Aareal Bank AG

Federal Republic of Germany, Wiesbaden
as Issuer

Euro 300,000,000
Perpetual Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2014

Aareal Bank AG (the "**Issuer**") will issue on 20 November 2014 (the "**Issue Date**") EUR 300,000,000 perpetual non-cumulative fixed to reset rate Additional Tier 1 notes of 2014 (the "**Notes**"). The issue price of the Notes is 100.0 per cent. of their principal amount (the "**Issue Price**").

The Notes will bear interest on their aggregate principal amount at the applicable Rate of Interest (as defined in the terms and conditions of the Notes) from (and including) 20 November 2014 (the "**Interest Commencement Date**") to (but excluding) the day on which the Notes are due for redemption. The applicable Rate of Interest for the period from the Interest Commencement Date to 30 April 2020 (being the first Reset Date (as defined in the terms and conditions of the Notes) and the first date on which the Notes may be redeemed at the option of the Issuer other than for tax or regulatory reasons and hereinafter referred to as the "**first Redemption Date**") will be a fixed rate of 7.625 per cent. *per annum*; thereafter, the applicable Rate of Interest will be reset each year on the basis of the then prevailing One Year Euro Mid Swap Rate (as defined in the terms and conditions of the Notes) plus a margin of 7.18 per cent. *per annum*. Interest is payable annually in arrear on 30 April of each year (each an "**Interest Payment Date**"), commencing 30 April 2015 (short first interest period).

Payments of interest (each an "**Interest Payment**") are subject to cancellation, in whole or in part, and, if cancelled, are non-cumulative and Interest Payments in following years will not increase to compensate for any shortfall in Interest Payments in any previous year. The Notes do not have a maturity date. The Notes are redeemable by the Issuer at its discretion on the first Redemption Date and on each Interest Payment Date thereafter or in other limited circumstances and, in each case, subject to limitations and conditions as described in the terms and conditions of the Notes. The Redemption Amount (as defined in § 5(6) of the terms and conditions of the Notes) and the aggregate principal amount of the Notes may be reduced upon the occurrence of a Trigger Event (as defined and further described in § 5(8) of the terms and conditions of the Notes).

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended from time to time (the "**Prospectus Directive**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu). This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg* (the "**CSSF**") in its capacity as competent authority under the Luxembourg law of 10 July 2005 relating to prospectuses for securities, as amended (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières* – the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive into Luxembourg law. As per Article 7(7) of the Luxembourg Prospectus Law, by approving the Prospectus the CSSF gives no undertaking as to the economic or financial soundness of the issue of the Notes or the quality and solvency of the Issuer.

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market "*Bourse de Luxembourg*" of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments, as amended ("**MiFID**").

Fitch Deutschland GmbH has assigned to the Issuer a long-term rating of A- (outlook: negative) and is expected to assign a rating of B+ to the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Investing in the Notes involves certain risks. Please review the section entitled "Risk Factors" beginning on page 11 of this Prospectus.

The Notes are issued in bearer form with a denomination of EUR 200,000 each.

The Notes have been assigned the following securities codes: ISIN DE000A1TNDK2, Common Code 114071919, WKN A1TNDK.

Joint Lead Managers:

BNP PARIBAS • Deutsche Bank • HSBC

Co-Lead Manager:

Bankhaus Lampe

The date of this Prospectus is 20 November 2014.

Aareal Bank

IMPORTANT NOTICE

Restrictions on marketing and sales to retail investors

The Notes discussed in this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the "**FCA**") published the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time, the "**TMR**") which took effect on 1 October 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the "**TMR Rules**"), certain contingent write-down or convertible securities, such as the Notes, must not be sold to retail clients in the EEA and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules.

The Managers are required to comply with the TMR Rules. By purchasing, or making or accepting an offer to purchase, any Notes from the Issuer and/or the Managers, you represent, warrant, agree with and undertake to the Issuer and each of the Managers that:

(i) you are not a retail client in the EEA (as defined in the TMR Rules);

(ii) whether or not you are subject to the TMR Rules you will not sell or offer the Notes to retail clients in the EEA or do anything (including the distribution of this Prospectus) that would or might result in the buying of the Notes or the holding of a beneficial interest in the Notes by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale or offer to sell Notes to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale or offer to sell Notes to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes and is able to bear the potential losses involved in an investment in the Notes and (b) you have at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") to the extent it applies to you or, to the extent MiFID does not apply to you, in a manner which would be in compliance with MiFID if it were to apply to you; and

(iii) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes, including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

RESPONSIBILITY STATEMENT

Aareal Bank AG ("**Aareal Bank**", the "**Bank**" or the "**Issuer**" and together with all of its affiliated companies within the meaning of the German Stock Corporation Act (*Aktiengesetz*), the "**Aareal Bank Group**" or the "**Group**") with its registered office in Wiesbaden, Germany, accepts responsibility for the information contained in and incorporated by reference into this Prospectus including the English language translations of the Conditions of Issue and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its respective subsidiaries and affiliates and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer and the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers (as defined in "SUBSCRIPTION AND SALE OF THE NOTES"). Neither the delivery of this Prospectus nor any offering or sale of any Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

This Prospectus contains certain forward-looking statements, in particular statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "AAREAL BANK" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other documents incorporated herein by reference.

To the fullest extent permitted by law, neither the Managers nor any other person mentioned in this Prospectus, except for the Issuer, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States of America ("**United States**") or to U.S. persons. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION AND SALE OF THE NOTES".

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT BNP PARIBAS (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

In this Prospectus all references to "**€**", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

TABLE OF CONTENTS

OVERVIEW OF THE NOTES

The following overview contains basic information about the Notes and does not purport to be complete. It does not contain all the information that is important to making a decision to invest in the Notes. For a more complete description of the Notes, please refer to the terms and conditions of the Notes set out in the section "Conditions of Issue" of this Prospectus. For more information on the Issuer, its business and its financial condition and results of operations, please refer to the section "Aareal Bank" of this Prospectus. Terms used in this overview and not otherwise defined have the meanings given to them in the terms and conditions of the Notes.

Issuer	Aareal Bank AG.
Notes	EUR 300,000,000 Perpetual Non-cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2014.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors that are material for the purpose of assessing the risks associated with an investment in the Notes. These risks are set out under the section "Risk Factors" of this Prospectus.
Joint-Lead Managers	BNP Paribas; Deutsche Bank AG, London Branch; HSBC Bank plc.
Co-Lead Manager	Bankhaus Lampe KG.
Paying Agent	Aareal Bank AG.
Calculation Agent	Deutsche Bank Aktiengesellschaft, Frankfurt am Main.
Principal Amount	EUR 300,000,000.
Issue Price	100.0 per cent.
Issue Date of the Notes	20 November 2014.
First Redemption Date	30 April 2020.
Maturity	The Notes have no scheduled maturity and only provide for a redemption right of the Issuer (cf. "– *Redemption Right of the Issuer*" below) but not for a redemption right of the Holders.
Specified Denomination	EUR 200,000.
Use of Proceeds	The net proceeds from the issue of the Notes will be used to strengthen the Issuer's regulatory capital base by providing Tier 1 capital for the Issuer.
Status of the Notes	The Notes constitute unsecured and subordinated obligations of the Issuer, ranking *pari passu* among themselves and (subject to the subordination provision set out in the following sentence) *pari passu* with all other subordinated obligations of the Issuer. In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against,

the Issuer, the obligations under the Notes shall be fully subordinated to

(i) the claims of other creditors of the Issuer that are unsubordinated,

(ii) the claims under Tier 2 instruments, and

(iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung*))

so that in any such event no amounts shall be payable in respect of the Notes until (i) the claims of such other unsubordinated creditors of the Issuer, (ii) the claims under Tier 2 instruments and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute have been satisfied in full.

Interest Payments

Pursuant to the terms and conditions of the Notes, the Issuer will (subject to the provisions set out below, cf. "– *Discretionary Cancellation of Interest*" and "– *Compulsory Cancellation of Interest*") from (and including) the Interest Commencement Date owe Interest Payments at the applicable Rate of Interest, calculated annually on the basis of the principal amount of the Notes from time to time (which may be lower than the initial principal amount of the Notes (cf. "– *Write-down of the Redemption Amount and the Principal Amount of the Notes*" below)) and payable annually in arrear on 30 April of each year, commencing on 30 April 2015 (short first interest period), subject to having accrued and being payable under the terms and conditions of the Notes.

The Rate of Interest will reset on the first Redemption Date and on each Interest Payment Date thereafter. See § 3 of the terms and conditions of the Notes.

The applicable Rate of Interest (as defined in § 3(2) of the terms and conditions of the Notes) for the period from (and including) the Interest Commencement Date to (but excluding) the first Redemption Date will be a fixed rate of 7.625 per cent. *per annum*; thereafter, the applicable Rate of Interest will be reset on the first Redemption Date and on each Interest Payment Date thereafter on the basis of the then prevailing One Year Euro Mid Swap Rate (as defined in § 3 (2) of the terms and conditions of the Notes) plus a margin of 7.18 per cent. *per annum*.

Discretionary Cancellation of Interest

Interest Payments will not accrue if the Issuer has elected, at its sole discretion, to cancel payment of interest (non-cumulative – as set out below, cf. "– *Interest Payments are non-cumulative*"), in whole or in part, on any Interest Payment Date.

See § 3 (8) of the terms and conditions of the Notes.

Compulsory Cancellation of Interest

In addition, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date:

(a) to the extent that such payment of interest together with any additional Distributions (as defined below) that have been made and are scheduled to be made by the Issuer on the other Tier 1 Instruments (as defined below) in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3(9) of the terms and conditions of the Notes), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit on which the Available Distributable Items are based; or

(b) if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority.

See § 3 (8) of the terms and conditions of the Notes.

Interest Payments are non-cumulative

Interest Payments are non-cumulative. Consequently, Interest Payments in following years will not be increased to compensate for any shortfall in Interest Payments during a previous year and such shortfall shall not constitute an event of default under the terms and conditions of the Notes.

Redemption Right of the Issuer

The Notes may be redeemed, in whole but not in part, subject to prior approval by the competent supervisory authority:

(a) at any time for regulatory reasons, if the Issuer determines, in its own discretion, that it (i) may not treat the full aggregate principal amount of the Notes as Additional Tier 1 capital for the purposes of its own funds in accordance with the CRR or (ii) is subject to any other form of a less advantageous regulatory own funds treatment with respect to the Notes than as of the Interest Commencement Date;

(b) at any time for tax reasons, if the tax treatment of the Notes, due to a change in applicable legislation, including a change in any fiscal or regulatory legislation, rules or practices, which takes effect after the Interest Commencement Date, changes (including but not limited to the tax deductibility of interest payable on the Notes) and the Issuer determines, in its own discretion, that such change has a material adverse effect on the Issuer;

(c) at the option of the Issuer on the first Redemption Date and on each Interest Payment Date thereafter, subject to any previous write-down pursuant to § 5(8) of the terms and conditions of the Notes (a "**Write-down**") having been fully written-up, unless the Holders agree to a redemption in such case in accordance with the terms of § 9 of the terms and conditions of the Notes, i.e. by way of majority resolution pursuant to § 9 and in accordance with the provisions of the German Bond Act.

If the Issuer elects, in its sole discretion and subject to prior approval by the competent supervisory authority, to redeem the Notes, the Notes will be repaid as a consequence thereof. In such case, the Redemption Amount per Note may be less than its initial principal amount due to a previous Write-down which has not been fully written-up (cf. "– *Write-down of the Redemption Amount and the Principal Amount of the Notes*").

Write-down of the Redemption Amount and the Principal Amount of the Notes

Upon the occurrence of a Trigger Event (as defined and further described in § 5(8) of the terms and conditions of the Notes), the Redemption Amount and the principal amount of the Notes shall be automatically reduced by the amount of the relevant Write-down. If and as long as the principal amount of the Notes is below their initial principal amount, any repayment upon redemption of the Notes will be at the reduced principal amount of the Notes and, with effect from the beginning of the interest period in which such Write-down occurs, any Interest Payment will be calculated on the basis of the reduced principal amount of the Notes.

A Trigger Event will have occurred if the Issuer's Common Equity Tier 1 Capital Ratio (as defined in § 5 (8) of the terms and conditions of the Notes and determined on a consolidated basis) falls below 7.0% (the "**Minimum CET1 Ratio**").

Upon the occurrence of a Trigger Event, a Write-down shall be effected *pro rata* with all other Additional Tier 1 instruments within the meaning of the CRR (Additional Tier 1 capital), the terms of which provide for a write-down (whether permanent or temporary) upon the occurrence of a Trigger Event. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to restore fully the Common Equity Tier 1 Capital Ratio of the Issuer to the Minimum CET1 Ratio of 7.0% but shall not exceed the sum of the principal amounts of the relevant instruments outstanding at the time of occurrence of the Trigger Event.

If upon the occurrence of a Trigger Event, other Additional Tier 1 instruments which provide for a Common Equity Tier 1 Capital Ratio different from the Minimum CET1 Ratio as a trigger need to be written down or converted into Tier 1 capital in accordance with their terms, any such write-down or conversion will occur in such order of application or ratio as required in accordance with legal or regulatory requirements applicable to the Issuer. If no such order or ratio is required by applicable law or regulations, subject to any previous contractual obligations of the Issuer, the following applies:

(i) Any Write-down of the Notes shall only occur after all Additional Tier 1 instruments with a Common Equity Tier 1 Capital Ratio above the Minimum CET1 Ratio as trigger have been written down or converted into common shares in accordance with their terms; and

(ii) any Write-down of the Notes shall occur prior to the write-down or conversion of Additional Tier 1 instruments with a Common Equity Tier 1 Capital Ratio below the Minimum CET1 Ratio as trigger.

The sum of the write-downs to be effected with respect to the Notes shall be limited to the outstanding aggregate principal amount of the Notes at the time of occurrence of the relevant Trigger Event.

Following a Write-down of the Redemption Amount and the principal amount of the Notes in accordance with the terms and conditions of the Notes described above, the Issuer will be entitled (but not obliged) to effect, in its sole discretion an increase of the Redemption Amount and the principal amount of the Notes up to their initial principal amount, subject, however, to certain limitations set out in the terms and conditions of the Notes.

See § 5 (8) of the terms and conditions of the Notes.

No Payment of Additional Amounts

If the Issuer is required to withhold or deduct at source amounts payable under the Notes on account of taxes in Germany, no additional amounts will be paid to the Holders so that Holders will receive interest payments net of such withholding or deduction. See § 7 of the terms and conditions of the Notes.

No Set-off

No Holder may set off his claims arising under the Notes against any claims of the Issuer.

No Events of Default	The terms and conditions of the Notes do not provide for any events of default or other rights of the Holders to call the Notes for redemption.
Form of the Notes	The Notes are bearer notes (*Inhaberschuldverschreibungen*) represented by one or more global notes without coupons or receipts to be kept in custody by or on behalf of Clearstream Banking AG.
Listing and Admission to trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the regulated market "*Bourse de Luxembourg*" of the Luxembourg Stock Exchange.
Governing Law	The Notes are governed by German law.
Credit Ratings of the Notes	The Notes, upon issuance, are expected to be assigned a rating of B+ by Fitch Deutschland GmbH. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes. See the section "Subscription and Sale of the Notes" below. For a description on additional restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States and the United Kingdom see the section "Subscription and Sale of the Notes" below.

RISK FACTORS

Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. Investors should note that the risks discussed below may not prove to be exhaustive and, therefore, may not be the only risks to which the Issuer and the Aareal Bank Group are exposed. Should one or more of the risks described below materialise, this may have a material adverse effect on the cash flows, results of operations and financial condition of the Issuer. Moreover, if any of these risks materialises, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Holders could lose all or part of their investments. Investors should note that the risks discussed below may not prove to be exhaustive and, therefore, may not be the only risks to which the Issuer is exposed. Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could likewise impair the business operations of the Issuer and have a material adverse effect on their business, cash flows, results of operations and their financial condition. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the cash flows, results of operations and financial condition of the Issuer. In addition, investors should be aware that the risks described might combine and thus intensify one another.

Risk Factors relating to Aareal Bank

Any investment in the Notes issued by Aareal Bank involves risks relating to the Issuer. If any of the following risks actually occurs, the Issuer's ability to fulfill its obligations under the Notes might be affected and/or the trading price of the Notes of the Issuer could decline and investors could lose all or part of their investment.

Aareal Bank's risk exposure is largely concentrated on risks generally associated with banking. Some of its subsidiaries, however, are exposed to a variety of other types of risk outside typical banking risk.

Credit Risk

Aareal Bank defines credit risk or counterparty risk as the risk of losses being incurred due to (I) a business partner defaulting on contractual obligations; (II) collateral being impaired; or (III) a risk arising upon realisation of collateral. Both credit business and trading activities may be subject to counterparty risk. Counterparty risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties. Country risk is also defined as a form of counterparty risk.

Counterparty Risk in connection with Structured Property Financing

In connection with its Structured Property Financing assets, credit risk for Aareal Bank depends on a number of factors including, but not limited to, the respective borrower's creditworthiness, the relevant property's capacity to generate earnings, the ability of tenants to pay rents to borrowers, the price trend in the relevant segment of the real estate sector, the demand for real estate in the respective locations and the general economic situation including in particular the development of unemployment. If the trend in any of these factors is negative compared to the assumptions made when property financing was extended, there is an increased risk of credit defaults.

The credit risks described above are exacerbated by risk concentrations on particular sectors, regions and individual large borrowers or counterparties.

Counterparty Risk from Trading Activities

The Issuer defines counterparty risk from trading activities as the potential losses in value or foregone profit, which may occur through unexpected default or deterioration of the credit quality of trading counterparties with whom the bank has entered into securities or money market transactions, interest rate or currency derivatives, as well as securities repurchase transactions.

Collateral Risk

Collateral risk encompasses the risk of an impairment of the value of collateral provided to Aareal Bank for any kind of claim and the realisation of risks associated with the enforcement of collateral.

Country Risk

When defining country risk, in addition to the risk of sovereign default or default of state entities, Aareal Bank also takes into account the risk of a counterparty being unable to meet its payment obligations as a result of government action, despite being willing to pay. The form in which country risk arises can vary. In particular, country risk may arise from a potential deterioration in macroeconomic conditions, political or social upheaval, the nationalisation or expropriation of assets, the non-recognition by a government of cross-border liabilities, any currency control measures, currency depreciation or devaluation or delivery bans, moratorium, embargo, war or revolution in the relevant country. Here, it is important to distinguish between the relevant default risk of the respective country, and the conversion and transfer risk.

Market Risk

Market risk is defined as the negative change in the value of the Bank's overall portfolio as a result of price fluctuations or changes in parameters influencing price. Market risk is differentiated as to general and specific market risk, or as individual types of risk, such as interest rate, currency, basis, equity price commodity and volatility risk. The source of these market risks may be securities (or similar products), money-market or foreign-exchange products, commodities, derivatives, currency or performance hedging, quasi-equity funds or asset/liability management.

Operational Risk

The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, work process and control mechanism, technical failure, disasters, human resources and systems (or their failure), or by external events. This definition also includes legal risks deriving from changes in legislation due to the financial crisis and requiring the Bank to adjust its processes, e.g. in relation to own funds.

Liquidity Risk

Aareal Bank is exposed to liquidity risk, i.e., the risk of being unable to meet current or future payment obligations or of being unable to fulfill such obligations in a timely manner and in all currencies it operates with. Liquidity risk can take various forms and may also be triggered by circumstances that are unrelated to the Bank's business and may be outside of its control. Moreover, larger-scale losses, rating changes, a general decline in business activity in the financial sector, regulatory action, and a wide range of other reasons may have an adverse impact on the Bank's access to liquidity and may, therefore, seriously affect its business performance and future prospects.

Refinancing Risk

The Bank is exposed to the risk that market developments and changes in the economic environment may result in the widening of credit spreads (either generally or for Aareal Bank individually), thus increasing its funding costs. Moreover, there is a risk that the money and/or capital markets are not accessible for any refinancing, including by way of Pfandbriefe (either generally or for the Bank individually). Any concerns of depositors regarding the creditworthiness of the Bank could result in a material and potentially abrupt withdrawal of deposits.

Risk of a downgrading of the Issuer's ratings

The rating agency Fitch Ratings has assigned credit ratings to the short-term and long-term liabilities of Aareal Bank, including Pfandbriefe. Aareal Bank's rating is an important comparative element in competition with other banks. If these ratings of Aareal Bank were to be downgraded in the future, this might impair the Bank's access to refinancing sources and/or cause refinancing costs to rise. A decline in Aareal Bank Group's rating may also adversely affect its future ability to act in the over the counter (OTC) interbank derivative market with other banks due to higher collateral requirements and higher bid offer spreads leading to higher costs for hedging purposes.

Litigation Risks

Due to the nature of their business, the companies within Aareal Bank Group are involved in a number of legal proceedings. Such proceedings are characterised by a large number of uncertainties, and definite predictions as to their outcome are not possible. The risks associated with such proceedings are difficult to quantify or may not be quantified at all. Due to the uncertainties in respect of such proceedings, it is possible that losses resulting from pending or potentially imminent proceedings will exceed the provisions made for them.

Regulatory Risks

Aareal Bank Group is subject to intense control by banking supervision and central banks in Germany, on a European level, and in many other jurisdictions in which it is active. The regulatory framework is subject to permanent developments and changes not only at the national level, but also at the European and international level. Any such changes may result in the necessity for the Aareal Bank to raise additional regulatory capital or to restrict its business. Moreover, compliance with amended or newly-imposed regulations may lead to an increase in administrative expenses (including the expense of maintaining capital resources as required by regulations).

Risks associated with Amendments to Legal Framework

An investment in real estate property in general and an investment in newly constructed real estate property in particular is promoted by certain legislative incentives, including tax incentives for investors. Changes in the relevant legal framework may affect demand for financing offered by the Aareal Bank. Moreover, legislative changes which adversely affect property income of investors to whom the Aareal Bank has already extended loans may negatively influence credit risk and result in a deterioration of the quality of the existing loan portfolio.

Investment Risk

Aareal Bank defines investment risk as the threat of unexpected losses incurred due to an impairment of the carrying out of such investment, or a default of loans to equity investments. The concept of investment risk also encompasses risks arising from contingencies vis-à-vis relevant Group entities. Aareal Bank Group acquires equity investments strictly for the purpose of positioning the Group as an international property financing specialist and provider of property-related services. Aareal Bank is constantly monitoring its market for further investment opportunities and consolidation potential, and related investment may or may not be successful.

Risks in connection with Acquisitions

In the course of any acquisition, a delayed or inefficient implementation of integration measures, unexpectedly high integration expenses or risks may result in any integration synergies being less than anticipated. Furthermore, it cannot be excluded that liabilities and risks may not have been identified or precisely determined in the acquisition process. As a result, Aareal Bank Group may be confronted with risks that only become apparent following completion of the acquisition in the wake of integration efforts.

Risks specific to Consulting/Services

The major risks associated with this segment are described below, using the Group subsidiaries Aareon AG and Aareal First Financial Solutions AG as examples.

Aareon AG

In relation to Aareon AG the main risk groups are financial, market, management and organisational risks, risks from, environmental and ambient conditions as well as production risks, which are often interrelated

There is a risk that products or consultancy services offered by Aareon AG may not meet customer expectations and that its competitors develop products or provide consultancy services which clients consider to be superior to those of Aareon AG. If that were to happen, it could result in less revenue based on consultancy fees and royalties. In the event that the software provided by Aareon AG is faulty, or if it failed temporarily or totally, this might result in an attempt of customers to seek indemnity from Aareal Bank Group for losses suffered by them, and Aareal Bank Group could be required to patch the software systems manufactured by it at its own expense.

If that were to happen, it might also result in Aareal Bank losing access to an important source of refinancing through deposits currently provided by many institutional housing customers, and playing an important role in the diversification of the Bank's funding base.

Aareal First Financial Solution AG

Regarding Aareal First Financial Solutions AG, the main risk groups are operational risks regarding the further development and operation of systems, as well as market risks due to the close relationship with Aareal Bank, which is responsible for the distribution of Aareal First Financial Solutions AG's banking products.

Risk Factors Relating to the Notes

An investment in the Notes may not be suitable for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- have sufficient knowledge and experience for investing in regulatory capital notes and should be familiar with the specific risks of investing in regulatory capital notes, including the risks associated with potential restrictions which may be imposed by regulatory authorities on the offering and sale or re-sale of the Notes and therefore potentially on the value of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes which are complex financial Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Interest Payments are entirely discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.

The Notes accrue Interest Payments in accordance with their terms. However, pursuant to the terms and conditions of the Notes, no Interest Payments will accrue or be payable by the Issuer on any Interest Payment Date if (but only to the extent that):

(i) the Issuer, in its sole discretion, elects to cancel all or part of any payment of interest which would otherwise fall due for payment on such Interest Payment Date, including (but not limited to) if such cancellation is necessary to prevent the Common Equity Tier 1 Capital Ratio from falling below the Minimum CET1 Ratio or to meet a requirement imposed by the competent supervisory authority; or

(ii) such payment of interest together with any additional Distributions (as defined below, cf. "Risk Factors relating to the Notes – Interest Payments depend, among other things, on the Issuer's Available Distributable Items.") that have been made and are scheduled to be made by the Issuer on the other Tier 1 Instruments (as defined below, cf. "Risk Factors relating to the Notes – Interest Payments depend, among other things, on the Issuer's Available Distributable Items.") in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined below, cf. "Risk Factors relating to the Notes – Interest Payments depend, among other things, on the Issuer's Available Distributable Items."), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit on which the Available Distributable Items are based (cf. "Risk Factors relating to the Notes – Interest Payments depend, among other things, on the Issuer's Available Distributable Items" below); or

(iii) the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority (cf. "Risk Factors relating to the Notes – Interest Payments may be excluded and cancelled for regulatory reasons" below).

The Issuer may make the election to cancel the payment of any Interest Payment (in whole or in part) on any Interest Payment Date for any reason. In addition, the Issuer will be legally prevented to pay interest (in whole or in part) if and to the extent any of the conditions set out under (ii) to (iii) above is fulfilled. No such election to cancel the payment of any Interest Payment (or part thereof) or non-payment of any Interest Payment (or part thereof) will entitle the Holders or any other person to demand such payment or to take any action to cause the liquidation, dissolution or winding-up of the Issuer.

If due to any of the conditions set out above Interest Payments do not accrue and are not payable on any Interest Payment Date, such Interest Payment will not be paid at any later point of time (non-cumulative). Accordingly, Interest Payments on following Interest Payment Dates will not be increased to compensate for any shortfall in Interest Payments on any previous Interest Payment Date.

Furthermore, if the Issuer exercises its discretion not to pay interest on the Notes on any Interest Payment Date, this will not give rise to any restriction on the Issuer making distributions or any other payments to the holders of any instruments ranking *pari passu* with, or junior to, the Notes.

Investors should be aware that there will be no circumstances under which an Interest Payment will be compulsory for the Issuer.

Certain market expectations may exist among investors in the Notes with regard to the Issuer making Interest Payments. Should the Issuer's actions diverge from such expectations or should the Issuer be prevented from meeting such expectations for regulatory reasons, any such event which could result in an Interest Payment not being made or not being made in full may adversely affect the market value of the Notes and reduce the liquidity of the Notes.

Interest Payments depend, among other things, on the Issuer's Available Distributable Items.

The amounts payable as Interest Payments under the Notes depend, among others, on the future Available Distributable Items of the Issuer. Interest Payments will not accrue if (but only to the extent that) such payment, together with any Distributions that have been made and are scheduled to be made by the Issuer on Tier 1 Instruments in the then current financial year, would exceed Available Distributable Items, provided, however, that for purposes of this determination the Available Distributable Items shall be increased by an amount equal to the aggregate interest expense accounted for in respect of Distributions on Tier 1 Instruments (including the Notes) when determining the profit which forms the basis of the Available Distributable Items (cf. "*Risk Factors relating to the Notes – Interest Payments under the Notes are discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.*" above). In such event, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date. With the annual profit and any distributable reserves of the Issuer forming an essential part of the Available Distributable Items, investors should also carefully review cf. "*Risk Factors relating to Aareal Bank"* since any change in the financial prospects of the Issuer or its inherent profitability, in particular a reduction in the amount of profit and/or distributable reserves on an unconsolidated basis, may have an adverse effect on the Issuer's ability to make a payment in respect of the Notes.

"**Available Distributable Items**" means, with respect to any payment of interest, the profit (*Gewinn*) as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date for which audited financial statements are available, plus (i) any profits carried forward and any distributable reserves (*ausschüttungsfähige Rücklagen*), minus (ii) any losses carried forward and any profits which are non-distributable pursuant to applicable law or the articles of association of the Issuer and any amounts allocated to the non-distributable reserves, provided that such profits, losses and reserves shall be determined on the basis of

the unconsolidated financial statements of the Issuer prepared in accordance with German commercial law and not on the basis of its consolidated financial statements.

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (including any provisions of regulatory law supplementing this Regulation); to the extent that any provisions of the CRR are amended or replaced, the term "CRR" shall refer to such amended provisions or successor provisions.

"**Distributions**" means any kind of payment of dividends or interest.

"**Tier 1 Instruments**" means capital instruments which, according to CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital.

The Issuer's management has broad discretion within the applicable accounting principles to influence the amounts relevant for determining the Available Distributable Items and the amount of the Distributions will also be in the Issuer's discretion. Accordingly, the Issuer is legally capable of influencing its ability to make Interest Payments to the detriment of the Holders.

Interest Payments may be excluded and cancelled for regulatory reasons.

Interest Payments will also be excluded if (and to the extent) the competent supervisory authority (i.e. the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) or any successor as regulator of the Issuer or any other competent supervisory authority of the Issuer) (the "**Competent Authority**") instructs the Issuer to cancel an Interest Payment or such Interest Payment is prohibited by law or administrative order on any Interest Payment Date (cf. "*Risk Factors relating to the Notes – Interest Payments under the Notes are discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.*" above).

The CRR prohibits the Issuer from making an Interest Payment if (but only to the extent that) the relevant Interest Payment would exceed the Issuer's Available Distributable Items as determined in accordance with the terms and conditions of the Notes or if such payment does not meet any of the other conditions set out in Art. 52 (1) lit. (l) CRR. However, it cannot be excluded that the European Union and/or the Federal Republic of Germany and/or any other competent authority enacts further legislation affecting the Issuer and thereby also adversely affecting the right of the Holders to receive Interest Payments on any Interest Payment Date.

The right of the BaFin as Competent Authority to issue an order to the Issuer to cancel all or part of the Interest Payments is stipulated in section 45 para 2 and para 3 of the German Banking Act (as amended by the German law implementing CRD IV) (*Kreditwesengesetz* – "**KWG**"). Under the relevant provisions, regulatory action can be taken in cases of inadequate own funds or inadequate liquidity. Cases of inadequate liquidity include a breach by the Issuer of the requirements under section 11 KWG or other liquidity requirements. Cases of inadequacy of own funds within the meaning of section 45 para 2 and para 3 KWG exist if an institution or the relevant group do not meet the minimum own funds requirements stipulated by CRR or, if applicable, the additional capital requirements established under section 10 para 3 or para 4 KWG or section 45b para 1 sent. 2 KWG. More specifically, CRR requires a minimum amount of total regulatory capital of 8% of the risk weighted assets of the institution respectively the relevant group and also imposes minimum requirements for Tier 1 capital and Common Equity Tier 1 capital (all within the meaning of the CRR), which are subject to a phased-in implementation. Section 45 para 2 and para 3 KWG and section 45b para 1 sent. 2 KWG allow BaFin to establish a higher minimum requirement of regulatory capital under certain circumstances.

CRD IV also introduced capital buffer requirements that are in addition to the minimum capital requirement (and the additional requirements under section 10 para 3 or para 4 KWG or section 45b para 1 sent. 2 KWG, if applicable) and are required to be met with Common Equity Tier 1 capital. The respective CRD IV requirements have been implemented into German law through sections 10c et seq. KWG which introduced various new capital buffers: (i) the capital conservation buffer (as implemented in Germany by section 10c KWG), (ii) the institution-specific counter-cyclical buffer (as implemented in Germany by section 10d KWG), (iii) the global

systemically important institutions buffer or, depending on the institution, the other systemically important institutions buffer (as implemented in Germany by sections 10f and 10g KWG) and (iv) the systemic risk buffer (as implemented in Germany by section 10e KWG). While the capital conservation buffer will, after a phase-in period, be in any case applicable to the Issuer, one or all of the other buffers may additionally be established and be applicable to the Issuer (whereby the global systemically important institutions buffer and the other systemically important institutions buffer may only be applied alternatively not cumulatively). All applicable buffers will be aggregated in a combined buffer (as implemented by section 10i KWG), applying a calculation specified in section 10i KWG. If the Issuer does not meet such combined buffer requirement, the Issuer will be restricted from making Interest Payments on the Notes in certain circumstances (set out in section 10i KWG, to be read in conjunction with section 37 of the German Solvency Regulation (*Solvabilitätsverordnung* – "**SolvV**")) until BaFin has approved a capital conservation plan in which the Issuer needs to explain how it can be ensured that the Interest Payments and certain other discretionary payments, including distributions on Common Equity Tier 1 instruments and variable compensation payments, do not exceed the maximum distributable amount. The maximum distributable amount is calculated as a percentage of the profits of the institution since the last distribution of profits as further defined in section 37 para 2 SolvV. The applicable percentage is scaled according to the extent of the breach of the combined buffer requirement. As an example, if the scaling is in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the Issuer's discretion to cancel (in whole or in part) Interest Payments in respect of the Notes. Again, it cannot be excluded that the European Union and/or the Federal Republic of Germany and/or any other competent authority enacts further legislation affecting the Issuer and thereby also adversely affecting the right of the Holders to receive Interest Payments on any Interest Payment Date.

Accordingly, even if the Issuer was intrinsically profitable and willing to make Interest Payments, it could be prevented from doing so by regulatory provisions and/or regulatory action. In all such instances, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date.

Please also see "*Risk Factors – Risks associated with an Investment in the Notes – The Notes may be written down or converted on the occurrence of a non-viability event or if the Issuer becomes subject to resolution*".

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. The level at which a Trigger Event will occur pursuant to the terms and conditions of the Notes is higher than the minimum level required under the CRR. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.

If the principal amount of the Notes has been subject to a Write-down due to the Issuer's Common Equity Tier 1 capital ratio pursuant to Art. 92 (2) lit. (a) CRR, determined on a consolidated basis (the "**Common Equity Tier 1 Capital Ratio**"), being less than 7.0% and with effect from the beginning of the interest period in which such Write-down occurs, Interest Payments will be calculated on the basis of the reduced principal amount of the Notes; even if the Bank in its discretion decides to make Interest Payments under such circumstances and is legally permitted to make Interest Payments, Interest Payments will not accrue in full. In such event, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date.

Such Write-down would also negatively affect the size of the Redemption Amount payable on the Notes. The terms and conditions of the Notes stipulate that the Issuer will be entitled to redeem the Notes for certain tax or regulatory reasons even if the Redemption Amount payable on the Notes has been and continues to be reduced due to such Write-down. The amount to be repaid under the Notes, if any, may thus be substantially lower than the initial principal amount of the Notes, and may also be reduced to zero which would result in a full loss of all money invested in the Notes. The same applies if the Issuer elects to redeem the Notes on the first Redemption Date or on any Interest Payment Date thereafter and the Holders, by way of majority resolution pursuant to § 9 of

the terms and conditions of the Notes and in accordance with the provisions of the German Bond Act, have consented to a repayment at the reduced repayment amount. Investors should note that a full loss of all money invested in the Notes is also possible under circumstances when inadequate own funds or an over-indebtedness (*Überschuldung*) result in the insolvency or liquidation of the Issuer. In such cases, the amounts payable under the Notes will most likely be reduced to zero and the Holders of Notes would have no claims in the liquidation. Their position might thus be worse than the position of holders of equity or of other debt instruments ranking junior to or *pari-passu* with the Notes but which will not be written down or converted into shares upon the occurrence of a trigger event.

Therefore, as any event which could result in a Write-down of the Redemption Amount and the principal amount of the Notes may adversely affect the market value of the Notes and reduce the liquidity of the Notes, the market price of the Notes is expected to be affected by changes in the Common Equity Tier 1 Capital Ratio of the Issuer. Such changes may be caused by changes in the amount of Common Equity Tier 1 capital and/or risk weighted assets (each of which shall be calculated by the Issuer on a fully loaded and consolidated basis), as well as changes to their respective definition and interpretation under the applicable capital regulations. Also, Aareal Bank is constantly monitoring its market for further investment opportunities and consolidation potential, and any related investment or any alternative use of excess capital by Aareal Bank may affect its Common Equity Tier 1 Capital Ratio. Specifically, the Common Equity Tier 1 Capital Ratio as of the end of any past accounting period which is set out in this Prospectus is subject to changes and cannot serve as an indication for the future development of the Common Equity Tier 1 Capital Ratio. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes. A decline or perceived decline in the Common Equity Tier 1 Capital Ratio may significantly affect the trading price of the Notes.

The level of 7.0% at which a Trigger Event will occur pursuant to the terms and conditions of the Notes is higher than the minimum level of 5.125% required under the CRR. If the Issuer issues further Additional Tier 1 instruments in the future, the terms of such instruments may provide for a Common Equity Tier 1 Capital Ratio trigger event at a trigger level of less than 7.0%. In such event, any Write-down of the Notes will occur prior to the write-down or conversion of Additional Tier 1 instruments with a trigger level of less than 7.0%.

Following a Write-down of the Redemption Amount and the principal amount in accordance with the terms and conditions of the Notes described above, the Issuer will, subject to certain limitations set out in the terms and conditions of the Notes, be entitled (but not obliged) to effect, in its sole discretion an increase of the Redemption Amount and the principal amount of the Notes up to their initial principal amount (a "**Write-up**"). However, there can be no assurance that the Issuer will at any time have the ability and be willing to effect such Write-up.

The Notes have no scheduled maturity and the terms and conditions of the Notes do not contain any events of default provision.

The Notes have no scheduled maturity and will run for an indefinite period. The Holders have no ability to require the Issuer to redeem their Notes. Under their terms, the Notes may only be redeemed by the Issuer and the terms and conditions of the Notes do not provide for any events of default under which a Holder may redeem the Notes. In particular, neither non-viability nor a Regulatory Bail-in in connection therewith (cf. "*Risk Factors relating to the Notes – The Notes may be written down or converted on the occurrence of a non-viability event or if the Issuer becomes subject to resolution*") will constitute an event of default with respect to the Notes.

Except for certain tax or regulatory reasons, as stipulated in this Prospectus, the terms and conditions of the Notes provide that an ordinary redemption by the Issuer may not become effective earlier than the first Redemption Date and on each Interest Payment Date thereafter. In addition, the terms and conditions of the Notes stipulate that no redemption by the Issuer shall become effective without prior regulatory approval. Moreover, any redemption by the Issuer of the Notes will be at the Issuer's full discretion.

Certain market expectations may exist among investors in the Notes with regard to the Issuer making use of a right to call the Notes for redemption. Should the Issuer’s actions diverge from such expectations or should the Issuer be prevented from meeting such expectations for regulatory reasons, the market value of the Notes could be adversely affected and the liquidity of the Notes could be reduced.

Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

The Notes can be redeemed by the Issuer at any time in its sole discretion under certain regulatory or tax reasons. In such case, the Redemption Amount may be substantially lower than the initial principal amount of the Notes due to a Write-down that has not been fully written up. In case of a Write-down to zero, this may result in a full loss of the principal amount.

The Notes may be redeemed at any time, in whole but not in part, subject to prior approval by the competent supervisory authority, and without any previous Write-down having been written up (a) for regulatory reasons, if the Issuer determines, in its own discretion, that it (i) may not treat the full aggregate principal amount of the Notes as Additional Tier 1 capital for the purposes of its own funds in accordance with the CRR or (ii) is subject to any other form of a less advantageous regulatory own funds treatment with respect to the Notes than as of the Interest Commencement Date or (b) for tax reasons, if the tax treatment of the Notes, due to a change in applicable legislation, including a change in any fiscal or regulatory legislation, rules or practices, which takes effect after the Interest Commencement Date, changes (including but not limited to the tax deductibility of interest payable on the Notes) and the Issuer determines, in its own discretion, that such change has a material adverse effect on the Issuer. In addition, the Notes may also be redeemed at the option of the Issuer on the first Redemption Date and on each Interest Payment Date thereafter, but in this case subject only to any previous Write-down having been fully written-up, unless the Holders, by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Bond Act, consent to a redemption in such case.

If the Issuer elects, in its sole discretion and subject to prior approval by the competent supervisory authority, to redeem the Notes, the Notes will be repaid as a consequence thereof. Due to any previous Write-downs that have not been fully written up, in the cases of a redemption for regulatory or tax reasons (or, in case of a redemption at the option of the Issuer, if the Holders have consented to a redemption below par by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Bond Act) the amount to be repaid under the Notes, if any, may be substantially lower than the initial principal amount of the Notes, and may also be reduced to zero which would result in a full loss of all money invested in the Notes (cf. "*Risk Factors relating to the Notes – The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*").

In addition, if the Issuer redeems the Notes for regulatory or tax reasons, a Holder of such Notes is exposed to the risk that due to such redemption its investment will have a lower than expected yield. In this event an investor might not be able to reinvest the redemption proceeds at a comparable yield.

The Notes may be written down (without prospect of a potential write-up in accordance with the terms and conditions of the Notes) or converted on the occurrence of a non-viability event or if the Issuer becomes subject to resolution.

The Notes are intended to qualify as Additional Tier 1 instruments within the meaning of Art. 52 (1) CRR. Anticipated changes to German law in respect of regulatory capital, implementing Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, may result in claims for payment of principal, interest or other amounts under the Notes being subject to a permanent reduction, including to zero, or a conversion into one or more instruments that constitute Common Equity Tier 1 capital for the Issuer, such as ordinary shares. Each of these measures is hereinafter referred to as a "**Regulatory Bail-in**". The Holders would have no claim against the Issuer in such a case and there would be no obligation of the Issuer to make payments under the Notes. This would probably occur if the Issuer becomes, or is deemed by the Competent Authority to have become, "non-viable" (as defined under the then applicable law) and unable to continue its regulated banking activities without a write-off or conversion or without a public sector injection of capital.

Other than in the event that the Issuer's Common Equity Tier 1 Capital Ratio falls below a certain trigger, the terms and conditions of the Notes do not contain a provision which requires them to be written down upon the Issuer becoming non-viable or otherwise. However, it is possible that the regulatory powers which may result from any future change to applicable supervisory law could result in a Regulatory Bail-in. The extent to which the principal amount of the Notes may be subject to a Regulatory Bail-in may depend on a number of factors that may be outside the Issuer's control, and it will be difficult to predict when, if at all, a Regulatory Bail-in will occur. Accordingly, trading behaviour in respect of the Notes may not follow the trading behaviour associated with other types of securities issued by other financial institutions which may be or have been subject to a Regulatory Bail-in. Potential investors should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if a Regulatory Bail-in occurs.

In addition, investors should note that the provisions of the terms and conditions of the Notes dealing with a potential write-up of the Redemption Amount and the principal amount of the Notes should the Notes have been subject to a Write-down (cf. "*Risk Factors relating to the Notes – The Redemption Amount and the principal amount of the Notes will be reduced upon the occurrence of a Trigger Event which may result in lower Interest Payments on the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*") will not apply in case the Notes have been subject to a Regulatory Bail-in and it is therefore likely that any write-down due to a Regulatory Bail-in cannot be written up.

Claims under the Notes are subordinated in the Issuer's insolvency or liquidation.

In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Notes shall be fully subordinated to (i) the claims of other creditors of the Issuer that are unsubordinated, (ii) the claims under Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung*)). Accordingly, in any such event no amounts shall be payable in respect of the Notes until (i) the claims of such other creditors of the Issuer that are unsubordinated, (ii) the claims under Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute have been satisfied in full. Accordingly, the Holder's rights under the Notes will rank behind all creditors of the Issuer in the event of the insolvency or liquidation of the Issuer. The Issuer's payment obligations under the Notes will rank *pari passu* amongst themselves and with all claims in respect of existing (a list of which as of the Issue Date are contained in the terms and conditions of the Notes) and future instruments classified as Additional Tier 1 capital of the Issuer and the payment of interest thereunder.

There is no restriction on the amount or type of further instruments, including those which depend, amongst others, on the Issuer's Available Distributable Items, or other indebtedness that the Issuer may issue, incur or guarantee.

The Issuer has not entered into any restrictive covenants in connection with the Notes regarding its ability to issue or guarantee further instruments, including those which depend, amongst others, on the Issuer's Available Distributable Items, or other indebtedness ranking *pari passu* with or senior to claims under the Notes. The issue or guaranteeing of any such further instruments or indebtedness may limit the Issuer's ability to make payments of principal and interest under the Notes and may reduce the amount recoverable by the Holders on a liquidation or winding-up of the Issuer.

The Notes may be subject to regulatory restrictions.

National and European regulators have highlighted the specific risks involved in an investment of regulatory capital notes, in particular for retail investors. The United Kingdom Financial Conduct Authority has recently announced that it will, for the period of one year from 1 October 2014, limit the sale of certain regulatory capital notes to retail investors. These restrictions will be applicable to the Notes. It cannot be excluded that regulators will impose further restrictions on the offering or sale of regulatory capital notes, or that the regulatory environment for regulatory capital notes may further change, or that the offering or sale and/or on-sale of regulatory capital notes will be restricted further for certain groups of investors. Any current or future regulatory restriction, especially restrictions for the offering or sale or on-sale of regulatory capital notes which are applicable to the Notes, may have a significant influence on the market price of the Notes.

The terms and conditions of the Notes, including the terms of payment of principal and interest are subject to amendments by way of majority resolutions of the Holders, and any such resolution will be binding for all Holders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of Notes outstanding. In case of an appointment of a joint representative, the individual right of a Holder of Notes to pursue and enforce its rights under the terms and conditions of the Notes may be limited.

Pursuant to the terms and conditions of the Notes, the Holders may consent by majority resolution to amendments of the terms and conditions of the Notes in accordance with and subject to the German Bond Act (*Schuldverschreibungsgesetz* – "**SchVG**"), in particular, the terms and conditions of the Notes provide that the Holders may consent, by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Bond Act, to a redemption of the Notes below par at the option of the Issuer (cf. "*Risk Factors relating to the Notes – The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*").

The voting process under the terms and conditions of the Notes will be governed in accordance with the SchVG, pursuant to which the required participation of Holder votes (quorum) is principally set at 50 per cent of the aggregate principal amount of outstanding notes in the first Holders' meeting or in a vote without a meeting. In case there is no sufficient quorum in the first Holders' meeting or in the vote without a meeting, there is no minimum quorum requirement in a second meeting or voting on the same resolution (unless the resolution to be passed requires a qualified majority, in which case Holders representing at least 25 per cent of outstanding Notes by principal amount must participate in the meeting or voting). As the relevant majority for Holders' resolutions is generally based on votes cast, rather than on principal amount of Notes outstanding, the aggregate principal amount such Notes required to vote in favour of an amendment will vary based on the Holders' votes participating. Therefore, a Holder is subject to the risk of being outvoted by a majority resolution of such Holders and losing rights towards the Issuer against his will in the event that Holders holding a sufficient aggregate principal amount of the Notes participate in the vote and agree to amend the terms and conditions of the Notes or on other matters relating to the Notes by majority vote in accordance with the terms and conditions of the Notes and the SchVG. As such majority resolution is binding on all Holders of the Notes, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority, certain rights of such Holder against the Issuer under the terms and conditions of the Notes may be amended or reduced or even cancelled.

In case of an appointment of a joint representative (*gemeinsamer Vertreter*) for all Holders, it is possible that a Holder of Notes may be deprived of its individual right to pursue and enforce its rights under the terms and conditions of the Notes against the Issuer, such right passing to the joint representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

There has been no prior market for the Notes, a liquid market may not develop and the Notes may be subject to significant market price volatility. Market price volatility might have reasons beyond the control or sphere of the Issuer or the Notes.

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application may be made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange which is a regulated market for the purposes of the MiFID or other or further stock exchanges, there is no assurance that such applications will be accepted, that Notes will be so admitted or that an active trading market will develop. Moreover, the liquidity and the market for the Notes can be expected to vary with changes in the securities market and economic conditions, the financial condition and prospects of the Issuer and other factors which generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Notes. Market liquidity in hybrid financial instruments similar to the Notes has historically been limited. In addition, potential investors should note that hybrid financial instruments similar to the Notes have experienced

pronounced price fluctuations in connection with the crisis of the financial markets and the banking sector since 2007. It can thus not be excluded that the market price of the Notes will be negatively affected by factors that are beyond the control or sphere of the Issuer or the Notes, e.g. if the price of other own funds instruments negatively develops, even if such other instruments are issued by third parties.

Holders of the Notes are exposed to risks associated with callable fixed to reset rate notes. Movements of the market interest rate and/or the credit risk premium can adversely affect the price of the Notes and lead to losses upon a sale.

The Holders of the Notes are exposed to the risk that the price of the Notes falls as a result of changes in the market interest rate or the premium the market applies to the risks relating to the Issuer or the Issuer's capital ("**credit risk premium**"). While the interest rate of the Notes is initially fixed until the first Redemption Date of the Notes and thereafter, unless the Notes are previously redeemed or repurchased and cancelled, the interest rate applicable to the Notes for any period following the first Redemption Date of the Notes will be determined by the Calculation Agent on the basis of the margin (corresponding to the initial credit spread) and the then prevailing One Year Euro Mid Swap Rate on the second business day prior to, as applicable, the first Redemption Date and each Interest Payment Date thereafter (and such interest rate will apply for the respective interest period commencing on the first Redemption Date or, as applicable, such Interest Payment Date), the current interest rate on the capital market ("**market interest rate**") and the credit risk premium typically changes on a daily basis. As the market interest rate and/or the credit risk premium changes, the price of the Notes also changes, but in the opposite direction. If the market interest rate or the credit risk premium increases, the price of the Notes typically falls and if the market interest rate or the credit risk premium falls, the price of the Notes typically increases. Hence, Holders should be aware that movements of the market interest rate and the credit risk premium are independent from each other and that movements of the market interest rate and/or the credit risk premium can adversely affect the price of the Notes and can lead to losses.

The same risk applies to notes which bear different fixed interest rates for different interest periods, such as the Notes. In addition, the holders of the Notes are exposed to the risk that the interest rate for the interest periods commencing on 30 April 2020 is lower than the rate of interest for the previous interest periods. According to the terms and conditions of the Notes, the interest rate for the interest periods commencing on or after 30 April 2020 are calculated on an interest level, which is equal to the One Year Euro Mid Swap Rate plus a margin of 7.18 per cent. *per annum*. The One Year Euro Mid Swap Rate is subject to fluctuation.

The Notes may be traded with accrued interest, but under certain circumstances described above, subsequent Interest Payments may not be made in full or in part.

The Notes may trade, and/or the prices for the Notes may appear on trading systems on which the Notes are traded, with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that includes such accrued interest upon purchase of the Notes. However, if an Interest Payment is not being made or not being made in full on the relevant Interest Payment Date, purchasers of such Notes will not be entitled to an Interest Payment (in full or in part, as the case may be), and will not receive any compensation for an increased price paid due to accrued interest.

Change in the credit ratings assigned to the Issuer and/or the Notes could affect the market value and reduce the liquidity of the Notes.

The Issuer expects that, upon issuance, the Notes will be assigned a rating of B+ by Fitch Deutschland GmbH. Such rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Further, any rating assigned to the Notes at the date of issuance is not indicative of future performance of the Issuer's business or its future creditworthiness. A credit rating is not a recommendation to buy, sell or hold securities and any rating initially assigned to the Notes may at any time be lowered or withdrawn entirely by a rating agency, or the Issuer may decide not to maintain a solicited rating by one or more rating agencies which may or may not lead to a withdrawal of the credit ratings assigned to the respective Notes. Any change in, or withdrawal of, the credit rating(s) assigned to the Issuer and/or the Notes may affect the market value and could reduce the liquidity of the Notes.

In general, European regulated investors are restricted under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended from time to time (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

There may be circumstances under which the Notes may be subject to withholding tax which will not be grossed-up, including withholding tax under FATCA.

In the event of the imposition of a withholding or deduction by way of tax on interest payments under the Notes, including but not limited to withholding tax under FATCA (as described below), no additional amounts will be paid to the Holders so that Holders will receive interest payments net of such withholding or deduction.

The United States has enacted rules, commonly referred to as "**FATCA**," that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Germany (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Instruments to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Instruments in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

Taxation risk

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred to or of other jurisdictions. In addition, potential purchasers are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. See also "*There may be circumstances under which the Notes may be subject to withholding tax which will not be grossed-up, including withholding tax under FATCA.*" above.

Currency Risk

Prospective investors in the Notes should be aware that an investment in the Notes may involve exchange rate risks which may affect the expected yield of the Notes.

For example, a change in the value of the euro against any foreign currency will result in a corresponding change in such foreign currency value of the Notes. If the underlying exchange rate rises and the value of the euro correspondingly falls, the price of the Note expressed in the foreign currency falls.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legality of Purchase

Potential purchasers of the Notes should be aware that the lawfulness of the acquisition of the Notes might be subject to legal restrictions potentially affecting the validity of the purchase. Neither the Issuer, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the

jurisdiction in which it operates (if different). A prospective purchaser may not rely on the Issuer, the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

Change of Law

The terms and conditions of the Notes are based on German law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change with respect to German law or administrative practice after the Issue Date of the Notes.

Risks in connection with the adoption of a future resolution regime and increased costs as a result of ongoing regulatory changes

On 12 September 2010, the Basel Committee on Banking Supervision agreed on a new set of rules for international regulation of the banking sector ("**Basel III**"). Based on this, Directive 2013/36/EU of 26 June 2013 ("**CRD IV**") and the Regulation (EU) No 575/2013 of 26 June 2013 ("**CRR**"; CRD IV and CRR collectively the "**CRD IV package**") were published in the Official Journal of the European Union on 27 June 2013. Their core provisions apply since 1 January 2014. The CRD IV package intends to implement the Basel III proposals referred to above and harmonises substantial aspects thereof on an EU-wide level (especially those relating to capital adequacy requirements, liquidity and leverage) ("single rule book"). For example, the minimum requirement for the highest form of equity capital, Common Equity Tier 1, is being progressively raised to 4.5% by 1 January 2015. The minimum requirements for the core (Tier 1) capital, which consists of the Common Equity Tier 1 and Additional Tier 1 capital, will be increased to 6% over the same period. A bank's total capital, which consists of Tier 1 and Tier 2 capital, must amount to 8% of its risk-weighted assets. A liquidity coverage requirement (meaning a minimum amount of unencumbered, high quality liquid assets to endure short term liquidity stress) will be incrementally introduced from 1 January 2015 onwards while net stable funding requirements (meaning a minimum amount of long-term stable sources for refinancing) will be subject to an observation period before further legislative measures may be proposed by the European Commission by 31 December 2016. Other aspects (especially those relating to the capital buffers) are regulated on a national level in line with CRD IV. In Germany the Act to implement CRD IV *(CRD IV-Umsetzungsgesetz*) was published on 3 September 2013 and provides for substantial changes to the German Banking Act (*Kreditwesengesetz*, "**KWG**"). Its core provisions became effective simultaneously with the CRD IV package on 1 January 2014. As regards capital buffers, cf. "*Risk Factors relating to the Notes – Interest Payments may be excluded and cancelled for regulatory reasons*" below.

The CRD IV package and the KWG as amended also contain stricter standards of corporate governance, improved risk management functions and risk control, and improved regulatory supervision of financial institutions, as well as the possibility of national regulatory supervisors to impose effective, proportional and deterring sanctions for infringements of EU law.

Some of the provisions of the CRD IV package will only become effective once the European Commission has passed delegated and implementing legislation proposed by the European Banking Authority ("**EBA**") . Other provisions will become incrementally effective. Similarly, some of the provisions of the KWG as amended will become effective incrementally or require implementing regulations. The final content of the CRD IV package is therefore not definite in all respects and final rulemaking may take several years in some areas.

EBA, the European Central Bank ("**ECB**") and BaFin regularly assess risks and vulnerabilities in the European banking sector, in particular by performing stress tests. The outcome of these stress tests may be published and may therefore have a negative impact on investors' confidence in the financial market as such or in specific institutions such as Aareal Bank. Further, the regulatory authorities may impose measures on Aareal Bank to mitigate findings from future stress tests, which may impose additional cost on Aareal Bank.

On 6 May 2014 the Council formally approved a legislative proposal for an EU Bank Recovery and Resolution Directive ("**BRRD**"). The text approved by the Council indicates that the proposal will require EU member states to introduce special resolution powers covering banks and certain investment firms and financial holding companies, as well as EU branches of non-EU firms. Credit institutions will be obliged to make contributions to national resolution funds. New powers of the authorities will include a write-down for capital instruments which allows regulators to write down or convert capital instruments and a bail-in tool which allow regulators to also write down certain debts of a failed institution or convert them into equity. The write down and bail-in tools are, among other things, intended to ensure that capital instruments absorb losses at the point of non-viability of the issuer subject to such measures.

Pursuant to the BRRD, any write-down (or conversion) in accordance with the bail-in tool or the write-down tool will not constitute an event of default under the terms of the relevant instruments. Also, any amounts so written down would in principle be irrevocably lost (unlike in the situation of a write-down pursuant to § 5(8) of the terms and conditions of the Notes) and the holders of such instruments will cease to have any claims thereunder, regardless whether or not the bank's financial position is restored. Payments made in breach of the order of the competent authority will have to be reimbursed. Resolution authorities will ensure that, when applying the resolution tools, creditors do not incur greater losses than those that they would incur if the credit institutions had been wound down in normal insolvency proceedings.

Credit institutions such as Aareal Bank will be required to maintain a certain amount of own funds and eligible liabilities which can be used for bail-in. The bail-in tool does not apply to secured liabilities including covered bonds (*gedeckte Schuldverschreibungen*). Following a reduction of Common Equity Tier 1 capital instruments, resolution authorities would be required to apply the bail-in tool or the write-down tool to Additional Tier 1 instruments before making any Tier 2 capital instruments or eligible liabilities subject to bail-in. EU member states will be required to implement these changes and bring them into force from 1 January 2015. However, the bail-in tool will have to be implemented by 1 January 2016.

The Regulation (EU) No 1022/2013 of 22 October 2013 and the Regulation (EU) No 1024/2013 of 15 October 2013 will incrementally create a single supervisory mechanism for the oversight of banks and other credit institutions ("**SSM**") for a number of EU member states including Germany. Under the SSM the ECB assumed specific tasks related to financial stability and banking supervision and the existing Regulation (EC) No 1093/2010 on the establishment of EBA will be aligned with the modified framework for banking supervision. The SSM became fully operational on 4 November 2014 and empowers the ECB to directly supervise banks in the euro area (including Aareal Bank) and in other EU member states which decide to join this "**Banking Union**". On 15 April 2014, the European Parliament has further approved a single resolution mechanism ("**SRM**") which is intended to provide for an integrated single system for dealing with failing banks. If the SRM were implemented as proposed, Aareal Bank might have to contribute to a joint bank resolution fund for all members of the Banking Union while it is currently obliged to contribute to a German Restructuring Fund (*Restrukturierungsfonds*).

Additionally, the European Parliament has approved amendments to Directive 94/19/EC concerning deposit guarantee schemes. While the text of the Directive has not yet been finalised, the European Parliament has issued a press release which indicates that the revised Directive will, amongst other things, provide for prompter payouts. The press release further states that generally the funds available for reimbursing depositors in times of difficulty must reach 0.8% of covered deposits within 10 years of the system's entry into force and that banks will be required to contribute to the funds according to their risk profiles, with those exercising riskier activities contributing more. These changes may, once finalised and implemented in Germany, expose Aareal Bank to additional, and possibly considerable, costs, the extent of which cannot be foreseen at this time.

Lastly, additional supervisory regulations to avoid further financial crises should be expected. Ongoing reforms in respect of banks' internal governance, in particular remuneration policies, and in respect of financial market infrastructure are likely to have an impact on costs and funding models of banks.

The German Ring-Fencing Act (*Gesetz zur Abschirmung von Risiken und zur Planung und Sanierung und Abwicklung von Kreditinstituten*, "**Ring-Fencing Act**") was published on 12 August 2013. Under the KWG as amended by the Ring-Fencing Act, credit institutions which are determined to be systemically important must draw up recovery plans. The competent supervisory authority will further draw up resolution plans in respect of such institutions to facilitate the institutions' winding-up where an institution fails and recovery measures (under the recovery plan or otherwise) were not successful. The competent supervisory authority will continuously monitor the resolvability of (all German) credit institutions and is given specific powers to enhance resolvability. Further, the BRRD currently envisages that all credit institutions will be required to submit recovery plans. If Aareal Bank becomes obliged to submit and update recovery plans and subject to resolution planning Aareal Bank's business activities and internal structure may be affected.

Rights of the Holders may be adversely affected by measures pursuant to the German Bank Restructuring Act (*Restrukturierungsgesetz*)

As a German credit institution, the Issuer is subject to the German Bank Restructuring Act (*Gesetz zur Restrukturierung und geordneten Abwicklung von Kreditinstituten, zur Errichtung eines Restrukturierungsfonds für Kreditinstitute und zur Verlängerung der Verjährungsfrist der aktienrechtlichten Organhaftung –*

Restrukturierungsgesetz) which, *inter alia*, introduced special restructuring schemes for German credit institutions consisting of, as of 1 January 2011: (i) the restructuring procedure (*Sanierungsverfahren*) pursuant to section 2 et seqq. of the German Act on the Reorganisation of Credit Institutions (*Kreditinstitute-Reorganisationsgesetz* – ***"KredReorgG"***), (ii) the reorganisation procedure (*Reorganisationsverfahren*) pursuant to sections 7 et seq. of the KredReorgG, and (iii) the transfer order (*Übertragungsanordnung*) pursuant to sections 48a et seq. of the German Banking Act (*Kreditwesengesetz*) (the **"Transfer Order"**).

Whereas a restructuring procedure may generally not interfere with rights of creditors, the reorganisation plan established under a reorganisation procedure may provide for measures that affect the rights of the credit institution's creditors including a reduction of existing claims or a suspension of payments. The measures proposed in the reorganisation plan are subject to a particular majority vote mechanism of the creditors and shareholders of the respective credit institution. Furthermore, the KredReorgG stipulates detailed rules on the voting process and on the required majorities and to what extent negative votes may be disregarded. Measures pursuant to the KredReorgG are instituted only upon the respective credit institution's request and respective approval by the competent supervisory authority.

If the existence of the relevant credit institution is endangered (*Bestandsgefährdung*) and this in turn endangers the stability of the financial system (*Systemgefährdung*), the competent supervisory authority may issue a Transfer Order pursuant to which the credit institution will be forced to transfer whole or parts of its business activities, assets or liabilities to a so-called bridge bank.In the context of a Transfer Order, the Issuer as initial debtor of the Holders may be replaced by another debtor (which may have a fundamentally different risk assumption or creditworthiness than the Issuer). Alternatively, the claims of the Holders may remain with the Issuer, but the Issuer's assets, business and/or creditworthiness may not be identical and be materially prejudiced compared to the situation before the Transfer Order.

Market Price Risk

In addition to the risks described above, the market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including the market interest and yield rates.

Risks relating to the Financial Crisis and the European Sovereign Debt Crisis

Financial Crisis

As a result of the crisis of the international financial markets, which began in the second half of 2007, established refinancing sources largely dried up and a string of major market players became illiquid. Impairments taken across almost all asset classes drastically impacted income statements in the financial sector. In particular, the insolvency of Lehman Brothers in September 2008 led to a re-evaluation of default risks, even from major counterparties of the financial system counterparties.

Although the global economy – albeit with regional discrepancies – continued to recover from the financial crisis, uncertainty remains and may be exacerbated as a consequence of the European sovereign debt crisis.

European sovereign Debt Crisis

The European sovereign debt crisis has caused increased political and financial instability due to the introduction of austerity measures in a number of euro zone countries. Financial markets have been reacting to the crisis and related political uncertainty with downward price pressure for many asset classes and high volatility.

If the current crisis persists or worsens, it could lead to further political uncertainty and financial turmoil, and social unrest in countries across Europe, which could decelerate or hinder effective implementation of stability measures. Sovereigns, financial institutions and companies may become unable to obtain refinancing or new funding and may default on their existing debt, and measures to reduce debt levels and fiscal deficits could result in a further slowdown or negative economic growth. One or more euro zone countries could come under increasing pressure to leave the European Monetary Union, or the euro as the single currency of the euro zone could cease to exist.

Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on the economic development of the affected countries and could lead to severe economic recession or depression, and a general anticipation that such risks will materialize in the future could jeopardize the stability of financial markets or the overall financial and monetary system.

Risks specific for Structured Property Financing

The global financial crisis in 2008 and 2009 led to a sharp reduction of property investments in the Bank's core markets caused by a lack of financing, cost-cutting programs by users of commercial real estate resulting in a lack of tenants to rent new or refurbished property, as well as by a significant mismatch of ask prices and bid-prices between potential real estate sellers and buyers. This, combined with reluctance by the Bank to assume new credit risk, caused a significant decrease in the volume of new business in the business year 2009. In 2010 and 2011, commercial property markets stabilized and developed positively due to an economic recovery in 2010 and 2011. Stabilisation in many commercial property markets continued in 2012 while global economic expansion lost momentum. In 2013 a stable up to slight positive trend on commercial property markets predominated regarding the development of rents and values while the global economic development was still restrained but with considerable differences between the regions.

The development of rents and property values on commercial property markets are influenced by future economic trends, such as economic performance. For the year 2014 a slight improvement of the global economic development is indicated. However, material burdening factors persist, like the high unemployment in many European countries; any recovery is thus likely to take place in a slight and reluctant manner. A broad support for the economic recovery trend is missing. In this respect, the dangers of a long-term and too late or too hesitant defense of risks to monetary stability or to the stability of the euro system, which involve remarkable systemic risks, grow. Therefore significant risks and uncertainties persist and the global economy, in particular the economy of the euro zone is very susceptible to disruptions. The uncertainties and risks currently are related to the political tensions between Russia and the Ukraine and the economic impacts out of these tensions, to a fast tapering of the expansive monetary policy, in particular of the US Federal Reserve (Fed), which could burden in particular the emerging economies and also to the possibility of a deflation, which could not be excluded for the euro zone. Furthermore, the risk of a revival or the case of an escalation of the European sovereign debt crisis cannot be ruled out. These uncertainties and risks may, if they obtain evidence, also have impacts on the financial and capital markets and cause tensions on these markets. The trend towards a tighter regulatory framework in the banking business is set to persist.

The risks and uncertainties in the economic environment could get relevance for the commercial property markets. In principle, risks and uncertainties in the macroeconomic environment may undermine the developments in commercial property markets in particular regarding the further development of rents and values and prices if they obtain evidence. Economic development could also burden the transaction volumes of the commercial property markets as well as the opportunities for new business of the Aareal Bank Group.

Due to these factors there is the risk that these developments will have a negative effect on the property values and rents the Aareal Bank Group holds in its financing portfolio and could also have an adverse effect on the amount of non-performing loans as well as on the allowance for credit losses of Aareal Bank Group.

The risks and adverse effect on the economic development and commercial property markets could have a material adverse effect on Aareal Bank's profitability. Profitability may also be adversely affected where the Bank decides to prolong loans rather than to insist on repayment in order to avoid defaults on repayment obligations.

With a view to the financing markets for commercial properties the Bank estimates that the competition, which has intensified noticeably in the course of the previous year, will remain intensive. This applies to Europe, North America as well as to Asia. In general, the willingness of finance providers for commercial real estate to accept lower margins and higher loan-to-value ratios is likely to noticeably increase further. These developments in competition could have a negative impact on the profitability of the Bank.

Risks specific for Consulting/Services

The structural changes following the financial crisis might have a long term negative impact on the business with consulting, software and services. The financial crisis and the resulting global economic crisis also lead to a reduction in demand from the housing industry for IT solutions and consultancy services and thereby to a reduced demand for the services offered by the Consulting/Services segment of the Aareal Bank Group, thus affecting the profitability of that segment. While the crisis has not affected the overall level of deposits made by the housing industry with the Aareal Bank Group, the low interest rate environment has had an adverse impact on the interest margin which the Aareal Bank Group was able to generate on such deposits.

Effects of Financial Crisis and European Sovereign Debt Crisis

The effects of the financial crisis and the European sovereign debt crisis could also have a continued adverse effect on the risk factors described in this section "Risk Factors".

RESPONSIBILITY STATEMENT

Aareal Bank, with its registered offices in Wiesbaden and its headquarters at Paulinenstraße 15, 65189 Wiesbaden, Federal Republic of Germany, is solely responsible for the information given in this Prospectus.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

By approving this Prospectus, the CSSF assumes no responsibility as to the economic and financial soundness of the transactions under the Prospectus or the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Prospectus Law.

USE OF PROCEEDS

In connection with the issue of the Notes, the Issuer will receive proceeds of approximately EUR 297,750,000. The net proceeds from the issue of the Notes will be used to strengthen the Issuer's regulatory capital base by providing Tier 1 capital for the Issuer.

CONDITIONS OF ISSUE - GERMAN LANGUAGE VERSION

GERMAN LANGUAGE VERSION
(DEUTSCHE FASSUNG DER EMISSIONSBEDINGUNGEN)

The terms and conditions of the Notes are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

Die Anleihebedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

ANLEIHEBEDINGUNGEN

§ 1
Währung, Stückelung, Form

(1) *Währung; Stückelung*. Diese Emission von nachrangigen Schuldverschreibungen (die "**Schuldverschreibungen**") der Aareal Bank AG (die "**Emittentin**") wird in Euro ("**EUR**") (die "**festgelegte Währung**") im Gesamtnennbetrag von EUR 300.000.000 (in Worten: dreihundert Millionen Euro) in einer Stückelung von EUR 200.000 (die "**festgelegte Stückelung**") begeben.

(2) *Form*. Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde – Austausch*.

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in der festgelegten Stückelung, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**" und, gemeinsam mit der vorläufigen Globalurkunde, jeweils die "**Globalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die Unterschriften ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird frühestens an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde austauschbar, der 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Ein solcher Austausch soll nur nach Vorlage von Bescheinigungen gemäß U.S. Steuerrecht erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß § 1 (3) (b) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten (wie in § 4 (3) definiert) zu liefern.

(4) *Clearing System*. Die die Schuldverschreibungen verbriefende Globalurkunde wird von einem oder im Namen eines Clearing Systems verwahrt. "**Clearing System**" bedeutet Folgendes: Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Bundesrepublik Deutschland ("**CBF**") und jeder Funktionsnachfolger. Die Schuldverschreibungen werden in Form einer classical global note ("**CGN**") ausgegeben und von CBF verwahrt.

(5) *Gläubiger von Schuldverschreibungen*. "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen Rechts an den Schuldverschreibungen.

§ 2
Status

(1) Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander und (vorbehaltlich der Nachrangregelung in Satz 2) mit allen anderen nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind. Im Fall der Auflösung, der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin gehen die Verbindlichkeiten aus den Schuldverschreibungen (i) den Ansprüchen dritter Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten, (ii) den Ansprüchen aus Instrumenten des Ergänzungskapitals sowie (iii) den in § 39 Absatz 1 Nr. 1 bis 5 Insolvenzordnung ("InsO") bezeichneten Forderungen im Range vollständig nach, so dass Zahlungen auf die Schuldverschreibungen solange nicht erfolgen, wie (i) die Ansprüche dieser dritten Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten, (ii) die Ansprüche aus den Instrumenten des Ergänzungskapitals sowie (iii) die in § 39 Absatz 1 Nr. 1 bis 5 InsO bezeichneten Forderungen nicht vollständig befriedigt sind. Unter Beachtung dieser Nachrangregelung bleibt es der Emittentin unbenommen, ihre Verbindlichkeiten aus den Schuldverschreibungen auch aus dem sonstigen freien Vermögen zu bedienen. Kein Gläubiger ist berechtigt, mit Ansprüchen aus den Schuldverschreibungen gegen Ansprüche der Emittentin aufzurechnen. Den Gläubigern wird für ihre Rechte aus den Schuldverschreibungen weder durch die Emittentin noch durch Dritte irgendeine Sicherheit oder Garantie gestellt; eine solche Sicherheit oder Garantie wird auch zu keinem späteren Zeitpunkt gestellt werden.

Die Ansprüche aus den Schuldverschreibungen stehen im gleichen Rang wie die Ansprüche gegen die Emittentin aus (i) der Patronatserklärung (*Support Undertaking*) der Emittentin im Zusammenhang mit der Emission der EUR 250.000.000 nicht-kumulativen Trust Preferred Securities durch Aareal Bank Capital Funding Trust, Delaware, Vereinigte Staaten von Amerika, (ii) dem Vertrag über die Errichtung einer stillen Gesellschaft zwischen der Emittentin und der Capital Funding GmbH, Frankfurt am Main (vormals Norderfriedrichskoog) als stillem Gesellschafter vom 13. August 2002 / 24./25. September 2002 (stille Einlage in Höhe von EUR 180 Millionen) und (iii) dem Vertrag über die Errichtung einer stillen Gesellschaft zwischen der Emittentin und der Deutsche Girozentrale – deutsche Kommunalbank AG, Frankfurt am Main als stillem Gesellschafter vom 20. November 1986 (stille Einlage in Höhe von EUR 10,2 Millionen), durch den ursprünglichen stillen Gesellschafter an die Bayerische Beamten Lebensversicherung a.G. abgetreten gemäß Abtretungsvertrag vom 10./16. Dezember 1987.

(2) Nachträglich können der Nachrang gemäß § 2 (1) nicht beschränkt sowie die Laufzeit der Schuldverschreibungen und jede anwendbare Kündigungsfrist nicht verkürzt werden. Werden die Schuldverschreibungen unter anderen als den in § 2 (1) beschriebenen Umständen oder infolge einer Kündigung nach Maßgabe von § 5 (2), § 5 (3) oder § 5 (4) zurückgezahlt oder von der Emittentin zurückerworben, so ist der zurückgezahlte oder gezahlte Betrag der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurück zu gewähren, sofern nicht die für die Emittentin zuständige Aufsichtsbehörde der Rückzahlung oder dem Rückkauf zugestimmt hat. Eine Kündigung oder Rückzahlung der Schuldverschreibungen nach Maßgabe von § 5 oder ein Rückkauf der Schuldverschreibungen ist in jedem Fall nur mit vorheriger Zustimmung der für die Emittentin zuständigen Aufsichtsbehörde zulässig.

§ 3
Zinsen

(1) *Zinszahlungstage*.

(a) Vorbehaltlich des Ausschlusses der Zinszahlung nach § 3 (8) und einer Herabschreibung nach § 5(8) werden die Schuldverschreibungen bezogen auf ihren Gesamtnennbetrag ab dem 20. November 2014 (der "**Verzinsungsbeginn**") (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach von jedem Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich) verzinst. Im Falle einer Herabschreibung nach § 5 (8) (a) werden die Schuldverschreibungen, solange und soweit sie noch nicht nach § 5 (8) (b) wieder hochgeschrieben wurden, nur bezogen auf den entsprechend reduzierten Gesamtnennbetrag verzinst; die Berechnung der Zinsen bezogen auf den entsprechend reduzierten Gesamtnennbetrag der Schuldverschreibungen gilt für die gesamte betreffende Zinsperiode, in welcher diese Herabschreibung nach § 5 (8) (a) erfolgt und für jede folgende Zinsperiode und eine Hochschreibung gemäß § 5 (8) (b) wirkt sich erst ab der Zinsperiode aus, die an einem Zinszahlungstag beginnt, an oder vor dem diese Hochschreibung erfolgt ist.

(b) "**Zinszahlungstag**" bedeutet jeder 30. April. Erster Zinszahlungstag ist der 30. April 2015 (kurze erste Zinsperiode)).

(c) Fällt ein Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, so wird die Zinszahlung auf den nächstfolgenden Geschäftstag verschoben.

"**Geschäftstag**" bezeichnet jeden Tag (außer einem Samstag oder Sonntag), an dem das Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) geöffnet ist.

(d) Die Gläubiger sind nicht berechtigt, weitere Zinsen oder sonstige Zahlungen zu verlangen, wenn die Zinszahlung aufgrund § 3 (1) (c) nach hinten verschoben wird.

(2) *Zinssatz*. Der Zinssatz (der "**Zinssatz**")

(i) für jede Zinsperiode (wie nachstehend definiert), die in den Zeitraum vom Verzinsungsbeginn (einschließlich) bis zum 30. April 2020 (ausschließlich) fällt, entspricht 7,625 % *per annum* und

(ii) für jede Zinsperiode, die am oder nach dem 30. April 2020 beginnt, entspricht dem am für die jeweilige Zinsperiode maßgeblichen Zinsfestlegungstag (wie nachstehend definiert) bestimmten Referenzsatz (wie nachstehend definiert) zuzüglich einer Marge von 7,18[1] % *per annum*.

"**Zinsperiode**" bezeichnet den jeweiligen Zeitraum von dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) bzw. von jedem Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden Zinszahlungstag (ausschließlich).

"**Zinsanpassungstag**" bezeichnet, in Bezug auf jede Zinsperiode, die an oder nach dem 30. April 2020 beginnt, den 30. April, an dem die jeweilige Zinsperiode beginnt.

"**Zinsfestlegungstag**" bezeichnet, in Bezug auf jede Zinsperiode, die an oder nach dem 30. April 2020 beginnt, den zweiten Geschäftstag vor dem Zinsanpassungstag, an dem die jeweilige Zinsperiode beginnt.

"**Referenzsatz**" ist der als Zinssatz *per annum* ausgedrückte Swapsatz bezüglich in Euro denominierte Swap Transaktionen mit einer Laufzeit von einem Jahr der auf der Bildschirmseite (wie nachfolgend definiert) am Zinsfestlegungstag unter der Bildüberschrift "EURIBOR BASIS – EUR" und über der Spalte

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[1] Die Marge wird dem Prozentsatz entsprechen, der am Tag des Pricing der Schuldverschreibungen als ursprünglicher Credit Spread festgelegt und der auch für die Bestimmung des gemäß Unterabsatz (i) anwendbaren Festzinssatzes Anwendung finden wird.

"11:00AM FRANKFURT" gegen 11:00 Uhr (Frankfurter Ortszeit) angezeigt wird (der "**Ein-Jahres-Euro-Mid-Swap-Satz**"), wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

"**Bildschirmseite**" bedeutet Reuters Bildschirmseite ISDAFIX2.

Hat die Bildschirmseite dauerhaft aufgehört, den Ein-Jahres-Euro-Mid-Swap-Satz anzugeben, ist diese Quotierung jedoch auf einer anderen von der Berechnungsstelle nach billigem Ermessen ausgewählten Bildschirmseite verfügbar (die "**Ersatzbildschirmseite**"), wird die Ersatzbildschirmseite zum Zweck der Festlegung des Ein-Jahres-Euro-Mid-Swap-Satzes eingesetzt.

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen oder wird der Ein-Jahres-Euro-Mid-Swap-Satz nicht angezeigt (in jedem dieser Fälle zu der genannten Zeit) und ist nach Feststellung der Berechnungsstelle keine Ersatzbildschirmseite verfügbar, wird der Referenzsatz von der Berechnungsstelle auf der Grundlage der Ein-Jahres-Mid-Swap-Quotierung (wie nachfolgend definiert), die ihr von fünf Referenzbanken (wie nachstehend definiert) um ca. 11.00 Uhr (Frankfurter Ortszeit) am jeweiligen Zinsfestlegungstag gemeldet werden, festgelegt.

Falls drei oder mehr Referenzbanken der Berechnungsstelle solche Ein-Jahres-Mid-Swap-Quotierungen nennen, ist der Referenzsatz das arithmetische Mittel (falls erforderlich, auf- oder abgerundet) dieser Quotierungen, wobei die höchste bzw. eine der höchsten Quotierungen bei identischen Quotierungen und die niedrigste Quotierung bzw. eine der niedrigsten Quotierungen bei identischen Quotierungen nicht mitgezählt werden, wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

Falls nur zwei oder weniger Referenzbanken der Berechnungsstelle solche Quotierung nennen, so wird der Referenzsatz von der Berechnungsstelle auf Grundlage der Ein-Jahres-Mid-Swap-Quotierung (wie nachfolgend definiert), die der Berechnungsstelle von führenden Banken in der Euro-Zone, die von der Berechnungsstelle ausgewählt wurden, um ca. 11.00 Uhr (Frankfurter Ortszeit) am jeweiligen Zinsfestlegungstag gemeldet werden, festgelegt.

"**Ein-Jahres-Mid-Swap-Quotierung**" bedeutet den arithmetischen Mittelwert von Kauf- und Verkaufssätzen für den Festzinssatz (auf Basis eines 30/360 Zinstagequotienten berechnet) für einen Fixed-for-Floating Euro Zinsswap mit jährlicher Zinszahlung, der (i) eine einjährige Laufzeit hat, beginnend mit dem Zinsanpassungstag, (ii) ein Betrag ist, der ein repräsentativer Wert für eine einzelne Transaktion im relevanten Markt zum jeweiligen Zeitpunkt mit einem anerkannten Händler mit guter Bonität auf dem Swapmarkt ist und (iii) einen variablen Zinssatz auf Basis des Drei-Monats EURIBOR (auf Basis eines Act/360 Zinstagequotienten berechnet) hat.

"**Referenzbanken**" bezeichnet die Niederlassungen von führenden Swap-Händlern im Interbanken-Markt.

(3) *Zinsbetrag*. Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den Zinssatz bestimmen und den auf die Schuldverschreibungen (vorbehaltlich § 3 (8) und § 5 (8)(a)) zahlbaren Zinsbetrag in Bezug auf die festgelegte Stückelung (der "**Zinsbetrag**") für die entsprechende Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf die festgelegte Stückelung (vorbehaltlich § 5 (8)(a)) angewendet werden. Der resultierende Betrag wird auf die kleinste Einheit der festgelegten Währung auf- oder abgerundet, wobei 0,5 solcher Einheiten aufgerundet werden.

(4) *Mitteilung von Zinssatz und Zinsbetrag*. Die Berechnungsstelle wird veranlassen, dass der Zinssatz, der Zinsbetrag für die jeweilige Zinsperiode, die jeweilige Zinsperiode und der betreffende Zinszahlungstag der (i) Emittentin, der Zahlstelle und den Gläubigern gemäß § 11 baldmöglichst, aber keinesfalls später als am vierten auf die Berechnung jeweils folgenden Geschäftstag und (ii) jeder Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, baldmöglichst, aber keinesfalls später als zu Beginn der jeweiligen Zinsperiode, mitgeteilt werden.

(5) *Verbindlichkeit der Festsetzungen*. Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Zahlstelle und die Gläubiger bindend.

(6) *Auflaufende Zinsen*. Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, ist der ausstehende Gesamtnennbetrag der Schuldverschreibungen vom Tag der Fälligkeit an (einschließlich) bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich) in Höhe des gesetzlich festgelegten Zinssatzes für Verzugszinsen[2] zu verzinsen.

(7) *Zinstagequotient*. "**Zinstagequotient**" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf die Schuldverschreibungen für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**"):

Wenn (a) der Zinsberechnungszeitraum kürzer oder gleich der Feststellungsperiode ist, in die das Ende des Zinsberechnungszeitraums fällt, die Anzahl der Tage in diesem Zinsberechnungszeitraum geteilt durch das Produkt aus (i) der Anzahl der Tage in dieser Feststellungsperiode und (ii) der Anzahl der Feststellungstage in einem Kalenderjahr; oder wenn (b) der Zinsberechnungszeitraum länger ist als die Feststellungsperiode, in die das Ende des Zinsberechnungszeitraums fällt, die Summe aus:

(i) der Anzahl der Tage des Zinsberechnungszeitraumes, die in die Feststellungsperiode fallen, in welcher der Zinsberechnungszeitraum beginnt, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstage in einem Kalenderjahr; und

(ii) der Anzahl der Tage des Zinsberechnungszeitraumes, die in die nächstfolgende Feststellungsperiode fallen, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstage in einem Kalenderjahr.

"**Feststellungsperiode**" bedeutet der Zeitraum von einem Feststellungstag (einschließlich) bis zu dem nächstfolgenden Feststellungstag (ausschließlich); dies schließt dann, wenn der Verzinsungsbeginn kein Feststellungstag ist, den Zeitraum ein, der an dem ersten Feststellungstag vor dem Verzinsungsbeginn anfängt, und dann, wenn der letzte Zinszahlungstag kein Feststellungstag ist, den Zeitraum ein, der an dem ersten Feststellungstag nach dem letzten Zinszahlungstag endet.

"**Feststellungstag**" ist der 30. April eines jeden Jahres.

(8) *Ausschluss der Zinszahlung*.

(a) Die Emittentin hat das Recht, die Zinszahlung nach freiem Ermessen ganz oder teilweise entfallen zu lassen, insbesondere (jedoch nicht ausschließlich) wenn dies notwendig ist, um ein Absinken der Harten Kernkapitalquote (wie in § 5 (8) definiert) unter die Mindest-CET1-Quote (wie in § 5 (8) definiert) zu vermeiden oder eine Auflage der zuständigen Aufsichtsbehörde zu erfüllen. Sie teilt den Gläubigern unverzüglich, spätestens jedoch am betreffenden Zinszahlungstag gemäß § 11 mit, wenn sie von diesem Recht Gebrauch macht.

(b) Eine Zinszahlung auf die Schuldverschreibungen ist für die betreffende Zinsperiode ausgeschlossen (ohne Einschränkung des freien Ermessens nach § 3 (8) (a)):

(i) soweit eine solche Zinszahlung zusammen mit den in dem laufenden Geschäftsjahr der Emittentin erfolgten und geplanten weiteren Ausschüttungen (wie in § 3 (9) definiert) auf die anderen Kernkapitalinstrumente (wie in § 3 (9) definiert) die Ausschüttungsfähigen Posten (wie in § 3 (9)

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[2] Der gesetzliche Verzugszinssatz beträgt gemäß §§ 288 Absatz 1, 247 BGB für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz.

definiert) übersteigen würde, wobei die Ausschüttungsfähigen Posten für diesen Zweck um einen Betrag erhöht werden, der bereits als Aufwand für Ausschüttungen in Bezug auf Kernkapitalinstrumente (einschließlich Zinszahlungen auf die Schuldverschreibungen) in die Ermittlung des Gewinns, der den Ausschüttungsfähigen Posten zugrunde liegt, eingegangen ist; oder

(ii) wenn und soweit die zuständige Aufsichtsbehörde anordnet, dass diese Zinszahlung insgesamt oder teilweise entfällt, oder ein anderes gesetzliches oder behördliches Ausschüttungsverbot besteht.

Reduzierungen von Zinszahlungen aufgrund von (i) erfolgen gleichrangig mit allen anderen Instrumenten des zusätzlichen Kernkapitals, es sei denn, die Emittentin verstieße mit einem solchen Vorgehen gegen bereits übernommene vertragliche bzw. gesetzliche oder aufsichtsrechtliche Verpflichtungen; in diesem Fall gelten die sich insoweit aus den bestehenden Instrumenten zwischen ihr und den direkten oder indirekten Inhabern der Instrumente bzw. den betreffenden Gläubigern ergebenden zwingenden Rangverhältnisse.

(c) Die Emittentin ist berechtigt, die Mittel aus entfallenen Zinszahlungen uneingeschränkt zur Erfüllung ihrer eigenen Verpflichtungen bei deren Fälligkeit zu nutzen. Entfallene Zinszahlungen werden nicht nachgezahlt.

(9) *Definitionen.*

"**Ausschüttung**" bezeichnet jede Art der Auszahlung von Dividenden oder Zinsen.

"**Ausschüttungsfähige Posten**" bezeichnet in Bezug auf eine Zinszahlung den Gewinn am Ende des dem betreffenden Zinszahlungstag unmittelbar vorhergehenden Geschäftsjahres der Emittentin, für das ein testierter Jahresabschluss vorliegt, zuzüglich (i) etwaiger vorgetragener Gewinne und ausschüttungsfähiger Rücklagen, jedoch abzüglich (ii) vorgetragener Verluste und gemäß anwendbarer Rechtsvorschriften oder der Satzung der Emittentin nicht ausschüttungsfähiger Gewinne und in die nicht ausschüttungsfähigen Rücklagen eingestellter Beträge, wobei diese Gewinne, Verluste und Rücklagen ausgehend von dem handelsrechtlichen Einzelabschluss der Emittentin und nicht auf der Basis des Konzernabschlusses festgestellt werden.

"**CRR**" bezeichnet die Verordnung (EU) Nr. 575/2013 des Europäischen Parlaments und des Rates vom 26. Juni 2013 über Aufsichtsanforderungen an Kreditinstitute und Wertpapierfirmen und zur Änderung der Verordnung (EU) Nr. 648/2012 (einschließlich jeder jeweils anwendbaren aufsichtsrechtlichen Regelung, die diese Verordnung ergänzt); soweit Bestimmungen der CRR geändert oder ersetzt werden, bezieht sich der Begriff CRR in diesen Anleihebedingungen auf die geänderten Bestimmungen bzw. die Nachfolgeregelungen.

"**Kernkapitalinstrumente**" bezeichnet Kapitalinstrumente, die im Sinne der CRR zu den Instrumenten des harten Kernkapitals oder des zusätzlichen Kernkapitals zählen.

§ 4
Zahlungen

(1) *Allgemeines*.

(a) *Zahlungen auf Kapital*. Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe von § 4 (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems außerhalb der Vereinigten Staaten.

(b) *Zahlungen von Zinsen*. Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von § 4 (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von § 4 (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 (3) (b).

(2) *Zahlungsweise*. Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der festgelegten Währung.

(3) *Vereinigte Staaten*. Für die Zwecke des § 1 (3) und des § 4 (1) bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U. S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Erfüllung*. Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(5) *Zahltag*. Fällt der Fälligkeitstag für eine Zahlung von Kapital in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Geschäftstag ist, dann haben die Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Geschäftstag und sind nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

(6) *Bezugnahmen auf Kapital*. Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen, jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge.

(7) *Hinterlegung von Kapital und Zinsen*. Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt und auf das Recht der Rücknahme verzichtet wird, erlöschen die jeweiligen Ansprüche der Gläubiger gegen die Emittentin.

§ 5
Rückzahlung; Herabschreibungen

(1) *Keine Endfälligkeit*. Die Schuldverschreibungen haben keinen Endfälligkeitstag.

(2) *Rückzahlung aus regulatorischen Gründen*. Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gekündigt und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin nach ihrer eigenen Einschätzung (i) die Schuldverschreibungen nicht vollständig für Zwecke der Eigenmittelausstattung als zusätzliches Kernkapital (Additional Tier 1) nach Maßgabe der CRR anrechnen darf oder (ii) in sonstiger Weise im Hinblick auf die Schuldverschreibungen einer weniger günstigen regulatorischen Eigenmittelbehandlung unterliegt als am Verzinsungsbeginn.

(3) *Rückzahlung aus steuerlichen Gründen*. Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gekündigt und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückgezahlt werden, falls sich die steuerliche Behandlung der Schuldverschreibungen in Folge einer nach dem Verzinsungsbeginn eingetretenen Rechtsänderung, einschließlich einer Änderung von steuerrechtlichen oder aufsichtsrechtlichen Gesetzen, Regelungen oder Verfahrensweisen, ändert

(insbesondere, jedoch nicht ausschließlich, im Hinblick auf die steuerliche Abzugsfähigkeit der unter den Schuldverschreibungen zu zahlenden Zinsen) und diese Änderung für die Emittentin nach eigener Einschätzung wesentlich nachteilig ist.

(4) *Rückzahlung nach Wahl der Emittentin*. Die Emittentin kann die Schuldverschreibungen insgesamt, jedoch nicht teilweise, vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde unter Einhaltung einer Kündigungsfrist von nicht weniger als 30 Tagen zum 30. April 2020 und danach zu jedem Zinszahlungstag (jeweils der "**Rückzahlungstag**") kündigen und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert und unter Berücksichtigung einer etwaigen Herabschreibung nach § 5 (8)) zuzüglich bis zum Rückzahlungstag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückzahlen.

(5) Eine Kündigung nach § 5 (2), (3) und (4) hat gemäß § 11 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin und im Falle einer Kündigung nach § 5 (2) oder (3) den Grund für die Kündigung nennen.

(6) *Kündigung nach erfolgter Hochschreibung; Rückzahlungsbetrag*. Die Emittentin kann ihr Kündigungsrecht nach § 5 (4) nur ausüben, wenn etwaige Herabschreibungen nach § 5 (8) wieder vollständig aufgeholt worden sind, es sei denn, die Gläubiger stimmen einer Kündigung in diesem Fall nach Maßgabe von § 9 zu. Im Übrigen steht die Ausübung der Kündigungsrechte nach § 5 (2), (3) und (4) im alleinigen Ermessen der Emittentin.

Der "**Rückzahlungsbetrag**" einer Schuldverschreibung entspricht, vorbehaltlich des nachstehenden Satzes, ihrem ursprünglichen Nennbetrag, soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet. Im Falle, dass die Emittentin (i) nach § 5 (2), (ii) nach § 5 (3) oder (iii) mit Zustimmung der Gläubiger trotz erfolgter Herabschreibung nach § 5 (8) und noch nicht wieder erfolgter Hochschreibung nach § 5 (4) kündigt, entspricht der "**Rückzahlungsbetrag**" einer Schuldverschreibung ihrem um Herabschreibungen verminderten (soweit nicht durch Hochschreibung(en) kompensiert) aktuellen Nennbetrag, soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet.

(7) *Kein Kündigungsrecht der Gläubiger*. Die Gläubiger sind zur Kündigung der Schuldverschreibungen nicht berechtigt.

(8) *Herabschreibung*.

(a) Bei Eintritt eines Auslöseereignisses sind der Rückzahlungsbetrag und der Nennbetrag jeder Schuldverschreibung um den Betrag der betreffenden Herabschreibung zu reduzieren.

Ein "**Auslöseereignis**" tritt ein, wenn die in Artikel 92 Absatz 1 Buchstabe a CRR bzw. einer Nachfolgeregelung genannte harte Kernkapitalquote bezogen auf die Institutsgruppe der Emittentin (die "**Harte Kernkapitalquote**") unter 7,0% (die "**Mindest-CET1-Quote**") fällt.

Im Falle eines Auslöseereignisses ist eine Herabschreibung *pro rata* mit sämtlichen anderen Instrumenten des zusätzlichen Kernkapitals im Sinne der CRR (Additional Tier 1 Capital), die eine Herabschreibung (gleichviel ob permanent oder temporär) bei Eintritt des Auslöseereignisses vorsehen, vorzunehmen. Der *pro rata* zu verteilende Gesamtbetrag der Herabschreibungen entspricht dabei dem Betrag, der zur vollständigen Wiederherstellung der Harten Kernkapitalquote der Emittentin bis zur Mindest-CET1-Quote erforderlich ist, höchstens jedoch der Summe der im Zeitpunkt des Eintritts des Auslöseereignisses ausstehenden Kapitalbeträge dieser Instrumente.

Wenn im Falle eines Auslöseereignisses auch andere Instrumente des zusätzlichen Kernkapitals herabzuschreiben oder in Instrumente des harten Kernkapitals zu wandeln sind, die nach ihren jeweiligen Bedingungen als Auslöseereignis das Unterschreiten einer Harten Kernkapitalquote vorsehen, die von der Mindest-CET1-Quote abweicht, richtet sich das Verhältnis bzw. die Reihenfolge, in welcher für die jeweils herabzuschreibenden oder in Instrumente des harten Kernkapitals zu wandelnden Instrumente eine

Herabschreibung oder Umwandlung vorzunehmen ist, nach den gesetzlichen oder aufsichtsrechtlichen Verpflichtungen der Emittentin. Wird dieses Verhältnis bzw. eine Reihenfolge nicht durch gesetzliche oder aufsichtsrechtliche Verpflichtungen der Emittentin vorgegeben, so gilt, sofern bereits übernommene vertragliche Verpflichtungen der Emittentin nicht entgegenstehen, Folgendes:

(i) Eine Herabschreibung gemäß diesem § 5 (8) erfolgt erst, nachdem alle Instrumente des zusätzlichen Kernkapitals mit einer über der Mindest-CET1-Quote liegenden Harten Kernkapitalquote als Auslöser gemäß ihrer Bedingungen herabgeschrieben oder in Aktien gewandelt wurden; und

(ii) eine Herabschreibung gemäß diesem § 5 (8) erfolgt vor Herabschreibung oder Wandlung von Instrumenten des zusätzlichen Kernkapitals mit einer unter der Mindest-CET1-Quote liegenden Harten Kernkapitalquote.

Die Summe der in Bezug auf die Schuldverschreibungen vorzunehmenden Herabschreibungen ist auf den ausstehenden Gesamtnennbetrag der Schuldverschreibungen zum Zeitpunkt des Eintritts des jeweiligen Auslöseereignisses beschränkt.

Im Falle des Eintritts eines Auslöseereignisses wird die Emittentin:

(aa) unverzüglich die für sie zuständige Aufsichtsbehörde sowie gemäß § 11 die Gläubiger der Schuldverschreibungen von dem Eintritt dieses Auslöseereignisses sowie des Umstandes, dass eine Herabschreibung vorzunehmen ist, unterrichten, und

(bb) unverzüglich, spätestens jedoch innerhalb eines Monats (soweit die für sie zuständige Aufsichtsbehörde diese Frist nicht verkürzt) die vorzunehmende Herabschreibung feststellen und (i) der zuständigen Aufsichtsbehörde, (ii) den Gläubigern der Schuldverschreibungen gemäß § 11, (iii) der Berechnungsstelle und der Zahlstelle sowie (iv) jeder Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, mitteilen.

Die Herabschreibung gilt als bei Abgabe der Mitteilungen nach (bb)(i) und (bb)(ii) vorgenommen und der jeweilige Nennbetrag der Schuldverschreibungen (einschließlich Rückzahlungsbetrag) nach Maßgabe der festgelegten Stückelung um diesen Betrag reduziert.

(b) Nach der Vornahme einer Herabschreibung können der Nennbetrag sowie der Rückzahlungsbetrag jeder Schuldverschreibung in jedem der Reduzierung nachfolgenden Geschäftsjahre der Emittentin bis zur vollständigen Höhe des ursprünglichen Nennbetrags (soweit nicht zuvor zurückgezahlt oder angekauft und entwertet) nach Maßgabe der folgenden Regelungen dieses § 5 (8) (b) wieder hochgeschrieben werden, soweit ein entsprechender Jahresüberschuss zur Verfügung steht und mithin hierdurch kein Jahresfehlbetrag entsteht oder erhöht würde.

Die Hochschreibung erfolgt gleichrangig mit der Hochschreibung anderer Instrumente des zusätzlichen Kernkapitals im Sinne der CRR, es sei denn die Emittentin verstieße mit einem solchen Vorgehen gegen bereits übernommene vertragliche bzw. gesetzliche oder aufsichtsrechtliche Verpflichtungen.

Die Vornahme einer Hochschreibung steht vorbehaltlich der nachfolgenden Vorgaben (i) bis (v) im Ermessen der Emittentin. Insbesondere kann die Emittentin auch dann ganz oder teilweise von einer Hochschreibung absehen, wenn ein entsprechender Jahresüberschuss zur Verfügung steht und die Vorgaben (i) bis (v) erfüllt wären.

(i) Soweit der festgestellte bzw. festzustellende Jahresüberschuss für die Hochschreibung der Schuldverschreibungen (mithin jeweils von Nennbetrag und Rückzahlungsbetrag) und anderer, mit einem vergleichbaren Auslöseereignisses (ggf. mit einer abweichenden Kernkapitalquote als Auslöser) ausgestatteter Instrumente des zusätzlichen Kernkapitals im Sinne der CRR (insgesamt – einschließlich der Schuldverschreibungen – die "**AT1 Instrumente**") verwendet werden soll und

nach Maßgabe von (ii) und (iii) zur Verfügung steht, erfolgt die Hochschreibung *pro rata* nach Maßgabe der ursprünglichen Nennbeträge der Instrumente.

(ii) Der Höchstbetrag, der insgesamt für die Hochschreibung der Schuldverschreibungen und anderer, herabgeschriebener AT1 Instrumente sowie die Zahlung von Zinsen und anderen Ausschüttungen auf herabgeschriebene AT1 Instrumente verwendet werden kann, errechnet sich nach den jeweils geltenden technischen Regulierungsstandards im Zeitpunkt der Vornahme der Hochschreibung. Zum Zeitpunkt der Begebung der Schuldverschreibungen gilt nach Art. 21 der Delegierten Verordnung (EU) Nr. 241/2014 der Kommission vom 7. Januar 2014 folgende Formel:

H = **J** x **S/T1**

H bezeichnet den für die Hochschreibung der AT1 Instrumente und Ausschüttungen auf herabgeschriebene AT1 Instrumente zur Verfügung stehenden Höchstbetrag;

J bezeichnet den festgestellten bzw. festzustellenden Jahresüberschuss des Vorjahres;

S bezeichnet die Summe der ursprünglichen Nennbeträge der AT1 Instrumente (d.h. vor Vornahme von Herabschreibungen infolge eines Auslöseereignisses oder eines vergleichbaren Ereignisses);

T1 bezeichnet den Betrag des Kernkapitals der Emittentin unmittelbar vor Vornahme der Hochschreibung.

Die Bestimmung des Höchstbetrags **H** hat sich jeweils nach den geltenden technischen Regulierungsstandards zu richten. Der Höchstbetrag **H** ist von der Emittentin jeweils im Einklang mit den zum Zeitpunkt der Bestimmung geltenden Anforderungen zu bestimmen und der so bestimmte Betrag der Hochschreibung zugrunde zu legen, ohne dass es einer Änderung dieses Absatzes (ii) bedürfte.

(iii) Insgesamt darf die Summe der Beträge der Hochschreibungen auf AT1 Instrumente zusammen mit etwaigen Dividenden und anderen Ausschüttungen in Bezug auf Geschäftsanteile, Aktien und andere Instrumente des harten Kernkapitals der Emittentin (einschließlich der Zinszahlungen und anderen Ausschüttungen auf herabgeschriebene AT1 Instrumente) in Bezug auf das betreffende Geschäftsjahr den in Artikel 141 Absatz 2 CRD IV bzw. einer Nachfolgeregelung bezeichneten ausschüttungsfähigen Höchstbetrag (in der englischen Sprachfassung der sog. "**Maximum Distributable Amount**" oder "**MDA**"), wie in das nationale Recht umgesetzt, nicht überschreiten.

"**CRD IV**" bezeichnet die Richtlinie 2013/36/EU des Europäischen Parlaments und des Rates vom 26. Juni 2013 über den Zugang zur Tätigkeit von Kreditinstituten und die Beaufsichtigung von Kreditinstituten und Wertpapierfirmen, zur Änderung der Richtlinie 2002/87/EG und zur Aufhebung der Richtlinien 2006/48/EG und 2006/49/EG in ihrer jeweils gültigen Fassung.

(iv) Hochschreibungen der Schuldverschreibungen gehen Dividenden und anderen Ausschüttungen in Bezug auf Geschäftsanteile, Aktien und andere Instrumente des harten Kernkapitals der Emittentin nicht vor, d.h. diese können auch dann vorgenommen werden, solange keine vollständige Hochschreibung erfolgt ist.

(v) Zum Zeitpunkt einer Hochschreibung darf kein Auslöseereignis fortbestehen. Eine Hochschreibung ist zudem ausgeschlossen, soweit diese zu dem Eintritt eines Auslöseereignisses führen würde.

Wenn sich die Emittentin für die Vornahme einer Hochschreibung nach den Bestimmungen dieses § 5 (8) (b) entscheidet, wird sie unverzüglich gemäß § 11 die Gläubiger der Schuldverschreibungen, die Berechnungsstelle, die Zahlstelle sowie jede Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, von der Vornahme der Hochschreibung (einschließlich des Hochschreibungsbetrags als

Prozentsatz des ursprünglichen Nennbetrags der Schuldverschreibungen und des Tags, an dem die Hochschreibung bewirkt werden soll (jeweils ein "**Hochschreibungstag**")) unterrichten. Die Hochschreibung gilt als bei Abgabe der Mitteilung an die Gläubiger gemäß § 11 vorgenommen und der jeweilige Nennbetrag der Schuldverschreibungen (einschließlich Rückzahlungsbetrag) nach Maßgabe der festgelegten Stückelung um den in der Mitteilung angegebenen Betrag zum Zeitpunkt des Hochschreibungstags erhöht.

§ 6
Die Zahlstelle und die Berechnungsstelle

(1) *Bestellung; bezeichnete Geschäftsstelle*. Die anfänglich bestellte Zahlstelle und deren anfänglich bezeichnete Geschäftsstelle lautet wie folgt:

Zahlstelle: Aareal Bank AG
Paulinenstraße 15
65189 Wiesbaden
Deutschland

Die Zahlstelle behält sich das Recht vor, jederzeit ihre bezeichnete Geschäftsstelle durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

Die Berechnungsstelle und ihre anfänglich bezeichnete Geschäftsstelle lauten:

Berechnungsstelle: Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt
Deutschland

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden oder zusätzliche oder andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt eine Zahlstelle unterhalten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 11 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Beauftragte der Emittentin*. Die Zahlstelle und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern, und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

§ 7
Steuern

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die (i) von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden oder (ii) gemäß den Vorschriften einer in Abschnitt 1471(b) des US-Bundessteuergesetzes (*United States Internal Revenue Code*) von 1986 (der "**Internal Revenue Code**") beschriebenen Vereinbarung oder gemäß anderweitig in den Abschnitten 1471 bis 1474 des Internal Revenue Code sowie gemäß sämtlichen Vorschriften oder Vereinbarungen bzw. offiziellen Auslegungen dieser Abschnitte ("**FATCA-Abkommen**") oder nach Maßgabe eines Gesetzes zur Umsetzung zwischenstaatlicher Vertragswerke in Bezug auf FATCA auferlegten Verpflichtungen auferlegt, erhoben oder eingezogen werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

§ 8
Vorlegungsfrist

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 9
Änderung der Anleihebedingungen, Gemeinsamer Vertreter

(1) *Änderung der Anleihebedingungen.* Die Gläubiger können vorbehaltlich der Einhaltung der aufsichtsrechtlichen Voraussetzungen für die Anerkennung der Schuldverschreibungen als zusätzliches Kernkapital entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – "**SchVG**") durch einen Beschluss mit der in § 9 (2) bestimmten Mehrheit über einen im SchVG zugelassenen Gegenstand eine Änderung der Anleihebedingungen mit der Emittentin vereinbaren und über eine Zustimmung gemäß § 5 (6) entscheiden. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn, die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse.* Die Gläubiger entscheiden mit einer Mehrheit von 75% der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand des § 5 Absatz 3, Nr. 1 bis Nr. 9 SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(3) *Beschlussfassung.* Alle Beschlüsse können in einer Gläubigerversammlung oder im Wege der Abstimmung ohne Versammlung gefasst werden.

(4) *Gläubigerversammlung*. Falls Beschlüsse der Gläubiger in einer Gläubigerversammlung gefasst werden, enthält die Bekanntmachung der Einberufung nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Bekanntmachung der Einberufung bekannt gemacht. Die Teilnahme an der Gläubigerversammlung und die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der Gläubigerversammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 14(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Gläubigerversammlung (einschließlich) nicht übertragbar sind, nachweisen.

(5) *Abstimmung ohne Versammlung*. Falls Beschlüsse der Gläubiger im Wege einer Abstimmung ohne Versammlung gefasst werden, enthält die Aufforderung zur Stimmabgabe nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 14(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum letzten Tag des Abstimmungszeitraums (einschließlich) nicht übertragbar sind, nachweisen.

(6) *Zweite Versammlung.* Wird für die Gläubigerversammlung gemäß § 9 (4) oder die Abstimmung ohne Versammlung gemäß § 9 (5) die mangelnde Beschlussfähigkeit festgestellt, kann – im Fall der Gläubigerversammlung – der Vorsitzende eine zweite Versammlung im Sinne von § 15 Absatz 3 Satz 2 SchVG und – im Fall der Abstimmung ohne Versammlung – der Abstimmungsleiter eine zweite Versammlung im Sinne von § 15 Absatz 3 Satz 3 SchVG einberufen. Die Teilnahme an der zweiten Versammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Versammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 14(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragbar sind, nachweisen.

(7) *Gemeinsamer Vertreter*. Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter für alle Gläubiger bestellen.

Der gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Er hat die Weisungen der Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn, der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der gemeinsame Vertreter den Gläubigern zu berichten. Für die Abberufung und die sonstigen Rechte und Pflichten des gemeinsamen Vertreters gelten die Vorschriften des SchVG.

§ 10
Begebung weiterer Schuldverschreibungen, Ankauf und Entwertung

(1) *Begebung weiterer Schuldverschreibungen*. Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabekurses) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf*. Die Emittentin ist (mit vorheriger Zustimmung der für die Emittentin zuständigen Aufsichtsbehörde) berechtigt, Schuldverschreibungen im regulierten Markt oder anderweitig zu jedem beliebigen Kurs zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung eingereicht werden.

(3) *Entwertung*. Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 11
Mitteilungen

(1) *Bekanntmachung*. Alle die Schuldverschreibungen betreffenden Mitteilungen, außer den in § 9 vorgesehenen Bekanntmachungen, die ausschließlich gemäß den Bestimmungen des SchVG erfolgen, sind im Bundesanzeiger zu veröffentlichen. Jede derartige Mitteilung gilt am dritten Kalendertag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am dritten Kalendertag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) Zusätzlich erfolgen alle die Schuldverschreibungen betreffenden Mitteilungen durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu). Solange Schuldverschreibungen in der offiziellen Liste der Luxemburger Börse notiert sind, findet dieser Absatz (2) Anwendung. Soweit die Mitteilung den Zinssatz betrifft oder die Regeln der Luxemburger Börse dies sonst zulassen, kann die Emittentin eine Veröffentlichung nach diesem Absatz (2) durch eine Mitteilung an das Clearing System zur

Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Kalendertag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 12
Zusätzliches Kernkapital

Zweck der Schuldverschreibungen ist es, der Emittentin auf unbestimmte Zeit als zusätzliches Kernkapital zu dienen.

§ 13
Fremdwährungen

Sofern Beträge für ein Instrument nicht in der funktionalen Währung der Emittentin ausgedrückt sind, erfolgt für die Anwendung dieser Bedingungen eine Umrechnung in diese funktionale Währung zu dem zu diesem Zeitpunkt geltenden vorherrschenden und durch die Emittentin nach billigem Ermessen festgestellten Wechselkurs oder gemäß einem anderen Verfahren, das in den jeweiligen Eigenkapitalvorschriften vorgesehen ist.

§ 14
Anwendbares Recht und Gerichtsstand

(1) *Anwendbares Recht*. Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstand*. Vorbehaltlich eines zwingenden Gerichtsstandes für besondere Rechtsstreitigkeiten im Zusammenhang mit dem SchVG, ist das Landgericht Frankfurt am Main, Bundesrepublik Deutschland nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**").

(3) *Gerichtliche Geltendmachung*. Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) indem er eine Bescheinigung der Depotbank (wie nachfolgend definiert) beibringt, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) indem er eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vorlegt, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 15
Sprache

Diese Anleihebedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

CONDITIONS OF ISSUE - ENGLISH LANGUAGE VERSION

NON-BINDING ENGLISH LANGUAGE VERSION

The terms and conditions of the Notes are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

Die Anleihebedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

TERMS AND CONDITIONS OF THE NOTES

§ 1
Currency, Denomination, Form

(1) *Currency; Denomination*. This issue of subordinated notes (the "**Notes**") of Aareal Bank AG (the "**Issuer**") is being issued in Euro ("**EUR**") (the "**Specified Currency**") in the aggregate principal amount of EUR 300,000,000 (in words: three hundred million Euro) in a denomination of EUR 200,000 (the "**Specified Denomination**").

(2) *Form*. The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange*.

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**" and together with the Temporary Global Note each the "**Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Paying Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions) as required by U.S. tax law. Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this § 1 (3) (b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4 (3)).

(4) *Clearing System*. The Global Note representing the Notes will be kept in custody by or on behalf of the Clearing System. "**Clearing System**" means the following: Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Federal Republic of Germany ("**CBF**") and any successor in such capacity. The Notes are issued in classical global note ("**CGN**") form and are kept in custody by CBF.

(5) *Holder of Notes*. "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

§ 2
Status

(1) The Notes constitute unsecured and subordinated obligations of the Issuer, ranking *pari passu* among themselves and (subject to the subordination provision in sentence 2) *pari passu* with all other subordinated obligations of the Issuer. In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Notes shall be fully subordinated to (i) the claims of other creditors of the Issuer that are unsubordinated, (ii) the claims under Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung* – "**InsO**") so that in any such event no amounts shall be payable in respect of the Notes until (i) the claims of such other unsubordinated creditors of the Issuer, (ii) the claims under Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 InsO have been satisfied in full. Subject to this subordination provision, the Issuer may satisfy its obligations under the Notes also from other distributable assets (*freies Vermögen*) of the Issuer. No Holder may set off his claims arising under the Notes against any claims of the Issuer. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Notes.

Claims under the Notes will rank *pari passu* with the claims against the Issuer under (i) the support undertaking entered into by the Issuer in relation to the issuance of EUR 250,000,000 non-cumulative trust preferred securities by Aareal Bank Capital Funding Trust, Delaware, United States of America, (ii) the agreement on the establishment of a silent partnership between the Issuer and Capital Funding GmbH, Frankfurt am Main (formerly Norderfriedrichskoog) as silent partner dated 13 August 2002 / 24/25 September 2002 (silent participation in the amount of EUR 180 million), and (iii) the agreement on the establishment of a silent partnership between the Issuer and Deutsche Girozentrale – deutsche Kommunalbank AG, Frankfurt am Main as silent partner dated 20 November 1986 (silent participation in the amount of EUR 10.2 million), assigned by the initial silent partner to Bayerische Beamten Lebensversicherung a.G. pursuant to an assignment agreement dated 10./16. Dezember 1987.

(2) No subsequent agreement may limit the subordination pursuant to the provisions set out in § 2 (1) or shorten the term of the Notes or any applicable notice period. If the Notes are redeemed or repurchased by the Issuer otherwise than in the circumstances described in § 2 (1)) or as a result of a redemption pursuant to § 5 (2), § 5 (3) or § 5 (4), then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary unless the competent supervisory authority of the Issuer has given its consent to such redemption or repurchase. A redemption of the Notes pursuant to § 5 or a repurchase of the Notes requires, in any event, the prior consent of the competent supervisory authority of the Issuer.

§ 3
Interest

(1) *Interest Payment Dates.*

(a) Subject to a cancellation of interest payments pursuant to § 3 (8) and a write-down pursuant to § 5 (8), the Notes shall bear interest on their aggregate principal amount from (and including) 20 November 2014 (the "**Interest Commencement Date**") to (but excluding) the first Interest Payment Date, and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. In the event of a write-down pursuant to § 5 (8) (a), the Notes, unless and until they have been written up again pursuant to § 5 (8) (b), shall only bear interest on the aggregate principal amount which has been reduced accordingly; interest will be calculated on the basis of the reduced aggregate principal amount of the Notes for the full Interest Period in which such write-down pursuant to § 5 (8) (a) occurred and for any Interest Period thereafter and any write-up pursuant to § 5 (8) (b) will only become effective from the Interest Period commencing on an Interest Payment Date on or prior to which such write-down has occurred.

(b) "**Interest Payment Date**" means each 30 April. The first Interest Payment Date is 30 April 2015 (short first interest period).

(c) If any Interest Payment Date falls on a day which is not a Business Day, the interest payment shall be postponed to the next day which is a Business Day.

"**Business Day**" means any day (other than Saturday or Sunday) on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) is open.

(d) The Holders are not entitled to further interest or other payment in case the interest payment is postponed in accordance with § 3 (1) (c).

(2) *Rate of Interest*. The rate of interest (the "**Rate of Interest**")

(i) for any Interest Period (as defined below) falling in the period from (and including) the Interest Commencement Date to (but excluding) 30 April 2020 shall be equal to 7.625 per cent. *per annum* and

(ii) for any Interest Period commencing on or after 30 April 2020 shall be equal to the Reference Rate (as defined below) determined on the relevant Interest Determination Date (as defined below) for such Interest Period plus a margin of 7.18[1] per cent. *per annum*.

"**Interest Period**" means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date.

"**Reset Date**" means, in respect of any Interest Period commencing on or after 30 April 2020, the 30th of April on which such Interest Period commences.

"**Interest Determination Date**" means, in respect of any Interest Period commencing on or after 30 April 2020, the second Business Day prior to the Reset Date on which the relevant Interest Period commences.

"**Reference Rate**" is the annual swap rate expressed as a percentage *per annum* for euro swap transactions with a maturity of one year which appears on the Screen Page (as defined below) on the Interest Determination Date under the heading "EURIBOR BASIS – EUR" and above the caption "11:00AM FRANKFURT" as of 11:00 a.m. (Frankfurt time) (the "**One Year Euro Mid Swap Rate**"), all as determined by the Calculation Agent.

"**Screen Page**" means Reuters Screen Page ISDAFIX2.

If the Screen Page permanently ceases to quote the One Year Euro Mid Swap Rate but such quotation is available from another page selected by the Calculation Agent in equitable discretion (the "**Replacement Screen Page**"), the Replacement Screen Page shall be used for the purpose of the calculation of the One Year Euro Mid Swap Rate.

If the Screen Page is not available or if no One Year Euro Mid Swap Rate is quoted (in each case as at such time), and if there is following the verification of the Calculation Agent no Replacement Screen Page available, the Calculation Agent shall determine the Reference Rate on a basis of the One Year Mid Swap Quotation (as defined below) as provided by five Reference Banks (as defined below) at approximately 11.00 a.m. (Frankfurt time) on the relevant Interest Determination Date.

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[1] The margin will correspond to the rate to be determined as initial credit spread on the day of pricing of the Notes; such initial credit spread will also be used for determining the fixed rate applicable pursuant to subparagraph (i).

If three or more of the Reference Banks provide the Calculation Agent with such One Year Mid Swap Quotations, the Reference Rate shall be the arithmetic mean (rounded up- or downwards if necessary) of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in case of equality, one of the lowest), all as determined by the Calculation Agent.

If only two or less of the Reference Banks provide the Calculation Agent with such quotations, the Calculation Agent shall determine the Reference Rate on a basis of the One Year Mid Swap Quotation (as defined below) as provided by major banks in the Euro-zone, that shall be selected by the Calculation Agent, at approximately 11.00 a.m. (Frankfurt time) on the relevant Interest Determination Date.

"**One Year Mid Swap Quotation**" means the arithmetic mean of the bid and offered rates for the fixed leg (calculated on 30/360 day count fraction basis) of a fixed-for-floating euro interest rate swap with annual interest payments which (i) has a term of one year commencing on the Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledgement dealer of good credit in the swap market and (iii) has a floating interest based on the three-months EURIBOR (calculated on an Act/360 basis) with an acknowledged dealer of good credit in the swap market.

"**Reference Banks**" means those offices of leading swap dealers in the interbank market.

(3) *Interest Amount*. The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the "**Interest Amount**") payable on the Notes (subject to § 3 (8) and § 5 (8)(a)) in respect of the Specified Denomination for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to the Specified Denomination (subject to § 5 (8)(a)) and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

(4) *Notification of Rate of Interest and Interest Amount*. The Calculation Agent will cause the Rate of Interest, the Interest Amount for each Interest Period, each Interest Period and the relevant Interest Payment Date to be notified (i) to the Issuer, to the Paying Agent and to the Holders in accordance with § 11 as soon as possible after their determination, but in no event later than the fourth Business Day thereafter and (ii), if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period.

(5) *Determinations Binding*. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Holders.

(6) *Accrual of Interest*. The Notes shall cease to bear interest from the beginning of the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding aggregate principal amount of the Notes from (and including) the due date to (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law[2].

(7) *Day Count Fraction*. "**Day Count Fraction**" means with regard to the calculation of an Interest Amount on the Notes for any period of time (the "**Calculation Period**"):

If (a) the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (i) the

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[2] Pursuant to §§ 288 (1), 247 of the German Civil Code (*BGB*), the default rate of interest per year established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time.

number of days in such Determination Period and (ii) the number of Determination Dates that would occur in one calendar year; or if (b) the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year.

"**Determination Period**" means the period from (and including) a Determination Date to (but excluding) the next Determination Date, where the Interest Commencement Date is not a Determination Date, the period commencing on the first Determination Date prior to the Interest Commencement Date, and where the final Interest Payment Date is not a Determination Date, the first Determination Date falling after the final Interest Payment Date).

"**Determination Date**" means 30 April in each year.

(8) *Cancellation of Interest Payment.*

(a) The Issuer has the right, in its sole discretion, to cancel all or part of any payment of interest, including (but not limited to) if such cancellation is necessary to prevent the Common Equity Tier 1 Capital Ratio (as defined in § 5 (8)) from falling below the Minimum CET1 Ratio (as defined in § 5 (8)) or to meet a requirement imposed by the competent supervisory authority. If the Issuer makes use of such right, it shall give notice to the Holders in accordance with § 11 without undue delay but no later than on the relevant Interest Payment Date.

(b) Payment of interest on the Notes for the relevant Interest Period shall be cancelled (without prejudice to the exercise of sole discretion pursuant to § 3 (8) (a)):

(i) to the extent that such payment of interest together with any additional Distributions (as defined in § 3 (9)) that have been made and are scheduled to be made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9)) in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9)), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (*Gewinn*) on which the Available Distributable Items are based; or

(ii) if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority.

Any reductions of payments of interest pursuant to (i) above shall be effected *pari passu* in rank with all other Additional Tier 1 instruments, unless this would cause the Issuer to be in breach with any contractual obligations that have been assumed by the Issuer or with any statutory or regulatory obligations; in this case, the mandatory ranking relationships pursuant to the terms of the existing instruments between the Issuer and the direct or indirect holders of such instruments or the relevant Holders shall apply.

(c) The Issuer has the right to use the funds from cancelled payments of interest without restrictions for the fulfilment of its own obligations when due. Any payments of interest which have been cancelled will not be made or compensated at any later date.

(9) *Definitions.*

"**Distribution**" means any kind of payment of dividends or interest.

"**Available Distributable Items**" means, with respect to any payment of interest, the profit (*Gewinn*) as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date, for which audited annual financial statements are available, plus (i) any profits carried forward and distributable reserves (*ausschüttungsfähige Rücklagen*), minus (ii) any losses carried forward and any profits which are non-distributable pursuant to applicable law or the Articles of Association of the Issuer and any amounts allocated to the non-distributable reserves, provided that such profits, losses and reserves shall be determined on the basis of the unconsolidated financial statements of the Issuer prepared in accordance with German commercial law and not on the basis of its consolidated financial statements.

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (including any provisions of regulatory law supplementing this Regulation); to the extent that any provisions of the CRR are amended or replaced, the term CRR as used in these Terms and Conditions shall refer to such amended provisions or successor provisions.

"**Tier 1 Instruments**" means capital instruments which, according to the CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital.

§ 4
Payments

(1) *General.*

(a) *Payment of Principal*. Payment of principal in respect of Notes shall be made, subject to § 4 (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States.

(b) *Payment of Interest*. Payment of interest on Notes shall be made, subject to § 4 (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to § 4 (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System, upon due certification as provided in § 1 (3) (b).

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *United States*. For the purposes of § 1 (3) and § 4 (1), "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Discharge*. The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(5) *Payment Date*. If the date for payment of principal in respect of any Note is not a Business Day then the Holders shall not be entitled to payment until the next Business Day and shall not be entitled to further interest or other payment in respect of such delay.

(6) *References to Principal*. Reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable, the following amounts: the Redemption Amount of the Notes, any premium and any other amounts which may be payable under or in respect of the Notes.

(7) *Deposit of Principal and Interest*. The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the due date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5
Redemption; Write-downs

(1) *No Scheduled Maturity*. The Notes have no scheduled maturity date.

(2) *Redemption for Regulatory Reasons*. If the Issuer determines, in its own discretion, that it (i) may not treat the full aggregate principal amount of the Notes as Additional Tier 1 capital for the purposes of its own funds in accordance with the CRR or (ii) is subject to any other form of a less advantageous regulatory own funds treatment with respect to the Notes than as of the Interest Commencement Date, the Notes may be redeemed, in whole but not in part, at any time at the option of the Issuer, subject to the prior consent of the competent supervisory authority, upon not less than 30 and not more than 60 days' prior notice of redemption at their Redemption Amount (as defined below) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the date fixed for redemption.

(3) *Redemption for Reasons of Taxation*. If the tax treatment of the Notes, due to a change in applicable legislation, including a change in any fiscal or regulatory legislation, rules or practices, which takes effect after the Interest Commencement Date, changes (including but not limited to the tax deductibility of interest payable on the Notes) and the Issuer determines, in its own discretion, that such change has a material adverse effect on the Issuer, the Notes may be redeemed, in whole but not in part, at any time at the option of the Issuer, subject to the prior consent of the competent supervisory authority, upon not less than 30 and not more than 60 days' prior notice of redemption at their Redemption Amount (as defined below) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the date fixed for redemption.

(4) *Redemption at the Option of the Issuer*. The Issuer may redeem the Notes, in whole but not in part, at any time, subject to the prior consent of the competent supervisory authority, upon not less than 30 days' notice of redemption with effect as of 30 April 2020 and, thereafter, with effect as of each Interest Payment Date (each the "**Redemption Date**") at their Redemption Amount (as defined below and taking into account any write-down pursuant to § 5 (8), if applicable) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the Redemption Date.

(5) Notice pursuant to § 5 (2), (3) and (4) shall be given in accordance with § 11. Such notice shall be irrevocable and shall state the date fixed for redemption and, in the case of a notice pursuant to § 5 (2) or (3), the reason for the redemption.

(6) *Redemption after Write-Up; Redemption Amount*. The Issuer may exercise its redemption right pursuant to § 5 (4) only if any write-downs pursuant to § 5 (8) have been fully written up, unless the Holders agree to a redemption in such case in accordance with the terms of § 9. Notwithstanding the above, the exercise of the redemption rights pursuant to § 5 (2), (3) and (4) shall be at the sole discretion of the Issuer.

The "**Redemption Amount**" of each Note, unless previously redeemed in whole or in part or repurchased and cancelled and subject to the following sentence, shall be the initial principal amount of such Note. In the event that the Issuer redeems the Notes (i) pursuant to § 5 (2), (ii) pursuant to § 5 (3) or (iii) pursuant to § 5 (4) with the consent of the Holders despite of the fact that a write-down had occurred pursuant to § 5 (8) which has not been written up, the "**Redemption Amount**" of each Note, unless previously redeemed in whole or in part or repurchased and cancelled, shall be the then current principal amount of such Note as reduced by any write-downs (to the extent not made up for by write-up(s)).

(7) *No Call Right of the Holders*. The Holders have no right to call the Notes for redemption.

(8) *Write-down*.

(a) Upon the occurrence of a Trigger Event, the Redemption Amount and the principal amount of each Note shall be reduced by the amount of the relevant write-down.

A "**Trigger Event**" occurs if the Common Equity Tier 1 capital ratio pursuant to Article 92 (1) (a) CRR or a successor provision, determined on a consolidated basis (the "**Common Equity Tier 1 Capital Ratio**") falls below 7.0 per cent. (the "**Minimum CET1 Ratio**").

Upon the occurrence of a Trigger Event, a write-down shall be effected *pro rata* with all other Additional Tier 1 instruments within the meaning of the CRR (Additional Tier 1 capital), the terms of which provide for a write-down (whether permanent or temporary) upon the occurrence of the Trigger Event. For such purpose, the total amount of the write-downs to be allocated *pro rata* shall be equal to the amount required to restore fully the Common Equity Tier 1 Capital Ratio of the Issuer to the Minimum CET1 Ratio but shall not exceed the sum of the principal amounts of the relevant instruments outstanding at the time of occurrence of the Trigger Event.

If upon the occurrence of a Trigger Event, other Additional Tier 1 instruments which provide for a Common Equity Tier 1 Capital Ratio different from the Minimum CET1 Ratio as a trigger need to be written down or converted into Tier 1 capital in accordance with their terms, any such write-down or conversion will occur in such order of application or ratio as required in accordance with legal or regulatory requirements applicable to the Issuer. If no such order or ratio is required by applicable law or regulations, subject to any previous contractual obligations of the Issuer, the following applies:

(i) Any write-down pursuant to this § 5 (8) shall only occur after all Additional Tier 1 instruments with a Common Equity Tier 1 Capital Ratio above the Minimum CET1 Ratio as trigger have been written down or converted into common shares in accordance with their terms; and

(ii) any write-down pursuant to this § 5 (8) shall occur prior to the write-down or conversion of Additional Tier 1 instruments with a Common Equity Tier 1 Capital Ratio below the Minimum CET1 Ratio as trigger.

The sum of the write-downs to be effected with respect to the Notes shall be limited to the outstanding aggregate principal amount of the Notes at the time of occurrence of the relevant Trigger Event.

Upon the occurrence of a Trigger Event, the Issuer shall:

(aa) inform the competent supervisory authority of the Issuer and, in accordance with § 11, the Holders of the Notes without undue delay about the occurrence of such Trigger Event and the fact that a write-down will have to be effected, and

(bb) determine the write-down to be effected without undue delay, but not later than within one month (unless the competent supervisory authority of the Issuer shortens such period), and notify such write-down (i) to the competent supervisory authority, (ii) to the Holders of the Notes in accordance with § 11, (iii) to the Calculation Agent and the Paying Agent and (iv), if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange.

The write-down shall be deemed to be effected at the time when the notices pursuant to (bb)(i) and (bb)(ii) are given and the principal amount of each Note (including the Redemption Amount) in the Specified Denomination shall be deemed to be reduced at such time by the amount of such write-down.

(b) After a write-down has been effected, the principal amount and the Redemption Amount of each Note, unless previously redeemed or repurchased and cancelled, may be written up in accordance with the

following provisions of § 5 (8) (b) in each of the financial years of the Issuer subsequent to such write-down until the full initial principal amount has been reached, to the extent that a corresponding annual profit (*Jahresüberschuss*) is recorded and the write-up will not give rise to or increase an annual net loss (*Jahresfehlbetrag*).

The write-up shall be effected *pari passu* with write-ups of other Additional Tier 1 instruments within the meaning of the CRR, unless this would cause the Issuer to be in breach with any contractual obligations that have been assumed by the Issuer or with any statutory or regulatory obligations.

Subject to the conditions (i) to (v) below, it shall be at the discretion of the Issuer to effect a write-up. In particular, the Issuer may effect a write-up only in part or effect no write-up at all even if a corresponding annual profit (*Jahresüberschuss*) is recorded and the conditions (i) to (v) are fulfilled.

(i) To the extent that the annual profit determined or to be determined is to be used for a write-up of the Notes (i.e. a write-up of the principal amount and of the Redemption Amount) and of other Additional Tier 1 instruments within the meaning of the CRR, the terms of which provide for a similar Trigger Event (also if such terms provide for a different Tier 1 capital ratio as trigger) (together with the Notes the "**AT1 Instruments**"), and is available in accordance with (ii) and (iii) below, such write-up shall be effected *pro rata* in proportion to the initial principal amounts of the instruments.

(ii) The maximum total amount that may be used for a write-up of the Notes and of other AT1 Instruments that have been written down and for the payment of interest and other Distributions on AT1 Instruments that have been written down shall be calculated in accordance with the regulatory technical standards applicable at the time when the write-up is effected. At the time of the issuance of the Notes, pursuant to Art. 21 of Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 the following formula applies:

H = **J** x **S**/**T1**

H means the maximum amount available for the write-up of the AT1 Instruments and Distributions on AT1 Instruments that have been written down;

J means the annual profit determined or to be determined for the previous year;

S means the sum of the initial principal amounts of the AT1 Instruments (i.e. before write-downs due to a Trigger Event or other comparable event are effected);

T1 means the amount of the Tier 1 capital of the Issuer immediately before the write-up is effected.

The maximum amount **H** shall be determined in accordance with the regulatory technical standards as applicable from time to time. The maximum amount **H** shall be determined by the Issuer in accordance with the requirements applicable at the time of determination, and the write-up shall be based on the amount so determined without requiring any amendment to this subparagraph (ii).

(iii) In total, the sum of the amounts of the write-ups of AT1 Instruments together with the amounts of any dividend payments and other Distributions on shares and other Common Equity Tier 1 instruments of the Issuer (including payment of interests and other Distributions on AT1 Instruments that have been written down) for the relevant financial year must not exceed the maximum distributable amount within the meaning of Article 141 (2) CRD IV or any successor provision ("**Maximum Distributable Amount**" or "**MDA**") as transposed into national law.

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as amended from time to time.

(iv) Write-ups of the Notes do not have priority over dividend payments and other Distributions on shares and other Common Equity Tier 1 instruments of the Issuer, i.e. such payments and Distributions are permitted even if no full write-up has been effected.

(v) At the time of a write-up, there must not exist any Trigger Event that is continuing. A write-up is also excluded if such write-up would give rise to the occurrence of a Trigger Event.

If the Issuer elects to effect a write-up in accordance with the provisions of this § 5 (8) (b), it shall notify the write-up (including the amount of the write-up as a percentage of the initial principal amount of the Notes and the effective date of the write-up (in each case a "**Write-up Date**")) without undue delay to the Holders of the Notes in accordance with § 11, to the Calculation Agent, to the Paying Agent and, if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange. The write-up shall be deemed to be effected at the time when the notice to the Holders is given in accordance with § 11 and the principal amount of each Note in the Specified Denomination (including the Redemption Amount) shall be deemed to be increased by the amount specified in the notice with effect as of the Write-up Date.

§ 6
Paying Agent and Calculation Agent

(1) *Appointment; Specified Office*. The initial Paying Agent and its initial specified office shall be:

Paying Agent: Aareal Bank AG
Paulinenstraße 15
65189 Wiesbaden
Germany

The Paying Agent reserves the right at any time to change its specified office to some other specified office in the same city.

The Calculation Agent and its initial specified office shall be:

Calculation Agent: Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt
Deutschland

(2) *Variation or Termination of Appointment*. The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and the Calculation Agent and to appoint additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain a Paying Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 11.

(3) *Agents of the Issuer*. The Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7
Taxation

All amounts payable in respect of the Notes shall be paid without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction (i) by or in or for the account of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax or (ii) pursuant to an agreement described in section 1471(b) of the US Internal Revenue Code of 1986 ("**Internal Revenue Code**") or otherwise imposed pursuant to sections 1471 through 1474 of the Internal Revenue Code and any regulations or agreements thereunder or official

interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA, unless such withholding or deduction is required by law.

§ 8
Presentation Period

The presentation period provided in § 801 (1) sentence 1 of the German Civil Code (*BGB*) is reduced to ten years for the Notes.

§ 9
Amendments to the Terms and Conditions, Holders' Representative

(1) *Amendments to the Terms and Conditions*. In accordance with the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "**SchVG**"), the Holders may, subject to compliance with the requirements of regulatory law for the recognition of the Notes as Additional Tier 1 capital, agree with the Issuer on amendments to the Terms and Conditions with regard to matters permitted by the SchVG by resolution with the majority specified in § 9 (2) and agree on a consent pursuant to § 5 (6). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority.* Resolutions shall be passed by a majority of not less than 75% of the votes cast. Resolutions relating to amendments to the Terms and Conditions which are not material and which do not relate to the matters listed in § 5 (3) nos. 1 to 9 SchVG require a simple majority of the votes cast.

(3) *Resolutions*. All resolutions may be passed in a meeting of Holders or by vote taken without a meeting.

(4) *Holders' meeting.* If resolutions of the Holders shall be made by means of a meeting the convening notice will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the convening notice. Attendance at the meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) *Vote without a meeting.* If resolutions of the Holders shall be made by means of a vote without a meeting the request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(6) *Second meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 9 (4) or the vote without a meeting pursuant to § 9 (5), in case of a meeting the chairman may convene a second meeting in accordance with § 15 paragraph 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer may convene a second meeting within the meaning of § 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second meeting. As part of the registration, Holders must demonstrate their

eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(6) *Holders' Representative*. The Holders may by majority resolution appoint a common representative to exercise the Holders' rights on behalf of each Holder.

The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.

§ 10
Further Issues, Purchases and Cancellation

(1) *Further Issues*. The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases*. The Issuer may (subject to the prior consent of the competent supervisory authority of the Issuer) purchase Notes in a regulated market or otherwise at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 11
Notices

(1) *Publication*. All notices concerning the Notes, other than any notices stipulated in § 9 which shall be made exclusively pursuant to the provisions of the SchVG, shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).

(2) In addition, all notices concerning the Notes will be made by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, this subparagraph (2) shall apply. In the case of notices regarding the Rate of Interest or, if the rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders in lieu of publication as set forth in this subparagraph (2); any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the day on which the said notice was given to the Clearing System.

§ 12
Additional Tier 1 Capital

The Notes are intended to qualify as Additional Tier 1 capital (zusätzliches Kernkapital) of the Issuer for an indefinite period of time.

§ 13
Other Currencies

If any amounts with respect to any instrument are not expressed in the functional currency of the Issuer, for the application of these Terms and Conditions such amounts will be converted into such functional currency at the then-prevailing exchange rate, as determined by the Issuer in its reasonable discretion, or such other procedure as provided by applicable capital regulations.

§ 14
Applicable Law and Place of Jurisdiction

(1) *Applicable Law*. The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer shall be governed by German law.

(2) *Submission to Jurisdiction*. Subject to any mandatory jurisdiction for specific proceedings under the SchVG, The regional court *(Landgericht*) in Frankfurt am Main, Federal Republic of Germany, shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.

(3) *Enforcement*. Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian (as defined below) with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing such Notes certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing such Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder of Notes may, without prejudice to the foregoing, protect or enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.

§ 15
Language

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

INTEREST PAYMENTS AND AVAILABLE DISTRIBUTABLE ITEMS OF THE ISSUER; POTENTIAL WRITE-DOWN AND COMMON EQUITY TIER 1 CAPITAL RATIO OF THE ISSUER

Interest Payments and Available Distributable Items of the Issuer

Pursuant to the terms and conditions of the Notes, Interest Payments in respect of the Notes are entirely discretionary (i.e. Interest Payments will not accrue if the Issuer has elected, at its sole discretion, to cancel payment of interest (non-cumulative), in whole or in part, on any Interest Payment Date) and subject to the fulfilment of certain conditions.

In particular, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority.

Further, pursuant to § 3 (8)(b)(i) of the terms and conditions of the Notes, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date

> "*to the extent that such payment of interest together with any additional Distributions (as defined in § 3 (9)) that have been made and are scheduled to be made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9)) in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9)), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (Gewinn) on which the Available Distributable Items are based*".

In order to determine whether the Issuer will be permitted, pursuant to the preceding sentence, to make an Interest Payment on the Notes on any Interest Payment Date, the Issuer will first determine the Available Distributable Items in accordance with the terms and conditions of the Notes by determining:

- the profit (*Gewinn*)[3] as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date on the basis of the relevant unconsolidated financial statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date
- plus, as applicable, any profits carried forward and distributable reserves (*ausschüttungsfähige Rücklagen*) on the basis of the unconsolidated financial statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date
- minus, as applicable, any losses carried forward and any profits which are non-distributable pursuant to applicable law or the Articles of Association of the Issuer and any amounts allocated to the non-distributable reserves, each as determined on the basis of the unconsolidated financial statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date.

The Issuer will then increase such amount by the aggregate amount of interest reflected as expense in respect of Tier 1 Instruments (i.e. capital instruments which, according to CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital, which will include the Notes). Currently, this also includes expenses, shown in the unconsolidated financial statements of the Issuer for the relevant financial year, in respect of payment obligations by the Issuer under a support undertaking entered into in relation to certain legacy Tier 1 instruments issued in the form of non-cumulative preferred securities by Aareal Bank Capital Funding Trust, Delaware, United States of America which is a consolidated subsidiary of the Issuer and certain silent participations between the Issuer and (i) Capital Funding GmbH, Frankfurt/Main, Germany and (ii) Bayerische Beamten Lebensversicherung a.G. as respective silent partner.

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[3] The term "profit (*Gewinn*)" is being used in the CRR and has therefore also been used in the terms and conditions of the Notes. The corresponding line item from the Issuer's unconsolidated financial statements is "net income (*Jahresüberschuss*)".

It will then, in a sequential order, count against such sum every gross payment on the other Tier 1 Instruments in order to determine, whether by the time the Issuer intends to make an Interest Payment in respect of the Notes, such Interest Payment is covered by the then remaining amount.

The table on the following page sets forth, for the financial years ended 31 December 2013, 2012, 2011, 2010 and 2009, the items derived from the Issuer's unconsolidated income statement and balance sheet for the respective financial year as well as from the notes to the balance sheet of the respective audited financial statements (unless marked with an (*); such figures are unaudited figures for information purposes only) that affect the calculation of the Issuer's Available Distributable Items as well as interest expenses on Tier 1 Instruments that relate to the foregoing discussion. Investors should be aware that the figures set out in the table on the following page cannot be used as an indication for the future development of the Available Distributable Items of the Issuer.

Available Distributable Items of Aareal Bank (in each case as of 31 December of the relevant financial year)

	Financial Year ended 31 December 2013	Financial Year ended 31 December 2012	Financial Year ended 31 December 2011	Financial Year ended 31 December 2010	Financial Year ended 31 December 2009
	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Net Retained Profit (*Bilanzgewinn*)	**49.9**	**5.0**	**10.0**	**0.4**	**2.0**
Net income (*Jahresüberschuss*)	49.9	5.0	20.0	0.4	2.0
Profit carried forward from the previous year (*Gewinnvortrag aus dem Vorjahr*)	-	-	-	-	-
Transfer to retained earnings (*Einstellungen in Gewinnrücklagen*)	-	-	10.0	-	-
Other retained earnings after transfer to retained earnings (*Andere Gewinnrücklagen nach Einstellungen in Gewinnrücklagen*)	**710.2**	**705.2**	**695.2**	**684.8**	**673.3**
= Total dividend potential before amount blocked(*)	**760.1**	**710.2**	**705.2**	**685.2**	**675.3**
./. Dividend amount blocked under section 268 (8) of the German Commercial Code (*ausschüttungsgesperrte Beträge gemäß § 268 Abs. 8 HGB*)	156.3	101.8	44.4	37.5	36.5(**)
= Available Distributable Items(*)	**603.8**	**608.4**	**660.8**	**647.7**	**638.8**(**)
Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments (*)	**57.2**	**52.4**	**55.0**	**66.0**	**63.2**
= Amount referred to in § 3 (8)(b)(i) of the terms and conditions of the Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments (*)	**661.0**	**660.8**	**715.8**	**713.7**	**702.0**(**)

(*) Unaudited figures for information purposes only.

(**) Section 268 (8) of the German Commercial Code became effective for the first time in the financial year ending 31 December 2010. The stated figure for the dividend amount blocked under section 268 (8) of the German Commercial Code as of 31 December 2009 of EUR million 36.5 was calculated in application of section 274 (2) sentence 3 of the German Commercial Code (old version) and equates deferred tax assets.

Potential Write-down and Common Equity Tier 1 Capital Ratio of the Issuer

Pursuant to the terms and conditions of the Notes, upon the occurrence of a Trigger Event, the Redemption Amount and the principal amount of the Notes shall be automatically reduced by the amount of the relevant Write-down. If and as long as the principal amount of the Notes is below their initial principal amount, any repayment upon redemption of the Notes will be at the reduced principal amount of the Notes and, with effect from the beginning of the interest period in which such Write-down occurs, any Interest Payment will be calculated on the basis of the reduced principal amount of the Notes.

A Trigger Event will have occurred if the Issuer's Common Equity Tier 1 Capital Ratio, determined on a consolidated basis, falls below 7.0%.

As of 30 September 2014, the Common Equity Tier 1 Capital Ratio determined on a consolidated basis amounted to 12.0 per cent fully phased and already excluding the silent participation (*stille Einlage*) of the German Financial Markets Stabilisation Fund (*Bundesanstalt für Finanzmarktstabilisierung,* – "**SoFFin**") which Aareal Bank repaid on 30 October 2014. See "*Aareal Bank AG – Recent Developments – Repayment of Silent Participation*".

As of 31 December 2013, the Common Equity Tier 1 Capital Ratio determined on a consolidated basis amounted to 15.0 per cent excluding the silent participation of SoFFin, such figure being calculated on the basis of Basel II as core tier 1 ratio pursuant to the advanced internal ratings-based approach. Investors should note that the Asset Quality Review recently conducted by the European Central Bank resulted in an adjustment of the Common Equity Tier 1 Capital Ratio of Aareal Bank by 10 basis points, i.e. 0.1%, down. See "*Aareal Bank AG – Recent Developments – Comprehensive Assessment*".

Statutory Auditors

The consolidated financial statements of Aareal Bank for the fiscal year ended 31 December 2012 and for the fiscal year ended 31 December 2013 have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Friedrich-Ebert-Anlage 35-37, 60327 Frankfurt am Main.

The consolidated interim financial statements of Aareal Bank for the period from 1 January 2014 to 30 September 2014 are unaudited.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants ("*Wirtschaftsprüferkammer*"; "WPK"), Berlin.

Information about Aareal Bank

General Information

The legal name of the Bank is Aareal Bank AG.

The Bank is registered with the German Commercial Register (*Handelsregister*) of the district court (*Amtsgericht*) in Wiesbaden under HRB 13184.

The address of the registered office is as follows:

Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden
Germany
Telephone: +49 (0) 611 348 0
Facsimile: +49 (0) 611 348 2549

www.aareal-bank.com

Aareal Bank is a stock corporation governed by German law. It is incorporated for an unlimited period of time.

According to its Articles of Association, the object of Aareal Bank is to conduct, *inter alia*, banking business (with the exception of investment business), render financial and other services and to develop and promote international business relationships. Furthermore the Bank is allowed to issue mortgage Pfandbriefe (*Hypothekenpfandbriefe*) in accordance with section 1 (1) sentence 2 no. 1 of the German Pfandbrief Act as amended from time to time (*Pfandbriefgesetz*, "**PfandBG**") and or public sector Pfandbriefe (*Öffentliche Pfandbriefe*) in accordance with section 1 (1) sentence 2 no. 2 of the PfandBG. The Bank may pursue its object either through its own operations or by participating in other companies. It may perform all measures and activities which relate to the object of the undertaking or which are appropriate to further such object. Aareal Bank may provide services of any kind, may set up domestic and foreign branches, and may establish, purchase all of or acquire an interest in other undertakings, in particular those, whose objects of business cover all or part of the aforementioned business fields. Aareal Bank may change the structure of undertakings in which it has an interest, may combine such undertakings under common management or limit its activities administering such undertakings and may dispose of its interests in such undertakings. It may transfer all or part of its operations to enterprises in which it has a participatory interest.

The Bank is, like other German banks, subject to the German Banking Act (*Gesetz über das Kreditwesen*) announced on 9 September 1998 (as amended from time to time).

The fiscal year of Aareal Bank is the calendar year.

History and Development of Aareal Bank

Aareal Bank's predecessor was established by notarial deed on 20 July 1923 as "Deutsche Wohnstätten Bank Aktiengesellschaft" and entered in the commercial register at the District Court of Berlin-Charlottenburg under number HRB 3975 on 20 October 1923. In 1926, the Bank was renamed into "Deutsche Bau- und Bodenbank AG".

In 1979, Deutsche Pfandbriefanstalt (its predecessor Preußische Landespfandbriefanstalt having been one of the funding shareholders of Deutsche Wohnstätten Bank Aktiengesellschaft) acquired a majority interest in Deutsche

Bau- und Bodenbank AG. At the end of 1989/beginning of 1990, "Deutsche Pfandbriefanstalt" was converted into a joint stock corporation under German law (*Aktiengesellschaft*), and its name was changed to "Deutsche Pfandbrief- und Hypothekenbank AG".

In 1998/1999, Deutsche Pfandbrief- and Hypothekenbank AG changed its name once again to "DePfa Deutsche Pfandbriefbank AG". As part of the Group restructuring at that time, the entire operational property activities were transferred to Deutsche Bau- and Bodenbank AG which later became "DePfa Bank AG BauBoden" (and today, "Aareal Bank AG"). The activities in property and public sector financing were expanded steadily, and increasingly grew into independent business units within the DePfa Group.

At the extraordinary shareholders' meeting in October 2001, DePfa Deutsche Pfandbriefbank AG shareholders voted, by a majority of 99.95 per cent. of the issued share capital represented at the meeting, in favour of the proposed split of the DePfa Group into two independently listed banks, which would specialise in public sector finance and property activities, respectively.

At the General Meeting on 3 January 2002, the shareholders of DePfa Bank AG BauBoden resolved to change the company style and legal name to "Aareal Bank AG". This amendment was recorded in the commercial register on 22 January 2002. Since then, Aareal Bank operates under the commercial name "Aareal Bank". The listing of Aareal Bank on the Frankfurt Stock Exchange was completed in July 2002. Aareal Bank has been included in the General Standard (Prime Standard) segment at Frankfurt Stock Exchange on 20 September 2002, since 1 November 2007 Aareal Bank is listed in the Prime Standard segment of the Regulated Market at Frankfurt Stock Exchange. Aareal Bank's registered office was relocated to Wiesbaden in 2002.

Since 3 March 2006, the Bank holds a license to issue Pfandbriefe.

On 31 March 2014 Aareal Bank Group has completed the acquisition of all of the shares of COREALCREDIT BANK AG ("Corealcredit"), an institution specialised in commercial property financing in Germany. Corealcredit is now a legally independent subsidiary under the umbrella of Aareal Bank Group.

Recent Material Events

There are no recent material events in respect to the evaluation of the solvency of Aareal Bank.

Business Overview

Principal Activities

Aareal Bank Group is an international property specialist. Aareal Bank, being the parent company of the Group, is combining all subsidiaries within the two segments Structured Property Financing and Consulting/Services.

The Structured Property Financing segment provides property financing solutions for national and international clients on three continents.

The Consulting/Services segment offers services for the housing and the commercial property industry as well as for the energy and waste disposal market.

Structured Property Financing

Through its business segment Structured Property Financing the Aareal Bank Group is a specialist in large-volume Structured Property Financing.

The Structured Property Financing segment comprises all property finance activities of Aareal Bank Group including its related refinancing activities. Aareal Bank Group's Structured Property Financing activities are focused on financing large-volume projects based on asset and cash flow oriented financing approach. The focus is on senior lending and the financing of high quality commercial investment properties as well as on property portfolios. Aareal Bank Group's key clients are private real estate companies, institutional investors, specialised investors in hotels, shopping centers and logistic properties as well as developers, real estate investment funds and companies in the housing sector. Accordingly, the structured property loan book of Aareal Bank Group is diversified by the types of property being financed, with particular emphasis on office buildings, shopping centers, hotels, logistic properties and multi-family properties owned by companies in the housing sector. Typical financial services offered by Aareal Bank Group are the financing of single assets, the financing of portfolio of assets, the financing of cross-border, multi-jurisdiction facilities, the arrangement of property debt facilities, and syndication.

In its Structured Property Financing segment, Aareal bank Group pursues a three-continent strategy covering

Europe, North America and certain Asian markets in order to achieve the intended business diversification.

Through its local presence in different countries Aareal Bank Group maintains an extensive network of regional market experts which is complemented by the know-how of industry specialists for the hotel, logistic and shopping center industry. The combination of regional and industry expertise allows Aareal Bank Group to offer its clients tailor made financing solutions. As a result of its three-continent strategy, Aareal Bank Group also diversifies its credit portfolio and its business sources by region, with Europe with the largest share of its financing activities.

Consulting/Services

In its Consulting/Services segment, Aareal Bank Group offers a range of services to the housing industry.

The Bank cooperates with its subsidiaries to provide the housing industry with software products that are used in the management of residential properties and for payment processing procedures.

Advisory services to the commercial property management sector represent another building block of the Consulting/Services segment, especially software products for the banking sector. Aareon AG believes that it is Europe's leading consultancy and systems house for the commercial property management sector and provides its customers with consulting services, software and other services aimed at optimising their IT-based business processes. The use of Aareon solutions and the digitisation that goes along with it is aimed at enhancing the efficiency of business processes. Aareal First Financial Solutions AG creates the electronic link between Aareal Bank and its housing clients. It integrates payment transaction solutions into the clients' processes and IT systems. In addition, it develops products for integrated access and settlement solutions.

Deutsche Bau- und Grundstücks-AG offers property asset management and other services to municipalities, federal estates and companies in the housing sector.

Principal Markets

The Bank has an active presence in Europe as well as in North America and in Asia, providing property financing solutions on three continents.

Systematic regional diversification is a key factor for a well-balanced international portfolio. In this context, sector-specific criteria are just as relevant as the economic and business environment.

Organisational Structure

Aareal Bank Group's organisational structure follows its business structure.

Aareal Bank is the parent company of Aareal Bank Group. The Bank is active in both business segments of Aareal Bank Group, Structured Property Financing and Consulting/Services.

In addition to its operative business, Aareal Bank fulfils central group management functions for the Aareal Bank Group. In respect of the Structured Property Financing business including the payment administration especially for the housing industry offered by Aareal Bank's division Wohnungswirtschaft and Aareal First Financial Solutions AG, Aareal Bank provides, in accordance with applicable local laws, certain central group management functions, including risk management, financial controlling, reporting and tax accounting, treasury, compliance and corporate communications.

The Aareon Group, consisting of Aareon AG as holding company and its subsidiaries Aareon Deutschland GmbH, Mainz, Germany, Aareon Immobilien Projekt Gesellschaft mbh, Essen, Germany, BauSecura Versicherungsmakler GmbH, Hamburg, Germany, SG|automatisering B.V. Emmen, The Netherlands, SG|Facilitor B.V., Enschede, The Netherlands, SG|stravis B.V., Emmen, The Netherlands, SG2ALL B.V., Hiuzen, The Netherlands, Incit Nederland B.V., Gorinchem, The Netherlands, Aareon France S.A.S, Meudon-la-Forêt, France, Aareon UK Ltd., Coventry, United Kingdom, 1st Touch Ltd., Southhampton, United Kingdom, Incit AB, Mölndal, Sweden, and Incit AS, Oslo, Norway as operative companies, provides IT services to companies of the property sector. Aareon AG provides certain central management functions to the Aareon Group.

Structured Property Financing Segment

In the Structured Property Financing segment, Aareal Bank has three subsidiaries which are active in providing or arranging loans: Aareal Capital Corporation, Wilmington, USA, Aareal Bank Asia Limited, Singapore and since 31 March 2014 Corealcredit, Frankfurt am Main, Germany (Corealcredit is a 100 per cent. subsidiary of Aareal

Finanz und IT Beteiligungen GmbH, Wiesbaden - formerly Aareal IT Beteiligungen GmbH - which is for its part a 100 per cent. subsidiary of Aareal Bank). These subsidiaries are fully integrated in the credit process and controlling system of Aareal Bank Group.

Aareal Capital Corporation, Wilmington, Delaware is a fully owned subsidiary of Aareal Bank, established in 2007 and has its place of business in New York. It provides to its clients the same type of loans as those offered by Aareal Bank. It may provide its services in all states of the USA in which no permission is required and has a permission to act as "Financial Lender" pursuant to the California Finance Lenders Law. In providing its services, Aareal Capital Corporation closely cooperates with Aareal Bank. The refinancing of Aareal Capital Corporation is provided by Aareal Bank.

Aareal Bank Asia Limited, Singapore has permission to function as a merchant bank under Singapore law and was established in 2007. It carries out marketing, relationship management, origination, structuring and syndication activities in Singapore, China, Japan and special hotel destinations for Aareal Bank Group. It does not grant loans itself.

Corealcredit is active in providing and arranging loans. It is focussed on the financing of commercial properties in Germany and has therefore beside its headquarter in Frankfurt am Main offices in Berlin, Düsseldorf, Hamburg, Munich and Stuttgart. Corealcredit is managed as a legally independent subsidiary under the umbrella of Aareal Bank Group.

In addition to the aforementioned subsidiaries, Aareal Estate AG, Wiesbaden, Germany provides complementary services to the Structured Property Financing business of Aareal Bank and to third parties (a) by marketing German commercial properties in distressed situations (b) by restructuring and marketing commercial properties which were acquired by Aareal Bank Group (but not by Corealcredit) in connection with a realization of security and (c) provides construction monitoring services.

Aareal Valuation GmbH, Wiesbaden, Germany is active as property surveyor in the German market and provides certain other property-related services to Aareal Bank and other clients.

Consulting/Services Segment

In the Consulting/Services segment the Aareon Group, Mainz, Germany provides IT services including consulting, software and services to clients, in particular, to companies in the housing sector.

In addition to the IT systems and services provided by Aareon Group, the second pillar of the Consulting/Services segment is the automated processing of mass payment transactions and the optimisation of higher-level processes and specialised electronic banking, which is offered to companies in the housing industry, the commercial property management sector and the utilities and waste disposal sector in Germany. While Aareal Bank's division Wohnungswirtschaft provides the payment transaction services, Aareal First Financial Solutions AG develops and implements on behalf of Aareal Bank's division Wohnungswirtschaft integrated payment solutions for the industry sectors mentioned above.

Deutsche Bau- und Grundstücks-AG, Berlin, Germany complements the services portfolio of the Consulting/Services segment.

Trend Information

No Material Adverse Change

There has been no material adverse change in the prospects of Aareal Bank and its subsidiaries taken as a whole since 31 December 2013.

Outlook for the year 2014

For the year 2014 a slight improvement of the global economic development is indicated. However, material burdening factors persist, like the consolidation process in various economies and the still high level of unemployment in many European countries; any recovery is thus likely to take place in a slight and reluctant manner. A broad support for the economic recovery trend is missing. In this respect, the dangers of a long-term and a too late or too hesitant defense of risks to monetary stability or to the stability of the euro system, which involve remarkable systemic risks, grow. Deteriorating financial frameworks in some emerging economies brought about by capital outflows at the start of the year, represent also major burdens and risk factors for economic development. Furthermore, economic development is subject to significant risk and uncertainty factors

that can significantly threaten the forecasted muted economic growth. Therefore significant risks and uncertainties persist and the global economy, in particular the economy of the euro zone is very susceptible to disruptions. The uncertainties and risks currently are related to the political tensions between Russia and the Ukraine and the economic impacts out of these tensions, other geopolitical tensions to a fast tapering of the expansive monetary policy, in particular of the US Federal Reserve (Fed), which could burden in particular the emerging economies and also to the possibility of a deflation, which could not be excluded for the euro zone. Furthermore, the risk of a revival or the case of an escalation of the European sovereign debt crisis (and hence a renewed burden on the economy) cannot be ruled out. Therefore risks continue to persist and it cannot be ruled out that the financial and capital markets are still very susceptible to shocks, should the sovereign debt crisis escalate again.

There is a lack of broad fundamental support for economic development. In this respect, overly slow or inadequate risk defences are increasing the threat that systemic risks pose to monetary stability or the stability of the euro system. The current low interest rate environment, which is likely to persist for quite some time yet in Europe in particular, is associated with risks and side-effects. It tempts market players to enter into higher risks and also carries the threat of a bubble on the capital markets as well as misallocation of capital. This could in turn threaten financial stability. In addition, the low interest rate environment could lead to delays on the reform and consolidation efforts undertaken in the public sector, as well as in the private and banking sectors.

For the euro zone a slight increase in real gross domestic product for the year 2014 is anticipated. Economic growth in numerous European countries outside the euro zone (e.g. United Kingdom and Poland) is expected to post much stronger numbers than the euro zone average. Given the burden arising from the unusually harsh winter in the United States at the beginning of the year a slightly lower economic growth rate than last year is expected for the United States. For China a moderate slowdown in growth compared with the previous year is likely. And also for Japan an economic growth slightly below the previous year's level is anticipated.

The above mentioned uncertainties and risks for the economic development may, if they obtain evidence, also have impacts on the financial and capital markets and could cause tensions on these markets. Renewed tensions are also possible on the financial and capital markets of various emerging market economies, in the event that significant capital outflows are once again issues. The trend towards a tighter regulatory framework in the banking business is set to persist.

Developments on the commercial property markets are influenced on the one hand by the expected slight economic recovery, in Europe combined with a high unemployment in many countries, and by a high degree of investor liquidity on the other hand. The demand for commercial property resulting of the high degree of investors liquidity should support property values in numerous markets. The threat of bubbles on property markets in the course of the low interest rate environment cannot be ruled out.

For most of the European markets which are relevant to Aareal Bank an increase in commercial property values - on average - is assumed. A sharper rise is considered to be likely in Germany and the United Kingdom, given that they enjoy great popularity among investors and in light of a reasonably positive economic outlook for both nations. The increase in property values in Denmark and Poland might also possibly be stronger this year. A slight to moderate increase in the average values for commercial property is likely in Austria, Belgium, Italy, Spain and Switzerland. In Sweden and France, where only slight economic growth is expected, property values are likely to remain virtually stable on average. Although the Bank assumes the same scenario for the Russian commercial property market, the effects on the market of the political tensions between Russia and the Ukraine cannot be assessed at present. A slight to moderate fall in property values in 2014 is possible on average in Finland, the Netherlands and Turkey, due to the muted economic development.

In Europe, taking a slight, slow economic recovery into consideration, Aareal Bank anticipates largely stable property values and rents in most countries during 2014. The high level of unemployment in numerous countries might have a burdening effect. However, there are markets like France and The Netherlands where the Bank expects - on average - a decline in market values and rents, while for Germany, the United Kingdom and to a lower extent for Denmark an increase is projected. Taking high levels of liquidity and investor demand into account, together with economic growth, the Bank expects moderate increases in rents and market values for commercial property in the United States. This outlook also incorporates an expected moderate increase in long-term interest rates. For Canada stable commercial property values on the average are assumed. Against the background of expected interest rate rises and a less dynamic economic growth by historical standards, the Bank remains cautious regarding the development of the commercial property markets in China and anticipates a slight

moderate decline in values. Whilst the Bank expects a stable performance in Singapore, the forecast for Japan is a markedly positive trend. It should be noted that assessments of individual sub-markets and properties may deviate from these general descriptions of developments on commercial property markets.

Macro-economic risks and uncertainty factors, as outlined above, will continue to be relevant for the further development of the commercial property markets and lead on these markets to risks and uncertainties which could have a significant negative impact on the development of property values and rents if they take an effect.

With a view to the financing markets for commercial properties Aareal Bank estimates that the competition, which has intensified noticeably in the course of the previous year, will remain intensive. This applies for numerous European countries, for North America as well as for countries in the Asia / Pacific region, including for example, China, Japan and Singapore. The intensive competition might also be driven by an expansion of financing activities from non-banks, such as insurance companies, pension funds and debt funds. In general, the willingness of finance providers to commercial properties to accept lower margins and higher loan-to-value ratios is likely to noticeably increase further. The providers of finance are likely to remain particularly interested in financing first-class commercial property in the corresponding locations, although the willingness to finance properties with a higher risk profile and large-volume projects will continue to grow noticeably.

The Bank expects developments within the housing industry in Germany to remain stable for the remainder of the year. Looking at the volume of deposits taken, the Bank expects the positive trend to continue, particularly in relation to current account balances and rent deposits. Given the ongoing low interest rate environment, the Bank expects margins in the deposit-taking business will continue to remain under pressure in 2014.

Administrative, Management and Supervisory Bodies

Overview

The Bank's governing entities are the management board (*Vorstand*) of the Bank (the "**Management Board**"), the Supervisory Board (*Aufsichtsrat*) of the Bank (the "**Supervisory Board**") and the general shareholders' meeting (*Hauptversammlung*) of the Bank (the "**General Meeting**"). The powers vested in these bodies are governed by the German Stock Corporation Act (*AktG*), the articles of association (*Satzung*) of the Bank (the "**Articles of Association**"), and the respective rules of procedure (*Geschäftsordnungen*) of the Management Board and of the Supervisory Board.

The members of the Management and Supervisory Boards can be reached at Aareal Bank's business address. The business address of Aareal Bank is as follows:

Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden
Germany

Telephone: +49 (0) 611 348 0
Facsimile: + 49 (0) 611 348 2549
www.aareal-bank.com

Management Board

The Supervisory Board determines the number of members of the Management Board, which must comprise at least two members in accordance with the Articles of Association and the provisions of the German Banking Act. It may designate one member as the chairman or speaker of the Management Board. Substitute Management Board members may be appointed.

Management Board members are appointed by the Supervisory Board for a maximum term of five years. Reappointments and extensions of the term of office are permissible for an additional term of five years.

In accordance with the Articles of Association, the Company is represented by two members of the Management Board acting jointly or by one Management Board member acting jointly with a commercial attorney in fact (*Prokurist*).

The Management Board currently comprises the following members:

Name:	Significant Principal Activities outside Aareal Bank:
Dr. Wolf Schumacher, Chairman of the Management Board	
• Aareon AG	Member of the supervisory board
• COREALCREDIT BANK AG	Chairman of the supervisory board
• EBS European Business School gGmbH	Member of the supervisory board
Dagmar Knopek, Member of the Management Board	
• Aareal Bank Asia Limited	Member of the board of directors
• Aareal Bank Asia Limited	CEO (Chairman)
• Aareal Capital Corporation	Chairman of the board of directors
• Aareon AG	Member of the supervisory board
Hermann Josef Merkens, Member of the Management Board	
• Aareal Estate AG	Chairman of the supervisory board
• Aareal Bank Asia Limited	Member of the board of directors
• Aareal Capital Corporation	Member of the board of directors
• Aareal First Financial Solutions AG	Member of the supervisory board
• Aareon AG	Member of the supervisory board
• COREALCREDIT BANK AG	Deputy chairman of the supervisory board
• CredaRate Solutions GmbH	Deputy chaiman of the supervisory board
Thomas Ortmanns, Member of the Management Board	
• Aareal First Financial Solutions AG	Chairman of the supervisory board
• Aareon AG	Chairman of the supervisory board
• Deutsche Bau- und Grundstücks-Aktiengesellschaft	Chairman of the supervisory board
• HypZert GmbH	Member of the supervisory board

Supervisory Board

The Supervisory Board of the Bank comprises 12 members. According to a co-determination agreement concluded between the Bank and its employees according to the the Act on employee co-determination at cross-border mergers in the EU (*Gesetz über die Mitbestimmung der Arbeitnehmer bei einer grenzüberschreitenden Verschmelzung*), eight members are elected by the shareholders and four members are elected by the employees.

Members of the Supervisory Board are appointed for a term of office that ends with the conclusion of the General Meeting that resolves on the formal approval of their actions for the fourth fiscal year following the commencement of their term of office. The financial year in which the term of office begins is not included.

The members of the Supervisory Board are currently as follows:

Name:	**Significant Principal Activities outside Aareal Bank:**

Marija G. Korsch,
Chairman of the Supervisory Board

Retired (former partner of Bankhaus Metzler seel. Sohn & Co. Holding AG)

• Just Software AG	Member of the supervisory board

York-Detlef Bülow,
Deputy Chairman(*)

Aareal Bank AG

- No significant principal activities outside Aareal Bank

Erwin Flieger,
Deputy Chairman

Chairman of the Supervisory Boards of Bayerische Beamten Versicherungsgruppe

• Bayerische Beamten Lebensversicherung a.G.	Chairman of the supervisory board
• Bayerische Beamten Versicherung AG	Chairman of the supervisory board
• BBV Holding AG	Chairman of the supervisory board
• DePfa Holding Verwaltungsgesellschaft mbH	Chairman of the supervisory board
• MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH	Member of the supervisory board
• Neue Bayerische Beamten Lebensversicherung AG	Chairman of the supervisory board

Christian Graf von Bassewitz

Retired private banker (former Spokesman of the General Partners of Bankhaus Lampe KG)

• Bank für Sozialwirtschaft Aktiengesellschaft	Member of the supervisory board
• Deutscher Ring Krankenversicherungsverein a.G.	Deputy chairman of the supervisory board
• SIGNAL IDUNA Allgemeine Versicherung AG	Member of the supervisory board
• SIGNAL IDUNA Holding AG	Member of the supervisory board
• Societaet CHORVS AG	Member of the supervisory board

Manfred Behrens

CEO / Chairman of the Management Board of Swiss Life Deutschland GmbH

• tecis Finanzdienstleistungen AG	Chairman of the supervisory board

Thomas Hawel(*)

Aareon Deutschland GmbH

• Aareon Deutschland GmbH	Deputy chairman of the supervisory board

Dieter Kirsch(*)

Aareal Bank AG

- No significant principal activities outside Aareal Bank

Dr. Herbert Lohneiß

Retired (Former Chairman of the Management Board of Siemens Financial Services GmbH)

- UBS Global Asset Management (Deutschland) GmbH — Member of the supervisory board

Joachim Neupel

Certified Accountant and Tax Advisor

- No significant principal activities outside Aareal Bank

Richard Peters

President and Chairman of the Management Board of Versorgungsanstalt des Bundes und der Länder

- DePfa Holding Verwaltungsgesellschaft mbH — Member of the supervisory board

Prof. Dr. Stephan Schüller

Spokesman of the General Partners of Bankhaus Lampe KG

- DePfa Holding Verwaltungsgesellschaft mbH — Deputy chairman of the supervisory board
- Universal-Investment-Gesellschaft mbH — Member of the supervisory board

Helmut Wagner(*)

Aareon Deutschland GmbH

- Aareon Deutschland GmbH — Member of the supervisory board

(*) Elected by the employees of Aareal Bank.

Conflict of interests

None of the above members of the Management Board and Supervisory Board have declared any potential conflict of interest between any duties to Aareal Bank and their private interest or other duties.

General Meeting

The General Meeting of Aareal Bank is held at its registered domicile, at a place within a 50 kilometers radius around its seat or the seat of any German stock exchange. The General Meeting is called by the Management Board unless other persons are also authorised to do so by Law. The convening of the meeting together with the agenda must be published in the Federal Gazette ("*Bundesanzeiger*") at least 36 days prior to the day of the meeting. The day of convocation shall not be included in the calculation of this deadline. Each share without par value entitles to one vote. The General Meeting is chaired by the chairman of the Supervisory Board or one of his substitutes, or another member appointed by the Supervisory Board. The chairman chairs the discussion and determines the type and form of voting. The resolutions of the General Meeting shall be taken with simple majority of votes cast, unless otherwise provided by law. The ordinary General Meeting is to be convened in the first eight months of each financial year.

Supervisory Authorities

As of the date of this Prospectus, all banks in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin"*), an independent federal authority with regulatory powers, in cooperation with the Deutsche Bundesbank (the central bank of the Federal Republic of Germany) in accordance with the German Banking Act (*Gesetz über das Kreditwesen – "KWG"*) and the relevant European regulation, especially the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential

requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirement Regulation – "**CRR**") and the Directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (Capital Requirement Directive – "**CRD IV**"). These laws contain the most important rules for banking supervision and regulates the Bank's business activities, capital adequacy, liquidity requirements, lending limits and prudential standards governing lending.

As of 4 November 2014, the European Central Bank ("**ECB**") will be the Bank's competent supervisory authority in relation to the tasks referred to in Article 4 para. 1 of Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. Such tasks comprise, inter alia, supervision of compliance with applicable rules for own funds requirements, large exposure limits, liquidity, leverage, robust governance arrangements, risk management processes, internal control mechanisms, remuneration policies and practices and effective internal capital adequacy assessment. Further, the ECB will from 4 November 2014 on be responsible for conducting the stress tests of the Bank. BaFin will only be responsible for the supervision in relation to topics not explicitly conferred to ECB. This shift of competencies from BaFin to ECB is part of the implementation of the so-called Single Supervisory Mechanism which is part of the measures taken to build a banking union in Europe.

In addition, the ECB requires certain credit institutions, including the Bank, to hold minimum reserves on accounts maintained with their respective National Central Banks, which, in the case of Aareal Bank, are held by the Deutsche Bundesbank. These minimum reserves must equal a certain percentage of the credit institutions' liabilities resulting from certain deposits, plus the issuance of bonds.

Major Shareholders

As at 30 September 2014, Aareal Holding Verwaltungsgesellschaft mbH held a 28.90 per cent. stake in notional no-par value bearer shares of Aareal Bank; the remaining 71.10 per cent. are in free float.

Share Capital

Aareal Bank's current share capital amounts to Euro 179,571,663 – divided into 59,857,221 no par value ordinary bearer shares.

Aareal Bank may issue global certificates. The right of shareholders to demand the issue of certificates vesting their shares (including profit shares) is excluded, unless the issue of certificates is required pursuant to the rules and regulations of any exchange market on which the shares are admitted to trading.

Financial Information concerning Aareal Bank Group's Assets and Liabilities, Financial Liabilities, Financial Position and Profits and Losses

The required information on the financial position of Aareal Bank Group is incorporated by reference into this Prospectus as set out under "Documents Incorporated By Reference" below.

The consolidated financial statements of Aareal Bank for the fiscal year ended 31 December 2012 and for the fiscal year ended 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The date of the latest published audited financial information for Aareal Bank Group is 31 December 2013.

Aareal Bank publishes unaudited consolidated financial statements on a quarterly basis.

The unaudited consolidated interim financial statements as at 30 September 2014 of Aareal Bank, including the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the condensed Statement of Cash Flows and the condensed Notes, comprising of Basis of Accounting, explanatory information to the Statement of Comprehensive Income and to the Statement of Financial Position, the Reporting on Financial Instruments and the Other Notes, all contained in the Aareal Bank Group Interim Report as of 30 September 2014, were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

Rating of the Issuer

Fitch Deutschland GmbH ("**Fitch**")([4])([5]) has assigned a long-term rating of A- (outlook: negative) and a short-term rating of F1 to Aareal Bank.([6])

Legal or Arbitration Proceedings

Due to the nature of its business the Bank is involved in a number of legal proceedings in different jurisdictions. Save as disclosed below, there are no nor have there been any governmental, legal or arbitration proceedings, involving the Bank or any of its subsidiaries (and, so far as the Bank is aware, no such proceedings are pending or threatened) which may have or have had during the twelve months prior to the date of this Prospectus a significant effect on the financial position or profitability of the Bank or its subsidiaries taken as a whole.

Proceedings relating to Profit Participation Certificates

Corealcredit is involved and was involved during the last twelve months in certain proceedings which may have a significant impact on its economic position or profitability. Said proceedings are expected to last for several years. The legal proceedings mainly focus on lawsuits against Corealcredit from holders of – meanwhile matured – profit participation certificates (*Genussscheininhaber*). If all or a large number of the legal actions brought in connection with the profit participation certificates should be ultimately upheld, this would lead to a reduction in equity and could also result in an outflow of liquidity affecting business performance of Corealcredit and may subsequently also have a significant impact on the Bank's economic position or profitability.

Holders of profit participation certificates issued by Corealcredit or its predecessors participated in losses in 2005 and 2006, and in some cases until 2008, depending on the specific terms and conditions of the profit participation certificates. The calculation of the loss participation or the replenishment of the profit participation certificates was based on the terms and conditions set forth in the underlying contracts.

- In the financial year 2008, holders of profit participation certificates commenced another action seeking the performance of obligations under profit participation certificates and declaration that the redemption claims under unmatured certificates had not been reduced by losses up to and including the financial year 2008. This legal action does not participate in the below-mentioned class action. The claim is essentially based on arguments used in previous actions. The case has been heard in separate proceedings due to different venues (Frankfurt am Main Regional Court and Cologne Regional Court). The Cologne Regional Court as the court of first instance has dismissed the case. The claimants' appeal (*Berufung*) against this judgment has been dismissed by the Cologne Higher Regional Court. The claimants have filed a further appeal on points of law (*Revision*) with the German Federal Court of Justice (*Bundesgerichtshof*) which remitted the case for reconsideration and redetermination. The Frankfurt am Main Regional Court as court of first instance has decided partially in favour of the plaintiffs; both, Corealcredit and the claimants have filed an appeal against this judgment with the Frankfurt am Main Higher Regional Court; the outcome of these appeals remains open.
- Certain holders of profit participation certificates sued Corealcredit for damages in 2006 and 2007 for losses on their investments. As the claims were combined with an application under the German Capital Markets Model Case Act (*Kapitalanleger-Musterverfahrensgesetz,* "**KapMuG**"), a class action (*Sammelklage*) has been instituted. In September 2008, according to the provisions of the KapMuG, the regional court (*Landgericht*) of Frankfurt am Main referred the case to the higher regional court (*Oberlandesgericht*) of Frankfurt am Main. On 20 August 2014, the higher regional court of Frankfurt am Main has rendered a

([4]) The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

([5]) Fitch is established in the European Community and is registered under the CRA Regulation.

([6]) A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

decision on the merits which as of the date of this Prospectus has not yet become legally binding. In any case, the Bank expects that the outcome of this proceeding by itself will not have any material impact on the business performance of Corealcredit and will therefore also have no significant impact on the Bank's economic position or profitability.

- In the fourth quarter of 2008 and at the beginning of the financial years 2009, 2010 and 2013, several holders of profit participation certificates commenced court proceedings against Corealcredit. Some of such holders of profit participation certificates did not continue to prosecute their so alleged claims. However, the majority of the initiated proceedings have been continued and have been suspended ex officio pursuant to the regulations of the KapMuG. Certain of the continued proceedings were not suspended and have already been decided in favour of Corealcredit; two of the continued and non-suspended proceedings have not been decided yet (up to and including the date of this Prospectus).

Corealcredit has made provisions for the plaintiffs' claims to the extent granted by the Frankfurt am Main Regional Court and for legal costs arising from legal disputes with the holders of profit participation certificates.

Proceedings relating to former members of the Management Board

In connection with derivative transactions, Corealcredit has sued former members of its management board who were members thereof between mid-2001 and mid-2002 for damages amounting to Euro 250 million. The claim was dismissed in the first instance. Corealcredit`'s appeal against this dismissal of the action was dismissed by the Frankfurt am Main Higher Regional Court in March 2011. Upon the appeal on points of law of Corealcredit the German Federal Court of Justice has reversed the judgment of the Frankfurt am Main Higher Regional Court and has remitted the case to that court for reconsideration and redetermination. The outcome of the further proceedings before the Frankfurt am Main Higher Regional Court remains open.

No Significant Change in the Financial or Trading Position

Since 30 September 2014, there has been no significant change in the financial or trading position of Aareal Bank and its subsidiaries.

Material Contracts

In order to implement the split of DEPFA Group into Aareal Bank and Deutsche Pfandbriefbank AG, various property financing portfolios, various participations and several properties were legally and/or economically transferred from Deutsche Pfandbriefbank AG to Aareal Bank Group. After the completion of the split, Aareal Bank provided to Deutsche Pfandbriefbank AG guarantees in respect of capital and interest payment of certain property financing loans and agreed to service property financing loans not legally transferred to Aareal Bank by Deutsche Pfandbriefbank AG. Aareal Bank and Deutsche Pfandbriefbank AG entered into a framework agreement on 3 December 2002 in respect of the transfer of property financing portfolios from Deutsche Pfandbriefbank AG to Aareal Bank, as well as a guarantee agreement and a servicing agreement.

In December 2013, Aareal Bank Group acquired all of the shares of Corealcredit. A corresponding share sale and purchase agreement was signed on 22 December 2013, with the previous owner, a company of US financial investor Lone Star (the "**Share Sale and Purchase Agreement**"). The purchase was executed on 31 March 2014 and became effective on 31 March 2014. The preliminary purchase price agreed with the previous owner in the Share Sale and Purchase Agreement amounted to Euro 342 million. In accordance with the provisions of the Share Sale and Purchase Agreement, the purchase price is subject to adjustments, which will become effective in the future, depending on the realisation of specific risks such as legal, tax and credit risks including the risks resulting from the pending proceedings in connection with the profit participation certificates as described in the section "Legal or Arbitration Proceedings".

On 1 April 2014, Aareal Finanz und IT Beteiligungen GmbH (a company which is wholly owned by Aareal Bank) and Corealcredit entered into a domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) with a fixed term of five calender years, starting with the beginning of the financial year of Corealcredit on 1 April 2014. The agreement has been entered into the commercial register on 4 April 2014. Pursuant to the domination and profit and loss transfer agreement but subject to Section 301 of the German Stock Corporation Act (*Aktiengesetz* – "**AktG**"), Corealcredit shall transfer its total profit to Aareal Finanz und IT Beteiligungen GmbH. Pursuant to Section 302 AktG, Aareal Finanz und IT Beteiligungen GmbH shall compensate any annual loss occurring during the term of the domination and profit and loss transfer agreement

in return. The domination and profit and loss transfer agreement between Aareal Finanz und IT Beteiligungen GmbH and Corealcredit may be terminated at the end of a financial year of Corealcredit after six months' notice has been given, but not earlier than 31 March 2019. As at the date of this Prospectus, the domination and profit and loss transfer agreement has not been terminated.

Aareal Finanz und IT Beteiligungen GmbH for its part has entered into a domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) with Aareal Bank on 6 March 2006 that has not been terminated as at the date of this Prospectus.

Except for the contracts mentioned in this section, neither the Bank nor any of its consolidated subsidiaries has entered into, in the last two years, any contracts outside the ordinary course of business that have had or may reasonably be expected to have a material effect on their business.

Recent Developments

Comprehensive Assessment

Aareal Bank was subject to the Comprehensive Assessment carried out by the European Central Bank ("**ECB**") – both in terms of the Asset Quality Review ("**AQR**") conducted by the ECB, which included a review of the valuation and classification of the Bank's lending exposures, as well as in relation to the subsequent stress test coordinated by the European Banking Authority ("**EBA**"), which analysed the impact of changes in the macroeconomic environment on the banks' capital ratios in all scenarios. After both tests of the Comprehensive Assessment, the ECB has not imposed any measures upon Aareal Bank.

On 26 October 2014, the ECB published the Bank's detailed results as part of the overall disclosure of data for all 130 European banks under review, based on data as at the reporting date of 31 December 2013. According to these results, regulators only made marginal adjustments to the exposures under review, which mainly concerned mark-to-model haircuts. Moreover, no exposure was reclassified from 'performing' to 'non-performing'. Thus, Aareal Bank's risk assessment and classifications were generally confirmed. Overall, the AQR resulted in an adjustment to the Bank's Common Equity Tier 1 (CET1) ratio by 10 basis points, from 16.39 to 16.29 per cent.

During the course of the stress test, Aareal Bank's capital ratios in the so-called baseline scenario (which reflects expected macroeconomic developments until 2016) remained virtually unchanged from their current levels. The adverse scenario implied a marked deterioration of the macroeconomic environment. These stress test assumptions led to a decline of the imputed CET1 ratio (according to the conditions of the stress test) by about 28 per cent to approximately 11.8 per cent at the end of the test horizon (31 December 2016). This is still well above the applicable benchmark of 5.5 per cent.

In the adverse scenario, the increase in risk-weighted assets during the stress period was the main driver of the change in capital ratios, which nonetheless remained well above requirements for all periods. Furthermore, under all stress test scenarios Aareal Bank would have been capable of distributing dividends during the years examined.

The so-called join-up in which starting values for the ECB stress test are adjusted by AQR results (the "**Join-Up**") did not give rise to any further changes. Given that Aareal Bank only had to account for marginal adjustments from the AQR, without any changes from the Join-Up, the capital ratios determined by the EBA and the ECB in the adverse scenario were nearly identical.

Repayment of Silent Participation

Having obtained approval from the German Federal Financial Supervisory Authority (*BaFin*) to repay the silent participation (*stille Einlage*) provided by the German Financial Markets Stabilisation Fund ("**SoFFin**") in full, Aareal Bank repaid on 30 October 2014 the residual amount of Euro 300 million to SoFFin. In accordance with the repayment agreement, Aareal Bank will additionally pay interest accruing until the repayment date on the next regular maturity date on 31 March 2015 to SoFFin. Furthermore, in line with existing contractual stipulations, the agreement provides for a pro rata temporis share due to SoFFin in any dividends distributed by Aareal Bank, by way of a dividend-linked additional payment for the 2014 financial year.

In 2009, SoFFin had made available to Aareal Bank Euro 525 million in capital by way of a perpetual silent participation as part of stabilisation measures offered by the government of the Federal Republic of Germany.

Aareal Bank fully repaid this in three tranches: Euro 150 million in July 2010, Euro 75 million in April 2011 and Euro 300 million in October 2014.

Ongoing monitoring of investment opportunities

Aareal Bank is constantly monitoring the market developments and its market for further investment opportunities and consolidation potential and is, due to its financial position, in the position to use market opportunities for acquisitions, if they occur, including in the short term. Aareal Bank sees the following opportunities for the use of excess capital above long term target ratios: (i) organic growth of the commercial real-estate ("**CRE**") portfolio, (ii) CRE portfolio acquisitions, (iii) merger and acquisition transactions, or (iv) capital distribution to shareholders as special dividends. All those actions, if decided, might, beside others, reduce the Common Equity Tier 1 Capital Ratio.

TAXATION

The following is a general description of certain tax considerations relating to the Notes in Germany and Luxembourg. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of Germany and Luxembourg currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF GERMANY AND LUXEMBOURG OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY INFORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.

Taxation in Germany

Withholding Tax

For German tax residents (e.g. persons whose residence, habitual abode, statutory seat or place of management is located in Germany), Interest Payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such Interest Payments (the "**Disbursing Agent**"). Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax). Individuals subject to church tax may apply in writing for church tax to be levied by way of withholding. Absent such application, individuals subject to church tax have to include their investment income generated from the Notes in their income tax return and will then be assessed to church tax. An electronic information system for withholding of church tax will apply in relation to investment income received after 31 December 2014, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the Holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the Holder will be assessed to church tax.

The withholding tax regime should also apply to capital gains from the disposition or redemption of Notes realised by Holders holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposition or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. Where custody has changed since the acquisition and the acquisition data is not proved or is not allowed to be proven to the Disbursing Agent in the form required by law, the tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes.

Accrued interest (*Stückzinsen*) received by the Holder upon disposal of the Notes between two interest payment dates is considered as part of the sales proceeds thus increasing a capital gain or reducing a capital loss from the Notes. Accrued interest paid by the Holder upon an acquisition of the Notes after the issue date qualifies as negative investment income either to be deducted from positive investment income generated in the same assessment period or to be carried forward to future assessment periods.

According to the German tax authorities, losses resulting from a sale where the sale proceeds do not exceed the transaction costs are treated as non-deductible for German tax purposes. Further, losses suffered by the Holders resulting from a bad debt loss (*Forderungsausfall*) in relation to the Notes are not tax-deductible. Based on the treatment of bad debt losses, losses incurred by the Holders from a Write-down of the book value of the Notes may not be tax-deductible.

German withholding tax should generally not be levied if the Holder filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, but only to the extent the annual aggregate investment income does not exceed the maximum lump sum deduction amount (*Sparer-Pauschbetrag*) shown on the withholding tax exemption certificate. Currently, the maximum lump sum deduction amount is EUR 801 (EUR 1,602 for jointly assessed married couples and registered partners) for all investment income received in a given calendar year. Similarly, no withholding tax should be levied if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German resident corporate Holders and, subject to further requirements, other German resident business Holders should not be subject to the withholding tax on capital gains from the disposition, sale or redemption of the Notes (i.e. for these Holders only interest payments, but not capital gains from the sale or redemption of the Notes are subject to the withholding tax regime).

The Issuer does not assume any responsibility for the deduction of German withholding tax at the source (including solidarity surcharge and, where applicable, church tax thereon).

Notes Held by Tax Residents as Private Assets

For German tax resident private Holders the withholding tax is – without prejudice to certain exceptions – definitive under a special flat tax regime (*Abgeltungsteuer*). Under the flat tax regime, expenses actually incurred in connection with the investment into the Notes are not tax-deductible. Private Holders can apply to have their income from the investment into the Notes assessed in accordance with the general rules on determining an individual's tax bracket if this results in a lower tax burden. An assessment is mandatory for income from the investment into the Notes where the Notes are not held with a Disbursing Agent but instead held in custody outside of Germany. Losses resulting from the sale or redemption of the Notes can only be off-set against other investment income. In the event that, absent sufficient positive investment income, a set-off is not possible in the assessment period in which the losses have been realised, such losses can be carried forward in order to be set off against any positive investment income generated in future assessment periods.

Notes Held by Tax Residents as Business Assets

Interest payments and capital gains from the disposition or redemption of the Notes held as business assets by German tax resident business Holders are generally subject to German income tax or corporate income tax (plus 5.5% solidarity surcharge thereon and, if applicable in the case of an individual holding the Notes as business assets, church tax). Any withholding tax deducted from interest payments is – as a general rule and subject to certain requirements – creditable against the German (corporate) income tax liability, or, to the extent exceeding the (corporate) income tax liability, refundable. The interest payments and capital gains are also subject to trade tax, if the Notes are attributable to a trade or business.

Notes Held by Foreign Tax Residents

A Holder not tax resident in Germany should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes, and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German Disbursing Agent. Exceptions may apply, e.g., if (i) the Notes form part of the business property of a permanent establishment (*Betriebsstätte*) in Germany, or (ii) of a business for which a permanent representative (*ständiger Vertreter*) in Germany has been appointed, or (iii) if the income from the Notes qualifies for other reasons as taxable German source income.

Other taxes

At present, the purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may opt for a liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

Taxation in Luxembourg

The following information is based on the laws of Luxembourg currently in force; however, it does not constitute, and must not be construed as, legal or tax advice. The information given in this section is limited to aspects of withholding tax. Prospective purchasers of the Instruments should thus consult their own professional advisers for advice regarding the consequences under national, local or foreign law, including the provisions of the Luxembourg tax laws, which may be applicable to them.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Non-Residents

All payments of interest (including accrued but unpaid) and principal under the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law.

Under the Luxembourg laws of 21 June 2005, as amended, implementing the EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of saving, income in the form of interest payments (the "**EU Savings Directive**") and as a result of ratification by Luxembourg of certain related agreements with certain dependent and associated territories, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain Residual Entities as defined by Article 4 (2) of the laws, who as a result of an identification procedure implemented by the paying agent are identified as residents or or are deemed to be residents of an EU Member State other than Luxembourg, certain dependent or associated territories or certain other non-EU Member States, will be subject to a withholding tax unless the relevant beneficiary (individual or Residual Entity) has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or deemed residence or in the case the beneficial owner is an individual has provided a tax certificate from his/her fiscal authority in the format required by the laws to the relevant paying agent. Where withholding tax is applied, it is levied at a rate of 35 per cent.

The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

On 18 March 2014, the Luxembourg government has submitted to the Luxembourg Parliament the draft Bill N° 6668 on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This draft Bill is in line with the announcement of the Luxembourg government of April 2013.

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Residents

Under the Luxembourg law of 23 December 2005, as amended, interest or similar income on Notes paid by a Luxembourg paying agent to an individual holder who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. which will operate a full discharge of income tax due on such payments in the case such Luxembourg resident individual is acting in the context of the management of his/her private wealth.

This law should apply to savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Directive) accrued as from 1 July 2005 and paid as from 1 January 2006. Interest on Instruments paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive. This 10 per cent. tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding tax in application of the above-mentioned Luxembourg laws of 21 June 2005, as amended, and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of the laws and not by the Issuer.

When used in the preceding paragraph "interest" and "paying agent" have the meaning given thereto in those laws (or the relevant agreements). "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the Instruments. "Paying agent" is defined broadly for this purpose and in the context of the Instruments means any economic operator established in Luxembourg who pays interest on the Instruments to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

EU Savings Tax Directive

Under the EU Savings Tax Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity named Residual Entities (within the meaning of Article 4 (2) of the EU Savings Tax Directive) established in that other Member State; however, for a transitional period, Austria and Luxembourg apply instead a withholding system in relation to such payments, deducting tax at a rate of meanwhile 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date. In addition, also Austria has undertaken to implement an automatic exchange of information in the future (with no concrete date of implementation given at the moment).

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain Residual Entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Council formally adopted a Council Directive amending the EU Savings Tax Directive on 24 March 2014 (the "Amending Directive"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and the national legislation must apply from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The proposed FTT has very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT as originally proposed could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

According to a recent press announcement of the EU Council, ten participating Member States intent to introduce an amended FTT as of 1 January 2016. Compared to the original proposal, the new proposal for a FTT has a limited scope only and shall only apply to shares and derivatives.

However, many details remain unclear and the currently proposed FTT might also be altered again prior to any implementation. In addition, the proposed Directive remains subject to negotiation between the participating Member States and was (and most likely will be) the subject of legal challenge.

SUBSCRIPTION AND SALE OF THE NOTES

General

The Issuer will agree in an agreement to be signed prior to the Issue Date (the "**Subscription Agreement**") to sell to BNP Paribas, Deutsche Bank AG, London Branch and HSBC Bank plc (the "**Joint Lead Managers**") and Bankhaus Lampe KG (the "**Co-Lead Manager**" and together with the Joint Lead Managers the "**Managers**") and the Managers will agree, subject to certain customary closing conditions, to purchase the Notes on the Issue Date.

The Managers are entitled, under certain circumstances, to terminate the agreement reached with the Issuer. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Other than that, there are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones, that are material to the issue.

Total number of Notes

The total number of Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange is 1,500, representing an aggregate principal amount of EUR 300,000,000.

Charges and costs relating to the purchase of Notes

The Issuer will not charge any costs, expenses or taxes directly to any investor. Investors must inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

No public offering

No action has been or will be taken in any country or jurisdiction by the Issuer or the Managers that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons who have access to this Prospectus are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdictions in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribution such offering material, in all cases at their own expense.

Selling Restrictions

General

Each Manager has acknowledged that other than explicitly mentioned in the Prospectus, no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials), in any country or jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States of America (the "United States")

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition:

(i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**"), each Manager (i) has represented that it has not offered or sold, and has agreed that during a 40 day restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) has represented that it has not delivered and has agreed that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period

(ii) each Manager has represented that it has and has agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules

(iii) if it is a United States person, each Manager has represented that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) and

(iv) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, each Manager either (a) repeats and confirms the representations and agreements contained in paragraphs (i), (ii) and (iii) on its behalf or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

Selling Restrictions Addressing United Kingdom Securities Laws

Each Manager has represented, warranted and agreed that:

(a) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) *General Compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Subject of this Prospectus

The subject of this Prospectus is the issue of the Notes with a nominal amount of EUR 200,000 per Note, all of which are interest-bearing debt obligations of Aareal Bank.

Authorisation and Issue Date

The creation and issue of the Notes has been authorised by a resolution of the Issuer's Management Board dated 16 September 2014 and a resolution of the Issuer's Supervisory Board dated 22 September 2014. The Issue Date of the Notes is expected to be 20 November 2014.

Clearing and Settlement

The Notes have been accepted for clearing by Clearstream Banking AG, Frankfurt, Mergenthalerallee 61, D-65760 Eschborn, Germany. The Notes have been assigned the following securities codes: ISIN DE000A1TNDK2, Common Code 114071919, WKN A1TNDK.

Listing and Admission to Trading Information

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market "*Bourse de Luxembourg*" of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the MIFID.

Expenses Related to the Admission to Trading

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately EUR 10,000.

Yield to Maturity

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate.

Ratings

Fitch Deutschland GmbH[7] has assigned to the Issuer a long-term rating of A- (outlook: negative) and is expected to assign a rating of B+ to the Notes.

Paying Agent and Calculation Agent

The Paying Agent is Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Federal Republic of Germany. The Calculation Agent is Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Federal Republic of Germany.

Third party information

Any information sourced from a third party contained in this Prospectus has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Notices

All notices concerning the Notes, except for notices under the SchVG which shall be made exclusively pursuant to the provisions of the SchVG, shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).

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[7] Fitch is established in the European Community and is registered under the CRA Regulation. The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

In addition, as long as any Notes are listed on the official list of the Luxembourg Stock Exchange, all notices concerning the Notes will be made by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of notices regarding the Rate of Interest or, if the rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders in lieu of publication on the website of the Luxembourg Stock Exchange; any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the day on which the said notice was given to the Clearing System.

Documents on Display

For the time of the validity of the Prospectus, copies of the following documents may be inspected during normal business hours at the registered office of the Issuer, the specified office of the Paying Agent and as long as the Notes are listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange the documents set out under (b) and (c) below will be available on the website of the Luxembourg Stock Exchange (www.bourse.lu):

(a) the articles of association of the Issuer;

(b) the Prospectus; and

(c) the documents incorporated by reference set out below.

DOCUMENTS INCORPORATED BY REFERENCE

The audited consolidated financial statements for the fiscal years ended 31 December 2013 and 31 December 2012 as well as the unaudited consolidated interim financial statements as at 30 September 2014 of Aareal Bank are incorporated by reference into this Prospectus as set forth in detail below.

The specified pages of the following documents which all have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this Prospectus:

1) Audited consolidated financial statements for the fiscal year ended 31 December 2013:	**Extracted from the Aareal Bank Group Annual Report 2013:**
– Statement of Comprehensive Income	– page 92 to page 93
– Statement of Financial Position	– page 94
– Statement of Changes in Equity	– page 95
– Statement of Cash Flows	– page 96
– Notes to the Financial Statements	– page 97 to page 205
– Auditor's Report	– page 207 to page 208
2) Audited consolidated financial statements for the fiscal year ended 31 December 2012:	**Extracted from the Aareal Bank Group Annual Report 2012:**
– Statement of Comprehensive Income	– page 122 to page 123
– Statement of Financial Position	– page 124
– Statement of Changes in Equity	– page 125
– Statement of Cash Flows	– page 126
– Notes to the Financial Statements	– page 127 to page 227
– Auditor's Report	– page 229 to page 230
3) Unaudited consolidated interim financial statements for the nine months ended 30 September 2014	**Extracted from the Aareal Bank Group Interim Report as at 30 September 2014**
– Statement of Comprehensive Income	– page 34 to page 37
– Statement of Financial Position	– page 41
– Statement of Changes in Equity	– page 42
– Condensed Statement of Cash Flows	– page 43
– Condensed Notes, comprising the Basis of Accounting, explanatory information to the Statement of Comprehensive Income and the Statement of Financial Position, the Reporting on Financial Instruments and the Other Notes	– page 44 to page 66

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

NAMES AND ADDRESSES

ISSUER

Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden
Germany

JOINT LEAD MANAGERS

BNP Paribas
10 Harewood Avenue
London
NW1 6AA
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London, EC2N 2DB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

CO-LEAD MANAGER

Bankhaus Lampe KG
Alter Markt 3
33602 Bielefeld
Germany

PAYING AGENT

Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden
Germany

CALCULATION AGENT

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Germany

LEGAL ADVISERS TO THE MANAGERS

Linklaters LLP
Mainzer Landstrasse 16
60325 Frankfurt am Main
Germany

LEGAL ADVISERS TO THE ISSUER

Freshfields Bruckhaus Deringer LLP
Bockenheimer Anlage 44
60322 Frankfurt am Main
Germany

AUDITORS TO THE ISSUER

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Friedrich-Ebert-Anlage 35-37
60327 Frankfurt am Main
Germany

Aareal Bank