Semi-Annual Financial Statements
For the period ended June 30, 2016

of

Aareal Bank Capital Funding Trust

(the "Trust")

250 Park Avenue, Suite 820

New York, NY 10177

Management Report

(1) General framework

Aareal Bank Capital Funding Trust *(the "Trust")* was established to issue € 250 million Trust Preferred Securities *(the "Trust Preferred Securities")*, to issue one Trust Common Security *(the "Trust Common Security") (together, "Trust Securities*") to Aareal Bank AG *(the "Bank")* and to invest the proceeds from such issuance in noncumulative Class B Preferred Securities *(the "Class B Preferred Securities)* issued by Aareal Bank Capital Funding LLC *(the "LLC*"), a Delaware limited liability company and engaging in activities necessary or incidental thereto. In addition to the Class B Preferred Securities, the LLC has issued one voting common security *("the Company Common Security)* and one noncumulative Class A preferred security *(the "Class A Preferred Security")*. The Company Common Security and the Class A Preferred Security are owned by the Bank.

The LLC invested the proceeds from sale of the Class B Preferred Securities together with funds contributed in return for the Class A Preferred Security and the Company Common Security in subordinated debt obligations *(the "Substitute Debt Obligations")* issued by the Bank. Amounts available to the Trust for distribution to the holders of the Trust Securities will be limited to distributions received by the Trust from the Company with respect to the Class B Preferred Securities.

The Trust will pass through payments and redemption proceeds on the Class B Preferred Securities as payments and redemption proceeds on the Trust Preferred Securities. Payments on the Class B Preferred Securities will be payable from the date of initial issuance on a noncumulative basis, quarterly in arrears on March 31, June 30, September 30 and December 31 of each year *(each such date of payment, a "Payment Date")*, at a fixed rate per annum on the liquidation preference amount of € 25 per Trust Preferred Security *(the "Liquidation Preference Amount")* equal to 7.125%, commencing on December 31, 2001. Therefore, the availability of funds and hence sufficient liquidity on any Payment Date is the key performance indicator and thus appropriate controlled by the Trust.

Capital payments on the Class B Preferred Securities are subject to certain conditions which are disclosed with detailed information to the Trust structure in note 1 "Legal Framework and Organization" to these semi-annual financial statements. Capitalized terms used herein and not otherwise defined have the same meaning as defined in the offering circular dated November 15, 2001.

(2) Results of Operations

During the reporting period ended June 30, 2016, the LLC and the Bank had sufficient Operating Profits and Distributable Profits to make payments at the rate stated above to the Trust when due. The Trust made payments on the Trust Preferred Securities at such rate at the relevant Payment Dates. The Trust made no distributions on the Trust Common Security.

The Trust entered into a Services Agreement with the LLC, the Bank and a majority owned subsidiary of the Bank. The Bank is obliged, among other things, to provide legal, accounting, tax and other support services to the Trust, to maintain compliance with all applicable U.S. and German local, state and federal laws, and to provide administrative, recordkeeping and secretarial services for the Trust.

Furthermore, the Bank is obligated to pay the fees and expenses and all other obligations of the Trust pursuant to the Services Agreement. During the reporting period ended June 30, 2016 the Bank provided all such services and paid such expenses or fees as provided in the Services Agreement. As of the balance sheet date, the Trust has just a claim against the Bank in the amount of the expected audit fees, which are not invoiced yet.

The Trust net retained profit for the reporting period ended June, 2016 was € 4.0 million after distributions of € 8.8 million to the shareholders of the Trust.

(3) Risk Report

The Trust is affected mainly by market price, liquidity and credit risks. Market price, credit and liquidity risks are managed by Aareal Bank Group.

The principal risks and uncertainties faced by the Trust are disclosed in note 5 to these semi-annual financial statements.

(4) Future opportunities and outlook

The Trust expects that the Bank will continue to meet its obligations under the Substitute Debt Obligations and other agreements concluded between the Trust, the LLC and the Bank. Furthermore, the Trust presumes that the LLC will continue to pay dividends on the Class B Preferred Securities, so that the Trust insofar is expecting to pay related dividends as in 2015 for the financial year 2016.

(5) Subsequent events

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

Aareal Bank Capital Funding Trust

Statement of Financial Position

For the reporting period ended June 30, 2016

Assets		30 Jun 16	31 Dec 2015
		€	€
I. Shares in affiliated companies	(Note 3a)	257.000.103	253.000.101
II. Other Receivables	(Note 3b)	9.000	18.000
Total Assets		257.009.103	253.018.101

Liabilities and Shareholders' Equity

I. Trust Common Security	(Note 3c)	100	100
II. Trust Preferred Securities	(Note 3c)	250.000.000	250.000.000
III. Revaluation surplus	(Note 3d)	7.000.003	3.000.001
IV. Audit fee payable	(Note 3e)	9.000	18.000
Total liabilities and shareholders' equity		257.009.103	253.018.101

Aareal Bank Capital Funding Trust

Statement of Comprehensive Income

For the reporting period ended June 30, 2016

		1 Jan-30 Jun 2016	1 Jan-30 Jun 2015
		€	€
Dividends		8.800.000	8.800.000
Net interest income		8.800.000	8.800.000
Other administrative expenses	(Note 3f)	25.915	40.187
Other operating income	(Note 3g)	25.915	40.187
Profit or loss		8.800.000	8.800.000
Other comprehensive income	(Note 3h)	4.000.002	5.400.002
of which: Gains and losses on remeasuring AfS financial instruments		*4.000.002*	*5.400.002*
Total comprehensive income		12.800.002	14.200.002
Allocation of results			
Total comprehensive income attributable to shareholders of Aareal Bank Capital Funding Trust		12.800.002	14.200.002
Appropriation of profits			
Total comprehensive income attributable to shareholders of Aareal Bank Capital Funding Trust		12.800.002	14.200.002
Profit distribution (Dividends)		8.800.000	8.800.000
Net Retained Profit		4.000.002	5.400.002
Euro			
Earnings per share		1,28 [1)]	1,42 [1)]

[1)] Due to the purpose of the Trust the EPS include the result of the preferred security holders.

Aareal Bank Capital Funding Trust

Statement of Changes in Equity

For the reporting period ended June 30, 2016

€	Trust Common Security	Trust Preferred Securities	Revaluation surplus	Total
Balance at January 1, 2016	100	250.000.000	3.000.001	253.000.101
Total comprehensive income	0	8.800.000	4.000.002	12.800.002
Profit Distribution (Dividends)	0	-8.800.000	0	-8.800.000
Balance at June 30, 2016	100	250.000.000	7.000.003	257.000.103

€	Trust Common Security	Trust Preferred Securities	Revaluation surplus	Total
Balance at January 1, 2015	100	250.000.000	0	250.000.100
Total comprehensive income	0	8.800.000	5.400.002	14.200.002
Profit distribution (Dividends)	0	-8.800.000	0	-8.800.000
Balance at June 30, 2015	100	250.000.000	5.400.002	255.400.102

Aareal Bank Capital Funding Trust

Statement of Cash Flows

For the reporting period ended June 30, 2016

	1 Jan-30 Jun 2016	1 Jan-30 Jun 2015
	€	€
Cash Flows from operating activities		
Dividends	8.800.000	8.800.000
Changes in working capital after adjustment for non-cash components	0	0
Net cash used in operating activities	8.800.000	8.800.000
Cash Flows from financing activities		
Profit distribution (Dividends)	-8.800.000	-8.800.000
Changes in working capital after adjustment for non-cash components	0	0
Net cash used in financing activities	-8.800.000	-8.800.000
Movement in cash and cash equivalents	0	0
Cash and cash equivalents, beginning of period	0	0
Movement in cash and cash equivalents	0	0
Cash and cash equivalents, end of period	0	0

(1) Legal Framework and Organization

Aareal Bank Capital Funding Trust, 250 Park Avenue, Suite 820, New York, NY 10177 *(the "Trust")* (formerly named: DePfa Bank Capital Funding Trust) is a statutory business trust formed under the Delaware Business Trust Act, as amended, pursuant to the trust agreement and the filing of a certificate of trust with the Secretary of the State of Delaware on November 1, 2001. The Trust was incorporated for the purpose of issuing € 250 million of Trust Preferred Securities (10,000,000 Trust Preferred Securities par value € 25) *(the "Trust Preferred Securities")* to investors and € 100 Trust Common Security *(the "Trust Common Security") (together, "Trust Securities*") to Aareal Bank AG *(the "Bank")*. The aforementioned securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof.

The proceeds from the issuance of the Trust Preferred Securities were used to purchase the Class B Preferred Securities *(the "Class B Preferred Securities")* from Aareal Bank Capital Funding LLC, a Delaware limited liability company *(the* "LLC"*)*. The terms of the Trust Preferred Securities are substantially identical to the terms of the Class B Preferred Securities.

The Trust does not engage in any business other than receiving and holding the Class B Preferred Securities, issuing the related Trust Preferred Securities, collecting dividends paid with respect to the Class B Preferred Securities, paying interest to the holders of the Trust Preferred Securities and engaging in other activities necessary or incidental thereto.

In addition to the Class B Preferred Securities, the LLC also issued two securities each in the amount of € 100, one voting common security *(the "Company Common Security")* and one noncumulative Class A preferred security *(the "Class A Preferred Security")*, each representing limited liability company interests in the LLC *(together, "Company Securities")*. The Company Securities are owned by the Bank. The LLC used the proceeds from the issuance of the Company Securities, to acquire contemporaneously with the issuance of the Class B Preferred Securities subordinated debt obligations *(the "Initial Debt Obligations")* of DePfa Property Services B.V. guaranteed on a subordinated basis by the Bank, which would mature on December 31, 2026 *(the "Maturity Date")*. On December 22, 2005 all rights, title and interest in and to the Initial Debt Obligations was assigned and transferred from DePfa Property Services B.V. to the Bank; the Initial Debt Obligations were replaced by new debt obligations *(the "Substitute Debt Obligations")*. Simultaneously, the Initial Debt Obligations and the guarantee of the Bank was cancelled and surrendered by LLC. The substitute debt obligations represent the LLC's investments. The income received by the LLC from Substitute Debt Obligations is available for distribution, as appropriate, to the holders of the Class B Preferred Securities, the Class A Preferred Security and the holder of the Company Common Security.

The amount of the purchased Substitute Debt Obligations is such that the aggregate interest income paid on the Substitute Debt Obligations on any Payment Date will be sufficient to make the aggregate interest payments on the Class B Preferred Securities. Interest payment and repayment of the Substitute Debt Obligations is economically subject to the solvency of the Bank, which is rated investment grade. Beyond that, the LLC has the aid of a support undertaking issued by the Bank.

Payment dates occur quarterly in arrears on March 31, June 30, September 30 and December 31 of each year *(each such date of payment, a "Payment Date")*. Holders of the Trust Preferred Securities will receive payments from the date of initial issuance on a noncumulative basis, at a fixed rate per annum on the Liquidation Preference Amount equal to 7.125%.

Payments payable on each Payment Date will be calculated on the basis of the actual number of days elapsed and a 365-day year, or 366 in a leap year, and will accrue from and including the immediately preceding Payment Date to but excluding the relevant Payment Date *(each such period, a "Payment Period")*. If any Payment Date or redemption date falls on a day that is not a business day, such interest payment will be due on the next preceding business day, without adjustment, interest or further payment as a result thereof.

Payments on the Trust Preferred Securities are expected to be paid out of payments received by the Trust from the LLC on the Class B Preferred Securities. Payments on the Class B Preferred Securities are expected to be paid by the LLC out of its Operating Profits. If the LLC does not declare (and is not deemed to have declared) a payment in respect of any Payment Period, the holders of the Trust will have no right to receive a payment on the Class B Preferred Securities in respect of such Payment Period, and the LLC will have no obligation to pay a payment on the Class B Preferred Securities in respect of such Payment Period in any future Payment Period.

Payments on the Class B Preferred Securities are authorized to be declared and paid on any Payment Date to the extent that:

(i) the LLC has an amount of Operating Profits for the Payment Period ending on the day immediately preceding such Payment Date at least equal to the amount of such payments, and

(ii) the Bank has an amount of Distributable Profits for the most recent preceding fiscal year for which audited financial statements are available at least equal to the aggregate amount of such payments on the Class B Preferred Securities and payments or dividends or other distributions or payments on Parity Securities, if any, pro rata on the basis of Distributable Profits for such preceding fiscal year.

Despite sufficient Operating Profits of the LLC and sufficient Distributable Profits of the Bank, the LLC will not be permitted to make payments on the Class B Preferred Securities on any Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the German Federal Agency for Financial Supervision (Bundesanstalt für Finanzdienstleistungsaufsicht) *(the "BaFin")* or any other relevant regulatory authority pursuant to the German Banking Act ("KWG") or any other applicable regulatory provision prohibiting the Bank from making any distributions of its profits (including to the holders or Parity Securities as per offering document dated November 15, 2001).

The Bank is the owner of both the voting Company Common Security and the Class A Preferred Security of the LLC and the owner of the Trust Common Security; such securities having a liquidation preference, in each case, of € 100. Hence all voting rights of the LLC are held by the Bank, the Trust does not have control on the LLC subject to IFRS 10 and thus the LLC is not consolidated by the Trust.

As the owner of the Class A Preferred Security, the Bank shall be entitled to receive payments on these Class A Preferred Security, but only to the extent that:

(i) payments on Class B Preferred Securities in full are not permitted on any Payment Date due to insufficient Distributable Profits of the Bank or on such date an order of the BaFin or other relevant regulatory authority pursuant to the German Banking Act ("KWG") prohibiting the Bank from making any distributions of its profits (including to the holders of the Parity Securities) is in effect, and

(ii) the Company has sufficient Operating Profits.

The Trust Preferred Securities and the Class B Preferred Securities have no stated maturity date and will not be redeemable at any time at the option of the holder thereof. The Class B Preferred Securities are redeemable, in whole but not in part, at the option of the LLC on any payment date or upon the occurrence of a Tax Event, an Investment Company Act Event or a Regulatory Event with respect to the LLC *(together, "Company Special Redemption Event")*. Any such redemption will be at a redemption price per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid periodic distributions on the Class B Preferred Securities for the then current Payment Period to but excluding the date of redemption *(a "Redemption Date")* and additional amounts, if any.

Upon redemption of the Class B Preferred Securities, the Trust must apply the redemption price received in connection therewith to redeem a corresponding number of the Trust Securities.

In the case of redemption upon the occurrence of a trust special redemption event, the Class B Preferred Securities would be distributed, after satisfaction of the claims of the creditors, if any, on a *pro rata* basis to the holders of the Trust Preferred Securities and the holder of the Trust Common Security in liquidation of such holders' interest in the Trust. A *"Trust Special Redemption Event"* means (i) a Tax Event or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the LLC.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Preferred Securities at the time outstanding will, subject to certain limitations, be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation of the Company, the holder of the Class A Preferred Security will receive the Debt Obligations or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution. Each holder of the Class B Preferred Securities will be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus accrued and unpaid distributions in respect of the current Payment Period to but excluding the date of liquidation and additional amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Bank under the Support Undertaking. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

The Bank, at its option, may redeem the Substitute Debt Obligations, in whole but not in part, on any Payment Date on or after the Initial Redemption Date, upon (i) the occurrence of a Company Special Redemption Event or (ii) at least 30 days' prior notice, subject to having obtained any required regulatory approvals. Such redemption will be at a redemption price equal to the principal amount of € 250,000,300 to be redeemed plus accrued and unpaid interest thereon, and additional interest amounts, if any.

The Bank may not cause any redemption of the Substitute Debt Obligations prior to the Maturity Date (except upon the occurrence of a Company Special Redemption Event) unless (i) the Initial Debt obligations are replaced with Substitute Debt Obligations, or (ii) the LLC is permitted and has elected to redeem an equivalent amount of the Class B Preferred Securities as described above.

If the Class B Preferred Securities have not been redeemed on or after the Maturity Date, the LLC will invest the proceeds from the redemption of the Substitute Debt Obligations in debt obligations issued by a Qualified Issuer as described in the prospectus or, alternatively, in U.S. Treasury Securities, provided, that such investment does not result in a Company Special Redemption Event.

The obligations of the Bank under the Substitute Debt Obligations will be subordinated to all obligations of the Bank that are not subordinated.

More detailed information is available in the Offering Circular dated November 15, 2001. Capitalized terms used herein and not otherwise defined have the same meaning as defined in the aforementioned offering circular.

The semi-annual financial statements and all transactions entered into by the Trust are denominated in euros (€).

The Trust entered into a Services Agreement with the LLC, the Bank and a majority-owned subsidiary. The Bank is obliged to pay the fees and expenses of the services and all other obligations of the Trust pursuant to the Services Agreement including any fees for German authorities. The audit fees will also be paid by the Bank.

The Bank is the parent company of the Trust and the LLC. The Trust and the LLC are included in the consolidated financial statements of the Aareal Bank Group.

(2) Basis of Accounting

In accordance with the Transparency Directive (2004/109/EC) implemented into Dutch national law by the Dutch Financial Supervision Act (FSA) dated October 12, 2006, Section 5:25d the Trust shall prepare its semi-annual financial reporting to be made generally available to the public.

The Trust has prepared its semi-annual financial statements for the period ended June 30, 2016 in accordance with International Financial Reporting Standards applicable within the European Union (EU). The reporting currency is euro (€).

The Trust prepares its semi-annual financial statements in accordance with IAS 27. Since all voting rights of the LLC are held by the Bank through the Company Common Security, the Trust does not have control on the LLC subject to IFRS 10 and thus the LLC is not consolidated by the Trust.

Dividends represent the payments received or receivable from the LLC on the Class B Preferred Securities; profit distribution (dividends) represents payments paid or payable from the issuance of Trust Preferred Securities.

The Trust is a grantor trust and, as such, all items of income and deductions passed through to its grantors. Therefore, the Trust has no taxable income and no requirement to record a tax expense.

The Trust comprises only one segment. The Statement of Financial Position, the Statement of Comprehensive Income and the Notes to the semi-annual financial statements contain all relevant information of the segment reporting according to IFRS 8.

Unless specifically indicated otherwise, the accounting policies applied in preparation of the annual financial statements 2015 were also applied in preparation of these condensed semi-annual financial statements, including the calculation of comparative figures.

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

IAS 19 Defined Benefit Plans: Employee Contribution

The amendments to IAS 19 include a clarification regarding the recognition of employee contributions made to defined benefit plans paid by the employees themselves for service elements. Contributions by employees or third parties reduce the ultimate costs of benefit commitments and are therefore accounted for on the basis of accounting policies for benefit commitments.

Annual Improvements Cycle 2010-2012

The Annual Improvements Cycle 2010-2012 resulted in a collection of clarifications and minor amendments to different standards. The amendment to IFRS 2 mainly consists of a clarification of the definition for "vesting condition" by adding definitions for "service condition" and "performance condition" to Appendix A of the standard. The amendments to IFRS 3 related to the classification of contingent consideration as debt or equity pursuant to IFRS 3.40. According to the latest amendments, only contingent consideration transferred as part of a business combination and fulfilling the definition of a financial instrument shall be considered for classification, while the reference to "other applicable IFRSs" was deleted. If a contingent consideration is classified as a financial liability, it shall be recognised at fair value through profit or loss. The amendments to IFRS 8 clarified the aggregation of operating segments and the reconciliation of segments' assets to the entity's assets as disclosed in the statement of financial position. The amendment to IFRS 13 clarified that short-term receivables and liabilities may not be subject to discounting if the effect of not discounting is immaterial. The amendments to IAS 16 and 38 provide clarification on the restatement of accumulated depreciation in case of a revaluation of assets. The amendment to IAS 24 broadens the definition of "related parties" to include entities (and group companies of such entities) providing key management personnel services to the reporting entity, without any other form of close relationship in place between the two companies within the meaning of IAS 24 (so-called "management entities").

IFRS 11 Accounting for Acquisitions of Interest in Joint Operations

The amendments to IFRS 11 govern the recognition of acquisitions of interests in joint operations in which the activity constitutes a business within the meaning of IFRS 3 Business Combinations. In such cases, the acquirer has to apply the principles on business combinations accounting set out in IFRS 3. Moreover, disclosure requirements of IFRS 3 apply in these cases. In addition, the amendment clarifies that, in the context of the acquisition of additional interests, previously held interests in a joint operation are not remeasured if joint control is retained.

IAS 16 und IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments include guidance for determining an acceptable method of depreciation and amortisation. The amendments clarify that depreciation of property, plant and equipment on the basis of revenue from the goods produced by such property, plant and equipment is not appropriate. In addition, rules are introduced pursuant to which future reductions in the selling price of goods and services are an indication of their economic obsolescence and, therefore, an indication for the decline of potential future economic benefits of the assets required for the production of such goods or services.

IAS 16 und IAS 41 Agriculture: Bearer Plants
In accordance with the amendments, bearer plants – such as grape vines, rubber trees and oil palms – which are used to harvest the produce of biological assets over several accounting periods, without being sold as agricultural produce, have to be accounted for in the same way as property, plant and equipment pursuant to IAS 16, since their use is similar. However, the produce growing on bearer plants continues to be accounted for in accordance with IAS 41 in future.

IAS 27 Equity Method in Separate Financial Statements
As a result of the amendment, the equity method is re-introduced as an accounting option for interests in subsidiaries, joint ventures and associates in separate financial statements of an investor. The existing options for measurement at cost or in accordance with IAS 39/IFRS 9 continue to apply.

Annual Improvements Cycle 2012-2014
The Annual Improvements Cycle 2012-2014 resulted in a collection of clarifications and minor amendments to different standards. The amendments to IFRS 5 include guidance for cases in which an entity reclassifies an asset directly from "held for sale" to "held for distribution to owners". The presentation and measurement requirements as described in IFRS 5 still apply after direct reclassification. A further amendment concerns IFRS 7, clarifying in which cases servicing contracts – where the selling entity retains any of the contractual rights or obligations inherent in the transferred financial asset – form the basis for continuing involvement within the meaning of IFRS 7. The amendments also specify that there is no explicit disclosure requirement regarding the offsetting of financial assets and liabilities in condensed interim financial statements. The amendment to IAS 19 relates to the interest rate used for discounting defined benefit pension obligations. The amendment clarifies that the depth of the market for high quality corporate bonds should be assessed "at currency level", i. e. corporate bonds from the entire euro zone should be taken into account for assessments relating to the euro zone. The amendment to IAS 34 affects disclosures "elsewhere in the interim report". Such information may be provided directly in the respective interim report (chapter reference required), or in other documents, and shall always be subject to a cross-reference provided in the interim report.

Amendments to IAS 1: Disclosure Initiative
The amendments refer to clarifications of the concept of materiality in relation to the presentation of items in the statement of financial position, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity as well as regarding the Notes. Immaterial disclosures are not required to be made. This also applies when the disclosure is explicitly required pursuant to other standards. In addition, rules for the presentation of subtotals, the systematic ordering or grouping of the Notes, as well as the disclosures of accounting policies, have been added to IAS 1, and previous requirements have been clarified. Moreover, the amendment clarifies the separate presentation of the share of investments accounted for using the equity method in other comprehensive income in the statement of comprehensive income by items that are subsequently reclassified to the income statement and those which are not reclassified to the income statement.

The revised standards do not have any material consequences for the financial statements of the Trust.

In the reporting period, the following financial reporting standards (IASs/IFRSs) to be applied in future financial years were published by the International Accounting Standards Board (IASB) or endorsed by the EU Commission:

New International Financial Reporting Standards	Issued	Endorsed	Effective date
IFRS 16 Leases	January 2016		Financial years beginning on or after 1 January 2019

Revised International Financial Reporting Standards		Issued	Endorsed	Effective date
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 2016		Financial years beginning on or after 1 January 2017
IAS 7	Disclosure Initiative	January 2016		Financial years beginning on or after 1 January 2017
IFRS 15	Revenue from Contracts with Customers	April 2016		Financial years beginning on or after 1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 2016		Financial years beginning on or after 1 January 2018

The Trust did not opt for early application of these standards; which are required to be applied in future financial years.

The Trust is currently reviewing the effects of the application of the new and amended financial reporting standards on the financial statements.

(3) Summary of Significant Accounting Policies

All assumptions, estimates and assessments required for recognition and measurement are in accordance with IFRS, are regularly reassessed based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances.

(a) Shares in affiliated companies

The Shares in affiliated companies represent the investment in the Class B Preferred Securities, insofar the share in capital of the LLC. These are accounted for in accordance with IAS 39 and recognized at fair value (AfS) in the statement of financial position. The Trust expects that the LLC will continue to pay dividends on the Class B Preferred Securities.

(b) Other Receivables

As the Bank is obliged to pay the fees and expenses of the services and all other obligations of the Trust out of the Services Agreement the Trust has a claim in the amount of the expected audit fees for the financial reporting period 2016, being accounted for as other receivables.

(c) Trust Common Security and Trust Preferred Securities

The existing Trust Common Security and the Trust Preferred Securities are classified as Equity under IAS 32. See note 1 for the detailed description of the Trust Preferred Securities.

The Trust Preferred Securities are issued and fully paid.

(d) Other comprehensive income

In accordance with IAS 39, the financial instruments of the category "Available for sale" (AfS) used by the Trust are measured subsequently at the fair value through the other comprehensive income (please refer to note 4 for information on the determination of fair values).

(e) Audit fee payable

Financial Statements have to be audited. The audit fee payable includes audit fees for the financial reporting period 2016 in an amount of € 9 thousand. Audit fee expenses are subject to redemption by the Bank. See note 3b and 3g.

(f) Other administrative expenses

The other administrative expenses include all fees and expenses of the Trust in an amount of € 26 thousand (2015: € 40 thousand).

(g) Other operating income

The Bank reimbursed the Trust fees and expenses pursuant to the Services Agreement.

(h) Other comprehensive income

Results from assets avaible-for-sale of which directly recognised in equity in the current reporting period was € 4.0 million (2015: € 5.4 million). This results are included in the other comprehensive income. No measurement of gain or loss from available-for-sale was reclassified from other comprehensive income to the income statement (2015: 0).

(4) Fair Value of Financial Instruments

IFRS 7 requires disclosure of fair value information about financial instruments for which it is practicable to estimate that value, whether or not the instrument is recognized in the statement of financial position. Quoted market prices, when available are used as the measure of fair value. As the Trust receives dividends by the LLC only and the bank reimburses the Trust based on the Services Agreement for all expenses, the fair value of the Class B Preferred Securities equates the quotes for the comparable securities issued by the Trust and considered as Level 2 according to the fair value hierarchy. As the financial instruments are classified as available-for-sale the fair value of the financial instruments is identical to the carrying amount of the Class B Preferred securities.

The Trust expects that the LLC will continue to pay dividends on the Class B Preferred Securities which are represented as Shares in affiliated companies in the Statement of Financial Position.

In 2016 the fair value of the financial instruments is higher than the carrying amount of the Class B Preferred securities; in 2015 the fair value was also higher than the carrying amount of the Class B Preferred securities. Details are shown in the following table:

€	June 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Shares in affiliated companies	250.000.100	257.000.103	250.000.100	253.000.101

(5) Risks arising from Financial Instruments according to IFRS 7

The Trust is affected mainly by market price, credit and liquidity risks. Market price, credit and liquidity risks are managed by Aareal Bank Group.

Market risk

Market risk denotes the potential risk that may lead to losses in financial transactions due to changes in interest rates, spreads, volatilities, commodity prices, exchange rates, and equity prices. The market risk in form of equity price risk is compensating between the asset and equity side. Therefore, the implementation of a sensitivity analysis is not economical.

Liquidity risk
Liquidity risk is defined as the risk of being unable to meet its current or future payment obligations, either in the full amount due, or as they fall due. Since the terms of the assets and equity are of equal maturity, the liquidity risk is compensated by equal maturities on the asset and equity side. Concerning qualitative and quantitative information of dividends which represent potential future payment obligations please refer to note 1.

Credit risk
The risk of possible losses arises from the inability of a counterparty to discharge its payment obligations, or from deterioration in its credit rating. Credit risk is entirely depending from the solvency of the Bank. The Bank has an investment grade rating. A default of Aareal Bank AG is not expected. Nonetheless theoretical the Trust could lose its full investment represented by the shares in affiliated companies. Therefore, the maximum credit risk exposure of the Trust equates the carrying amount of the aforementioned position which amounts to € 250 million (2014: € 250 million).

(6) Related Parties

Name	Address
Aareal Bank AG	Paulinenstraße 15, 65189 Wiesbaden, Germany
Aareal Bank Capital Funding LLC	250 Park Avenue, New York, NY 10177

(7) Related Party disclosures in accordance with IAS 24 and IAS 27

The Bank is the parent company of the Trust and the LLC. The Trust and the LLC are included in the consolidated financial statements of the Aareal Bank Group. The ultimate controlling party of the Trust and the LLC is the Bank. For clarification purposes the related party transactions between the Trust and the LLC are eliminated by the way of consolidation.

As disclosed in note 1, the Trust has an investment in the LLC through the Class B Preferred Securities in an amount of € 250,000,100.

As also disclosed in note 1, the Bank owns the Company Common Security and the Class A Preferred Security of the LLC, as well as the Trust Common Security.

The Trust entered into a Services Agreement with the LLC, the Bank and a majority-owned subsidiary. The Bank is obliged to pay the fees and expenses of the services and all other obligations of the Trust pursuant to the Services Agreement including any fees for German authorities.

(8) Responsibility Statement by the Regular Trustees

To the best of our knowledge, and in accordance with the applicable reporting principles the semi-annual financial statements give a true and fair view of the assets, the liabilities, the financial position and the profit or loss of the Aareal Bank Capital Funding Trust, and the management report of Aareal Bank Capital Funding Trust includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal risks and uncertainties associated with the expected development of the Trust.

New York, August 04, 2016, The Regular Trustees

Alan Griffin

Bernd Klink

The semi-annual financial statements were not subject to a review.