



Joint Report

of the Management Board of **Aareal Bank AG**, Paulinenstrasse 15, 65189 Wiesbaden, Germany, registered under no. HRB 13184 in the commercial register at the Wiesbaden local court (Amtsgericht Wiesbaden)

and

the management of **Participation Neunte Beteiligungs GmbH**, Paulinenstrasse 15, 65189 Wiesbaden, Germany, registered under no. HRB 28255 in the commercial register at the Wiesbaden local court (Amtsgericht Wiesbaden)

on the control and profit transfer agreement dated 25 March 2015.

The Management Board of Aareal Bank AG and the management of Participation Neunte Beteiligungs GmbH concluded an inter-company agreement (control and profit transfer agreement pursuant to section 291 (1), clause 1, of the German Public Limited Companies Act; AktG) on 25 March 2015. The Agreement has already been approved at the shareholders' meeting of Participation Neunte Beteiligungs GmbH held on 27 March 2015. The inter-company agreement will be presented for approval to the Annual General Meeting of Aareal Bank AG on 20 May 2015.

The Management Board of Aareal Bank AG and the management of Participation Neunte Beteiligungs GmbH are submitting the following joint report on the Agreement between the two parties pursuant to section 293a of the AktG:

I. Legal and economic reasons for conclusion of the inter-company agreement

Aareal Bank AG holds 100 per cent of the shares in Participation Neunte Beteiligungs GmbH. The latter company has been founded as a shelf company to enable future participations to be implemented in a timely manner. Linking the company by means of a control and profit transfer agreement allows Aareal Bank AG to manage participations flexibly and to optimise the Group structure at short notice if applicable.

In respect of commercial and tax law, the inter-company agreement entails offsetting of the two companies' profits/losses. It is being concluded in order to create or strengthen the value added, corporation and trade tax group between the parties.

II. Explanation of the content of the inter-company agreement

- 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 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). If the end of the minimum term does not coincide with the end of a financial year of Participation Neunte Beteiligungs GmbH, the Agreement is extended until the end of the financial year in question.
- The Agreement can also be terminated without notice at any time 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).

Following approval at the shareholders' meeting of Participation Neunte Beteiligungs GmbH and after approval at the Annual General Meeting Aareal Bank AG on 20 May 2015, the Agreement will take effect retrospectively as of 25 February 2015.

As Aareal Bank AG is the only shareholder of Participation Neunte Beteiligungs GmbH, there is no need for compensation and settlement for outside shareholders pursuant to sections 304 and 305 of the AktG. For the same reason, there is no need for this inter-company agreement to be audited by an external auditor.

Wiesbaden, 30 March 2015

Aareal Bank AG

Dr Schumacher

Merkens

Knopek

Ortmanns

Participation Neunte Beteiligungs GmbH

Weiss

Dick