



Information re agenda item no 11 and 12 (added) (non-legally binding document)

April 2021 | Updated in May 2021

Aareal
YOUR COMPETITIVE ADVANTAGE.

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

11 & 12

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

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

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

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

Proposal to add items 11 and 12 to the agenda:

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

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

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

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

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

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

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

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

Supervisory Board

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

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

Overview of shareholder engagement (2019-2021)*

Strategy, business model, and achievement of operating targets

Management Board /
Investor Relations team

Continuous exchange of views with all shareholders, portfolio managers, analysts, etc.

Corporate governance & ESG

Autumn 2019
(10 meetings)

General corporate governance, composition of the Supervisory Board, independence requirements, Management Board remuneration, ESG endeavours

Spring 2020
(20 meetings)

Preparations for AGM 2020, including Supervisory Board elections (*changes based on discussions with shareholders*)

- Introduction of a 'staggered board'
- Office terms of shareholder representatives shortened to four years
- All candidates for election to the Supervisory Board elected with a majority of > 99%

Autumn 2020
(12 meetings)

Preparations for AGM 2021, including Management Board remuneration (*changes based on discussions with shareholders*)

- Share-based portion of variable remuneration increased to 55%
- Minimum of 15% quantifiable ESG targets
- Enhanced remuneration transparency in the report and the remuneration system

Spring 2021
(13 meetings)

Further preparations for the AGM 2021, whereby the majority of shareholders indicated their agreement in principle with the Supervisory Board and the Management Board

* with the involvement of shareholders Petrus Advisers and Teleios Capital



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

Strategy

Published on 24 February 2021

Statement by Aareal Bank

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

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

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

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

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

2) Subject to ECB approval

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

Note: All 2020 figures preliminary and unaudited

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

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

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

Reference European Banking Index

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

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