D. Report on agenda item 9

Report of the Management Board to the Annual General Meeting regarding the authorisation and the exclusion of pre-emptive subscription rights proposed under agenda item No. 9 in accordance with section 203 (2) sentence 2 in conjunction with section 186 (4) sentence 2 of the AktG

In accordance with section 203 (2) in conjunction with section 186 (4) sentence 2 of the AktG, the Management Board has submitted a written report regarding agenda item No. 9 on the reasons for the exclusion of subscription rights and the proposed issue price. The report is hereby published as follows:

The term of the Authorised Capital 2017 of € 89,785,830, which was created by the resolution of the Annual General Meeting on 31 May 2017 but has not been utilised (Article 5 (4) of the Memorandum and Articles of Association), has ended (term until 30 May 2022). In order to safeguard flexibility through further capital measures by the Management Board, the Authorised Capital is to be replaced by new authorisation of € 35,914,329 (Authorised Capital 2022). This corresponds to twenty per cent (20%) of the share capital.

The Management Board and the Supervisory Board propose to the Annual General Meeting that new Authorised Capital be created, having essentially the same terms and conditions as Authorised Capital 2017. As with the existing authorisation, the new Authorised Capital 2022 shall be used for capital increases against contributions in cash or in kind.

In the case of utilisation of the new Authorised Capital 2022, shareholders in principle have a subscription right. The shares may also be subscribed by one or more banks, subject to the obligation of offering these to the shareholders for subscription (so-called “indirect subscription right”). However, pre-emptive subscription rights may be excluded where this is in the interest of the Company in the following cases.

The proposed authorisation will enable the Management Board to exclude shareholders' pre-emptive subscription rights in the event of a capital increase against cash contributions, subject to approval by the Supervisory Board and provided that the issue price is not significantly lower than the prevailing market price of the Company's shares already listed at a stock exchange at the time of the final determination of the issue price. Section 203 (1) and (2) and section 186 (3) sentence 4 of the AktG specifically provide for the possibility of excluding pre-emptive subscription rights. This enables the management to take advantage of favourable opportunities on the stock market at short notice and to achieve a high issue price and the maximum strengthening of own funds through market-oriented price determination. Moreover, the exclusion of subscription rights is designed to facilitate a placement close to prevailing market price levels, without the issuing discount commonly applied to a rights issue. The amount to be authorised will not exceed the statutory limit of ten per cent (10%) of the registered share capital. Where, in connection with an increase in registered share capital, the Company makes use of the possibility of excluding subscription rights, 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 five per cent (5%) as a maximum. This will ensure that any economic dilution of shareholdings will be kept to a minimum. In the event of subscription rights being excluded when issuing new shares against cash contributions close to the prevailing market price, the capital increase must not exceed ten per cent (10%) of the share capital outstanding at the time of the authorisation entering into effect or – if this value is lower – at the time of exercising the authorisation. This accounts for the shareholders' protection requirements as regards the dilution of their shareholdings. Given the existence of a liquid market and the amount of freely floating shares, this ensures that shareholders would be able to purchase shares on the stock exchange at similar prices, effectively protecting their shareholding against dilution.

The threshold of ten per cent (10%) of the registered share capital mentioned above also includes any shares that were issued or sold during the term and prior to the exercising of this authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG, and by virtue of other authorisations granted to the Management Board for the issue or sale of shares. Said ten-per-cent threshold shall particularly 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' subscription rights), which were (or may be) issued during the validity of this authorisation. 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 registered share capital. The proposed authorisation therefore ensures that shareholders' financial and voting interests are appropriately taken into account when exercising Authorised Capital to the exclusion of subscription rights, whilst expanding 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.

Furthermore, the proposed authorisation allows the Management Board to exclude shareholders' subscription rights for fractional amounts (subject to approval by the Supervisory Board). In case of capital increases against contributions in cash, the purpose of this exclusion is to permit the exercising of the authorisation in even amounts 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.

Moreover, the proposed authorisation will permit the Management Board to exclude shareholders' subscription rights, subject to approval by the Supervisory Board, where this is necessary to grant subscription rights to the holders of bonds with warrants or convertible debt securities issued (or to be issued) by Aareal Bank AG or its affiliated companies, which subscription rights are required to entitle these 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, if any, thus protecting such holders against dilution. Hence, this exclusion of subscription rights allows the Company, in the event of a capital increase, to offer subscription rights to holders of existing option rights or convertible debt securities, in lieu of reducing the relevant exercise or conversion price in line with the terms of issue. The authorisation allows the Company to achieve this objective without having to resort to treasury shares.

A further event that, according to the proposed authorisation, would permit the Management Board to exclude shareholders' subscription rights is the issue of new shares to staff members of Aareal Bank AG or its subsidiaries. As reflected in section 202 (4) of the AktG, the legislative intent is geared towards the issue of employee shares, as this supports the retention of staff by the Company, facilitates the assumption of joint responsibility and helps to maintain a stable workforce. Thus, issuing shares to employees is in the best interest of the Company and its shareholders. The proposed volume of € 4 million has been determined by taking into account the number of eligible staff, expected subscription results and the term of the authorisation. When setting the issue price, a discount may be granted in line with common practice when issuing employee shares.

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Finally, the proposed authorisation to exclude subscription rights in the event of capital increases against contributions in kind serves to enable the acquisition of companies, parts thereof or participating interests or of other assets in return for the granting of shares. If the acquisition of companies, parts thereof or participating interests or the acquisition of other assets by way of a capital increase against contributions in kind results in tax savings for the seller, or if the seller – for whatever reason – is more interested in purchasing shares in the Company than in receiving a cash payment, the ability to offer shares as consideration strengthens the Company's negotiating position. In individual cases it may also be appropriate, given specific interests of the Company, to offer the seller new shares in return for a participation. Due to the Authorised Capital 2022, the Company is able to react quickly and flexibly if an opportunity arises to purchase companies, parts thereof or participating interests as well as other assets in return for issuing new shares in appropriate individual cases. The proposed authorisation thereby enables optimal financing of the acquisition through the issuance of new shares, as well as the associated strengthening of the Company's own equity base.

The issue price, at which the new shares will be issued in this case, depends on the individual circumstances and the timing. In the price determination, the Management and Supervisory Boards will be guided by the Company's interests. At present, there are no concrete plans for using this authorisation. The Management Board and the Supervisory Board will carefully examine in each individual case whether the exclusion of subscription rights is in the interests of the Company.

The proportionate amount of the share capital attributable to shares that are issued to the exclusion of shareholders' subscription rights against contributions in cash or in kind after the authorisation may not exceed 10 per cent of the registered share capital existing at the time the resolution is adopted by the Annual General Meeting. This capital limit additionally protects shareholders against dilution of their shareholdings. Subject to a renewed authorisation for the exclusion of subscription rights to be resolved by a subsequent General Meeting, the Management Board will also consider issuing or selling shares or debt securities with embedded conversion or option rights/obligations to the exclusion of the shareholders' subscription rights on the basis of other authorisations granted to the Management Board, provided that the authorisations for capital measures to the exclusion of shareholders' subscription rights are only used to increase the registered share capital by a maximum amount of 10 per cent of the share capital existing at the time of the General Meeting's resolution. Provided that a subsequent General Meeting renews the authorisation to exclude subscription rights, the Management Board shall therefore also include proportionate share capital in the maximum increase volume that is attributable to shares which are issued or sold to the exclusion of shareholders' subscription rights during the validity of the authorisation under another authorisation or which relate to financial instruments with conversion or option rights/obligations that are issued to the exclusion of shareholders' subscription rights during the validity of the authorisation under another authorisation. This includes issuing or selling shares or debt securities to the exclusion of subscription rights in direct or analogous application of section 186 (3) sentence 4 of the AktG.

The proposed term of Authorised Capital 2022 (until 30 August 2027) is in accordance with the limitations prescribed by applicable law.

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

The report of the Management Board regarding agenda item No. 9 on the reasons for the authorisations provided thereunder for the exclusion of shareholders' subscription rights can be inspected at the Company's website at

www.aareal-bank.com/en/investors-portal/equity-investors/general-meeting-2022/

from the date of convocation of the Annual General Meeting. Upon request, the report will be sent to every shareholder without delay and free of charge.

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