

Consolidated Financial Statements 2010

of

Aareal Bank Capital Funding 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, to issue one Trust Common Security to Aareal Bank AG (*the "Bank"*) and to invest the proceeds from such issuance in Class B Preferred Securities issued by Aareal Bank Capital Funding LLC (*the "LLC"*).

The 10.000.000 noncumulative trust preferred securities (*the "Trust Preferred Securities"*), liquidation preference amount € 25 per Trust Preferred Security (*the "Liquidation Preference Amount"*), represent preferred undivided beneficial ownership interests in the assets of Aareal Bank Capital Funding Trust, a statutory trust incorporated under the laws of the State of Delaware (USA). The Trust Common Security is owned by the Bank. The assets of the Trust consist mainly of noncumulative Class B Preferred Securities issued by the LLC, a limited liability company according to the Delaware Limited Liability Company Act. The LLC has the aid of a support undertaking issued by the Bank. The terms of the Trust Preferred Securities are substantially identical to the terms of the Class B Preferred Securities. The LLC invested the proceeds from the sale of the Class B Preferred Securities in subordinated debt obligations (*the "Substitute Debt Obligations"*) issued by the Bank.

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 or in part, at the option of the LLC on any payment date. 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.

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%, commencing date on December 31, 2001.

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"*).

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.

The terms "Operating Profits", "Distributable Profits" and "Parity Securities" are described in detail in the Offering Circular dated November 15, 2001.

(2) Results of Operations

During the fiscal year 2010, the LLC and the Bank had sufficient Operating Profits and Distributable Profits, respectively to make payments at the rate stated above and the LLC paid at such rate to the Trust when due. In consequence, the Trust made payments on the Trust Preferred Securities at such rate at the relevant Payment Dates. The Trust made no distributions or payments on 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, 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 of the services and all other obligations of the Trust and the LLC pursuant to the Services Agreement. During the fiscal year 2010 the Bank achieved all such services and paid such expenses or fees as provided in the Services Agreement. 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 in the fiscal year 2010 after distributions to the shareholders of the Trust was 38 thousand euro.

(3) Risk Report

The Trust Group is affected mainly by market price, credit and liquidity 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 6 to these consolidated financial statements.

(4) Future opportunities and outlook

The source of payments by the Trust on the Trust Preferred Securities is the payments received by the LLC on the Class B Preferred Securities. The LLC has invested its proceed from the issuance of the Class B Preferred Securities in Subordinated Debt Obligations issued by the Bank in an amount such that the aggregate interest income paid on the Substitute Debt Obligations on any Payment Date will be sufficient to make the payments on the Class B Preferred Securities on a corresponding Payment Date. The Trust Group expects that the LLC and the Bank will continue to meet their obligations under the Substitute Debt Obligations, the Class B Preferred Securities, the Services Agreement and other agreements concluded in between the Trust Group. For the year 2011 the Trust Group is expecting related net retained profit as in 2010.

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Financial Position
Year ended December 31, 2010

Assets		2010	2009
		T€	T€
I. Loans and Receivables	(Note 3a)	250.000	250.000
II. Other Receivables	(Note 3b)	55	40
III. Cash and Cash Equivalents	(Note 3c)	259	221
		<u>250.314</u>	<u>250.261</u>
Total Assets			
Liabilities and Shareholders' Equity			
I. Trust Preferred Securities	(Note 3d)	250.000	250.000
II. Retained profits brought forward	(Note 3e)	259	221
III. Audit fee payable	(Note 3f)	55	40
		<u>250.314</u>	<u>250.261</u>
Total liabilities and shareholders' equity			

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Comprehensive Income
Year ended December 31, 2010

	2010	2009
	T€	T€
Interests received	17.838	17.837
Interest paid	0	0
Net interest income	17.838	17.837
Other administrative expenses	15	15
Other operating income	15	15
Net income	17.838	17.837
Other comprehensive income	0	0
Total comprehensive income	17.838	17.837
 Appropriation of profits		
<hr/>		
Total comprehensive income attributable to shareholders of Aareal Bank Capital Funding Trust	17.838	17.837
Profit Distribution (Dividends)	-17.800	-17.800
Net Retained Profit	38	37
 Euro		
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Earnings per share	0,1	0,1

Aareal Bank Capital Funding Trust Group
Consolidated Statement of Changes in Equity
Year ended December 31, 2010

	T€	Share Capital	Retained profits brought forward	Total
Balance at January 1, 2010		250.000	221	250.221
Total comprehensive income		0	17.838	17.838
Profit Distribution (Dividends)		0	-17.800	-17.800
Balance at December 31, 2010		<u>250.000</u>	<u>259</u>	<u>250.259</u>

	T€	Share Capital	Retained profits brought forward	Total
Balance at January 1, 2009		250.000	184	250.184
Total comprehensive income		0	17.837	17.837
Profit Distribution (Dividends)		0	-17.800	-17.800
Balance at December 31, 2009		<u>250.000</u>	<u>221</u>	<u>250.221</u>

Aareal Bank Capital Funding Trust Group

Consolidated Statement of Cash Flows

Year ended December 31, 2010

	2010	2009
	T€	T€
Cash Flows from operating activities		
Interests received	17.838	17.837
Changes in working capital after adjustment for non-cash components	0	0
Net cash used in operating activities	<u>17.838</u>	<u>17.837</u>
Cash Flows from financing activities		
Profit distribution (Dividends)	-17.800	-17.800
Changes in working capital after adjustment for non-cash components	0	0
Net cash used in financing activities	<u>-17.800</u>	<u>-17.800</u>
Movement in cash and cash equivalents	<u>38</u>	<u>37</u>
Cash and cash equivalents, beginning of period	221	184
Movement in cash and cash equivalents	38	37
Cash and cash equivalents, end of period	<u>259</u>	<u>221</u>

(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 the Aareal Bank (*the "Bank"*) or a majority-owned subsidiary. 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"*); accordingly the assets of the Trust consist solely 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 those 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 Common Security and the Class A Preferred Security is owned by the Bank. The LLC used the proceeds from the issuance the Company Securities, to acquire contemporaneously with the issuance of the Class B Preferred Securities subordinated notes (*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 right, 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 was 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 income received by the LLC from Substitute Debt Obligations is available for distribution, as appropriate, to the holders of the Class B Preferred Securities and the Class A Preferred and the holder of the Company Common Security.

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

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. The ultimate controlling party of the Trust and the LLC is the Bank.

(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 financial year ended December 31, 2010 in accordance with International Financial Reporting Standards applicable within the European Union (EU) as at the reporting date. The reporting currency is euro (EUR).

The Trust prepares its consolidated financial statements in accordance with IAS 27. The only subsidiary is the LLC and has been included in the consolidated financial statements as at December 31, 2010 by way of consolidation. Since all voting rights are exercised by the Bank through the Company Common Security, the Trust does not exercise a significant influence 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 all related party transactions between the Trust and the LLC are eliminated.

Based on the applicable valuation in case of deconsolidation we do not consider a potential gain or loss arising from this event.

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, is a simple trust. Simple trusts must pass through all items of income and deductions to the grantor. Therefore, the Trust has no taxable income and no requirement to record a tax expense.

The following Standards were required to be applied for the first time in the reporting period:

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

- IFRIC 15 Agreements for the Construction of Real Estate
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items
- Revised IFRS 1: First-time Adoption of IFRS
- IFRIC 17 Distributions Non-Cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
(Annual Improvements to IFRSs; issued by IASB in April 2008)
- Improvements to IFRSs (issued by the IASB in April 2009)
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters

The Trust comprises only one segment that is why it waived the segment reporting in accordance with IFRS 8.

In the financial year 2010, the following financial reporting standards (IASs/IFRSs) and interpretations (SICs and IFRICs) were published by the International Accounting Standards Board (IASB) and adopted by the EU Commission:

- Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters IFRS 7
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
- Revised IAS 24 Related Party Disclosures
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption
- Amendment to IFRS 7 IFRS Disclosures – Transfers of Financial Assets
- IFRS 9 Financial Instruments
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Improvements to IFRs (issued by the IASB in May 2010)

The Trust did not opt for early application of this standard and interpretation. The revised standard and interpretation do not have any material effects on the consolidated financial statements of Aareal Bank Capital Funding Trust.

(3) Summary of Significant Accounting Policies

All assumptions, estimates and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective Standards, are regularly reassessed and 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 (LaR)

The loan and receivables (LaR) are balanced in accordance with IAS 39.

Loans and receivables (LaR) portfolio is recognized at amortized cost in the balance sheet.

For the loans and receivables regarding the Fair Value disclosure present value estimated were used as they are not traded at an active market. The recognition of the loans and receivables (LaR) portfolio at amortized costs also represents the fair value as the Substitute Debt Obligations is a receivable against the Bank which has an investment grade rating.

(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 periods 2008, 2009 and 2010, being accounted for as other receivables.

(c) Cash and Cash Equivalentents

The cash and cash equivalentents are cash of the LLC which consist of retained profits brought forward for former years and the net retained profit of the current fiscal year 2010.

(d) Trust Preferred Securities

The existing Trust Preferred Securities are classified as Equity under IAS 32.

The Trust Preferred Securities are issued and fully paid.

(e) Retained profits brought forward

Retained profits brought forward include the LLC's net retained profit of the current and former years.

(f) Audit Fee Payable

Financial Reporting has to be audited for the financial period 2010. The respective audit fees will be € 15.000. Audit fee expenses are subject to redemption by the Bank. See note 3b.

(4) Trust Preferred Securities subject to Mandatory Redemption

The Trust issued € 250 Million of Trust Preferred Securities to investors and € 100 Trust Common Security to the Bank on November 20, 2001. The aforementioned securities have no stated maturity but are redeemable, in whole or in part, at the

option of the Trust on December 31, 2006 (the "Initial Redemption Date") or after the Initial Redemption Date.

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 dividends 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%, commencing date on December 31, 2001. Dividends 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 (or the issue date with respect to the dividends payable December 31, 2001) 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, the relevant payment will be payable on the next succeeding business day unless that day falls in the next calendar month, in which case such interest payment will be due on the next preceding business day, without adjustment, interest or further payment as a result thereof.

(5) 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. Due to the fact that an active market for the loan and receivables do not exist, the fair value cannot be reliably measured.

For the loans and receivables regarding the fair value disclosure present value estimated were used as they are not traded at an active market. The recognition of the loans and receivables (LaR) portfolio at amortized costs also represents the fair value as the Substitute Debt Obligations is a receivable against the Bank which has an investment grade rating.

Interest payment and repayment of the Substitute Debt Obligations is economically subject to the solvency of the Bank and legally restrained accordingly, as described below in the Related Party disclosures in accordance with IAS 24 and IAS 27.

Based on the applicable valuation, in case of deconsolidation, we do not consider a potential gain or loss arising from this event.

(6) 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 length, 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.

(7) Related Parties

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

(8) 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 are eliminated by the way of consolidation.

Related party transactions consist of the Class B Preferred Securities dated November 20, 2001, which is with the LLC an affiliated entity. The Class B Preferred Securities is in the amount of € 250.000.100. The securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof. The Class B Preferred Securities are redeemable at the option of the LLC, in whole but not in part, on the Initial Redemption Date scheduled to occur on December 31, 2006 or any Payment Date thereafter, upon the occurrence of a Tax Event, an Investment Company Act Event or a Regulatory Event (as defined below) 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 or (iii) a Regulatory Event.

A "*Tax Event*" means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction (as defined in the Prospectus), experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of or change (including any change that has been adopted but has not yet become effective) in, the laws or treaties (or any regulations announced thereunder) of the Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an "*Administrative Action*") or (iii) any amendment to, clarification of or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the LLC is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges or (b) the Trust, the LLC or an obligor on the Substitute Debt Obligations would be obligated to pay additional amounts or additional interest amounts.

"*Regulatory Event*" means that the Bank is notified by a relevant regulatory authority that, as a result of the occurrence of any amendment to or change (including any change that has been adopted but not yet become effective) in, the applicable banking laws of Germany (or any rules, regulations or interpretations thereunder, including rulings of the relevant banking authorities) or the guidelines of the Basel Committee for Banking Supervision, the Bank is not, or will not be, allowed to treat the Class B Preferred Securities as core capital or Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

An "*Investment Company Act Event*" means that the Bank will have requested and received an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the LLC or the Trust is or will be considered an "investment company" within the meaning of the 1940 Act, as amended, as a result of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment

of any law, rule or regulation or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency or regulatory authority, in each case after the date of the issuance of the Company Securities and the Trust Securities.

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.

The interest income received by the LLC from Substitute Debt Obligations is available for distribution, as appropriate, to the holders of the Class B Preferred Securities and 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 on a corresponding Payment Date, so the interest rate per annum is not less than the rate payable on the Class B Preferred Securities.

The Class B Preferred Securities bear interest from the date of initial issuance on a noncumulative basis, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, at a fixed rate per annum on the liquidation preference amount equal to 7,125%, commencing date on December 31, 2001. Dividends on the Class B Preferred Securities 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 (or the issue date with respect to the dividends payable on December 31, 2001) to but excluding the relevant Payment Date. If any Payment Date or Redemption Date falls on a day that is not a business day, the relevant payment will be due on the next succeeding business day unless that day falls in the next calendar month, in which case such interest payment will be due on the next preceding business day, without adjustment, interest or further payment as a result thereof.

All interest earned on the Class B Preferred Securities are passed through to the holders of the Trust Securities in the form of dividend payments.

So, interest payment and repayment of the Substitute Debt Obligations is economically subject to the solvency of the Bank, which is rated investment grade and legally restrained accordingly, as described in this paragraph.

The Bank may, at its option, 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 Tax 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.

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.

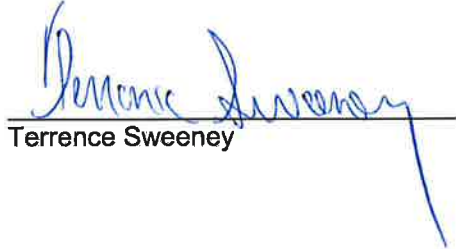
In addition, the Bank and the LLC have entered into a Support Undertaking for the benefit of the LLC and the holders of the Class B Preferred Securities. The Support Undertaking is not a guarantee of any kind that the LLC will at any time have sufficient assets to declare a dividend or other distribution.

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, April 8, 2011

The Regular Trustees


Terrence Sweeney


Bernd Klink