

# Invitation to the Annual General Meeting of Shareholders

Dear Shareholders,

We are pleased to invite you to our Annual General Meeting of Shareholders to be held on Wednesday, 20 May 2015, at 10:30 a.m., at the "Kurhaus", Kurhausplatz, 65189 Wiesbaden, Germany.

We have convened this year's General Meeting by way of publication in the German Federal Gazette (Bundesanzeiger) dated 9 April 2015, 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 (including disclosures in accordance with sections 289 (4), 289 (5) and 315 (4) of the German Commercial Code (HGB)) as well as the Report by the Supervisory Board for the 2014 financial year

On 25 March 2015, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board in accordance with sections 172 and 173 of the German Public Limited Companies Act (AktG); 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 2014 financial year

The Management Board and Supervisory Board recommend that Aareal Bank AG's net retained profit of € 76,828,665.20 for the financial year 2014 be appropriated as follows:

Distribution of a dividend of € 1.20 per no-par-value share entitled to dividend payment	€ 71,828,665.20
Transfer to other retained earnings	€ 5,000,000.00

At the time of this proposal for the appropriation of profit, the Company does not hold any treasury shares. Should the number of no-par-value shares entitled to dividend payment for the financial year 2014 alter prior to the Annual General Meeting, an appropriately amended resolution will be presented to the Annual General Meeting for approval. Said resolution will provide for an unchanged dividend of € 1.20 per no-par-value share entitled to dividend payment and an appropriately amended proposal for the transfer to retained earnings.

### Agenda item 3: Passing of a resolution on the formal approval of the members of the Management Board for the 2014 financial year

The Management Board and Supervisory Board propose that formal approval be granted, for the 2014

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 2014 financial year

The Management Board and Supervisory Board propose that formal approval be granted, for the 2014 financial year, for the members of the Supervisory Board who were in office during that period.

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

Based on the recommendation of the Audit Committee, the Supervisory Board proposes that auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, be appointed as the external auditors for the 2015 financial year, and as the external auditors for the review of the condensed financial statements and the interim management report as at 30 June 2015.

### Agenda item 6: New elections to the Supervisory Board

The regular term of office of six shareholder representatives on the Supervisory Board ends with the close of the Annual General Meeting of 20 May 2015. Therefore, a corresponding number of new representatives must be elected to the Supervisory Board during this year's General Meeting.

Pursuant to section 2 (1) of the Co-Determination Agreement in conjunction with Article 9 of the Memorandum and Articles of Association and sections 96 (1), 101 (1) of the AktG, the Supervisory Board consists of eight members to be elected by the Annual General Meeting and four members to be elected by staff. The Annual General Meeting is not bound by nominations when electing shareholder representatives. The following nominations of the Supervisory Board take into account the goals last decided on by the Supervisory Board on 4 December 2014 in accordance with section 25d (11) no. 2 of the German Banking Act (KWG) as well as section 5.4.1 (2) of the German Corporate Governance Code. In agreement with the German Corporate Governance Code, the elections shall be made on an individual basis.

Based on the recommendation of the Nomination Committee, the Supervisory Board proposes that the following

candidates be elected to the Supervisory Board as shareholder representatives:

- a) Dr Hans Werner Rhein, Hamburg, Germany, independent lawyer, lecturer for reinsurance law at JurGrad (LL.M programme) at the University of Münster (Westfälische Wilhelms-Universität Münster)
- b) Prof Dr Stephan Schüller, Hamburg, Germany, spokesman for the general partners of Bankhaus Lampe KG
- c) Sylvia Seignette, Langenselbold, Germany, former Managing Director of Credit Agricole Germany
- d) Elisabeth Stheeman, Walton-on-Thames, UK, former Global COO and member of the Global Management Committee at LaSalle Investment Management
- e) Dietrich Voigtländer, Bad Homburg, Germany, former Chairman of the Managing Boards at Portigon AG and Portigon Financial Services GmbH
- f) Prof Dr Hermann Wagner, Frankfurt am Main, Germany, German Public Auditor and tax advisor, professor at the Frankfurt School of Finance and Management

- Dr Hans Werner Rhein
- a) Deutsche Familienversicherung AG, Gothaer Allgemeine Versicherung AG as well as the joint Audit Committee of all affiliated companies, Grundeigentümersversicherung VVaG
  - b) None

- Prof Dr Stephan Schüller
- a) Universal-Investment-Gesellschaft mbH
  - b) DePfa Holding Verwaltungsgesellschaft mbH

- Mrs Sylvia Seignette
- a) None
  - b) None

- Mrs Elisabeth Stheemann
- a) TLG Immobilien AG
  - b) Courno, London, Redefine International (FTSE 250 UK Real Estate Investment Trust)

- Mr Dietrich Voigtländer
- a) None
  - b) None

- Herr Prof. Dr. Hermann Wagner
- a) btu beraterpartner Holding AG, Deutsche Mittelstand Real Estate AG, PEH Wertpapier AG Deutschland, Squadra Immobilien GmbH & CoKGaA
  - b) None

Said candidates would be elected for a term of office commencing after the close of the Annual General Meeting until, in accordance with Article 9 (2) of the Company's Memorandum and Articles of Association, the close of the Annual General Meeting that resolves on the formal approval for the 2019 financial year.

The nominations of the Supervisory Board are in agreement with the legal provisions pursuant to section 100 (5) of the AktG. Prof. Wagner is independent and, as a tax consultant and auditor, has expert knowledge of accounting and the audit of financial statements.

**Disclosure pursuant to section 125 (1) sentence 5 of the AktG**

The following persons nominated for election to the Supervisory Board as shareholder representatives under agenda item 6 are members of a statutory supervisory board (indicated by "a"), or a similar governing body within Germany or abroad (indicated by "b"), of the companies listed below:

**Disclosure pursuant to section 5.4.1 (4) of the German Corporate Governance Code**

To the Supervisory Board's knowledge, none of the proposed candidates for the Supervisory Board have personal or business relations with the Company or its affiliates, the executive bodies of the Company or with a shareholder holding a material interest in the Company within the meaning of section 5.4.1 (4) of the German Corporate Governance Code.

**Agenda item 7: Resolution on the authorisation to acquire and to use treasury shares in accordance with section 71 (1) no. 7 of the German Public Limited Companies Act (AktG)**

It is proposed to replace the authorisation granted by the Annual General Meeting of 19 May 2010 for the purchase of treasury shares for the purposes of securities trading in accordance with section 71 (1) no. 7 of the AktG, which has not been utilised to date and will expire

on 18 May 2015, with a new authorisation, which shall remain in force until 19 May 2020.

The Management and Supervisory Boards propose the following resolution:

- a) That the authorisation granted by the Annual General Meeting of 19 May 2010 under agenda item no. 6 for purchasing treasury shares for the purposes of securities trading in accordance with section 71 (1) no. 7 of the AktG be revoked, with said revocation taking effect upon the effective date of the new authorisation granted under lit b) below.
- b) That the Company be authorised pursuant to section 71 (1) no. 7 of the AktG, until 19 May 2020, to acquire and sell treasury shares for the purposes of securities trading. The volume of shares acquired for this purpose may not exceed five per cent (5 %) of the Company's share capital at the end of any day. The lowest price at which a share may be acquired is determined by the average closing price of the Company's shares in Xetra (or a comparable successor system) on the last three trading days on the Frankfurt/Main stock exchange prior to such purchase, or assumption of an obligation to purchase, less ten per cent (10 %). The highest price shall not exceed such average closing price plus ten per cent (10 %). The shares acquired, together with any other shares of the Company acquired and still held by the Company or to be attributed to the Company pursuant to sections 71a et seq. of the AktG, may not exceed 10 % of the Company's share capital at any given time.

**Agenda item 8: Resolution on the authorisation to acquire and to use treasury shares in accordance with section 71 (1) no. 8 of the German Public Limited Companies Act (AktG) and on the exclusion of subscription rights and the use of derivatives for the acquisition**

It is proposed to replace the authorisation granted by the Annual General Meeting of 19 May 2010 for the purchase of treasury shares for the purposes of securities trading in accordance with section 71 (1) no. 8 of the AktG, which has not been utilised to date and will expire on 18 May 2015, with a new authorisation, which shall remain in force until 19 May 2020. In addition, authorisation is to be granted to purchase treasury shares using derivatives. The general authorisation to purchase treasury shares and the additional authorisation to use derivatives will be voted on separately.

A) The Management and Supervisory Boards propose the following resolutions:

- a) That the existing authorisation – expiring on 18 May 2015 – granted by the Annual General Meeting of 19 May 2010 under agenda item no. 7 for purchasing treasury shares be revoked, with said revocation taking effect upon the effective date of the new authorisation granted under no. 2 below.
- b) That the Company be authorised pursuant to section 71 (1) no. 8 of the AktG, up to 19 May 2020, to acquire treasury shares for any valid purpose, up to a maximum volume of 10 % of its current issued share capital or – if this value is lower – of the share capital existing at the time of exercising this authorisation.

At the discretion of the Management Board, the shares may be acquired via the stock exchange or by means of a public offer to buy, directed at all shareholders. Neither the purchase price per share, excluding ancillary costs (if the acquisition takes place via the stock exchange), nor the offering price per share, excluding ancillary costs (in case of a public offer to buy), may exceed or fall below the average closing price of the Company's shares in Xetra (or a comparable successor system) during the three trading days on the Frankfurt/Main stock exchange prior to the purchase, the assumption of an obligation to purchase or the public announcement of the purchase offer by more than 10 %. Where, in the case of a public purchase offer, the volume of the tendered shares exceeds the intended repurchase volume, the purchase must be effected in proportion with the shares offered. The preferential purchase or the preferential acceptance of a lower share quantity, up to 100 shares tendered per shareholder, and commercial rounding may be provided for in these cases, partially excluding any further disposal rights of shareholders. The purchase offer may provide further conditions.

The Management Board shall be authorised to use the treasury shares acquired under this or an earlier authorisation as follows:

- aa) They may be sold via the exchange or by tendering an offer to all shareholders.
- bb) The Management Board shall be authorised to effect the sale of any treasury shares acquired in accordance with this or an earlier authorisation,

subject to the Supervisory Board's approval, via channels other than the stock exchange or offer to all shareholders, provided that the sale is carried out at a cash price that is not significantly lower than the stock exchange price of the Company's shares at the time of sale (sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the AktG). Said Supervisory Board approval may also be given in advance as a maximum amount authorisation for the time between two Supervisory Board meetings. However, this authorisation shall be subject to the proviso that the aggregate value of shares sold to the exclusion of shareholders' subscription rights, in accordance with section 186 (3) sentence 4 of the AktG, shall not exceed 10 % of the share capital at the time said authorisation comes into effect or is exercised. Any shares that were issued or sold during the term and prior to the exercising of said authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG, shall count towards the above threshold of 10 % of the share capital. Said ten-per cent threshold shall also include shares that were, or still can be, issued in accordance with section 186 (3) sentence 4 of the AktG during the validity of this authorisation in connection with profit participation rights/bonds with conversion or option rights for shares and excluding shareholders' preemptive subscription rights.

- cc) Subject to approval by the Supervisory Board, the shares purchased may also be sold outside the stock exchange for payment in kind, excluding shareholders' pre-emptive subscription rights, in particular if this is done for the purpose of acquiring companies or parts thereof or shareholdings in companies or in connection with business combinations.
- dd) The shares acquired may also, subject to approval by the Supervisory Board, be given to the holders of conversion or option rights in lieu of new shares from a contingent capital increase.
- ee) Furthermore, upon the sale of purchased treasury shares by offer to all shareholders (subject to the approval of the Supervisory Board), subscription rights may be granted to the holders of option and/or conversion rights issued by the Company or its subsidiaries to the same extent as they would have been entitled upon exercising

their conversion or option rights or upon performance of a conversion obligation.

- ff) Furthermore, the Management Board shall also be authorised (subject to approval by the Supervisory Board) to call in any of the treasury shares acquired due to this or an earlier authorisation, without any further resolutions by the Annual General Meeting being necessary. Unless specified otherwise, such calling in of shares will result in a reduction of the Company's share capital. Instead, however, the Management Board shall be authorised to determine that the share capital remain unchanged upon the calling in of shares, and that the portion of issued share capital attributable to all other shares be increased pursuant to section 8 (3) of the AktG. In this case, the Management Board shall be authorised to amend the Company's Memorandum and Articles of Association with regard to the number of shares.

Provided that treasury shares are used in accordance with the above authorisations set out in letters bb) to ee), shareholders' subscription rights shall be excluded. Furthermore, the Management Board may, subject to the Supervisory Board's approval, exclude shareholders' subscription rights for fractional amounts upon the disposal of shares via an offer to all shareholders.

All of the above authorisations for the purchase and use of treasury shares may be exercised, individually or collectively, in full or in part, on one or several occasions, by the Company or by its direct or indirect subsidiaries or by third parties for the Company's or its subsidiaries' account. The shares acquired, together with any other shares of the Company acquired and still held by the Company or to be attributed to the Company pursuant to sections 71a et seq. of the AktG, may not exceed 10 % of the Company's share capital at any given time.

- B) When exercising the authorisation to purchase treasury shares to be resolved on under A), the purchase is also intended to be possible using derivatives.

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

That the purchase of treasury shares within the framework of the authorisation according to agenda items 8 A) and B) may also be effected using put or call options.

Options can be sold which obligate the Company to purchase Company shares when the option is exercised (put options). In addition, options can be acquired and exercised which give the Company the right to purchase Company shares when the option is exercised (call options). Finally, it shall be possible to purchase Company shares using a combination of these derivatives. The instruments mentioned above are also known as derivatives.

The volume of all shares acquired using derivatives is limited to a maximum of 5 % of the share capital existing at the time the relevant resolution is adopted by the Annual General Meeting or – if this value is lower – of the share capital existing at the time of exercising this authorisation.

Furthermore, the acquired shares count towards the ten-per cent threshold of the authorisation to purchase treasury shares resolved on by the Annual General Meeting according to agenda item 8 A).

Where acquisition is effected via the use of derivatives in the form of put or call options, or a combination of both, the option terms must ensure that said options are only serviced with shares that were purchased, in accordance with the principle of equal treatment, at the stock exchange at the prevailing share price of the Company's share in Xetra (or a comparable successor system) at the time of the purchase on the stock exchange.

The purchase price per Company's share to be paid upon exercising the option ("exercise price") may not exceed or fall below, by more than 10 %, the average closing price of the Company's shares in Xetra (or a comparable successor system) during the three trading days on the Frankfurt/Main stock exchange prior to the relevant option transaction (in each case excluding ancillary costs but including the option premium paid or received). The option premium paid by the Company for call options may not significantly exceed and the option premium collected for put options may not significantly fall below the theoretical market price of the relevant option determined in accordance with recognised mathematical valuation methods; furthermore, the agreed exercise price must also be taken into consideration in the determination of said market price.

The lifetime of a derivative may not exceed 18 months and must be selected in such a way as to ensure that the acquisition of shares of the Company by way of exercising options does not take place after 19 May 2020. Where

treasury shares are acquired using equity derivatives in compliance with the preceding provisions, the shareholders' right to enter into any option transactions with the Company is excluded in analogous application of section 186 (3) sentence 4 of the AktG. Likewise, shareholders have no right to enter into option transactions to the extent that any such transactions provide for a preferential offer related to smaller quantities of shares. Shareholders only have a right to tender their shares to the Company to the extent that the Company is obligated to accept these shares under option transactions. Any further right to tender and sell is excluded. The provisions set out under 8 A) of this agenda also apply to selling and calling in shares that are acquired using derivatives.

#### **Agenda item 9: Passing of a resolution on amendment of the remuneration of the Supervisory Board and on amendment of Article 9 (5) of the Memorandum and Articles of Association**

According to the arrangement resolved on at the Annual General Meeting on 18 May 2011, the fixed remuneration for the Supervisory Board amounts to € 30,000 p.a. for each Supervisory Board member. The Chairman of the Supervisory Board receives two and a half times this amount, while the Deputy receives one and a half times as much as a normal member. The fixed remuneration increases by € 15,000 p.a. for each membership in a committee (with the exception of the Committee for Urgent Decisions, which is part of the Risk Committee). The fixed remuneration increases by € 30,000 p.a. for the chairmanship of a committee (with the exception of the Committee for Urgent Decisions).

This remuneration arrangement is to be changed. The legal requirements regarding the nature and scope of the work of members of a supervisory body have increased significantly. In line with the general market development, this is also to be reflected in the remuneration for members of the Supervisory Board. The amendments proposed to the Annual General Meeting reflect these considerations. The new remuneration arrangement shall apply as of 1 January 2015 for all Supervisory Board members in office.

The Management Board and Supervisory Board propose the following resolution:

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

„(5) The fixed remuneration is € 50,000 p.a. for each Supervisory Board member. The Chairman of the Super-

visory Board shall receive three times the amount, while the deputy shall receive one and a half times as much as a normal member. The fixed remuneration increases for each membership in a committee (with the exception of the Committee for Urgent Decisions, which is part of the Risk Committee). For the Risk Committee and Audit Committee, the additional fixed remuneration amounts to € 20,000 p.a. for members and € 40,000 p.a. for the chairmen. For other committees, the additional fixed remuneration amounts to € 15,000 p.a. for members and € 30,000 p.a. for the chairmen.“

#### **Agenda item 10: Passing of a resolution regarding approval of the conclusion of new control and profit transfer agreements**

Control and profit transfer agreements have been concluded between the Company, in its capacity as the parent company, and the following dependent subsidiaries, each having the legal form of a German "GmbH“:

- a) Participation Achte Beteiligungs GmbH with headquarters in Wiesbaden, Germany
- b) Participation Neunte Beteiligungs GmbH with headquarters in Wiesbaden, Germany

The Company holds 100 per cent of the shares in both of these companies, which are newly founded shelf companies. The control and profit transfer agreements enable flexible participation management and optimisation of the Group structure. The agreements form the basis for consolidated income and trade tax groups between the Company and the subsidiaries in question.

Every control and profit transfer agreement (hereinafter referred to as "Agreement“) has the following content:

- The dependent subsidiary assigns control to the parent company, which is therefore authorised to issue instructions to the subsidiary's management on how to run its company (Article 1 of the Agreement). Furthermore, the dependent subsidiary commits itself to following the instructions of the parent company
- The dependent subsidiary is obligated to transfer its entire profits for the abbreviated financial year 2015 and all following financial years to the parent company (Article 2 (1) of the Agreement). Profit is – at most – the annual net income earned pursuant to applicable German commercial law without the transfer of profit, less any losses carried forward from the previous year, the amounts to be transferred to legal reserves and

any amount of the net income that may not be distributed in accordance with section 268 (8) of the German Commercial Code (Article 2 (2) of the Agreement). The dependent subsidiary may allocate amounts from its net income to retained earnings pursuant to section 272 (3) of the German Commercial Code only to the extent this is permissible under applicable commercial law and justified in economic terms on the basis of a reasonable commercial assessment (Article 2 (3) of the Agreement). In addition, the provisions of section 301 of the AktG as most recently amended apply (Article 2 (4) of the Agreement).

- The parent company is obliged to assume any losses incurred by the relevant subsidiaries in accordance with all the provisions of section 302 of the AktG as most recently amended (Article 3 (1) of the Agreement).
- The Agreement takes effect upon entry into the commercial register at the registered office of the subsidiary and applies – with the exception of the parent company's managerial powers – for the period starting from the beginning of the financial year in which the entry is made (Article 4 (1) of the Agreement).
- The Agreement has a minimum term of five years and is automatically extended by one year at a time if it is not terminated with six months' notice (Article 4 (2) of the Agreement).
- However, the Agreement can also be terminated without notice before the end of the minimum term if there is due cause. In particular, the parent company has the right to immediate termination for cause if it no longer holds a majority interest in the subsidiary (Article 4 (3) of the Agreement).

The Management Board and Supervisory Board propose the following resolutions:

- a) That the control and profit transfer agreement between Aareal Bank AG and Participation Achte Beteiligungs GmbH of 27 March 2015 be approved.
- b) That the control and profit transfer agreement between Aareal Bank AG and Participation Neunte Beteiligungs GmbH of 27 March 2015 be approved.

The shareholders' meetings of Participation Achte Beteiligungs GmbH and Participation Neunte Beteiligungs GmbH have already approved their respective control and



profit transfer agreement. The control and profit transfer agreements will not become effective until they have been approved by the Annual General Meeting of Aareal Bank AG and subsequently entered in the respective commercial registers of the subsidiaries concerned.

The Management Board of Aareal Bank AG has submitted joint reports together with the management of each of these subsidiaries in accordance with section 293a of the AktG, explaining and giving reasons for the respective control and profit transfer agreements. Together with other documents to be published, the joint reports will be available on Aareal Bank AG's website as from the date of convocation of the Annual General Meeting. In accordance with section 293b (1) 2nd half-sentence of the AktG, an audit of the aforementioned control and transfer agreements by a contractual auditor is unnecessary as Aareal Bank AG holds all the shares in the two subsidiaries. All documents required to be published will also be made available at the Annual General Meeting.

### **Report of the Management Board to the Annual General Meeting regarding the authorisations and the exclusion of subscription rights proposed under agenda item no. 8 in accordance with sections 71 (1) no. 8 sentence 5 and 186 (4) sentence 2 of the AktG**

The Management Board has submitted a written report regarding agenda item no. 8 in accordance with sections 71 (1) no. 8, 186 (4) sentence 2 of the AktG on the reasons for the proposed authorisation for the acquisition of treasury shares, subject to the partial restriction of the principle of equal treatment and any shareholders' subscription and/or disposal rights, and regarding the proposed authorisation for the sale of treasury shares other than via the stock exchange and in compliance with the principle of equal treatment and at the proposed issue price. The report is hereby published as follows:

The purpose of the proposed authorisation is to enable the Company to continue to have the option to acquire treasury shares in accordance with section 71 (1) no. 8 of the AktG. As a rule, this would enable the Company to purchase treasury shares up to the equivalent of 10 % of its share capital, up until and including 19 May 2020 (i.e. up to the maximum five years permitted by law), for any valid purpose. With the proposed extension, the Company will be in a position to continue capitalising on

the benefits of purchasing its own shares, in both its own interests and those of its shareholders, until said date. The number of shares the Company is permitted to own is restricted by law to 10 % of the share capital, including the authorisation to purchase treasury shares for securities trading purposes, as proposed under agenda item no. 7 (section 71 (2) of the AktG). The acquisition may take place via the stock exchange or via a public offer to purchase at the prices stipulated in the authorisation and based on the prevailing market price. This provides a level playing field for all shareholders to sell shares to the Company, provided that the Company exercises its authorisation to purchase treasury shares. This approach safeguards shareholders' rights and preserves equality of treatment. Whenever a public offer is oversubscribed, acceptance must be effected on a prorata basis. The preferential acceptance of a lower share quantity of up to 100 shares tendered per shareholder and commercial rounding may be provided for. This method is used to avoid fractional amounts when determining the individual purchase quotas and minor residual portions, thereby facilitating the technical handling.

Neither the offered purchase price nor the threshold values of the purchase price range may exceed or fall below, by more than 10 %, the average closing price of the Company's shares in Xetra (or a comparable successor system) during the three trading days on the Frankfurt/Main stock exchange prior to the purchase, the assumption of an obligation to purchase or the public announcement of the purchase offer. The purchase offer may provide further conditions.

In addition to purchase via the stock exchange or by means of a public offer to buy, directed at all shareholders, the authorisation also provides that the acquisition of treasury shares may be effected by using put or call options or a combination of both. This additional alternative, which is already part of the commercial practice of many DAX companies, expands the Company's options of optimally structuring the acquisition of treasury shares. It may be advantageous for the Company to sell put options, to purchase call options or to acquire Company shares using a combination of put and call options, instead of purchasing its treasury shares directly. The lifetime of the options must be selected in such a way as to ensure that the acquisition of shares by way of exercising options does not take place after 19 May 2020. This ensures that the Company does not acquire treasury shares under section 71 (1) no. 8 of the AktG after this authorisation expires on said date. Moreover, the acquisition of treasury



shares using equity derivatives is limited to 5 % of the Company's share capital existing at the time the relevant resolution is adopted by the Annual General Meeting. The lifetime of a derivative may not exceed 18 months and must be selected in such a way as to ensure that the acquisition of shares of the Company by way of exercising options does not take place after 19 May 2020.

The Company grants the purchaser of a put option the right to sell Company shares to the Company at a predetermined price (exercise price). In return, the Company receives an option premium which equates to the value of the disposal right granted by way of the put option, taking into consideration a variety of parameters, including exercise price and lifetime of the option or the volatility of the Company's share price. If the purchaser exercises the put option, the option premium paid by the purchaser reduces the total price paid by the Company for the purchase of the shares. Exercising the put option would be financially advantageous to the purchaser only if the share price is below the exercise price at the time of exercise, as in this case the purchaser would be able to sell the shares at the higher exercise price. From the Company's perspective, the use of put options has the added advantage that the exercise price is determined as early as upon entering into the option transaction, while the outflow of liquidity will only take place on the exercise date. If the purchaser does not exercise the option because the share price exceeds the exercise price on the exercise date, the Company will not be able to purchase its treasury shares in this way, but would still retain the option premium collected.

Where the Company purchases a call option, it acquires the right to buy a predetermined number of treasury shares at a predetermined price (exercise price) from the option seller, for payment of an option premium. Exercising the call option would be financially advantageous to the Company if the share price exceeds the exercise price, as in this case the Company would be able to buy the shares from the seller at the lower exercise price. By acquiring call options, the Company can, for instance, limit price risks if the Company itself is obligated to transfer shares at a later time, in connection with conversion rights from convertible bonds, for example.

The purchase price to be paid for the Company's shares is the exercise price agreed for the relevant option. The exercise price may exceed or fall below the stock exchange price of the Company's share on the day the option transaction is entered into, but may not exceed or fall

below, by more than 10 %, the average closing price of the Company's share on Xetra (or a comparable successor system) during the three trading days on the Frankfurt / Main stock exchange prior to the relevant option transaction (in each case excluding ancillary costs but including the option premium paid or received). The option premium paid by the Company for call options may not significantly exceed, and the option premium collected for put options may not significantly fall below, the theoretical market price of the relevant options determined in accordance with recognised methods, mathematical valuation methods in particular. Furthermore, the agreed exercise price must also be taken into consideration in the determination of the theoretical market price of the relevant options.

The way that the proposed authorisation is set out would preclude financial prejudice to shareholders if the Company repurchases treasury shares using equity derivatives. The determination of exercise price and option premium described above, and the mandatory requirement that options are only served by using shares of the Company that were purchased on the stock exchange, in accordance with the principle of equal treatment, at the prevailing share price at the time of the purchase on the stock exchange, ensure that the Company will receive or pay a fair market price and that the Company's shareholders who do not participate in these option transactions will not suffer financial prejudice. This is in keeping with the position of shareholders when treasury shares are repurchased via the stock exchange but not all of the Company's shareholders can in fact sell shares to the Company. The requirements for the structuring of the options as well as the requirements for the shares to be used for servicing the option rights ensure that the principle of equal treatment of all shareholders is accommodated to the fullest extent. Against this background, and given the legal notion underlying section 186 (3) sentence 4 of the AktG, it is reasonable that shareholders should not be entitled to enter into any such option transactions with the Company. Likewise, shareholders have no right to enter into option transactions with the Company to the extent that any such transactions provide for a preferential offer related to small quantities of shares. By excluding the subscription and disposal right, the Company is put in a position where it can enter into option transactions as they arise. The Company would not have this opportunity to the same extent if the offer to purchase or sell options was extended to all shareholders.

Shareholders of the Company should only have a right to tender their shares to the Company, using equity derivatives, to the extent that the Company is under a specific obligation vis-à-vis these shareholders to accept their shares in connection with option transactions. Otherwise, equity derivatives could not be used for the repurchase of treasury shares, depriving the Company of the potential advantages associated therewith.

After careful consideration of the interests of the shareholders on the one hand and the interests of the Company on the other hand, the Management Board considers the non-granting or the restriction of disposal rights justified, given the advantages that arise for the Company as a result of the use of equity derivatives when repurchasing treasury shares.

The treasury shares acquired under the authorisation proposed under agenda item 8 A) and B) or under an earlier authorisation may be used as follows:

The shares acquired can either be called in, resulting in a reduction of share capital, or sold by public offer or via the stock exchange. These alternatives ensure that the shareholders' right to equal treatment will be observed upon disposal.

The resolution contains an additional proposal to authorise the Management Board to effect the sale of any treasury shares acquired in accordance with section 71 (1) no. 8 of the AktG, subject to the Supervisory Board's approval, via channels other than a sale via the stock exchange, or an offer to all shareholders (excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 of the AktG), provided that the sale is carried out at a cash price that is not significantly lower than the relevant stock exchange price of the Company's shares at the time of sale. In such cases, the management will minimise any discounts from the issue price in relation to the market price and is expected to limit any such discounts to 5 %. Any dilution of the value of shareholders' holdings will be avoided through the close link to the prevailing market price. The selling price of the treasury shares will be finalised immediately prior to use.

The total number of shares sold in this manner may not exceed 10 % of the issued share capital, neither at the time the proposed authorisation comes into effect nor at the time of its utilisation. 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 that were, or still can be, issued in accordance with section 186 (3) sentence 4 of the AktG during the validity of the proposed authorisation in connection with profit participation rights/bonds with conversion or option rights for shares and excluding shareholders' pre-emptive subscription rights. These inclusions ensure that no purchased treasury shares are sold (excluding shareholders' subscription rights) in accordance with section 186 (3) sentence 4 of the AktG if this would result in the exclusion – without objective grounds – of shareholder's 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 share capital. This additional restriction is in the interest of shareholders who wish to maintain their stake to the greatest extent possible.

The proposed authorisation therefore ensures that shareholders' financial and voting interests are appropriately taken into account when selling shares to the exclusion of subscription rights, whilst extending the Company's flexibility in the interest of all shareholders. The legal concepts embodied in section 186 (3) sentence 4 of the AktG have thus been properly considered and complied with. Among other things, this will provide the Company with an opportunity to offer shares to institutional investors or domestic and international investors, for example, and to expand its shareholder base, thereby stabilising the value of the shares. The Company will therefore have flexibility in adjusting its equity to commercial requirements and responding to favourable opportunities on the stock exchange. In addition, shareholders have the option of maintaining the level of their shareholding in the Company by purchasing shares on the stock exchange.

Moreover, the subscription rights of shareholders may also be excluded when selling shares for contributions in kind. This reflects the purpose of the authorisation included in the proposed resolution to maintain the Company's ability to act in the most flexible and cost-efficient manner when acquiring entities or agreeing on business combinations. Where appropriate, the Company may decide to offer its own shares as consideration for the acquisition of enterprises or participating interests (excluding shareholders' pre-emptive subscription rights if and when appropriate). Such share deals have become increasingly popular worldwide. The price at which the

treasury shares will be issued in this case depends on the individual circumstances and the timing. With regard to price determination, the Management and Supervisory Boards will be guided by the Company's interests. The Management Board will use the stock exchange price of the Company's shares as a guideline when determining the value of the shares granted by way of consideration; there are no plans to apply any fixed formula relating to the quoted market price, particularly to avoid the results of negotiations being called into question by fluctuations in the quoted market price.

It is also requested that the Company continues to be allowed to use any treasury shares it has acquired to satisfy the rights of holders of convertible bonds and/or bonds with warrants. This may result in a reduction of any capital increase from conditional capital, if required. The use of existing treasury shares instead of a capital increase or cash payment may be financially advantageous; the authorisation is intended to increase flexibility in this regard. At present, no option or conversion rights or conversion obligations exist that would be eligible for servicing through treasury shares under the proposed authorisation.

Furthermore, the Company shall have the ability to partially exclude shareholders' subscription rights upon the disposal of shares via an offer to all shareholders in favour of the holders of conversion or option rights. In this way, subscription rights to shares could also be granted to these holders that would entitle said holders to the same extent as they would have been entitled upon exercising their conversion or option rights or upon performance of a conversion obligation. This would enable the Company to avoid a reduction in the option or conversion price, which would be the consequence of issuing treasury shares without granting subscription rights to the holders of options and conversion rights in accordance with the terms and conditions governing the convertible bonds and bonds cum warrants.

Furthermore, the Management Board should be authorised, subject to the Supervisory Board's approval, to exclude shareholders' subscription rights for fractional amounts upon the disposal of treasury shares via an offer to all shareholders. The purpose of this authorisation is to create subscription ratios that result in as few fractional shares as possible in order to facilitate the technical settlement of issuing shares. As freely marketable fractions, the shares excluded from the shareholders' subscription rights will either be sold at the stock exchange or otherwise disposed of on a "best efforts" basis. The Management

Board will endeavour to keep the amount of freely marketable fractions as small as possible. Through the limitation to such fractional amounts, shareholders do not suffer a material dilution of their shareholdings. The shareholders' financial interests will be safeguarded by the obligation to ensure best possible realisation.

The option of purchasing and using treasury shares by direct or indirect subsidiaries of the Company, or by third parties for account of the Company or its direct or indirect subsidiaries, provides the Company with additional flexibility in the utilisation of its treasury shares.

The Management Board will only make use of this authorisation if the exclusion of subscription rights in individual instances is in the best interest of the Company and its shareholders. Similarly, the Supervisory Board will only grant the necessary approval if these requirements have been met.

Whenever the Management Board utilises one of the abovementioned authorisations, it will report on this at the next General Meeting as well as in the annual report.

The report of the Management Board regarding agenda item no. 8 on the reasons for the authorisations provided thereunder for the exclusion of shareholders' subscription rights will be available for inspection by shareholders at the Company's offices (Paulinenstrasse 15, 65189 Wiesbaden) from the day on which the Annual General Meeting is convened. The report will also be available at the Annual General Meeting. Upon request, the report will be sent to every shareholder without delay and free of charge. The report is also available on the internet at <http://www.aareal-bank.com>

### **Company website and documents available for download**

The invitation to the Annual General Meeting, the documents to be made available to the Annual General Meeting as well as further information in connection with the Annual General Meeting will be available on the Company's website at <http://www.aareal-bank.com> (specifically: Investor Relations/Annual General Meeting 2015) 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 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 date of convocation of the Annual General Meeting, and will also be available at the Annual General Meeting on 20 May 2015. As a special service, the Company will, upon request, send these documents to shareholders 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 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 attendance at 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 **13 May 2015 (24:00 hours CEST)** at the following address:

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

The 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 **29 April 2015 (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. The Company shall be entitled to demand suitable additional evidence in cases of doubt regarding the correctness or authenticity of the proof submitted. Where no such evidence is provided, or evidence is not provided in an appropriate form, the Company may deny the shareholder attendance at the meeting.

### 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 afterwards becomes a shareholder of the Company, may attend and vote at the Annual General Meeting (and shareholders who acquire further shares after the record date are entitled to vote only for such additional shares) only to the extent that they have been authorised to act as a proxy. The record date has no bearing on dividend rights. Following receipt by the Company of registration and specific evidence of shareholding, admission tickets for the Annual General Meeting (as organisational aids for the meeting) will be forwarded to the shareholders. To ensure timely receipt, shareholders should request admission tickets from their custodian banks 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 authorisation of a voting proxy, its revocation and the submission of proof thereof to the Company must be in written form. In the event that the shareholder authorises 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 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 this be done in 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, since 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 may be granted either to the proxy or to the Company.

The proxy may be required to demonstrate that he/she has been duly authorised by 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 **Aareal-bank-HV2015@computershare.de**. These dispatch options are also available in cases where the shareholder grants a proxy to the Company; in this case, no separate proof of proxy is required. Similarly, shareholders may use any of the above channels to notify the Company directly of revocation of an existing proxy. Proof of a 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 should use the proxy form provided by the Company for this purpose. This form will be forwarded to duly registered persons along with their admission tickets 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 at <http://www.aareal-bank.com>.

A proxy may also be granted electronically, using the Company's internetbased proxy system. Specific details regarding this proxy system are available for shareholders on the Company's website at <http://www.aareal-bank.com>.

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 19 May 2015 (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 the presentation of such proxy form at the entrance to the meeting.

## 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, who are 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 authorisation of a voting proxy, its revocation and the submission of proof thereof to the Company must be in written form.

To authorise the proxy, shareholders can use the form sent to them with their 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. If the meeting votes on a topic for which a shareholder did not give express instructions, that shareholder's 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 19 May 2015 (18:00 hours CEST)** to the aforementioned registration address, either by regular mail or fax or e-mail them to **Aarealbank-HV2015@computershare.de**.

Voting proxies nominated by the Company may also be authorised using the Company's abovementioned internet-based proxy system **until 19 May 2015 (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 <http://www.aareal-bank.com> (specifically: Investor Relations/Annual General Meeting 2015).

In addition, 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 means of another form provided by the Company for this purpose and of giving this proxy corresponding voting instructions.

### 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 share capital, or a proportional amount of shares amounting to € 500,000 (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 held a sufficient number of shares for the legally required minimum period of ownership of three months (sections 122 (2), 122 (1) sentence 3, 142 (2) sentence 2 of the AktG as well as section 70 of the AktG) and that they will continue to hold them until a decision on their application has been made.

The application must be addressed in writing (section 126 of the German Civil Code (BGB)) or in electronic form, i.e. using the qualified electronic signature (section 126a of the German Civil Code (BGB)), to the Management Board of Aareal Bank AG and must be received by the Company **no later than 19 April 2015 (24:00 hours CEST)**, at the following address:

**Vorstand der Aareal Bank AG**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**E-mail: HV2015@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 <http://www.aareal-bank.com> (specifically: Investor Relations/Annual General Meeting 2015) and communicated to the shareholders.

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

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

**Aareal Bank AG**  
**Corporate Development**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**  
**Telefax: +49 611 348-2965**  
**E-mail: HV2015@aareal-bank.com**

Any counter-proposals and nominations received by the Company at the aforementioned address by **no later than 5 May 2015 (24:00 hours CEST)** will be made available on the internet at <http://www.aareal-bank.com> (specifically: Investor Relations/Annual General Meeting 2015), including the shareholder's name and the reasons for the application. 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,



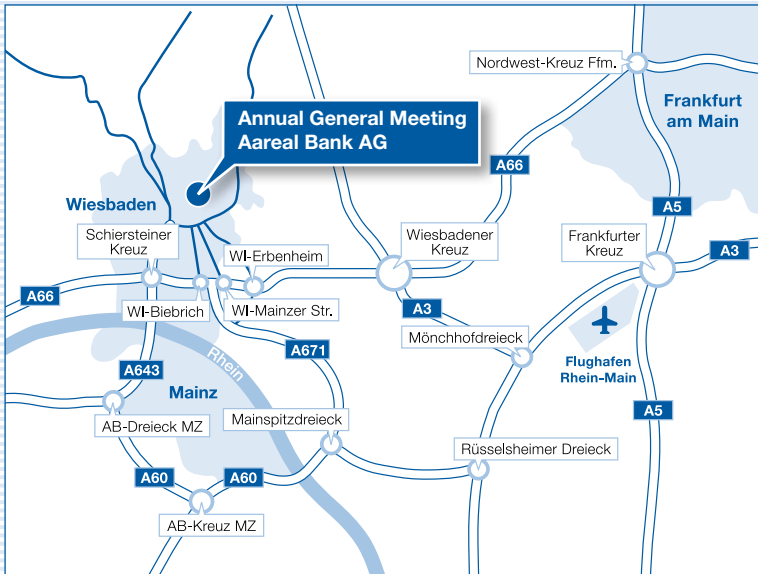
its legal and business relationships with affiliated companies and the situation of the Group and the companies within the Group's scope of consolidation, provided that such information is necessary to make a reasonable assessment of the relevant agenda item. Disclosure requests at Annual General Meetings 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 <http://www.aareal-bank.com> (specifically: Investor Relations/Annual General Meeting 2015).

Aareal Bank AG  
The Management Board

Wiesbaden, April 2015



## 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"

