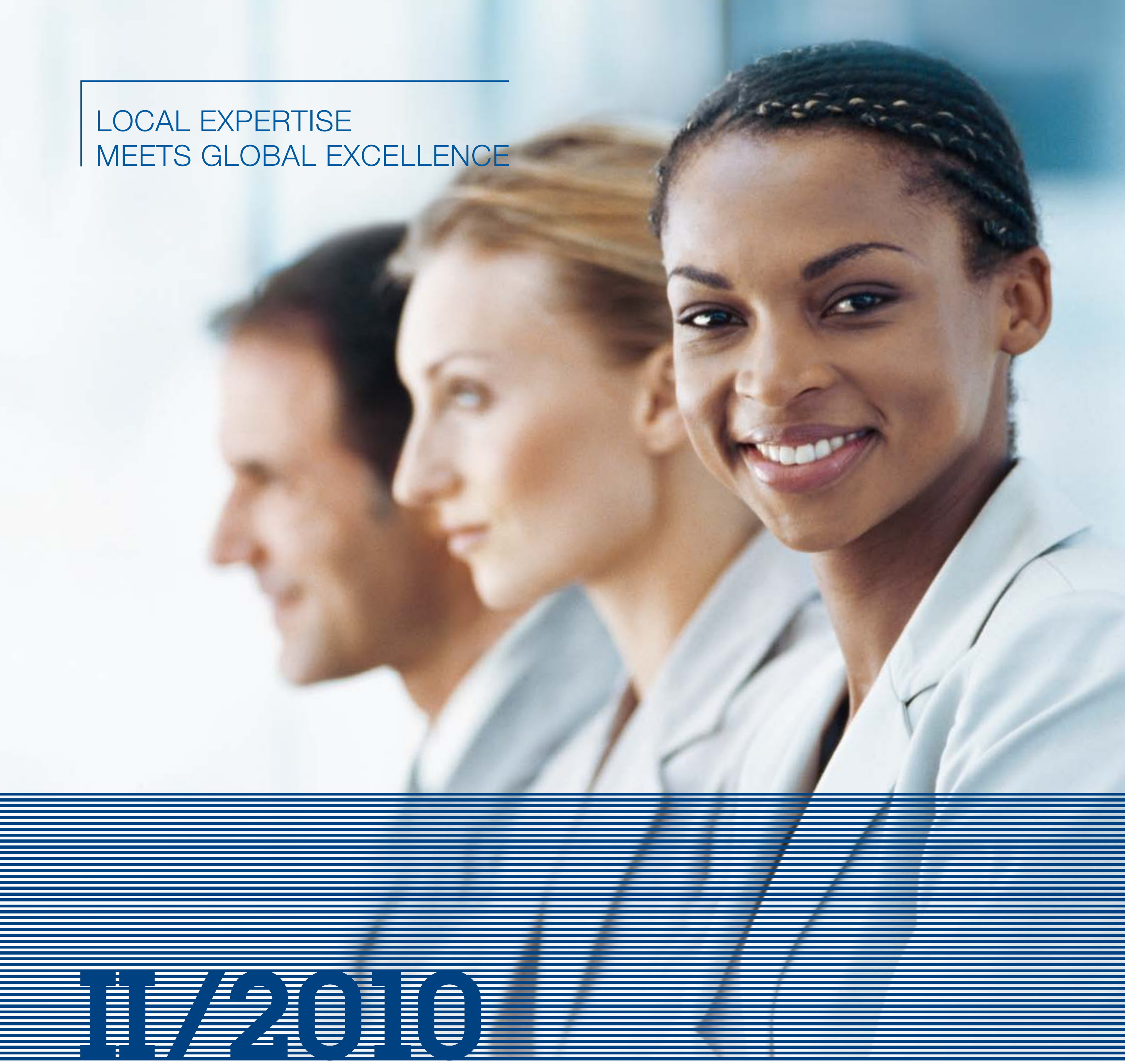

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

II/2010

Aareal Bank Group – Interim Report

1 January to 30 June 2010

Aareal Bank
Group

Key Group Figures

	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009 [6]	Change
	Euro mn	Euro mn	Euro mn
Income Statement			
Operating profit	61	43	18
Net income/loss after non-controlling interests	34	24	10
Indicators			
Cost/income ratio (%) [1]	48.2	47.9	
Earnings per share (Euro)	0.78	0.58	
RoE after taxes (%) [2]	3.4	2.9	

	30 Jun 2010	31 Dec 2009	Change
	Euro mn	Euro mn	Euro mn
Portfolio data			
Property financing	22,783	21,838	945
of which: international	19,300	18,164	1,136
Property financing under management [3]	23,209	22,348	861
of which: international	19,300	18,164	1,136
Equity	2,069	2,077	-8
Total assets	42,530	39,569	2,961
	%	%	
Regulatory Indicators (German Banking Act/CRSA [4])			
Tier 1 ratio	10.2 [5]	11.0	
Total capital ratio	14.2 [5]	15.0	

	30 Jun 2010	31 Dec 2009	
Ratings			
Fitch Ratings, London			
Long-term	A-	A-	
Short-term	F1	F1	

[1] Structured Property Financing segment only
[2] on an annualised basis
[3] The figure for property financing under management includes property loans managed on behalf of DEPFA Deutsche Pfandbriefbank AG
[4] Credit Risk Standard Approach (CRSA)
[5] The ratios include the partial repayment of the silent participation from SoFFin in the amount of € 150 million, which was announced on 28 June 2010 and completed on 16 July 2010
[6] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

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Letter to Shareholders

Dear shareholders, business associates and Aareal Bank staff,

The environment we are doing business in remains challenging. Aareal Bank Group has remained on track during the 2010 financial year to date, and further secured its position as one of the leading providers in its markets.

During the second quarter, we increased our consolidated operating profit to € 31 million, up 12 million year-on-year. Considering the continued turbulence on capital markets – which escalated again over recent months, fuelled by concerns about the high budget deficits of some European countries – we consider this result to be very satisfactory indeed.

As further evidence of the bank's strength and the soundness of its business model, we accelerated repayment of the silent participation by the German Financial Markets Stabilisation Fund ("SoFFin"), as announced on 28 June 2010. By repaying a first € 150 million tranche approximately six months earlier than originally planned, Aareal Bank is in fact the first institution to repay capital support provided by SoFFin. The Management Board reached this decision against the background of the bank's robust operating performance and very good capitalisation.

At the same time, Aareal Bank exercised the option of drawing on the remaining € 2 billion available under SoFFin's guarantee facility for a shelf bond issue, which the bank has taken onto its own books. This utilisation of the framework guarantee is purely precautionary in nature, and is designed to retain the funding flexibility afforded by the guarantee facility for the next three years.

By utilising the remaining framework guarantee, we will retain our ability to react quickly and flexibly to potential market distortions over a medium-term horizon – at any time, and even during a turbulent phase. Aareal Bank's solid refinancing situation has been strengthened further by this measure. Accordingly, utilising the framework guarantee in this manner reflects the consistent pursuit of our forward-looking business policy.

For Aareal Bank's shareholders, the two measures are almost neutral in terms of their impact on income. This is because the relief from the early repayment of the SoFFin silent participation will be virtually neutralised by the additional charges for the remaining guarantees.

Structured Property Financing: segment result increases markedly

The recovery in the overall economy has induced some first positive signs on commercial property markets during recent months – with the usual time lag. The downtrend in top rents paid on prime properties slowed down considerably in most market segments. A number of markets stabilised: in fact, some locations (such as office properties in London or Paris) showed slight rent increases.

Investment sentiment also improved on key commercial property markets, with transaction volumes clearly exceeding the same period of the previous year (which, of course had seen very low levels indeed). Investor demand was focused on high-quality properties in top locations. In contrast, demand for peripheral locations remained rather low, with continuing pressure on property values. Nonetheless, there have been some initial signs of renewed investor interest for second-tier locations, reflecting a lack of offers in prime areas.

Despite these positive developments, the sector environment remains as challenging as it has been. Against this background, Aareal Bank's Structured Property Financing segment once again performed well. We consistently pursued our sustainable, prudent and conservative business policy during the second quarter, increasingly exploiting opportunities for attractive new business which emerged. Overall, we increased the volume of new business originated during the second quarter to € 1.6 billion, whereby the share of renewals declined. This brings the aggregate new business figure for the first half of the year to € 2.9 billion – a level that we consider to be appropriate, considering the state of the sector.

At € 25 million, operating profit in the Structured Property Financing segment was significantly up year-on-year (Q2 2009: € 12 million). At € 111 million, net interest income in the segment was higher than in the previous quarter, and also higher than in the same period of the previous year (€ 106 million and € 103 million, respectively). The increase was largely due to the higher margins achieved in the lending business. The net figure also includes a € 2 million payment of Deutsche Interhotel Holding GmbH & Co. KG.

At € 33 million, allowance for credit losses has remained at a clearly manageable level; in spite of turbulence on some key markets, the figure remained within the normal fluctuation range (Q1 2010: € 32 million) – once again, a testament to the high quality of our property financing portfolio. This quality level is founded on our local expertise, and on the close personal involvement of local staff with each and every exposure. What makes Aareal Bank special are its direct client relationships, which – in very many cases – it has maintained for many years.

Consulting/Services: interest rate environment remains unfavourable – slight increase in deposit volumes

The interest rate environment remained unfavourable for the profitability of the deposit-taking business during the second quarter of 2010. Nonetheless, the segment once again showed a robust performance, generating operating profit of € 6 million. Despite ongoing predatory competition for customer deposits in terms of pricing during the second quarter, the volume of deposits taken from the housing industry averaged € 4.1 billion, up slightly compared to the previous quarter. For us, this reflects the high level of confidence that institutional housing industry clients in Germany continue to place in Aareal Bank as their reliable banking partner. Moreover, deposits from the institutional housing industry represent a key component of our funding mix, as they form a significant source of refinancing for our lending business – and one that is largely immune to capital markets distortions.

Aareon's performance has been on schedule: the subsidiary's business activities continue to develop within the defined target range. Around 250 businesses of all sizes, managing more than 750,000 residential units between them, have signed up for Wodis Sigma since this product generation was launched in 2009. Aareon AG acquired twelve additional Wodis Sigma accounts during the second quarter of this year.

Refinancing: successful placements – capitalisation remains solid

Aareal Bank operates a conservative and forward-looking funding and liquidity policy. The bank's refinancing remains solid after the first six months of the current financial year. We were successful in our refinancing activities carried out during the year to date: Aareal Bank raised € 700 million in unsecured issues during the first half of the year, and placed € 1.8 billion in Pfandbriefe – via private and public placments.

The precautionary drawing on the SoFFin guarantee facility is a reflection of our efforts to ensure that we are able to respond quickly and flexibly at all times to possible market disruptions in this uncertain market environment.

Aareal Bank continues to demonstrate solid capitalisation. As at 30 June 2010, the Tier 1 ratio measured in accordance with the Credit Risk Standard Approach (CRSA), was 10.2 %, which continues to be high by international standards. The figure reported includes the partial repayment of the SoFFin silent participation.

Aareal Bank share price: a positive development during the first half of the year

At the outset of the second quarter, the Aareal Bank share price maintained the momentum of the first quarter (when it rose by more than 20 %): it rose by another 13 %, to € 18.32, before sentiment on the equity markets turned negative. Nevertheless, with an increase of almost 5 %, to € 13.78, the Aareal Bank share again outperformed the Prime Banks Performance Index (CXPB: -6 %), the DAX index (-1.4 %) and the MDAX index (-4.3 %) during the first half of the year.

Bank shares were once again burdened by discussions regarding the future regulatory environment, as well as the potential political response to the debt crisis. This was reflected in the underperformance of the CXPB bank sector index during the second quarter (-15.2 %), compared to the DAX (-3.1 %) and the MDAX (-1.7 %).

The market responded favourably to Aareal Bank's solid business results reported during the first half of 2010; the bank's announcement that it would accelerate repayment of SoFFin's silent participation triggered an especially strong price increase of close to 6 %.

Outlook: forecasts affirmed in an environment that continues to be challenging

Notwithstanding the indications of a slight improvement on property markets, at the mid-year point we continue to expect the 2010 financial year to remain as challenging as 2009. We do, however, retain our cautiously optimistic outlook for Aareal Bank's business performance during the remainder of the year, and affirm our forecasts communicated to date. Specifically, from today's perspective, we still see potential for increasing consolidated operating profit in 2010, even though the market environment is still fraught with uncertainty.

As we see it, the market environment will gradually normalise over the medium term: we assume that markets will achieve true normality as of 2012. Leveraging its sustainable business model that is based on two strong segments and a business policy rooted in solidity and stability, Aareal Bank Group will be better placed than most of its peers to capitalise on this recovery – to the benefit of our clients, our staff, and our shareholders.

Yours sincerely,

The Management Board

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

Group Management Report

Business Environment

Macro-economic environment

The second quarter of 2010 was characterised by a significant deterioration in the Greek debt crisis. This triggered widespread nervousness and renewed uncertainty on financial markets, which had calmed down during the preceding quarters. The main fear was that concerns about the high level of public-sector debt and budget deficits would spread to other euro zone countries. Whilst financial markets were burdened significantly by distortions and rising volatility the real economy remained largely unaffected by tensions associated with the debt crisis.

Economy

Key economic indicators such as the Ifo business climate index and industrial production showed that the economic recovery continued during the second quarter of 2010, posting increases over the same quarter of the previous year. Towards the end of the second quarter, however, some economic indicators – such as the US consumer confidence index – were in retreat or losing momentum, highlighting the marked regional divergence in the global economy's recovery. Specifically, European economies were relatively slow to recover, with private consumption especially being sluggish. A positive factor during the second quarter was the end of the burdens due to the unusually long winter period: this triggered catch-up effects in the construction industry as well as a recovery in industrial production. In the USA and Japan, economic recovery was more pronounced than in Europe: Japan benefited from the continued strong growth momentum in East Asian economies. In Asia, it was not only China that enjoyed strong economic growth; Singapore also posted strong growth rates. Concerned about a potential overheating – combined with strong credit growth – the Chinese government and central bank took countermeasures at the beginning of the year. They maintained these measures, which are designed particularly to slow credit growth and price increases for residential property, during the second quarter.

Against the background of high public-sector debt and considerable budget deficits, some countries such as Spain and the United Kingdom started implementing measures to reduce their budget deficits. Other countries (including Germany) have announced similar measures. Consolidating public-sector budgets was also a focal point in international business relationships: for instance, the G20 – the group of 20 leading industrial nations and emerging economies – agreed at the end of June that the large industrialised nations will at least halve their budget deficits by 2013.

More recently, unemployment – which had clearly risen in the wake of the economic crisis – stabilised, with job cuts coming to a halt in many countries. Yet there is no evidence of a sustained increase in employment, which would herald a trend reversal on labour markets. European economies that benefited from relatively low unemployment levels included the Netherlands, Austria and Germany. In contrast, unemployment was particularly high in Spain and in the Baltic States. Whilst the unemployment rate in Japan was low compared to most European countries, it was high compared to historical levels; likewise, unemployment in the US remained remarkably high in historical terms.

Financial markets, inflation and monetary policy

The concerns of numerous investors regarding Greece's financial situation grew during the second quarter, escalating into a confidence crisis. In April, Greece was no longer able to refinance maturing government bond issues on the capital markets without third-party support. The loss of investor confidence spread from Greece to other euro zone countries, particularly to those in Southern Europe – leading to considerable tensions and uncertainty on the financial markets and, in turn, to a collapse in the prices of government bonds of various euro zone countries. Risk premiums for these countries' sovereign issues soared as investors fled to safe investments on a massive scale. Conversely, this led to a marked decline in long-term government bond yields of those euro zone countries considered safe, as well as in US bond yields. As a result, government bond spreads between different countries widened dramatically. The increased risk aversion also affected interbank markets, making it difficult for banks to access capital market financing. Prices of corporate and bank bonds also fell, as did equity markets, which were subsequently characterised by strong volatility.

To counter the debt crisis, the European Union (EU) and the member states of the euro zone launched support packages with a total volume of € 500 billion. The various support measures provide financial support to those countries that have found themselves in trouble. Additionally, the International Monetary Fund (IMF) agreed to provide up to € 250 billion in funds to back up the EU support measures, on a case-by-case basis.

In a parallel move, the European Central Bank (ECB) announced a purchasing programme for euro zone bonds of public and private issuers. The purpose of this programme is to restore market liquidity in the relevant segments; the ECB already executed initial purchases under this scheme. Through accompanying measures, the ECB will absorb the increase in money supply as a result of these purchases.

The announcements of the various support measures halted the slide of bond prices of strongly-affected countries. Even though this contributed to a short-term stabilisation of the financial markets, no sustained relief for them was evident during the second quarter. In the event, risk premiums for some countries increased again towards the end of the quarter.

The exchange rate of the euro versus the US dollar weakened considerably during the second quarter, in the wake of the debt crisis. The common currency also lost ground against other currencies such as UK pound sterling or the Swiss franc. In another notable development, the Chinese central bank tolerated a slight increase in the value of the renminbi against the US dollar at the end of the second quarter, thus loosening the peg introduced in mid-2008. The People's Bank of China also announced that it would introduce further flexibility in the exchange rate.

Long-term euro, US dollar and pound sterling interest rate swap rates declined during the second quarter, whilst short-term rates were rising. Against the background of renewed tensions on financial markets and the fact that inflation continues to be moderate, the ECB, the US Federal Reserve (Fed) and the Bank of England (BoE) maintained their low key interest rates. In fact, only a few central banks adjusted their rates during the second quarter: those in Canada and Norway increased their key rates moderately, whereas the Russian central bank lowered theirs.

Although the momentum of inflation rose during the quarter under review, inflation rates remained moderate in most countries. In the euro zone, the average annual inflation rate was approximately 1.5 %; in the EU, it stood at around 2.0 %. Inflation in the US was at the same level; in the UK and China, however, the rate of inflation exceeded 3 %. Greece and some East European countries registered even higher inflation. Japan was one of the few countries with negative inflation.

Sector-specific environment

Structured Property Financing

The economic recovery seen over recent quarters gradually started feeding into commercial property markets, as the downtrend in top rents paid on prime properties slowed down considerably in most markets. A number of markets stabilised: in fact, some locations (such as office properties in London or Paris) showed slight rent increases for prime properties. In contrast, rents for properties in peripheral locations, or of lesser quality, remained under pressure. Notably, landlords continued to offer considerable incentives such as rent-free periods: although the contractual rent remains the same in such cases, the landlord's income is reduced.

The stabilisation of rents concerned the office, retail and logistics segments of the commercial property market. In the hotels market segment, average revenues per room recovered, particularly compared to the weak second quarter one year ago. The improvement in hotel revenues was primarily attributable to higher occupancy ratios. In some cases, this also reflected higher room rates, even though there was a diverging trend in room rates at different hotel locations. Despite these positive developments, both rents and hotel revenues in most regions still remain below the levels seen before the economic crisis.

Investment sentiment on property markets improved during the second quarter, compared with the previous year: this was also evident on investment markets, with transaction volumes on commercial property markets clearly exceeding the same period of the previous year (which, of course had seen very low levels indeed). Investor demand was focused on high-quality properties in top locations. In contrast, demand for peripheral locations remained rather low, with continuing pressure on property values in these locations. Nonetheless, there have been some initial signs of renewed investor interest for second-tier locations, reflecting a lack of offers in prime areas. Increased demand for top properties in prime locations meant that investment yields remained stable or declined slightly, which had a positive effect on market values. Brisk demand for first-class properties at top locations often met with clearly limited supply.

In summary, rents and prices for top properties in prime locations largely stabilised or even increased, whilst pressure on rents and prices for properties with less attractive quality and location remained. Hence, the sector-specific environment remains challenging.

Consulting/Services: Institutional Housing Unit

Businesses in the institutional housing industry continued their solid performance during the second quarter. Thanks to stable (and predictable) rental income, combined with stability in the valuation of residential property portfolios, the industry has pulled through the financial markets and economic crisis as well as the debt crisis virtually unscathed to date.

The level of investment has remained stable within the industry: firstly, this reflects continuous investment in enhancing the energy efficiency of existing portfolios. KfW, the German development bank supported the construction or modernisation of around 635,000 energy-efficient residential units up to April 2010 – exceeding the total number of flats it had financed through its support programmes throughout the full year 2009 (617,300) by 3 %. Secondly, the industry has taken into account demographic changes which will shape its business in the future. According to a survey conducted by the German Association of Property and Housing Enterprises, around half of residential property developers, property asset managers and commercial property developers have already invested in residential projects adapted to senior citizens, and in assisted housing.

The German residential rental market continues to see diverging price trends. Whilst price levels outside conurbations and prospering small towns have fallen slightly, demand in key economic regions such as Munich, Stuttgart, Dusseldorf and the Rhine-Main region is rising.

Those regions where demand for residential rental property has increased have also seen investor interest picking up. Transaction volumes for partial or smaller portfolios continued to improve during the course of 2010. Those types of buyers who have been active in the market – pension funds, property funds, and insurance companies (including foreign insurance undertakings) – continue to show interest in investing.

Overall, investors in residential property have adopted a selective stance, with purchases focusing on flats in the premium market segments, i. e. new constructions or renovated old buildings in good locations. On average, the amounts invested ranged between € 20 million and € 50 million.

Despite the more restrictive financing environment, there were virtually no distressed sales of property portfolios triggered by the need to refinance loans.

The segmentation of the property management software market into SAP®-based and non-SAP®-based suppliers and products has been manifested, whereby the market for SAP®-based products continues to be characterised by sharp competition. There is continued demand for industry-specific products based on new-generation technology (such as Microsoft®.NET™). Aareon has set a trend for the institutional housing industry with the launch of its Wodis Sigma product generation in 2009.

Financial Performance

Consolidated Income Statement of Aareal Bank Group[1)]

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Net interest income	239	233
Allowance for credit losses	65	79
Net interest income after allowance for credit losses	**174**	**154**
Net commission income	62	66
Net result on hedge accounting	4	1
Net trading income/expenses	-7	23
Results from non-trading assets	14	-16
Results from investments accounted for using the equity method	5	–
Results from investment properties	0	0
Administrative expenses	183	186
Net other operating income/expenses	-8	1
Impairment of goodwill	0	–
Operating profit	**61**	**43**
Income taxes	18	10
Net income/loss	**43**	**33**
Allocation of results		
Net income/loss attributable to non-controlling interests	9	9
Net income/loss attributable to shareholders of Aareal Bank AG	34	24
Appropriation of profits		
Net income/loss attributable to shareholders of Aareal Bank AG	34	24
Silent participation by SoFFin	17	9
Consolidated profit/loss	**17**	**15**

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

Aareal Bank Group, faced with what remained a challenging market environment, has once again underlined the sustainability of its business model, achieving a satisfactory operating profit of € 61 million for the first half of 2010 (H1 2009: € 43 million). Taking into consideration taxes and income attributable to non-controlling interests, consolidated net income after non-controlling interest income was € 34 million (H1 2009: € 24 million).

Net interest income of € 239 million generated during the first six months of the financial year was € 6 million higher than during the first half of 2009 (€ 233 million). The increase was largely due to the higher margins achieved in the lending business. The net interest income figure also includes a € 2 million payment of Deutsche Interhotel Holding GmbH & Co. KG. The margin from the deposit-taking business in the institutional housing industry is down slightly year-on-year, due to the prevailing low interest rate levels.

Allowance for credit losses of € 65 million for the first half of 2010 (H1 2009: € 79 million) remained within the normal fluctuation range, and thus on a clearly manageable level.

Net commission income of € 62 million (H1 2009: € 66 million) reflected € 11 million (H1 2009: € 6 million) in running costs for the guarantee facility extended by SoFFin at the end of March 2009. Taking into account this effect, net commission income was in line with the figure posted for the same period of the previous year.

Net trading income / expenses of € -7 million was largely attributable to the valuation of trading derivatives used to hedge interest rate and currency risk, and to realised and unrealised changes in value recognised upon the disposal of hedges for selected EU government bonds.

Sales of fixed-income securities executed during the second quarter resulted in a positive result from non-trading assets of € 14 million for the first half-year (H1 2009: € -16 million). As in the previous quarter, the measurement of non-trading assets did not result in any burdens on income during the second quarter.

The payment by Deutsche Interhotel Holding GmbH & Co. KG was recognised in the result of investments accounted for using the equity method, in an amount of € 5 million.

Administrative expenses have remained stable; at € 183 million, they were down € 3 million on the corresponding figure for the previous year (H1 2009: € 186 million).

Net other operating income and expenses amounted to € -8 million (H1 2009: € 1 million). The net figure includes project costs and provisions recognised for subsidiaries.

Consolidated operating profit for the first six months of 2010 totalled € 61 million (H1 2009: € 43 million). Taking into consideration taxes of € 18 million and non-controlling interest income of € 9 million, net income attributable to shareholders of Aareal Bank AG amounted to € 34 million. After deduction of the net interest payable on the SoFFin silent participation, consolidated income stood at € 17 million.

Segments

Structured Property Financing

Business development

We continued to pursue our risk-sensitive lending policy in the second quarter of 2010, as well as consistently managing our loan portfolio. Our new business increased to € 1.6 billion, up from just € 0.7 billion in the second quarter of the previous year, bringing total new business for the first half of 2010 to € 2.9 billion.

Europe accounted for 76 % of new business in the first half of 2010, North America for 18 % and Asia for 6 %.

Europe

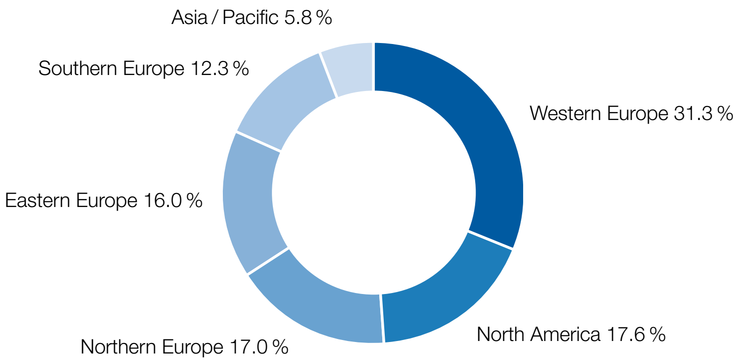
Rents for first-class properties on most European commercial property markets only declined slightly, or stabilised. On some markets – including the office property markets in London and Paris, or logistics properties in Rotterdam – top rents for high-quality properties in first-class locations even increased slightly. Still, top rents were markedly below their pre-economic crisis levels in most markets. The general trend of stabilising rents for prime properties concerned office, retail and logistics properties. In the hotel sector, average revenues per room improved from the weakness seen in the previous year. This was especially attributable to the higher occupancy ratio compared with the previous year in almost all markets, whereas room rates developed differently in the various markets. Only a few markets diverged from the overall trend, posting lower average revenues per hotel room. In contrast to top rents for prime properties, rents for properties in peripheral locations, or of lesser quality, remained under pressure.

Investors' yield requirements for first-class properties were stable or slightly lower, which had a positive impact on market values in this segment. Investor demand focused in particular on top properties in prime locations, with a corresponding positive impact on valuations. Nonetheless, there have been some initial signs of investor interest for second-tier locations, even though values remained under pressure in this segment.

In Europe, we generated new business in the amount of € 1.1 billion in the second quarter of 2010, and € 2.2 billion in the first half of the year in total. Western Europe accounted for the highest share of aggregate new business during the first half, followed by Northern and Eastern Europe.

New business 1 January - 30 June 2010

by region (%) Total volume: Euro 2.9 billion



North America (NAFTA states)

Whilst average rents for commercial property in North America were still in decline, initial signs of a stabilisation emerged on some markets. Vacancy ratios in North America remained at a high level and increased further, to a minor extent – with some regional variations. Average hotel revenues per room in North America slightly improved compared with the previous year, thanks to higher occupancy ratios, whilst room rates remained under pressure. Investors' yield requirements also stabilised in North America, with some further slight declines on some markets. This development applied to top-class commercial property in prime locations, whereas prices for properties in peripheral locations, or of lesser quality, remained under pressure.

Our new business in North America in the second quarter amounted to € 0.4 billion, therefore totalling € 0.5 billion for the first half-year as a whole.

Asia/Pacific

Most Asian markets followed the trend of slightly declining to stabilising top rents for first-class commercial property. Some markets decoupled from this general trend, with slightly rising top rents: this included the office property markets in Shanghai, Beijing or Hong Kong. In contrast, tension remained in the Tokyo office market, where top rents were still falling. Similar to the developments in Europe and North America, average hotel revenues per room in Asia increased, due in particular to higher occupancy ratios. Investors' average yield requirements for first-class properties were slightly lower. This had a positive impact on market values which, on average, were stable to slightly rising in most market segments. Compared to Europe and North America, investors showed particularly strong interest in gaining exposure to commercial property in Asia.

The marked year-on-year price increases for residential property in China continued during the second quarter; concerns about further over-heating in this market segment thus remained. Accord-ingly, the Chinese government maintained its measures taken to slow down the rapid price increases and the associated strong credit growth momentum. Aareal Bank is, however, not exposed to the Chinese residential property market.

We conducted new business of € 0.1 billion in the Asia / Pacific region in the second quarter, bringing the total new business in the first half of the year to € 0.2 billion.

Segment result

At € 25 million, the operating profit generated in the Structured Property Financing segment during the second quarter was up € 13 million year-on-year (Q2 2009: € 12 million).

Net interest income during the period under review was € 111 million, after € 103 million in the comparable period of the previous year. The increase was largely due to the higher margins achieved in the lending business. The net interest income figure also includes a € 2 million payment of Deutsche Interhotel Holding GmbH & Co. KG.

Structured Property Financing segment result[1)]

Euro mn	Quarter 2 2010	Quarter 2 2009
Net interest income	111	103
Allowance for credit losses	33	42
Net interest income after allowance for credit losses	**78**	**61**
Net commission income	1	-3
Net result on hedge accounting	2	0
Net trading income / expenses	-13	5
Results from non-trading assets	14	1
Results from investments accounted for using the equity method	5	–
Results from investment properties	0	0
Administrative expenses	55	54
Net other operating income / expenses	-7	2
Impairment of goodwill	0	–
Operating profit	**25**	**12**
Income taxes	7	-1
Segment result	**18**	**13**
Allocation of results		
Segment result attributable to non-controlling interests	4	4
Segment result attributable to shareholders of Aareal Bank AG	14	9

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

Allowance for credit losses of € 33 million for the second quarter of 2010 (Q2 2009: € 42 million) remained within the normal fluctuation range, and thus on a clearly manageable level.

Net trading income / expenses of € -13 million for the second quarter was largely attributable to the valuation of trading derivatives used to hedge interest rate and currency risk, and to realised and unrealised changes in value recognised upon the disposal of hedges for selected EU government bonds.

Sales of fixed-income securities executed during the second quarter resulted in a positive result from non-trading assets of € 14 million (Q2 2009: € 1 million). As in the previous quarter, the measurement of non-trading assets did not result in any burdens on income during the second quarter of 2010.

The payment by Deutsche Interhotel Holding GmbH & Co. KG was recognised in the result of investments accounted for using the equity method, in an amount of € 5 million.

At € 55 million, administrative expenses in the second quarter roughly matched the corresponding level of the previous year (Q2 2009: € 54 million).

Net other operating income and expenses amounted to € -7 million (Q2 2009: € 2 million). The net figure includes project costs and provisions recognised for subsidiaries.

Overall, operating profit for the Structured Property Financing segment was € 25 million (Q1 2009: € 12 million). Taking into consideration tax expenses of € 7 million (Q2 2009: € -1 million), the segment result for the second quarter of 2010 was € 18 million (Q2 2009: € 13 million). According to the allocation of results, segment results of € 14 million (Q2 2009: € 9 million) were attributable to shareholders of Aareal Bank AG.

Consulting / Services

Business development

Aareon AG

Aareon AG's performance has been on schedule: the subsidiary's business activities continue to develop within the defined target range.

The very positive response to the new Wodis Sigma product generation also continued in the second quarter of 2010, with 33 new users taking up the software in a production environment, including GWG Stadt Cottbus eG, a non-profit housing enterprise in eastern Germany. Overall, 48 clients are now working with Wodis Sigma in their day-to-day operations. Since the launch of this new product generation in 2009, a total of around 250 companies have signed up for Wodis Sigma, including numerous new clients. Aareon acquired twelve additional Wodis Sigma accounts during the second quarter of 2010 alone. Development work for Wodis Sigma Release 2.0 was completed on schedule at the end of the second quarter. The new release will be available on the market during the fourth quarter of 2010.

The 20th Aareon Congress, held in Garmisch-Partenkirchen, was a particular highlight during the second quarter: around 1,000 delegates attended the jubilee event. With its new concept of providing a platform for constructive dialogue between business and politics, society and ecology, and information technology, the Aareon Congress has firmly established itself as *the* industry event. During the Congress, Aareon was officially awarded Microsoft® Gold Certified Partner status – the highest level in the Microsoft Partner Programme.

The market for SAP®-based property management software – where Aareon holds a leading position – continues to be highly competitive. Demand from property management companies focused on Aareon's SAP® consultancy services. The Large GES Users Group and Aareon AG signed a letter of intent to launch SAP®-based systems (Blue Eagle Individual) during the second quarter. In addition, Aareon has established Aareon User

Meetings for SAP® users. This workgroup platform targets clients using Aareon's SAP®-based solutions and aims at facilitating the exchange of experience. Blue Eagle Release 6.0 was rolled out into production on schedule.

Business with the established GES (ASP solution) and WohnData (in-house system) systems was stable.

The integrated services product group carried over the positive performance seen during the first quarter into the second, particularly thanks to developments at Mareon, Aareon DMS and the BauSecura insurance platform. For instance, the Mareon services portal signed up the 200th contractual client since its launch. The new Mareon release – which includes enhancements to invoicing services – was completed on schedule in May. The document management system Aareon DMS Release 1.0 was rolled out in April, also on schedule.

Aareon France held its client congress in Paris in June. Clients showed strong interest, with the new product generations Prem'habitat 2.0 and PortalImmo 2.0 attracting particular attention. Aareon UK's second-quarter revenues were up year-on-year; the continued positive performance in the consultancy business contributed to this development.

Payments and deposit-taking

The bank's Institutional Housing Unit, in cooperation with subsidiary Aareal First Financial Solutions AG, mainly provides specialised banking and electronic banking services. The automated processing of mass payments and optimisation of downstream processes are additional services offered. Aareal Bank's objective is to increase the volume of deposits through new client acquisition as well as the consistent penetration of existing client relationships with as broad a product range as possible. By continuously developing its product range, Aareal Bank aims at further deepening its business relationships with existing clients, and at expanding its client base in the housing, property management and energy sectors.

In spite of competition on terms that remained as predatory during the second quarter of 2010 as it was in the previous quarters, the average volume of deposits taken was € 4.1 billion in the second quarter, up slightly from the previous quarter. Notably, the steady rise in key money deposits was affirmed.

Notwithstanding the high market penetration within the institutional housing industry, we were able to leverage our diversified range of banking products and services to exploit cross-selling potentials during the first half of 2010, acquiring new clients in the process. We also expanded our business with the energy sector target group.

Segment result

At € 6 million, operating profit generated by the Consulting / Services segment during the second quarter was slightly lower compared to the same quarter of the previous year.

Revenues for the second quarter declined by € 4 million, to € 48 million (Q2 2009: € 52 million). The decline was largely due to the low interest rate environment, which impacted unfavourably on profitability of the deposit-taking business with the institutional housing industry. Nonetheless, the volume of deposits placed by this client group remains stable.

We reduced the cost of materials purchased over the previous year by € 1 million, to € 5 million.

Staff expenses in the quarter under review amounted to € 25 million, down € 2 million year-on-year.

Other operating income and expenses, as well as depreciation and amortisation, were in line with last year's levels.

On balance, the Consulting / Services segment yielded a net contribution of € 6 million to consolidated operating profit (Q2 2009: € 7 million).

Consulting/Services segment result

Euro mn	Quarter 2 2010	Quarter 2 2009
Sales revenue	48	52
Own work capitalised	1	1
Changes in inventory	0	0
Other operating income	2	2
Cost of materials purchased	5	6
Staff expenses	25	27
Depreciation, amortisation and impairment losses	4	3
Results from investments accounted for using the equity method	–	–
Other operating expenses	11	12
Interest and similar income/expenses	0	0
Operating profit	**6**	**7**
Income taxes	2	3
Segment result	**4**	**4**
Allocation of results		
Segment result attributable to non-controlling interests	0	1
Segment result attributable to shareholders of Aareal Bank AG	4	3

After deduction of taxes, the segment result for the second quarter was € 4 million (Q2 2009: € 4 million).

Financial position

Consolidated total assets as at 30 June 2010 amounted to € 42.5 billion, after € 39.6 billion as at 31 December 2009.

Property financing portfolio

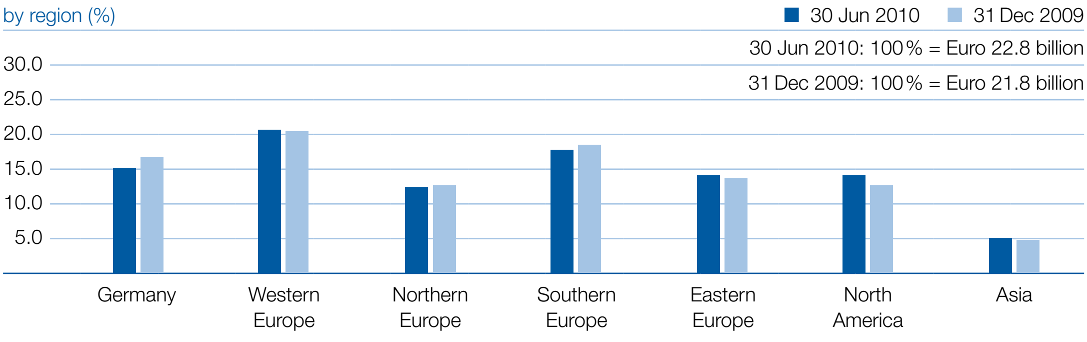
Aareal Bank Group's property financing portfolio[1] was drawn at an aggregate amount of € 22.8 billion as at 30 June 2010. This equates to a 4.2 % increase over the 2009 year-end figure of € 21.8 billion. The portfolio share of international business also climbed, up 6.3 % to € 19.3 billion; international exposures now account for approximately 85 % of the overall portfolio.

The chart on the following page illustrates the very broad regional diversification of our overall portfolio.

We increasingly exploited opportunities for new business during the first half of the year, boosting the volume of new business originated compared with the same period of the previous year, whereby the share of renewals declined. Last year's low repayment ratio increased slightly in the first half of this financial year; it is in line with our expectations.

[1] As at 30 June 2010, the portfolio of property financings under management totalled € 23.2 billion (31 December 2009: € 22.3 billion). Property financings under management include the property financing portfolio managed for Deutsche Pfandbriefbank AG.

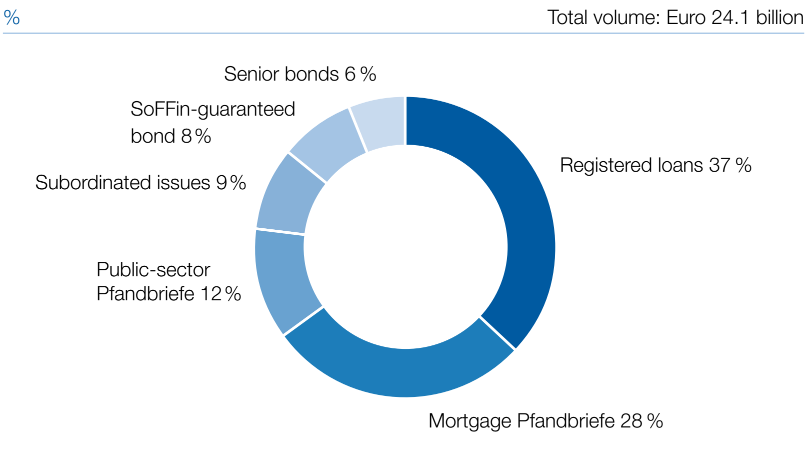
Property financing volumes (amounts drawn)



Refinancing and equity

Aareal Bank Group continued to conduct its funding activities successfully during the first six months of this year, thereby securing its comfortable liquidity situation. The property financing portfolio to be refinanced totalled € 22.8 billion as at 30 June 2010. This was refinanced as at 30 June 2010 by long-term funding of € 24.1 billion (comprising covered bonds, unsecured and subordinated issues), € 4.1 billion in deposits from institutional housing industry clients and € 4.6 billion in deposits from institutional money market investors. Deposits from the institutional housing industry averaged € 4.1 billion during the second quarter of 2010; they were at the same level on 30 June 2010. Excess liquidity is invested in a portfolio of high-quality securities.

Capital market refinancing mix as at 30 June 2010



Just under € 1.3 billion in long-term funds were raised on the capital market during the quarter under review, through private and public-sector transactions. This comprised mortgage Pfandbriefe in the amount of approx. € 900 million, public-sector Pfandbriefe of approx. € 100 million, as well as unsecured refinancing of approx. € 300 million. Aareal Bank has therefore maintained long-term funding at a high level. A notable achievement was the successful public placement of a € 500 million 3.25-year mortgage Pfandbrief in June of this year. Overall placements during the first half-year comprised mortgage Pfandbriefe in the amount of approx. € 1.7 billion, public-sector Pfandbriefe of approx. € 100 million as well as unsecured refinancing of approx. € 700 million.

Aareal Bank exercised the option of drawing on the remaining € 2 billion available under SoFFin's guarantee facility for a shelf bond issue, which the bank has taken onto its own books. This utilisation of the framework guarantee is purely precautionary in nature, and is designed to retain the funding flexibility afforded by the guarantee facility for the next three years.

As further evidence of the bank's strength and the soundness of its business model, we accelerated repayment of the silent participation by the German Financial Markets Stabilisation Fund ("SoFFin"), as announced on 28 June 2010. By repaying a first € 150 million tranche on 16 July 2010, Aareal Bank became the first institution to repay capital support provided by SoFFin. The Management Board reached this decision against the background of the bank's robust operating performance and very good capitalisation.

As at 30 June 2010, the Tier 1 ratio measured in accordance with the Credit Risk Standard Approach (CRSA) – and taking into account this partial repayment – was 10.2 %, which is high by international standards.

Effects of the financial markets, economic and debt crises

The second quarter of 2010 was characterised by a significant deterioration in the Greek debt crisis, together with concerns regarding a contagion of this crisis to other euro zone countries. The resulting nervousness and serious uncertainty amongst market participants led to higher volatilities across virtually all segments of the financial and capital markets. However, these tensions did not have any serious impact on economic performance during the second quarter, as the recovery of the real economy continued at a slow pace in most countries – albeit with major regional differences. One example was the divergence between the rather slow growth momentum in Western Europe and the fast-growing Asian economies.

Such economic trends tend to feed through to commercial property markets with a certain time lag: accordingly, top rents for first-class properties in prime locations only declined slightly during the second quarter, or stabilised. This only applied to such prime properties in the best locations, whereas rents for properties in peripheral locations, or of lesser quality, remained under pressure. Investors' average yield requirements for first-class, top-tier commercial properties stabilised or were slightly lower, which – given stable rents – had a positive impact on their market values, whereas property values in peripheral locations, or for properties of lesser quality, remained under pressure. Transaction volumes were higher than in the previous year; they were mainly attributable to first-class properties. Even though the tensions brought about by the debt crisis did not affect property markets during the second quarter, the business environment remained challenging.

During the second quarter of 2010 we duly continued to adhere to our risk-aware approach to lending, whilst also consistently managing our credit portfolio. New business in the Structured Property Financing segment amounted to € 1.6 billion during the second quarter, after € 0.7 billion in the same quarter of the previous year. The segment thus generated € 2.9 billion in new business in the first half of the year. In light of the increase in transaction volumes and the continued recovery of the real economy, but also taking into consideration the increased tensions on financial markets, we find this volume to be appropriate.

Despite the good issuer ratings, capital markets volatility led to fluctuations in the value of our securities portfolio during the second quarter of 2010.

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

The return to normality that emerged on the money market over the course of 2009 continued in the first half of 2010. The volume of longer-term term deposits from institutional money market investors has increased continuously since the start of the year, so that the average volume of all deposits of this investor group amounted to € 4.8 billion in the first half of 2010. As at the reporting date of 30 June 2010, the volume amounted to € 4.6 billion.

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

The stable Consulting / Services segment was also unable to completely escape the effects of the financial and economic crisis as far as margins in its deposit-taking business were concerned. The low interest rate environment, which is very unfavourable in terms of income earned from deposits from the institutional housing industry, had a negative impact. Nonetheless, the volume of deposits from the institutional housing industry remained stable, averaging around € 4.1 billion during the second quarter of 2010.

In order to protect its sustainable business model, and at the same time overcome the very difficult market environment, Aareal Bank Group had reached an agreement with the German Financial Markets Stabilisation Fund (SoFFin) on 15 February 2009, whereby SoFFin extended a perpetual silent participation in the amount of € 525 million to Aareal Bank, plus a guarantee facility for new unsecured issues up to a total of € 4 billion. We used € 2 billion of this framework guarantee to place a bond issue in March 2009.

Against the background of a sound operating performance and the bank's solid capitalisation, Aareal Bank accelerated the repayment of SoFFin's silent participation. A first tranche of € 150 million was repaid on 16 July 2010, reducing the residual amount of the silent participation to € 375 million.

At the same time, Aareal Bank exercised the option of drawing on the remaining € 2 billion available under SoFFin's guarantee facility for a shelf bond issue, which the bank has taken onto its own books. This utilisation of the framework guarantee is purely precautionary in nature, and is designed to retain the funding flexibility afforded by the guarantee facility for the next three years.

Regulatory indicators

Regulatory indicators pursuant to KWG (CRSA[1])

	30 Jun 2010	31 Dec 2009
Euro mn		
Core capital	2,253	2,415
Liable capital	3,122	3,290
Risk-weighted assets (incl. market risk)	21,988	21,875
%		
Tier 1 ratio	10.2[2]	11.0
Total capital ratio	14.2[2]	15.0

[1] Credit Risk Standard Approach (CRSA)
[2] The partial repayment of the silent participation by the German Financial Markets Stabilisation Fund (SoFFin), in the amount of € 150 million (as announced on 28 June 2010 and executed on 16 July 2010), was taken into account for calculating the ratio/indicator.

Report on Material Events after the Reporting Date

On 16 July 2010, Aareal Bank AG repaid a first tranche of € 150 million of the € 525 million silent participation provided by the German Financial Markets Stabilisation Fund (SoFFin).

Risk Report

Aareal Bank Group Risk Management

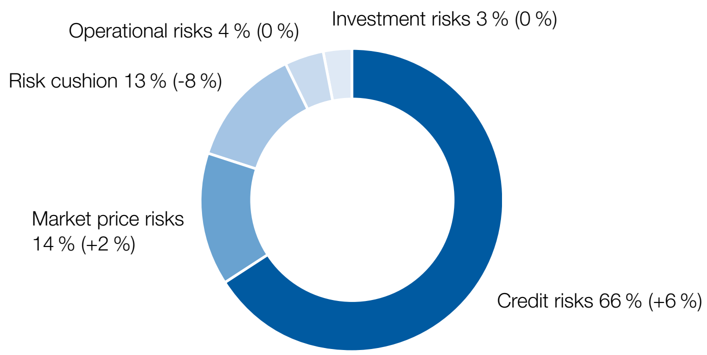
The Annual Report 2009 contains a comprehensive description of Aareal Bank Group's risk management approach, including the corresponding organisational structure and workflows in the lending and trading businesses, as well as the methods and procedures used for measuring and monitoring risk exposure. Within the scope of this interim report, we will once again briefly outline the key components of our risk management structure, together with the key developments during the period under review.

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

At 66 %, credit risks account for the largest part of the bank's aggregate risk cover; 14 % is retained to cover market price risks, 4 % for operational risks and 3 % for investment risks. In addition, a substantial portion (13 %) of the aggregate risk cover serves as a risk cushion, which is not applied to risk limits, and is thus available for risk types that cannot be quantified (for example, reputational or strategic risks). Overall, aggregate risk cover and risk limits are harmonised to ensure Aareal Bank's ability to bear risk at any time, based on the going concern assumption – even against the background of market distortions as a result of the financial markets crisis. The diagram on the right hand side shows the allocation of aggregate risk cover to types of risk as at 30 June 2010. Absolute limit amounts for the various types of risk were kept largely unchanged from their levels as at 31 December 2009. The changes in relative shares were mainly attributable to the update of aggregate risk cover, in connection with the partial repayment of the silent participation by the German Financial Markets Stabilisation Fund (SoFFin).

Allocation of aggregate risk cover

% (change from 31 Dec 2009 (% points)) as at 30 June 2010



Since aggregate risk cover is an inadequate measure to assess risk-bearing capacity regarding liquidity risk, we have defined special tools for managing this type of risk. These tools are described in detail in the section "Liquidity risk", and in the 2009 Annual Report.

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. Counterparty risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties or issuers. Country risk is also defined as a form of counterparty risk.

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

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

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

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

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

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

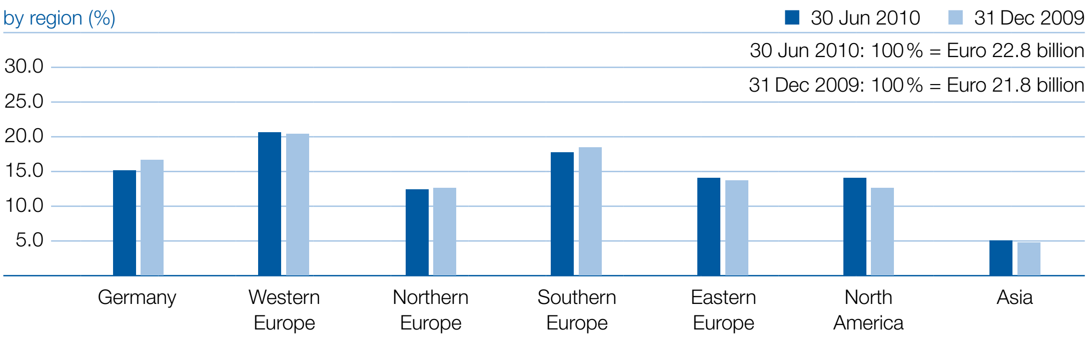
Trading activities are generally restricted to counterparties for whom the requisite limits are in place. All trades are immediately taken into account for the purposes of borrower-related limits. Compliance with limits is monitored in real time by Risk Controlling. Persons holding position responsibility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

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

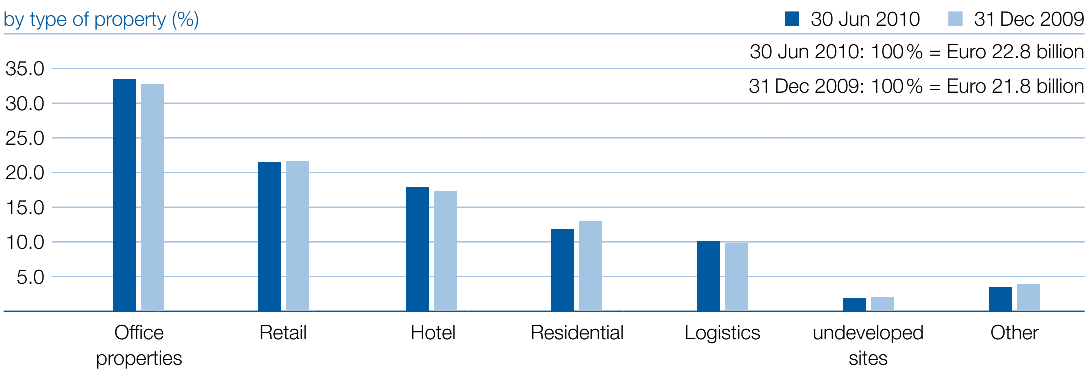
In summary, during the period under review, the existing set of tools and methods continued to enable the bank to adopt suitable risk management or risk mitigation measures, where required, at an early stage.

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

Property financing volumes (amounts drawn)



Property financing volumes (amounts drawn)



Market price risks

Definition

Market price risk is broadly defined as the threat of losses due to changes in market parameters. Aareal Bank's market price risk exposure predominantly comprises interest rate risks, whilst currency risks are largely eliminated through hedges. Commodity and other price risks are irrelevant for the bank's business. Hence, the primary market price risk exposures are related to the risk parameters interest rates, equity prices, exchange rates, and implied volatilities. All relevant parameters are covered by our management and monitoring tools.
Derivative financial instruments are entered into almost exclusively in the trading book, and are primarily used as hedging instruments. Spread risks between the various yield curves (e.g. government / Pfandbrief / swap curve) are also taken into account. The risk exposure from bonds that is not related to market price or interest rate risks – in particular, credit and liquidity risk exposure of the bond portfolio – is managed as part of "specific" risk.

Risk measurement and monitoring

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

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

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

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

The limit set for the VaR figure is derived from the analysis of the bank's risk-bearing capacity, which is carried out at least once a year. Limits are defined at Group level, as well as for the individual Group entities. Being authorised to maintain a trading book, Aareal Bank AG has defined an additional trading book limit, plus a separate value-at-risk limit for fund assets held.

When interpreting the VaR figures stated below, it should be noted that these refer to the overall portfolio (thus including all non-trading positions as defined in IFRS). Hence, the analysis provided represents a very extensive disclosure of market price risks compared to industry standards. The graph on page 25 depicting the development of "specific" risk also reflects higher volatility on the bond markets.

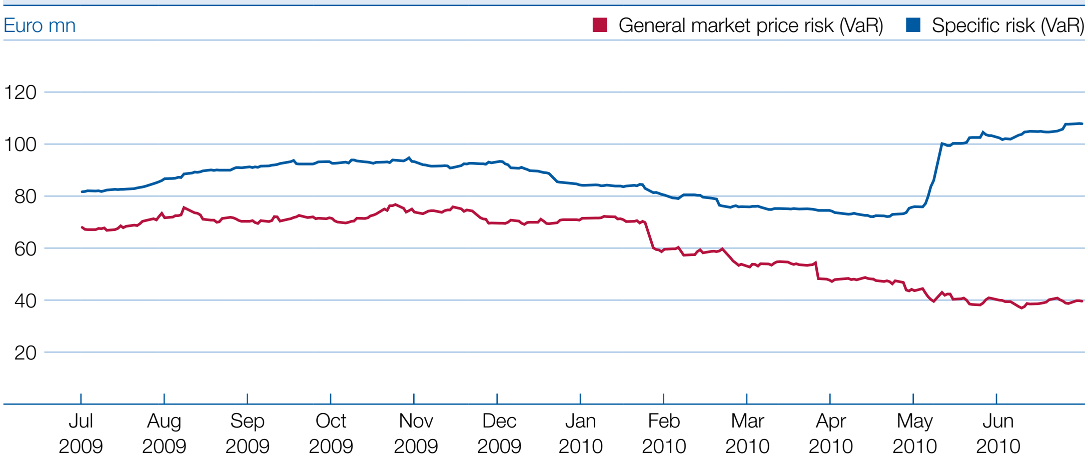
Q2 2010 (2009 values) 99 %, 10-day holding period	MAX	MIN	Mean	Limit
Aareal Bank Group – general market price risk	71.5 (76.0)	36.5 (39.4)	50.2 (62.2)	– (–)
Group VaR (interest rates)	67.5 (71.3)	31.1 (31.3)	45.7 (56.8)	– (–)
Group VaR (FX)	17.9 (23.1)	14.1 (15.1)	15.7 (20.6)	– (–)
VaR (funds)	11.9 (12.6)	6.8 (4.0)	8.6 (9.0)	60.0 (60.0)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (3.8)	0.0 (0.0)	0.0 (0.8)	20.0 (20.0)
Trading book VaR (interest rates)	0.0 (1.5)	0.0 (0.0)	0.0 (0.1)	– (–)
Trading book VaR (FX)	0.0 (0.1)	0.0 (0.0)	0.0 (0.0)	– (–)
VaR (equities)	0.0 (0.6)	0.0 (0.0)	0.0 (0.0)	– (–)
Group VaR (specific risks)	106.9 (137.3)	71.4 (80.9)	84.5 (106.0)	– (–)
Aggregate VaR – Aareal Bank Group	114.5 (153.5)	85.4 (105.4)	99.7 (124.6)	181.0 (181.0)

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

Q2 2010 (2009 values) 99 %, 1-day holding period	MAX	MIN	Mean	Limit
Aareal Bank Group – general market price risk	22.6 (24.0)	11.5 (12.5)	15.9 (19.7)	– (–)
Group VaR (interest rates)	21.3 (22.6)	9.8 (9.9)	14.5 (18.0)	– (–)
Group VaR (FX)	5.7 (7.3)	4.5 (4.8)	5.0 (6.5)	– (–)
VaR (funds)	3.8 (4.0)	2.1 (1.3)	2.7 (2.8)	19.0 (19.0)
Aggregate VaR in the trading book (incl. specific VaR)	0.0 (1.2)	0.0 (0.0)	0.0 (0.3)	6.3 (6.3)
Trading book VaR (interest rates)	0.0 (0.5)	0.0 (0.0)	0.0 (0.0)	– (–)
Trading book VaR (FX)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	– (–)
VaR (equities)	0.0 (0.2)	0.0 (0.0)	0.0 (0.0)	– (–)
Group VaR (specific risks)	33.8 (43.4)	22.6 (25.6)	26.7 (33.5)	– (–)
Aggregate VaR – Aareal Bank Group	36.2 (48.5)	27.0 (33.3)	31.5 (39.4)	57.2 (57.2)

Aggregate VaR – Aareal Bank Group

General market price risk and specific risk during 2009/2010

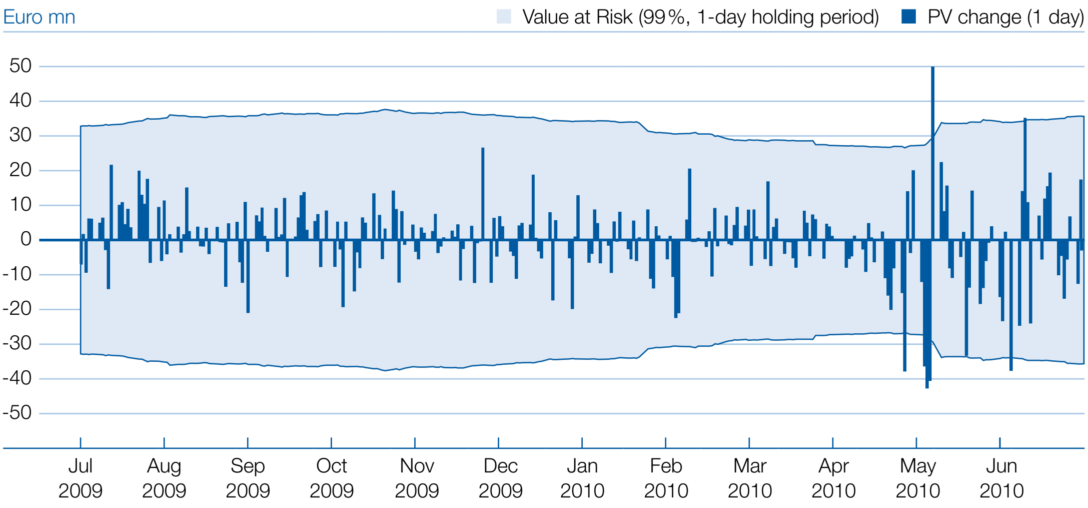


Limits were unchanged during the quarter under review. No limit breaches were detected.

Backtesting

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

Present values and 1-day VaR during 2009/2010



Trading book

Being authorised to maintain a trading book, Aareal Bank AG is the Group entity that is in a position to assign transactions to the trading portfolio as defined by the German Banking Act. Given the small number of transactions and low volumes concluded during the quarter under review, trading book risks played a low role in the overall risk scenario.

During the period under review, the processes employed proved to be able to quantify the risks arising from market price fluctuations in a timely and appropriate manner.

Liquidity Risks

Liquidity risk in the narrower sense is defined as the risk that current or future payment obligations cannot be met in full or on time. Aareal Bank's liquidity risk management system is designed to ensure that the bank has sufficient cash and cash equivalents to honour its payment obligations at any future point in time. The risk management and monitoring processes have been designed to cover refinancing and market liquidity risks in addition to liquidity risk in the narrower sense.

Treasury is responsible for managing liquidity risks, whilst Risk Controlling ensures the continuous monitoring, including a weekly liquidity report submitted to Treasury, and a contribution to the monthly risk report to the entire Management Board.

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

Operational Risks

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

Aareal Bank's policy for managing and monitoring operational risks is geared to achieving a risk-minimising or loss-limiting effect at an early stage, by employing a pro-active approach. The Risk Report in the Annual Report 2009 contains a detailed description of controlling tools employed by the bank to manage operational risk, plus the relevant responsibilities.

A current analysis of control instruments employed has shown that the bank is not exposed to disproportionate operational risks; nor did it indicate any material risk concentration.

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

Investment Risks

Aareal Bank defines equity investment risk as the threat of unexpected losses incurred due to an impairment of the investment's carrying amount, or a default of equity-surrogate loans. 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.

Future opportunities and outlook

Macro-economic and sector-specific environment

Global business environment

The real economy continued to recover during the second quarter of this year – but given prevailing uncertainty, it would be unreasonable to expect a fast or strong rebound in many countries. The high level of sovereign debt – together with high budget deficits, which exceed 10% of some countries' gross domestic product – is a key factor that is increasingly turning into a burden for economic performance going forward. On the one hand, this is burdening demand due to savings measures being enforced, tax increases planned by some countries, and the end of economic stimulus programmes. On the other hand, the high levels of debt and budget deficits have revived tensions on the financial markets, causing disruptions to the interbank markets. Should these problems prevail over an extended period of time, they might spread to the real economy, through reluctant lending or falling asset values.

Additional uncertainties that would indicate a rather reluctant economic recovery in many countries are high unemployment, low capacity utilisation (which induces only a low level of corporate investment), and the fact that the recovery seen to date was to a significant extent attributable to re-stocking inventories.

Taking these burdening factors into account, we anticipate economic recovery throughout Europe to be slow on average. Within Europe, however, the performance of individual countries is expected to be more diverse – comprising negative growth rates in some Eastern European economies, such as Romania, the Baltic States, but also in Spain; numerous countries with moderate economic momentum, particularly in Western Europe; and some economies displaying dynamic growth, including Russia and Turkey.

The US economy is expected to outperform the European average, despite some present signs of a slowdown – particularly with respect to private consumption where some indications of weakness are evident. Asian economies – and China in particular – are expected to maintain their dynamic economic development. Although a tightening of Chinese economic policy, designed to slow down strong price increases for residential property and the high credit growth, might put a cap on growth rates, no major weakening is expected. Compared to the East Asian emerging markets, Japan's growth rates are underperforming. Nonetheless, Japan is likely to benefit from the boom in neighbouring countries through its export industries, offering potential for notably higher Japanese growth rates compared with previous years.

Labour markets stabilised in many countries recently. Given the expected sluggish recovery in numerous economies and low capacity utilisation, unemployment is set to remain high in the future – in some countries, it might even show further slight increases.

Whilst annual inflation rates were slightly higher recently, they are still mostly at a moderate level, and are expected to stay that way in most countries, given the forecast slow economic recovery. Higher inflation rates are likely in some Eastern European countries, including Russia, and in the Asian emerging market economies, whilst a slight year-on-year decline in the average price level is likely in Japan.

Looking at short- and long-term interest rates in the currencies in which we are active, we continue to expect only slight increases until the year-end. However, marked hikes are possible in the following years.

Global commercial property markets

On most commercial property markets, top rents for first-class properties in prime locations recently saw slight declines, or stabilised. Investors' yield requirements also stabilised or slightly declined, which had a positive impact on price developments. However, it was predominantly first-class properties in prime locations that benefited from this positive development, whereas rents for, and values of properties in peripheral locations, or of lesser quality, have remained under pressure.

Despite these positive signals for top properties, we maintain a reluctant stance regarding expected developments of rents and prices for the overall commercial property market. This is based on the expected slow economic recovery in many regions, with unemployment as well as corporate insolvencies set to remain at a high level for the foreseeable future. These factors are a direct burden on the demand for floor space, for example in the office segment. Moreover, they have an indirect impact on the property market – for instance, through reluctance in terms of consumption (leading to lower revenue-linked rents for retail properties) or lower travel expenditure (declining hotel revenues). These aspects indicate that rents as well as prices for commercial property will remain under pressure this year, particularly for properties in peripheral locations, or of lesser quality. Increasing interest for first-class properties in prime locations was evident during the first half of the year, which provides for a more favourable outlook for rents and prices for such top properties. Overall, we believe that rents for first-class properties or good locations have bottomed out. Accordingly, transaction volumes in this segment are expected to rise, with stable to increased prices.

There are additional factors influencing the development of property markets going forward. Tensions on the financial markets – which have increased over recent months – represent an uncertainty factor for the economy as a whole. Even though this has not yet materially affected the property markets to date, any financial market tensions prevailing over a longer period of time could translate into negative effects on commercial property markets. Likewise, the high level of commercial property financings set to mature during this year and next represent an uncertainty factor for the future development of property values, to the extent that such maturities might trigger a material increase in the number of distressed sales. As a potentially favourable factor for the medium-term trend in property values, new construction activity has been cut back on many markets, restricting the supply of new, modern floor space. Overall, we believe that the market environment is set to remain challenging for the remainder of this year.

Considering the more favourable sentiment for property investment, we anticipate the development in transaction volumes seen during the first half of the year to continue: whilst we expect volumes to rise over the previous year's levels, they are set to remain clearly short of the very high volumes seen during the boom years of 2006 and 2007.[1)]

Development of the German institutional housing industry

We anticipate the development of the institutional housing industry to remain solid during the remainder of 2010. Members of the Federation of German Housing Enterprises plan to increase investments by 2 %, to around € 8.8 billion. The majority of housing enterprises plan to invest in their property portfolios, especially in order to offer housing that is in line with tenants' needs. At the same time, the share of new construction is expected to rise by around 5 % this year.

Against this background, state support measures for the industry – such as the "Energy-efficient Construction" and "Energy-efficient Renovation" programmes offered by KfW, the German public-sector development bank – provide a key contribution to financing the planned renovation projects. However, currently-discussed cutbacks to the programme supporting the renovation of buildings to reduce carbon dioxide emissions, as well as planned reductions in urban development support programmes might impede the investment activities of housing enterprises.

Continued uncertainty affecting the capital markets would shift the focus of investor interest to residential property, offering stable valuations; this would support the recovery on the market for portfolio transactions. A low level of completed properties, and the resulting potential for rent increases, are set to further enhance the attractiveness of residential property for existing investors and new buyers during the remainder of the year. German insurers plan to increase their portfolio allocation to property by 2011: it is fair to assume that this will further increase demand for residential property, especially from special residential property investment funds targeting institutional investors. This would induce market growth for residential property funds, and hence, increased competition.

Residential property markets are expected to continue to show diverse development: major German cities are set to benefit from a migration of a predominantly younger population attracted by the availability of jobs. Conversely, structurally weak regions – with a lack of job offers and an ageing population – are exposed to an accelerating urban shrinkage process leading to excess residential offers and rising vacancies.

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

Corporate development

After the end of the second quarter, we continue to believe the 2010 financial year will be equally as challenging as 2009 – this is taken into consideration in our forecast for future business development.

Structured Property Financing

The situation on the commercial property markets was largely strained in the second quarter of 2010, following the collapse of the global economy last year. We expect market values for commercial property to remain under pressure in 2010. Despite some initial signs of stabilising market values in some first-class locations, we anticipate further reductions in property returns, which may lead to higher average loan-to-value ratios (LtV) on the loans we have extended. We have accounted for this development with the corresponding allowance for credit losses for the 2010 financial year. We will also continue to focus on the consistent management of our credit portfolio. Thanks to our active portfolio management and broad diversification by region and property types, we expect to maintain the allowance for credit losses at a manageable level, even in this challenging environment.

Because of the expected economic conditions in 2010, we believe that the repayment ratio will remain at a low level.

Similarly, we do not expect much improvement for 2010 in the framework for the placement of credit risks through securitisation and syndication over 2009's level of activity.

Subject to the performance of the relevant foreign currencies vis-à-vis the euro, we expect a stable or slightly higher portfolio volume of property financing solutions for 2010.

Our three-continent strategy will continue to define the regional distribution in the property financing portfolio during 2010.

Consulting / Services

Although the Consulting / Services segment is not affected directly, the impact of the crisis affecting the real economy has also left its mark indirectly on this segment.

Aareon

After the end of the second quarter, despite initial signs of a slight economic recovery, we expect a slightly higher – yet in some areas still cautious – propensity for IT investment in the property management sector in the course of the 2010 financial year. This assumption has been affirmed by the low number of large-sized tender processes since the beginning of the year, which points towards activity remaining low for the remaining months. In contrast, the number of new orders from small- to medium-sized businesses has risen considerably. Against the background of these conditions, we expect revenues to be in line with the figures for 2009. In the context of cost reductions, we anticipate a higher contribution to segment results.

Aareon's integrated product portfolio is being developed continuously. Further major migrations are planned for the SAP®-based Blue Eagle product line, and the market launch of the new Wodis Sigma product generation in 2009 has been a great success since then. On the basis of the very positive experiences made up to now, we assume that the number of clients switching to Wodis Sigma will remain high. The planned introduction of Wodis Sigma Release 2.0, scheduled for the second half of 2010 with additional functional enhancements, will provide a meaningful contribution to this. We expect the market share of the established GES system to remain largely stable this year.

During 2010 we also continue to expect positive performance from the integrated services that are networked with the ERP products. The positive trend in customer acquisition of the first six months should continue, especially for the Aareon DMS document management system, the BauSecura insurance service and the Mareon service portal.

Payments and deposit-taking

The process optimisation procedures for electronic mass payment services (BK 01 products) offered by the bank's Institutional Housing Unit has continued to generate stable deposits for the bank's refinancing activities during the second quarter of 2010, in line with the first quarter.

Deposit volumes remained high, despite massive competition regarding terms. We rate this as a sign of the confidence our clients place in the bank. We expect the positive trend to continue in 2010, especially in the area of deposits.

Given the ongoing low interest rate environment, we expect margins will continue to remain under pressure during the second half of the year. In light of the positive performance in acquiring new customers and retaining existing ones that continued throughout the first half of the year, we see good opportunities for achieving similar successes in 2010, too.

This also applies to our payments services for energy suppliers: our "BK 01 immoconnect" product, which offers benefits to the institutional housing industry as well as to the energy sector, has met with good market response.

Group targets

We continue to affirm our key forecasts for the year as a whole, following the end of the second quarter.

Even though we no longer envisage any marked changes to the prevailing low interest rate levels by the end of the year, we continue to expect increased consolidated net interest income of € 460 million to € 480 million for the current financial year. This projection is based on higher lending margins, together with a lower burden on net interest income from liquidity reserves. However, continued low interest rates tend to depress margins generated on deposits from the housing industry.

As we see it, the business environment in commercial property financing will remain just as challenging in the course of the current financial year as it was in 2009. Accordingly, we expect allowance for credit losses to remain at clearly manageable levels for the year as a whole. Allowance for credit losses recognised in income is expected to range between € 117 million to € 165 million: the actual level will depend in particular on the extent to which the additional allowance for credit losses (which was increased from € 34 million to € 48 million in the 2009 financial year) will, in fact, be utilised. As in the previous year, the bank cannot rule out additional allowances for unexpected credit losses that may be incurred during 2010.

The utilisation of the remaining tranche of the guarantee facility provided by SoFFin, announced at the end of June as a precautionary measure, will initially burden net commission income only: accordingly, we expect a corresponding year-on-year decline in the net figure for the full year 2010.

Net trading income / expenses essentially comprises the results of hedge transactions related to refinancing our core business, predominantly currency and interest rate hedges. The item also includes realised and unrealised changes in value from the sale of hedges for selected EU government bonds, so-called credit default swaps (CDS). Furthermore, the costs for our outstanding securitisation transactions are included in net trading income / expenses. We only engage in traditional own-account trading to a very limited extent. In our opinion, the valuation of hedging transactions will remain subject to the same high volatility as in the last two years, especially in the current environment. As a result, it is impossible to forecast net trading income / expenses for 2010.

Because of the consistent conservative risk policy we have pursued in recent years, we anticipate no material burden on the results from non-trading assets for the remainder of 2010.

Administrative expenses continue to be defined by the unchanged cost discipline, and are thus expected to remain unchanged from 2009 levels.

The measures resolved during the second quarter – the utilisation of the remaining SoFFin guarantee facility, and the early partial repayment of the silent participation – impact on net commission income and on the appropriation of profits. The additional fees payable for the utilisation of the remaining framework guarantee burden operating profit. In contrast, the relief on income due to the early partial repayment of the silent participation (which virtually offsets the higher fees) is not reported in operating profit, but in the appropriation of profits. Despite this effect which burdens operating profit, from today's perspective Aareal Bank continues to see potential for increasing consolidated operating profit for the full 2010 financial year, even though the market environment continues to be fraught with uncertainty.

New business generated in the Structured Property Financing segment is currently expected at the upper end of the range between € 4 billion and € 5 billion in 2010. The increase in the volume of new business will reduce the share of loan renewals relative to new business.

In the Consulting / Services segment, Aareon continues to develop on schedule, whereas the ongoing low interest rate environment burdens profitability in the deposit-taking business.

Consolidated Financial Statements
Statement of Comprehensive Income[1)]

Income Statement

	Note	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Euro mn			
Interest income		422	689
Interest expenses		183	456
Net interest income	1	**239**	**233**
Allowance for credit losses	2	65	79
Net interest income after allowance for credit losses		**174**	**154**
Commission income		89	91
Commission expenses		27	25
Net commission income	3	**62**	**66**
Net result on hedge accounting		4	1
Net trading income/expenses	4	-7	23
Results from non-trading assets	5	14	-16
Results from investments accounted for using the equity method	6	5	–
Results from investment properties		0	0
Administrative expenses	7	183	186
Net other operating income/expenses	8	-8	1
Impairment of goodwill		0	–
Operating profit		**61**	**43**
Income taxes		18	10
Net income/loss		**43**	**33**
Allocation of results			
Net income/loss attributable to non-controlling interests		9	9
Net income/loss attributable to shareholders of Aareal Bank AG		34	24
Appropriation of profits			
Net income/loss attributable to shareholders of Aareal Bank AG		34	24
Silent participation by SoFFin		17	9
Consolidated profit/loss		**17**	**15**
Euro			
Earnings per share		**0.78**	**0.58**
Diluted earnings per share		**0.78**	**0.58**

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.

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

Statement of Comprehensive Income

Reconciliation from Net Income/Loss to Total Comprehensive Income

Euro mn	Note	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Net income/loss		**43**	**33**
Changes in revaluation surplus	9	-25	17
Changes in hedging reserves	9	0	0
Changes in currency translation reserves	9	2	0
Changes in reserves from transactions under common control	9	0	2
Others	9	–	-4
Profit/loss directly recognised in equity (after taxes)		**-23**	**15**
Total comprehensive income		**20**	**48**
Allocation of total comprehensive income			
Total comprehensive income attributable to non-controlling interests		9	9
Total comprehensive income attributable to shareholders of Aareal Bank AG		11	39

Statement of Comprehensive Income

Income Statement (Quarterly Development)

	Quarter 2 2010	Quarter 1 2010	Quarter 4 2009	Quarter 3 2009	Quarter 2 2009
Euro mn					
Interest income	215	207	209	262	310
Interest expenses	93	90	94	150	194
Net interest income	**122**	**117**	**115**	**112**	**116**
Allowance for credit losses	33	32	35	36	42
Net interest income after allowance for credit losses	**89**	**85**	**80**	**76**	**74**
Commission income	44	45	55	42	44
Commission expenses	12	15	16	14	14
Net commission income	**32**	**30**	**39**	**28**	**30**
Net result on hedge accounting	2	2	1	-4	0
Net trading income/expenses	-13	6	3	18	5
Results from non-trading assets	14	0	-3	-3	1
Results from investments accounted for using the equity method	5	–	1	–	–
Results from investment properties	0	0	-1	1	0
Administrative expenses	92	91	83	92	92
Net other operating income/expenses	-6	-2	-12	-3	1
Impairment of goodwill	0	0	2	0	–
Operating profit	**31**	**30**	**23**	**21**	**19**
Income taxes	9	9	5	5	2
Net income/loss	**22**	**21**	**18**	**16**	**17**
Allocation of results					
Net income/loss attributable to non-controlling interests	4	5	5	4	5
Net income/loss attributable to shareholders of Aareal Bank AG	18	16	13	12	12

Statement of Comprehensive Income

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

Euro mn	Quarter 2 2010	Quarter 1 2010	Quarter 4 2009	Quarter 3 2009	Quarter 2 2009
Net income/loss	**22**	**21**	**18**	**16**	**17**
Changes in revaluation surplus	-43	18	6	52	24
Changes in hedging reserves	0	0	0	0	0
Changes in currency translation reserves	2	0	-2	1	0
Changes in reserves from transactions under common control	0	–	-1	8	2
Others	–	–	–	–	–
Profit/loss directly recognised in equity (after taxes)	**-41**	**18**	**3**	**61**	**26**
Total comprehensive income	**-19**	**39**	**21**	**77**	**43**
Allocation of total comprehensive income					
Total comprehensive income attributable to non-controlling interests	4	5	5	4	5
Total comprehensive income attributable to shareholders of Aareal Bank AG	-23	34	16	73	38

Segment Reporting[1)]

Segment Results

Euro mn	Structured Property Financing 1 Jan-30 Jun 2010	Structured Property Financing 1 Jan-30 Jun 2009	Consulting/Services 1 Jan-30 Jun 2010	Consulting/Services 1 Jan-30 Jun 2009	Consolidation/Reconciliation 1 Jan-30 Jun 2010	Consolidation/Reconciliation 1 Jan-30 Jun 2009	Aareal Bank Group 1 Jan-30 Jun 2010	Aareal Bank Group 1 Jan-30 Jun 2009
Net interest income	217	208	0	0	22	25	239	233
Allowance for credit losses	65	79					65	79
Net interest income after allowance for credit losses	**152**	**129**	**0**	**0**	**22**	**25**	**174**	**154**
Net commission income	-3	2	88	90	-23	-26	62	66
Net result on hedge accounting	4	1					4	1
Net trading income/expenses	-7	23					-7	23
Results from non-trading assets	14	-16	0	0			14	-16
Results from investments accounted for using the equity method	5						5	
Results from investment properties	0	0					0	0
Administrative expenses	107	106	77	82	-1	-2	183	186
Net other operating income/expenses	-9	2	1	0	0	-1	-8	1
Impairment of goodwill	0						0	
Operating profit	**49**	**35**	**12**	**8**	**0**	**0**	**61**	**43**
Income taxes	14	7	4	3			18	10
Net income/loss	**35**	**28**	**8**	**5**	**0**	**0**	**43**	**33**
Allocation of results								
Net income/loss attributable to non-controlling interests	8	8	1	1			9	9
Net income/loss attributable to shareholders of Aareal Bank AG	27	20	7	4	0	0	34	24
Allocated equity	1,478	1,281	73	61	401	320	1,952	1,662
Cost/income ratio (%)	48.2	47.9	86.5	91.5			59.0	60.5
RoE after taxes (%)	3.7	3.2	18.0	13.2			3.4	2.9
Employees (average)	**941**	**1,014**	**1,320**	**1,416**			**2,261**	**2,430**

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

Segment Reporting

Segment Results (Quarterly Development)

	Structured Property Financing		Consulting/ Services		Consolidation/ Reconciliation		Aareal Bank Group	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Euro mn								
Net interest income	111	103	0	0	11	13	122	116
Allowance for credit losses	33	42					33	42
Net interest income after allowance for credit losses	**78**	**61**	**0**	**0**	**11**	**13**	**89**	**74**
Net commission income	1	-3	43	46	-12	-13	32	30
Net result on hedge accounting	2	0					2	0
Net trading income/expenses	-13	5					-13	5
Results from non-trading assets	14	1	0	0			14	1
Results from investments accounted for using the equity method	5						5	
Results from investment properties	0	0					0	0
Administrative expenses	55	54	38	39	-1	-1	92	92
Net other operating income/expenses	-7	2	1	0	0	-1	-6	1
Impairment of goodwill								
Operating profit	**25**	**12**	**6**	**7**	**0**	**0**	**31**	**19**
Income taxes	7	-1	2	3			9	2
Net income/loss	**18**	**13**	**4**	**4**	**0**	**0**	**22**	**17**
Allocation of results								
Net income/loss attributable to non-controlling interests	4	4	0	1			4	5
Net income/loss attributable to shareholders of Aareal Bank AG	14	9	4	3	0	0	18	12
Allocated equity	1,478	1,281	73	61	401	320	1,952	1,662
Cost/income ratio (%)	47.5	49.8	87.4	86.0			58.4	60.7
RoE after taxes (%)	3.8	2.8	20.0	22.2			3.6	3.0

Segment Reporting

Consulting / Services Segment – Reconciliation of Income Statement

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

			Income statement classification – bank									
Euro mn			Net interest income	Net commission income	Results from non-trading assets	Results from investments accounted for using the equity method	Administrative expenses	Net other operating income / expenses	Impairment of goodwill	**Operating profit**	Income taxes	**Segment result**
	Q2 2010		0	43	0		38	1		**6**	2	**4**
	Q2 2009		0	46	0		39	0		**7**	3	**4**
Income statement classification – industrial enterprise												
Sales revenue	Q2 2010	48		48								
	Q2 2009	52		52								
Own work capitalised	Q2 2010	1					1					
	Q2 2009	1					1					
Changes in inventory	Q2 2010	0						0				
	Q2 2009	0						0				
Other operating income	Q2 2010	2						2				
	Q2 2009	2			0		0	2				
Cost of materials purchased	Q2 2010	5		5								
	Q2 2009	6		6								
Staff expenses	Q2 2010	25					25					
	Q2 2009	27					27					
Depreciation, amortisation and impairment losses	Q2 2010	4					4					
	Q2 2009	3					3					
Results from investments accounted for using the equity method	Q2 2010											
	Q2 2009											
Other operating expenses	Q2 2010	11			0		10	1				
	Q2 2009	12			0		10	2				
Interest and similar income / expenses	Q2 2010	0	0									
	Q2 2009	0	0									
Operating profit	**Q2 2010**	**6**	**0**	**43**	**0**		**38**	**1**				
	Q2 2009	**7**	**0**	**46**	**0**		**39**	**0**				
Income taxes	Q2 2010	2									2	
	Q2 2009	3									3	
Segment result	**Q2 2010**	**4**										
	Q2 2009	**4**										

Statement of Financial Position

Euro mn	Note	30 Jun 2010	31 Dec 2009
Assets			
Cash funds		654	990
Loans and advances to banks	10	2,307	801
Loans and advances to customers	11	24,190	23,459
Allowance for credit losses		-350	-283
Positive market value of derivative hedging instruments		1,753	1,244
Trading assets	12	474	689
Non-current assets held for sale and discontinued operations		8	8
Non-trading assets	13	12,745	11,929
Investments accounted for using the equity method		3	3
Investment properties		106	103
Intangible assets	14	73	78
Property and equipment	15	97	99
Income tax assets		28	47
Deferred tax assets		126	121
Other assets	16	316	281
Total		**42,530**	**39,569**
Equity and liabilities			
Liabilities to banks	17	6,139	5,083
Liabilities to customers	18	22,635	21,361
Certificated liabilities	19	7,400	7,862
Negative market value of derivative hedging instruments		1,447	940
Trading liabilities	20	1,062	490
Provisions	21	230	256
Income tax liabilities		11	10
Deferred tax liabilities		70	70
Other liabilities	22	169	151
Subordinated equity	23	1,298	1,269
Equity	24, 25		
Subscribed capital		128	128
Capital reserves		511	511
Retained earnings		795	780
Other reserves		-133	-110
Silent participation by SoFFin		525	525
Non-controlling interest		243	243
Total equity		2,069	2,077
Total		**42,530**	**39,569**

Statement of Changes in Equity[1)]

				Other reserves							
Euro mn	Subscribed capital	Capital reserves	Retained earnings	Reserves from transactions under common control	Revaluation surplus	Hedging reserves	Reserves from currency translation	Silent participation by SoFFin	Total	Non-controlling interest	Total equity
Equity as at 1 Jan 2010	**128**	**511**	**780**	**1**	**-112**	**0**	**1**	**525**	**1,834**	**243**	**2,077**
Total comprehensive income for the period			34	0	-25	0	2		11	9	20
Capital increase											
Capital reduction											
Payments to non-controlling interests										-9	-9
Dividends											
Silent participation by SoFFin											
Costs associated with silent participation by SoFFin			-17						-17		-17
Other changes			-2						-2		-2
Equity as at 30 Jun 2010	**128**	**511**	**795**	**1**	**-137**	**–**	**3**	**525**	**1,826**	**243**	**2,069**

				Other reserves							
Euro mn	Subscribed capital	Capital reserves	Retained earnings	Reserves from transactions under common control	Revaluation surplus	Hedging reserves	Reserves from currency translation	Silent participation by SoFFin	Total	Non-controlling interest	Total equity
Equity as at 1 Jan 2009	**128**	**511**	**738**	**-8**	**-184**	**-1**	**1**		**1,185**	**244**	**1,429**
Adjustments to comparative figures			24		-3	1	1		23		23
Equity as at 1 Jan 2009 (adjusted)	**128**	**511**	**762**	**-8**	**-187**	**0**	**2**		**1,208**	**244**	**1,452**
Total comprehensive income for the period			20	2	17	0	0		39	9	48
Capital increase											
Capital reduction											
Payments to non-controlling interests										-9	-9
Dividends											
Silent participation by SoFFin								525	525		525
Costs associated with silent participation by SoFFin			-9						-9		-9
Other changes			2						2		2
Equity as at 30 Jun 2009 (adjusted)	**128**	**511**	**775**	**-6**	**-170**	**0**	**2**	**525**	**1,765**	**244**	**2,009**

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

Statement of Cash Flows (condensed)

Euro mn	2010	2009
Cash and cash equivalents as at 1 January	**990**	**693**
Cash flow from operating activities	445	7
Cash flow from investing activities	-810	-70
Cash flow from financing activities	29	-1
Total cash flow	**-336**	**-64**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 30 June	**654**	**629**

Notes to the Consolidated Financial Statements (condensed)

Basis of Accounting

Legal Framework

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

This half-yearly financial report was prepared pursuant to the provisions of section 37w in conjunction with section 37y no. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"). It comprises the present interim condensed consolidated financial statements, as well as an interim group management report (see Group Management Report).

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

Scope of consolidation

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

On 29 April 2010, Aareal Bank France S.A. was merged into Aareal Bank AG, with retrospective effect from 1 January 2010. Until the date of the merger, Aareal Bank France S.A. had been a subsidiary of Aareal Bank AG.

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

Accounting policies

Unless specifically indicated otherwise, the accounting policies applied in the preparation of the consolidated financial statements 2009 were also applied for these condensed interim consolidated financial statements, including the calculation of comparative figures.

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

- IFRIC 12 Service Concession Arrangements
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Revised IFRS 3 Business Combinations

- IFRIC 15 Agreements for the Construction of Real Estate
- Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- Revised IFRS 1: First Time Adoption of IFRS
- IFRIC 17 Distribution of Non-Cash Assets to Owners
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
- Improvements to IFRS (issued by the IASB in April 2009)
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters

Until 30 June 2010, the following financial reporting standards (IAS / IFRS) and interpretations (SICs and IFRICs) were published by the International Accounting Standards Board (IASB) and adopted by the EU Commission:

- Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters IFRS 7

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

Notes to the Statement of Comprehensive Income[1)]

(1) Net interest income

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Interest income from		
Property loans	263	363
Public-sector loans	10	30
Other lending and money market transactions	57	134
Fixed-income securities and debt register claims	91	161
Current dividend income	0	1
Other interest income	1	–
Total interest income	**422**	**689**
Interest expenses for		
Bonds issued	43	112
Registered mortgage bonds	19	78
Borrowed funds	54	77
Subordinated equity	13	25
Term deposits	39	138
Payable on demand	10	21
Other banking transactions	5	5
Total interest expenses	**183**	**456**
Total	**239**	**233**

(2) Allowance for credit losses

The allowance for credit losses amounted to € 65 million during the first six months of the financial year 2010 (previous year: € 79 million).

[1)] Comparative figures for the previous year were adjusted. Further information is included in the Notes to the consolidated financial statements in the 2009 Annual Report.

(3) Net commission income

Euro mn	1 Jan - 30 Jun 2010	1 Jan - 30 Jun 2009
Commission income from		
Consulting and other services	72	74
Trustee loans and administered loans	2	3
Securities transactions	1	1
Securitisation transactions	1	1
Other lending and money market operations	8	8
Other commission income	5	4
Total commission income	**89**	**91**
Commission expenses for		
Consulting and other services	10	15
Securities transactions	11	6
Securitisation transactions	2	2
Other lending and money market operations	1	0
Other commission expenses	3	2
Total commission expenses	**27**	**25**
Total	**62**	**66**

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

Commission expenses for securities transactions include expenses of € 11 million (previous year: € 6 million) for the guarantee facility extended by the German Financial Markets Stabilisation Fund (SoFFin) at the end of March 2009.

(4) Net trading income / expenses

Euro mn	1 Jan - 30 Jun 2010	1 Jan - 30 Jun 2009
Results from derivative financial instruments	-8	24
Currency translation	0	-3
Net income / expenses from other positions held for trading	1	2
Total	**-7**	**23**

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

(5) Results from non-trading assets

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Result from debt securities and other fixed-income securities	14	-3
of which: Loans and receivables	3	0
Available for sale	11	-3
Result from equities and other non-fixed income securities	1	-14
of which: Available for sale	0	-14
Designated as at fair value through profit or loss	1	–
Results from equity investments (AfS)	-1	1
Total	**14**	**-16**

The positive results from non-trading assets are attributable to sales of fixed-income securities made in the second quarter. No charges resulted from the measurement of non-trading assets.

(6) Results from investments accounted for using the equity method

The results from investments accounted for using the equity method, amounting to € 5 million (previous year: € 0 million), was mainly the result of further payments by Deutsche Interhotel Holding GmbH & Co. KG.

(7) Administrative expenses

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Staff expenses	110	114
Other administrative expenses	62	60
Depreciation, amortisation and impairment of property and equipment and intangible assets	11	12
Total	**183**	**186**

(8) Net other operating income/expenses

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Income from properties	4	1
Income from the reversal of provisions	6	1
Income from goods and services	2	0
Miscellaneous	6	8
Total other operating income	**18**	**10**
Expenses for property	8	1
Expenses for services used	0	0
Write-downs of trade receivables	0	0
Expenses for other taxes	1	0
Miscellaneous	17	8
Total other operating expenses	**26**	**9**
Total	**-8**	**1**

Miscellaneous other operating expenses included, among other things, project-related costs and provisions for subsidiaries.

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

Euro mn	1 Jan-30 Jun 2010	1 Jan-30 Jun 2009
Net income/loss	**43**	**33**
Changes in revaluation surplus, after taxes	**-25**	**17**
Gains and losses on remeasuring available-for-sale financial instruments, before taxes	-33	12
Reclassifications to the income statement, before taxes	2	7
Taxes	6	-2
Changes in hedging reserves, after taxes	**0**	**0**
Profit/loss from derivatives used to hedge future cash flows (before taxes)	0	0
Reclassifications to the income statement, before taxes	–	–
Taxes	0	0
Changes in currency translation reserves, after taxes	**2**	**0**
Profit/loss from translating foreign operations' financial statements (before taxes)	2	0
Reclassifications to the income statement, before taxes	0	–
Taxes	–	–
Changes in reserves from transactions under common control, after taxes	**0**	**2**
Gains and losses from transactions under common control, before taxes	0	–
Reclassifications to the income statement, before taxes	–	2
Taxes	–	–
Other changes (after taxes)	**–**	**-4**
Other changes (before taxes)	–	-6
Taxes	–	2
Profit/loss directly recognised in equity (after taxes)	**-23**	**15**
Total comprehensive income	**20**	**48**

Notes to the Statement of Financial Position

(10) Loans and advances to banks

Euro mn	30 Jun 2010	31 Dec 2009
Term deposits and current account balances	1,579	521
Public-sector loans	218	234
Receivables from securities repurchase transactions	456	–
Other loans and advances	54	46
Total	**2,307**	**801**

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

(11) Loans and advances to customers

Euro mn	30 Jun 2010	31 Dec 2009
Property loans	22,023	21,288
Public-sector loans	1,720	1,717
Other loans and advances	447	454
Total	**24,190**	**23,459**

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

(12) Trading assets

Euro mn	30 Jun 2010	31 Dec 2009
Debt and other fixed-income securities	2	1
Positive market value of trading derivatives	472	688
Other assets held for trading	–	–
Total	**474**	**689**

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

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

(13) Non-trading assets

Euro mn	30 Jun 2010	31 Dec 2009
Debt and other fixed-income securities	12,375	11,817
of which: Loans and receivables (LaR)	7,113	7,039
Held to maturity (HtM)	531	412
Available for sale (AfS)	4,731	4,366
Equities and other non-fixed-income securities	367	108
of which: Available for sale (AfS)	362	98
Designated as at fair value through profit or loss (dFVtPL)	5	10
Interests in affiliated companies (AfS)	–	–
Other investments (AfS)	3	4
Total	**12,745**	**11,929**

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

Reclassified financial assets

In 2008 and 2009, Aareal Bank Group made use of the possibility to reclassify financial assets into another measurement category. The following table compares the carrying amounts of the reclassified assets to their fair values:

Euro mn	Carrying amount of reclassified financial asset 30 Jun 2010	Carrying amount of reclassified financial assets 31 Dec 2009	Fair value of reclassified financial assets 30 Jun 2010	Fair value of reclassified financial assets 31 Dec 2009
from AfS to LaR	**5,965**	**5,729**	**5,725**	**5,706**
Asset-backed securities	33	50	31	46
Bank bonds	1,254	1,234	1,259	1,260
Covered bonds	697	673	673	676
Government bonds	3,981	3,772	3,762	3,724
from HfT to LaR	**429**	**455**	**391**	**410**
Asset-backed securities	423	449	385	403
Government bonds	6	6	6	7
Total	**6,394**	**6,184**	**6,116**	**6,116**

If the bank had not opted for reclassification, this would have resulted in a € 9 million profit (before taxes) for the first six months of the current financial year (previous year: € -36 million), and € -120 million (after taxes) (previous year: € -25 million) would have been recognised in the revaluation surplus.

(14) Intangible assets

Euro mn	30 Jun 2010	31 Dec 2009
Goodwill	37	37
Proprietary software	25	28
Other intangible assets	11	13
Total	**73**	**78**

(15) Property and equipment

Euro mn	30 Jun 2010	31 Dec 2009
Land and buildings and construction in progress	79	78
Office furniture and equipment	18	21
Total	**97**	**99**

(16) Other assets

Euro mn	30 Jun 2010	31 Dec 2009
Properties	124	160
Trade receivables (LaR)	28	26
Miscellaneous	164	95
Total	**316**	**281**

(17) Liabilities to banks

Euro mn	30 Jun 2010	31 Dec 2009
Payable on demand	591	509
Term deposits	220	247
Promissory note loans borrowed	555	595
Liabilities from securities repurchase transactions and open-market operations	4,381	3,236
Registered mortgage bonds	223	211
Miscellaneous	169	285
Total	**6,139**	**5,083**

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

(18) Liabilities to customers

Euro mn	30 Jun 2010	31 Dec 2009
Payable on demand	3,829	3,543
Term deposits	4,912	4,523
Promissory note loans borrowed	8,344	8,518
Registered mortgage bonds	5,550	4,776
Miscellaneous	0	1
Total	**22,635**	**21,361**

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

(19) Certificated liabilities

Euro mn	30 Jun 2010	31 Dec 2009
Medium-term notes	1,145	1,791
Bearer mortgage bonds	3,969	3,745
Other debt securities	2,286	2,326
Total	**7,400**	**7,862**

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

(20) Trading liabilities

Euro mn	30 Jun 2010	31 Dec 2009
Negative market value of standalone derivatives	1,062	490
Other assets held for trading	–	–
Total	**1,062**	**490**

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

(21) Provisions

Euro mn	30 Jun 2010	31 Dec 2009
Provisions for pensions and similar obligations	119	117
Other provisions	111	139
Total	**230**	**256**

(22) Other liabilities

Euro mn	30 Jun 2010	31 Dec 2009
Liabilities from outstanding invoices	6	10
Deferred income	8	6
Liabilities from other taxes	13	15
Trade payables (LaC)	7	10
Other liabilities (LaC)	135	110
Total	**169**	**151**

(23) Subordinated equity

Euro mn	30 Jun 2010	31 Dec 2009
Subordinated liabilities	575	559
Profit-participation certificates	500	482
Contributions by silent partners [1]	223	228
Total	**1,298**	**1,269**

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

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

(24) Equity

Euro mn	30 Jun 2010	31 Dec 2009
Subscribed capital	128	128
Capital reserves	511	511
Retained earnings	795	780
Other reserves		
Reserves from transactions under common control	1	1
Revaluation surplus	-137	-112
Hedging reserves	–	0
Currency translation reserves	3	1
Silent participation by SoFFin	525	525
Non-controlling interest	243	243
Total	**2,069**	**2,077**

On 31 March 2009, the German Financial Markets Stabilisation Fund (SoFFin) provided the € 525 million silent participation to Aareal Bank, as agreed upon as part of the package of support measures on 15 February 2009. The silent participation bears interest at 9 % p.a.; in the statement of financial position, it is shown as a separate line item under equity. The costs associated with this silent participation are reduced by the related income tax benefits, and directly offset with equity.

(25) Treasury shares

No treasury shares were held during the period under review.

(26) Dividends

In the interests of achieving repayment of the silent participation by SoFFin at the earliest opportunity, Aareal Bank will not distribute any dividends to its shareholders for the 2008 and 2009 financial years.

Other notes

(27) Contingent liabilities and irrevocable loan commitments

Euro mn	30 Jun 2010	31 Dec 2009
Contingent liabilities on guarantees and indemnity agreements	272	323
Loan commitments	1,760	1,970
of which: irrevocable	1,291	1,486

(28) Employees

	1 Jan-30 Jun 2010	1 Jan-31 Dec 2009
Number of employees in the banking business	1,030	1,062
Number of employees in other businesses	1,231	1,321
Total	**2,261**	**2,383**
of which: Part-time employees	364	369

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

(29) Related party transactions

No material transactions with related parties were entered into during the first six months of the 2010 financial year.

30) Events after the interim reporting period

On 16 July 2010, Aareal Bank AG made the first partial repayment in the amount of € 150 million related to the original € 525 million silent participation provided by SoFFin.

Responsibility Statement

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

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

Wiesbaden, 3 August 2010

The Management Board

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

Review Report

To Aareal Bank AG, Wiesbaden

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Aareal Bank AG, Wiesbaden, for the period from 1 January 2010 to 30 June 2010 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Frankfurt/Main, 3 August 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Executive Bodies

Supervisory Board

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

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

Manfred Behrens, Hannover
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Tamara Birke [3] [6], Wiesbaden (until 19 May 2010)
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Thomas Hawel [6], Saulheim
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Dieter Kirsch [3] [6], Nackenheim (since 19 May 2010)
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Dr. Herbert Lohneiß [3] [4], Gräfelfing
Former Chief Executive Officer
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Joachim Neupel [2] [3] [4], Meerbusch
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German Chartered Accountant, tax consultant

Prof. Dr. Stephan Schüller [1] [2], Hamburg
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Helmut Wagner [6], Hahnheim
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Management Board

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Chairman of the Management Board

Norbert Kickum
Member of the Management Board

Hermann Josef Merkens
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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;
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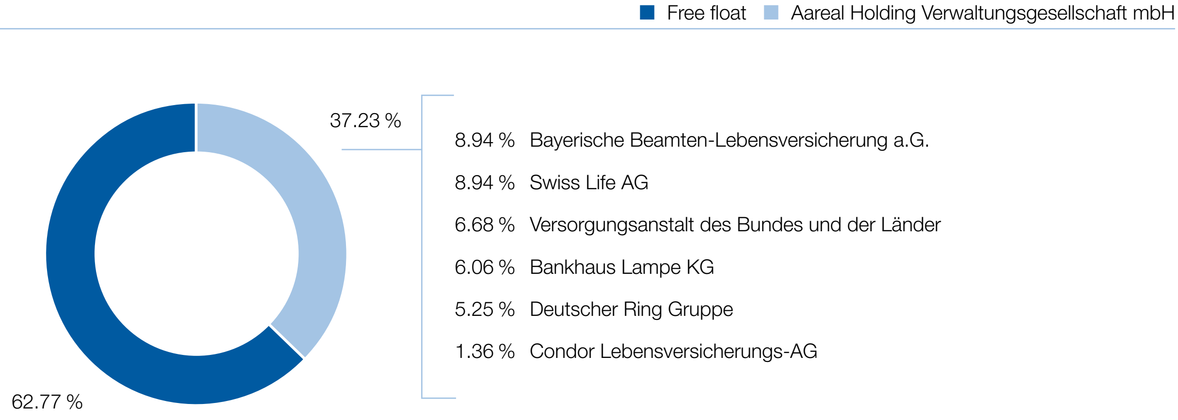
Shareholder Structure | Financial Calendar

Shareholder Structure



Financial Calendar

9 November 2010	Presentation of interim report as at 30 September 2010
18 May 2011	Annual General Meeting – Kurhaus, Wiesbaden

North America

Europe

Asia / Pacific

- Structured Property Financing
- Consulting / Services

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