

Consolidated Financial Statements
Year ended December 31, 2012

of

Aareal Bank Capital Funding Trust
(the "Trust Group")

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.

Capital payments on the Class B Preferred Securities are subject to certain conditions which are disclosed with detailed information to the Trust Group structure in note 1 "Legal Framework and Organization" to these consolidated 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 fiscal year 2012, 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 and the LLC, 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 and the LLC.

Furthermore, the Bank is obligated to pay the fees and expenses and all other obligations of the Trust and the LLC pursuant to the Services Agreement. During the fiscal year 2012 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 Group net retained profit as of December 31, 2012 was € 0 after distributions of € 17,8 million to the shareholders of the Trust.

(3) Risk Report

The Trust Group 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 Group are disclosed in note 5 to these consolidated financial statements.

(4) Future opportunities and outlook

The Trust Group expects that the Bank will continue to meet its obligations under the Substitute Debt Obligations and other agreements concluded between the Trust Group and the Bank. In particular, the Trust Group is expecting related interest income as in 2012 for the financial years 2013 and 2014.

(5) Subsequent events

On the first Payment Date 2013 the Trust Group distributed € 4,4 million to the holders of the Trust Preferred Securities.

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 Group
Consolidated Statement of Financial Position
Year ended December 31, 2012

Assets		2012	2011
		€	€
I. Loans and Receivables	(Note 3a)	250.000.300	250.000.300
II. Other Receivables	(Note 3b)	15.000	15.000
III. Cash and Cash Equivalents		0	0
Total Assets		<u>250.015.300</u>	<u>250.015.300</u>
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. Minority Interests	(Note 3d)		
Company Common Security		100	100
Class A Preferred Security		100	100
Retained profits brought forward		0	0
Total Shareholder's Equity		<u>250.000.300</u>	<u>250.000.300</u>
IV. Audit fee payable	(Note 3e)	15.000	15.000
Total liabilities and shareholders' equity		<u>250.015.300</u>	<u>250.015.300</u>

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Comprehensive Income
Year ended December 31, 2012

	2012	2011
	€	€
Interests received	17.837.655	17.837.521
Interest paid	0	0
Net interest income	17.837.655	17.837.521
Other administrative expenses (Note 3f)	110.851	419.693
Other operating income (Note 3g)	73.196	123.661
Net income	17.800.000	17.541.490
Other comprehensive income	0	0
Total comprehensive income	17.800.000	17.541.490
 <u>Allocation of results</u>		
Total comprehensive income attributable to shareholders of Aareal Bank Capital Funding Trust	17.800.000	17.800.000
Total comprehensive income attributable to minority interests	0	-258.510
 <u>Appropriation of profits</u>		
Total comprehensive income attributable to shareholders of Aareal Bank Capital Funding Trust	17.800.000	17.800.000
Profit distribution (Dividends)	17.800.000	17.800.000
Net Retained Profit	0	0
 <u>Euro</u>		
Earnings per share	1,78	1,78

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Changes in Equity
Year ended December 31, 2012

€	Trust Common Security	Trust Preferred Securities	Minority Interests			Total
			Company Common Security	Class A Preferred Security	Retained profits brought forward	
Balance at January 1, 2012	100	250.000.000	100	100	0	250.000.300
Total comprehensive income	0	17.800.000	0	0	0	17.800.000
Profit Distribution (Dividends)	0	-17.800.000	0	0	0	-17.800.000
Balance at December 31, 2012	100	250.000.000	100	100	0	250.000.300

€	Trust Common Security	Trust Preferred Securities	Minority Interests			Total
			Company Common Security	Class A Preferred Security	Retained profits brought forward	
Balance at January 1, 2011	100	250.000.000	100	100	258.510	250.258.610
Total comprehensive income	0	17.800.000	0	0	-258.510	17.541.490
Profit distribution (Dividends)	0	-17.800.000	0	0	0	-17.800.000
Balance at December 31, 2011	100	250.000.000	100	100	0	250.000.300

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Cash Flows
Year ended December 31, 2012

	2012	2011
	€	€
Cash Flows from operating activities		
Interests received	17.837.655	17.837.521
Changes in working capital after adjustment for non-cash components	-37.655	-296.032
Net cash used in operating activities	<u>17.800.000</u>	<u>17.541.490</u>
Cash Flows from financing activities		
Profit distribution (Dividends)	-17.800.000	-17.800.000
Changes in working capital after adjustment for non-cash components	0	0
Net cash used in financing activities	<u>-17.800.000</u>	<u>-17.800.000</u>
Movement in cash and cash equivalents	<u>0</u>	<u>-258.510</u>
Cash and cash equivalents, beginning of period	0	258.510
Movement in cash and cash equivalents	0	-258.510
Cash and cash equivalents, end of period	<u>0</u>	<u>0</u>

Aareal Bank Capital Funding Trust Group
Notes to the Consolidated Financial Statements
Year ended December 31, 2012

(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.

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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.

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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.

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.

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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 consolidated financial statements and all transactions entered into by the Trust and the LLC are denominated in euros (EUR).

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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 its subsidiary the LLC is 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 5:25c the Trust shall prepare its annual financial reporting to be made generally available to the public.

The Trust has prepared its consolidated financial statements for the fiscal year ended December 31, 2012 in accordance with International Financial Reporting Standards applicable within the European Union (EU). The reporting currency is euro (EUR).

The Trust prepares its consolidated financial statements in accordance with IAS 27. The only consolidated subsidiary is the LLC. Since all voting rights are held by the Bank through the Company Common Security, the Trust does not have control on the LLC. However, as the only holder of the Class B Preferred Securities the Trust bears the main risks and benefits as it receives interest as the main cash flow. As a result of the aforementioned relationship the LLC is consolidated by the Trust in accordance with SIC-12 and IAS 27.

Interest income represents the payments received or receivable from the Bank of the Substitute Debt Obligations; dividends paid represent 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 following standards (IAS/IFRS) and interpretations (IFRICs) were required to be applied for the first time in the reporting period:

- Amendments to IFRS 7 Financial Instruments: Disclosures

The Trust comprises only one segment. The Statement of Financial Position, the Statement of Comprehensive Income and the Notes to the Consolidated Financial Statements contain all relevant information of the segment reporting according to IFRS 8.

Aareal Bank Capital Funding Trust Group
Notes to the Consolidated Financial Statements
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The new and revised standards and interpretation do not have any material effects on the consolidated financial statements of Aareal Bank Capital Funding Trust.

Until December 31, 2012 the following financial reporting standards (IAS/IFRS) and interpretations (IFRICs) which are required to be applied in future fiscal years were published by the International Accounting Standards Board (IASB) respectively adopted by the EU Commission (endorsement).

New International Financial Reporting Standards		Issued	Endorsed	Effective date
IFRS 9	Financial Instruments	November 2009 October 2010 December 2011		Financial years beginning on or after 1 January 2015
IFRS 10	Consolidated Financial Statements	May 2011	December 2012	Financial years beginning on or after 1 January 2014
IFRS 11	Joint Arrangements	May 2011	December 2012	Financial years beginning on or after 1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	May 2011	December 2012	Financial years beginning on or after 1 January 2014
IFRS 13	Fair Value Measurement	May 2011	December 2012	Financial years beginning on or after 1 January 2013
IAS 27	Separate Financial Statements (2011)	May 2011	December 2012	Financial years beginning on or after 1 January 2014
IAS 28	Investments in Associates and Joint Ventures (2011)	May 2011	December 2012	Financial years beginning on or after 1 January 2014
Revised International Financial Reporting Standards		Issued	Endorsed	Effective date
IAS 1	Presentation of Items of Other Comprehensive Income	June 2011	June 2012	Financial years beginning on or after 1 July 2012
IAS 12	Deferred Tax: Recovery of Underlying Assets	December 2010	December 2012	Financial years beginning on or after 1 January 2013
IAS 19	Employee Benefits	June 2011	June 2012	Financial years beginning on or after 1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	December 2011	December 2012	Financial years beginning on or after 1 January 2014
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	December 2011	December 2012	Financial years beginning on or after 1 January 2013
IFRS 7	Transition Disclosures	December 2011		Financial years beginning on or after 1 January 2015
	Annual Improvements 2009-2011 Cycle	May 2012		Financial years beginning on or after 1 January 2013

(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) Loans and Receivables

The Loan and Receivables represent the Substitute Debt Obligations. These are accounted for in accordance with IAS 39 and recognized at amortized cost (LaR) in the consolidated statement of financial position. The Trust Group expects that the Bank will continue to meet its obligations under the Substitute Debt Obligations.

Aareal Bank Capital Funding Trust Group
Notes to the Consolidated Financial Statements
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(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 2012, 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) Minority Interests

The Company Common Security and the Class A Preferred Security issued by the LLC represent ownership interests in the LLC and are classified as equity. These securities are held by the Bank.

(e) Audit Fee Payable

Consolidated Financial Statements have to be audited. The audit fee payable includes audit fees for the financial reporting period 2012 in an amount of € 15.000. 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 Group in an amount of € 73 thousand and overpayments by the Bank for the current year in an amount of € 38 thousand which were reimbursed. The other administrative expenses of the comparison period 2011 include adjustments amounting to € 259 thousand as well as additional audit fees (€ 62 thousand).

(g) Other operating income

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

(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 there is no active market for the LLC's loans and receivables, the fair value of such financial instruments is estimated based upon quotes for the comparable securities issued by the Trust.

Aareal Bank Capital Funding Trust Group
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The Trust Group expects that the Bank will continue to meet its obligations under the Substitute Debt Obligations which are represented as Loans and Receivables in the Consolidated Statement of Financial Position.

€	December 31, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Loans and Receivables	250.000.300	210.000.252	250.000.300	160.000.192

(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.

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 indirectly LLC opposite of the Bank. The Bank has an investment grade rating. A default of Aareal Bank AG is not expected.

(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

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(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 its subsidiary the LLC is 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 € 250.00.100.

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 consolidated 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 Group, and the management report of Aareal Bank Capital Funding Trust Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

New York, March 1, 2013

The Regular Trustees



Alan Griffin



Bernd Klink

INDEPENDENT AUDITOR'S REPORT

To

Aareal Bank Capital Funding Trust
New York/ NY
USA.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aareal Bank Capital Funding Trust, New York, NY (USA), and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements *give a true and fair view of* the financial position of Aareal Bank Capital Funding Trust, New York, NY (USA), and its subsidiary as at December 31, 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Report on the Group Management Report

We have audited the accompanying group management report of Aareal Bank Capital Funding Trust, New York, NY (USA), and its subsidiary for the business year as of December 31, 2012, and for the business year then ended. The Management is responsible for the preparation of the group management report in accordance with the requirements of German commercial law. We conducted our audit in accordance with German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

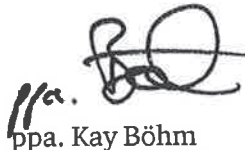
In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, April 3, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Roland Rausch
Wirtschaftsprüfer
(German Public Auditor)



ppa. Kay Böhm
Wirtschaftsprüfer
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