

This version of the Notice to Shareholders (Invitation to the Annual General Meeting) is a translation from the German original, provided for the convenience of English-speaking readers. The German text shall be authoritative and binding for all purposes.

# Invitation to the Annual General Meeting of Shareholders for 2021

## Virtual Annual General Meeting

Dear Shareholders,

We are pleased to invite you to our Annual General Meeting to be held on **Tuesday, 18 May 2021, at 10:30 a.m. CEST**, without the physical presence of the shareholders or their representatives.

Unfortunately, we are not able to welcome you in person to the Annual General Meeting for 2021. To counter the further spread of coronavirus it remains essential to avoid physical proximity. We have, therefore, structured our Annual General Meeting to best serve the interests of our shareholders, the members of our governance bodies, employees and service providers and those of the general public in such a way that as few people as possible meet in one place. The Annual General Meeting will therefore be held solely as a virtual general meeting without the physical presence of the shareholders or their representatives (except for the voting proxies appointed by the Company).

The virtual Annual General Meeting will be streamed live (audio and video) for duly registered shareholders or their representatives, via the Company's shareholder portal. The shareholder portal can be reached via the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

The location of the Annual General Meeting within the meaning of the German Public Limited Companies Act (Aktiengesetz – AktG) is the Head Office of Aareal Bank AG, Paulinenstrasse 15, 65189 Wiesbaden, Germany.

**Information in accordance with section 125 of the German Public Limited Companies Act (Aktiengesetz – AktG) in conjunction with Table 3 of Commission Implementing Regulation (EU) 2018/1212 (“CIR”)**

**A. Specification of the notice**

1.	Unique identifier of the event	Ordinary virtual Annual General Meeting of Aareal Bank AG 2021 (formal description pursuant to the CIR: 8202a821d875eb11811b005056888925)
2.	Type of message	Convening the Annual General Meeting (formal description pursuant to the CIR: NEWM)

**B. Specification of the issuer**

1.	ISIN	DE0005408116
2.	Name of issuer	Aareal Bank AG

**C. Specification of the Annual General Meeting**

1.	Date of the General Meeting	18 May 2021 (formal description pursuant to the CIR: 20210518)
2.	Time of the General Meeting	10:30 a.m. CEST (formal description pursuant to the CIR: 8:30 a.m. UTC)
3.	Type of General Meeting	Ordinary virtual Annual General Meeting without the physical presence of the share-holders or their representatives (formal description pursuant to the CIR: GMET)
4.	Location of the General Meeting	URL to the shareholder portal of the Company to follow the video and audio of the Annual General Meeting and to exercise shareholder rights  (formal description pursuant to the CIR: <a href="http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/">www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/</a> )  Location of the Annual General Meeting within the meaning of the AktG: Aareal Bank AG Head Office, Paulinenstrasse 15, 65189 Wiesbaden, Germany
5.	Record Date	27 April 2021, 00:00 (CEST) (formal description pursuant to the CIR: 20210426)
6.	Uniform Resource Locator (URL)	<a href="http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/">www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/</a>

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### Further information on convening the Annual General Meeting (blocks D to F of Table 3 of the Annex to Commission Implementing Regulation (EU) 2018/1212):

Further information on participation in the general meeting (block D), the agenda (block E) and specification of the deadlines regarding the exercise of other shareholder rights (block F) can be found on the following website:

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

#### Overview of the agenda:

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
Agenda item 2	Passing of a resolution on the appropriation of net retained profit for the 2020 financial year
Agenda item 3	Passing of a resolution on the formal approval of the members of the Management Board for the 2020 financial year
Agenda item 4	Passing of a resolution on the formal approval of the members of the Supervisory Board for the 2020 financial year
Agenda item 5	Passing of a resolution on the appointment of the auditors and Group auditors and on the auditors to review, if applicable, additional financial information during the year
Agenda item 6	Passing of a resolution on the approval of the remuneration system for the members of the Management Board
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
Agenda item 8	Passing of a resolution on the amendment to Article 10 (4) of the Memorandum and Articles of Association
Agenda item 9	Passing of a resolution on the amendment to Article 15 (1) and (2) of the Memorandum and Articles of Association
Agenda item 10	Passing of a resolution on the amendment to Article 20 of the Memorandum and Articles of Association

## Agenda

### **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**

In accordance with section 172 sentence 1 of the German Public Limited Companies Act (Aktiengesetz – AktG), the Supervisory Board approved on 25 March 2021 the Annual Financial Statements and the Consolidated Financial Statements prepared by the Management Board; the financial statements have thus been confirmed. The proposal for the appropriation of profits is set out in the Notes to the Annual Financial Statements. Therefore, it is not necessary to pass a resolution on this agenda item 1 at the Annual General Meeting.

### **Agenda item 2: Passing of a resolution on the appropriation of net retained profit for the 2020 financial year**

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
Carried forward to new account:	€ 65,842,943.10

At the time of the proposal for the appropriation of profits the Company does not hold any treasury shares. Should the number of no-par-value shares entitled to dividend payment for the 2020 financial year alter prior to the Annual General Meeting, an appropriately amended resolution will be presented to the Annual General Meeting for approval. Said resolution will provide for an unchanged dividend of € 0.40 per no-par-value share entitled to dividend payment and, if applicable, an appropriately amended proposal for carrying forward the balance.

In accordance with section 58 (4) sentence 2 of the AktG, the entitlement to payment of the dividend falls due on the third business day following the resolution of the Annual General Meeting, i.e. on 21 May 2021.

### **Agenda item 3: Passing of a resolution on the formal approval of the members of the Management Board for the 2020 financial year**

The Management Board and Supervisory Board propose that formal approval be granted, for the 2020 financial year, for the members of the Management Board who were in office during that period.

We intend to let the Annual General Meeting decide on the formal approval of the members of the Management Board by way of individual votes being cast.

### **Agenda item 4: Passing of a resolution on the formal approval of the members of the Supervisory Board for the 2020 financial year**

The Management Board and the Supervisory Board propose that formal approval be granted, for the 2020 financial year, for the members of the Supervisory Board who were in office during that period.

We intend to let the Annual General Meeting decide on the formal approval of the members of the Supervisory Board by way of individual votes being cast.

### **Agenda item 5: Passing of a resolution on the appointment of the auditors and Group auditors and on the auditors to review, if applicable, additional financial information during the year**

a) Based on the recommendation of the Audit Committee, the Supervisory Board proposes that auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed as the external auditors for the Company's annual financial statement and the Group's consolidated financial statement for the 2021 financial year and, pursuant to sections 115, 117 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), as the external auditors for the review of the condensed financial statements and the interim management report as at 30 June 2021

and as the auditors for the review, if applicable, of additional financial information required within the meaning of sections 115 (7) and 117 of the WpHG for the periods after this ordinary Annual General Meeting and before 31 December 2021.

- b) Based on the recommendation of the Audit Committee, the Supervisory Board furthermore proposes that auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be appointed as the external auditors for the review, if applicable, of additional financial information required within the meaning of sections 115 (7) and 117 of the WpHG prepared for the periods after 31 December 2021 and before the ordinary Annual General Meeting of 2022.

The Audit Committee has declared that its decision was taken free of any undue influence by third parties as defined in Article 16 (2) 3 of the EU Audit Regulation and that no clause of the kind referred to in Article 16 (6) of that Regulation has been imposed upon it.

#### **Agenda item 6: Passing of a resolution on the approval of the remuneration system for the members of the Management Board**

According to section 120a (1) of the AktG as amended on 1 January 2020, the annual general meeting of a listed company decides on the approval of a remuneration system presented by the supervisory board for the members of the management board if any material amendments are made to the remuneration system, and at least every four years.

On 16 December 2020, the Supervisory Board decided on a new remuneration system for members of the Management Board which corresponds to the requirements of the AktG and takes into account the recommendations of the German Corporate Governance Code (GCCG) as amended on 16 December 2019 and published on 20 March 2020.

The Supervisory Board proposes that the remuneration system for members of the Management Board as decided upon by the Supervisory Board, and outlined in the annex to agenda item 6 following the agenda, be approved.

#### **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**

According to section 113 (3) of the AktG as last amended on 1 January 2020, the annual general meeting of a listed company must decide on the remuneration and remuneration system for the members of the supervisory board at least every four years.

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. The remuneration is structured as fixed annual remuneration, plus an attendance fee. Furthermore, the Supervisory Board members are reimbursed for their expenses. The precise wording of Article 9 of the Memorandum and Articles of Association and the underlying abstract remuneration system including the information in accordance with section 113 (3) sentence 3 and section 87a (1) sentence 2 of the AktG are presented in the annex to agenda item 7 following the agenda.

The Management Board and Supervisory Board have decided to submit the remuneration of the Supervisory Board and the remuneration system for the Supervisory Board members to the Annual General Meeting for an initial decision, in accordance with the new statutory requirements. Following an in-depth review the two boards have concluded that the remuneration provisions for the members of the Supervisory Board serve the corporate interest of Aareal Bank AG and are appropriate. The remuneration of the Supervisory Board should be adjusted solely with regard to the current provision in the Memorandum and Articles of Association relating to the reimbursement of value-added tax, which is to be deleted due to tax changes. Furthermore, it should be made clear that the members of the Supervisory Board are included, if applicable, in a D&O (directors' and officers') liability insurance policy maintained by the Bank with a deductible.

The Management Board and Supervisory Board therefore propose the following resolution:

- a) 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 deleted.

- b) The following paragraph (8) shall be inserted after Article 9 (7) of the Memorandum and Articles of Association:

”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.”

- c) The adjusted remuneration provisions for the members of the Supervisory Board, which remain unchanged in all other respects, shall be confirmed, and the remuneration system for the members of the Supervisory Board as outlined in the annex to this agenda item 7 following the agenda is resolved upon.

#### **Agenda item 8: Passing of a resolution on the amendment to Article 10 (4) of the Memorandum and Articles of Association**

In accordance with Article 10 (4) of the Memorandum and Articles of Association, the Chairman of the Supervisory Board may involve external advisors at the expense of the Company. This option is to be expanded to include the chairmen of the Supervisory Board committees.

The Management Board and Supervisory Board therefore propose the following resolution:

Article 10 (4) of the Memorandum and Articles of Association shall be amended as follows:

”The costs of any advisors or other third parties brought in by the Chairman of the Supervisory Board or chairman of a committee on a case-by-case basis shall be borne by the Company. The Chairman of the Supervisory Board or chairman 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.”

#### **Agenda item 9: Passing of a resolution on the amendment to Article 15 (1) and (2) of the Memorandum and Articles of Association**

Article 36 (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 – SAG) provides for the option to create a provision in the Memorandum and Articles of Association according to which in individual cases an annual general meeting which includes a resolution on a capital increase as a sole agenda item or one among other items must, by deviation from section 123 (1) sentence 1 of the AktG, be convened at least ten days before the Annual General Meeting if the credit institution’s financial situation has deteriorated significantly or will deteriorate significantly in the near future within the meaning of Article 36 (1) sentence 1 no. 1 or no. 2 of the SAG.

The amendment to the Memorandum and Articles of Association proposed hereinafter therefore serves to open up this opportunity for any future restructuring situations.

The Management Board and Supervisory Board therefore propose the following resolution:

- a) The following new sentence 2 shall be inserted after Article 15 (1) sentence 1 of the Memorandum and Articles of Association:

”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.”

- b) The previous Article 15 (1) sentence 2 of the Memorandum and Articles of Association shall be renumbered as sentence 3.
- c) Article 15 (2) sentence 4 of the Memorandum and Articles of Association shall be reworded as follows:

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.”

”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).”

**Agenda item 10: Passing of a resolution on the amendment to Article 20 of the Memorandum and Articles of Association**

Article 20 sentence 2 of the Memorandum and Articles of Association permits the distribution of real assets instead of a cash dividend. This article 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 Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR) is permitted.

The Management Board and Supervisory Board propose the following resolution:

Article 20 sentence 2 of the Memorandum and Articles of Association shall be reworded as follows:

**Information on agenda item 6: Remuneration system for members of the Management Board**

The remuneration system for the members of the Management Board of Aareal Bank AG is outlined below. The remuneration report as part of the Annual Report 2020 includes further information, particularly relating to the specific current reference values for the fixed and variable remuneration components and the targets and levels of target achievement of the past financial year.

**A. Overview of the remuneration system\***

Remuneration element	Description	Reference to strategy and long-term development
<b>Fixed remuneration elements</b>		
Fixed annual salary + ancillary benefits = basic remuneration	<ul style="list-style-type: none"> <li>– Fixed contractually agreed remuneration in line with standard market conditions, paid monthly</li> <li>– 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</li> <li>– The resulting basic remuneration accounts for around 45 % of the total target remuneration for Management Board members</li> </ul>	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.
Pension obligations	<ul style="list-style-type: none"> <li>– Defined contribution commitment with guaranteed interest</li> <li>– Annual contributions of around 15 % of the total target remuneration for Management Board members</li> <li>– Management Board members are entitled to pension payments when they reach a defined age</li> <li>– In the event of permanent disability, Management Board members are entitled to invalidity benefits even before they reach this defined age</li> </ul>	Granting of pension commitments for financial security in retirement and protection in case of death and disability that are in line with market requirements.

Remuneration element	Description	Reference to strategy and long-term development
<b>Variable remuneration elements</b>		
	<ul style="list-style-type: none"> <li>– The target variable remuneration corresponds to around 40 % of the Management Board members' total target remuneration</li> <li>– 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</li> <li>– Group (70 %), sectional (15 %) and individual (15 %) targets</li> <li>– 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.</li> <li>– Performance measurement based on criteria whose achievement is determined over a three-year period</li> <li>– No discretionary components besides the targets derived from the strategy</li> <li>– Breakdown of variable remuneration via four components (as per regulatory requirements)</li> <li>– At least 55 % of variable remuneration is share-based</li> <li>– 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 % in the form of a cash and share deferral)</li> <li>– Maximum overall target achievement level is capped at 150 % of the target value</li> <li>– Maximum variable remuneration cannot exceed fixed remuneration</li> <li>– No compensation is granted in the form of special bonuses extending over and above the components referred to above.</li> </ul>	<p>Calculation of variable remuneration on the basis of annual financial and non-financial performance criteria that promote the achievement of the strategic objectives of Aareal Bank Group.</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. 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>
<b>Other rules</b>		
Risk-bearing capacity	<ul style="list-style-type: none"> <li>– Before disbursing the variable remuneration, the Supervisory Board reviews it regarding its compatibility with the risk-bearing capacity.</li> </ul>	Disbursing variable remuneration is not meant to threaten Aareal Bank's financial solidity.
Penalty and clawback	<ul style="list-style-type: none"> <li>– All components of the variable remuneration are subject to penalty and clawback provisions.</li> <li>– Adjustment to outstanding remuneration and/or clawback of remuneration already disbursed in case of clawback events</li> </ul>	Within the meaning of responsible and sustainable corporate governance, and for the purpose of implementing the regulatory requirements, penalty and clawback rules are a mandatory part of good corporate governance, which is firmly enshrined in Aareal Bank's strategy.
Consideration of extraordinary developments	<ul style="list-style-type: none"> <li>– (Modifier) adjustment of Group target achievement level by 20 percentage points possible in cases involving exogenous circumstances.</li> <li>– In principle, no subsequent adjustments to remuneration targets, unless extraordinary developments result in the business strategy being adjusted during the year.</li> </ul>	In order to ensure that the remuneration system provides incentives for the actual performance of the Management Board member with regard to the sustainable and long-term development of Aareal Bank Group, adjustments can be made subject to pre-defined and very restrictive conditions.
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"))	<ul style="list-style-type: none"> <li>– 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.</li> <li>– 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 potential fluctuations in the share price, for example.</li> </ul>	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.





## B. Details of the remuneration system

### 1. Remuneration structure/relative share of remuneration components in the total target remuneration

Total target remuneration comprises a fixed component (fixed annual salary plus ancillary benefits (= "basic remuneration") and annual retirement benefits) and a variable component, the structure of which is subject to regulatory requirements for credit institutions.

The fixed annual salary plus ancillary benefits accounts for approximately 45 % of the total target remuneration, with the fixed annual salary determining the vast majority. The ancillary benefits generally amount to a share of between one and two percentage points. In order to be able to report a proportion of retirement benefits that is as stable as possible, the information presented is based on the annual pension contributions, which, unlike the IAS 19 disclosures, do not differ depending on the member's age and length of service on the Management Board. The maximum remuneration is still based on the expenses according to IAS 19, which are also shown in the corresponding remuneration tables. The target variable, performance-related remuneration comprises approx. 40% of the total target remuneration.

In line with the "1:1 rule" that applies to credit institutions, the maximum variable remuneration must not

exceed the fixed remuneration component. In order to allow target overfilling in the first place, the share of total target remuneration attributable to the target variable remuneration must be below the fixed remuneration share. In order not to motivate Management Board members to take inappropriate risks in line with Aareal Bank Group's risk culture, no use was made of the option to adjust the 1:1 rule to increase the variable share via the Annual General Meeting.

The relative shares referred to above can shift by a few percentage points due to fluctuating ancillary benefits.

The Supervisory Board can adjust the reference values for the fixed and variable remuneration components in the context of the defined maximum remuneration while maintaining the relative proportions of fixed and variable components provided for in this remuneration system.

### 2. Fixed remuneration component

The fixed remuneration component of a Management Board member consists of three components – the fixed annual salary, ancillary benefits, and contributions to retirement provisions.

#### Fixed annual salary

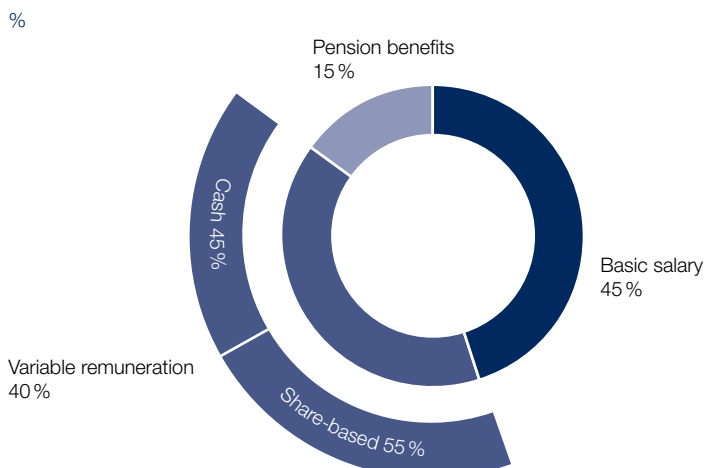
Within Aareal Bank's corporate governance system, the members of the Bank's Management Board discharge operative functions in addition to their managerial duties. They prepare and implement strategic objectives in cooperation with their employees. Management Board members are remunerated in line with their comprehensive set of duties. No regular adjustments to the fixed annual salary during the term of the service contracts are planned. The function and area of responsibility of the individual Management Board members are taken appropriately into account when determining the amount of the fixed annual salary (and when determining the amount of the total target remuneration as a whole).

#### Ancillary benefits

As well as paying a fixed annual salary, Aareal Bank grants the members of the Management Board ancillary benefits in line with standard market conditions.

For example, Aareal Bank provides a company car to Management Board members, which may also be used

### Management Board remuneration structure



for private purposes. If Management Board members decide against a company car, they receive a lump-sum compensation payment instead.

Management Board members also receive an amount equivalent to up to 50 % of the contributions to the statutory social security system.

They also receive certain insurance benefits/insurance compensation benefits. In addition, Aareal Bank bears the costs incurred for certain security expenses.

The members of the Management Board are also granted insurance cover in line with standard market conditions, such as D&O insurance (subject to the statutory deductible), group accident insurance or health insurance for travel abroad.

The Supervisory Board can grant other or additional ancillary benefits that are customary on the market, such as the assumption of costs for trips home to see family.

In principle, all members of the Management Board are equally entitled to the ancillary benefits. The benefits can, however, vary in terms of their type and amount depending on the member's personal situation. They can also fluctuate to a certain extent from year to year. This is particularly true with regard to security expenses, which are not usually incurred in similar amounts every year.

#### **Pensions and retirement benefits**

The benefit regulations as agreed in the service contracts apply to the members of the Management Board. All members of the Management Board are granted a defined contribution commitment.

The contributions bear interest at a guaranteed rate. In addition, members of the Management Board can make use of a deferred compensation system.

Members of the Management Board 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.

The current pension amounts are subject to a guarantee adjustment of 1 % p.a. The pension paid to widows

amounts to 60 % of the pension of the member of the Management Board, while pensions to half-orphans and orphans amount to 10 % and not more than 25 %, respectively.

### **3. Performance-related variable remuneration**

#### **Long-term and sustainable focus of the targets**

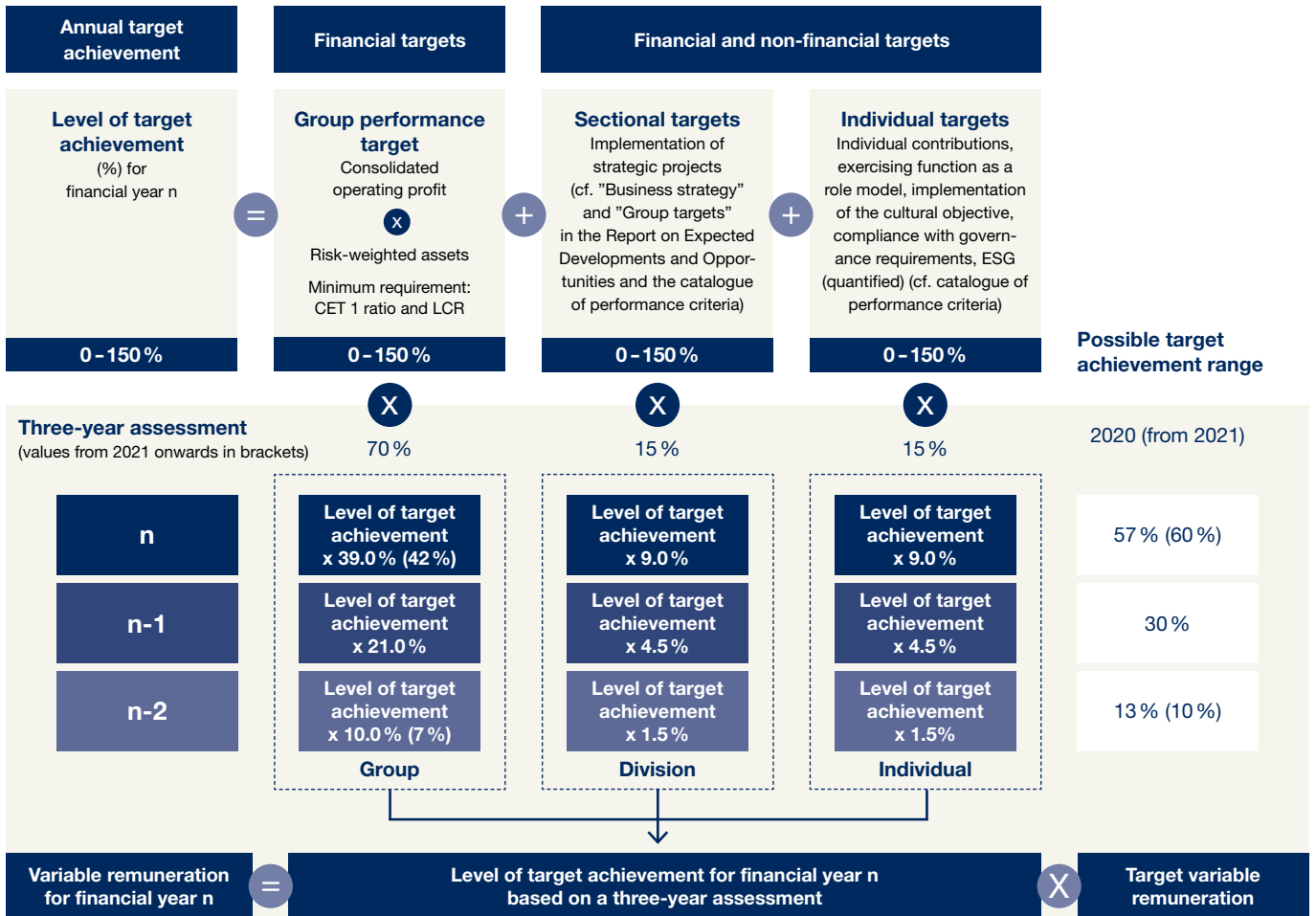
The structure of the variable remuneration system is subject to detailed requirements set out in the bank regulatory provisions. The calculation of the variable remuneration is generally split into two phases. In the first phase, the achievement of targets derived from the strategy is determined over a period of three years at three levels: Group, sectional and individual. The target achievement level is multiplied by the reference value and produces the amount calculated ("initial value") (e.g. for an ordinary member of the Management Board:  $780,000 \times 90\% = \text{€ } 702,000$ ). The amount calculated is then paid out in the second phase in four different components, including 80 % that is paid out on a deferred basis and at least 55 % paid out in virtual shares over a period spanning several years (see below section "Deferred disbursement, through retention of variable remuneration components and virtual shares (phase 2)").

Among other things, the fact that the targets are geared towards the strategy and the subsequent share price performance over the next six years promotes sustainable and long-term company development while at the same time taking the interests of the shareholders into account. This is also achieved through the penalty, claw-back, modifier rules and the check to ensure compatibility with sufficient risk-bearing capacity.

#### **Multi-year performance measurement across different target levels (phase 1)**

A significant part of Aareal Bank's variable remuneration is governed by law: besides the general requirement – stipulated in the AktG – that the remuneration system be focused on a sustainable and long-term company development, sections 19 and 20 of the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – "InstVergV") require that target achievement be determined on the basis of at least three target levels, and over a minimum assessment period of three years. Accordingly, Aareal Bank's remuneration system for the Management Board provides for three target levels of:

**Target achievement and variable remuneration for financial year n**



- Group performance;
- sectional performance; and
- individual performance.

Target achievement for each target level is determined on the basis of a three-year assessment period.

The targets set at all three levels are focused on sustainable and long-term growth and are designed to be forward-looking. To measure and monitor target achievement, various KPIs are determined annually for targets, and their degree of achievement is assessed at the end of the financial year. The target achievement level for each target level is thus determined by the respective KPI achievement of the past financial year and by the degrees of KPI achievement of the two

previous financial years (**three-year assessment basis**).

The members of the Management Board are responsible – and epitomise – the Company’s success. This is also reflected in the **weighting of the target levels**. Accordingly, achieving Group performance targets accounts for the clear majority (70 %) of target achievement. This target level is determined solely on a quantitative basis; performance is therefore calculated based on whether the target value specified by the Supervisory Board for the components consolidated operating profit and RWA, or for other corporate financial indicators defined annually by the Supervisory Board, has been achieved. The other two target levels, the sectional and individual target levels, are weighted at 15 % each.

To set ambitious targets and a strong incentive for successful Management Board work, target achievement levels are incorporated at different levels over time. The target achievement level is calculated by looking at performance in more than one year at all target levels. This means that, generally speaking, the most recent financial year is weighted at 60 %, the preceding one at 30 %, and the oldest year in the assessment period at 10 %.

**System for defining targets**

Pursuant to section 25c (4a) of the German Banking Act (Kreditwesengesetz – "KWG"), the strategy is to be geared towards the Bank's sustainable development. As early on as during the development process, the business strategy is reviewed as to its compatibility with the corporate and risk culture, the risk strategies and the Bank's sustainability approach, and is adjusted if necessary. This means that the remuneration targets derived from the strategy do not promote short-term successes, but rather support the Company in its long-term and sustainable development (pay-for-performance principle). As a result, they serve the interests of the shareholders, employees and other stakeholders of Aareal Bank Group.

**Remuneration parameters (ex-ante risk adjustment)**

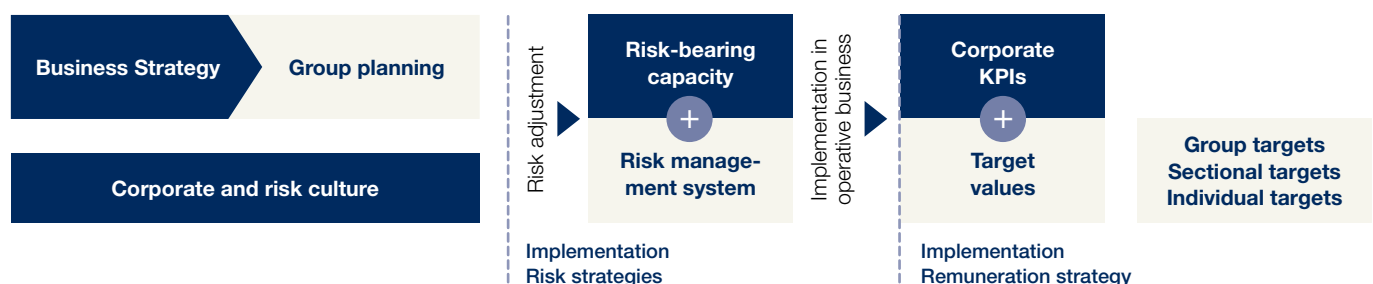
The targets are made up of quantitative and qualitative components. A target value for 100 per cent target achievement, a minimum ambition level and a maximum achievable value are set for quantitative criteria. Qualitative values are measured using different formats that suit the corresponding target parameters. These can include comparisons with project targets, internal and

external studies, section-specific reports, as well as statistics on how the Bank is perceived by its employees or clients. Specific target achievement is reported on an ex-post basis (cf. the "Target achievement" section of the Annual Report and Remuneration Report).

Amongst other things, the Company's interests are duly taken into account by the fact that **Group targets** are geared towards the KPIs used for corporate management purposes. These KPIs are generally based directly on the Group's performance indicators, which are defined in the Group Management Report. In order to reduce the influence of one-off effects and to ensure that the KPIs fulfil their purpose in terms of measuring the actual

Catalogue of possible performance criteria (financial/non-financial, quantitative as well as qualitative)	
Key performance indicators used in the Group management system	Strategic project (Aareal Next Level)
Increasing flexibility	Defined ESG indicators (e.g. diversity)
Increase in growth	Establishing sustainability in the core business
Capital market target	Expansion of sustainable products
Market expansion	Innovative power
Budget target	Client satisfaction
Efficiency enhancement	Employee satisfaction
Liquidity planning	Employee communication
Targets for risk indicators	Safeguarding expertise
Effectiveness of the organisation	Transparency (e.g. in ecological aspects)
Scaling client relationships	Empowering the next generation

**System for defining targets**



ESG targets to be enshrined through the business strategy →

performance of Management Board members, certain effects are already excluded from target achievement when the targets are set, e.g. changes due to external regulatory requirements, M&A transactions, or comparable effects. Adjustments, if any, are reported on an ex-post basis. The Supervisory Board sets target values for the Group on the basis of the consolidated operating profit, risk-weighted assets (RWAs) and/or other indicators that it defines based on the performance indicators (cf. the "Management system" section of the Annual Report and Management Report 2020), and determines the result that constitutes achievement of each target. The 100% targets set for the target parameters complied with the corporate objectives communicated to the capital markets in the past, and will continue to do so in the future, too. The maximum achievement level for target consolidated operating profit is 150%; for the RWA target, it is 125%. The overall target achievement level is calculated by multiplying all target achievements; it is capped at a target achievement level of 150%.

**Sectional targets** are related to the respective Management Board member's area of responsibility pursuant to the schedule of responsibilities. Accordingly, the Supervisory Board sets targets which the organisational units assigned to the respective Management Board members need to fulfil in order to achieve the strategic objectives of the Company as a whole. Between two and four targets are determined for each Management Board member. The Supervisory Board uses the sectional component to measure the contribution to the implementation of the strategy made by the units for which the individual Management Board member is responsible. Based on the strategic framework current at the time, the Supervisory Board selects certain initiatives and assigns those initiatives to the individual members of the Management Board. The KPIs used by the Supervisory Board typically include qualitative and quantitative criteria, as shown in the catalogue of performance criteria. In line with Aareal Bank Group's management system, sectional targets for Management Board members responsible for Sales units comprise growth and development of main strategic fields of business and are measured, for example, by the level of specific property portfolio increases or the revenue generated with digital products.

**Individual targets** refer to the Management Board members' individual performance as role models for the organisation ("tone from the top"). A maximum of

two individual targets are determined for each Management Board member. As with the other targets, the individual Management Board member is set targets that promote the implementation of Aareal Bank Group's strategic objectives and are primarily to be fulfilled by him/her.

**ESG targets** can be established at both sectional and individual level. The specific ESG target parameters are disclosed as part of the reporting process (annual report for the year concerned) together with the other parameters used. In order to ensure that the increased importance of ESG aspects in Aareal Bank's strategy are adequately reflected in the remuneration system, quantifiable ESG targets will be included in the overall target achievement with a minimum weighting of 15% and are covered, in particular, by the individual component. The use of quantitative ESG targets allows for a high level of transparency regarding Aareal Bank AG's ESG focal areas and at the same time creates targeted incentives for a long-term sustainable strategy. In addition to the individual level, the sectional level can also include ESG targets to add more weight to ESG aspects.

In its ESG targets, Aareal Bank does not separately reflect compliance with statutory regulations, since adherence to internal and external provisions is deemed to be a necessary condition for confidential cooperation; as such, separate target-setting within the scope of variable remuneration is obsolete. Wilful breaches of internal and external rules may rather trigger a so-called penalty-triggering event which in turn can lead to variable remuneration no longer being paid at all or to retained remuneration components being reduced ex post, and can even result in the clawback of remuneration components that have already been granted.

#### **Deferred disbursement, through retention of variable remuneration components and virtual shares (phase 2)**

To ensure that the remuneration system provides long-term incentives, the initial value for variable remuneration – as determined according to the principles set out above – is awarded at the end of the financial year, according to the following principles:

- After confirmation of the total target achievement level by the Supervisory Board, 20% of the variable remuneration are disbursed in cash (**cash bonus**).

- After confirmation of the total target achievement level by the Supervisory Board, a further 20 % of the variable remuneration is granted in the form of virtual shares (**share bonus with holding period**) and forms part of the share bonus plan.
- 25 % of the variable remuneration is retained (**cash deferral**), and disbursed in cash – pro rata temporis – over a five-year deferral period.
- The remaining 35 % of the variable remuneration forms part of the Share Deferral Plan (**share deferral with holding period**).

of variable remuneration determined, for up to six years. 55 % of the variable remuneration is granted as share-based remuneration and has a holding period of one year, which applies to both the share bonus and the individual tranches of the share deferral. The fact that the variable component is predominantly share-based helps to ensure the sustainability, as well as the long-term focus, of the remuneration system and promotes alignment with shareholder interests.

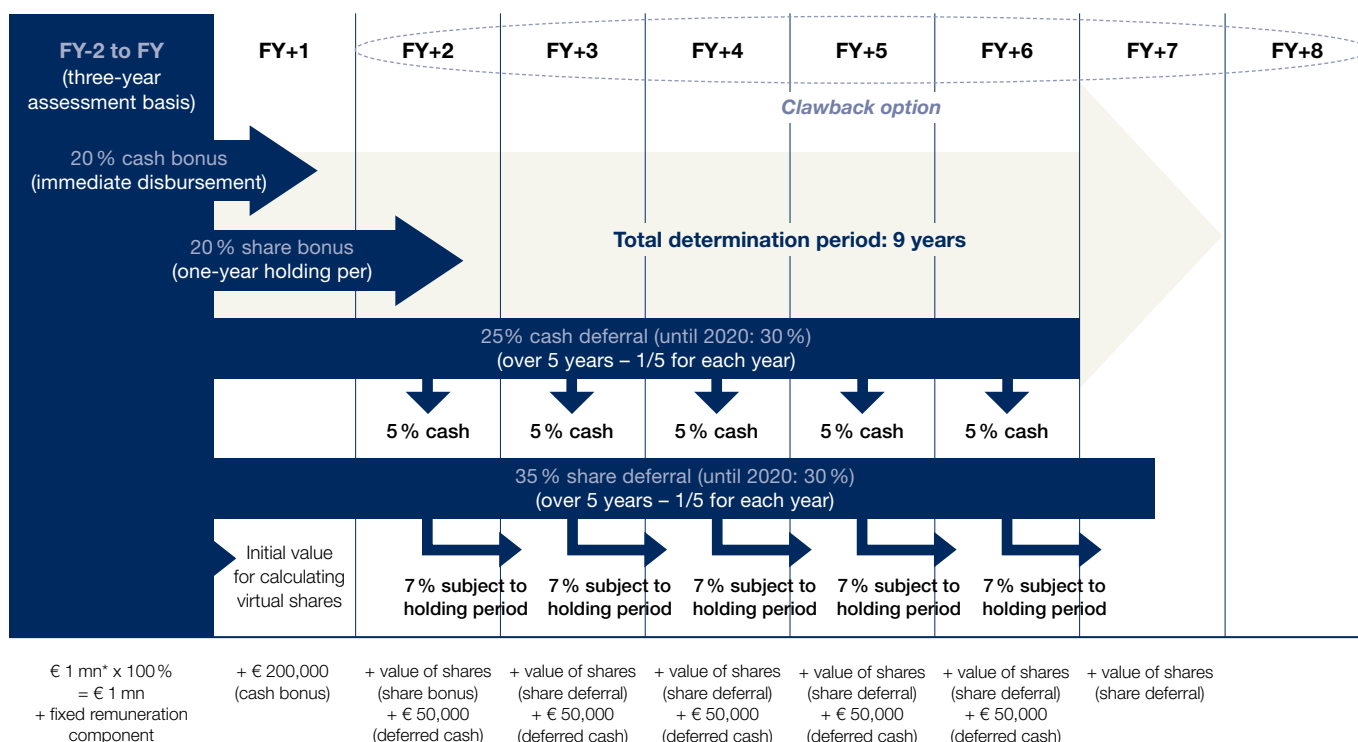
**Five-year retention period**

For the portion of performance-related remuneration that is deferred initially as a cash deferral or a share deferral (60%), the Supervisory Board makes a decision regarding the granting of one fifth of the amount in the five years following the determination of the performance-related remuneration (cf. "Ex-post review of target achievement and behaviour of the Management Board").

Consequently, 60 % of the variable remuneration is granted on a deferred basis, supporting the long-term focus of the variable remuneration system. This means that deferred disbursement applies to a total of 80 %

**Sample disbursement methodology, based on 100% target achievement for the financial year**

The Supervisory Board regularly examines, at the beginning of each year and prior to disbursement or conversion into virtual shares, whether the original target achievement still applies, and whether a penalty-triggering event has occurred which requires reduction or clawback of variable remuneration.



\*For the sake of simplicity of this sample presentation, variable remuneration for a 100 % target achievement level was set to a notional value of € 1 million.

Until the end of each respective deferral period, there is no right to the relevant remuneration components. No interest or dividends will accrue. Once the deferred remuneration components for Management Board members are vested, the cash deferral is paid out in cash and the share deferral is converted into virtual shares subject to a one-year holding period, in line with regulatory requirements.

#### **Share bonus with holding period (20 %)**

The portion of the performance-related remuneration which is subject to the share bonus plan will be converted into an equivalent number of virtual shares. The calculation of the number of virtual shares is based on the weighted average price on the basis of five (Xetra®) exchange trading days after publication of the preliminary results for the financial year for which the share bonus is granted (subscription price). The date of publication of the preliminary results is used as the reference date.

The virtual shares so determined are posted to a virtual account and are held for one year. They will be converted, automatically and without delay, into a cash amount and disbursed immediately after the Supervisory Board meeting which passes the resolution on the adoption of the annual financial statements for the first financial year following the financial year for which the virtual shares were granted ("holding period"). The conversion will be effected using the weighted average price calculated on the basis of the five (Xetra®) exchange trading days following the publication of the preliminary results for the year preceding the payout.

The payout amount of the share bonus of a given financial year may vary depending on the share price development and has been limited to a maximum of 300 % of the agreed initial value (ceiling).

If dividends are paid on the Company's shares during the time period between the reference date and conversion into a cash payment, a payout will be made as a salary component in an amount equivalent to the dividends and the proportion of the virtual shares.

#### **Share Deferral Plan (35 %)**

In the five years following determination of performance-related remuneration (deferral period), the Supervisory Board decides whether in each case a fifth of the share deferral should be converted into virtual shares.

If dividends are paid on the Company's shares during the holding period, a payout is made as a salary component in an amount equivalent to the dividends and the proportion of the virtual shares.

The rules of the Share Bonus Plan are applicable to the calculation of the number of virtual shares, subject to the proviso that the weighted average price calculated on the basis of the five (Xetra) exchange trading days following the publication of the preliminary results for the financial year in respect of which variable remuneration was determined. This is designed to preserve the reference to the original assessment period.

The payout amount of the share deferral may, with reference to the individual tranches, vary depending on the share price development and has been limited to a total maximum of 300 % of the agreed initial value (ceiling).

Should the number of shares issued by the Company change between the reference date and the conversion of the virtual shares into a cash payment, the number of virtual shares may be adjusted.

With regard to the deviation from the recommendation set out in the German Corporate Governance Code regarding the four-year holding period that we have declared as a precaution, we refer to our Declaration of Compliance with the German Corporate Governance Code at [www.aareal-bank.com/en/about-us/corporate-governance/declaration-of-compliance/](http://www.aareal-bank.com/en/about-us/corporate-governance/declaration-of-compliance/).

## **4. Ex-post review of target achievement and behaviour of the Management Board**

### **Backtesting regarding retained remuneration components**

Before the Supervisory Board decides on conversion or disbursement of retained remuneration components, it reviews whether the target achievement level originally agreed upon is still held to be correctly determined, based on current knowledge. For example, where an indicator used to determine remuneration needs to be adjusted ex-post, this can reduce the variable remuneration determined – and hence, result in a reduction in the amount retained. If it turns out, at a later date, that a target was not achieved or if the assessment of qualitative targets shows a negative deviation when the



target achievement measurement is repeated as part of a retrospective review, the variable remuneration can also be reduced ex-post.

### Penalty review

When determining variable remuneration, as well as prior to every disbursement of cash components or conversion into virtual shares, the Supervisory Board verifies whether there are any reasons, besides the achievement of targets, justifying a reduction in, or even the loss of, variable remuneration.

Such **penalty-triggering events** include inappropriate behaviour, behaviour in breach of duties, or negative performance contributions of Management Board members, which cannot be offset through positive performance contributions at other levels. They include, for example, wilful breaches of the Code of Conduct and/or internal and/or external rules, conduct that damages the Bank's reputation, or other misconduct. If any retained performance-related remuneration components are not awarded, or only in part, the remaining sum is forfeited, i.e. it is not carried forward into subsequent years. The variable remuneration must be reduced to zero in the event of **negative performance** contributions. In accordance with the regulatory requirements governing remuneration, negative performance contributions refer to a scenario in which the Management Board member was significantly involved in, or responsible for, any behaviour which led to considerable losses, or material regulatory sanctions, for the Bank.

### Clawbacks

Agreements reached with the Management Board members ensure that variable remuneration already paid out has to be clawed back in the event of negative performance contributions (see Penalty review). The amounts can be clawed back until two years have expired since the end of the last retention period for the variable remuneration paid for the financial year in question.

### Allocation to appropriate periods

The penalty review and backtesting processes are applied to the appropriate periods. Missed targets/penalty-triggering events defined as part of the penalty review are allocated to a particular assessment period. They are allocated to the year in which the target was missed/the penalty-triggering event occurred, meaning

that the variable remuneration is also adjusted for the corresponding year.

## 5. Restrictions and additional provisions

### Impact of special external conditions (modifiers)

The Supervisory Board is entitled to increase or decrease the level of target achievement for the Group component by up to 20 percentage points (a so-called modifier) in the event of unforeseeable changes to the economic environment which are beyond the Management Board's influence or control (i.e. only on the basis of external conditions). This will not affect the 150% cap, which cannot be circumvented by the modifier.

Subsequent adjustments to targets and target values (KPIs) are generally not permitted. Such adjustments may be made as an exception if extraordinary developments require adjustments to be made to the business strategy and the remuneration targets or parameters have to be adjusted accordingly in order to maintain the long-term and sustainable focus.

### Share ownership

By granting 55% of variable remuneration in the form of virtual shares, together with the fact that variable remuneration – assuming a target achievement level of 100% – is nearly equivalent to the fixed annual salary, Management Board members will regularly be granted virtual shares equivalent to a fixed annual salary level after three years. Given the long deferral periods and the holding periods, this is a value which they usually retain until the end of their term on the Management Board.

### Maximum remuneration

Pursuant to section 87a (1) sentence 2 no. 1 of the AktG, the Supervisory Board has set an upper limit for the total amount of all remuneration elements in a given year, i.e. currently consisting of the fixed annual salary, ancillary benefits, the annual pension expenses pursuant to IAS 19, and variable remuneration (maximum remuneration). The maximum remuneration limits the maximum total remuneration (sum of the individual components based on maximum target achievement) that can be granted for one year. The maximum remuneration amounts to € 5.5 million (gross) for each Management Board member.

This upper limit refers to the total benefits granted to a member of the Management Board for his/her work on the Management Board in the financial year in question. Payments of long-term variable remuneration components, i.e. those that are paid out on a deferred basis, are attributed to the year of vesting. Ancillary benefits are recognised based on the non-cash benefit amount used for tax purposes. The maximum remuneration defined in this remuneration system does not release the Supervisory Board from its obligation to review the appropriateness of the specific upper remuneration limits when determining individual remuneration.

In contrast to remuneration systems featuring what are known as share ownership rules, in which Management Board members commit to holding a certain proportion of physical shares, the share price performance of virtual shares has to be included in the maximum remuneration. Standard practice in the market involves accounting for expenses for pension commitments in accordance with IAS 19. This figure is not, however, based on the annual contribution, but is largely determined by the age of the Management Board members and their length of service, and is subject to fluctuations.

Any severance payments paid in the event of premature termination of Management Board activities or compensation for a post-contractual non-compete clause are not included in the maximum remuneration. The regulatory requirements that apply to severance payments remain unaffected.

#### **Remuneration when positions in executive bodies are assumed**

The assumption of paid or unpaid forms of secondary employment, honorary positions, supervisory board, advisory board or similar mandates, as well as work on expert opinions, require the prior written consent of the Supervisory Board's Executive and Nomination Committee. If and to the extent that the paid forms of secondary employment are directly related to the Bank (e.g. in cases involving mandates within the Group), the remuneration paid for these activities is offset against the individual's fixed annual salary. In the event that members of the Management Board assume positions in executive bodies outside of the Group, the Supervisory Board decides on a case-by-case basis whether to offset the remuneration earned by the Management Board member in question against the

total remuneration from his or her Management Board position.

#### **Hedging ban**

The contracts of Management Board members prohibit them from undertaking to limit or override the risk orientation of their remuneration by initiating personal protection or countermeasures (hedging ban).

#### **Risk-bearing capacity and parallel interest with shareholders**

To preserve the Company's continued survival (and hence, shareholders' investment), variable remuneration is generally subject to a review performed by the Supervisory Board pursuant to section 7 of the InstVergV. This review is based on the Recovery Plan (which is mandatory for Aareal Bank as a significant institution) and the thresholds defined therein. These thresholds include achieving minimum profitability indicators such as the return on equity. In the event of these so-called "early warning thresholds" being reached, the Supervisory Board will decide, in its reasonable discretion, whether variable remuneration for the Management Board needs to be reduced. The total amount of variable remuneration is set to zero if Aareal Bank's risk-bearing capacity is no longer sufficiently ensured. In addition, pursuant to section 45 (2) nos. 10 and 11 of the KWG, the competent supervisory authority may impose further conditions or restrictions, or may instruct that the total amount of variable remuneration be cancelled.

The provisions enacted by the German Risk Reduction Act (Risikoreduzierungs-gesetz – "RiG") (section 45 (2) and (7) of the KWG) allow the competent supervisory authority to prohibit the payment of variable remuneration if state support measures are used or if the remuneration system is assessed as being inappropriate. The Supervisory Board will observe any corresponding regulatory restrictions.

#### **Additional conditions for achievement of Group targets**

In addition to ensuring sufficient risk-bearing capacity, the Supervisory Board defines additional conditions that lead to the forfeiture of the Group component in the event of non-fulfilment. These additional conditions are set via specific indicators of sufficient capital and liquidity resources, and usually relate to CET1 and LC ratios that exceed the minimum thresholds.

### Benefits paid in the event of temporary, non-permanent incapacity for work

In the event of temporary, non-permanent incapacity for work, members continue to receive their fixed annual salary for a period of up to six months. The Supervisory Board can decide at its own discretion whether the variable remuneration components are also granted in full or in part for the periods in which continued salary payments are made.

### Contractual terms; permanent disability; death

The Management Board employment contracts are concluded for the duration of the appointment period in each case. This is usually three years for an initial appointment and five years for each subsequent appointment. In accordance with the German Public Limited Companies Act, the employment contracts do not provide for any option for termination for convenience; the right of both parties to terminate the employment contract without notice for good cause remains unaffected.

The Management Board employment contract ends automatically if the member becomes permanently incapacitated for work. In such cases, the Management Board employment contracts provide for the continued payment of the fixed annual salary (plus (substitute) social security contributions) from the beginning of the permanent disability and for a period of up to six months (taking into account the periods for which continued salary payments were already made), but not extending beyond the point in time at which the employment contract would have ended normally.

The contracts of employment may state that, if a member of the Management Board dies during the term of his/her contract, widows, widowers or civil partners and legitimate children (provided they have not yet turned 27 and are still in vocational training/further education) are entitled, as joint and several creditors, to continued fixed salary payments for the month of death and the following six months, but until the contract ends at the latest. In such cases, the variable remuneration is calculated pro rata for the period leading up to the member's death.

### Rules governing severance pay

The Management Board employment contracts do not (with the exception of the provisions that apply in the event of a change of control) include any obligation to

make severance payments in cases involving the early termination of employment relationships (**rescission of the agreement without good cause**). However, severance payments may be included in individual termination agreements, provided that these are specified in accordance with regulatory requirements, in particular with the InstVergV. The agreements concluded with members of the Management Board state that, in the event of the premature termination of their term on the Management Board without good cause, payments, including ancillary benefits, made to the Management Board member in question must not exceed twice the annual remuneration and must not constitute remuneration for more than the remaining term of the employment contract (severance cap).

In the event of the loss of a Management Board position due to a **change of control** (i. e. essentially in cases of involuntary loss), the Management Board employment contracts may state that the members are to be paid the fixed remuneration component, the performance-related remuneration as well as the contractually agreed ancillary benefits for the remainder of the term of the contract. In such cases, the performance-related remuneration is subject to the above-mentioned conditions; that is, in particular the deferral periods, the holding periods and the penalty rules are applicable. In cases like these, the extent to which sectional and individual targets were achieved on average during the last three financial years prior to the termination of the Management Board position is used as a basis to determine the target achievement level for the individual and sectional targets for the remaining term of the contract.

In the event of resignation from the Management Board within a certain period after a change of control, the Management Board employment contracts may state that the members are only to receive the fixed remuneration and the contractually agreed ancillary benefits for the remainder of the term of the contract. In this case, the contracts do not provide for any entitlement to the variable remuneration component.

The total amount of the payments made to a member who has left due to a change of control is also limited to the severance cap of a maximum of two years' remuneration/remuneration for the remaining term of the contract.

### Newcomer rule

The Supervisory Board has decided to only gradually build up the three-year period for measuring remuneration targets (phase I) for newly appointed Management Board members. In the Supervisory Board's view, newly appointed members of the Management Board should not be held accountable for past developments. In accordance with the regulatory requirements pursuant to the InstVergV, the deferral period is extended correspondingly for periods with a shortened assessment period. Hence, for the first year, the assessment period is only one year, with the deferral period being extended from five to seven years. For the second year, the assessment period is extended to two years and the deferral period shortened to six years. The remuneration system for the Management Board will be applied, as provided, from the third year onwards.

### Post-contractual non-compete clause

The Supervisory Board can agree a post-contractual non-compete clause for a period of up to 24 months. For this period, appropriate compensation to be determined on a case-by-case basis is agreed. Furthermore, if such a non-compete clause is agreed, the employment contracts generally state that the compensation is to be paid in monthly instalments, offsetting any severance payments.

### Appropriateness review

In accordance with section 12 of the German Ordinance on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstVergV), the Supervisory Board regularly (at least annually) checks whether Management Board and employee remuneration is appropriate.

The appropriateness of the remuneration paid to the Management Board is assessed in particular in view of the remit and performance of the Management Board member, as well as the Bank's situation. The function, area of responsibility and experience of the individual Management Board members are taken into account when determining the amount of the total target remuneration. As a result, the Supervisory Board can set different remuneration levels for different Management Board members at its own due discretion, taking into account criteria such as standard market practice, the experience of the Management Board member, his/her length of service on the Management Board and the Management Board member's area of responsibility.

When assessing whether the Management Board remuneration is in line with standard market practice, both vertical compatibility with the remuneration structures for permanent employees of Aareal Bank AG in Germany and horizontal compatibility with peer group companies are taken into account.

The vertical comparison involves looking at how the Management Board remuneration relates to the remuneration paid to the senior management team, and how it relates to the remuneration paid to the workforce as a whole. For the purposes of the vertical comparison, the workforce as a whole refers to all permanent employees of Aareal Bank AG in Germany. As well as looking at how the remuneration paid to the two comparison groups currently relates to the remuneration paid to the Management Board, the Supervisory Board also looks at the development of the remuneration paid to the groups described over time.

When setting the Management Board remuneration, the Supervisory Board also ensures that the remuneration system for Management Board members is compatible with the system used for employees who are not covered by a collective agreement. This is achieved, among other things, by ensuring that the structure of the variable remuneration system – apart from regulatory requirements – is essentially the same for the Management Board and the Bank's employees: the incentives set for the Management Board and employees are focused on the Group's performance, and individual employee targets are developed based on the Management Board's sectional targets, which are, as a result, also closely linked to the corporate strategy. The pension benefits for employees are also aligned with the system that applies to the Management Board members, which is reflected, by way of example, in the fact that the same interest rate applies.

In addition, a full review is conducted at least every four years and at the latest before the remuneration system is resubmitted to the Annual General Meeting for approval. In addition to reviewing the amount of remuneration paid to the Management Board members, this review also takes into account employees' remuneration and employment conditions.

To evaluate whether the Management Board's specific total remuneration is in line with common practice/that

of other companies, the Supervisory Board has set two horizontal comparison groups. The comparison group companies are selected based on Aareal Bank's market position (in particular: sector, size, country). Therefore, the comparison groups are companies listed in the relevant stock exchange indices (currently the DAX, MDAX und SDAX), as well as banks of a similar size. The composition of the peer groups is reviewed on a regular basis as part of the full appropriateness review process.

The broad composition of the peer group is based on two factors, in particular: First of all, the number of peer companies in Germany and abroad is very limited due to the specialised profile of Aareal Bank. The few peer companies that exist are spread across all three indices. Secondly, Aareal Bank is constantly moving between the MDAX and SDAX, in addition to which the Bank's market positioning in 2020 was significantly influenced by the Covid-19 pandemic. The peer group has therefore been selected to ensure its validity for several years.

## 6. Right to allow temporary deviations from the remuneration system

The Supervisory Board is entitled to temporarily deviate from the remuneration system for Management Board members pursuant to section 87a (2) of the AktG if it is necessary for the sake of the Company's long-term wellbeing.

This can prove necessary, for example, in the event of far-reaching and extraordinary changes in the economic situation, such as the occurrence of a severe economic crisis.

Deviations from the remuneration system are only possible by way of a corresponding Supervisory Board resolution based on a proposal put forward by the Remuneration Control Committee confirming the need for the deviation.

The option of deviating from the remuneration system for the Management Board temporarily is limited to the following components: the performance criteria for variable remuneration, ranges for possible target achievement levels for the variable remuneration parameters, the specific remuneration components and the relative shares of fixed and variable remuneration components. Deviations can also be made by temporarily granting

additional remuneration components, for example in the form of extraordinary ancillary and special benefits. In the event of deviations from the remuneration system, the deviations together with the reasons and specification of the components of the remuneration system which were deviated from will be explained in the next remuneration report.

## 7. Remuneration governance

### The role of the Supervisory Board

The Supervisory Board shall act in the Company's interests; accordingly, it shall ensure that Management Board remuneration is geared towards the Company's sustainable development (cf. section 87 of the AktG). The Supervisory Board decides on Management Board remuneration, monitors appropriateness, defines targets for determining variable remuneration, and decides on target achievement. During the following years, the Supervisory Board reviews, within the framework of backtesting/penalty reviews, whether variable remuneration determined originally must be adjusted or reclaimed (clawback).

As part of examining appropriateness of Management Board remuneration, the Supervisory Board shall review whether the remuneration system for the Management Board (as well as the corresponding targets for Management Board members derived therefrom) is consistent with the Company's business and risk strategies, the objectives derived from these strategies, the corresponding risk management, as well as with the defined risk appetite and the corporate values. As further elements of this examination of appropriateness, a vertical comparison with the average remuneration of relevant employees and the top management level below the Management Board is to be carried out, as well as a horizontal comparison with the remuneration of management board members of comparable enterprises. These components reflect the orientation of Management Board remuneration towards sustainable Company development, meaning that remuneration is aligned with the long-term interests of Aareal Bank's stakeholders.

When taking decisions concerning the structure of the remuneration system for the Management Board, the Supervisory Board shall take the views of Aareal Bank AG's relevant shareholders and of proxy advisors into account.

The provisions of the German Public Limited Companies Act and of the German Corporate Governance Code and the Rules of Procedure of the Supervisory Board governing the treatment of conflicts of interest within the Supervisory Board are also taken into account when determining and reviewing the remuneration system.

#### **The role of the Remuneration Control Committee**

The Remuneration Control Committee supports the Supervisory Board in its monitoring duties and prepares the plenary meeting's resolutions concerning remuneration. The Committee monitors the appropriateness of the structure of Management Board remuneration, proposes targets for variable remuneration and for target achievement at the end of the year, and also monitors the levels of target achievement during the course of each year. Moreover, the Committee assesses the effects of the remuneration systems on the Group's risk, capital and liquidity management. In the run-up to determining remuneration, in cooperation with the Audit Committee, it reviews whether there are any backtesting or penalty-triggering events which may result in a reduction of variable remuneration.

#### **The role of the Risk Committee**

The duties of the Risk Committee with regard to remuneration are unaffected by the assessment by the Remuneration Control Committee, as set out above. The Risk Committee verifies whether the incentives created by the remuneration system take the Company's risk, capital and liquidity structure into account, as well as the probability and timing of income.

#### **The role of the Audit Committee**

Circumstances where variable remuneration may be reduced may occur where Management Board members fail to fulfil any of their duties, or where they breach external or internal requirements. To the extent that any such events have occurred, these are identified in the reports prepared by Compliance, addressed to the Audit Committee as well as to the plenary meeting of the Supervisory Board. Internal conduct rules are also defined in a Code of Conduct which must be presented to the Audit Committee at least once a year.

#### **The role of the Annual General Meeting**

In accordance with the German Act Implementing the Second Shareholder Rights Directive (ARUG II), the remuneration system for Management Board members

is submitted to the Annual General Meeting for approval at least every four years and in the event of significant changes (Say-on-Pay). The remuneration system will be presented to the 2021 Annual General Meeting for the first time in line with these provisions.

#### **Further information on the Supervisory Board and its committees**

The composition and responsibilities of the Supervisory Board committees, and of the plenary meeting, are described in the Corporate Governance Statement/ the Corporate Governance Report and in the Notes to the consolidated financial statements.

The Supervisory Board presents the remuneration-related activities of its plenary meetings and of its committees as part of its report to the AGM. This report also provides details regarding the number of meetings, and on the participation of the members of the committees and the Supervisory Board.

#### **Involvement of external advisors**

In order to review the appropriateness of the Management Board remuneration, an external remuneration advisor is engaged at least every four years to prepare an opinion as to the appropriateness of this remuneration – and especially, on whether this remuneration is in line with common practice and is comparable. The Supervisory Board may seek support from remuneration and/or legal advisors in the further development and review of the remuneration systems. When mandating them, attention is paid to their independence from the Management Board and from the Company.

### **Information on agenda item 7: Remuneration and remuneration system for members of the Supervisory Board**

#### **1. Extract from the Memorandum and Articles of Association of Aareal Bank AG**

##### **§ 9**

- (1) The Supervisory Board shall consist of 12 Members.
- (2) The Supervisory Board shall be appointed for a period not exceeding the period until the end of the

next General Meeting that resolves on the formal approval for the fourth financial year following commencement of the office term; the financial year in which the office commenced shall not be included in this calculation.

- (3) Retiring Board Members are eligible for re-election. In the event of the election of a substitute, the office of the newly elected Member shall end at the latest upon expiry of the office term of the retired Member. The Members of the Supervisory Board may resign from their office by addressing a written statement to this effect to the Chairman of the Supervisory Board or the Management Board, giving one month's notice. Members may resign, for good cause, without giving notice.
- (4) In addition to the reimbursement of their expenses, the Members of the Supervisory Board shall receive a fixed remuneration as well as a compensation for attending meetings. Where membership in the Supervisory Board falls short of an entire financial year, said remuneration shall be paid on a pro rata temporis basis. Any value-added tax invoiced will also be deemed to be a refundable expense.
- (5) The fixed remuneration is € 50,000 p. a. for each Supervisory Board member. The Chairman of the Supervisory Board shall receive three times this amount, while the deputy shall receive one and a half times as much as a normal member. The fixed remuneration increases for each membership in a committee. For the Risk Committee and Audit Committee, the additional fixed remuneration amounts to € 20,000 p. a. for members and € 40,000 p. a. for the chairmen. For other committees, the additional fixed remuneration amounts to € 15,000 p. a. for members and € 30,000 p. a. for the chairmen.
- (6) The Members of the Supervisory Board shall receive a meeting attendance compensation of € 1,000 for each meeting attended.
- (7) The remuneration for any financial year shall be due and payable one month after the end of the respective financial year.

## **2. Remuneration system for the Supervisory Board including information required in accordance with sections 113 (3) sentence 3 and 87a (1) sentence 2 of the AktG**

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, reprinted above.

The remuneration system for Supervisory Board members underlying the provisions of the Memorandum and Articles of Association is as follows (information in accordance with section 113 (3) sentence 3 in conjunction with section 87a (1) sentence 2 of the AktG):

### **a) Fixed remuneration of the Supervisory Board members**

The remuneration system for Supervisory Board members provides for a fixed remuneration, the size of which depends specifically on the tasks assumed on the Supervisory Board and its committees, without a variable, share-based or other performance-related remuneration component. In addition, they receive an attendance fee.

The granting of a fixed remuneration plus an attendance fee is in line with the common prevailing practice of other listed companies and with the recommendation of the majority of investors and proxy advisors and has proven its worth. The Management Board and Supervisory Board believe that a fixed remuneration for the Supervisory Board members is best suited to strengthen the Supervisory Board's independence and to enable an objective and neutral assumption of the advisory and monitoring function and independent personnel and remuneration decisions. Fixed remuneration for the Supervisory Board members is also provided for in suggestion G.18 sentence 1 of the German Corporate Governance Code.

### **b) Components of the fixed remuneration of the Supervisory Board members**

Every Supervisory Board member receives a fixed remuneration of € 50,000.00 p. a. In accordance with recommendation G.17 of the German Corporate Governance Code, the larger time commitment of the

Chairman and Deputy of the Supervisory Board and of the chairmen and members of committees should be taken into account appropriately through a corresponding additional remuneration. Accordingly, the fixed remuneration of the Chairman of the Supervisory Board comes to € 150,000.00 p.a., with his deputies receiving € 75,000.00 p.a. The members of the Risk Committee and the Audit Committee each receive an additional € 20,000.00 p.a. on top of their fixed remuneration for their activity on the committee; the chairmen of these committees each receive an additional remuneration of € 40,000.00 p.a. The members of the other Supervisory Board committees receive an additional remuneration of € 15,000 p.a.; fixed remuneration is increased by € 30,000 p.a. for the chairmanship of one of these committees.

The members receive an attendance fee of € 1,000.00 per meeting for their participation in plenary meetings of the Supervisory Board or meetings of its committees. The granting of attendance fees in addition to the fixed remuneration is appropriate and customary, not least in view of the considerable commitment required to prepare the deliberations and resolutions for the meetings.

The fixed remuneration for any financial year shall be due and payable one month after the end of the respective financial year. There shall be no further deferment periods for the payout of remuneration components.

The remuneration is tied to the length of the appointment as Supervisory Board member. Supervisory Board members who are not a member or chairman of the Supervisory Board or a Supervisory Board committee for a full financial year will receive the remuneration on a pro rata temporis basis.

The members of the Supervisory Board are included in a D&O (directors' and officers') liability insurance policy for members of executive boards, whose premiums are paid by Aareal Bank AG, with a deductible of 10 % applied. The Company will moreover reimburse all expenditure incurred by any Supervisory Board member in the exercise of their office.

The provisions governing the remuneration of Supervisory Board members are definitively set out in the Memorandum and Articles of Association; no ancillary or additional agreements exist. No promises have been

made regarding dismissal compensation, pension and early retirement provisions.

#### **c) Ceiling for variable remuneration**

The ceiling for the remuneration of Supervisory Board members is the total of the fixed remuneration, the size of which depends specifically on the tasks assumed on the Supervisory Board and its committees, and the attendance fee, which is dependent on participation in Supervisory Board and committee meetings. No set maximum remuneration for Supervisory Board members exists because the number of meetings cannot be limited. Setting a ceiling for the remuneration of individual Supervisory Board members or for the Supervisory Board as a whole does not appear appropriate because no performance-related remuneration is granted.

#### **d) Remuneration for all Supervisory Board members in line with standard market conditions**

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.

The remuneration rules apply to shareholder representatives and employee representatives on the Supervisory Board alike. The employment contract provisions applicable to the employee representatives on the Supervisory Board have been and remain without significance for the remuneration system of the Supervisory Board because the Supervisory Board remuneration is granted for an activity which is fundamentally different from the activities of Aareal Bank AG and Aareal Bank Group employees. For this reason, a vertical comparison with the remuneration of employees does not apply.

#### **e) Review of the remuneration system**

The remuneration system of the Supervisory Board members is resolved on or confirmed by the Annual General Meeting at least every four years following a



proposal by the Management Board and the Supervisory Board. The provisions governing remuneration are set out in the Company's Memorandum and Articles of Association. At regular intervals, at least every four years, the Management Board and Supervisory Board review whether the size and structure of the remuneration are still in line with standard market conditions and whether they are commensurate with the tasks of the Supervisory Board and the Company's position. To this end, the Supervisory Board performs a horizontal market comparison. The Supervisory Board may seek support from remuneration and/or legal advisors in the further development and review of the remuneration systems. Where there is reason to amend the remuneration system for the Supervisory Board, the Management Board and Supervisory Board will present a proposal to the Annual General Meeting to amend the provisions of the Memorandum and Articles of Association relating to the Supervisory Board remuneration.

## 1. Company website and documents and information available there

The invitation to the Annual General Meeting, the documents to be made available to the Annual General Meeting as well as further information in connection with the Annual General Meeting will be available on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

from the date of convocation of the Annual General Meeting.

Any counter-proposals, nominations or requests for amendments by shareholders that are received by the Company and require publication will also be made available on the above website. The entire video and audio track of the Annual General Meeting will be streamed via the Company's online portal (**shareholder portal**), which can be accessed at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

Among other things, duly registered shareholders and their representatives will be able to exercise their voting rights before and during the Annual General Meeting via the shareholder portal. Following the Annual General Meeting, the voting results will be published on the Company's website mentioned above.

As a special service, the Company will send these documents to shareholders free of charge, upon request. It should be noted that the Company has complied with its legal obligation by making the information available on its website.

## 2. Total number of shares and voting rights

At the time of convening the Annual General Meeting, the Company's share capital amounts to € 179,571,663.00 and is divided into 59,857,221 no-par-value bearer shares. Each share carries one vote at a General Meeting. Therefore, at the time of convening the Annual General Meeting, the total number of voting rights amounts to 59,857,221. At the time of convening the Annual General Meeting, the Company does not hold any treasury shares.

## 3. Execution as an Annual General Meeting without the physical presence of the shareholders or their representatives, streaming of the Annual General Meeting

On the basis of section I of the "Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der Covid-19-Pandemie" (Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the Covid-19 Pandemic) dated 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 "Verordnung zur Verlängerung von Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht zur Bekämpfung der Auswirkungen der Covid-19-Pandemie" (Regulation on the Extension of Measures under the Act Concerning Measures Under the Law of Corporations, Cooperative Societies, Asso-

ciations and Foundations to Combat the Effects of the Covid-19 Pandemic) dated 20 October 2020 (German Federal Gazette I No. 48 2020, p. 2258) and was amended by the "Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht" (Act on a further Shortening of the Discharge Procedure and an Adjustment of Pandemic-related Provisions under the Law on Corporations, Co-operative Societies, Associations, Foundations and under Tenancy and Leasehold Law) 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 approval of the Supervisory Board, to hold the ordinary Annual General Meeting without the physical presence of the shareholders and their representatives as a virtual general meeting. Against the backdrop of the fact that the further development of the Covid-19 pandemic and the associated rules of conduct are difficult to foresee, this measure is designed in particular to avoid health risks to shareholders and employees, external service providers and members of the governance bodies and to ensure planning certainty. The Annual General Meeting will be held in the physical presence of the Chairman of the Annual General Meeting and of members of the Management Board and Supervisory Board, who may join the Annual General Meeting remotely, and the notary charged with the minutes of the general meeting and the voting proxies appointed by the Company at the Company's registered office at Paulinenstrasse 15, 65189 Wiesbaden, the location of the Annual General Meeting within the meaning of section 121 (3) of the AktG. The physical participation of the shareholders or their representatives (except for the voting proxies appointed by the Company) is therefore excluded.

Shareholders and their representatives may join via the shareholder portal for the live audio and video streaming of the entire Annual General Meeting on Tuesday 18 May 2021, starting at 10:30 a.m. CEST by using the Internet service at

**[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)**

The live broadcast does not allow participation in the Annual General Meeting within the meaning of section 118 (1) sentence 2 of the AktG.

The main content of the speech by the Chairman of the Management Board will be released on the Internet in advance on Wednesday 12 May 2021 at

**[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)**

A recording of the speech by the Management Board will be available on the same Internet address after the virtual Annual General Meeting.

Shareholders or their representatives can exercise their voting right solely by postal vote or through voting proxies appointed by the Company as specified below. The planned voting on agenda items 2 to 5, 7 to 9 is mandatory, and in each case a yes, no or abstention vote may be cast; the planned voting on agenda item 6 in accordance with section 120a (1) sentence 2 of the AktG does not establish any rights or obligations, therefore a yes, no or abstention vote is permitted.

#### 4. Shareholder portal

In lieu of the conventional admission ticket, duly registered shareholders will receive a voting card with further information explaining how they can exercise their rights. Among other things, the voting card sets out the logon data, which duly registered shareholders can use to access the Company's shareholder portal at the Internet address

**[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)**

Any previous access data to the shareholder portal for past general meetings is no longer valid.

The shareholder portal is expected to be open to duly registered shareholders and their representatives from 27 April 2021. Via the shareholder portal, shareholders and their representatives can exercise their voting rights, grant voting proxies, submit questions or lodge objections for inclusion in the minutes of the meeting. To use the shareholder portal, duly registered shareholders must enter the logon data that they have received together with their voting card. Detailed instructions on how to use the shareholder portal and the various options for exercising shareholder rights will be sent to

the shareholders together with their voting card and are also available on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

Further information on registering for and using the shareholder portal can also be found there. **Shareholders are asked to note the technical information at the end of this invitation.**

## 5. Preconditions for participating in the Annual General Meeting via online connection and exercising shareholder rights, in particular the right to vote

Shareholders who have registered prior to the Annual General Meeting and have provided evidence of their right to attend the Annual General Meeting (**duly authorised shareholders**) are authorised to attend the Annual General Meeting electronically and to exercise their shareholder rights, particularly the voting right. Registration with the Company must take place in text form (section 126b of the German Civil Code (Bürgerliches Gesetzbuch – BGB) at the following address (**registration address**). Specific evidence that shares are held shall be required to prove that the shareholder is authorised to attend the Annual General Meeting. A confirmation of shareholdings issued by the last intermediary as defined in section 67c (3) of the AktG shall suffice for this purpose. Specific evidence of the shareholdings must refer to the Record Date and must be transmitted to the Company in text form (section 126b of the BGB) in German or English to the following registration address.

**Aareal Bank AG**  
**c/o Computershare Operations Center**  
**80249 Munich**  
**Telefax: +49 89 30903 74675**  
**E-mail: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)**

Specific evidence of the shareholdings must refer to 27 April 2021 (00:00 hours CEST) (**the record date for submission of proof**). Registration to participate in the Annual General Meeting via online connection and specific evidence of the shareholding must be sub-

mitted to the Company by no later than 11 May 2021 (24:00 hours CEST) at the registration address.

Usually, the necessary registration and transmission of the specific proof of shareholdings are undertaken by the last intermediaries, in particular the custodian banks, on behalf of their customers. Shareholders are therefore requested to contact their custodian bank as early as possible. On receipt of the registration and the enclosed specific proof of shareholdings the shareholders who are authorised to attend will receive the voting card as confirmation of their registration from the registration office, which includes the necessary logon data for the shareholder portal.

The Company will only consider shareholders who register within the requisite period and have proved that they are authorised to attend the Annual General Meeting and to exercise voting rights to be duly authorised to attend the Annual General Meeting and to exercise their voting rights. The Company shall be entitled to demand suitable additional evidence in cases of doubt regarding the correctness or authenticity of the proof submitted. Where no such evidence is provided or it is not provided in an appropriate form, the Company may deny the shareholder attendance at the Annual General Meeting.

## 6. Importance of the record date

The right to participate in the Annual General Meeting and to exercise shareholder rights as well as the scope of voting rights depend solely on the shareholdings stated in the evidence as of the record date for submission of proof (the "record date"). However, this record date does not in any way restrict the disposability of shareholdings. Even where shareholdings are sold in whole or in part after the record date, the shareholder's right to participate, and to exercise shareholder rights as well as the scope of the voting rights will be based solely on his/her respective shareholdings on the record date. This means that the sale of shares after the record date does not in any way affect the shareholder's right to participate in the Annual General Meeting or the scope of his/her voting rights. Corresponding provisions apply to the initial or further acquisition of shares after the record date. Anyone who does not hold shares in the Company at the record date, but subsequently becomes

a shareholder of the Company may only participate in the Annual General Meeting and exercise shareholder rights (especially voting rights) to the extent that they have been authorised by the previous shareholder to act as a proxy. The record date has no bearing on possible dividend rights. Following receipt of registration and specific proof of shareholdings by the Company, voting cards for the exercise of shareholder rights at the Annual General Meeting including the logon data for the shareholder portal for participating in the Annual General Meeting will be sent to the duly registered shareholders. To ensure timely receipt of the voting cards, shareholders should request them from their custodian banks at their earliest convenience.

## 7. Exercise of voting rights by postal vote

Duly registered shareholders can exercise their voting rights in text form or by means of electronic communications (postal vote) without actually participating in the Annual General Meeting.

Prior to the Annual General Meeting, duly registered shareholders may use the postal vote form sent to them together with the voting card. The postal voting form can also be requested from the registration address by ordinary mail, telefax or e-mail. In addition, the postal vote form can also be downloaded from the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

If you use the postal vote form, postal votes can be submitted, modified or revoked

- in text form in a notice sent to  
**Aareal Bank AG**  
**c/o Computershare Operations Center**  
**80249 Munich,**
- in text form in a notice sent by telefax to  
**+49 89 30903-74675** or
- electronically in a notice sent to the e-mail address  
**aarealbank-HV2021@computershare.de**

by no later than 17 May 2021 (18:00 hours CEST).

The date on which the postal vote is received by the Company is decisive for determining whether a postal vote has been duly submitted, modified or revoked in this way. Postal votes that cannot be unambiguously assigned to a duly registered shareholder will be excluded.

Before and during the Annual General Meeting, duly registered shareholders will also be able to exercise their voting rights at Aareal Bank AG's shareholder portal, which can be reached at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

It is expected that voting rights may be exercised by way of electronic postal vote via the shareholder portal from 27 April 2021 until the beginning of voting on the day of the Annual General Meeting. Using the shareholder portal, shareholders can also modify or revoke any prior postal votes that they may have already submitted during the Annual General Meeting up until the commencement of voting.

Duly registered shareholders or their representatives who exercise their voting right by electronic postal vote will receive from the Company electronic confirmation of the votes cast in this way in accordance with the requirements of section 118 (2) sentence 2, (1) sentence 3 of the AktG in conjunction with Article 7 (1) and Article 9 (5) (1) of Commission Implementing Regulation (EU) 2018/1212. This confirmation shall be made available to the shareholder or – in the event of an authorisation – to the representative immediately after the vote is cast by electronic postal vote via the shareholder portal in the Company's shareholder portal. If postal votes are not transmitted electronically via the shareholder portal but by post, telefax or electronically via e-mail, confirmation that the vote has been cast shall be made available as soon as the vote has been processed by the registration office, also via the shareholder portal. The Company reserves the right to use a third party to make available the electronic confirmation of the electronic exercise of voting rights.

If votes are cast via an intermediary within the meaning of section 67a (4) of the AktG by electronic postal vote, electronic confirmation of the electronic exercise of the voting right shall be transmitted immediately by the intermediary to the shareholder.

Votes can only be cast on motions and proposals that have been published with this invitation or in connection with section 122 (2) of the AktG or sections 126 and 127 of the AktG.

Further information on postal voting via the shareholder portal can be found on the voting card sent to duly registered shareholders. Corresponding information and a detailed description of the electronic postal voting process via the shareholder portal are available at the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

## 8. Exercise of voting rights through voting proxies appointed by the Company

Duly registered shareholders may arrange to be represented by a voting proxy appointed by the Company, who is bound by the voting instructions issued by the shareholder in question.

In addition to the proxy document, voting proxies appointed by the Company require express and clear instructions from the shareholders for exercising the voting rights. If an individual vote is to be cast on a specific item of the agenda, the instructions provided apply to each individual item on which votes are to be cast. Voting proxies appointed by the Company are obliged to vote in accordance with instructions given to them; they cannot exercise voting rights at their discretion. If the meeting votes on a topic for which a shareholder has not given express instructions, that shareholder's voting proxy will abstain from voting.

Prior to the Annual General Meeting, duly authorised shareholders may use the proxy and voting instruction form sent to them by the Company together with the voting card to authorise the voting proxies appointed by the Company and bound by the instructions of the relevant shareholder to vote on their behalf. The proxy and voting instruction form can also be requested from the registration address by ordinary mail, telefax or e-mail. In addition, proxy forms may be downloaded from the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

If the proxy and voting instruction form is used, proxies and voting instructions for the voting proxies nominated by the Company and bound by the shareholder's instructions can be submitted, modified or revoked solely

- in text form in a notice sent to  
**Aareal Bank AG**  
**c/o Computershare Operations Center**  
**80249 Munich,**
- in text form in a notice sent by telefax to  
**+49 89 30903-74675** or
- electronically in a notice sent to the e-mail address  
**aarealbank-HV2021@computershare.de**

by no later than 17 May 2021 (18:00 hours CEST). The date on which the proxy and voting instruction form is received by the Company shall be decisive for determining whether a proxy or voting instruction has been duly submitted, modified or revoked in this way. Before and during the Annual General Meeting, duly registered shareholders may also issue instructions to the voting proxies appointed by the Company at Aareal Bank AG's shareholder portal, which can be reached at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

It is expected that voting proxies may be granted via the shareholder portal from 27 April 2021 until the beginning of voting on the day of the Annual General Meeting. Via the shareholder portal, any prior voting proxies or instructions that may have already been submitted may be modified or revoked during the Annual General Meeting up until the commencement of voting. Votes can be cast and voting proxies and instructions issued only on motions and proposals that have been published with this invitation or in conjunction with section 122 (2) of the AktG or sections 126 and 127 of the AktG.

Further information on granting a proxy and issuing voting instructions to the voting proxies appointed by the Company can be found on the voting card sent to duly registered shareholders. Corresponding information and a detailed description of the process for issuing

proxies and voting instructions to the voting proxies nominated by the Company via the shareholder portal are available at the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

## 9. Granting proxies to third parties to exercise voting rights and other rights

Duly registered shareholders may also authorise a third party (**authorised third party**), e.g. an intermediary, a shareholder association or a proxy advisor to exercise their voting right or other rights. Authorised third-party proxyholders may then exercise the voting rights by postal vote or voting proxy by issuing voting instructions to the voting proxies appointed by the Company (see above). If a shareholder appoints more than one person as a proxyholder, the Company is entitled to reject one or more of these proxyholders in accordance with section 134 (3) sentence 2 of the AktG.

A voting proxy must be granted or revoked or proof provided of such voting proxy to a third party in text form served on the Company (section 126b of the BGB) if no voting proxy is granted in accordance with section 135 of the AktG. Special rules generally apply if voting proxies are granted to third parties in accordance with section 135 of the AktG (voting proxies granted to intermediaries (particularly credit institutions), shareholder associations, proxy advisors or persons who accept voting proxies from shareholders at the Annual General Meeting on a commercial basis). Shareholders who wish to grant voting proxies in accordance with section 135 of the AktG are asked to inquire with the proxyholder in question to be authorised about the applicable conditions and to agree on these with the proxyholder.

Intermediaries (particularly credit institutions), shareholder associations, proxy advisors or persons who accept voting proxies from shareholders at the Annual General Meeting on a commercial basis who represent a majority of shareholders are recommended to contact the shareholder hotline (see below in the section "Technical details concerning the virtual Annual General Meeting") or the registration office at the above-mentioned address ahead of the Annual General Meeting with regard to the exercise of voting rights.

If voting proxies are not issued to an intermediary (particularly credit institutions), shareholder associations, proxy advisors or persons who accept voting proxies from shareholders at the Annual General Meeting on a commercial basis, the voting proxy may be served directly on the Company or directly on the authorised third-party proxyholder (in which case proof of the grant of the voting proxy must be served on the Company in text form). Notice of the voting proxy served on the Company or evidence of the voting proxy served on the Company must reach the Company

- at the following address:  
**Aareal Bank AG**  
**c/o Computershare Operations Center**  
**80249 Munich,**
- telefax number  
**+49 89 30903-74675** or
- e-mail address  
**aarealbank-HV2021@computershare.de.**

This also applies to a revocation of the voting proxy.

Where a proxy is granted, proof of such proxy provided, or a proxy revoked by way of a declaration to the Company by regular mail or by fax, the Company must, for organisational reasons, receive such declaration by no later than 17 May 2021 (18:00 hours CEST). It is still possible to serve the voting proxy or proof of voting proxy on the Company or the revocation of a voting proxy until the beginning of voting on the day of the Annual General Meeting via the aforementioned telefax number or e-mail address. Proof of the voting proxy granted in this way can be submitted by sending it (e.g. copy or scan of the voting proxy) to the aforementioned telefax number or e-mail address.

Duly registered shareholders wishing to issue a voting proxy to a third party should use the proxy form provided by the Company for this purpose and attached to the voting card. The proxy form can also be requested from the registration address by ordinary mail, telefax or e-mail. In addition, the proxy form can be downloaded from the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

Proxies are expected to be granted starting from 27 April 2021 up to and including the day of the Annual General Meeting electronically as well using the shareholder portal.

For the proxy to connect to, and engage in the Annual General Meeting via the shareholder portal, the proxy must have the access data sent to the voting/authorising party with the voting card. Here too it is necessary to send proof of proxy to the Company. This proof must be served on the Company via the channels described above.

Votes can only be cast on motions and proposals that have been published with this invitation or in connection with section 122 (2) of the AktG or sections 126 and 127 of the AktG.

Further information on granting voting proxies to third parties can be found on the voting card sent to duly registered shareholders. Corresponding information and a detailed description of the process for granting voting proxies via the shareholder portal are available at the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

## **10. Website via which information in accordance with section 124a of the AktG is accessible, list of attendees and voting results**

This notice convening the Annual General Meeting, the documents to be made available to the Annual General Meeting as well as further information in connection with the Annual General Meeting, will be available on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

as from the time the Annual General Meeting has been convened; the website will also include information in accordance with section 124a of the AktG and the Memorandum and Articles of Association as amended. During the virtual Annual General Meeting, the list of attendees will be made available to duly registered

shareholders before the first vote via the shareholder portal at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

After the Annual General Meeting the voting results will be published at the same Internet address.

A confirmation of the votings, which the voting party can download within a month following the day of the Annual General Meeting, pursuant to section 129 (5) of the AktG, will be automatically made available to shareholders after the Annual General Meeting in the shareholder portal. Confirmation of the votings may also be requested from the Company under the registration address.

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## **Information on shareholder rights pursuant to sections 122 (2), 126 (1), 127, 131 (1) of the AktG in conjunction with section 1 (2) sentence 1 no. 3, no. 4, sentence 2 and 3 of the C19-AuswBekG**

### **Requests for amendments to the agenda in accordance with section 122 (2) of the AktG**

Shareholders whose combined shareholdings amount to one-twentieth of the registered share capital, or a proportional number of shares amounting to € 500,000.00 (equivalent to 166,667 shares), may request that certain items be included in the agenda and made public (section 122 (2) of the AktG). Every new item must include a reason or draft resolution. Applicants must prove that they have been holders of the relevant shares for a minimum of 90 days prior to the day the request is received and that they will continue to hold them until a decision on their application has been made by the Management Board. A corresponding confirmation from the custodian bank shall be sufficient evidence.

The application must be addressed in writing (section 126 of the German Civil Code (BGB)) or in electronic form, i. e. using the qualified electronic signature

(section 126a of the German Civil Code (BGB)), to the Management Board of Aareal Bank AG and must be received by the Company no later than 17 April 2021 (24:00 hours CEST). Shareholders are requested to use the following address:

**Management Board of Aareal Bank AG**  
**Paulinenstrasse 15**  
**65189 Wiesbaden**  
**E-mail: HV2021@aareal-bank.com**

Unless already communicated at the date of convocation, amendments to the agenda that require communication must be published, without undue delay following receipt of the request, in the German Federal Gazette (Bundesanzeiger) and in such other media that can be assumed to distribute information throughout the entire European Union. In addition, they will be published on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

and communicated to the shareholders.

**Motions and nominations by shareholders in accordance with section 126 (1) and section 127 of the AktG in conjunction with section 1 (2) sentence 3 of the C19-AuswBekG**

Shareholders may lodge counter-proposals to the proposals submitted by the Management Board and the Supervisory Board on certain items of the agenda and submit nominations for the election of members of the Supervisory Board and external auditors. Any such counter-proposals must also state their reasons; nominations for elections do not require any substantiation. Counter-proposals pertaining to items of the agenda and nominations must be sent to the following address only:

**Aareal Bank AG**  
**Corporate Affairs – Board Office**  
**Paulinenstrasse 15**  
**65189 Wiesbaden**  
**Telefax: +49 611 348 2965**  
**E-mail: HV2021@aareal-bank.com**

Counter-proposals and nominations received by the Company at the aforementioned address by no later than 3 May 2021 (24:00 hours CEST) will be published on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

immediately after they are received, including the Shareholder's name and the reasons for the counter-proposal, taking the further stipulations set forth in sections 126 and 127 of the AktG into consideration. Any management statements will be published on the same website.

Motions or nominations of shareholders to be made accessible pursuant to sections 126, 127 of the AktG are considered, pursuant to section 1 (2) sentence 3 of the C19-AuswBekG, to have been submitted at the meeting if the shareholder submitting the motion or nomination is duly legitimised and has registered to attend the Annual General Meeting.

**Right to disclosure pursuant to section 131 (1) of the AktG; right to ask questions pursuant to section 1 (2) sentence 1 no. 3 of the C19-AuswBekG**

The shareholders' right to request information is substantially restricted in the case of a virtual Annual General Meeting held in accordance with section 1 (2) of the C19-AuswBekG. Accordingly, the shareholders are only entitled to ask questions via electronic channels (section 1 (2) sentence 1 no. 3 of the C19-AuswBekG). Moreover, the Management Board may stipulate pursuant to section 1 (2) sentence 2 clause 2 of the C19-AuswBekG that questions are to be submitted only by duly registered shareholders and by no later than one day before the Annual General Meeting. The Management Board has made use of this right having obtained the approval of the Supervisory Board.

Any questions must be submitted no later than one day before the Annual General Meeting, i.e. by 16 May 2021 (24:00 hours CEST) via the Company's shareholder portal accessible at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)



All other forms of transmission are excluded.

No questions can be submitted after the expiry of the aforementioned deadline or during the Annual General Meeting. Only questions in German will be considered. When answering questions the Management Board decides on the response to questions at its own free discretion in accordance with section 1 (2) sentence 2 of the C19-AuswBekG. The name of the person asking the question will generally be disclosed. Further detailed explanations on shareholder rights and data protection can be found at the end of this invitation.

### **Option to object against a resolution of the Annual General Meeting pursuant to section 1 (2) sentence 1 no. 4 of the C19-AuswBekG**

Duly registered shareholders who have exercised their voting rights may, from the beginning until the end of the Annual General Meeting, declare their objection to resolutions passed at the Annual General Meeting via the shareholder portal for inclusion in the minutes taken by the notary.

### **Further explanations concerning shareholder rights**

Further explanations concerning shareholder rights pursuant to sections 122 (2), 126 (1), 127 and 131 (1) of the AktG in conjunction with section 1 (2) sentence 1 no. 3, no. 4, sentences 2 and 3 of the C19-AuswBekG can be found at the Company website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

### **Information on data protection**

If shareholders and/or their voting proxies register for the virtual Annual General Meeting, exercise their voting rights (including the granting of proxies), use the shareholder portal or join the virtual Annual General Meeting, we process personal data on these shareholders and/or their proxies (e.g. surname and first name, address, e-mail address, number of shares, type of shareholding and individual access data for use of the shareholder

portal). We do this to ensure that shareholders or their representatives are able to electronically connect to the virtual Annual General Meeting and exercise their rights in connection with the virtual Annual General Meeting. Personal data is always processed in accordance with the applicable data protection legislation.

The data controller with respect to the processing of personal data is:

**Aareal Bank AG**  
**Paulinenstrasse 15**  
**65189 Wiesbaden**  
**Telefax: +49 611 348-2965**  
**E-mail: HV2021@aareal-bank.com**

Any service providers that we use to organise the virtual Annual General Meeting process personal data solely on our behalf and are otherwise under a duty of confidentiality.

Provided that the statutory requirements are met, every data subject has the right of access, the right to rectification, the right to restriction of processing, the right to erasure and, if necessary, the right to object to the processing of their personal data at any time, as well as the right to data portability and the right to complain with the competent data protection supervisory authority.

Further information on the processing of personal data in connection with the Annual General Meeting and on the rights under the EU General Data Protection Regulation can be accessed at any time on the Company's website at

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

or requested at the following address:

**Aareal Bank AG**  
**Paulinenstrasse 15**  
**65189 Wiesbaden**  
**Telefax: +49 611 348-2965**  
**E-mail: HV2021@aareal-bank.com**

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## Technical details concerning the virtual Annual General Meeting

Shareholders need an Internet connection and a computer in order to participate in the virtual Annual General Meeting and to use the shareholder portal and exercise their shareholder rights electronically. A stable Internet connection with a sufficient transmission speed is recommended to ensure optimum audio and video streaming of the Annual General Meeting.

Shareholders also require a computer and loudspeakers or headphones to follow the audio and video stream of the virtual Annual General Meeting.

From 17 May 2021, 10:30 hours CEST, a test sequence (video and audio) will be available at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

to enable shareholders to check the suitability of their hardware and software for participating in the virtual Annual General Meeting.

To access the Company's shareholder portal, duly registered shareholders will need their voting card, which they will automatically receive after duly registering for the Annual General Meeting. This voting card sets out individual logon data to enable duly registered shareholders to log onto the shareholder portal.

On 18 May 2021, registered shareholders or registered shareholder representatives may access the virtual Annual General Meeting from 10:30 hours CEST at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

by entering their logon data.

In order to avoid the risk of any restrictions in the exercise of shareholder rights as a result of technical problems during the virtual Annual General Meeting, it is **recommended to exercise shareholder rights (particularly voting rights) before the Annual General Meeting commences** as far as possible.

It is expected that voting rights can be exercised via the shareholder portal from 27 April 2021.

Shareholders will receive further details about the shareholder portal and the conditions for registration and use together with their voting card, which will be sent to duly registered shareholders. Corresponding information and a detailed description of the use of the shareholder portal are available at the Internet address

[www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/](http://www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2021/)

If shareholders have any technical questions regarding the shareholder portal or electronic attendance of the virtual Annual General Meeting, the employees of our service provider Computershare will be happy to assist them before and during the Annual General Meeting on the following telephone number:

**Shareholder hotline: +49 89 30903 6334**

The shareholder hotline is available Monday to Friday from 9:00 hours until 17:00 hours CEST and on the day of the Annual General Meeting, 18 May 2021, from 9:00 hours CEST.

If shareholders have any technical questions before the start of the virtual Annual General Meeting, they can also contact our service provider Computershare by e-mail at [aktionaersportal@computershare.de](mailto:aktionaersportal@computershare.de).

## Availability of audio and video streaming

Shareholders and their representatives may follow the entire Annual General Meeting by means of audio and video streaming on the Internet. In line with the current state of technology, the video and audio streaming of the virtual Annual General Meeting and the availability of the web-based shareholder portal may be subject to fluctuations due to restrictions in the availability of the telecommunications network and third-party internet services, over which the Company has no influence. Accordingly, the Company assumes no liability for the functionality and continuous availability of the Internet services used, third-party network elements, the quality of the audio or video stream or the accessibility of the shareholder portal and its general availability. Nor does

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the Company assume any liability for any errors or shortcomings in the hardware and software used for the online service including the hardware and software used by third-party service providers except in the case of wilful intent. For this reason, the Company recommends making early use of the options described above for exercising shareholder rights, particularly voting rights. Where rendered necessary by data protection or security considerations, the chairman of the Annual General Meeting reserves the right to interrupt or terminate the virtual Annual General Meeting.

### **Comment on time zones**

All times stated in this invitation and in the additional information regarding the convocation of the Annual General Meeting are given in Central European Summer Time (CEST), which applies in Germany during these periods. In relation to Coordinated Universal Time (UTC), UTC is CEST minus two hours. Accordingly, CEST is UTC+2.

**Aareal Bank AG**

**The Management Board**

**Wiesbaden, April 2021**

**Aareal Bank AG**

Paulinenstrasse 15 · 65189 Wiesbaden, Germany

[www.aareal-bank.com](http://www.aareal-bank.com)



**Aareal Bank**

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