

# Invitation to the Annual General Meeting of Shareholders

Dear Shareholders,

We are pleased to invite you to our Annual General Meeting to be held on Wednesday, 22 May 2019, at 10:30 a.m., at the "Kurhaus Wiesbaden", Kurhausplatz, 65189 Wiesbaden, Germany.

We have convened this year's General Meeting by way of publication in the German Federal Gazette (Bundesanzeiger) dated 10 April 2019, publishing the agenda set out below.

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

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**Aareal Bank**

## Agenda

### **Agenda item 1: Presentation of the confirmed annual financial statements and the approved consolidated financial statements, of 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 2018 financial year**

In accordance with section 172 of the German Public Limited Companies Act (Aktiengesetz – "AktG"), on 26 March 2019 the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board; the financial statements have thus been confirmed. Therefore, it is not necessary to pass a resolution on this agenda item 1.

### **Agenda item 2: Passing of a resolution on the appropriation of net retained profit for the 2018 financial year**

The Management Board and Supervisory Board recommend that Aareal Bank AG's net retained profit of € 125,700,164.10 for the 2018 financial year be appropriated as follows:

Distribution of a dividend of € 2.10 per no-par-value share (Stückaktie) entitled to dividend payment (currently: 59,857,221 shares)	€ 125,700,164.10
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At the time of this proposal for the appropriation of profit, the Company does not hold any treasury shares. In the event of a change in the number of no-par value shares entitled to dividend payment for the 2018 financial year occurring prior to the Annual General Meeting, an appropriately amended proposal for resolution will be presented to the Annual General Meeting for approval. Said proposal will provide for a dividend of € 2.10 per no-par value share entitled to dividend payment (in line with the original proposal) and, if applicable, an appropriately amended proposal for carrying forward the balance.

According to 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 27 May 2019.

### **Agenda item 3: Passing of a resolution on the formal approval of the members of the Management Board for the 2018 financial year**

The Management Board and the Supervisory Board propose that formal approval be granted, for the 2018 financial year, for the members of the Management Board who were in office during that period.

### **Agenda item 4: Passing of a resolution on the formal approval of the members of the Supervisory Board for the 2018 financial year**

The Management Board and the Supervisory Board propose that formal approval be granted, for the 2018 financial year, for the members of the Supervisory Board who were in office during that period.

### **Agenda item 5: Passing of a resolution on the appointment of the external auditors**

- a) Based on the recommendation of the Audit Committee, the Supervisory Board proposes that auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, be appointed as the external auditors for the Company's annual financial statements and the Group's consolidated financial statements for the 2019 financial year, and as the external auditors for the review of the condensed financial statements and the interim management report as at 30 June 2019.
- b) Based on the recommendation of the Audit Committee, the Supervisory Board also proposes that auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, be appointed to review, if applicable, any additional financial information required, within the meaning of section 115 (7) of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"), during the 2019 financial year and during the 2020 financial year, until the next Annual General Meeting takes place.

The Audit Committee has declared that its recommendation was not improperly influenced by any third party and that no clauses exist that restricted the choice within the meaning of Article 16 (6) of the EU Statutory Audit Directive (Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC).

**Agenda item 6: Passing of a resolution on a new authorisation for the Management Board to issue profit-participation certificates and other hybrid debt securities with conversion rights, and with the option of excluding shareholders' pre-emptive subscription rights; cancellation of the Conditional Capital 2014 and creation of a new conditional capital; amendments to the Memorandum and Articles of Association**

To enable the Company to cover any future requirements it may have as regards regulatory capital, authorisation is to be granted for the issue of profit-participation certificates and other hybrid debt securities with a total nominal amount of up to € 900,000,000.00. The profit-participation certificates and other hybrid debt securities issued on the basis of this authorisation will be associated with conversion rights for their holders which, based on the further details set out in the respective terms and conditions, will entitle/oblige the holders to purchase shares in the Company. It is proposed that any exclusion of shareholders' pre-emptive subscription rights, in the event of said authorisation being exercised, be restricted to a total of 10% of the Company's registered share capital.

The authorisation granted by the Annual General Meeting held on 21 May 2014 on the issue of profit-participation rights, with or without conversion rights, will expire on 20 May 2019. Thus far, this authorisation has not been exercised. As a result, a resolution is now to be passed on this new authorisation relating to the issue of profit-participation certificates and other hybrid debt securities with conversion rights. In addition, the authorisation to issue such instruments without conversion rights/obligations is proposed in agenda item 7. The existing Conditional Capital 2014 pursuant to Article 5 (5) of the Memorandum and

Articles of Association is to be cancelled and replaced by a new conditional capital 2019.

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

**1. Authorisation**

- a) The Management Board shall be authorised to issue, on one or more occasions until 21 May 2024, profit-participation certificates, with a limited or unlimited term, against cash contributions or contributions in kind. The profit-participation certificates must be of such nature as to render any funds paid in upon their issuance eligible as regulatory capital in accordance with the laws in effect at the time of their issuance. Furthermore, the Management Board shall be authorised to issue up until 21 May 2024, on one or more occasions, other hybrid financing instruments instead of profit-participation certificates, with a limited or unlimited term, that meet the afore-described requirements for profit-participation certificates but might legally not qualify as profit-participation certificates to the extent that their issuance would require the Annual General Meeting's approval in accordance with section 221 of the AktG, be it for reason of profit-linked interest or other reasons; any such financing instruments are hereinafter referred to as "hybrid debt securities".

The aggregate nominal amount of profit-participation certificates and hybrid debt securities to be issued under this authorisation shall not exceed € 900,000,000.00. The nominal amounts of convertible debt securities, profit-participation certificates and other hybrid debt securities issued under other authorisations in accordance with section 221 of the AktG, during the validity of this authorisation, shall count towards the upper threshold of € 900,000,000.00.

Profit-participation certificates and hybrid debt securities may be issued in euros or – provided they are limited to the corresponding euro equivalent – in any other legal currency, for example that of an OECD member state. The consideration for the issue of the profit-participation certificates/hybrid debt securities can be paid not only in cash but

also in the form of non-cash contributions of intrinsic value as determined by the Company; in particular, also in the form of existing debt securities or profit-participation certificates that are to be replaced by the new instruments.

- b) The profit-participation certificates and other hybrid debt securities can also be issued by domestic or foreign companies in which the Company either directly or indirectly has a majority interest (hereinafter referred to as "**subsidiaries**") (hereinafter referred to as "**indirect issue**"). In the event of an indirect issue, the Management Board shall be authorised, subject to approval by the Supervisory Board and taking any regulatory requirements into account, to allow the Company to provide a guarantee, letter of comfort and/or comparable instrument to secure the profit-participation certificates or hybrid debt securities issued by the subsidiary in question. In the event of indirect issue of profit-participation certificates/hybrid debt securities on the basis of this authorisation, the Management Board shall be authorised, subject to approval by the Supervisory Board and taking any regulatory requirements into account, to ensure the granting of conversion rights, or to grant conversion rights on new no-par value bearer shares in the Company itself or to establish corresponding conversion obligations.

For indirect issuance, the following shall apply with regard to the utilisation of the aggregate nominal amount of the profit participation certificates and/or hybrid debt securities: in this case, solely the nominal amounts of the profit-participation certificates and/or hybrid debt securities issued by the respective subsidiary will count towards the aggregate nominal amount. Any guarantee, letter of comfort or comparable instrument provided by the Company within this context shall not additionally count towards the total nominal amount.

The profit-participation certificates/hybrid debt securities issued either directly or indirectly may, in accordance with the other provisions of this authorisation, be placed with one or more investors or broadly distributed across the capital markets.

- c) The profit-participation certificates/hybrid debt securities may earn interest at a fixed or variable rate. The profit-participation certificates/hybrid debt securities issued may participate in losses incurred by the Company in that their nominal amount can be written down temporarily or permanently if certain capital ratios or other financial performance indicators defined in their terms and conditions fall below certain levels. However, provisions may be agreed whereby nominal amounts that have been written down may be reversed or written up again up to the original nominal amount for subsequent years in which the Company makes a profit. The Company's right of ordinary termination of the profit-participation certificates and/or hybrid debt securities may be restricted in such a way that termination is not permissible until expiry of a period of five or more years; ordinary termination on the part of the holder(s) may be excluded.
- d) The profit-participation certificates/hybrid debt securities covered by this authorisation may only be issued in return for a cash contribution. The conversion rights that the profit-participation certificates/hybrid debt securities covered by this authorisation feature give rise to an entitlement or obligation to purchase shares in the Company based on the further details set out in the terms and conditions in question. Conversion rights or obligations may be based exclusively on no-par value bearer shares, and are limited to a maximum amount of € 71,828,664.00 of the Company's registered share capital. The total shares to be issued to service conversion or option rights/conversion obligations in connection with profit-participation certificates/hybrid debt securities that can be issued in accordance with this authorisation must not exceed a registered share capital amount of € 71,828,664.00 (corresponding to approximately 40% of the current registered share capital); shares issued under another obligation during the term of this authorisation (in particular using the Authorised Capital 2017) shall count towards this limit. The profit-participation certificates/hybrid debt securities covered by this authorisation shall hereinafter be referred to as "**convertible debt securities**".

If convertible debt securities are issued, their holders shall either be granted the right, or be obliged, to exchange their convertible debt securities for no-par-value bearer shares in the Company, in accordance with the terms and conditions of the convertible debt securities to be determined by the Management Board. The exchange ratio shall be based on the division of the nominal value of one convertible debt security by the fixed conversion price of one new no-par value bearer share of the Company. The exchange ratio may be rounded up or down to an integer; an additional cash contribution may also be required. The proportion of registered share capital attributed to each individual share to be issued upon conversion may not exceed the nominal value of the convertible debt securities, or the issue price of the convertible debt securities (if said issue price falls below the nominal value).

The terms and conditions of the convertible debt securities may also provide for an unconditional or conditional conversion obligation on the part of the holders upon expiry or at an earlier date (in each case, the **"final maturity date"**). In particular, the holders may be obliged to convert all or some of their rights at a point in time at which capital ratios or other financial performance indicators to be determined in the terms and conditions of the convertible debt securities fall below certain levels, at which the Company's Management Board and Supervisory Board deem the conversion necessary in order to safeguard the Company's continued existence, or at which a regulatory authority, within the limits of its competence, orders conversion to be carried out (**"ad-hoc conversion"**).

Under the terms and conditions of the convertible debt securities, the Company may also be entitled to grant the holders of the convertible debt securities new shares in the Company, or treasury shares in partial or full replacement of a cash payment falling due (**"alternative performance"**). In accordance with the terms and conditions of the convertible debt securities, the value of each share shall correspond to the Company's average share price (rounded up to a full euro cent amount) in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days

of the Frankfurt Stock Exchange preceding either the announcement of the conversion or the final maturity date. The terms and conditions of the convertible debt securities may further stipulate that the Company pay those entitled to convert their rights an equivalent amount in cash in full or partial replacement of the Company's shares to which they are entitled. Further, the terms and conditions may stipulate that fractional shares be combined and/or compensated for in cash and that a certain period of time be determined within which the conversion rights can be exercised. The terms and conditions of the convertible debt securities may also stipulate that the number of shares to be subscribed upon exercise of the conversion rights (or upon fulfilment of the conversion obligations), or a related right of conversion be variable and/or that the conversion price or conversion ratio may, prior to expiry, be changed within a range determined by the Management Board depending on share price performance or as a consequence of anti-dilutive provisions.

The conversion price for no-par-value bearer shares in the Company to be determined in each case shall be set in euros and must – even in the case of a variable conversion ratio or a variable conversion price – be equivalent to either at least 80% of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding the Management Board's resolution to issue the convertible debt securities or at least 80% of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on those trading days of the Frankfurt Stock Exchange on which the subscription rights to the convertible debt securities are traded (with the exception of the last two days of subscription rights trading). Notwithstanding this, the conversion price may, in the case of an ad-hoc conversion obligation, be equivalent to the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding the date on which the ad-hoc conversion obligation arises, but

must at least equal 50 per cent the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten Frankfurt Stock Exchange trading days preceding the Management Board's resolution to issue the convertible debt securities with an ad-hoc conversion obligation. Sections 9 (1) and 199 (2) of the AktG remain unaffected.

Notwithstanding sections 9 (1) and 199 (2) of the AktG, the conversion price or the conversion ratio may, on the basis of an anti-dilutive clause in the terms and conditions of the convertible debt securities, be reduced or adjusted by means of payment of a corresponding amount in cash upon exercise of the conversion right or fulfilment of the conversion obligation or by means of a reduction in the additional contribution if the Company, during the conversion period and while granting its shareholders pre-emptive subscription rights, increases its registered share capital or issues further convertible debt securities/grants other option rights, and the holders of conversion rights are not granted pre-emptive subscription rights in the same scope that they would be entitled to following exercise of their conversion rights.

To the extent possible, the exchange ratio may also be adjusted by way of division by the reduced conversion price (in lieu of a cash payment or reduction of the additional contribution). The terms and conditions of the convertible debt securities may also provide for value-preserving adjustments in the conversion price or conversion ratio in the event of reductions in capital, share splits or dividends or of other measures potentially leading to a dilution of the value of the conversion rights. In any case, the proportion of registered share capital attributed to each share to be subscribed per convertible debt security may not exceed the nominal value for each convertible debt security.

## **2. Pre-emptive subscription rights, exclusion of pre-emptive subscription rights**

In principle, the shareholders shall be entitled to subscription rights with regard to the profit-participation certificates and hybrid debt securities. The profit-partici-

pation certificates and hybrid debt securities may also be subscribed by one or more banks or other companies within the meaning of section 186 (5) sentence 1 of the AktG, subject to the obligation that they are offered to the shareholders for subscription ("**indirect subscription right**").

In the case of indirect issuance, the Company must ensure that the profit-participation certificates and hybrid debt securities issued by subsidiaries are offered to the Company's shareholders for subscription (hereinafter "**indirect subscription right**") or that any statutory subscription right of the shareholders is excluded in accordance with the provisions below.

To the extent that the Company ensures or excludes an indirect subscription right of this kind in accordance with the following provisions, the Management Board may, subject to approval by the Supervisory Board, exclude the shareholders' direct pre-emptive subscription rights to the profit-participation certificates/hybrid debt securities issued by the Company to its subsidiaries.

In addition, the Management Board shall be authorised, subject to approval by the Supervisory Board, to exclude the shareholders' pre-emptive subscription rights to profit-participation certificates/hybrid debt securities in the following cases:

- (i) for fractional amounts; or
- (ii) to the extent that it is necessary to exclude pre-emptive subscription rights in order to grant holders of previously issued profit-participation certificates or debt securities with option or conversion rights or obligations a subscription right in the same scope to which they would be entitled following exercise of the option or conversion rights or fulfilment of the conversion obligations; or
- (iii) if the issue price of convertible debt securities does not fall significantly below the theoretical market value of the convertible debt securities ascertained in accordance with recognised mathematical valuation methods. This authorisation to exclude pre-emptive subscription rights is limited to the issue of convertible debt securities that provide for

conversion rights or obligations (or alternative performance on the part of the Company) with respect to shares in the Company, if the shares (to be) issued to service the conversion rights do not exceed a total of ten per cent of the registered share capital either at the time this authorisation comes into effect or the time it is exercised. Any shares that were issued or sold during the term, and prior to exercise, of this authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG shall count towards the above threshold of ten per cent of the registered share capital. Said ten-per-cent threshold shall also include shares the issuance of which is required under the terms of debt securities with embedded conversion or option rights on shares issued pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' pre-emptive subscription rights), which were (or may be) issued during the validity of this authorisation.

The aggregate value of shares issued on the basis of this authorisation, excluding shareholders' pre-emptive subscription rights, shall not exceed 10 per cent of the registered share capital at the time this authorisation comes into effect or – if the amount of share capital is then lower – is exercised. Any shares that were issued or sold with exclusion of shareholders' pre-emptive subscription rights during the term, and prior to exercise, of this authorisation in direct or analogous application of section 186 (3) of the AktG shall count towards the above limit of 10 per cent of the registered share capital (including shares from the existing Authorised Capital 2017). Said ten-per-cent threshold shall also include shares the issuance of which is required under the terms of convertible debt securities issued, during the validity of this authorisation, pursuant to section 186 (3) of the AktG (excluding shareholders' subscription rights), which were (or may be) issued.

### **3. Authorisation to determine the further details of an issue of profit-participation certificates and other hybrid debt securities**

The Management Board shall be authorised, subject to approval by the Supervisory Board and taking into account the principles set down in this authorisation,

to determine the further details of the issue and design of the profit-participation certificates and hybrid debt securities – in particular to determine the volume, issue date, interest rate, interest type, issue price, term and denominations, conversion details, such as the conversion price and conversion period, determination of an additional cash contribution, compensation for or combination of fractional shares, cash payment in lieu of the delivery of no-par-value bearer shares and delivery of existing no-par-value bearer shares in lieu of the issue of new shares of this kind – and, in the case of indirect issues by subsidiaries, to determine these same aspects by mutual agreement with the subsidiaries' corporate bodies.

### **4. Cancellation of the Conditional Capital 2014**

The Conditional Capital 2014 pursuant to Article 5 (5) of the Memorandum and Articles of Association is cancelled.

### **5. Creation of a new Conditional Capital 2019**

The Company's registered share capital shall be subject to a conditional capital increase not exceeding € 71,828,664.00 through the issue of up to 23,942,888 new no-par-value bearer shares (**Conditional Capital 2019**). The purpose of the conditional capital increase is to enable the granting of shares to holders or creditors of convertible debt securities issued in accordance with the aforementioned authorisation. The new no-par-value bearer shares may be issued only for a conversion price that meets the requirements given under No. 1 above. The conditional capital increase is to be carried out only insofar as conversion rights are exercised or conversion obligations arising out of such convertible debt securities are fulfilled or the Company makes use of alternative performance and, insofar as it does, does not grant cash compensation or use treasury shares to service the rights. The new shares shall be entitled to a share in the profits from the beginning of the financial year in which they come into existence through the exercise of conversion rights or the fulfilment of conversion obligations.

The Management Board is authorised to determine the details of the conditional capital increase. The Management Board shall further be authorised, sub-

ject to approval by the Supervisory Board, to determine the rights associated with such shares and the terms and conditions of issue.

## **7. Amendment of the Memorandum and Articles of Association**

Article 5 (5) shall be completely reworded as follows:

“(5) The registered share capital is subject to a conditional capital increase not exceeding € 71,828,664.00 by issuance of up to 23,942,888 new no-par value bearer shares (“Conditional Capital 2019”). The conditional capital increase shall be implemented only insofar as (i) the holders of convertible debt securities issued by the Company (or by an enterprise in which the Company either directly or indirectly holds a majority interest) until 21 May 2024 on the basis of the Annual General Meeting’s authorisation resolution of 22 May 2019 exercise conversion rights under these convertible debt securities or (ii) the holders of convertible debt securities issued by the Company (or by an enterprise in which the Company either directly or indirectly holds a majority interest) until 21 May 2024 on the basis of the Annual General Meeting’s authorisation resolution of 22 May 2019 and who are obliged to exercise those rights fulfil their obligation or (iii) the Company makes use of alternative performance; insofar as treasury shares are not used to service the rights or, in the aforementioned cases (i) and (ii), no cash compensation is granted. The new shares shall be entitled to a share in the profits from the beginning of the financial year in which they come into existence through the exercise of conversion rights or the fulfilment of conversion obligations. The Management Board is authorised to determine the further implementation details of the conditional capital increase.”

The Management Board’s report in relation to agenda item 6, which gives the reasons for the authorisations contained therein to exclude shareholders’ pre-emptive subscription rights, follows this agenda. The report will be available for inspection by shareholders at the Company’s offices (Paulinenstrasse 15, 65189 Wiesbaden, Germany) as from the date of convocation of the Annual General Meeting as well as at the Annual General Meeting itself. Upon request, said report will be sent to every shareholder, without delay, free of

charge. The report is also available on the Internet at [www.aareal-bank.com](http://www.aareal-bank.com).

### **Agenda item 7: Passing of a resolution on the creation of a new authorisation of the Management Board to issue profit-participation certificates and other hybrid debt securities without conversion rights but subject to the option of excluding the pre-emptive subscription right of shareholders**

To enable the Company to cover any future requirements it may have as regards regulatory capital, it is intended to create an authorisation to issue profit-participation certificates and other hybrid debt securities, without conversion rights or obligations, for the Company’s shares, with an aggregate nominal amount of up to € 900,000,000.

The authorisation granted by the Annual General Meeting held on 21 May 2014 on the issue of profit-participation rights, with or without conversion rights, will expire on 20 May 2019. Thus far, this authorisation has not been exercised. For this reason, it is intended to resolve on the tabled new authorisation relating to the issuance of profit-participation certificates and other hybrid debt securities without conversion rights. In addition, the authorisation for the issuance of such instruments with conversion rights and/or obligations is proposed in agenda item 6.

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

#### **1. Authorisation**

- a) The Management Board shall be authorised to issue up until 21 May 2024, on one or more occasions, profit-participation certificates with limited or unlimited term to maturity and without conversion rights or obligations for the Company’s shares in return for contributions in cash or in kind. The profit-participation certificates must be of such nature as to render any funds paid in upon their issuance eligible as regulatory capital in accordance with the laws in effect at the time of their issuance. Furthermore, the Management Board shall be authorised to issue up until 21 May 2024, on one or more



occasions, other hybrid financing instruments instead of profit-participation certificates, with a limited or unlimited term, that meet the afore-described requirements for profit-participation certificates but might legally not qualify as profit-participation certificates to the extent that their issuance would require the Annual General Meeting's approval in accordance with section 221 of the AktG, be it for reason of profit-linked interest or other reasons; any such financing instruments are hereinafter referred to as **"hybrid debt securities"**.

The aggregate nominal amount of profit-participation certificates and hybrid debt securities to be issued under this authorisation shall not exceed € 900,000,000.00. The nominal amounts of convertible debt securities, profit-participation certificates and other hybrid debt securities issued under other authorisations in accordance with section 221 of the AktG, during the validity of this authorisation, shall count towards the upper threshold of € 900,000,000.00.

Profit-participation certificates and hybrid debt securities may be issued in euros or – provided they are limited to the corresponding euro equivalent – in any other legal currency, for example that of an OECD member state. The consideration for the issue of the profit-participation certificates/hybrid debt securities can be paid not only in cash but also in the form of non-cash contributions of intrinsic value as determined by the Company; in particular, also in the form of existing debt securities or profit-participation certificates that are to be replaced by the new instruments.

- b) The profit-participation certificates and other hybrid debt securities can also be issued by domestic or foreign companies in which the Company either directly or indirectly has a majority interest (hereinafter referred to as **"subsidiaries"**) (hereinafter referred to as **"indirect issue"**). In the event of an indirect issue, the Management Board shall be authorised, subject to approval by the Supervisory Board and taking any regulatory requirements into account, to allow the Company to provide a guarantee, letter of comfort and/or comparable instrument to secure the profit-participation certificates

or hybrid debt securities issued by the subsidiary in question.

For indirect issuance, the following shall apply with regard to the utilisation of the aggregate nominal amount of the profit participation certificates and/or hybrid debt securities: in this case, solely the nominal amounts of the profit-participation certificates and/or hybrid debt securities issued by the respective subsidiary will count towards the aggregate nominal amount. Any guarantees, letters of comfort or comparable instruments furnished by the Company in this context will not count separately towards the aggregate nominal amount.

The profit-participation certificates/hybrid debt securities issued either directly or indirectly may, in accordance with the other provisions of this authorisation, be placed with one or more investors or broadly distributed across the capital markets.

- c) The profit-participation certificates/hybrid debt securities may earn interest at a fixed or variable rate. The profit-participation certificates/hybrid debt securities issued may participate in losses incurred by the Company in that their nominal amount can be written down temporarily or permanently if certain capital ratios or other financial performance indicators defined in their terms and conditions fall below certain levels. However, provisions may be agreed whereby nominal amounts that have been written down may be reversed or written up again up to the original nominal amount for subsequent years in which the Company makes a profit. The Company's right of ordinary termination of the profit-participation certificates and/or hybrid debt securities may be restricted in such a way that termination is not permissible until expiry of a period of five or more years; ordinary termination on the part of the holder(s) may be excluded.

## **2. Pre-emptive subscription rights, exclusion of pre-emptive subscription rights**

In principle, the shareholders shall be entitled to subscription rights with regard to the profit-participation certificates and hybrid debt securities. The profit-participation certificates and hybrid debt securities may

also be subscribed by one or more banks or other companies within the meaning of section 186 (5) sentence 1 of the AktG, subject to the obligation that they are offered to the shareholders for subscription ("indirect subscription right").

In the case of indirect issuance, the Company must ensure that the profit-participation certificates and hybrid debt securities issued by subsidiaries are offered to the Company's shareholders for subscription (hereinafter "indirect subscription right") or that any statutory subscription right of the shareholders is excluded in accordance with the provisions below.

To the extent that the Company ensures or excludes an indirect subscription right of this kind in accordance with the following provisions, the Management Board may, subject to approval by the Supervisory Board, exclude the shareholders' direct pre-emptive subscription rights to the profit-participation certificates/hybrid debt securities issued by the Company to its subsidiaries.

In addition, the Management Board shall be authorised, subject to approval by the Supervisory Board, to exclude the shareholders' pre-emptive subscription rights to profit-participation certificates/hybrid debt securities in the following cases:

- (i) for fractional amounts; or
- (ii) if the profit-participation certificates and/or hybrid debt securities have the characteristics of a bond and their coupon and issue price reflect the prevailing market conditions for comparable borrowings at the time of issuance. Profit-participation certificates and/or hybrid debt securities are deemed to have the characteristics of a bond in particular if:
  - (a) neither rights of membership nor subscription or conversion rights for shares are established, and
  - (b) no participation is granted in the proceeds of liquidation, and
  - (c) the level of interest paid does not depend on the size of the annual net profit, the net retained profit or the dividend (hereinafter "profit-oriented interest").

Participation in the proceeds of liquidation (within the meaning of letter (b) above) is not deemed to exist if the profit-participation certificates have no fixed term and repayment is permissible only with the approval of the relevant regulatory authorities. Moreover, interest is not deemed to be profit-oriented within the meaning of the preceding item (c) if it depends on the absence of an annual net loss or a net retained loss or that no such loss arises through payment of the interest or that the interest may be paid using only distributable items within the meaning of section 4 (1) no. 128 of Regulation (EU) No 575/2013 (Capital Requirements Regulations – "CRR") (or any successor legislation); or

- (iii) if the profit-participation certificates and/or hybrid debt securities have the characteristics of a bond (as defined under (ii) above) and are issued against contribution in kind for the purpose of the direct or indirect acquisition of companies or parts thereof, shareholdings or other assets. In this context, pre-emptive subscription rights may only be excluded if the value of the contribution in kind is proportionate to the value of the profit-participation certificates and/or hybrid debt securities at the time the resolution for their issuance is passed.

### **3. Authorisation to determine the further details of an issue of profit-participation certificates and other hybrid debt securities**

The Management Board shall be authorised, subject to the Supervisory Board's approval and in compliance with the principles set forth in this authorisation, to determine any further specifications with regard to the issuance and terms and conditions of profit-participation certificate and hybrid debt securities issues (including, but not limited to, volume, timing of issuance, interest rate, type of return, issue price, term and denomination) or, in the event of indirect issuance by a subsidiary, to agree on these specifications with the executive bodies of the subsidiary issuing the profit-participation certificates or hybrid debt securities.

### **Agenda item 8: Passing of a resolution on the amendment to Article 9 (5) sentence 3 and Article 9 (6) of the Articles of Association**

Article 9 (5) of the Articles of Association provides for the fixed remuneration of the Supervisory Board members. Sentence 3 currently reads: "The fixed remuneration is increased for each membership in a committee (with the exception of the Committee for Urgent Decisions, which is part of the Risk Committee)."

Article 9 (6) of the Memorandum and Articles of Association contains provisions regarding the Supervisory Board members' entitlement to an attendance fee and currently reads: "The members of the Supervisory Board shall be paid a meeting attendance compensation in the amount of € 1,000 per meeting (with the exception of the Committee for Urgent Decisions)."

As the Supervisory Board no longer has a Committee for Urgent Decisions, the text in brackets shall be deleted without replacement.

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

#### **1. Amendment to Article 9 (5) sentence 3 of the Memorandum and Articles of Association**

Article 9 (5) sentence 3 of the Memorandum and Articles of Association shall be amended to read as follows:

"The fixed remuneration is increased for each membership in a committee."

#### **2. Amendment to Article 9 (6) of the Memorandum and Articles of Association**

Article 9 (6) of the Memorandum and Articles of Association shall be amended to read as follows:

"The members of the Supervisory Board shall be paid a meeting attendance compensation in the amount of € 1,000 per meeting."

### **Report of the Management Board to the Annual General Meeting regarding the proposed authorisation of the Management Board under agenda item 6 to issue profit-participation certificates and other hybrid debt securities with conversion rights, and to exclude pre-emptive subscription rights in accordance with sections 221 (4) sentence 2 and 186 (4) sentence 2 of the AktG**

The Management Board and Supervisory Board propose that the Annual General Meeting pass a resolution on an authorisation for the issue of profit-participation certificates and other hybrid debt securities, in each case with conversion rights or obligations, and on the creation of a Conditional Capital 2019. The authorisation passed by the Annual General Meeting held on 21 May 2014 on the issue of profit-participation rights with or without conversion rights and on the exclusion of pre-emptive subscription rights expires on 20 May 2019. Therefore, a resolution is now to be passed on a new authorisation relating to the issue of profit-participation certificates and other hybrid debt securities with conversion rights. In addition, the authorisation to issue such instruments without conversion rights/obligations is proposed in agenda item 7. Within this context, the existing Conditional Capital 2014 is to be cancelled and replaced by a Conditional Capital 2019.

#### **Regarding the authorisation**

Adequate equity or capital is a key prerequisite for the successful development of the Company's business in future. In addition to the traditional options for raising capital, the issue of profit-participation certificates and other hybrid debt securities (with conversion rights) offers the possibility of utilising attractive financing alternatives on the capital market in the given market situation and of covering any future requirements the Company may have as regards regulatory capital. In order to be able to meet this objective set by the Company of strengthening the Company's regulatory capital base by issuing profit-participation certificates and other hybrid debt securities, the profit-participation certificates/other hybrid debt securities have to be

structured in such a way that they are eligible as regulatory capital in accordance with the legal provisions that apply at the time they are issued.

Even though the Company's own funds are currently adequate, it is important that it has the necessary freedom to obtain further funds at any time in response to the market situation, also in order to meet any additional capital adequacy requirements imposed by regulators. The present authorisation will put the Management Board in a position to respond flexibly for the good of the Company. At the same time, the issue of profit-participation certificates and other hybrid debt securities will be appropriately limited from the start, with a maximum total nominal amount of € 900,000,000.00 and a maximum subscription of 23,942,888 no-par-value bearer shares in the Company. The nominal amounts of convertible bonds, profit-participation certificates and other hybrid debt securities issued under other authorisations in accordance with section 221 of the AktG, during the validity of this authorisation, shall count towards the upper threshold of € 900,000,000.00.

The proposed authorisation to attach conversion rights to the profit-participation certificates and other hybrid debt securities, and also to establish conversion obligations, expands the scope available for structuring this financial instrument. These profit-participation certificates and other hybrid debt securities featuring conversion rights and/or conversion obligations shall be referred to in the proposed authorisation and in this report as **"convertible debt securities"**. In particular, the authorisation allows the Company to select the various structuring options provided by the Capital Requirements Regulations (CRR) for Additional Tier 1 capital instruments depending on the market conditions prevailing at the time of issue. For instance, a conversion obligation may be provided for in the event that the Bank falls short of certain capital ratios or other financial performance indicators defined in the terms of convertible debt securities, if conversion is required, in the opinion of the Company's Management Board and Supervisory Board, to safeguard the Company's continued existence; or if conversion is instructed by a supervisory authority within the scope of its powers. In this respect, the authorisation amount and the conditional capital designed to cover this amount are

set in such a way that sufficient funds are available for the Company's recapitalisation even in such cases.

In these cases of an ad-hoc conversion obligation, the lower limit for the applicable conversion price shall be 50 % of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding occurrence of the ad-hoc conversion obligation. In this way, the dilutive effect of an obligatory ad-hoc conversion – which may be implemented only if capital ratios or other financial performance indicators fall below certain levels, if required to safeguard the Company's continued existence or if ordered by a supervisory authority within the scope of its powers – is appropriately restricted. Thus, even in this case, there is no undue dilution of the shareholders' shares. Otherwise, the conversion price to be determined in each case must – even in the case of a variable conversion ratio or a variable conversion price – be equivalent to either at least 80 % of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on the ten trading days of the Frankfurt Stock Exchange preceding the Management Board's resolution to issue the convertible debt security or at least 80 % of the Company's average share price in the closing auction of Xetra trading (or a system replacing the Xetra electronic trading system) on those trading days of the Frankfurt Stock Exchange on which the subscription rights to the convertible bond are traded (with the exception of the last two days of subscription rights trading).

The authorisation also grants the Company the necessary flexibility to respond to the market situation and to place the profit-participation certificates and other hybrid debt securities either in Germany or internationally, and either in its own right or through companies in which it either directly or indirectly has a majority interest. The profit-participation certificates and other hybrid debt securities may be issued in euros or in any other legal currency of an OECD member state, and may have a limited or unlimited term.

The total shares to be issued to service conversion or option rights/conversion obligations in connection with profit-participation certificates/hybrid debt secu-

rities that can be issued in accordance with this authorisation must not exceed a registered share capital amount of € 71,828,664.00 (corresponding to approximately 40% of the current registered share capital); shares issued under another obligation during the term of this authorisation (in particular using the Authorised Capital 2017) shall count towards this limit. The Authorised Capital 2017 is still available in an amount of € 89,785,830.00, which corresponds to 50% of the current registered share capital.

The proposed term of the authorisation until 21 May 2024 is in accordance with the limitations prescribed by applicable law.

#### **Re pre-emptive subscription rights, exclusion of pre-emptive subscription rights**

As a general rule, shareholders must be granted pre-emptive subscription rights to the profit-participation certificates and other hybrid debt securities. In compliance with customary placement practices, the profit-participation certificates and other hybrid debt securities may also be subscribed by one or more banks or other companies within the meaning of section 186 (5) sentence 1 of the AktG, subject to the obligation that they are offered to the shareholders for subscription, thus granting the latter an indirect subscription right in such cases.

In the case of indirect issues of profit-participation certificates and other hybrid debt securities by companies in which the Company either directly or indirectly has a majority interest (hereinafter "**subsidiaries**"), the Company must ensure that the profit-participation certificates and other hybrid debt securities issued by the subsidiaries are offered to the Company's shareholders for subscription. The only case in which this does not apply is when the shareholders' statutory pre-emptive subscription rights are excluded by means of this authorisation. This enables the Company to organise the indirect issue of profit-participation certificates and other hybrid debt securities in an efficient manner, preserving the interests both of the Company and its shareholders, without unduly restricting the pre-emptive subscription rights of the latter. In this context, the shareholders' (direct) subscription rights against the Company are either replaced by comparable

rights or excluded in compliance with legal provisions by means of the exclusion options described below.

In addition, the Management Board may, subject to approval by the Supervisory Board, exclude the pre-emptive subscription rights of its shareholders in the following ways:

The exclusion of subscription rights for fractional shares enables the requested authorisation to be utilised for rounded amounts and simplifies management of the capital measure. The fractional shares excluded from the shareholders' subscription rights will either be sold in the market, traded on the stock exchange or otherwise disposed of in the best interests of the Company.

Further, the Management Board is to be given the option, subject to approval by the Supervisory Board, of excluding the pre-emptive subscription rights of shareholders in order to grant the holders of earlier-issue profit-participation certificates or debt securities carrying option or conversion rights or conversion obligations, subscription rights to the extent to which they would be entitled following exercise of their conversion or option rights or after fulfilment of their conversion obligations. The option and conversion conditions generally contain clauses serving to protect the holders or creditors of option or conversion rights against the effects of dilution, thus facilitating the placement of these instruments in the market. A pre-emptive subscription right for the holders of existing option or conversion rights makes it possible, in the event the authorisation is exercised, to prevent the option or conversion price for holders of existing conversion or option rights from being reduced in accordance with the terms and conditions of the option or conversion or the Company from having, where applicable, to grant some other form of protection against dilution. This permits a higher issue price for the no-par value bearer shares to be issued upon conversion or option exercise. Since the exclusion of shareholder's pre-emptive subscription rights facilitates placement of the issue, it serves the shareholders' interest in achieving an optimum corporate financial structure.

Furthermore, the Management Board is to be authorised to exclude, subject to approval by the Supervisory Board, shareholders' pre-emptive subscription rights

in the event that convertible debt securities are issued if the issue price is not significantly lower than the theoretical market value of the convertible debt securities as determined in accordance with recognised financial calculation methods. In analogous application of section 186 (3) sentence 4 of the AktG, however, the exclusion of pre-emptive subscription rights is possible only insofar as the value of the shares issued upon exercise of the conversion rights or fulfilment of the conversion obligations does not exceed ten per cent of the Company's registered share capital. This threshold also includes any shares that were issued or sold during the term, and prior to the exercise, of this authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG, by virtue of other authorisations granted to the Management Board for the issue or sale of shares, or on the basis of resolutions passed by an Annual General Meeting. Said ten-per cent threshold shall also include shares the issuance of which is required under the terms of debt securities with embedded conversion or option rights on shares that are issued, during the validity of this authorisation, pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' subscription rights), which were (or may be) issued. These inclusions ensure that no convertible debt securities are issued if this would result in the exclusion – without objective grounds – of shareholders' pre-emptive subscription rights in direct or analogous application of section 186 (3) sentence 4 of the AktG for an amount exceeding ten per cent of the registered share capital. This additional restriction is in the interest of shareholders, who wish to retain, to the greatest extent possible, their existing stakes when capital measures are implemented. On the other hand, the possibility of excluding shareholders' pre-emptive subscription rights grants the Company the flexibility to respond quickly to favourable situations in the capital markets. In the event that pre-emptive subscription rights are excluded in this way, the analogous application of section 186 (3) sentence 4 of the AktG results in the requirement that the issue price of the convertible debt securities should not be significantly below market value. In order to fulfil this requirement, the issue price must not be significantly lower than the theoretical market value of the convertible debt securities as determined in accordance with recognised financial calculation methods. In this way, it is ensured that the shareholders are

protected against dilution of their shareholdings and suffer no economic disadvantage from the exclusion of their pre-emptive subscription rights. After all, the fact that the authorisation states that the issue price of the convertible debt securities must not be significantly lower than the theoretical market value means the value of the pre-emptive subscription rights is virtually zero. Shareholders wishing to maintain the level of their stake in the Company's registered share capital or to acquire convertible debt securities matching that stake can achieve their objectives through purchases in the open market. Furthermore, subject to approval by the Supervisory Board, the Management Board shall be authorised to exclude fractional amounts from the subscription right. Any such fractional amounts may result from the relevant issue volume and the need for a practicable subscription ratio. In these cases, the exclusion of pre-emptive subscription rights makes the capital measure easier to handle.

In order to limit any possible dilution of shareholders' stakes, the Management Board will, when utilising the proposed authorisation to issue convertible debt securities, restrict the exclusion of pre-emptive subscription rights to a total of 10% of the registered share capital. Accordingly, the aggregate exclusion of shareholders' pre-emptive subscription rights upon exercise of this authorisation must not exceed 10% of the registered share capital at the time said authorisation comes into effect or – if the amount of share capital is then lower – when it is exercised. The Management Board further undertakes to count towards this figure of ten per cent of the registered share capital any shares that were issued or sold during the term, and prior to exercise, of this authorisation, in direct or analogous application of section 186 (3) of the AktG (excluding shareholders' pre-emptive subscription rights) by virtue of other authorisations granted to the Management Board for the issue or sale of shares, or on the basis of resolutions passed by an Annual General Meeting (namely using the Authorised Capital 2017). Said ten-per-cent threshold shall also include shares the issuance of which is required under the terms of convertible debt securities issued, during the validity of this authorisation, pursuant to section 186 (3) of the AktG (excluding shareholders' subscription rights), which were (or may be) issued.

In the event that these authorisations are exercised, the Management Board will report on this at the next Annual General Meeting.

### Conditional Capital

The purpose of the proposed Conditional Capital 2019 (in the amount of € 71,828,664.00, corresponding to 40% of the current registered share capital) is to service the conversion rights associated with the convertible debt securities – or to fulfil the conversion obligations – for shares in the Company, except insofar as treasury shares are utilised or cash compensation granted on the basis of a separate authorisation by the Annual General Meeting. The Conditional Capital 2019 is also intended to finance the issue of shares to the extent that the Company makes use of alternative performance.

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### **Report of the Management Board to the Annual General Meeting regarding the proposed authorisation of the Management Board under agenda item 7 to issue profit-participation certificates and other hybrid debt securities without conversion rights and to exclude pre-emptive subscription rights in accordance with sections 221 (4) sentence 2 and 186 (4) sentence 2 of the AktG**

The Management Board and Supervisory Board propose that the Annual General Meeting pass a resolution on an authorisation for the issue of profit-participation certificates and other hybrid debt securities, in each case without conversion rights or obligations. The authorisation passed by the Annual General Meeting held on 21 May 2014 on the issue of profit-participation rights with or without conversion rights and on the exclusion of pre-emptive subscription rights expires on 20 May 2019. This is why, in addition to the authorisation in agenda item 6, which relates to the issue of corresponding instruments with conversion rights/obligations, a resolution is now to be passed on a further new authorisation allowing such instruments to be issued without conversion rights/obligations.

### Regarding the authorisation

Adequate equity or capital is a key prerequisite for the successful development of the Company's business in future. In addition to the traditional options for raising capital, the issue of profit-participation certificates and other hybrid debt securities without conversion rights/obligations offers the possibility of utilising attractive financing alternatives on the capital market in the given market situation and of covering any future requirements the Company may have as regards regulatory capital. In order to be able to meet this objective set by the Company of strengthening the Company's regulatory capital base by issuing profit-participation certificates and other hybrid debt securities, the profit-participation certificates/other hybrid debt securities have to be structured in such a way that they are eligible as regulatory capital in accordance with the legal provisions that apply at the time they are issued.

Even though the Company's own funds are currently adequate, it is important that it has the necessary freedom to obtain further funds at any time in response to the market situation, also in order to meet any additional capital adequacy requirements imposed by regulators. The present authorisation will put the Management Board in a position to respond flexibly for the good of the Company. At the same time, the issue of profit-participation certificates and other hybrid debt securities will be appropriately limited from the start, with a maximum total nominal amount of € 900,000,000.00. The nominal amounts of convertible debt securities, profit-participation certificates and other hybrid debt securities issued under other authorisations in accordance with section 221 of the AktG, during the validity of this authorisation, shall count towards the upper threshold of € 900,000,000.00. The profit-participation certificates and other hybrid debt securities may also be issued for contributions in kind.

In particular, the authorisation allows the Company to make use of the option, provided by the CRR, of issuing additional Tier 1 capital instruments depending on the market conditions prevailing at the time of issue. The terms and conditions of issue for the profit-participation right/hybrid debt securities can include the option of writing down the capital amount, for example in the event that the Bank falls short of certain

capital ratios or other financial indicators defined in the terms and conditions of issue, if the write-down is required, in the opinion of the Company's Management Board and Supervisory Board, to safeguard the Company's continued existence; or if a write-down is ordered by a supervisory authority within the scope of its powers. In this respect, the authorisation amount must be set in such a way that sufficient funds are available for the Company's recapitalisation even in such cases.

The authorisation also grants the Company the necessary flexibility to respond to the market situation and to place the profit-participation certificates and other hybrid debt securities either in Germany or internationally, and either in its own right or through companies in which it either directly or indirectly has a majority interest. The profit-participation certificates and other hybrid debt securities may be issued in euros or in any other legal currency of an OECD member state, and may have a limited or unlimited term.

The proposed term of the authorisation until 21 May 2024 is in accordance with the limitations prescribed by applicable law.

### **Re pre-emptive subscription rights, exclusion of pre-emptive subscription rights**

As a general rule, shareholders must be granted pre-emptive subscription rights to the profit-participation certificates and other hybrid debt securities. In compliance with customary placement practices, the profit-participation certificates and other hybrid debt securities may also be subscribed by one or more banks or other companies within the meaning of section 186 (5) sentence 1 of the AktG, subject to the obligation that they are offered to the shareholders for subscription, thus granting the latter an indirect subscription right in such cases.

In the case of indirect issues of profit-participation certificates and other hybrid debt securities by companies in which the Company either directly or indirectly has a majority interest (hereinafter "**subsidiaries**"), the Company must ensure that the profit-participation certificates and other hybrid debt securities issued by the subsidiaries are offered to the Company's shareholders for subscription. The only case in which this

does not apply is when the shareholders' statutory pre-emptive subscription rights are excluded by means of this authorisation. This enables the Company to organise the indirect issue of profit-participation certificates and other hybrid debt securities in an efficient manner, preserving the interests both of the Company and its shareholders, without unduly restricting the pre-emptive subscription rights of the latter. In this context, the shareholders' (direct) subscription rights against the Company are either replaced by comparable rights or excluded in compliance with legal provisions by means of the exclusion options described below.

In addition, the Management Board may, subject to approval by the Supervisory Board, exclude the pre-emptive subscription rights of its shareholders in the following ways:

The exclusion of subscription rights for fractional shares enables the requested authorisation to be utilised for rounded amounts and simplifies management of the capital measure. The fractional shares excluded from the shareholders' subscription rights will either be sold in the market, traded on the stock exchange or otherwise disposed of in the best interests of the Company.

In addition, it shall be possible to exclude subscription rights altogether in cases where profit-participation certificates/hybrid debt securities are issued insofar as (1) the profit-participation certificates/hybrid debt securities are only structured in the same way as bonds and (2) the interest and issue price of the profit-participation certificates/hybrid debt securities correspond to the market terms and conditions for comparable types of fund-raising at the time of issue. This means that shareholders retain their subscription rights in the case of profit-participation certificates/hybrid debt securities that are not structured in the same way as bonds. Profit-participation certificates/hybrid debt securities are considered to be structured in the same way as bonds if they

- (i) do not establish any rights of membership or subscription or conversion rights for shares;
- (ii) do not grant any participation in the liquidation proceeds; and
- (iii) do not grant any profit-oriented interest.



Moreover, participation in the proceeds of liquidation (within the meaning of letter (ii) above) is not deemed to exist if the profit-participation certificates/hybrid debt securities have no fixed term and repayment is permissible only with the approval of the relevant regulatory authorities. Nor is interest deemed to be profit-oriented within the meaning of letter (iii) above if its payment depends on the absence of an annual net loss or a net retained loss or that no such loss arises through payment of the interest or that the interest may be paid using only distributable items within the meaning of Article 4 (1) no. 128 of the CRR or any successor provision. By excluding pre-emptive subscription rights, the Company achieves the degree of flexibility it needs to respond quickly to favourable opportunities arising in the capital markets. Otherwise, a corresponding interest rate risk would arise between the date on which the terms and conditions are determined at the start of the subscription period and the expiry date of that period. If the market interest rates were to rise during the subscription period, the subscription rights would be exercised only to a small degree, or not at all. Given that the terms and conditions are not market-oriented, it would not be possible to guarantee subsequent placement of the unsubscribed profit-participation certificates/hybrid debt securities. By the same token, if market interest rates were to fall, the terms and conditions for raising funds would no longer be in line with the market at the time of issue. It would be necessary to pay an above-market-level interest rate for the entire issue. What is more, if pre-emptive subscription rights are excluded in this way, the return on the profit-participation certificates/hybrid debt securities has to match the current market terms and conditions for comparable types of fund-raising. Consequently, the subscription rights have no intrinsic value, which is why the shareholders suffer no economic disadvantage from having their pre-emptive subscription rights excluded. Therefore, in these cases, the exclusion of pre-emptive subscription rights does not infringe on the shareholders' rights to any relevant degree.

In addition, the Management Board is to be authorised, subject to the approval by the Supervisory Board, to exclude pre-emptive subscription rights in the event that profit-participation certificates/hybrid debt securities are issued so as to be able to issue bond-like

profit-participation certificates/hybrid debt securities against contributions in kind. By virtue of this authorisation, the Management Board can, subject to approval by the Supervisory Board, directly or indirectly acquire companies, parts of companies or shareholdings in companies or other economic assets against the issue of profit-participation certificates/hybrid debt securities. This makes it possible to respond quickly to favourable offers or opportunities in the domestic and international markets and flexibly utilise the acquisition options that present themselves. The issue of profit-participation certificates/hybrid debt securities is frequently in the direct interests of the Company as it represents a form of financing that conserves liquidity. The Management Board is further entitled, subject to approval by the Supervisory Board, to issue, in full or in part and in lieu of cash payment, profit-participation certificates/hybrid debt securities to holders of securitised and non-securitised money claims against the Company or its subsidiaries. This offers the Company even greater flexibility, allowing it to place profit-participation certificates/hybrid debt securities in the capital markets and, at the same time, to (re)acquire securities or comparable instruments that have already been issued. For instance, it could be opportune in the event of a new placement of profit-participation certificates/hybrid debt securities to also (or only) address groups of investors with whom corresponding securities or comparable instruments have already been placed. This may be the case, for example, if the new profit-participation certificates/hybrid debt securities to be issued are more advantageous for the Company's capital situation than the instruments already placed. What is more, an approach of this kind may also facilitate placement of the new profit-participation certificates/hybrid debt securities. In these cases, allowance is made for the interests of shareholders by the fact that, when issuing profit-participation certificates/hybrid debt securities against contributions in kind, the Company must preserve an appropriate relationship between the value of the contribution in kind and the profit-participation certificate/hybrid debt security. The date of the resolution to issue profit-participation certificates/hybrid debt securities is decisive in this context. The Management Board will carefully examine in each individual case whether to exercise this authorisation to issue profit-participation certificates/hybrid debt securities against contributions in kind, excluding

shareholders' subscription rights. It will only use this authorisation where this is in the best interest of the Company.

In the event that these authorisations are exercised, the Management Board will report on this at the next Annual General Meeting.

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### Company website and documents available for download

This 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](http://www.aareal-bank.com) (under Investors/General Meeting 2019) as 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. After the Annual General Meeting, the voting results will also be published on the same website.

The documents to be provided will be available for inspection by shareholders at Aareal Bank AG's offices (Paulinenstrasse 15, 65189 Wiesbaden) from the day on which the Annual General Meeting is convened, and will also be available at the Annual General Meeting on 22 May 2019. As a special service, the Company will send these documents to shareholders, upon request and free of charge. It should be noted that the Company has complied with its legal obligation by making the information available on its website.

### 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.

### Preconditions for the right to take part in the Annual General Meeting and for the exercise of voting rights

Those shareholders who register with the Company for this purpose prior to the Annual General Meeting and provide the Company with evidence of their shareholding issued by their custodian institution are entitled to attend and to vote at the Annual General Meeting. Registration to attend and specific evidence of the shareholding must be submitted to the Company by no later than **15 May 2019 (24:00 hours CEST)** at the following address:

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

Registration and specific evidence of shareholding must be supplied in written form (as defined in section 126b of the German Civil Code ("BGB")). Specific evidence of shareholding must be supplied in either German or English and refer to **1 May 2019 (00:00 hours CEST)**, the record date for submission of proof.

Only those shareholders who have provided specific evidence of their shareholdings will be deemed a shareholder of the Company for the purposes of attending the Annual General Meeting and exercising their voting rights.

### Importance of the record date

The right to attend the Annual General Meeting and the scope of voting rights depend solely on the shareholding extent at 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 attend and vote will be based solely on his/her respective shareholding on the record date. This means that the disposal of shares after the record date does not in any way affect the shareholder's right to attend 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 own Company shares at the record date, but only becomes a shareholder of the Company afterwards, may only attend and vote at the Annual General Meeting (and shareholders who acquire further shares after the Record Date are only entitled to vote for such additional shares) to the extent that they have been authorised to act as a proxy. The record date has no bearing on dividend rights. Following receipt of registration and specific evidence of shareholding by the Company, admission tickets for the Annual General Meeting (as organisational aids for the Meeting) will be forwarded to the shareholders. To ensure timely receipt of the admission tickets, shareholders should request them from their custodian bank at their earliest convenience.

## Voting by proxy

Shareholders can exercise their vote through an authorised proxy, which may be a credit institution, a shareholders' association, or another third party. However, even when being represented by a proxy, shareholders must still register their attendance and submit specific evidence of their shareholdings by the prescribed deadline. If a shareholder appoints more than one person as proxy, the Company is entitled to reject one or more of these proxies.

The granting of a voting proxy, its revocation and the submission of proof thereto vis-à-vis the Company, require written form. In case a credit institution, a shareholders' association or any other individual or entity of equivalent standing under section 135 (8) and (10) of AktG shall be authorised to act as a proxy, section 134 (3) sentence 3 of the AktG as well as the provisions in the Company's Memorandum and Articles of Association do not require written form. It should be noted, however, that the individual, entity or institution to be authorised may request that they be issued with a specific form of proxy in these cases, as section 135 of the AktG requires them to record any proxy in

a verifiable manner. If you wish to authorise a credit institution, a shareholders' association or any other individual or entity of equivalent standing under section 135 (8) and (10) of the AktG to act as a proxy, you should check with them as to what form of proxy they require.

The authorisation of the voting proxy may be granted either to the proxy or to the Company.

Proof of proxy authorisation may be provided by the proxy handing over proof of the proxy (e.g. the original proxy document, or a copy thereof) at the entrance to the Annual General Meeting. When forwarding proof of proxy by regular mail or fax, shareholders or shareholder representatives should use the registration address provided above. Alternatively, the Company allows the proof of proxy to be e-mailed to **Aarealbank-HV2019@computershare.de**. The options of transfer are also available in cases where the shareholder grants a proxy to the Company; in these cases, no separate proof of proxy is required. Similarly, shareholders may use any of the above transfer channels to notify the Company directly of the revocation of an existing proxy. Proof of proxy authorisation granted during the Annual General Meeting may be provided by the shareholder handing over proof of the proxy when exiting the Annual General Meeting.

Shareholders wishing to appoint a proxy can use the proxy form provided by the Company for this purpose. This form will be forwarded to duly registered persons along with the admission ticket and can be requested from the above registration address, either by regular mail, fax or e-mail. In addition, proxy forms may be downloaded from the Company's website on [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019).

A proxy may also be granted electronically, using the Company's Internet-based proxy system. Specific details regarding this proxy system are available for shareholders on the Company's website at [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/Annual General Meeting 2019).

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 **21 May 2019 (18:00 hours CEST)**. Transmission of such declaration by e-mail, as well as the granting of a proxy via the Company's Internet-based proxy system will also be possible on the day of the Annual General Meeting, as will be the presentation of such proxy form at the entrance.

### Procedure for exercising voting rights through a proxy appointed by the Company

The Company offers duly registered shareholders, the option of being represented by Company representatives bound by the relevant shareholder's instructions. However, even when being represented by a proxy, shareholders must still register their attendance and submit specific evidence of their shareholdings by the prescribed deadline. The granting of a voting proxy, its revocation and the submission of proof thereto vis-à-vis the Company, require written form.

To authorise the proxy, shareholders can use the form that is sent out together with the admission ticket. Along with the proxy document, the proxies nominated by the Company also require voting instructions. Voting proxies are obliged to vote in accordance with instructions given to them; they cannot exercise voting rights at their discretion. Where the meeting votes on a topic for which a shareholder did not give express instructions, that shareholder's voting proxy will abstain from voting. To facilitate organisation, shareholders who wish to authorise voting proxies appointed by the Company must forward their proxy forms and instructions by no later than **21 May 2019 (18:00 hours CEST)** to the aforementioned registration address, either by regular mail or fax or e-mail them to **Aarealbank-HV2019@computershare.de**.

Voting proxies nominated by the Company may also be authorised using the Company's above-mentioned Internet-based proxy system until **21 May 2019 (18:00 hours CEST)**. Details of how to authorise Company-nominated voting proxies using this proxy system are available for shareholders on the Company's website at [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019).

Moreover, shareholders who attend the Annual General Meeting but have to leave the meeting prior to voting, will, upon leaving, have the option of authorising a voting proxy nominated by the Company by using another form provided by the Company for this purpose, and instructing this proxy accordingly.

### Information on shareholder rights pursuant to sections 122 (2), 126 (1), 127, 131 (1) of the AktG

#### Requests for amendments to the agenda as per section 122 (2) of the AktG

Shareholders whose combined shareholdings amount to one-twentieth of the registered share capital, or a proportional amount of shares amounting to € 500,000.00 (rounded up, this equates to 166,667 shares), may request that certain items be included in the agenda and made public (section 122 (2) of the AktG). Each new item to be added must be accompanied by an explanation or a proposal. 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 the Management Board has made a decision on their application. Evidence can be provided in form of a certificate issued by the custodian bank.

The application must be addressed in writing (section 126 of the BGB) or in electronic form, i.e. using the qualified electronic signature (section 126a of the BGB), to the Management Board of Aareal Bank AG and must be received by the Company no later than **21 April 2019 (24:00 hours CEST)**, at the following address:

**Aareal Bank AG**  
**For the attention of the Management Board**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**E-mail: HV2019@aareal-bank.com**

Unless already communicated at the date of convocation, amendments to the agenda requiring publication must be published, without undue delay following receipt, in the electronic German Federal Gazette

(Bundesanzeiger) and in such other media that can be assumed to distribute information throughout the entire European Union. In addition, they are also published on the Internet at [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019) and communicated to the shareholders.

### **Motions and nominations by shareholders under section 126 (1), section 127 of the AktG**

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

**Aareal Bank AG**  
**CA-Board Office**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**Fax: +49 611 348 2965**  
**E-mail: [HV2019@aareal-bank.com](mailto:HV2019@aareal-bank.com)**

Any counter-proposals and nominations received by the Company at the aforementioned address by no later than **7 May 2019 (24:00 hours CEST)** will immediately be made available on the Internet at [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019), including the shareholder's name and the reasons for the counter-proposal, always in compliance with the further requirements set forth in sections 126 and 127 of the AktG. Any management statements will be published on the same website.

### **Right to disclosure, pursuant to section 131 (1) of the AktG**

At the Annual General Meeting, every shareholder or shareholder representative may request information from the Management Board regarding the Company's affairs, its legal and business relationships with affiliated companies and the situation of the Group and the companies within the Group's scope of consolidation, provided that such information is necessary to make a

reasonable assessment of the relevant agenda item. Disclosure requests at Annual General Meetings must generally be made verbally during the debate.

### **Further explanations concerning shareholders' rights**

Further information on shareholder rights pursuant to sections 122 (2), 126 (1), 127 and 131 (1) of the AktG can be viewed on the Internet at [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019).

### **Information for shareholders regarding data protection in connection with data processing for the purposes of the Annual General Meeting**

For the purposes of the Annual General Meeting, the Company, as the responsible entity under privacy law, processes personal data (including, but not limited to, name, date of birth, address and other contact details of shareholders, number of shares, type of share ownership, access data for the shareholder portal, if applicable name and address of the representative authorised by the respective shareholder) in accordance with applicable data protection provisions. Apart from the personal data of shareholders, the Company also processes data provided by shareholders in connection with their registration to attend the Annual General Meeting (or forwarded by the shareholders' custodian banks to the Company) on this occasion.

The Company as the responsible entity within the meaning of the data protection provisions can be contacted at the following address:

**Aareal Bank AG**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**Fax: +49 611 348 2965**  
**E-mail: [HV2019@aareal-bank.com](mailto:HV2019@aareal-bank.com)**

The personal data in connection with the Annual General Meeting will be processed for the purpose of handling both registration for and attendance of shareholders at the Annual General Meeting (e.g. verification of eligibility to attend) and to enable shareholders

to exercise their rights in connection with the Annual General Meeting (including the granting and revocation of proxies and instructions), more specifically to register attendance at the Annual General Meeting and to grant or revoke proxies and instructions via the shareholder portal at the web address [aareal-bank.com](http://aareal-bank.com), "Investors/2019 General Meeting" page.

To the extent that the Company contracts service providers in connection with the Annual General Meeting, the Company will only disclose those personal data to such service providers if they are necessary to render the service commissioned; said service providers will process any such data solely on behalf and at the direction of the Company.

Where a shareholder demands that items are included in the agenda, the Company will publish any such items stating the name of the relevant shareholder if the requirements under company law have been met. Provided that the requirements under company law have been met, the Company will also publish any counter-proposals and nominations made by shareholders, stating the name of the relevant shareholder, on the Company's website (for further details, see the above explanation regarding sections 122 (2), 126 (1), 127 of the AktG).

If you attend the Annual General Meeting, we are obligated pursuant to section 129 (1) sentence 2 of the AktG, to include your name, place of residence, number of shares and type of ownership in the list of attendees. These data may be viewed by other shareholders and attendees during the Annual General Meeting and by shareholders for a period of up to two years thereafter (section 129 (4) of the AktG).

Since 25 May 2018, the legal basis for the processing of your personal data has been Art. 6 (1) letter c) of the EU General Data Protection Regulation (EU-GDPR) in conjunction with sections 118 et seq. of the AktG. Data collected in connection with general meetings can generally be stored for up to three years.

Provided that the statutory requirements are met, shareholders and shareholder representatives have the right to demand access to their personal data, correction of their personal data, deletion of their personal

data and the restriction of processing. Any such demands must be directed to the Company at the above address. The demand for deletion of data or restriction of processing may be precluded by the Company's obligations under the law.

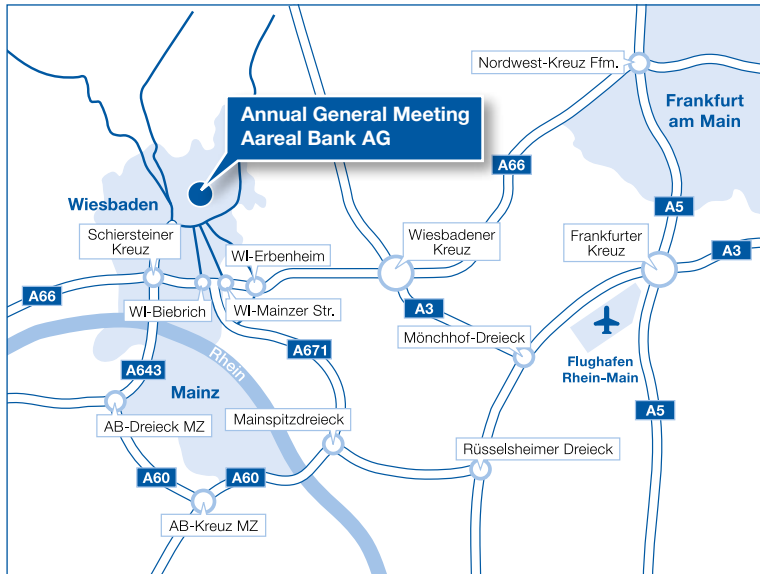
Shareholders and shareholder representatives may direct any complaints with regard to the processing of their personal data to the Company's Data Protection Officer at the following address:

**Aareal Bank AG**  
**Data Protection Officer**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**E-mail: [datenschutz@aareal-bank.com](mailto:datenschutz@aareal-bank.com)**

Irrespective of whether or not they exercise such right, shareholders and their representatives may also contact a data protection authority. The Data Protection Officer of the German state of Hesse (Hessischer Beauftragter für Datenschutz und Informationsfreiheit, Gustav-Stresemann-Ring 1, 65189 Wiesbaden, phone: +49 611 14 08-0, fax: +49 611 14 08-9 00 or +49 611 14 08-9 01, e-mail: [poststelle@datenschutz.hessen.de](mailto:poststelle@datenschutz.hessen.de)) is the competent data protection authority having jurisdiction over the Company.

Further information for shareholders regarding data protection and privacy is available on the Company's website on [www.aareal-bank.com](http://www.aareal-bank.com) (under Investors/General Meeting 2019).

**Aareal Bank AG**  
**The Management Board**  
**Wiesbaden, April 2019**



### Venue of the Annual General Meeting

Kurhaus Wiesbaden  
 Kurhausplatz 1  
 65189 Wiesbaden, Germany

### Map and directions

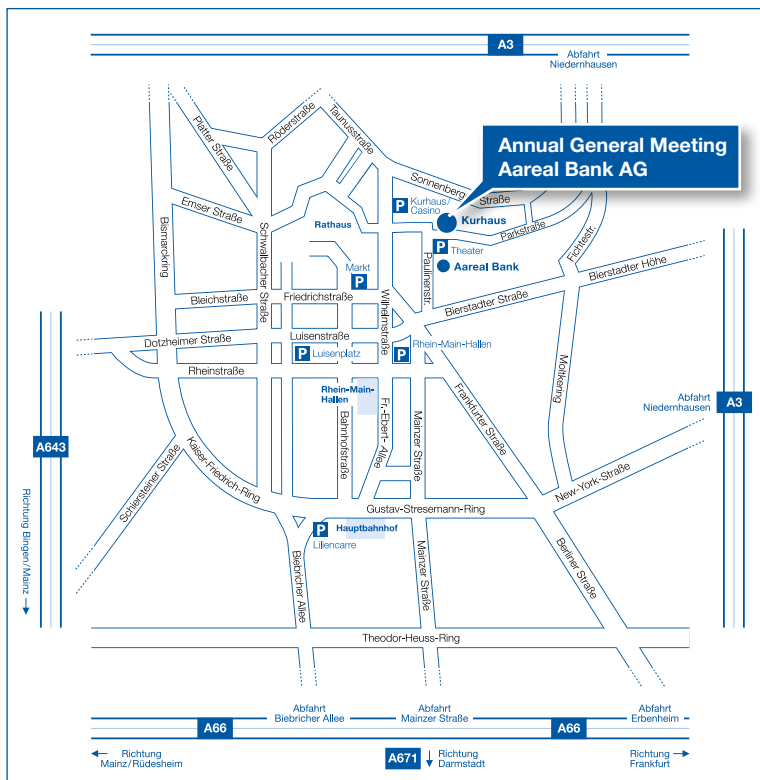
#### Coming via the A66 motorway from Frankfurt/Wiesbadener Kreuz:

Take the "Wiesbaden-Erbenheim" exit. Head towards Wiesbaden-Sonnenberg via Moltkering, taking the first left to "Stadtmitte/Kurhaus".

Parking facilities (subject to charges) are available at signposted on-street parking spaces (pay & display), and also at the "Theater" and "Kurhaus" car parks.

#### Using public transport from Wiesbaden main railway station:

Bus (lines 1 and 8) to stops "Friedrichstrasse" or "Theater/Kurhaus"



We would like to draw your attention to the fact that admission for shareholders will commence as early as 09:00 am. This is necessary to allow for the time required for entrance security checks. We therefore kindly ask all shareholders to allow for this when planning their arrival. One further polite request: please refrain from bringing large bags or luggage with you – or kindly hand such items in at the cloakroom.

**Aareal Bank AG**  
Paulinenstrasse 15  
65189 Wiesbaden, Germany

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

04/2019



**Aareal Bank**