



Information concerning Aareal Bank AG's virtual Annual General Meeting on 18 May 2021 (non-legally binding document)

April 2021 | Updated in May 2021

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Agenda of the virtual Annual General Meeting on 18 May 2021

Agenda item 1 Presentation of the confirmed Annual Financial Statements and the approved consolidated financial statements, the management report for the Company and the Group, the disclosures in accordance with sections 289a and 315a of the German Commercial Code (Handelsgesetzbuch – "HGB") as well as the Report by the Supervisory Board for the 2020 financial year (p. 5 ff.)

Agenda item 2 Passing of a resolution on the appropriation of net retained profit for the 2020 financial year (p. 7 ff.)

Agenda item 3 Passing of a resolution on the formal approval of the members of the Management Board for the 2020 financial year (p. 9 ff.)

Agenda item 4 Passing of a resolution on the formal approval of the members of the Supervisory Board for the 2020 financial year (p. 11 ff.)

Agenda item 5 Passing of a resolution on the appointment of the external auditors (p. 14 ff.)

Agenda Item 6 Passing of a resolution on the approval of the remuneration system for the members of the Management Board (p. 16 ff.)

Agenda item 7 Passing of a resolution on the remuneration and the remuneration system for members of the Supervisory Board and on an amendment to Article 9 of the Memorandum and Articles of Association (p. 20 ff.)

Agenda item 8 Passing of a resolution on the amendment to Article 10 (4) of the Memorandum and Articles of Association (p. 23 ff.)

Agenda item 9 Passing of a resolution on the amendment to Article 15 (1) and (2) of the Memorandum and Articles of Association (p. 25 ff.)

Agenda item 10 Passing of a resolution on the amendment to Article 20 of the Memorandum and Articles of Association (p. 27 ff.)

Agenda Item 11 Passing of a resolution on the removal of Supervisory Board members pursuant to section 103 of the AktG (p. 30 ff.)

Agenda item 12 Passing of a resolution on the election of the members of the Supervisory Board (p. 30 ff.)

¹The Agenda was drafted bearing in mind the guidelines of the relevant proxy advisors and suggestions and critical remarks obtained by shareholders during governance roadshows

² Addition of items 11 and 12 to the agenda, by virtue of the request for extension of the agenda submitted by shareholders Till Hufnagel and Petrus Advisers Investments Fund L.P

General information on Aareal Bank's virtual Annual General Meeting 2021



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The Annual General Meeting as a virtual meeting

On the basis of section 1 of the Act on Measures Affecting the Law on Corporations, Cooperatives, Associations, Foundations and Residential Property to Combat the Effects of the COVID 19-Pandemic (Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie - "C19-AuswBekG"), which came into effect on 27 March 2020 (German Federal Gazette I No. 14 2020, p. 570), the validity period of which was extended until 31 December 2021 through the Regulation on the Extension of Measures under the Law on Corporations, Cooperatives, Associations and Foundations to Combat the Effects of the COVID 19 Pandemic (Verordnung zur Verlängerung von Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht zur Bekämpfung der Auswirkungen der COVID-19 Pandemie) dated 20 October 2020 (German Federal Gazette I No. 48 2020, p. 2258) and was amended by the Law Concerning a further Shortening of the Discharge Procedure and an Adjustment of Pandemic-related Provisions under the Law on Corporations, Cooperatives, Associations, Foundations and Tenancy and Leasehold Law (Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht) dated 22 December 2020 (German Federal Gazette I No. 67 2020, p. 3328) (hereinafter "C19-AuswBekG"), the Management Board of the Company has decided - with the Supervisory Board's consent - to hold the ordinary Annual General Meeting without the physical presence of the shareholders and their representatives as a virtual Annual General Meeting.

Important details

- Date: 18 May 2021, at 10:30 am CEST
- **Location:** Aareal Bank AG's registered office at Paulinenstraße 15, 65189 Wiesbaden, Germany
- **Conducted** as a virtual Annual General Meeting, without the physical presence of the shareholders and their representatives; participation via online connection
- **Streaming (audio and video) for duly registered shareholders and their representatives:**
www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/

Presentation of the (consolidated) financial statements, of the (Group) management report, the Explanatory Reports of the Management Board, and the Supervisory Board Report

01

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Presentation of the (consolidated) financial statements, and of the management reports

-75

€ mn

Consolidated operating profit before taxes

90

€ mn

Net profit of Aareal Bank AG

18.8%

€ mn

CET1 ratio according to Basel III

7,250

€ mn

New business

27,800

€ mn

Volume of lending

Key indicators

	01.01.-31.12.2020	01.01.-31.12.2019		31.12.2020	31.12.2019
Ergebnisgrößen					
Betriebsergebnis (Mio. €)	-75	248			
Konzernergebnis (Mio. €)	-69	163			
Stammaktionären zugeordnetes Konzernergebnis (Mio. €) ¹⁾	-90	145			
Cost Income Ratio (%) ²⁾	44,2	37,3			
Dividende je Aktie (€) ³⁾	1,50	-			
Ergebnis je Stammaktie (€) ¹⁾	-1,50	2,42			
RoE vor Steuern (%) ¹⁾⁴⁾	-4,1	8,9			
RoE nach Steuern (%) ¹⁾⁴⁾	-3,6	8,8			
	31.12.2020	31.12.2019			
Bilanz					
Immobilienfinanzierungen (Mio. €) ⁵⁾	27.181	25.882			
Eigenkapital (Mio. €)	2.967	2.861			
Bilanzsumme (Mio. €)	45.478	41.137			
Aufsichtsrechtliche Kennziffern⁶⁾					
Risikogewichtete Aktiva (Mio. €)	12.138	11.195			
Harte Kernkapitalquote (CET 1-Quote) (%)	18,8	19,6			
Kernkapitalquote (T1-Quote) (%)	21,3	22,3			
Gesamtkapitalquote (TC-Quote) (%)	28,0	29,9			
Harte Kernkapitalquote (CET 1-Quote) (%) – Basel IV (phase-in) – ⁷⁾	17,3	17,1			
Mitarbeiter	2.982	2.788			
Moody's⁸⁾					
Issuer Rating	A3	A3			
Bank Deposit Rating	A3	A3			
Outlook	negative	stable			
Mortgage Pfandbrief Rating	Aaa	Aaa			
Fitch Ratings⁹⁾					
Issuer Default Rating	BBB+	A-			
Senior Preferred	A-	A			
Senior Non Preferred	BBB+	A-			
Deposit Ratings	A-	A			
Outlook	negative	negative			
Ratings zur Nachhaltigkeit¹⁰⁾					
MSCI	AA	AA			
ISS-ESG	prime (C+)	prime (C+)			
CDP	Awareness Level C	Awareness Level C			

https://www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/IR/Finanzberichte/2020/20201231_gb_en.pdf (Group Annual Report 2020)

Proposal for the appropriation of net retained profit

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ECB Recommendation on dividend distribution

- The Management Board and Supervisory Board propose a dividend totaling € 1.50. Against the backdrop of the renewed recommendation of the European Central Bank of 15 December 2020¹ not to pay out any dividends until 30 September 2021 or to limit them to no more than 15% of the Company's accumulated profits for the 2019 and 2020 financial years or 20 basis points in terms of the Common Equity Tier 1 ratio, the dividend shall be paid out in two steps.²
- As a first step, on 18 May 2021 the distribution of a dividend of € 0.40 per share, totaling € 23,942,888.40 of the net retained profit, will be proposed to the Annual General Meeting.
- The Management Board and Supervisory Board reserve the right to submit a proposal for a further distribution of profits at a subsequent, additional Annual General Meeting, which will then result in the disbursement of a dividend totaling € 1.10.

Proposal for the appropriation of net retained profit

The Management Board and Supervisory Board propose the following resolution:
that Aareal Bank AG's net retained profit of € 89,785,831.50 for the 2020 financial year be appropriated as follows:

Distribution of a dividend of € 0.40 per no-par-value share entitled to dividend payment for the 2020 financial year:	€ 23,942,888.40
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Carried forward to new account	€ 65,842,943.10
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¹ <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215-4742ea7c8a.en.html>

² <https://www.aareal-bank.com/en/investors-portal/finance-information/ad-hoc-releases-public-disclosure-of-insider-information/ad-hoc-releases-public-disclosure-of-insider-information/public-disclosure-of-insider-information-in-accordance-with-article-17-of-regulation-596-2014-eu-aareal-bank-expects-consolidated-operating-loss-in-a-double-digit-million-euro-amount-for-the-2020-financial-year-dividend-payments-in-a-total-amount-of>

Formal approval of the members of the Management Board for the 2020 financial year

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The Management Board stands for a successful long-term performance of Aareal Bank Group

Review of 2020: high charges due to the pandemic, and robust operating performance

- Comprehensive allowance set aside for Covid-19 risks, robust operating performance
- Growth opportunities used in all three segments and market position consolidated
- Conditions created to accelerate the growth of Aareon further: minority stake of Advent in Aareon successfully completed
- Resumption of € 1.50 dividend payment intended in two steps

Outlook for 2021: decline in loss allowance and return to profit

- Economic recovery should strengthen in the further course of the year
- Loss allowance expected to be at substantially lower level compared with 2020
- Focus on exploiting growth opportunities
- Planned consolidated operating profit in a triple-digit million euro range

Strategy update: exploit growth opportunities and boost profitability

- Focused growth strategies developed for all three segments
- Flanked by efficiency-enhancing measures and the optimisation of capital and funding
- Increase in consolidated operating profit to around € 300 million envisaged by 2023

Portfolio of responsibilities



Hermann J Merkens*

Chief Executive Officer

His responsibilities include the Group's strategic development, as well as the Investor Relations, HR, Legal, Audit and Corporate Communications divisions.

Mr Merkens possesses expertise – inter alia – in the areas of banking business, software and digital solutions for the housing industry, corporate IT, strategic planning, the design and assessment of risk management systems, staff and succession planning, and remuneration

Management Board experience since 2003



Marc Hess

Chief Financial Officer

His responsibilities include Finance and Treasury.

Mr Hess possesses expertise – inter alia – in the banking business, strategic planning, finance and accounting, external reporting, the management of liquidity, IRRBB and investment risks, risk management systems.

Management Board experience since 2007



Dagmar Knopek

Chief Lending Officer

Her responsibilities include Credit Management, Operations, and the Workout portfolio.

Ms Knopek possesses expertise – inter alia – in Real Estate Structured Finance, and risk management – especially regarding credit, property, market and NPL risks.

Management Board experience since 2013



Christiane Kunisch-Wolff

Chief Risk Officer

Responsibilities include Risk Controlling, non-financial risks (including Compliance and information security), Regulatory Affairs

Ms Kunisch-Wolff possesses expertise – inter alia – in the banking business, the management of all material risks, along with the design and assessment of risk management systems.

Management Board experience since 2006



Thomas Ortmanns

Chief Digitalisation Officer

His responsibilities include Group Technology, the Banking & Digital Solutions and Aareon segments in the housing, property and energy industries

Mr Ortmanns possesses expertise – inter alia – in the banking business, housing management / software & digital solutions, corporate IT, payment services, as well as management of material risks incl. IT and cyber risks

Management Board experience since 2005



Christof Winkelmann

Chief Market Officer

His responsibilities include the Sales units in the Structured Property Finance segment

Mr Winkelmann possesses expertise – inter alia – in Real Estate Structured Finance and the management of material risks, especially credit, property and market risks.

Management Board experience since 2016

Formal approval of the members of the Supervisory Board for the 2020 financial year

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Officiating Members of the Supervisory Board



Marija Korsch

Chairman of the Supervisory Board, Remuneration Control Committee, Executive and Nomination Committee

Ms Korsch possesses expertise – inter alia – in strategic planning, banking business, succession planning, financial markets & M&A investments, together with the design and evaluation of risk management systems (including



Christof von Dryander

Mr von Dryander possesses expertise – inter alia – in banking, strategic planning, corporate governance, risk management systems (including remuneration), compliance, AML, along with accounting matters and external reporting.



Klaus Novatius*

Deputy Chairman of the Supervisory Board – employee representative

Mr Novatius possesses expertise – inter alia – in Structured Property Financing and credit management.



Dietrich Voigtländer

Chair of the Technology and Innovation Committee

Mr Voigtländer possesses expertise – inter alia – in IT, digitalisation, innovation management, digital transformation, cyber risks, banking business, the design and evaluation of risk management systems (including remuneration), as well as accounting.



Sylvia Seignette

Chair of the Risk Committee

Ms Seignette possesses expertise – inter alia – in banking business, strategic planning, the design and evaluation of risk management systems (including remuneration), accounting, and succession planning.



Prof. Dr Hermann Anton Wagner

Chair of the Audit Committee

Prof. Dr Wagner possesses expertise – inter alia – in accounting, external reporting, and also in the design and evaluation of internal control and risk management systems, particularly with regard to accounting processes.



Richard Peters

Mr Peters possesses expertise – inter alia – in risk management systems (including remuneration), managing and controlling of trading activities, IT, digitalisation, as well as cyber risks.



Thomas Hawel*

Mr Hawel possesses expertise – inter alia – in housing management software & digital solutions.



Petra Heinemann-Specht*

Ms Heinemann-Specht possesses expertise – inter alia – in property financing, legal issues concerning credit business, and risk classification methods.



Elisabeth Stheeman

Ms Stheeman possesses expertise – inter alia – in commercial property finance and banking business, strategic planning, the design and evaluation of risk management systems (including remuneration), IT, and digitalisation.



Jana Brendel

Ms Brendel possesses expertise – inter alia – in digitalisation, cyber risks, innovation management, corporate IT as well as IT products and payment services.



Jan Lehmann*

Mr Lehmann possesses expertise – inter alia – in Aareon's and First Financial's digital products, as well as in IT operations.

*Employee representatives

The Supervisory Board has fulfilled its obligations in full

- The Supervisory Board has monitored, consulted and challenged the Management Board throughout the 2020 financial year.
- This includes the Supervisory Board's dealings with Aareon Group, the Aareal Next Level strategy and its 360-degree review, the intensive assistance provided to pandemic management, the close coordination with shareholders relating to corporate governance roadshows and ensuring the Management Board's capacity to act at all times.
- The Supervisory Board has considered shareholders' expectations regarding its role, together with the functioning and composition of the Supervisory Board when considering the new compensation scheme for the Management Board and the corresponding say on pay resolution.
- The Supervisory Board has enhanced transparency in corporate governance reporting and in the Remuneration Report within the Annual Report, and by publishing the Rules of Procedure for the Supervisory Board on the Bank's website.

Participation in Supervisory Board meetings during 2020

Member of the Supervisory Board	Plenary meetings attended	Quota	Committee meetings attended	Quota	Number of meetings attended / (plenary & committee meetings)
Marija Korsch	18 / 18	100%	37 / 37	100%	55 of 55
Richard Peters	18 / 18	100%	26 / 26	100%	44 of 44
Klaus Novatius *	18 / 18	100%	19 / 19	100%	37 of 37
Sylvia Seignette	18 / 18	100%	6 / 6	100%	24 of 24
Prof. Dr Hermann Wagner	18 / 18	100%	19 / 19	100%	37 of 37
Hans-Dietrich Voigtländer	18 / 18	100%	20 / 20	100%	38 of 38
Thomas Hawel *	18 / 18	100%	4 / 4	100%	22 of 22
Petra Heinemann-Specht *	18 / 18	100%	11 / 11	100%	29 of 29
Jan Lehmann *	9 / 9	100%	3 / 3	100%	12 of 12
Christoph von Dryander	9 / 9	100%	16 / 16	100%	25 of 25
Jana Brendel	8 / 9	89%	6 / 7	86%	14 of 16
Elisabeth Stheeman	18 / 18	100%	10 / 10	100%	28 of 28
Prof. Dr Stephan Schüller	9 / 9	100%	10 / 11	91%	19 of 20
Dr Hans-Werner Rhein	9 / 9	100%	8 / 8	100%	17 of 17
Beate Wollmann*	9 / 9	100%	3 / 3	100%	12 of 12

* Employee representatives

Appointment of statutory external auditors for the 2021 financial year and Q1/2022



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Change of statutory external auditors will be completed in 2021

- PricewaterhouseCoopers (PwC) has been providing statutory audits to Aareal Bank for a long period of time. The Audit Committee has carefully monitored PwC’s independence throughout this period.
- PwC was mandated as statutory external auditors for the 2020 financial year, for the last time.
- KPMG will be proposed as auditor for the audit of the annual financial statements and consolidated financial statements for 2021 and for a possible audit review of additional financial statements in the 2021 financial year and in Q1/2022 prepared prior to the Annual General Meeting in 2022, which will resolve on the external auditors for the 2022 financial year.

Overview of audit and non-audit services in 2020

	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
€ 000's		
Auditing fees	4,056	3,987
Other attestation services	173	144
Tax advisory services	2	3
Other services	102	356
Total	4,333	4,490

- Other assurance services include the review in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz – “WpHG”), the bank levy, software confirmations, letters of comfort, and the Separate Non-Financial Report.
- Tax advisory services, including general tax advice
- Other services, including due diligence services and regulatory advice
- The 70% cap on approved non-audit services in relation to planned services relating to the audit of financial statements was not reached or exceeded at any time

Approval of the remuneration system for the members of the Management Board



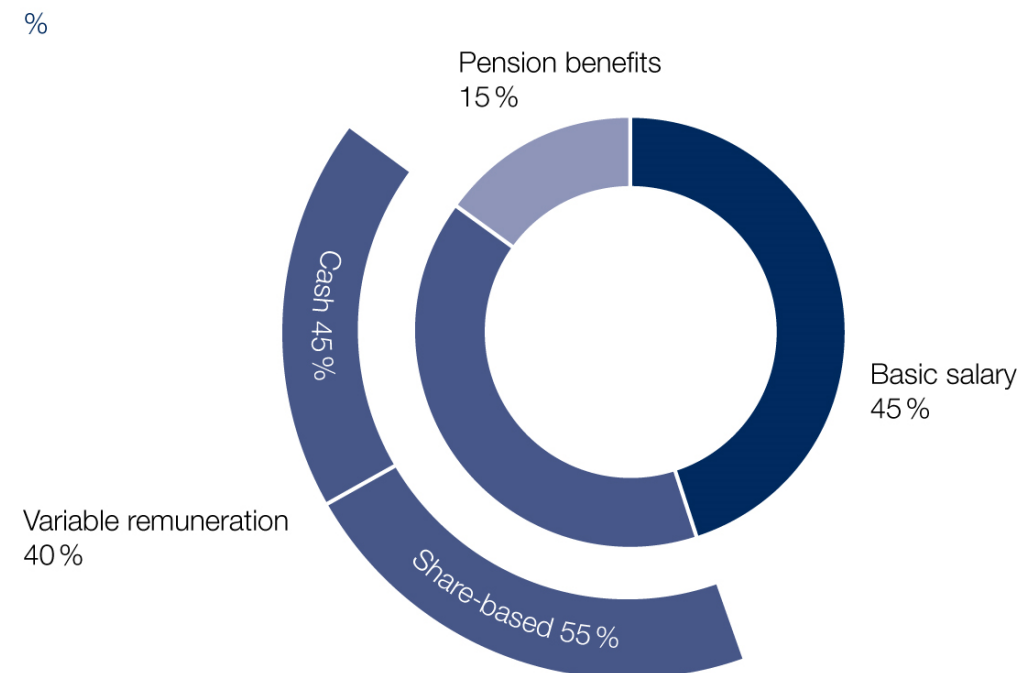
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The fixed remuneration elements comprise the fixed annual salary, ancillary benefits and pension obligations

Description	Reference to strategy and long-term development
Fixed remuneration elements	
<p>Fixed annual salary + ancillary benefits = basic remuneration</p> <ul style="list-style-type: none"> Fixed contractually agreed remuneration in line with standard market conditions, paid monthly Ancillary benefits in line with standard market conditions, in particular a company car that can also be used for private purposes or a lump-sum payment for members who decide against a company car; certain costs for security expenses, including the taxes and social security contributions payable on these amounts; (substitute) social security contribution corresponding to 50% of the contributions due under the statutory social security scheme The resulting basic remuneration accounts for around 45% of the total target remuneration for Management Board members 	<p>Guaranteeing the fixed income in the form of a fixed annual salary and ancillary benefits equivalent to scope and complexity of the business and the role and responsibility of the individual members of the Management Board, and competitive on the market.</p>
<p>Pension obligations</p> <ul style="list-style-type: none"> Defined contribution commitment with guaranteed interest Annual contributions of around 15% of the total target remuneration for Management Board members Management Board members are entitled to pension payments when they reach a defined age In the event of permanent disability, Management Board members are entitled to invalidity benefits even before they reach this defined age. 	<p>Granting of pension commitments for financial security in retirement and protection in case of death and disability that are in line with market requirements.</p>

The fixed remuneration elements account for 60% of the total remuneration

Management Board remuneration structure



The remuneration system provides for variable remuneration of 40% of the total remuneration

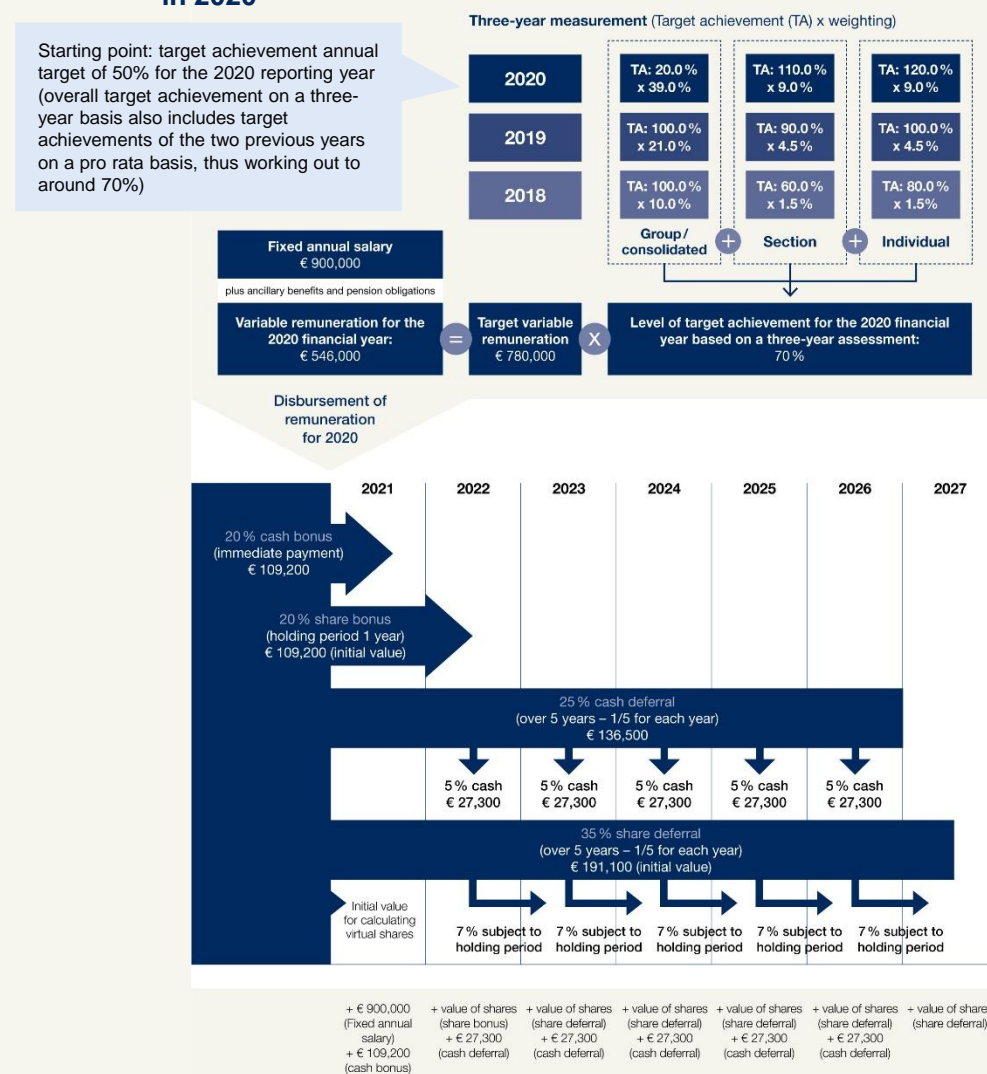
Description	Reference to strategy and long-term development
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Variable remuneration elements

- | | |
|---|---|
| <ul style="list-style-type: none"> The target variable remuneration corresponds to around 40% of the Management Board members' total target remuneration Variable remuneration is determined via the achievement of targets derived from the business and risk strategies, and which are in line with Aareal Bank's corporate and risk culture Group (70%), sectional (15%) and individual (15%) targets Group targets usually correspond to the financial KPIs used in the management system, while sectional and individual targets can include both financial and non-financial KPIs. At least 15% of the target achievement will be based on quantitative ESG targets. Performance measurement based on criteria whose achievement is determined over a three-year period No discretionary components besides the targets derived from the strategy Breakdown of variable remuneration via four components (as per regulatory requirements) At least 55% of variable remuneration is share-based At least 80% of the variable remuneration is paid out on a deferred basis (20% as a share bonus with one-year retention period, plus 60% cash and share deferral) Maximum overall target achievement level is capped at 150% of the target value Maximum variable remuneration cannot exceed fixed remuneration No compensation is granted in the form of special bonuses extending over and above the components referred to above. | <p>Calculation of variable remuneration on the basis of annual financial and non-financial performance criteria that promote the achievement of the strategic objectives.</p> <p>Provides incentives to Management Board members for implementing the business priorities of Aareal Bank and to act in the interest of the long-term and sustainable positive business development.</p> <p>Group performance targets account for 70% of overall target achievement, hence prioritising the entire Company's interest, including shareholder expectations.</p> <p>By granting the variable remuneration, Aareal Bank meets the regulatory requirements to which it is subject.</p> |
|---|---|

Exemplary illustration

Remuneration of an ordinary Management Board member in 2020



Other provisions of the remuneration system

Description	Reference to strategy and long-term development
Other rules	
Risk-bearing capacity	<ul style="list-style-type: none"> Before disbursing the variable remuneration, the Supervisory Board reviews it regarding its compatibility with the risk-bearing capacity.
Penalty and clawback	<ul style="list-style-type: none"> All components of the variable remuneration are subject to penalty and clawback provisions. Admission of an adjustment to outstanding remuneration and/or clawback of remuneration already disbursed in case of clawback events.
Consideration of extraordinary developments	<ul style="list-style-type: none"> (Modifier) adjustment of Group target achievement level by 20 percentage points possible in cases involving exogenous circumstances In principle, no subsequent adjustments to remuneration targets, unless extraordinary developments result in the business strategy being adjusted during the year.

Description	Reference to strategy and long-term development
Other rules	
<p>Maximum remuneration of € 5.5 million per Management Board member (within the meaning of section 87a of the German Public Limited Companies Act (Aktengesetz – "AktG"))</p> <ul style="list-style-type: none"> Maximum expense amount for the financial year which includes the fixed annual salary, variable remuneration elements (incl. the development of the virtual shares over the next six years), ancillary benefits and pension obligations (service cost). Severance payments are excluded from this amount as a non-standard remuneration component. The maximum remuneration is stated individually for each member of the Management Board and applies until the next proposal is made to the Annual General Meeting. It is calculated based on the maximum possible values for the abovementioned remuneration components, plus a buffer for fluctuations in the share price, for example. <p>Note: The maximum remuneration of € 5.5 mn merely represents an abstract figure which reflects, in particular, potential increases in the share price in respect of deferred, share-based remuneration components.</p> <p>The remuneration of an ordinary Management Board member, consisting of the fixed remuneration, the maximum possible variable remuneration and the pension contribution, totals less than € 2.5 mn.</p>	<p>In order to define absolute values to ensure the proportionality of the amount of Management Board remuneration, the maximum remuneration sets a specific upper limit. This theoretical maximum value is based on a maximum possible target achievement level over the entire three-year assessment period and maximum share price performance. This means that the maximum remuneration can be clearly distinguished from the total target remuneration.</p>

Resolution on the remuneration and the remuneration system for members of the Supervisory Board



Changes to the existing remuneration system for members of the Supervisory Board

Remuneration for the services of the Supervisory Board members is specified in Article 9 (4) to (7) of the Memorandum and Articles of Association of Aareal Bank AG.

Due to recent court rulings, Article 9 (4) sentence 3 of the Memorandum and Articles of Association ("Any value-added tax invoiced will also be deemed to be a refundable expense") is to be deleted.

An addition is to be resolved, that the members of the Supervisory Board are included in a D&O (directors' and officers') liability insurance policy maintained by the Bank in an appropriate amount with a deductible, provided that such a policy exists. The relevant premiums shall be payable by the Company.

The adjusted remuneration provisions for the members of the Supervisory Board, which remain unchanged in all other respects, shall be confirmed, and the existing remuneration system for the members of the Supervisory Board is to be resolved upon.

Material content of the remuneration system for members of the Supervisory Board

Activity	Remuneration
Supervisory Board membership in general	€ 50,000
Membership of the Risk Committee and Audit Committee	€ 50,000 + € 20,000
Membership of other committees	€ 50,000 + € 15,000
Chairmanship of the plenary Supervisory Board	€ 50,000 + € 100,000
Deputy Chairmanship of the plenary Supervisory Board	€ 50,000 + € 25,000
Chairmanship of the Risk Committee and Audit Committee	€ 50,000 + € 40,000
Chairmanship of other committees	€ 50,000 + € 30,000
Attendance fee per meeting	€ 50,000 + € 1,000

¹EUGH 13. Juni 2019, C-420/18, IO, <https://datenbank.nwb.de/Dokument/Anzeigen/798126>

Appropriateness of Supervisory Board remuneration

The size and structure of the Supervisory Board remuneration is in line with standard market conditions, particularly when looking at the remuneration paid to Supervisory Board members of other listed companies in Germany, allowing the Company to continue attracting and retaining candidates with outstanding qualifications to its Supervisory Board.

This is a requirement for ensuring that the Supervisory Board is able to exercise its advisory and monitoring activities in the best possible manner.

Total remuneration of Supervisory Board members in the 2020 financial year

	Year	Fixed remuneration	Attendance fee	Total remuneration
€				
Marija Korsch	2020	265,000	55,000	320,000
Chair	2019	265,000	37,000	302,000
Richard Peters	2020	114,903	44,000	158,903
Deputy Chair (since 27 May 2020)	2019	100,000	25,000	125,000
Prof. Dr Stephan Schüller (until 27 May 2020)	2020	51,042	19,000	70,042
Deputy Chair	2019	125,000	23,000	148,000
Klaus Novatius	2020	105,000	37,000	142,000
Deputy Chair	2019	105,000	21,000	126,000
Jana Brendel (since 27 May 2020)	2020	50,528	14,000	64,528
	2019	-	-	-
Christof von Dryander (since 27 May 2020)	2020	59,444	25,000	84,444
	2019	-	-	-
Thomas Hawel	2020	65,000	22,000	87,000
	2019	65,000	13,000	78,000
Petra Heinemann-Specht	2020	81,889	29,000	110,889
	2019	70,000	15,000	85,000
Jan Lehmann (since 27 May 2020)	2020	38,639	12,000	50,639
	2019	-	-	-
Dr Hans-Werner Rhein (until 27 May 2020)	2020	34,708	17,000	51,708
	2019	85,000	21,000	106,000
Sylvia Seignette	2020	90,000	24,000	114,000
	2019	90,000	15,000	105,000
Elisabeth Stheeman ¹⁾	2020	85,000	28,000	113,000
	2019	85,000	19,000	104,000
Hans-Dietrich Voigtländer	2020	115,000	38,000	153,000
	2019	115,000	25,000	140,000
Prof. Dr Hermann Wagner	2020	118,917	37,000	155,917
	2019	110,000	21,000	131,000
Beate Wollmann (until 27 May 2020)	2020	28,583	12,000	40,583
	2019	70,000	15,000	85,000
Total	2020	1,303,653	413,000	1,716,653
	2019	1,285,000	250,000	1,535,000

¹⁾ For the Supervisory Board member with restricted tax liability, income taxes and the solidarity surcharge were reported pursuant to section 50a (1) no. 4 of the German Income Tax Act (Einkommensteuergesetz - EstG) and paid to the Federal Central Tax Office (Bundeszentralamt für Steuern - BZSt).

Amendments to Article 10 (4) of the Memorandum and Articles of Association



Clarification regarding the mandating of consultants by the Supervisory Board

Intended clarification:

Until now only the Chairman of the Supervisory Board has been authorised to involve advisors and other third parties at the expense of the Company and after consulting with the Chairman of the Management Board. The proposed amendment of the Memorandum and Articles of Association is intended to clarify that the chairs of Supervisory Board committees are also authorised to mandate consultants and other third parties. This avoids the detour via the Chairman of the Supervisory Board, who would otherwise have to mandate such persons.

No increase in costs for the Company or disadvantages for the shareholders are entailed by this.

Article 10 of the Memorandum and Articles of Association is amended

Current wording of Article 10 (4):

The costs of any advisors or other third parties brought in by the Chairman of the Supervisory Board on a case-by-case basis shall be borne by the Company. The Chairman of the Supervisory Board shall consult the Chairman of the Management Board prior to placing any such assignments; however, this will not be necessary when dealing with matters pertaining to the Management Board.

Proposed new wording of Article 10 (4)

"The costs of any advisors or other third parties brought in by the Chairman of the Supervisory Board or chair of a committee on a case-by-case basis shall be borne by the Company. The Chairman of the Supervisory Board or chair of the committee in question shall consult the Chairman of the Management Board prior to placing any such assignments; however, this will not be necessary when dealing with matters pertaining to the Management Board."

Amendments to Article 15 (1) of the Memorandum and Articles of Association



Shortening of the invitation period to restructuring annual general meetings

A shortening of the invitation period from 30 to 10 days for so-called "restructuring annual general meetings", during which resolutions on capital increases are to be decided on among other things, is provided for in Article 35 (5) of the German Act on the Recovery and Resolution of Credit Institutions and Financial Groups (Gesetz zur Sanierung und Abwicklung von Instituten und Finanzgruppen – SAG¹).

The Company intends to open up this option for any future restructuring situations as a precautionary measure. By deviation from the statutory provision, however, it is proposed that a period of 14 days be provided for the invitation to such meetings and that the Memorandum and Articles of Association be adjusted accordingly.

From the Company's perspective, this avoids disproportionate strain on the shareholders.

Proposal to shorten the invitation period to 14 days in such cases

Current wording of Article 15 (1) sentence 1

"The General Meeting shall be convened no later than 36 days prior to the day of the meeting. The day of convocation shall not be included in the calculation of this deadline."

Proposed addition of sentence 2

"The Annual General Meeting may, by deviation from section 123 (1) sentence 1 of the AktG, be convened at least 14 days before the Annual General Meeting if its only resolution, or one resolution along others, concerns a capital increase and the requirements set out in Article 36 (5) sentence 1 of the SAG are met; this minimum period is not extended by the days of the registration period."

Shortening of the invitation period to restructuring annual general meetings

The shortening of the notice period from 14 days for the invitation to restructuring general meetings causes a consequential amendment of the following paragraph (2) of article 15 which refers to the transmission of the specific proof of shareholdings required for the registration to General Meetings.

Due to the urgency or Resolution General Meetings instead of a transmission period of six days which apply to ordinary General Meetings a reduced period of only three days shall apply to the transmission of the special proof.

Consequential amendments in article 15 (2)

Previous wording of articles 15 (2) sentence (3)

„The evidence of shareholdings shall refer to the beginning of the 21st day before the date of the Annual General Meeting and must be submitted to the Company in text form at the address stipulated in the notice convening the meeting no later than on the sixth day prior to the date of the Annual General Meeting not including the date of receipt.“

Proposed change of article 15 (2) sentence (3)

„The evidence of shareholdings shall refer to the beginning of the 21st day before the date of the Annual General Meeting and must be submitted to the Company in text form at the address stipulated in the notice convening the meeting no later than on the sixth day – **or on the third day in the case of Article 15 (1) sentence 2 of this Memorandum and Articles of Association** – prior to the date of the Annual General Meeting, each not including the date of receipt.“

¹ Gesetz zur Sanierung und Abwicklung von Instituten und Finanzgruppen

Amendments to Article 20 of the Memorandum and Articles of Association

10

The current option to distribute non-cash dividends is due to be restricted

Article 20 sentence 2 of the current Memorandum and Articles of Association permits the annual general meeting the distribution of listed real assets instead of a cash dividend. This would include all types of listed financial instruments, including those issued by third parties. This provision is to be specified more precisely to ensure that only the distribution of listed equity instruments within the meaning of Article 4 (1) no. 119 of the CRR¹ as non-cash dividends is permitted.

The specification is required to avoid potential conflicts with Art. 73 of the CRR. Pursuant to Art. 73 of the CRR, the competent authorities may refuse to grant permission for share capital to qualify as Common Equity Tier 1 capital of the Bank if distributions on the shares can be made in a form other than in own funds. To avoid this risk, the reference to Art. 4 (1) No. 119 of the CRR clarifies that only financial instruments issued by Aareal Bank and recognised as Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments can be distributed.

Proposal to allow only own funds of Aareal Bank AG as non-cash dividends

Current wording of Article 20 sentence 2

The Annual General Meeting may resolve to distribute a non-cash dividend, provided the real assets to be distributed are of the kind that can be traded in the market within the meaning of section 3 (2) of the AktG."

Proposed new wording of Article 20 sentence 2

"The Annual General Meeting may also resolve that a non-cash dividend be distributed, provided the real assets to be distributed are **equity instruments within the meaning of Article 4 (1) no. 119 of Regulation (EU) 575/2013 (Capital Requirements Regulation - CRR)** that can be traded in the market within the meaning of section 3 (2) of the German Public Limited Companies Act (Aktiengesetz – AktG)."

Request for extension of the agenda regarding agenda items no. 11 and 12

11 & 12

Request for extension of the agenda dated 16 April 2021, submitted by Mr Till Hufnagel and by Petrus Advisers Investments Fund L.P.

On 13 April, Mr Till Hufnagel submitted a request for extension of the agenda, together with a confirmation by his custodian bank that he holds more than 166,000 shares. He demanded the removal of three Supervisory Board members and the election of three candidates proposed by himself to the Supervisory Board.

In the interest of informing shareholders without delay, the Management Board published the request for extension of the agenda on 14 April 2021, despite holding serious doubts as to whether the request is in fact legally permissible. In particular, in his statement substantiating his request for extension of the agenda, the applicant stated that he is a major shareholder of the Bank “together with my partner Klaus Umek and our company Petrus Advisers”; this indicates that they are acting in concert, which would have necessitated a voting rights notification¹.

Mr Hufnagel and Petrus Advisers Investments Fund L.P. each submitted an additional request for extension of the agenda on 16 April 2021. Prior to this, Messrs Umek and Hufnagel had submitted voting rights notifications showing that they were acting in concert. Given that both requests aimed to achieve identical objectives – removal of certain Supervisory Board members and election of candidates already proposed by Mr Hufnagel – the Management Board published a supplement to the agenda already supplemented by Mr Hufnagel’s two resolution proposals, whereby the Management Board followed the wording provided by Petrus Advisers. This will allow the General Meeting to hold a uniform vote on the proposals submitted by Mr Hufnagel and Petrus Advisers.

Proposal to add items 11 and 12 to the agenda:

Agenda item no. 11: Passing of a resolution on the removal of Supervisory Board members pursuant to section 103 of the AktG

It is proposed to remove the following members from their respective offices on the Supervisory Board:

- a) Marija Korsch (also Chairman of the Supervisory Board)
- b) Christof von Dryander
- c) Dietrich Voigtländer

Resolutions shall be passed by way of separate, individual polls.

Agenda item no. 12: Passing of a resolution on the election of Supervisory Board members

It is proposed to elect the following persons to the Supervisory Board:

- a) Mr Theodor Heinz Laber
- b) Ms Marion Khüny
- c) Mr Thomas Christian Hürlimann

Statements by the Management Board and the Supervisory Board (1/2)

Supervisory Board

The Company's Management Board has refrained from making a statement regarding the request for extension of the agenda, since Supervisory Board matters do not fall within the Management Board's responsibility. The Supervisory Board has rejected the demands to remove the Chairman of the Supervisory Board, Ms Marija Korsch, and Supervisory Board members, Messrs Christof von Dryander and Dietrich Voigtländer, and has also rejected the applicant's proposed candidates.

- Supervisory Board members Messrs von Dryander and Voigtländer were elected at the most recent Annual General Meeting, with a majority of more than 99%.
- The candidates proposed by Petrus Advisers were included in the selection process on an equal footing; candidates finally selected were discussed with Aareal Bank's largest shareholders including Petrus Advisers.
- The Supervisory Board has comprehensively performed its duties in its existing composition.
- Ms Korsch and Messrs von Dryander and Voigtländer have skills and expertise in the areas of strategic planning, property, M&A, corporate governance, IT, digitalisation and transformation, thus contributing to the Supervisory Board's collective skills profile.
- They hold sufficient experience in banking and HR.
- Ms Korsch is an experienced Supervisory Board Chairman who has been supporting Aareal Bank's success story with a steady hand for eight years.
- Moreover, she ensures a continuous exchange of views between the Supervisory Board and shareholders, a state of affairs that gives no reason for any changes.

Overview of shareholder engagement (2019-2021)*

Strategy, business model, and achievement of operating targets	
Management Board / Investor Relations team	Continuous exchange of views with all shareholders, portfolio managers, analysts, etc.
Corporate governance & ESG	
Autumn 2019 (10 meetings)	General corporate governance, composition of the Supervisory Board, independence requirements, Management Board remuneration, ESG endeavours
Spring 2020 (20 meetings)	Preparations for AGM 2020, including Supervisory Board elections (<i>changes based on discussions with shareholders</i>) <ul style="list-style-type: none"> • Introduction of a 'staggered board' • Office terms of shareholder representatives shortened to four years • All candidates for election to the Supervisory Board elected with a majority of > 99%
Autumn 2020 (12 meetings)	Preparations for AGM 2021, including Management Board remuneration (<i>changes based on discussions with shareholders</i>) <ul style="list-style-type: none"> • Share-based portion of variable remuneration increased to 55% • Minimum of 15% quantifiable ESG targets • Enhanced remuneration transparency in the report and the remuneration system
Spring 2021 (13 meetings)	Further preparations for the AGM 2021, whereby the majority of shareholders indicated their agreement in principle with the Supervisory Board and the Management Board

* with the involvement of shareholders Petrus Advisers and Teleios Capital



Statements by the Management Board and the Supervisory Board (2/2)

Strategy

Published on 24 February 2021

Statement by Aareal Bank

- The “Aareal Next Level”, which was adapted to the current environment (via the strategic review) was explained at the annual press conference on 24 February 2021.
- The Bank is targeting consolidated operating profit of ~€300 million, to be achieved by 2023.
- Based on assumptions¹⁾ such as a reference CET1 ratio of around 15% (above the market average), this corresponds to a target RoE of 8% after taxes; this covers the cost of capital and will lead to a cost/income ratio of 40% in the SPF segment by 2023.
- Enhancements to portfolio transparency regarding ESG criteria were already communicated in 2020.
- The Bank is already extending initial ‘green’ loans and issuing ‘green’ bonds this year.
- In any case, at least 15% of Management Board targets are based on quantifiable ESG performance criteria.
- The segment strategy for Banking & Digital Solutions targets a doubling of net commission income by 2025.
- Aareon’s adjusted EBITDA is set to more than double, reaching ~€135 million by 2025.
- Going forwards, Aareon will continue to drive its own development as a standalone enterprise, together with Advent, as Aareal Bank has successfully done in the past.

Aareal enters into first stage evolution of ‘Aareal Next Level’

Operating profit target of € ~300 mn to be achieved already in 2023¹⁾

January 2020	<ul style="list-style-type: none"> • We introduced our strategy ‘Aareal Next Level’ with three strategic pillars ACTIVATE!, ELEVATE! and ACCELERATE!
Q4 2020	<ul style="list-style-type: none"> • Management initiated a 360° review of ‘Aareal Next Level’ in the context of Covid-19 and its mid term structural implications supported by McKinsey • Key focus of 360° review: i) create sustainable shareholder value in a new normal after Covid-19 with the aim of earning our CoE mid-term¹⁾ and ii) resume our track record as reliable dividend payer²⁾
Early 2021	<ul style="list-style-type: none"> • 360° review confirms ‘Aareal Next Level’ remaining a successful and attractive strategy even in a post Covid-19 environment. Thus, we will enter into first stage evolution of ‘Aareal Next Level’ • We identified 1 2 3 4 5 additional levers within the ‘Aareal Next Level’ strategic framework to significantly improve our successful performance in the future • We envisage to achieve an operating profit target of € ~300 mn already in 2023³⁾ which translates into a return on equity after taxes of ~8%¹⁾ on Group as well as on Bank level • Free capital retained for either M&A and/or capital management

1) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then

2) Subject to ECB approval

3) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then

Note: All 2020 figures preliminary and unaudited

¹⁾ Based on the assumption of a reference CET1 ratio of around 15% (Basel IV phased-in, revised IRBA), exceeding the market average, excluding any ac

Aareal Bank has generated above-average total shareholder return (TSR) over the past five years (reference date: 28 April 2021)

Name	Headquarter	Market Cap (€M)	Total Shareholder Return (5 Years)
Paragon	United Kingdom	1,355	77.5%
Crédit Agricole	France	37,217	52.8%
KBC	Belgium	26,893	45.2%
Deutsche Pfandbriefbank	Germany	1,313	44.0%
Raiffeisen International	Austria	5,977	42.6%
BNP Paribas	France	66,864	33.8%
Erste Group	Austria	12,653	32.8%
HSBC	United Kingdom	104,178	27.3%
NATIXIS	France	12,903	23.3%
Intesa Sanpaolo	Italy	44,651	21.1%
Barclays	United Kingdom	36,954	17.9%
ING	Netherlands	41,585	17.3%
CaixaBank	Spain	21,087	12.6%
UBS	Switzerland	49,289	6.7%
Aareal	Germany	1,441	2.6%
NatWest	United Kingdom	27,229	(3.3%)
Virgin Money (CYBG)	United Kingdom	3,355	(8.9%)
Société Générale	France	20,195	(9.5%)
BBVA	Spain	30,022	(12.8%)
Santander	Spain	54,380	(14.6%)
Lloyds	United Kingdom	36,767	(17.7%)
ABN AMRO	Netherlands	10,034	(18.0%)
Euro STOXX Banks	n.a.	n.a.	(18.3%)
Credit Suisse	Switzerland	22,491	(19.5%)
Deutsche Bank	Germany	23,309	(24.6%)
Commerzbank	Germany	6,681	(34.1%)
Bank of Ireland	Ireland	5,182	(37.3%)
BPER Banca	Italy	2,681	(39.8%)
Banco BPM	Italy	3,632	(47.9%)
UniCredit	Italy	19,216	(48.0%)
Banco de Sabadell	Spain	2,765	(62.7%)
AIB	Ireland	6,672	(65.0%)
Creval	Italy	859	(83.1%)
Metro Bank	United Kingdom	228	(94.4%)
Banca Monte dei Paschi di Siena	Italy	1,153	(98.4%)
BAWAG	Austria	3,995	n.a.
DNB	Norway	28,637	101.9%
SEB	Sweden	23,281	64.2%
Nordea	Finland	34,156	32.8%
Swedbank	Sweden	16,462	10.9%
Min (excl. Nordics & Euro STOXX Banks)			(98.4%)
Median (excl. Nordics & Euro STOXX Banks)			(9.2%)
Average (excl. Nordics & Euro STOXX Banks)			(8.3%)
Max (excl. Nordics & Euro STOXX Banks)			77.5%
German Average			(3.0%)

Reference European Banking Index

TSR calculation includes dividends reinvested after the payment date (special dividends not taken into account)

Aareal

Further information

Issued share capital and number of shares

179,571,663.00

EUR

Issued share Capital

59,857,221

Number of no-par
value shares

The Company does not hold
any treasury shares

Shareholder Base

(as at 1 April 2021)

Shareholder structure (shareholding > 3%)	Stakes (according to most recent notifications)
DEKA	9.60%
<i>VBL</i>	6.50%
Petrus Advisers	5.25%*
Teleios Capital Partners LLC	5.06%
<i>Teleios Global Opportunities</i>	5.06%
Janus Henderson	5.03%
Allianz Global Investors	4.99%
Dimensional Fund	4.93%
<i>DFA Int. Small Cap Value Portfolio</i>	2.94%
JPMorgan	3.07%

*plus 4.17 % in derivative instruments (pursuant to section 38 of the WpHG)

Aareal

Login

Access to the AGM stream: anmeldestelle@computershare.de

Deadline for providing evidence of shareholding:
27 April 2021, midnight (00:00) CEST

Registration:

until 11 May 2021 (24:00 CEST) at the latest

Your questions:

– Submission of your questions until one day prior to the AGM at the latest:

16 May 2021 (00:00 CEST)

– [via the shareholder portal on www.aareal-bank.com/en](http://www.aareal-bank.com/en)
[Investors portal / Annual General Meeting 2021](#), available from 27 April 2021 – the Record Date)

Exercise of voting rights

Postal vote / voting proxies appointed by the Company / proxies to third parties

until 17 May 2021 (18:00 CEST) at the latest

- in text form (by post)
in a notice sent to Aareal Bank AG, c/o Computershare Operations Center, 80249 Munich, Germany
- in text form (by fax)
- +49 89 30903-74675
- via e-mail
- aarealbank-HV2021@computershare.de, or
- still possible via the shareholder portal on the day of the Annual General Meeting

Disclaimer

- This booklet summarises the items on the agenda as well as the proposals of the management and provides additional information.
- However, only the notice convening the Annual General Meeting – published in the Federal Gazette (Bundesanzeiger) of 6 April 2021, and made available on Aareal Bank AG's website – is legally binding.

Your contacts

Juergen Junginger

Investor Relations

T +49 611 348 2636

E juergen.junginger@aareal-bank.com

Holger Lehnen

Board Office

T +49 611 348 3702

E holger.lehnen@aareal-bank.com



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