Aareal Bank Group – Interim Report

1 January to 31 March 2009

Aareal Bank Group

Key Group Figures

	1 Jan-31 Mar 2009	1 Jan-31 Mar 2008	Change
	Euro mn	Euro mn	Euro mn
Consolidated Income Statement			
Operating profit	17	27	-10
Consolidated net income after non-controlling interests	7	13	-6
Indicators			
Cost/income ratio (%) [1]	47.0	59.3	
Earnings per share (Euro)	0.17	0.30	
RoE after taxes (%) [2]	1.7	3.9	

	31 Mar 2009	31 Dec 2008	Change
	Euro mn	Euro mn	Euro mn
Portfolio Data			
Property finance	23,007	22,813	194
of which: international	18,903	18,655	248
Property finance under management	23,596	23,462	134
of which: international	18,903	18,655	248
Equity	1,956	1,429	527
Total assets	42,362	41,159	1,203
	%	%	
Regulatory Indicators (German Banking Act/CRSA [3])			
Tier 1 ratio [4]	10.2	8.0	
Total capital ratio [4]	14.1	12.0	

	31 Mar 2009	31 Dec 2008	
Ratings			
Fitch Ratings, London			
Long-term	A -	A -	
Short-term	F1	F2	

[1] Structured Property Financing segment only
[2] on an annualised basis
[3] Credit Risk Standardised Approach
[4] including the appropriation of Aareal Bank AG's net retained profit for the 2008 financial year

Contents

Letter to Shareholders

Dear shareholders, business associates and Aareal Bank staff,

Aareal Bank Group continued to remain on track during the first quarter of 2009. Although the market environment remained extremely challenging, we again managed to post a profit. This once again demonstrates the viability and sustainability of our business model. By reaching an agreement with the German Financial Markets Stabilisation Fund ("SoFFin") in the first quarter, we have secured this healthy basis and are well-equipped to face choppier waters ahead.

Our business model has proven itself once again

The first quarter of 2009 was defined by a sharp global economic downturn and the crisis that continues to affect financial markets. Both factors are a particular burden for banks around the world, as the sharp recessionary development could increase credit default risk across all markets and sectors. Ultimately, the financial markets crisis is hampering refinancing; volatility remains high on financial markets, and numerous asset classes are affected by further write-downs.

Despite this very unfavourable environment overall, Aareal Bank Group posted a positive result for the first quarter of the current financial year. The Group's pre-tax result was € 17 million. Our two segments – Structured Property Financing and Consulting / Services – operated at a profit. Aareal Bank Group is therefore one of the few banks, both in Germany and abroad, to have achieved a positive result in all quarters since the outbreak of the financial markets crisis in summer of 2007.

Bearing in mind the difficult market environment, the positive quarterly result can be attributed to two aspects: on the one hand, Aareal Bank Group operates a sustainable business model that is based on the two strong segments of Structured Property Financing and Consulting / Services. On the other hand, Aareal Bank has always pursued a conservative business policy that is built on an appropriate ratio of risks and returns and is focused on sustainability.

Structured Property Financing: net interest income increases

During the first quarter of 2009, Aareal Bank adhered to its policy in generating new business in the Structured Property Financing segment, where it continued to impose strict requirements in terms of quality and return. It also concentrated on transactions with attractive risk / return profiles. New business in the first quarter of 2009 amounted to € 510 million and is therefore in line with the target figure for the year 2009 as a whole.

Despite the ongoing turbulence on financial markets, we succeeded in increasing net interest income, from € 92 million in the first quarter of 2008, to € 102 million. This corresponds to a rise of 11 %.

We recognised € 37 million in allowance for credit losses for the first quarter; this is in line with the upper end of the projected range of € 90 - 150 million for the full year, as communicated. It is, however, impossible to exclude additional impairments from unexpected losses for 2009.

Consulting / Services: robust operating performance

The Consulting / Services performance continued to be robust overall, without being directly affected by the financial markets crisis. Segment results were however burdened by various factors such as the prevailing extremely low interest rate levels. In addition, the segment recognised non-recurring expenses for capacity adjustments at our Aareon AG subsidiary, following the successful conclusion of developing our SAP®-based property management software Blue Eagle, as well as for the discontinuation of non-core activities. The resulting non-recurring aggregate charges of € 6 million were recognised in income for the first quarter. In addition, the economic slowdown caused some of our clients to be clearly reluctant regarding new investment.

Business with the established GES and Wohn-Data systems was stable in the first quarter of 2009, in line with expectations. Demand for further modules and integrated services also remained stable.

Meanwhile, Aareon has significantly refined its Wodis product line, having transferred the product onto a new technology platform with the scope of a new release launched last year. The new "Wodis Sigma" product generation that is based on this platform will be introduced at the Aareon congress in May. The new development will secure long-term earnings from our business with small and medium-sized enterprises.

Our institutional housing clients' deposits remained largely stable, averaging just under € 4 billion in the first quarter. However, the further drop in interest rates in the first quarter burdened net interest income generated from the deposits of institutional housing clients.

Agreement on SoFFin support measures concluded

In order to sustain our profitable business in the long term, we reached an agreement with the German Financial Markets Stabilisation Fund ("SoFFin") on 15 February 2009. Under the agreement, SoFFin has granted a € 525 million silent participation to Aareal Bank for an unlimited period, as well as a guarantee facility for new unsecured issues totalling up to € 4 billion. The relevant agreements were signed in March 2009.

Aareal Bank was therefore proactive in availing itself of the government support programme: With this agreement, we are securing the bank against future uncertainties within the scope of the crisis affecting financial markets and the economy.

We now also meet the more stringent requirements set by the regulatory authorities, rating agencies and the capital markets in relation to a bank's capital base. At the same time, we have gained the flexibility required to steer the bank through the anticipated difficult market phase. This also allowed us to avoid competitive disadvantages relative to other national and international banks that already rely upon state guarantees for their refinancing activities.

SoFFin has not imposed any conditions on Aareal Bank Group that go beyond the statutory provisions. In particular, there will be no intervention in the corporate governance of Aareal Bank Group, nor will the tried and tested business model undergo any changes. We will not be allowed to distribute any dividends to shareholders for the financial years 2008 and 2009 in accordance with the agreement entered into with SoFFin. This means that there will be no distribution this calendar year and next. The European Commission has not yet issued a final statement regarding our agreement with SoFFin.

Successful benchmark bond – strengthening the capital base

Against the background of the anticipated difficult market situation in the current financial year, Aareal Bank took advantage of the SoFFin guarantee facility for the first time in March 2009, successfully placing a € 2 billion government-guaranteed benchmark bond on the capital market. The strong demand by international investors, who subscribed 52 % of the issue, was very positive. This issue enhanced Aareal Bank's profile on international capital markets and extended its investor base. Additional unsecured long-term funds in the amount of approx. € 40 million were raised in the first quarter and approx. € 250 million in mortgage bonds were issued.

SoFFin provided the silent partnership contribution to Aareal Bank on 31 March 2009. As a result, Aareal Bank's Tier 1 ratio under the Credit Risk Standard Approach (CRSA) rose to 10.2 % at the end of the first quarter of 2009.

Aareal Bank share price: recovery in the first quarter

Deutsche Börse moved the Aareal Bank share from the mid-cap MDAX to the small-cap SDAX index, effective 23 March 2009. This change, which we find very regrettable, was caused by our market capitalisation at the time when the new index composision was decided upon. We believe that the very low capitalisation level at the time was fundamentally unjustified.

The fall to the year-to-date low of € 3.25 on 23 January 2009 was followed by a strong recovery up to € 7.98, the closing price on 8 May 2009. For us, this is a sign of the continued confidence that investors place in Aareal Bank and its management, despite the ongoing financial and economic crisis.

Outlook: well-positioned to meet challenges emerging in the future

All financial institutions will continue to face significant challenges in 2009. Bearing in mind that the crisis has meanwhile taken an unequivocal grip on the real economy, the economic downturn in most of the world's economic regions is likely to intensify in the months ahead. Because the situation on financial markets has not eased, and volatility is expected to remain high in the near future, it remains impossible to make concrete and substantiated earnings forecasts for the full year 2009. However, we continue to adhere to the key projections for important indicators that we have communicated to date.

We expect consolidated net interest income to range between € 420 million and € 440 million, which is below the previous year's figure. One of the burdening factors is the deliberately cautious stance regarding new business originated by the Structured Property Financing segment. We also affirm the published forecast in relation to our budgeted allowance for credit losses. Given the general economic developments, allowance for (expected) credit losses will clearly exceed the previous year's figures, but will remain manageable, within the communicated range of € 90-150 million for the full year (even though from today's perspective, the upper end of the projected range looks more likely). It is, however, impossible to exclude additional impairments from unexpected losses for 2009.

Administrative expenses are expected to amount to approximately € 360 million, rising only slightly year-on-year (adjusted for special effects and the impact of the first-time consolidation of Sylogis.com).

From today's perspective, new business generated in the Structured Property Financing segment is expected to range between € 2 billion and € 3 billion. Our particular focus will be on extensions of existing exposures, and on financings for existing clients.

We have revised our target result for the Consulting/Services segment before taxes to approx. € 40 million for the current financial year, down from the range of € 50-60 million previously projected. The new target is roughly in line with the very good results posted in the previous year. This adjustment was made against the background of the effects outlined above: the sustained low interest rate environment, non-recurring charges from capacity adjustments at our Aareon subsidiary, and our reduced earnings projection in view of the obvious reluctance by some of our clients to invest in the current economic downturn.

We therefore remain convinced that Aareal Bank Group is well-positioned to deal with the challenges presented by the current economic situation and the market environment. Our business is fundamentally healthy and operates a coherent, sustainable business model. And after all, by entering into the agreement with SoFFin, Aareal Bank has equipped itself against future uncertainties – and at the same time has created a good platform for the post-crisis period.

Yours sincerely

The Management Board

Dr Wolf Schumacher   Norbert Kickum   Hermann J. Merkens   Thomas Ortmanns

Group Management Report

Business Environment

Macro-economic environment

The first quarter of 2009 was defined by a sharp real economic downturn and no let-up in the crisis affecting financial markets.

Economy

The economic recession continued into the first quarter of the year. This was amongst others also reflected by the Ifo World Economic Climate Index, which deteriorated further in the first quarter of 2009 and fell to a historical low since it was first published in 1981. The collapse affected investment and exports in particular. As a consequence, production and world trade fell substantially, the effects of which impacted significantly on exporting nations such as Japan and Germany. Private consumption was down in many countries, albeit to a much lesser extent than investment and exports.

The recession has meanwhile affected all leading industrial nations such as the USA, Japan and Western European countries, as well as Central and Eastern Europe. However, the situation in CEE countries varies, with the Baltic States, Hungary, and Romania being hardest hit. These countries had received aid from the International Monetary Fund and from the European Union – some of which had already been given least year. Poland, the Czech Republic and Slovakia on the other hand, remained relatively stable, while Russia suffered from the fall in commodity prices. The effects of the economic downturn were also felt in the economies of Asia. The Chinese economy eased significantly. Momentum here was driven largely by domestic demand, which also slackened off.

Unemployment rose worldwide in the course of the recession, particularly in the US, but also in the Baltic States, Ireland and Spain: figures have meanwhile reached double-digit levels in these European countries.

Many countries initiated economic recovery programmes as early as the second half of 2008, which were extended into the first quarter of 2009, notably in Germany and the US. The second package was launched in Germany under the name of "Pact for employment and stability", which comprises € 50 billion over a two-year period. The programme will focus on public investment, partial tax relief, reducing statutory health insurance contributions and increasing the scope of guarantees for loans to large enterprises. The USA put together a USD 789.5 billion economic programme in the first quarter of 2009, comprising (amongst other things) tax relief and public investment projects. Shortly after the end of the period under review, measures were agreed within the scope of the G20 summit that was held in London on 2 April 2009, to support the developing countries, to strengthen free trade, and to impose stricter financial regulation.

Financial markets crisis

Financial markets were still unable to function fully during the first quarter of 2009, and the interbank market remained severely restricted. As a consequence and due to the poorer economic outlook, bank lending – together with lending conditions – became more restrictive. Although various banks had made use of government packages last year, and many countries had launched stability programmes for the financial sector, more banks took advantage of state stabilisation funds again in the first quarter of this year. Existing aid for individual banks was increased. The German Act on the Rescue of Companies in Order to Stabilise Financial Markets was subject to intensive public discussion in Germany. This Act proposes nationalisation by way of expropriation only in extreme cases, and only provided other measures of the Financial Markets Stabilisation Act have failed. The Act was passed by the German Parliament (Bundestag) and – shortly after the end of the reporting period – by the Upper House (Bundesrat) on 3 April 2009.

Inflation and monetary policy

Inflation continued to fall during the first quarter of 2009. Euro zone inflation is estimated at 0.6 % for March. Consumer prices recently contracted slightly in China and the US. The central banks responded to the recession with further key rate cuts: the European Central Bank (ECB) cut its benchmark rate in several steps to 1.50 % and – after the end of the reporting period – to 1.00 % with effect from 7 May. Similarly, the Bank of England (BoE) cut its base rate to an unprecedented low of 0.50 %. Other central banks, such as in Sweden, Denmark, Poland or the Czech Republic, followed suit. The provision of liquidity for the banking system by the central banks was imperative to the stabilisation of financial markets in the first quarter of 2009. This was achieved whereby central banks bought up securities from the commercial banks. The BoE and the US Federal Reserve in particular, used quantitative easing as an open market policy tool. The BoE announced it would buy sovereign bonds in the amount of GBP 75 billion, and the Fed roughly USD 1,000 billion. The ECB continued to accept commercial bank bids within the scope of its fixed-rate repurchase agreements. The central banks are therefore carrying out a highly important duty for the market: providing commercial banks with sufficient liquidity.

Sector-specific environment

Structured Property Financing

The economic downturn and financial markets crisis also led to unchanged development on the commercial property markets in the first quarter of 2009. The volume of commercial property transactions remained low for the various types of property and region. The contributory factors remained the uncertainty of investors, the economic downturn and the banks' restrictive lending practices. The latter is a result of partial distortions on the interbank market, and on the mid- and long-term funding markets.

Investors' return requirements for new investments in commercial property continued to rise across the board. Accordingly, market prices for commercial property declined. At the same time, rents came under further pressure, holding firm in a few locations only. The volume of new rental agreements was also down in many places.

Consulting/Services: Institutional Housing Business

Against the background of rising energy prices, the issue of energy efficiency has been at the forefront of investment in the housing sector for many years, so that the property management companies continued to invest in climate protection and in optimising the energy systems of existing properties. The amended 2009 German Energy Savings Regulation (Energieeinsparverordnung – "EnEV 2009"), set to come into force in autumn 2009, demands higher requirements for building structures and technology in relation to new-build as well as modernisation work.

In the course of amendments to the EnEV, Kreditanstalt für Wiederaufbau (KfW) revised its development programmes in the area of energy-efficient construction and renovation, thus providing property management companies with additional investment financings at attractive interest rates.

The effects of the financial crisis continue to impact on the German market for residential property portfolio transactions. Strained financing terms and falling performance continue to reduce the number of portfolio transactions conducted on the property market. Buyers consist mainly of domestic investors that are focused on long-term investments of the properties. Insurance companies and closed-end funds in particular, are interested in residential property, since these offer an attractive risk/return profile compared with alternative investment opportunities, such as equities or bonds.

Given that economic fluctuation affects the German residential property market to a lesser extent than the commercial property market, the financial and economic crisis has hardly impacted on the residential segment to date. The housing market is defined by stable rents and purchase prices that however, vary according to region. Price increases are evident, especially in flourishing big cities, where rising populations meet with low new construction activity.

The negative impact of the economic downturn on the market as a whole is reflected in the cautious stance in relation to property management investments. On the other hand, property management companies are required to further enhance process efficiency, reduce costs and thus generate added value by means of IT solutions.

Group Profitability

Our business model proved to be correct and sustainable in the first three months of 2009, even in an environment defined by a deteriorating worldwide economy and an ongoing crisis in the financial markets. We achieved operating profit of € 17 million for the first quarter of 2009 (Q1 2008: € 27 million). Taking taxes and income attributable to non-controlling interests into consideration, consolidated net income after non-controlling interests was € 7 million (Q1 2008: € 13 million).

Net interest income rose by roughly 7 % in the first three months of the 2009 financial year, to € 114 million (Q1 2008: € 107 million). The increase is largely attributable to a more favourable interest rate environment as well as to higher margins.

Taking into consideration allowance for credit losses of € 37 million (Q1 2008: € 20 million), which was increased significantly over the previous year to reflect the economic market environment, net interest income after allowance for credit losses amounted to € 77 million (€ 87 million).

Consolidated Income Statement of Aareal Bank Group

	Quarter 1 2009	Quarter 1 2008
Euro mn		
Net interest income	114	107
Allowance for credit losses	37	20
Net interest income after allowance for credit losses	**77**	**87**
Net commission income	36	33
Net result on hedge accounting	1	2
Net trading income/expenses	16	-22
Results from non-trading assets	-17	9
Results from investments accounted for using the equity method	–	0
Results from investment properties	0	0
Administrative expenses	90	88
Net other operating income/expenses	-6	6
Operating profit	**17**	**27**
Income taxes	6	9
Consolidated net income	**11**	**18**
Allocation of results		
Consolidated net income attributable to non-controlling interests	4	5
Consolidated net income attributable to shareholders of Aareal Bank AG	7	13

Net commission income was up by € 3 million over the same period of the previous year, to € 36 million (Q1 2008: € 33 million). The slight fall in revenue in the Consulting/Services segment is offset by higher net commission income earned in the Structured Property Financing segment.

Net trading income/expenses of € 16 million (Q1 2008: -€ 22 million) was largely attributable to the measurement of stand-alone derivatives. The positive valuation was accounted for mainly by the changed interest rate environment during the first quarter.

The result from non-trading assets of -€ 17 million (Q1 2008: € 9 million) should be seen against the background of the financial markets crisis, and the continued restructuring of the securities portfolio that was undertaken to reflect the conservative risk policy adopted.

Administrative expenses of € 90 million (Q1 2008: € 88 million) included € 4 million in expenditure incurred within the scope of capacity adjustments in the Consulting/Services segment, the costs of € 2 million related to the discontinuation of non-core activities, as well as costs related to the consolidation of Sylogis.com.

Net other operating income and expenses of -€ 6 million (Q1 2008: € 6 million) includes project expenditure (including legal and advisory costs) incurred in conjunction with the support measures agreed upon between Aareal Bank and SoFFin.

On aggregate, the items resulted in consolidated operating profit of € 17 million (Q1 2008: € 27 million).

After deduction of € 6 million in taxes (Q1 2008: € 9 million) and € 4 million (€ 5 million) in income attributable to non-controlling interests, consolidated net income attributable to shareholders of Aareal Bank AG for the first three months of 2009 amounted to € 7 million (€ 13 million).

Segment Reporting

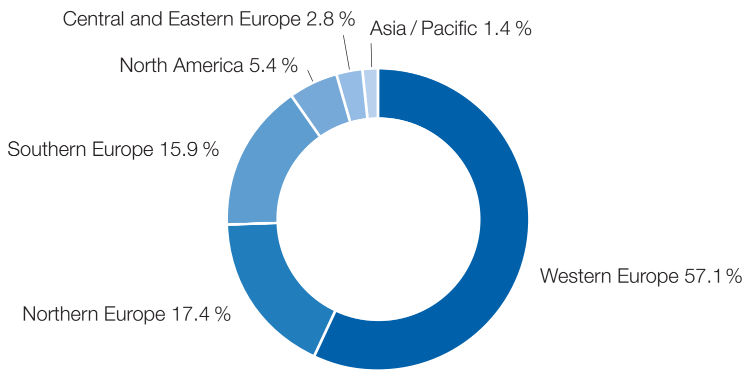
Structured Property Financing

Business development

Our focus during the first quarter of this year was on consistently monitoring and managing our credit portfolio. We concentrated in particular on granting loan extensions for the funding requirements of our existing clients. We therefore reported a € 0.5 billion decline in new business in the first quarter of 2009, compared to € 1.1 billion originated during the same period of the previous year. Europe accounted for 93.3 % of new business, North America for 5.4 % and Asia for 1.4 %.

New business – 1 Jan-31 Mar 2009

by region (%) Total volume: Euro 0.5 bn



Europe

The volume of commercial property transactions in Europe remained low. Rents across all types of property fell in most regions. Moscow for example, reported a substantial decline in some districts, while top rents in Prague were relatively robust. Investors' return requirements rose in all regions and for all property types.

Our new business in Europe amounted to just under € 0.5 billion in the first quarter, with

Western Europe accounting for the major part, followed by Northern Europe.

North America (NAFTA states)

Opportunities for funding property investments remained restricted in the USA. Investors' return requirements were up on previous years. Additionally, price perceptions between buyers and sellers differed, resulting in low volume of investment overall. The vacancy ratios for office and retail space in the US continued to rise. Rents remained under substantial pressure and continued to fall.

Our new business in North America amounted to less than € 0.1 billion in the first quarter of 2009.

Asia / Pacific

Asia was also affected by the general trend on the markets for commercial property. Landlords, especially in financial centres such as Tokyo or Singapore, were prepared to accept lower rents in order to achieve a corresponding occupancy ratio. Rents came under significant pressure in Asia's other markets, such as China, also. Transaction volumes were also low in Asia in the first quarter.

Our new business for the Asia / Pacific region was less than € 0.1 billion in the first quarter of 2009.

Segment result

Despite a deepening economic crisis worldwide and the ongoing crisis in financial markets, the Structured Property Financing segment achieved an operating profit before taxes of € 16 million, in line with that of the first quarter of 2008.

Net interest income in the first quarter 2009 was € 102 million, after € 92 million in the same period of the previous year. The increase of approx. 11 % over the previous year was largely attributable to a better interest rate environment and higher margins.

Segment result Structured Property Financing

Euro mn	Quarter 1 2009	Quarter 1 2008
Net interest income	102	92
Allowance for credit losses	37	20
Net interest income after allowance for credit losses	**65**	**72**
Net commission income	5	3
Net result on hedge accounting	1	2
Net trading income/expenses	16	-22
Results from non-trading assets	-17	9
Results from investments accounted for using the equity method	–	0
Results from investment properties	0	0
Administrative expenses	48	52
Net other operating income/expenses	-6	4
Operating profit	**16**	**16**
Income taxes	6	6
Segment result	**10**	**10**
Allocation of results		
Segment result attributable to non-controlling interests	4	4
Segment result attributable to shareholders of Aareal Bank AG	6	6

At € 37 million (Q1 2008: € 20 million), allowance for credit losses takes into account the change in the economic environment.

At € 5 million, net commission income for the first three months of 2009 was up € 2 million over the same period of the previous year (Q1 2008: € 3 million).

Net trading income / expenses of € 16 million (Q1 2008: -€ 22 million) was largely attributable to the measurement of stand-alone derivatives. The positive valuation was accounted for mainly by the changed interest rate environment during the first quarter.

The result from non-trading assets of -€ 17 million (Q1 2008: € 9 million) should be seen against the background of the financial markets crisis, and the continued restructuring of the securities portfolio that was undertaken to reflect the conservative risk policy adopted.

At € 48 million, administrative expenses were down € 4 million on the corresponding figure for the previous year (Q1 2008: € 52 million). Staff expenses were reduced from last year. Our strict cost discipline continues to be reflected in stable non-staff expenses.

Net other operating income and expenses of -€ 4 million (Q1 2008: € 6 million) includes project expenditure (including legal and advisory costs) incurred in conjunction with the support measures agreed upon between Aareal Bank and SoFFin.

Overall, operating profit for the Structured Property Financing segment was € 16 million. Taking into consideration tax expenses of € 6 million, the segment result in the first quarter of 2009 was € 10 million (Q1 2008: € 10 million).

Consulting/Services

Business development – Institutional Housing Sector

This segment offers a comprehensive range of services for managing and processing payment flows for institutional housing sector clients. This segment comprises the bank's Institutional Housing Business and the Aareon AG subsidiary.

Aareon AG

Aareon continued to operate its successful multi-product strategy in the first quarter of 2009, and to optimise its product range. Revenue from the implemented products has been stable and was not affected by the economic crisis. However, the general economic deterioration has resulted in lower tender volume in the market. This is reflected in lower revenue compared with the same period of the previous year, albeit also leading to lower cost of materials. Investment in the further development of the Blue Eagle property management software was concluded in the first quarter of 2009. This also involves scheduled capacity adjustments in staff levels within this segment.

A contract was signed on 11 February 2009 with GWH Gemeinnützige Wohnungsgesellschaft Hessen mbH for the introduction of an SAP individual solution using the Blue Eagle property software. GWH manages roughly 50,000 apartments mostly in the state of Hesse and is one of Germany's largest housing companies.

The Wodis product line continues to enjoy good commercial success. At the turn of the year 2008/2009 alone, fourteen new customers saw their software installations being "rolled out". Aareon is currently focusing on investing in this product line, and is already planning the migration to Release 4.5 for its customers. Aareon has developed Wodis substantially – focusing on technology, user-friendliness and on meeting future market and management requirements.

Business with the established GES and WohnData systems was stable in the first quarter of 2009, in line with expectations. Additional demand for further modules and integrated services also remained intact. We should also draw attention to the continued interest shown in the document management system Aareon DMS that was only launched last year.

Aareon achieved market leadership on the French market following the takeover of Sylogis.com last year. The market launch of the new release of the Portal-Immo habitat 2.0 property portal, with extended functionality and improved ergonomics, was launched on schedule in the first quarter.

Payments and deposit-taking

The focus to date of the bank's Institutional Housing Business is to increase the volume of deposits through new client acquisition as well as the consistent penetration of existing clients with as broad a product range as possible.

Regularly reviewing our services with regard to customer orientation and making the corresponding adjustments to our service range and the sales focus are a part of our business strategy. This enabled us to achieve the corresponding successes in the first quarter of the current financial year too. We acquired for example, two new clients managing a total of 12,000 residential units for our tried-and-tested BK 01 payment services application, as well as one new client managing roughly 1,000 units for Aareal Account, the stand-alone electronic banking package. We also concluded two additional marketing and distribution cooperations for Aareal Account with manufacturers of institutional housing enterprise software.

Our institutional housing investors' deposits remained largely stable, averaging just under € 4 billion in the first quarter.

However, the further drop in interest rates in the first quarter burdened net interest income generated from the deposits of institutional housing clients.

Segment result [1)]

At € 1 million, operating profit generated by the Consulting / Services segment was considerably lower than the high level achieved in previous quarters. Besides lower revenue, this decline was primarily due to non-recurring effects of € 6 million: the figure includes € 4 million attributable to adjustments in staffing levels, plus € 2 million in expenditure for the discontinuation of non-core activities.

Owing to the lower tender volume on the market, revenue of € 51 million was € 4 million lower than in the same period of the previous year. The cost of materials declined from € 9 million last year, to € 7 million.

Other operating income amounted to € 1 million (Q1 2008: € 3 million).

Staff expenses in the quarter under review amounted to € 30 million. The € 6 million increase over the same period of the previous year is largely down to adjustments in staffing levels (€ 4 million, as described above) and the first full-year consolidation of Sylogis.com, which was acquired at the end of 2008. These capacity adjustments do not affect the range of existing products that continue to deliver a significant and stable earnings contribution, independent of economic cycles.

Depreciation / amortisation / impairment losses and other operating expenses amounted to € 3 million and € 11 million respectively, and were therefore in line with last year's level.

On balance, the Consulting / Services segment yielded a net contribution of € 1 million to (quarterly) consolidated operating profit (Q1 2008: € 11 million).

[1)] The result from the Consulting/Services segment is reported on the basis of an income statement classification aligned to an industrial enterprise. A reconciliation to the segment result shown in the segment reporting can be found on page 33 of this interim report.

Segment result Consulting / Services

Euro mn	Quarter 1 2009	Quarter 1 2008
Sales revenue	51	55
Own work capitalised	0	
Changes in inventory	0	0
Other operating income	1	3
Cost of materials purchased	7	9
Staff expenses	30	24
Depreciation, amortisation and impairment losses	3	3
Results from investments accounted for using the equity method	–	–
Other operating expenses	11	11
Interest and similar income/ expenses	0	0
Result from ordinary activities	**1**	**11**
Income taxes	0	3
Segment result	**1**	**8**
Allocation of results		
Segment result attributable to non-controlling interests	0	1
Segment result attributable to shareholders of Aareal Bank AG	1	7

After deduction of taxes, the segment result for the first quarter was € 1 million (Q1 2008: € 8 million).

Financial Situation

Total assets

Consolidated total assets as at 31 March 2009 amounted to € 42.4 billion, after € 41.2 billion as at 31 December 2008.

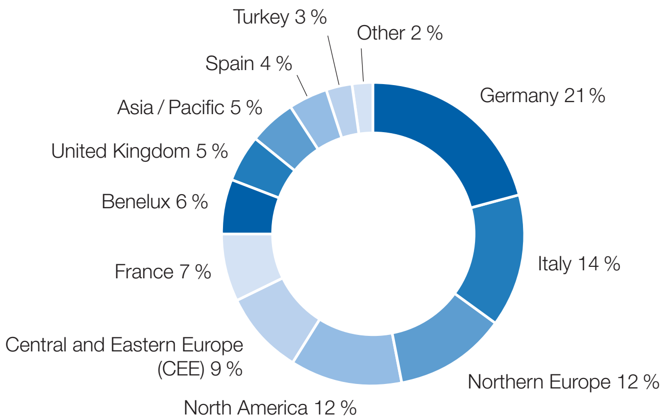
Property financing portfolio

As at 31 March 2009, the property financing portfolio under management stood at € 23.6 billion. This equates to a slight increase of 0.4 % over the year-end figure of € 23.5 billion.

We successfully increased the international share of the portfolio during the first three months of 2009 by 1.3 %, to € 18.9 billion, a figure which now equates to roughly 80 % of the entire portfolio. During the same period, we further reduced the German share of the portfolio by 2.4 % to around € 4.7 billion. This decline was more than compensated for by the increase in the volume

Property financing portfolio under management as at 31 March 2009

by region (%) Total volume: Euro 23.6 billion

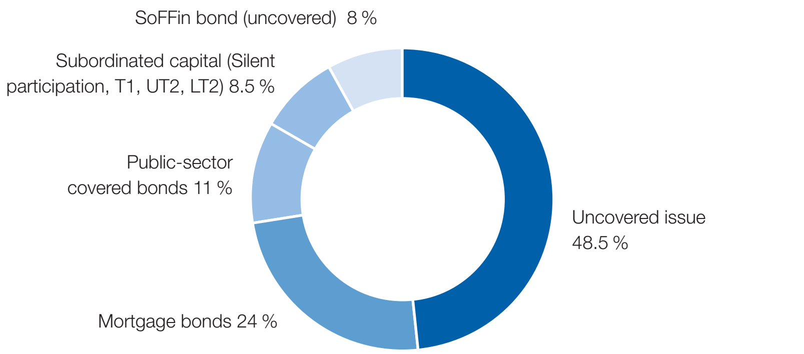


of international financings. We have therefore continued to successfully diversify our portfolio.

The performance of the property financing portfolio in the first three months of this financial year was defined in particular by the extension of maturing financings of existing clients, as well as by the very selective policy we pursue vis-à-vis new exposures. As in the 2008 financial year, the rate of repayments before maturity for existing financings was very low in the first quarter of 2009.

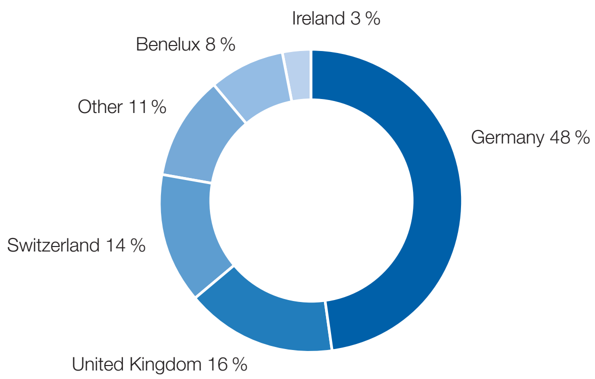
Refinancing mix as at 31 March 2009

(%) Total volume: Euro 24.2 bn



Placement of Aareal Bank's state-guaranteed bond

by region (%)



Refinancing and equity

Refinancing strategy and own issues

We continued to enjoy successful refinancing activities in the first quarter of 2009, despite the fact that the market remains plagued by difficulties. The property financing portfolio to be refinanced was € 23.0 billion as at 31 March 2009.

This was offset by € 21.5 billion in long-term funding (comprising mortgage bonds, uncovered and subordinated bond issues), € 3.8 billion in deposit volumes from institutional housing sector clients, and € 4.4 billion in money-market deposits from institutional investors. Although deposits from the institutional housing sector fluctuate within the course of each month (in line with the liquidity flows that are typical for this sector), there is a stable base of deposits that regularly corresponds to the month-end deposit volume. Excess liquidity is invested in a high-quality securities portfolio, which is additionally funded via € 2.7 billion in public-sector covered bonds.

Overall, € 2.3 billion in long-term funds was raised during the period under review, thus maintaining long-term funding at a high level. Unsecured refinancing accounted for just under € 2.1 billion (comprising € 2 billion in state-guaranteed bonds, € 29 million in promissory note loans, and € 10 million in private placements of bearer bonds). In addition, € 250 million was issued in mortgage bonds.

Our refinancing activities in the first quarter of 2009 focused on the issue of a government-guaranteed benchmark bond. In order to secure its profitable business in the long term, Aareal Bank Group reached an agreement with SoFFin on 15 February 2009, whereby SoFFin agreed to extend a silent participation in the amount of € 525 million to Aareal Bank for an unlimited period, plus a guarantee facility for new unsecured issues totalling up to € 4 billion. The EU Commission has not yet issued a final statement regarding our agreement with SoFFin.

Aareal Bank deployed these SoFFin guarantees for the first time in March 2009, successfully placing a € 2 billion government-guaranteed benchmark bond on the capital market. When the transaction was originally announced, the price estimated by the market was mid-swap plus 40 basis points. Strong demand saw the spread drop to mid-swap plus 38 basis points. Strong demand by international investors, who subscribed to 52 % of the issue, was particularly gratifying. This issue enhanced Aareal Bank's profile on international capital markets and extended its investor base. This successful transaction has already allowed us – during the first quarter – to refinance a large portion of uncovered bonds maturing this year.

On 31 March 2009, SoFFin provided the € 525 million silent participation for an unlimited period that was agreed upon as part of the package of support measures on 15 February 2009. This silent participation bears interest at 9 % p. a. Taking into account the silent participation from SoFFin, which is fully eligible for inclusion in Tier I capital, Aareal Bank's Tier I ratio (under the Credit Risk Standard Approach) increased to 10.2 % as at the end of the first quarter of 2009.

Effects of the financial markets and economic crisis

The first quarter of 2009 was defined by a sharp global economic downturn and the crisis that continues to affect financial markets.

With respect to these, the effects on our credit exposures were at the core of our business strategy. We therefore continued to pursue our very restrictive lending policy in the first three months of the financial year. Credit risk exposures were subject to intensive monitoring and were actively managed.

In terms of new business, Aareal Bank concentrated mainly on existing clients and especially on loan extensions for active financing projects. In light of the ongoing poor market situation, we consider the volume of new business of € 510 million generated in the first quarter of 2009 to be appropriate. It reflects the difficult environment that continues to define the market, as well as the significant reduction in transaction volume on the market for commercial property.

Our institutional housing investors' deposits remained largely stable, averaging just under € 4 billion in the first quarter. Deposits from institutional money market investors were up by a substantial € 800 million compared with 31 December 2008, to € 4.4 billion. This highlights the high level of confidence that depositors place in our bank.

Performance in the Consulting / Services segment was robust overall and continued not to be directly affected by the financial market crisis. However, the real economic crisis resulted in a noticeable degree of reluctance in relation to new investments among some of our clients in this segment. This was reflected in lower revenue.

Despite the high quality of our securities portfolio, the developments on some capital markets also resulted in price declines, especially because of widening spreads for sovereign issuers and financial institutions.

On 2 January 2009, we exercised the option to reclassify financial instruments, whereby securities with a nominal volume of approx. € 3 billion in the available-for-sale (AfS) and held-for-trading (HfT) IFRS measurement categories were transferred to the loans and receivables (LaR) category. In all cases we opted for reclassification since there no longer was an active market for the securities concerned, and due to our intention to hold these issues for a longer term.

Aareal Bank's high-quality securities portfolio is subject to careful monitoring, where we continuously review market conditions to verify the existence of active markets. If we find there are no active markets, we will also allow for these market circumstances in the future and reclassify if necessary, if it is our intention to hold them over a longer-term horizon.

In order to secure its profitable business in the long term, and at the same time overcome the very difficult market environment, Aareal Bank Group reached an agreement with the German Financial Markets Stabilisation Fund (SoFFin) on 15 February 2009, whereby SoFFin agreed to extend a silent participation in the amount of € 525 million to Aareal Bank for an unlimited period, plus a guarantee facility for new unsecured issues totalling up to € 4 billion. Aareal Bank deployed these SoFFin guarantees for the first time in March 2009, successfully placing a € 2 billion government-guaranteed benchmark bond on the capital market. This successful transaction has already allowed us – during the first quarter – to refinance a large portion of this year's maturities.

SoFFin provided the silent participation to Aareal Bank on 31 March 2009. As a result, Aareal Bank's Tier 1 ratio under the Credit Risk Standard Approach (CRSA) rose to 10.2 % at the end of the first quarter of 2009.

Regulatory indicators

Regulatory indicators as defined by the KWG (CRSA [1])

	31 Mar 2009	31 Dec 2008
Euro mn		
Tier 1 capital [2]	2,397	1,863
Total equity [2]	3,303	2,778
Risk-weighted assets (incl. market risk)	23,413	23,238
%		
Tier 1 ratio [2]	10.2	8.0
Total capital ratio [2]	14.1	12.0

[1] Credit Risk Standardised Approach
[2] including the appropriation of Aareal Bank AG's net retained profit for the 2008 financial year

Report on Material Events after the Reporting Date

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

Risk Report

Aareal Bank Group Risk Management

The 2008 Annual Report contains a comprehensive description of Aareal Bank Group's risk management approach, including the corresponding organisational structure and workflows in the lending and trading businesses, as well as the methods and procedures used for measuring and monitoring risk exposure. Within the scope of this interim report, we will once again briefly outline the key components of our risk management structure, together with the key developments during the period under review.

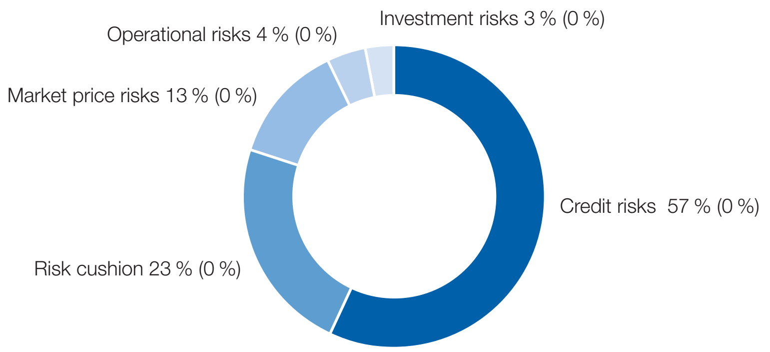
The business policy set by the Management Board, and approved by the Supervisory Board, provides the conceptual framework for risk management within Aareal Bank Group. Taking this as a basis, and strictly considering the bank's risk-bearing capacity, we have formulated detailed strategies for managing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

At 57 %, the major part of the Bank's aggregate risk cover continues to be related to credit risks. 13 % of the cover assets pool is retained to cover market risks, 4 % for operational risks and 3 % for investment risk. As in previous quarters, a substantial portion (23 %) of the aggregate risk cover serves as a risk cushion, which is not applied to risk limits, and is thus available for risk types that cannot be quantified (for example, reputational or strategic risks). Overall, limits are set in a way so as to ensure Aareal Bank's ability to bear risk at any time, even against the background of market distortions as a result of the financial markets crisis. The adjacent diagram shows the allocation of aggregate risk cover to types of risk as at 31 March 2009, and the changes compared to 31 December 2008.

Since aggregate risk cover is an inadequate measure to assess risk-bearing capacity with regard to liquidity risks, we have defined special tools for managing this type of risk. These tools are described in detail in the section "Liquidity risk", as well as in the 2008 Annual Report.

Allocation of aggregate risk cover

31 Mar 2009 (change vs. 31 Dec 2008)



Credit risks

Aareal Bank defines credit risk or counterparty risk as the risk of losses being incurred due to (i) a business partner defaulting on contractual obligations; (ii) collateral being impaired; or (iii) a risk arising upon realisation of collateral. Both credit business and trading activities may be subject to counterparty risk.

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

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

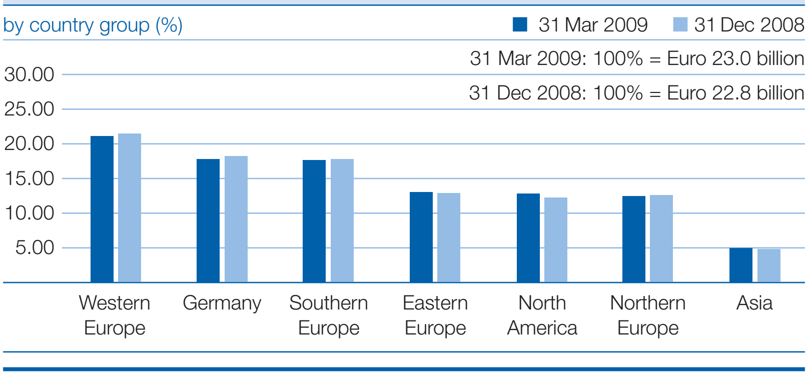
Aareal Bank employs various risk classification procedures for the initial, regular, or event-driven assessment of counterparty risk. These procedures are adapted specifically to meet the requirements of the relevant business activity, and are subject to permanent review and improvement. Responsibility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

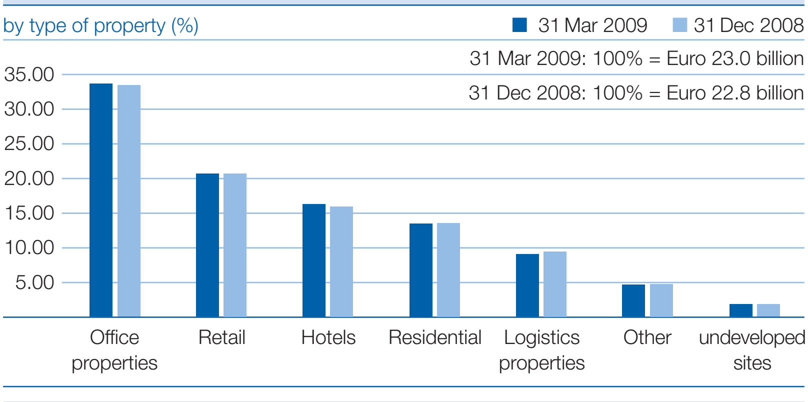
In addition, the bank uses specific tools to monitor individual exposures on an ongoing basis where this is required: besides the tools already described, this includes rating reviews, monitoring of construction phase loans or residential property developers, the monitoring of payment arrears, and the 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 on a regular basis, at least quarterly. The report provides extensive information regarding the key structural counterparty risk properties of the credit portfolio.

Property financing volumes (amounts drawn)



Property financing volumes (amounts drawn)



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

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 measures, where required, at an early stage.

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

Market price risks

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 predominantly in the trading book, whilst in the banking book they are primarily used as hedging instruments. Spread risks between the various yield curves (e. g. government / Pfandbrief / swap curve) are also taken into account. The risk exposure from bonds that is not related to market price or interest rate risks – 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, it takes into account the correlation between the individual types of risk. The statistical parameters used in the VaR model are calculated on the basis of an in-house data pool over a period of 250 days. 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

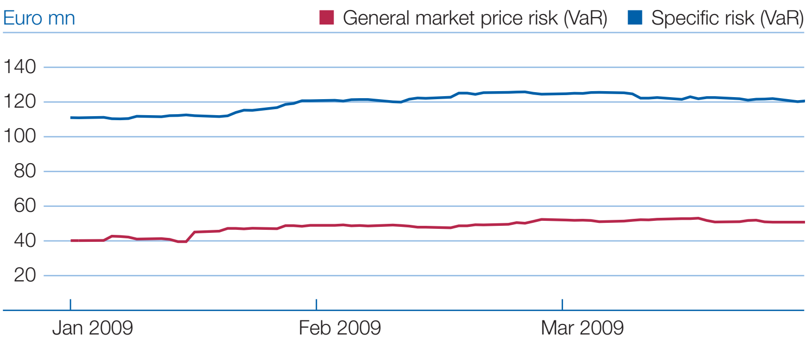
	Max	Min	Mean	Limit
Q1 2009 (2008 values); 99 %, 10-day holding period				
Aareal Bank Group – general market price risks	53,0 (50,1)	39,4 (26,7)	48,3 (36,8)	– (–)
Group VaR (interest rates)	46,5 (35,6)	31,3 (7,3)	41,8 (22,3)	– (–)
Group VaR (FX)	21,2 (16,1)	15,1 (3,8)	19,1 (8,7)	– (–)
VaR (funds)	12,0 (29,9)	10,7 (10,3)	11,3 (24,1)	60,0 (60,0)
Aggregate VaR in the trading book (incl. specific VaR)	3,8 (12,4)	0,1 (1,3)	3,0 (4,1)	20,0 (20,0)
Trading book VaR (interest rates)	1,5 (11,8)	0,1 (0,1)	0,3 (2,0)	– (–)
Trading book VaR (FX)	0,1 (0,2)	– (–)	– (–)	– (–)
VaR (equities)	0,6 (1,9)	0,0 (0,0)	0,0 (0,2)	– (–)
Group VaR (specific risks)	126,2 (112,0)	110,5 (40,1)	120,3 (65,4)	– (–)
Aggregate VaR – Aareal Bank Group	136,6 (118,3)	118,7 (51,3)	130,2 (75,3)	181,0 (181,0)

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.

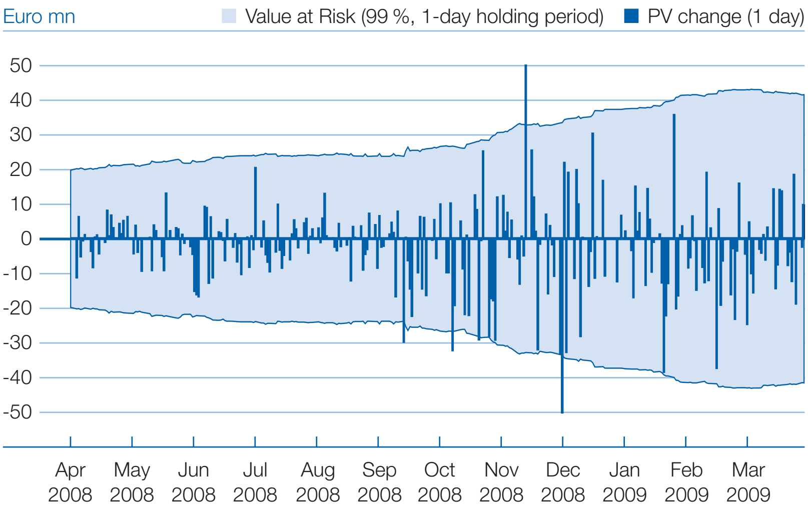
Aggregate VaR – Aareal Bank Group

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

General market price risk and specific risk during Q1 2009



Present values and 1-day VaR during the course of 2008/2009



Back testing

The quality of forecasts made using the statistical model is checked through a weekly backtesting process. Within the scope of this model, daily profits and losses from market fluctuations are compared with the upper projected loss limit (VaR) forecast on the previous day (known as "clean backtesting"). Due to increased volatility in interest rate markets, a detailed review of the parameters used to calculate interest rate risk was carried out, and the relative parameters recalibrated in view of continued market turbulence during 2008. The number of negative outliers was always lower than five during the previous 250 trading days (following recalibration), affirming the high forecasting quality of the VaR model we use.

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

Liquidity risks

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

Treasury is responsible for managing liquidity risks, whilst Risk Controlling ensures the continuous monitoring, including a daily liquidity report submitted to senior management.

The appropriateness of the bank's liquidity is assessed in a liquidity report prepared using an internal liquidity risk model: the aggregate of all potential cash inflows and outflows over a three-month period is compared to the liquidity stock. There were no liquidity shortages throughout the period under review. The requirements of the liquidity ratio in accordance with 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 2008 contains a detailed description of controlling tools employed by the bank to manage operational risk, plus the relevant responsibilities.

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

Management of operational risks also incorporates the reporting on outsourced activities and processes submitted to the bank's senior management.

Investment risks

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

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

Report on Expected Developments

Macro-economic environment

The global economy is currently experiencing a downturn. The industrial nations are in a recession and even the emerging economies are seeing a significant decline in their previously dynamic growth levels.

Many banks and research institutions have revised their economic forecasts downwards in recent months. As we see it, the economic situation is showing no signs of easing at the moment. This view is supported by the poor sentiment and negative expectations of many market participants. The negative economic development also supports the cautious standpoint of consumers and investors, due to the fall in the price of assets such as equities or property. Although the crisis affecting financial markets and the banks' restricted scope for lending are affecting the economy, the demand for credit is also falling due to lower investment activities. Sluggishness in lending volume is thus increasingly demand-driven. Nonetheless, funding requirements are triggered by maturing CMBS and ABS. Although the state economic programmes could have a positive effect on the economy, it should take some time before their effects will feed through.

The high level of economic interdependence means that all regions are affected by the downturn. Countries with a high share of exports were subject in particular to a sharp drop in production. This also affected the Asian economies, such as China, for which we continue to forecast positive growth rates for this year, albeit considerably lower than in previous years. In contrast, we are forecasting negative growth in the industrial countries.

In view of the economic downturn, we expect lower inflation for the current year and we cannot rule out the risk of deflation in some countries. In the medium-term, a recovering economy combined with expansive fiscal and monetary policy will lead to rising inflation.

It is impossible to forecast the lasting effects on the world economy; furthermore, these forecasts are also subject to many uncertainties.

Development of international property markets

Many investors are concerned by the economic burdens and financial market crisis, and are adopting a ”wait and see“ stance. This makes it difficult to forecast at the moment.

Uncertainty among investors, the economic downturn and more restrictive lending practices will lead to low transaction volumes in the current year. Rents for commercial property will remain under pressure and even fall, while the vacancy ratios will undoubtedly rise. These developments are attributable to rising unemployment in the course of the economic downturn, low consumer confidence and a fall in the flow of goods in world trade. Although the individual locations and countries are affected to varying degrees by the development, no region can escape this trend entirely. Office buildings, as well as retail, logistics and hotel properties, are essentially affected by the decline in income. Similarly, the different types of commercial property remain affected by the investors' higher yield requirements, and hence by the pressure exercised on market prices. In our opinion, this trend should be evident across all countries and regions. We expect the effects to last well into 2010, since the commercial property markets generally lag the economic cycle.

The state economic recovery programmes could have a positive effect on the commercial property markets, if they help to revive the economy swiftly and sustainably.

Development of the German institutional housing sector

Assuming the investor's aversion to risk and the search for the corresponding, security-oriented investment products is set to rise further, the German market for residential property should become increasingly attractive in the crisis.

Buying opportunities should arise in the future, if the difficulties in raising follow-on finance force former financial investors to dispose of their property portfolios. A potential rise in inflation could support the interest for residential property investments.

Although the population is shrinking, demographic changes will increase the number of households. Metropolitan areas will continue to benefit from a population influx.

Companies operating in the institutional housing business will continue to be challenged by an ever-changing market. In order to adjust its supply of residential properties to meet the tenants' various living requirements within the scope of targeting the needs of target groups, additional investments must be made in existing property. In addition, rising energy prices combined with amended energy savings regulations in Germany (which will come into force in the autumn of 2009) are going to trigger investments in the sector, consequently raising the need for finance. In view of the current economic crisis, property management companies are also defering planned investments.

It remains to be seen if the residential property sector will remain largely spared from the effects of the crisis. A significant rise in the course of the recession could heighten the risk of a medium-term price correction. However, it will take some time before the weaker economic environment impacts residential property prices.

Aareal Bank Group: Corporate development

Aareal Bank Group

Aareal Bank affirms its key statements regarding the performance for the year as a whole.

We continue to expect consolidated net interest income in a range between € 420 million and € 440 million, which is below the previous year's figure. One of the burdening factors is the conscious reduction in the level of new business originated by the Structured Property Financing segment.

We also affirm the published forecast in relation to our budgeted allowance for credit losses. Given the general economic developments, allowance for (expected) credit losses will clearly exceed the previous year's figures, but will remain manageable, within the communicated range of € 90-150 million for the full year (even though from today's perspective, the upper end of the projected range looks more likely). It is, however, impossible to exclude additional impairments or loan loss provisions from unexpected losses for 2009.

Administrative expenses are expected to amount to approximately € 360 million, rising only slightly year-on-year (adjusted for special effects and the impact of the first-time consolidation of Sylogis.com).

From today's perspective, new business generated in the Structured Property Financing segment is expected to range between € 2 billion and € 3 billion. Our particular focus will be on extensions of existing exposures, and on financings for existing clients.

We have revised our target result for the Consulting / Services segment before taxes to approx. € 40 million for the current financial year, down from the range of € 50-60 million previously projected. The new target is roughly in line with the very good results posted in the previous year. This adjustment was made against the background of the effects outlined above: the sustained low interest rate environment, non-recurring charges from capacity adjustments at our Aareon subsidiary, and our reduced earnings projection in view of the obvious reluctance by some of our clients to invest in the current economic downturn.

Structured Property Financing

Even though the first quarter of 2009 was defined by a sharp real economic downturn, financial markets succeeded in stabilising slightly compared with the fourth quarter of 2008. However, in view of the considerable uncertainty that still prevails on the international financial and property markets, the "all-clear" signal cannot be sounded yet.

This uncertainty characterised our property financing business in the first quarter and will continue to do so during the rest of the year. It will be reflected in a reduction in the values of property and maybe also in the earnings of property, and will lead to higher average loan-to-value ratios (LtV) on the loans we have granted. We have accounted for this development by increasing our traditionally conservative allowance for credit losses again compared with 2008.

We have benefited in relation to these developments from our successful regional diversification of recent years, which allowed us to partly offset the negative developments of individual property markets in the portfolio.

The fact that we continue to uphold our reputation as a reliable partner, especially in 2009, is expressed in our new business to date, of which more than 90 percent in the first quarter consisted of loan term extensions. This ratio represents the clear commitment to our existing clients, which we will continue to support in 2009 in order to ride out this difficult economic situation together.

One of the key prerequisites for this success is our good refinancing structure, which we succeeded in strengthening continuously through the successful placement of our first government-guaranteed benchmark bond. We have therefore secured adequate funding early on in the year, in order to provide our clients with the necessary loans for their projects.

Consulting / Services

Although the Consulting / Services segment is not affected directly by the financial markets crisis, the segment performance was indirectly affected by changes in interest rates, and by the crisis affecting the real economy.

Aareon

Once the investment phase the SAP®-based property management software Blue Eagle is concluded, we expect to see further growth in the volume of residential units managed using this software. We expect sales revenue to rise, albeit at a later stage than originally anticipated, owing to the general economic development.

While Aareon essentially succeeded in maintaining market share for the existing GES and WohnData products during the first quarter, we forecast a decline in relation to the existing GES solution for SMEs in the medium term, as customers switch to other Aareon products. We also continue to enhance our product range and work on new product solutions.

Our efforts to integrate the Wodis IT product in Aareon AG's service are being rewarded. Moreover, Wodis clients increasingly make use of the additional integrated services available to them. Thanks to the increased use of our ERP products, the added value offered by integrated services will represent another key feature to differentiate us from our competitors in the future.

In addition, Aareon refined its Wodis product line, having transferred the product onto a new technology platform with the scope of a new release launched last year. "Wodis Sigma", the new product generation based on this platform, will be introduced in May, at the Aareon Congress – the company's premier client event. The new development will secure long-term earnings.

The economic slowdown caused some of our clients to be clearly reluctant regarding new investment. Given that this trend became evident during the first quarter, we diligently adjusted our projections regarding consultancy revenue for the year as a whole.

Products already implemented on our clients' systems are not exposed to the economic slowdown: these continue to provide a stable, crisis-proof contribution to results.

Payments services

During the first quarter of the year, the bank's Institutional Housing Business generated a stable level of deposits for Aareal Bank's refinancing requirements, helped to a notable degree by optimised mass electronic payments processing. However, interest rate developments have meanwhile brought additional pressure on margins in this area of our business.

As the business year progresses, the acquisition of new clients will become all the more important, as well as even better penetration of our existing client base. Positive segment results here will produce sustainable profitability for the Group.

Consolidated Financial Statements
Consolidated Statement of Comprehensive Income

Consolidated Income Statement of Aareal Bank Group

	Note	1 Jan-31 Mar 2009	1 Jan-31 Mar 2008
Euro mn			
Interest income		442	485
Interest expenses		328	378
Net interest income	1	**114**	**107**
Allowance for credit losses	2	37	20
Net interest income after allowance for credit losses		**77**	**87**
Commission income		47	47
Commission expenses		11	14
Net commission income	3	**36**	**33**
Net result on hedge accounting		1	2
Net trading income/expenses	4	16	-22
Results from non-trading assets	5	-17	9
Results from investments accounted for using the equity method		–	0
Results from investment properties		0	0
Administrative expenses	6	90	88
Net other operating income/expenses	7	-6	6
Operating profit		**17**	**27**
Income taxes		6	9
Consolidated net income		**11**	**18**
Allocation of results			
Consolidated net income attributable to non-controlling interests		4	5
Consolidated net income attributable to shareholders of Aareal Bank AG		7	13
Appropriation of profits			
Consolidated net income attributable to shareholders of Aareal Bank AG		7	13
Silent participation by SoFFin		0	–
Consolidated retained profit		**7**	**13**
Euro			
Earnings per share		**0.17**	**0.30**
Diluted earnings per share		**0.17**	**0.30**

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

Consolidated Statement of Comprehensive Income

Reconciliation from Consolidated Net Income to Total Comprehensive Income of Aareal Bank Group

Euro mn	1 Jan-31 Mar 2009	1 Jan-31 Mar 2008
Consolidated net income	**11**	**18**
Changes in revaluation surplus, after tax	-7	-104
Gains and losses on remeasuring available-for-sale financial instruments, before tax	-36	-105
Reclassifications to the consolidated income statement, before tax	23	-21
Taxes	6	22
Changes in hedging reserves, after tax	0	-1
Gains and losses from derivatives used to hedge changes of future cash flows, before tax	0	-1
Reclassifications to the consolidated income statement, before tax	–	–
Taxes	0	0
Changes in currency translation reserves, after tax	0	0
Gains and losses arising from translating the financial statements of a foreign operation, before tax	0	0
Reclassifications to the consolidated income statement, before tax	–	–
Taxes	–	–
Changes in reserves from transactions under common control, after tax	0	12
Gains and losses from transactions under common control, before tax	–	–
Reclassifications to the consolidated income statement, before tax	0	12
Taxes	–	–
Other comprehensive income/loss, after tax	**-7**	**-93**
Total comprehensive income/loss	**4**	**-75**
Allocation of total comprehensive income/loss		
Total comprehensive income/loss attributable to non-controlling interests	4	5
Total comprehensive income/loss attributable to shareholders of Aareal Bank AG	0	-80

Consolidated Statement of Comprehensive Income

Consolidated Income Statement (Quarterly Development)

Euro mn	Quarter 1 2009	Quarter 4 2008	Quarter 3 2008	Quarter 2 2008	Quarter 1 2008
Interest income	442	511	512	494	485
Interest expenses	328	377	395	380	378
Net interest income	**114**	**134**	**117**	**114**	**107**
Allowance for credit losses	37	20	20	20	20
Net interest income after allowance for credit losses	**77**	**114**	**97**	**94**	**87**
Commission income	47	69	47	49	47
Commission expenses	11	21	13	14	14
Net commission income	**36**	**48**	**34**	**35**	**33**
Net result on hedge accounting	1	-3	1	0	2
Net trading income/expenses	16	-23	25	-3	-22
Results from non-trading assets	-17	-59	-37	-8	9
Results from investments accounted for using the equity method	–	4	–	3	0
Results from investment properties	0	-1	0	0	0
Administrative expenses	90	86	84	89	88
Net other operating income/expenses	-6	17	-5	16	6
Impairment of goodwill	–	0	–	–	–
Operating profit	**17**	**11**	**31**	**48**	**27**
Income taxes	6	3	11	16	9
Consolidated net income	**11**	**8**	**20**	**32**	**18**
Allocation of results					
Consolidated net income attributable to non-controlling interests	4	4	5	4	5
Consolidated net income attributable to shareholders of Aareal Bank AG	7	4	15	28	13

Consolidated Statement of Comprehensive Income

Reconciliation from Consolidated Net Income to Total Comprehensive Income (Quarterly Development)

Euro mn	Quarter 1 2009	Quarter 4 2008	Quarter 3 2008	Quarter 2 2008	Quarter 1 2008
Consolidated net income	**11**	**8**	**20**	**32**	**18**
Changes in revaluation surplus, after tax	-7	-113	-41	5	-104
Gains and losses on remeasuring available-for-sale financial instruments, before tax	-36	-192	-109	4	-105
Reclassifications to the consolidated income statement, before tax	23	47	49	3	-21
Taxes	6	32	19	-2	22
Changes in hedging reserves, after tax	0	-1	0	0	-1
Gains and losses from derivatives used to hedge changes of future cash flows, before tax	0	-1	0	0	-1
Reclassifications to the consolidated income statement, before tax	–	–	–	–	–
Taxes	0	0	0	0	0
Changes in currency translation reserves, after tax	0	1	0	0	0
Gains and losses arising from translating the financial statements of a foreign operation, before tax	0	1	0	0	0
Reclassifications to the consolidated income statement, before tax	–	–	–	–	–
Taxes	–	–	–	–	–
Changes in reserves from transactions under common control, after tax	0	1	3	2	12
Gains and losses from transactions under common control, before tax	–	–	–	–	–
Reclassifications to the consolidated income statement, before tax	0	1	3	2	12
Taxes	–	–	–	–	–
Other comprehensive income/loss, after tax	**-7**	**-112**	**-38**	**7**	**-93**
Total comprehensive income/loss	**4**	**-104**	**-18**	**39**	**-75**
Allocation of total comprehensive income/loss					
Total comprehensive income/loss attributable to non-controlling interests	4	4	5	4	5
Total comprehensive income/loss attributable to shareholders of Aareal Bank AG	0	-108	-23	35	-80

Segment Reporting

by Operating Unit

	Structured Property Financing		Consulting / Services		Consolidation / Reconciliation		Aareal Bank Group	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
Euro mn								
Net interest income	102	92	0	0	12	15	114	107
Allowance for credit losses	37	20					37	20
Net interest income after allowance for credit losses	**65**	**72**	**0**	**0**	**12**	**15**	**77**	**87**
Net commission income	5	3	44	46	-13	-16	36	33
Net result on hedge accounting	1	2					1	2
Net trading income/expenses	16	-22					16	-22
Results from non-trading assets	-17	9	0	0			-17	9
Results from investments accounted for using the equity method		0						0
Results from investment properties	0	0					0	0
Administrative expenses	48	52	43	37	-1	-1	90	88
Net other operating income/expenses	-6	4	0	2	0	0	-6	6
Operating profit	**16**	**16**	**1**	**11**	**0**	**0**	**17**	**27**
Income taxes	6	6	0	3			6	9
Consolidated net income	**10**	**10**	**1**	**8**	**0**	**0**	**11**	**18**
Allocation of results								
Consolidated net income attributable to non-controlling interests	4	4	0	1			4	5
Consolidated net income attributable to shareholders of Aareal Bank AG	6	6	1	7	0	0	7	13
Allocated equity	1,280	965	61	71	295	269	1,636	1,305
Cost/income ratio (%)	47.0	59.3	97.4	77.5			61.9	65.5
RoE after taxes (%)	2.0	2.5	5.2	38.2			1.7	3.9
Employees	**1,027**	**1,103**	**1,427**	**1,378**			**2,454**	**2,481**

Segment Reporting

Consulting / Services segment – Reconciliation of Income Statement

Reconciliation of the segment result from an ”industrial enterprise” classification of the income statement to the ”bank” classification which is the basis for segment reporting

Euro mn			Income statement classification – bank								
			Net interest income	Net commission income	Results from non-trading assets	Results from investments accounted for using the equity method	Administrative expenses	Net other operating income / expenses	**Operating profit**	Income taxes	**Segment result**
	Q1 2009		0	44	0		43	0	**1**	0	**1**
	Q1 2008		0	46	0		37	2	**11**	3	**8**
Income statement classification – industrial enterprise											
Sales revenue	Q1 2009	51		51							
	Q1 2008	55		55							
Own work capitalised	Q1 2009	0					0				
	Q1 2008										
Changes in inventory	Q1 2009	0						0			
	Q1 2008	0						0			
Other operating income	Q1 2009	1						1			
	Q1 2008	3			0			3			
Cost of materials purchased	Q1 2009	7		7							
	Q1 2008	9		9							
Staff expenses	Q1 2009	30					30				
	Q1 2008	24					24				
Depreciation, amortisation and impairment losses	Q1 2009	3					3				
	Q1 2008	3					3				
Results from investments accounted for using the equity method	Q1 2009										
	Q1 2008										
Other operating expenses	Q1 2009	11			0		10	1			
	Q1 2008	11			0		10	1			
Interest and similar income / expenses	Q1 2009	0	0								
	Q1 2008	0	0								
Result from ordinary activities	**Q1 2009**	**1**	**0**	**44**	**0**		**43**	**0**			
	Q1 2008	**11**	**0**	**46**	**0**		**37**	**2**			
Income taxes	Q1 2009	0								0	
	Q1 2008	3								3	
Segment result	**Q1 2009**	**1**									
	Q1 2008	**8**									

Consolidated Balance Sheet of Aareal Bank Group

Euro mn	Note	31 Mar 2009	31 Dec 2008
Assets			
Cash funds		680	693
Loans and advances to banks	8	3,270	1,165
Loans and advances to customers	9	24,860	24,771
Allowance for credit losses		-254	-232
Positive market value of derivative hedging instruments		1,525	1,256
Trading assets	10	1,068	2,168
Non-current assets held for sale and discontinued operations		8	8
Non-trading assets	11	10,521	10,654
Investments accounted for using the equity method		3	3
Investment properties		97	94
Intangible assets	12	85	86
Property and equipment	13	97	96
Income tax assets		56	60
Deferred tax assets		139	135
Other assets	14	207	202
Total		**42,362**	**41,159**
Equity and liabilities			
Liabilities to banks	15	7,559	8,977
Liabilities to customers	16	21,425	20,605
Certificated liabilities	17	7,753	6,424
Negative market value of derivative hedging instruments		1,176	1,313
Trading liabilities	18	743	649
Provisions	19	250	258
Income tax liabilities		14	21
Deferred tax liabilities		54	55
Other liabilities	20	145	162
Subordinated equity	21	1,287	1,266
Equity	22, 23		
Subscribed capital		128	128
Capital reserves		511	511
Retained earnings		747	738
Other reserves		-199	-192
Silent participation by SoFFin		525	–
Non-controlling interest		244	244
Total equity		1,956	1,429
Total		**42,362**	**41,159**

Consolidated Statement of Changes in Equity

Euro mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Reserves from transactions under common control	Other reserves: Revaluation surplus	Other reserves: Hedging reserves	Other reserves: Currency translation reserve	Silent participation by SoFFin	Total	Non-controlling interest	Total equity
Total equity as at 1 January 2009	**128**	**511**	**738**	**-8**	**-184**	**-1**	**1**	**0**	**1,185**	**244**	**1,429**
Total comprehensive income/loss for the period			7	0	-7	0	0		0	4	4
Capital increase									0		0
Capital reduction									0		0
Payments to non-controlling interests									0	-4	-4
Dividends									0		0
Silent participation by SoFFin			0					525	525		525
Other changes			2						2		2
Total equity as at 31 March 2009	**128**	**511**	**747**	**-8**	**-191**	**-1**	**1**	**525**	**1,712**	**244**	**1,956**

Euro mn	Subscribed capital	Capital reserves	Retained earnings	Other reserves: Reserves from transactions under common control	Other reserves: Revaluation surplus	Other reserves: Hedging reserves	Other reserves: Currency translation reserve	Total	Non-controlling interest	Total equity
Total equity as at 1 January 2008	**128**	**511**	**701**	**-26**	**69**	**1**	**0**	**1,384**	**243**	**1,627**
Total comprehensive income/loss for the period			13	12	-104	-1		-80	5	-75
Capital increase								0		0
Capital reduction								0		0
Payments to non-controlling interests								0	-4	-4
Dividends								0		0
Other changes			5					5	-1	4
Total equity as at 31 March 2008	**128**	**511**	**719**	**-14**	**-35**	**0**	**0**	**1,309**	**243**	**1,552**

Consolidated Statement of Cash Flows

Euro mn	2009	2008
Cash and cash equivalents as at 1 January	**693**	**1,051**
Cash flow from operating activities	-692	43
Cash flow from investing activities	133	938
Cash flow from financing activities	546	17
Total cash flow	**-13**	**998**
Effect of changes in exchange rates	0	0
Cash and cash equivalents as at 31 March	**680**	**2,049**

Notes to the Consolidated Financial Statements

Basis of Accounting

Legal Framework

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

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

Aareal Bank AG prepares its 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).

Reporting entity structure

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

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

Accounting policies

Unless specifically indicated otherwise, the accounting policies applied in the preparation of the consolidated financial statements 2008 were also applied for these condensed interim consolidated financial statements, including the calculation of comparative figures.

The International Accounting Standards Board (IASB) published the revised IAS 1 "Presentation of Financial Statements" (rev. 2007) in September 2007; the Standard was adopted by the European Commission in January 2009. The amendments to IAS 1 (rev. 2007) led to changes in the presentation of the Consolidated Income Statement and the Consolidated Statement of Changes in Equity. Henceforth, the consolidated income statement needs to be supplemented by income/loss recognised directly in equity, together forming a consolidated statement of comprehensive income. Aareal Bank Group has implemented this requirement under the amended Standard by supplementing its consolidated income statement by adding a reconciliation from consolidated net income to total comprehensive income. The consolidated statement of changes in equity will henceforth include total comprehensive income/loss, condensed into a single line item. In accordance with applicable law, the amended accounting standard has been applied for the first time in these interim financial statements as at 31 March 2009.

Based on the new accounting rules, we have adjusted the presentation of the consolidated balance sheet by including consolidated retained profit of the current financial year in retained earnings.

German Financial Markets Stabilisation Fund (SoFFin)

The German Financial Markets Stabilisation Fund (SoFFin) provided a € 525 million silent participation to Aareal Bank for an unlimited period on 31 March 2009. Please refer to Note 22 for details regarding this participation. In addition, SoFFin has extended a guarantee facility with a total volume of up to € 4 billion and a maximum term of 36 months to Aareal Bank for new, unsecured issues. The agreement is subject to approval by the EU Commission. The bank pays a commitment fee of 0.1 % p. a. on the undrawn portion of the guarantee facility. The drawdown fee for the guarantee facility used for issuing guaranteed debt securities is 0.5 % p. a. for terms up to one year and approx. 0.95 % p. a. for terms beyond one year.

Notes to the Consolidated Income Statement

(1) Net interest income

Euro mn	1 Jan - 31 Mar 2009	1 Jan - 31 Mar 2008
Interest income from		
Property loans	210	255
Public-sector loans	20	22
Other lending and money market operations	68	127
Fixed-income securities and debt register claims	110	79
Current dividend income	1	2
Other interest income	33	0
Total interest income	**442**	**485**
Interest expenses for		
Bonds issued	111	132
Borrowed funds	100	109
Subordinated equity	17	19
Term deposits	87	90
Payable on demand	12	29
Other banking transactions	1	-1
Total interest expenses	**328**	**378**
Total	**114**	**107**

(2) Allowance for credit losses

Allowance for credit losses amounted to € 37 million during the first three months of the 2009 financial year (Q1 2008: € 20 million). The amount recognised is determined as a proportion of the amounts projected for the year as a whole.

(3) Net commission income

Euro mn	1 Jan - 31 Mar 2009	1 Jan - 31 Mar 2008
Net commission income from		
Consulting and other services	29	27
Trustee loans and administered loans	3	3
Securities transactions	1	0
Securitisation transactions	-1	-2
Other lending and capital market transactions	3	3
Net other commission income	1	2
Total	**36**	**33**

(4) Net trading income

Euro mn	1 Jan - 31 Mar 2009	1 Jan - 31 Mar 2008
Results from derivative financial instruments	17	-7
Currency translation	-3	4
Net income/expenses from other positions held for trading	2	-19
Total	**16**	**-22**

(5) Results from non-trading assets

Euro mn	1 Jan - 31 Mar 2009	1 Jan - 31 Mar 2008
Results from securities sales	-14	9
Results from the measurement of securities	-4	0
Results from equity investments	1	0
Total	**-17**	**9**

(6) Administrative expenses

Euro mn	1 Jan-31 Mar 2009	1 Jan-31 Mar 2008
Staff expenses	56	53
of which: for pensions [1]	1	1
Other administrative expenses	29	30
Depreciation, amortisation and impairment of property and equipment and intangible assets	5	5
Total	**90**	**88**

[1] The figure for the previous year was restated (originally: € 6 million).

(7) Net other operating income/expenses

Euro mn	1 Jan-31 Mar 2009	1 Jan-31 Mar 2008
Income from properties	1	1
Income from the reversal of provisions	0	2
Income from goods and services	0	0
Other	4	9
Total other operating income	**5**	**12**
Expenses for properties	1	1
Expenses for services used	0	0
Write-downs of trade receivables	–	0
Expenses for other taxes	0	0
Other	10	5
Total other operating expenses	**11**	**6**
Total	**-6**	**6**

Miscellaneous other operating expenses include project expenditure (including legal and advisory costs) incurred in relation to the support measures agreed upon between Aareal Bank and the German Financial Markets Stabilisation Fund (SoFFin).

Notes to the Consolidated Balance Sheet

(8) Loans and advances to banks

Euro mn	31 Mar 2009	31 Dec 2008
Term deposits and current account balances	691	845
Public-sector loans	255	286
Receivables from securities repurchase transactions	2,273	0
Other loans and advances	51	34
Total	**3,270**	**1,165**

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

(9) Loans and advances to customers

Euro mn	31 Mar 2009	31 Dec 2008
Property loans	23,007	22,813
Public-sector loans	1,828	1,875
Other loans and advances	25	83
Total	**24,860**	**24,771**

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

(10) Trading assets

Euro mn	31 Mar 2009	31 Dec 2008
Debt and other fixed-income securities	103	466
Positive market values of standalone derivatives	965	1,052
Other assets held for trading	–	650
Total	**1,068**	**2,168**

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

(11) Non-trading assets

Euro mn	31 Mar 2009	31 Dec 2008
Debt and other fixed-income securities	10,237	10,344
of which: Loans and receivables	7,252	4,153
Held to maturity	413	412
Available for sale	2,572	5,779
Equities and other non-fixed income securities	279	305
of which: Available for sale	203	213
Designated as at fair value through profit or loss	76	92
Interests in affiliated companies (AfS)	–	–
Other investments (AfS)	5	5
Total	**10,521**	**10,654**

In the first quarter of 2009, the Aareal Bank Group again made use of the reclassification options provided for by the amended IAS 39.50 et seq. Specifically, government bonds, other public-sector bonds, and bank bonds were reclassified from IFRS measurement categories available for sale (AfS) and held for trading (HfT) to loans and receivables (LaR), as at 2 January 2009. Reclassification was based on the fair value applicable as at the date of reclassification. Until the date of reclassification, the financial assets had been measured at fair value. These securities are now measured at amortised cost.

Reclassified financial assets

Euro mn	Carrying amount of financial assets reclassified in the current financial year, as at the date of reclassification	Carrying amount of aggregate reclassified financial assets 31 Mar 2009	Fair value of aggregate reclassified financial assets 31 Mar 2009
from AfS to LaR	**3,002**	**5,998**	**5,626**
Asset-backed securities	–	53	45
Bank bonds	806	1,221	1,129
Covered bonds	292	679	648
Government bonds	1,904	4,045	3,804
from HfT to LaR	**5**	**499**	**420**
Asset-backed securities	–	493	414
Government bonds	5	6	6
Total	**3,007**	**6,497**	**6,046**

If the bank had not opted for reclassification, fair value measurement of the reclassified assets performed in the current reporting period would have resulted in a loss of € 36 million (before taxes) to be recognised in the consolidated income statement, and a loss of € 148 million (after tax) would have been recognised in the revaluation surplus. Reclassifications carried out during the previous year avoided a loss of € 56 million (before taxes) that would have been recognised in the consolidated income statement, and provided € 129 million (after tax) in relief for the revaluation surplus (both figures for the full year 2008).

(12) Intangible assets

Euro mn	31 Mar 2009	31 Dec 2008
Goodwill	38	39
Internally generated software	33	34
Other intangible assets	14	13
Total	**85**	**86**

(13) Property and equipment

Euro mn	31 Mar 2009	31 Dec 2008
Land and buildings and construction in progress	78	79
Office furniture and equipment	19	17
Total	**97**	**96**

(14) Other assets

Euro mn	31 Mar 2009	31 Dec 2008
Properties	92	93
Trade receivables (LaR)	28	38
Miscellaneous	87	71
Total	**207**	**202**

(15) Liabilities to banks

Euro mn	31 Mar 2009	31 Dec 2008
Payable on demand	779	697
Term deposits	353	329
Promissory note loans borrowed	996	923
Liabilities from securities repurchase transactions and open-market operations	5,036	6,606
Registered mortgage bonds	215	286
Other	180	136
Total	**7,559**	**8,977**

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

(16) Liabilities to customers

Euro mn	31 Mar 2009	31 Dec 2008
Payable on demand	3,514	2,846
Term deposits	4,683	4,464
Promissory note loans borrowed	8,420	8,591
Registered mortgage bonds	4,807	4,702
Other	1	2
Total	**21,425**	**20,605**

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

(17) Certificated liabilities

Euro mn	31 Mar 2009	31 Dec 2008
Medium-term notes	1,746	2,001
Bearer mortgage bonds	3,347	3,720
Other debt securities	2,660	703
Total	**7,753**	**6,424**

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

(18) Trading liabilities

Euro mn	31 Mar 2009	31 Dec 2008
Negative market values of standalone derivatives	680	510
Other liabilities held for trading	63	139
Total	**743**	**649**

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

(19) Provisions

Euro mn	31 Mar 2009	31 Dec 2008
Provisions for pensions and similar obligations	113	112
Other provisions	137	146
Total	**250**	**258**

(20) Other liabilities

Euro mn	31 Mar 2009	31 Dec 2008
Liabilities from outstanding invoices	15	20
Deferred income	22	26
Liabilities from other taxes	7	18
Trade payables (LaC)	11	8
Other liabilities (LaC)	90	90
Total	**145**	**162**

(21) Subordinated equity

Euro mn	31 Mar 2009	31 Dec 2008
Subordinated liabilities	566	555
Profit-participation certificates	485	478
Contributions by silent partners	236	233
Total	**1,287**	**1,266**

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

(22) Equity

On 31 March 2009, SoFFin extended the € 525 million silent participation to Aareal Bank, as agreed upon as part of the package of support measures on 15 February 2009. This silent participation for an unlimited period bears interest at 9 % p. a.; in the consolidated balance sheet, it is shown as a separate line item under equity. Interest expenses incurred on the silent participation are recognised directly in equity without affecting consolidated statement of comprehensive income.

(23) Treasury shares

No treasury shares were held during the period under review.

Other explanatory notes

(24) Contingent liabilities and irrevocable loan commitments

Euro mn	31 Mar 2009	31 Dec 2008
Contingent liabilities on guarantees and indemnity agreements	484	560
Irrevocable loan commitments	2,593	2,959

(25) Employees

	31 Mar 2009	1 Jan-31 Dec 2008
Number of employees in the banking business	1,089	1,137
Number of employees in other businesses	1,365	1,345
Total	**2,454**	**2,482**
of which: Part-time employees	377	358

(26) Related party transactions

No material transactions with related parties were entered into during the first three months of the 2009 financial year.

(27) Events after the end of the interim reporting period

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

Executive Bodies

Supervisory Board

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

Erwin Flieger [1) 3) 4) 5)], Geretsried
Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Boards of
Bayerische Beamten Versicherungsgruppe

York-Detlef Bülow [1) 2) 6)], Katzenelnbogen
Deputy Chairman of the Supervisory Board
Aareal Bank AG

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

Manfred Behrens, Hannover
Chairman of the Management Board
AWD Holding AG

Tamara Birke [3) 6)], Wiesbaden
Aareal Bank AG

Thomas Hawel [6)], Saulheim
Aareon Deutschland GmbH

Dr. Herbert Lohneiß [3) 4)], Munich
Former Chief Executive Officer
of Siemens Financial Services GmbH (ret'd.)

Joachim Neupel [2) 3) 4)], Meerbusch
Certified Accountant and Tax Advisor

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

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

Helmut Wagner [6)], Hahnheim
Aareon Deutschland GmbH

Management Board

Dr. Wolf Schumacher
Chairman of the Management Board

Norbert Kickum
Member of the Management Board

Hermann Josef Merkens
Member of the Management Board

Thomas Ortmanns
Member of the Management Board

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

Offices

Wiesbaden Head Office

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

Structured Property Financing

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

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

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

Copenhagen
Frederiksgade 7, 1
1265 Copenhagen K, Denmark
Phone: +45 70 109090
Fax: +45 70 109091

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

Helsinki
Aleksanterinkatu 44, 4th floor
00100 Helsinki, Finland
Phone: +358 9 6961010
Fax: +358 9 69610111

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

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

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

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

Moscow
Business Centre ”Mokhovaya“
4/7 Vozdrizhenka Street · Building 2
125009 Moscow, Russia
Phone: +7 495 6638626
Fax: +7 495 6638627

Munich
Prinzregentenstrasse 22
80538 Munich, Germany
Phone: +49 89 51270
Fax: +49 89 5127211

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

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

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

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

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

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

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

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

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

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

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

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

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

Consulting/Services

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

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

Institutional Housing Unit
Essen Branch
Huyssenallee 48
45128 Essen, Germany
Phone: +49 201 81008100
Fax: +49 201 81008200

Institutional Housing Unit
Hamburg Branch
Pelzerstrasse 7
20095 Hamburg, Germany
Phone: +49 40 33316810
Fax: +49 40 33316399

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

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

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

Institutional Housing Unit
Stuttgart Branch
Kriegerstrasse 3
70191 Stuttgart, Germany
Phone: +49 711 2236116
Fax: +49 711 2236160

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

Aareal First Financial Solutions AG
Peter-Sander-Strasse 30
55122 Mainz-Kastel, Germany
Phone: +49 6134 560201
Fax: +49 6134 560401

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

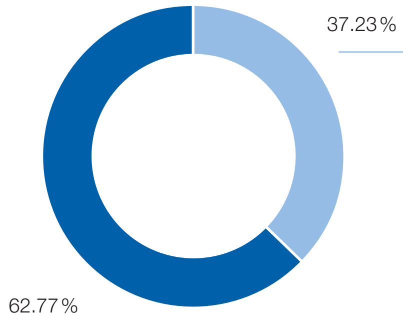
Deposit-taking

Dublin
4 Custom House Plaza · I.F.S.C.
Dublin 1, Ireland
Phone: +353 1 6369220
Fax: +353 1 6702785

Shareholder Structure | Financial Calendar

Shareholder Structure

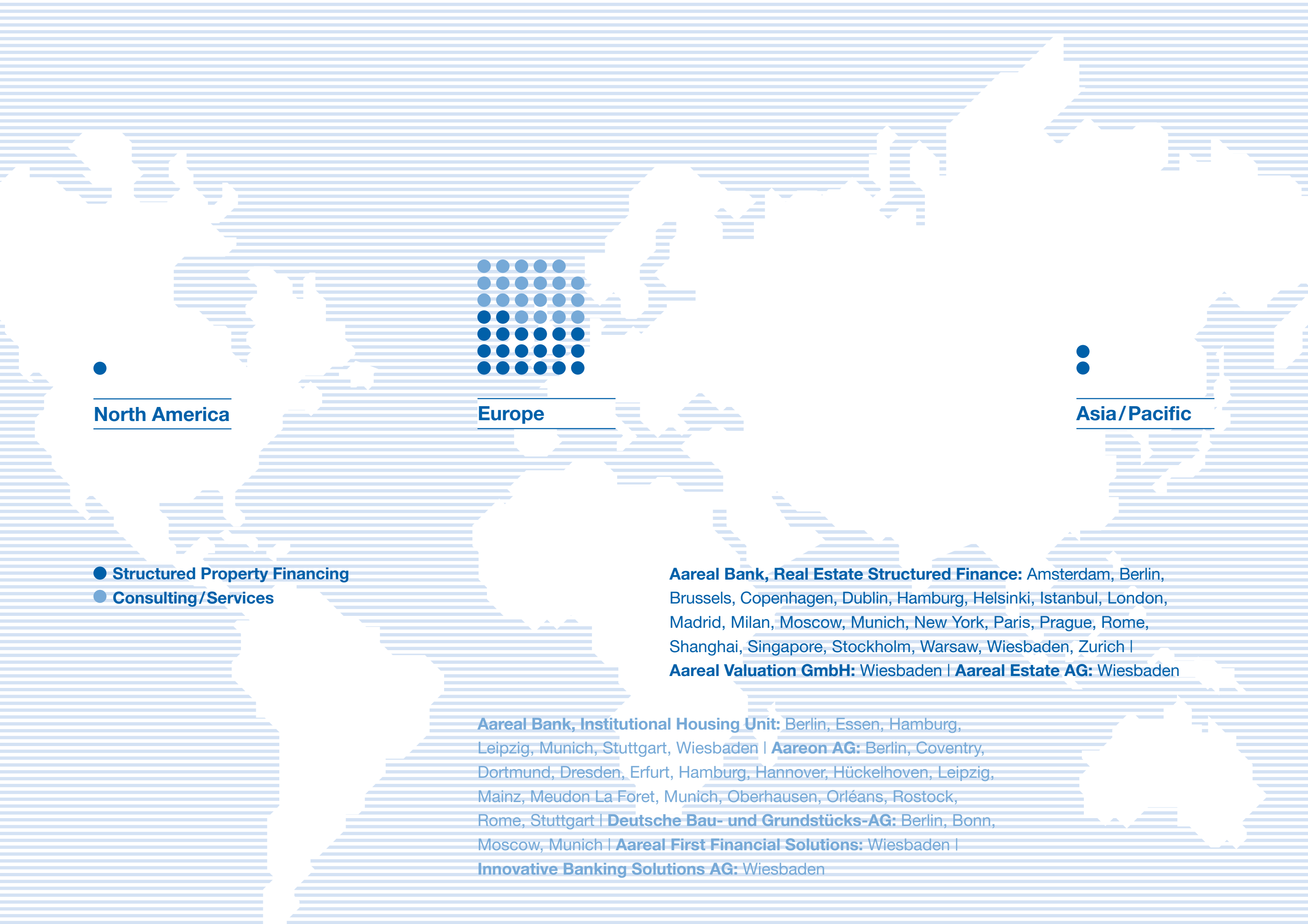
■ Free float ■ Aareal Holding Verwaltungsgesellschaft mbH



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

Financial Calendar

11 August 2009	Presentation of interim report as at 30 June 2009
November 2009	Presentation of interim report as at 30 September 2009



Imprint

Contents
Aareal Bank AG, Corporate Communications

Design / Layout:
s/company GmbH, Fulda, Germany

Production:
Druckerei Chmielorz GmbH, Wiesbaden-Nordenstadt, Germany

Aareal Bank AG
Corporate Communications
Paulinenstrasse 15
65189 Wiesbaden, Germany

Tel.: +49 611 348 2963
Fax: +49 611 348 2548
E-mail: aareal@aareal-bank.com
www.aareal-bank.com

05/2009

Aareal Bank Group