

# 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, 19 May 2010, at 10:30 a. m., at the Rhein-Main-Hallen, Rheinstrasse 20, 65189 Wiesbaden, Germany.

We have convened this year's General Meeting by way of publication in the electronic German Federal Gazette (Bundesanzeiger) dated 6 April 2010, 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

### 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 the information in accordance with sections 289 (4) and 315 (4) of the German Commercial Code (HGB)) as well as the Report by the Supervisory Board for the 2009 financial year

In accordance with sections 172, 173 of the German Stock Corporation Act (AktG), the Supervisory Board approved, on 30 March 2010, the annual financial statements and the consolidated financial statements prepared by the Management Board; the financial statements have thus been confirmed. The passing of a resolution on this agenda item No. 1 is therefore not required.

The documents specified under this agenda item will be available for 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. These statements and reports will be explained at the beginning of the meeting. Upon request, these documents will be sent to every shareholder, without delay and free of charge. The documents are also available on the internet on <http://www.aareal-bank.com>.

### 2. Passing of a resolution on the appropriation of net retained profit for the 2009 financial year

The Management Board and the Supervisory Board recommend that the net retained profit of € 2,000,000 for financial year 2009 be allocated to other retained earnings.

### 3. Passing of a resolution on the formal approval of the members of the Management Board for the 2009 financial year

The Management and Supervisory Boards propose that formal approval be granted, for the 2009 financial year, for the members of the Management Board who were in office during that period.

### 4. Passing of a resolution on the formal approval of the members of the Supervisory Board for the 2009 financial year

The Management and Supervisory Boards propose that formal approval be granted, for the 2009 financial year, for the members of the Supervisory Board who were in office during that period.

### 5. Appointment of External Auditors

Based on the recommendation of the Audit Committee, the Supervisory Board proposes that auditors Price-waterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, be appointed as the external auditors for the 2010 financial year and as the external auditors for the review of the condensed financial statements and the interim management report as at 30 June 2010.

### 6. Resolution on the authorisation to acquire and to use treasury shares in accordance with section 71 (1) No. 7 of the German Stock Corporation Act (AktG)

It is proposed that the authorisation granted by the General Meeting of 7 May 2009 for the purchase of treasury shares, for the purpose 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 6 November 2010), be replaced by a new authorisation, which shall remain in force until 18 May 2015.

The Management and Supervisory Boards propose the following resolution:

1. That the existing authorisation granted by the General Meeting of 7 May 2009 under agenda item No. 6, for the purchase of treasury shares for the purpose of securities trading in accordance with section 71 (1) No. 7 of the AktG, be hereby revoked, with said revocation taking effect upon the effective date of the resolution proposed under No. 2 below.
2. That the Company be authorised pursuant to section 71 (1) No. 7 of the AktG, up to 18 May 2015, to acquire and sell treasury shares for the purpose of securities trading. The volume of shares

acquired for this purpose must not exceed five per cent (5%) of Aareal Bank AG's registered 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 three last 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%). Any shares acquired together with other treasury shares acquired and still held by the Company, or to be attributed to the Company pursuant to sections 71a et seq. of the AktG, must not exceed 10 per cent (10%) of the Company's registered share capital at any given time.

#### **7. Resolution on the authorisation to acquire and to use treasury shares in accordance with section 71 (1) No. 8 of the German Stock Corporation Act (AktG)**

It is proposed to replace the authorisation granted by the General Meeting of 7 May 2009 for the purchase of treasury shares in accordance with Section 71 (1) No. 8 of the AktG (which has not been utilised to date and will expire on 6 November 2010), with a new authorisation, which shall remain in force until 18 May 2015.

The Management and Supervisory Boards propose the following resolution:

1. That the existing authorisation – expiring on 6 November 2010 –, granted by the Annual General Meeting of 7 May 2009 under agenda item No. 7 for the purchase of treasury shares be hereby revoked, with said revocation taking effect upon the effective date of the new authorisation granted under No. 2 below.
2. That the Company be authorised pursuant to section 71 (1) No. 8 of the AktG, up to 18 May 2015, to acquire and sell treasury shares for purposes other than securities trading, up to a maximum volume of ten per cent (10%) of its current registered share capital or – if this value is lower – of the registered share capital existing at the time of exercising this authorisation.

At the discretion of the Management Board, the shares may be purchased either via the stock exchange or through a public purchase offer directed to all shareholders of the Company. Shares may be acquired via the use of derivatives (put or call options or a combination of both).

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 ten per cent (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 to purchase their tendered shares. The purchase offer may provide further conditions.

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 trading (or a comparable successor system) at the time of the purchase on the stock exchange.

The purchase price per the Company's share to be paid upon exercising the option ("exercise price") must not exceed or fall below, by more than ten per cent (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 must not significantly

exceed and the option premium collection for put options must 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.

When using derivatives, treasury shares amounting to no more than 5 per cent (5%) of the registered share capital existing at the time the relevant resolution is adopted by the Annual General Meeting may be acquired. The lifetime of the options 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 18 May 2015. 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 Management Board shall be authorised to use the shares acquired under this authorisation as follows:

- a. They may be sold via the stock exchange, or by tendering an offer to all shareholders.
- b. The Management Board shall be authorised to effect the sale of any treasury shares acquired in accordance with this 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 ten per cent (10%) of the registered 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 ten per cent (10%) 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' subscription rights), which were (or may be) issued during the validity of this authorisation.

- c. Subject to approval by the Supervisory Board, the shares purchased may also be sold outside the stock exchange for payment in kind without having to offer them to all shareholders in proportion to their holdings in the Company if this is done for the purpose of acquiring companies or parts thereof or shareholdings in companies or in connection with business combinations.
- d. 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.
- e. 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.

- f. 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 Company's issued share capital remain unchanged upon 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 b. to e., 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, its direct or indirect subsidiaries or by third parties for the Company's or its subsidiaries' account. Any shares acquired together with other treasury shares acquired and still held by the Company, or to be attributed to the Company pursuant to sections 71a et seq. of the AktG, must not exceed 10 per cent (10%) of the Company's registered share capital at any given time.

#### **8. Passing of a resolution on the cancellation of the existing Authorised Capital and creation of new Authorised Capital, and on the amendment of Article 5 (4) of the Company's Memorandum and Articles of Association and the revocation of Article 5 (6) of the Memorandum and Articles of Association**

The term of the Authorised Capital originally approved in the amount of € 58,300,000 by the 2005 Annual General Meeting, which has been partially utilised and is still outstanding in the amount of € 46,639,504, will expire on 14 June 2010 (Article 5 (4) of the Memorandum and Articles of Association). Furthermore, the Authorised Capital approved by the 2008 Annual General Meeting in the amount of € 12,826,545 is still outstanding and will expire on 20 May 2013 (Article 5 (6) of the Memorandum and Articles of Association). It is proposed that the existing Authorised Capital be cancelled and replaced by new Authorised Capital in the amount of € 64,132,500, with said authorisation to expire on 18 May 2015. The new Authorised Capital shall be approved for the statutory maximum period of five (5) years, falling slightly short of the statutory upper limit and having essentially the same terms and conditions as the existing Authorised Capital. In line with the existing Authorised Capital, the new Authorised Capital is to be used for capital increases against contributions in cash or in kind, i.e. for the acquisition of equity investments in particular. It is proposed that any exclusion of shareholders' subscription rights, in the event of said authorisation being exercised, be restricted to a total of 20 per cent (20%) of the Company's registered share capital.

The Management and Supervisory Boards propose the following resolution:

1. That the Authorised Capital approved by the Annual General Meeting of 15 June 2005 under agenda item No. 5 and by the Annual General Meeting of 21 May 2008 under agenda item No. 6 (Article 5 (4) and (6) of the Memorandum and Articles of Association) be cancelled upon the amendment of Article 5 (4) of the Memorandum and Articles of Association, which is hereinafter adopted under No. 4, being entered into the Commercial Register.
2. That the Management Board be authorised to increase, on one or more occasions, the Company's

registered share capital by up to a maximum total amount of € 64,132,500 (Authorised Capital) via the issuance of new bearer shares for contribution in cash or in kind, subject to the approval of the Supervisory Board; this authority will expire on 18 May 2015.

The shareholders shall be granted a subscription right in the event of a capital increase against cash contributions. 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, subject to approval by the Supervisory Board, the Management Board may exclude shareholders' subscription rights in the following cases:

- a) in the event of a capital increase against cash contributions, provided that the issue price of the new shares is not significantly below the prevailing stock exchange price of the Company's listed shares at the time of the final determination of the issue price. 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 ten per cent (10%) of the registered 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 ten per cent (10%) 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' subscription rights), which were (or may be) issued during the validity of this authorisation;
- b. for fractional amounts arising from the determination of the applicable subscription ratio;
- c. where this is necessary to grant subscription rights to the holders of bonds with warrants or convertible bonds issued (or to be issued)

by the Company or its affiliated companies, which subscription rights are required to entitle these holders to the same extent as they would have been entitled to upon exercising their conversion or option rights or upon performance of a conversion obligation, if any, thus protecting such holders against dilution;

- d. up to an amount of € 4,000,000 in order to offer employees (of the Company or its affiliated companies) shares for subscription.

In the event of a capital increase against contributions in kind, the Management Board is authorised to exclude shareholders' subscription rights, subject to the approval by the Supervisory Board.

When exercising this authorisation, the Management Board will restrict the exclusion of shareholders' pre-emptive rights to a total of 20% of the Company's registered share capital. Accordingly, the aggregate exclusion of shareholders' subscription rights upon exercise of this authorisation must not exceed 20 per cent (20%) of the registered share capital at the time said authorisation comes into effect or is exercised.

3. That the Management Board be authorised to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval.
4. That Article 5 (4) of the Memorandum and Articles of Association be amended to read as follows:

"The Management Board is authorised to increase, on one or more occasions, the Company's registered share capital by up to a maximum total amount of € 64,132,500 (Authorised Capital) via the issuance of new bearer shares for contribution in cash or in kind, subject to the approval of the Supervisory Board; this authority will expire on 18 May 2015.

The shareholders shall be granted a subscription right in the event of a capital increase against cash contributions. The new shares may also be subscribed by one or more banks, subject to the obligation of offering them to the shareholders for subscription (so-called "indirect subscription right"). However, subject to the approval of the Supervisory

Board, the Management Board may exclude shareholders' subscription rights in the following cases:

- a) In the event of a capital increase against cash contributions, provided that the issue price of the new shares is not significantly below the prevailing stock exchange price of the Company's listed shares at the time of the final determination of the issue price. 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 ten per cent (10%) of the registered share capital at the time said authorisation comes into effect or is exercised. Any shares that were issued or sold during the term of, 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 aforementioned threshold of ten per cent (10%) 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' subscription rights), which are issued during the validity of this authorisation;
- b. for fractional amounts arising from the determination of the applicable subscription ratio;
- c. where this is necessary to grant subscription rights to the holders of bonds with warrants or convertible bonds issued (or to be issued) by the Company or its affiliated companies, which subscription rights are required to entitle these holders to the same extent as they would have been entitled to upon exercising their conversion or option rights or upon performance of a conversion obligation, if any, thus protecting such holders against dilution;
- d. up to an amount of € 4,000,000 in order to offer employees (of the Company or its affiliated companies) shares for subscription.

Subject to the approval of the Supervisory Board, the Management Board may exclude shareholders' subscription rights in the event of a capital increase against contributions in kind.

When exercising this authorisation, the Management Board will restrict the exclusion of shareholders' pre-emptive rights to a total of 20% of the Company's registered share capital. Accordingly, the aggregate exclusion of shareholders' subscription rights upon exercise of this authorisation must not exceed 20 per cent (20%) of the registered share capital at the time said authorisation comes into effect or is exercised.

The Management Board is authorised to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval."

5. Article 5 (6) of the Memorandum and Articles of Association is hereby revoked. The paragraphs (7) and (8) following thereafter shall become paragraphs (6) and (7).
6. The Management Board is hereby directed to submit this resolution for registration in the Commercial Register in such a way as to ensure that the cancellation of the capital specified in Article 5 (4) and (6) of the Memorandum and Articles of Association (as approved by the Annual General Meetings of 2005 and 2008), which was resolved under No. 1, does not enter into effect without said capital having been replaced by the new Authorised Capital resolved under No. 4.

**9. Passing of a resolution on the authorisation of the Management Board to issue convertible bonds and/or bonds cum warrants, on the creation of new Conditional Capital and on the amendment of Article 5 (5) of the Company's Memorandum and Articles of Association**

The authorisation resolved by the Annual General Meeting on 21 May 2008 for the issuance of convertible bonds and/or bonds cum warrants contains provisions regarding the determination of the conversion or option price that were included in view of the case law of some trial and appellate courts, leaving the Company very little scope for structuring

debt securities. As both the legislator and the rulings of the German Federal Supreme Court (Bundesgerichtshof) have now clarified that the statutory provisions allow for a greater scope for companies, the authorisation granted by the Annual General Meeting of 21 May 2008 is to be replaced by a new authorisation for the issuance of convertible bonds and/or bonds cum warrants that is based on the current legal framework and provides the Company with greater scope to efficiently use the funding opportunities available on the capital market. As no convertible bonds and/or bonds cum warrants were issued under the authorisation granted by the Annual General Meeting on 21 May 2008, the Conditional Capital 2008 provided for in Article 5(5) of the Memorandum and Articles of Association is no longer required and is to be replaced by new Conditional Capital 2010.

The Management and Supervisory Boards propose the following resolution:

1. That the authorisation granted by the Annual General Meeting of 21 May 2008 for the issuance of convertible bonds and/or bonds cum warrants, as well as the Conditional Capital 2008 of € 30,000,000 (Article 5 (5) of the Memorandum and Articles of Association) be revoked once the amendment of Article 5 (5) of the Memorandum and Articles of Association proposed under No. 4 below has entered into effect by way of entry into the Commercial Register.
2. That the Management Board be authorised, subject to the approval of the Supervisory Board, to issue by 18 May 2015, on one or more occasions, bearer and/or registered convertible bonds and/or bonds cum warrants, or combinations thereof, (collectively the "Bonds") having a total nominal amount not exceeding € 600,000,000, with or without fixed term to maturity, and to confer upon the holders or creditors of Bonds conversion and/or option rights to notional no-par value bearer shares ("bearer unit shares" – Inhaber-Stückaktien) of the Company, equivalent to a share in the registered share capital of up to € 30,000,000, in accordance with the terms and conditions governing such convertible bonds or bonds cum warrants. The Bonds may be issued for cash or contribution in kind.

The Bonds may be issued in euro as well as in any other currency – in the corresponding equivalent amount – which is the legal tender of, for example, an OECD member state. They may also be issued by direct or indirect majority-owned subsidiaries of the Company; in such cases, the Management Board shall be authorised to guarantee, subject to the approval of the Supervisory Board, the issue of the Bonds and to grant to the holders of any such Bonds option or conversion rights to new bearer unit shares of the Company, or to establish corresponding conversion obligations.

The bond issues may be divided into pari-passu tranches having equal rights.

Where bonds cum warrants are issued, one or more warrant(s) shall be attached to each tranche. These warrants shall entitle the holder to subscribe new bearer unit shares of the Company in accordance with the options terms yet to be established by the Management Board. The lifetime of the option rights may not exceed the term of the respective bond cum warrants. Finally, provisions may be made for the combination of fractional shares and/or a related cash settlement.

Where convertible bonds are issued, the holders of the respective tranches shall be entitled to convert their tranche into new bearer unit shares of the Company in accordance with the convertible bond terms to be determined by the Management Board. The exchange ratio shall be based on the division of the nominal value of a tranche by the fixed conversion price of one new bearer unit share of the Company. Where the issue price falls below the nominal value, the exchange ratio may also be ascertained by dividing the issue price of a tranche by the fixed conversion price of one new bearer unit share of the Company. The exchange ratio may be rounded up or down to an integer; an additional cash contribution may also be required. Finally, provisions may be made for the combination of fractional shares and/or a related cash settlement. The proportion of equity capital attributed to each individual share to be issued upon conversion may not exceed the nominal value of the tranche, or the issue price of a tranche (if said issue price falls below the nominal value). Moreover, the terms and conditions for conversion



may create a conversion obligation at the end of the lifetime of the option right or earlier (in each case "final maturity").

The terms and conditions governing convertible bonds or bonds cum warrants may determine that the Company's treasury shares can also be granted in the event of conversion, or when option rights are exercised. Furthermore, the terms and conditions may provide that the Company pays the equivalent value in monetary funds, rather than granting shares in the Company to conversion or option beneficiaries. Moreover, the option and/or convertible bond terms may also allow for a certain degree of variability in terms of the number of shares to be subscribed upon exercise of the option and/or conversion rights or upon performance of conversion obligations, and the ability to change the option and/or conversion price, during the term, within the range to be determined by the Management Board, depending on the development of the share price or as a result of applicable provisions for the protection against dilution.

The terms and conditions governing convertible bonds or bonds cum warrants may provide for the right on the part of the Company to substitute the cash payment due, in whole or in part, by the granting of new shares of the Company, or treasury shares, to the bond creditors ("right to substitute"). Such shares will be credited at the value that corresponds, in accordance with the bond terms, to the arithmetic mean (rounded up to full cents) of the closing auction price for the Company's shares in Xetra trading (or a comparable successor system) on the ten consecutive market trading days of the Frankfurt/Main stock exchange prior to the conversion or option right being exercised, or prior to final maturity.

The specific conversion and/or option price to be set for a bearer unit share of the Company will be determined in euros and must be – even where the exchange ratio/conversion or option price is variable – no less than 80% of the average closing auction price of the Company shares in trading on Xetra (or any other successor system) during the ten trading days of the Frankfurt/Main Stock Exchange prior to the day on which the Management Board passes a resolution on the issue of con-

vertible bonds and/or bonds cum warrants, or no less than 80% of the average closing auction price of the Company's share in trading on Xetra (or any other successor system) during the days on which the relevant subscription rights are traded at the Frankfurt Stock Exchange (with the exception of the last two days of trading in subscription rights).

Notwithstanding the provision of section 9 (1) of the AktG, in accordance with a dilution protection clause to be contained in the applicable convertible bond and/or option terms, the conversion and/or option price or the option and/or conversion ratio may be reduced or adjusted, upon exercise of the conversion right or performance of the conversion obligation, by payment of the respective cash amount or by reduction of the additional contribution if the Company increases its registered share capital during the conversion or option period, while at the same time granting its shareholders a subscription right, or issues additional convertible bonds and/or bonds cum warrants, or grants any other option rights, but does not grant subscription rights to the existing holders of convertible bonds and/or bonds cum warrants to which these holders would be entitled upon exercising their conversion and/or option rights. In so far as this is 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). In addition, with regard to capital reductions, share splits, special dividends or other measures that may have a dilutive effect on the value of the conversion and/or option rights, the terms and conditions governing conversion or option rights may also provide for a value-securing adjustment of the conversion and/or option rights or the conversion and/or option ratio. In any case, the proportion of registered share capital attributed to each share to be subscribed per tranche may not exceed the nominal value per each tranche.

In principle, the shareholders are entitled to a subscription right. The Bonds 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, the Management Board shall be authorised to exclude shareholders' subscription rights, subject to the Supervisory Board's approval, if the issue

price does not fall significantly below the theoretical market price of the Bonds determined in accordance with recognised mathematical valuation methods. This authorisation for exclusion of subscription rights shall apply to the extent that convertible bonds and/or bonds cum warrants, in analogous application of section 186 (3) sentence 4 of the AktG, are issued subject to the exclusion of subscription rights, but only insofar as the shares issued (or to be issued) to service the conversion and/or option rights do not exceed ten per cent (10%) of the registered share capital at the time said authorisation comes into effect or is exercised. Any shares that were issued or sold during the term of, 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 aforementioned threshold of ten per cent (10%) 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' subscription rights), which were (or may be) issued during the validity of this authorisation.

Moreover, the Management Board shall be authorised to exclude, subject to the Supervisory Board's approval, shareholders' subscription rights with respect to fractional amounts and to also exclude subscription rights, subject to the Supervisory Board's approval, to the extent that this is necessary to grant subscription rights to the holders of conversion or option rights to bearer unit shares of the Company to the same extent as they would have been entitled upon exercising their conversion or option rights or upon performance of conversion obligations.

Furthermore, the Management Board shall be authorised to exclude shareholders' subscription rights, subject to the Supervisory Board's approval, where Bonds are issued for contribution in kind and provided that the value of the contribution in kind is commensurate with the theoretical market price of the Bonds determined in accordance with recognised mathematical valuation methods.

The Management Board shall be authorised, subject to the Supervisory Board's approval, to deter-

mine any further specifications with regard to said issue and its features (including, but not limited to, interest rates, type of return, issue price, conversion or option price, lifetime, denomination, conversion and/or option period, requirement of an additional cash contribution, compensation or consolidation of fractional amounts, cash payment in lieu of delivery of bearer unit shares and delivery of existing bearer unit shares in lieu of issuance of new bearer unit shares) or to agree on these specifications with the executive bodies of the issuing subsidiaries that are, either directly or indirectly, majority-owned by the Company.

3. That the Company's registered share capital be subject to a conditional capital increase not exceeding € 30,000,000 by issuance of up to 10,000,000 new bearer unit shares ("Conditional Capital 2010"). The purpose of the conditional capital increase is the granting of shares to holders or creditors of convertible bonds and/or bonds cum warrants issued in accordance with the above authorisation. The issuance of new bearer shares may only be effected at a conversion and/or option price that corresponds to the specifications under No. 2. The conditional capital increase may only be executed to the extent that holders of conversion or option rights exercise such rights or any conversion obligations from such convertible bonds and/or bonds with warrants are performed or the Company exercises its right to substitute, and to the extent that no cash settlement is granted and no treasury shares are utilised to service such convertible bonds and/or bonds with warrants. The new shares will 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 or option rights or the performance of conversion obligations. The Management Board shall be authorised to determine the details of the conditional capital increase.
4. That Article 5 (5) of the Memorandum and Articles of Association be amended to read as follows:

"The registered share capital is subject to a conditional capital increase not exceeding € 30,000,000 by issuance of up to 10,000,000 new bearer unit shares ("Conditional Capital 2010"). The conditional capital increase shall only be executed to the ex-

tent (i) that the holders or creditors of conversion rights or warrants that are attached to the convertible bonds and/or bonds cum warrants issued by the Company or one of its direct or indirect subsidiaries in accordance with the authorisation resolution of the Annual General Meeting held on 19 May 2010 by 18 May 2015 exercise their conversion or option rights, or (ii) that any holders or creditors who are required to convert their convertible bonds issued by the Company or one of its direct or indirect subsidiaries in accordance with the authorisation resolution of the Annual General Meeting held on 19 May 2010 by 18 May 2015 perform their conversion obligation, or (iii) that the Company exercises its right to substitute; in cases (i) and (ii) only with the proviso that no cash settlement is granted and no treasury shares are used for servicing. The new shares will 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 or option rights or the performance of conversion obligations. The Management Board is authorised to determine the details of the conditional capital increase."

## 10. New elections to the Supervisory Board

The Management Board of Aareal Bank AG and the Executive Board of Aareal Bank France S.A. agreed upon a Joint Merger Plan on 16 December 2009 for the cross-border merging of Aareal Bank France S.A. into Aareal Bank AG. As part of this cross-border merger, on 18 February 2010, the executive bodies of both Companies entered, with the Special Negotiation Committee (a European employee representation body elected in accordance with the provisions of the German Act on the Co-Determination of Employees in Cross-Border Mergers ("MgVG")), into an agreement regarding the participation of Aareal Bank Group employees in the Supervisory Board of Aareal Bank AG. This agreement has now replaced the Co-Determination Act 2004 (Dritteltbeteiligungsgesetz) as the legal basis for employee participation on the Supervisory Board of Aareal Bank AG, inter alia with regard to the determination of the number of employee representatives on the Supervisory Board and the procedure followed for their election. Pursuant to its clause 14, this agreement will come into force upon the merger being entered into the Commercial Register of Aareal Bank AG. The Management Board of Aareal Bank AG

expects that the merger will be registered prior to the Annual General Meeting on 19 May 2010 and that the composition of Aareal Bank AG's Supervisory Board will, as from the time the merger has been entered into the Commercial Register, no longer be in line with applicable law. The Management Board therefore initiated status proceedings (Statusverfahren) under section 97 (1) of the AktG on 26 February 2010 and announced, by publication of a notice in the electronic Federal Gazette (Bundesanzeiger) and notice boards in the individual companies that, in future, the composition of the Company's Supervisory Board will be in accordance with the provisions of the Co-Determination Agreement. No application for a judicial decision on the future composition of the Supervisory Board pursuant to section 98 of the AktG, challenging the Management Board's announcement, has been filed within the one-month filing period under section 97 (2) sentence 1 of the AktG.

This means that the Supervisory Board's composition must comply with the provisions of the Co-Determination Agreement, dated 18 February 2010, entered into in accordance with the MgVG. 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 term of office of the current employee and shareholder representatives on the Supervisory Board will end by operation of law (section 97 (2) sentences 2 and 3 of the AktG) upon the close of the Annual General Meeting on 19 May 2010, as the first General Meeting within the meaning of section 97 (2) sentence 2 of the AktG having been convened following expiry of the judicial application period under section 97 (2) sentence 1 of the AktG, which marks the conclusion of the status proceedings.

The employee representatives that will sit on the first Supervisory Board whose composition must comply with the provisions of the Co-Determination Agreement were already appointed under clause 9 of the Co-Determination Agreement. The shareholder representatives will be elected at the Annual General Meeting, with the Meeting not being bound by nominations.

It is planned to carry out the election of the new shareholder representatives on the Supervisory Board on an individual basis, as provided by the German Corporate Governance Code.

The Supervisory Board proposes that the following persons be elected as new members to the Supervisory Board for a period until the close of the Annual General Meeting that resolves on the formal approval for the 2014 financial year:

- a) Christian Graf von Bassewitz, qualified business manager (Diplom-Kaufmann), Dusseldorf
- b) Mr Erwin Flieger, insurance broker, Geretsried
- c) Mr Manfred Behrens, lawyer, Hanover
- d) Dr Herbert Lohneiß, physicist, Gräfelting
- e) Mr Joachim Neupel, qualified business manager (Diplom-Kaufmann), Meerbusch
- f) Mr Hans W. Reich, bank officer, Kronberg
- g) Professor Dr Stephan Schüller, qualified business manager (Diplom Kaufmann), Hamburg
- h) Mr Wolf R. Thiel, jurist, Stutensee

The Supervisory Board's nominations are in concordance with the statutory requirements as per section 100 (5) of the AktG. Mr Neupel is independent and possesses in his capacity as tax accountant and financial auditor the requisite expertise in the areas of accounting or auditing.

It is intended that Mr Hans W. Reich be elected Chairman of the Supervisory Board if the persons nominated are elected.

#### **Supplementary information pursuant to section 125 (1) sentence 5 of the AktG**

The following persons nominated for election to the Supervisory Board as share-holder representatives under agenda item 10 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:

#### **Christian Graf von Bassewitz**

- a) Balance Vermittlungs- und Beteiligungs-AG, Bank für Sozialwirtschaft Aktiengesellschaft, Deutscher Ring Krankenversicherungsverein a.G., OVB Holding AG, SIGNAL IDUNA Holding Aktiengesellschaft, SIGNAL IDUNA Allgemeine Versicherung Aktiengesellschaft, Societaet CHORVS AG

#### **Mr Erwin Flieger**

- a) Bayerische Beamten Lebensversicherung a.G., Bayerische Beamten Versicherung AG, BBV Holding AG, DePfa Holding Verwaltungsgesellschaft mbH, Neue Bayerische Beamten Lebensversicherung AG, MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH

#### **Dr Herbert Lohneiß**

- a) UBS Global Asset Management (Deutschland) GmbH

#### **Mr Hans W. Reich**

- a) Citigroup Global Markets Deutschland AG & Co. KGaA, HUK-COBURG Haftpflicht Unterstützungskasse kraftfahrender Beamter Deutschlands a. G. in Coburg, HUK-COBURG-Holding AG, Thyssen-Krupp Steel AG

- b) Chairman Public Sector Group, Citigroup

#### **Professor Dr Stefan Schüller**

- a) DePfa Holding Verwaltungsgesellschaft mbH, hanse chemie AG, NANORE-SINS AG, Universal-Investment-Gesellschaft mbH

#### **Mr Wolf R. Thiel**

- a) DePfa Holding Verwaltungsgesellschaft mbH

### **11. Approval of the system for the remuneration of members of the Management Board**

The German Act on the Appropriateness of Management Board Compensation (VorstAG), which came into force on 5 August 2009, introduced an amendment to section 120 (4) of the AktG that provides for the approval of the remuneration of the members of the Management Board by the Annual General Meeting. It is intended to make use of this option.

The resolutions to be adopted under this agenda item relate to Aareal Bank's current remuneration system,

which also formed the basis for the determination of the Management Board remuneration for the 2009 financial year. The remuneration system for the members of the Management Board is described in the remuneration report published on the Company's website <http://www.aareal-bank.com>.

The Management and Supervisory Boards propose that the current system for the remuneration of the Management Board members be approved.

## **12. Amendments to the Memorandum and Articles of Association to adapt these to the German Act Implementing the Shareholder Rights Directive ("ARUG")**

On 1 September 2009, the German Act Implementing the Shareholder Rights Directive ("ARUG"), which amended several provisions of the German Stock Corporation Act ("AktG") that are relevant for the preparation and performance of General Meetings, entered into force. This applies, inter alia, to the calculation of time limits that are of relevance for general meetings and the requirements for voting proxies. Some provisions of the Memorandum and Articles of Association have already been adjusted to the then available draft of the ARUG by way of resolutions passed by the Annual General Meeting of 7 May 2009. Following the coming into force of the ARUG, the further amendments as described below are to be adopted.

### **a. Amendment to Article 15 (1) (Deadline for Convening the General Meeting)**

The Management and Supervisory Boards propose that section 15 (1) of the Company's Memorandum and Articles of Association be amended as follows:

"(1) The General Meeting shall be convened no later than 36 days prior to the day of the meeting. The day of convocation shall not be included in the calculation of this deadline."

### **b. Amendment to Article 16 (2) (Authorisation of Voting Proxies)**

The Management and Supervisory Boards propose that section 16 (2) of the Company's Memorandum and Articles of Association be amended as follows:

"(2) Voting rights may be exercised by proxy. The granting of a voting proxy, its revocation and the submission of proof thereto vis-à-vis the Company require text form, unless the law provides otherwise. Section 135 of the AktG shall remain unaffected."

**Report of the Management Board to the Annual General Meeting regarding the authorisation to exclude of pre-emptive subscription rights proposed under agenda item No. 7 in accordance with section 71 (1) sentence 2 in conjunction with section 186 (4) sentence 5 of the AktG**

The Management Board has submitted a written report regarding agenda item No. 7 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' 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. This report is hereby disclosed as follows:

The purpose of the proposed authorisation is to enable the Company to acquire treasury shares in accordance with section 71 (1) No. 8 of the AktG, as was the case last year. As a rule, this would enable the Company to purchase treasury shares up to the equivalent of ten per cent (10%) of its registered share capital, up until and including 18 May 2015 (i.e. up to the maximum five years permitted by law), for purposes other than securities trading. 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 ten per cent (10%) of its registered share capital, including the authorisation to purchase treasury shares for securities trading purposes, as proposed under agenda item No. 6 (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 pro-rata 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 offering price per share nor the threshold values of the purchase price range may exceed or fall below, by more than ten per cent (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 the 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. This option, which is already part of the commercial practice of many DAX companies, would expand 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 sell 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 18 May 2015. This would ensure 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 per cent (5%) of the Company's registered share capital existing at the time the relevant resolution is adopted by the Annual General Meeting.

The Company grants the purchaser of a put option the right to sell Company shares at a pre-determined price (exercise price) to the Company. 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 and the volatility of the Company's share price. If and when 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. The exercise of 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, inter alia, 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 must not exceed or fall below, by more than ten per cent (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 must not significantly exceed, and the option premium collection for put options must 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 said market price.

The way that the proposed authorisation is set out would preclude financial prejudice to shareholders if the Company repurchases treasury shares using equity derivatives. By determining exercise price and option premium as 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, it is ensured 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 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 smaller 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 No. 7 or under an earlier authorisation may be used as follows:

The shares acquired may either be called in, resulting in a reduction of registered 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.

Agenda item No. 7 contains an additional proposal to authorise the Management Board to effect the sale of any treasury shares acquired in accordance with the authorisation pursuant to 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 a maximum not exceeding five per cent (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 must not exceed ten per cent (10%) of the registered 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 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, or on the basis of resolutions passed by a 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 issued pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' subscription rights), which are issued during the validity of the pro-

posed authorisation. This ensures that no treasury shares are sold (excluding shareholders' sub-subscription rights) in accordance with section 186 (3) sentence 4 of the AktG where this could result in shareholders' subscription rights being excluded for a total of more than ten per cent (10%) of the registered share capital in direct or analogous application of section 186 (3) sentence 4 of the AktG for no specific justifiable reason. This further limitation 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. Amongst other things, this will provide the Company with an opportunity to offer shares to institutional investors or domestic and international investors 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. Moreover, shareholders have the option of maintaining the level of their shareholding in the Company by purchasing shares on the stock exchange.

In addition, 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' preemptive 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 con-



sideration; 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 proposed that the Company continue to be authorised to use any treasury shares it has acquired to satisfy the rights of holders of convertible bonds and/or bonds cum 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' pre-emptive 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 any material dilution of their shareholdings. The

shareholders' financial interests will be safeguarded by the obligation to ensure best possible realisation.

As long as the Bank avails itself of a recapitalisation measure under section 7 of the German Financial Markets Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz – "FMStFG"), the Management Board will only utilise these authorisations after consultation with the German Financial Markets Stabilisation Fund.

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 above-mentioned 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. 7 on the reasons for the authorisations provided thereunder for the exclusion of shareholders' subscription rights will be available for shareholders at the Company's offices (Paulinenstrasse 15, 65189 Wiesbaden) from the day on which the Annual General Meeting is called. The report will also be available 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 on <http://www.aareal-bank.com>

**Report of the Management Board to the Annual General Meeting regarding the authorisation and to exclude of pre-emptive rights proposed under agenda item No. 8 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. 8 on the reasons for the exclusion of subscription rights and the proposed issue price. This report is hereby disclosed as follows:

At present, Aareal Bank AG has two types of authorised capital. Firstly, pursuant to Article 5(4) of the Memorandum and Articles of Association, the Management Board is authorised to increase the Company's registered share capital, on one or more occasions, by up to € 46,639,504 via the issuance of new bearer shares for contribution in cash or in kind, subject to the approval of the Supervisory Board; this authority will expire on 14 June 2010. Secondly, the General Meeting held on 21 May 2008 authorised the Management Board to increase the Company's registered share capital by a nominal amount of up to € 12,826,545 (section 5(6) of the Memorandum and Articles of Association), with this authorisation expiring on 20 May 2013. This authorisation has not yet been utilised. It is intended that both authorisations be replaced by a new authorisation covering an amount of € 64,132,500 ("Authorised Capital 2010").

The Supervisory and Management Boards propose to the Annual General Meeting that additional new Authorised Capital of one single category be created, having essentially the same terms and conditions as the existing types of Authorised Capital. As with the previous authorisations, the new 2010 Authorised Capital shall be used for capital increases against contributions in cash or in kind.

In the case of a utilisation of the new Authorised Capital 2010 against cash contributions, 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, subscription rights may be excluded where this is in the interest of the Company.

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 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 rights. This enables the management to take advantage of favourable opportunities on the stock market whenever they arise and to react quickly to price developments on the market, thereby achieving a high issue price and thus the optimisation of own funds. 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. 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, or on the basis of resolutions passed by a 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 issued pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' subscription rights), which are issued during the validity of this authorisation. This ensures that no treasury shares are sold (excluding shareholders' subscription rights) in accordance with section 186 (3) sentence 4 of the AktG where this could result in shareholders' subscription rights being excluded for a total of more than ten per cent (10%) of the registered share capital in direct or analogous application of section 186 (3) sentence 4 of the AktG for no specific justifiable reason. 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 for the exclusion of shareholders' subscription rights, in the event of a capital increase against cash contributions, for fractional amounts (again, subject to approval by the Supervisory Board). 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' pre-emptive 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 bonds 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 bonds, 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.

Finally, the proposed authorisation allows for the potential exclusion of shareholders' subscription rights in the event of capital increases against contributions in kind. Aareal Bank AG is exposed to competition on a global scale. The bank must be able, at all times, to act quickly and flexibly on both the national and international markets in the best interest of its shareholders. This includes the ability to acquire enterprises, parts thereof or participating interests at short notice, in order to boost the bank's competitive position. More than ever, the acquisition of enterprises (or parts thereof) concerns larger entities, where the consideration payable may be very large indeed. Granting the Company's shares as consideration may be in its best interests for the purpose of maintaining an optimum financing mix, in order to avoid tying up liquidity or to match the taxation framework in certain countries. The authorisation to issue shares against contributions in kind, as proposed within the scope of the new Authorised Capital 2010, is in line with the authorisation under the existing types of Authorised Capital. Its purpose is to enable Aareal Bank AG, subject to approval by the Supervisory Board, to offer the Company's shares in order to settle contractual or statutory claims arising from the acquisition of enterprises, or parts thereof, without having to tap into the

stock market. The option of using the Company's shares as an "acquisition currency" provides the Company with an edge in the competition for attractive acquisition targets. 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 and Supervisory Boards will carefully examine in each individual case whether the exclusion of subscription rights is in the interest of the Company.

When exercising this authorisation, the Management Board will restrict the exclusion of shareholders' preemptive rights to a total of 20% of the Company's registered share capital. Accordingly, the aggregate exclusion of shareholders' subscription rights upon exercise of this authorisation must not exceed 20 per cent (20%) of the registered share capital at the time said authorisation comes into effect or is exercised.

The proposed term of the 2010 Authorised Capital (until 18 May 2015) is in accordance with the limitations prescribed by applicable law.

Where these authorisations are utilised, the Management Board will report on this at the next General Meeting.

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 shareholders at the Company's offices (Paulinenstrasse 15, 65189 Wiesbaden) from the day on which the Annual General Meeting is called. The report will also be available 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 on <http://www.aareal-bank.com>

### **Report of the Management Board to the Annual General Meeting regarding the authorisation and to exclude of preemptive rights proposed under agenda item No. 9 in accordance with section 221 (4) sentence 2 in conjunction with section 186 (4) sentence 2 of the AktG**

We propose to the Annual General Meeting that a new authorisation be granted and that new Conditional Capital 2010 be created for the issue of convertible bonds and/or bonds cum warrants. It is proposed that the existing authorisation, which will expire on 20 May 2013, and the existing Conditional Capital 2008 be revoked.

The proposal for resolution on a new authorisation provides that the Management Board be authorised to issue by 18 May 2015, on one or more occasions, bearer and/or registered convertible bonds and/or bonds cum warrants, or combinations thereof, (collectively the "Bonds") having a total nominal amount not exceeding € 600,000,000, with or without fixed term to maturity, and to confer upon the holders or creditors of such Bonds conversion and/or option rights to bearer unit shares of the Company, equivalent to a share in the registered share capital of up to € 30,000,000, in accordance with the terms and conditions governing such convertible bonds or bonds cum warrants.

Sufficient capital resources are a basic requirement for the development of the Company. Along with the traditional methods of raising equity and borrowing, the issuance of convertible bonds and/or bonds cum warrants (or combinations of these instruments) can provide the Company, depending on the market situation, with opportunities of utilising attractive financing alternatives in the capital market, thereby setting the course for the future development of the Company's business. The Management Board believes that it is in the Company's best interest to also have these financing options available to it in the future. However, the intention is to reasonably limit the level from the onset at an aggregate nominal amount of up to € 600,000,000 for convertible bonds and an entitlement for the subscription of up to 10 million unit bearer shares of the Company. The Bonds may also be issued for contribution in kind.

The issuance of convertible bonds and/or bonds cum warrants enables the raising of capital at attractive terms. Such issuance also facilitates the raising of external funds which, depending on the actual terms of issue, may be classified as equity capital or quasi-equity capital, both for rating and balance sheet purposes. The conversion and/or option premiums generated as well as the inclusion in equity will benefit the Company's capital basis, thereby facilitating the use of favourable financing opportunities. Furthermore, the plan to also establish conversion obligations in addition to granting conversion and/or option rights will provide the Company with more scope for structuring this financing instrument. The authorisation will also provide the Company with the necessary flexibility to either place the Bonds itself or via direct or indirect subsidiaries majority-owned by the Company. As an alternative to the issuance in euro, the Bonds may also be issued in other currencies, such as the legal tender of an OECD member state, with or without a limited term.

In order to increase flexibility, the bond terms may also provide that the Company pays the equivalent value in monetary funds, rather than granting shares in the Company to conversion or option beneficiaries. Furthermore, the terms and conditions governing convertible bonds or bonds cum warrants may provide for the right on the part of the Company to substitute the cash payment due, in whole or in part, by the granting of new shares or treasury shares of the Company to the Bond creditors ("right to substitute"). Such shares would then be credited at the value that corresponds, in accordance with the bond terms, to the arithmetic mean (rounded up) of the closing auction price for the Company's shares in Xetra trading (or a comparable successor system) on the ten consecutive market trading days of the Frankfurt/Main stock exchange prior to the conversion or option right being exercised, or prior to final maturity.

Moreover, the option and/or convertible bond terms may also allow for a certain degree of variability in terms of the number of shares to be subscribed upon exercise of the option and/or conversion rights or upon performance of conversion obligations, and the ability to change the option and/or conversion price, during the term, within the range to be determined by the Management Board, depending on the development of the share price or as a result of applicable provisions for the protection against dilution.

With the German Act Implementing the Shareholder Rights Directive ("ARUG"), whose essential parts came into force in September 2009, the legislator clarified that, in the event of a conditional capital increase to back the issuance of convertible bonds and similar instruments, it will be sufficient if the resolution authorising the issuance of such instruments determines a minimum issue price or its calculation basis for the shares to be granted upon conversion or option exercise. In doing so, the legislator has departed from the rulings of some courts who required that any resolution of the general meeting concerning conditional capital should result in a specific conversion or option price, which was contrary to common corporate practice at that time.

In view of the clarification of the legal situation by the ARUG, the authorisation provides that the conversion or option price to be set for a share must – even where the exchange ratio/conversion or option price is variable – be no less than 80% of the average closing auction price of the Company shares in trading on Xetra (or any other successor system) during the ten trading days of the Frankfurt/Main Stock Exchange prior to the day on which the Management Board passes a resolution on the issue of convertible bonds and/or bonds cum warrants, or no less than 80% of the average closing auction price of the Company's share in trading on Xetra (or any other successor system) during the days on which the relevant subscription rights are traded at the Frankfurt Stock Exchange (with the exception of the last two days of trading in subscription rights).

In principle, the shareholders are entitled to a subscription right. However, it is also intended to authorise the Management Board, subject to Supervisory Board approval and in analogous application of Section 186 (3) sentence 4 of the AktG, to exclude any subscription rights to the extent that the issuance of shares due to conversion or option rights, or due to conversion obligations, is limited to ten per cent (10%) of the Company's share capital. This threshold 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, or on the basis of resolutions passed by a 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 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; this ensures that no convertible bonds and/or bonds cum warrants are issued if this could result in shareholders' subscription rights being excluded for a total of more than ten per cent (10%) of the share capital in direct or analogous application of Section 186 (3) sentence 4 of the AktG for no specific justifiable reason. This further limitation is in the interest of shareholders who wish to maintain their stake, to the greatest extent possible, in the event of capital adjustments.

By offering this opportunity to exclude the subscription right, the Company achieves the flexibility to leverage favourable capital market conditions as they arise. This is due to the fact that, in contrast to the issue of debt securities with subscription rights, the issue price can only be determined immediately prior to placement, thereby avoiding a higher risk of price changes for the duration of one subscription period.

In the event of such exclusion of subscription rights, analogous application of section 186(3) sentence 4 AktG requires that the issue price for the Bonds may not be set significantly below the market value. This is intended to protect the shareholdings of existing shareholders from dilution. As a result of the determination of the issue price for the Bonds at a level not significantly below the notional market value, as provided for by the proposed authorisation, the value of a subscription right would virtually equate to zero. To ensure that this requirement for the issuance of Bonds is met, the issue price must not fall significantly below the theoretical market value of the convertible bonds and/or bonds cum warrants ascertained in accordance with recognised mathematical valuation methods. In this way, the protection of shareholders against dilution of their shareholdings is ensured and the shareholders are not suffering any financial disadvantage due to the exclusion of subscription rights. Shareholders who wish to maintain their share in the Company's share capital or purchase Bonds in line with their stake can do so by buying at the stock exchange.

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 sum of the relevant issue volume and the need for a practicable subscription ratio. In these cases, the exclusion of the subscription right facilitates the handling of the capital adjustment. 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, with the approval of the Supervisory Board, the Management Board shall be enabled to exclude shareholders' subscription rights in order to grant subscription rights to holders or creditors of conversion and/or option rights or convertible bonds subject to a conversion obligation to the extent that would be available to them when exercising conversion or option rights or when performing their conversion obligations. Options and conversion terms usually contain clauses that serve to protect the holder or creditor of option or conversion rights against dilution, thereby improving the ability to place these financial instruments on the market. Granting subscription rights to holders of existing option or conversion rights puts the Company in the position of preventing option or conversion prices from being reduced for holders of existing conversion and/or option rights in accordance with the applicable options and conversion terms and conditions in the event of the authorisation being exercised, or that the Company would have to provide other protection against dilution. This ensures that the issue price of the bearer unit shares to be issued upon the exercise of the option or conversion right would be higher. As this would facilitate the placement of the issue, the exclusion of pre-emptive subscription rights safeguards the interests of shareholders in an optimum financial structure of their Company.

Furthermore, the Management Board shall be authorised to exclude shareholders' subscription rights, subject to the Supervisory Board's approval, where Bonds are issued for contribution in kind and provided that the value of the contribution in kind is commensurate with the theoretical market price of the Bonds determined in accordance with recognised mathematical valuation methods. This provides the opportunity of using Bonds as an "acquisition currency" in suitable cases, thereby being able to purchase attractive acquisition targets, with minimum impact on liquidity, as such opportunity presents itself. The Management Board will carefully examine, on a case-by-case basis, whether it will use its authorisation to issue Bonds

against contribution in kind, subject to an exclusion of pre-emptive rights. It will only use this authorisation where this is in the best interest of the Company.

Where these authorisations are utilised, the Management Board will report on this at the next General Meeting.

The proposed Conditional Capital 2010 is intended to service conversion and/or option rights under convertible bonds and/or bonds cum warrants or to perform conversion obligations with regard to shares of the Company, unless treasury shares are used for this purpose, or cash settlement is granted, in accordance with a separate authorisation passed by the General Meeting. In addition, the Conditional Capital 2010 also serves for the issuance of shares where the Company makes use of its right to substitute.

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 will be available for shareholders at the Company's offices (Paulinenstrasse 15, 65189 Wiesbaden) from the day on which the Annual General Meeting is called. The report will also be available 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 on <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 on <http://www.aareal-bank.com> as from the time the Annual General Meeting has been convened.

Any counter-proposals, nominations or requests for amendments by shareholders that are received by the Company will also be made available via 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 19 May 2010. Upon request, these documents will be sent to shareholders, without delay and free of charge.

### **Total number of shares and voting rights**

At the time of convening the Annual General Meeting by publication of a notice in the electronic Federal Gazette, the Company's share capital amounts to 42,755,159 no-par value bearer shares. Each share carries one vote. At the time of convening the Annual General Meeting, the Company does not hold any treasury shares. Therefore, at the time of convocation, the total number of shares and voting rights amounts to 42,755,159 shares.

### **Requirements for attendance at the Annual General Meeting and the exercise of voting rights (with record-date for submission of proof and its legal effects pursuant to section 123 (3) sentence 3 of the AktG)**

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 evidence of the shareholding must be submitted to the Company no later than 12 May 2010 (24:00 hours) at the following address:

**Aareal Bank AG  
c/o Computershare HV-Services AG  
HV-Anmeldung  
Prannerstrasse 8  
80333 Munich, Germany**

**Fax: +49 89 30 90 37 4675  
E-mail: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)**

Registration and evidence of shareholding must be supplied in text form (section 126b of the German Civil Code ("BGB")). Evidence of shareholding must be supplied in either German or English and refer to 28 April 2010 (00:00 hours, the record date for submission of proof).

Only those shareholders who have provided proof 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 the case 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 to the meeting.

The right to attend and the extent of voting rights depend solely on the shareholding in existence 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, attendance and extent of voting rights will be based solely on the shareholding of the relevant shareholder on the record date. This means that the disposal of shares after the record date does not in any way affect the right to attend or the extent of voting rights. The same applies 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 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 proof of shareholding by the Company, admission tickets for the Annual General Meeting will be forwarded to the shareholders. To ensure timely receipt of the admission ticket, shareholders should request them from their custodian bank at their earliest convenience.

### **Voting procedure/voting by proxy**

Shareholders can exercise their vote through an authorised proxy, which may be a financial institution, a shareholders' association or a voting proxy nominated by the Company. However, even when acting through a proxy, shareholders must register their attendance and submit proof of their shareholdings by the prescribed deadline. Where a shareholder appoints more than one proxy, the Company may 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 text form. This requirement does not apply where it is intended to appoint a financial institution, a shareholders' association or another individual or entity specified in section 135 (8) and (10) of the AktG. It should be noted, however, that the individuals or entities 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 financial 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 kind of proxy they require.



The granting of the voting proxy may be effected vis-à-vis the proxy or the Company.

Proof of proxy authorisation may be provided by the proxy handing the proxy document over 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 above registration address. Alternatively, where proof is forwarded electronically, the Company would require the proof of proxy to be e-mailed to [aarealbank-hv2010@computershare.de](mailto:aarealbank-hv2010@computershare.de). The options of transfer are also available where it is intended to grant a proxy to the Company; in this case, separate proof of proxy will not be required. Similarly, the Company may also be notified of the revocation of an existing proxy via one of the above transfer channels. Proof of proxy authorisation granted during the Annual General Meeting may be provided by the shareholder handing the proxy document over at the exit from 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 together 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 <http://www.aareal-bank.com>.

The granting of a proxy is also possible via electronic communications, using the Company's internet-based proxy system. Specific details regarding this proxy system are available for shareholders on the Company's website <http://www.aareal-bank.com>.

For shareholders, who have duly registered, the Company offers the option of being represented by Company representatives bound by the relevant shareholder's instructions. For this purpose, the granting of a voting proxy, its revocation and the submission of proof thereto vis-à-vis the Company also require text 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 obligated to vote in accordance with their instructions; they cannot exercise the voting

right at their discretion. Where the meeting votes on a topic, for which the shareholder did not give express instructions, the voting proxy will abstain from voting. Shareholders who wish to authorise voting proxies appointed by the Company, must forward the proxy forms plus instructions no later than 17 May 2010 (24:00 hours) to the aforementioned registration address, either by regular mail, fax or e-mail, to facilitate ease of organisation.

Authorising the voting proxies appointed by the Company is also possible using the Company's internet-based proxy system, as mentioned above. Specific details on how to authorise the voting proxies appointed by the Company using this proxy system are available for shareholders on the Company's website <http://www.aareal-bank.com>.

Moreover, shareholders who attend the Annual General Meeting but have to leave the meeting prior to voting, will, upon leaving the Annual General Meeting, have the option of authorising a voting proxy appointed by the Company by using another form provided by the Company for this purpose and instruct 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 add up to a 5% share in the registered share capital, or a proportional amount of shares amounting to € 500,000 (rounded down, this equates to 166,667 shares), may request that certain items be included in the agenda and communicated (section 122 (2) of the AktG). Each new item to be added must be accompanied by an explanation or a proposal. In accordance with section 122 (1) sentence 3, (2) in conjunction with section 142 (2) sentence 2 of the AktG, applicants must prove that they have been holders of the relevant shares since 19 February 2010 (00:00).

Said application must be addressed, in writing, to the Management Board of Aareal Bank AG and must be received by the Company no later than 18 April 2010 (24:00 hours) at the following address:

**Aareal Bank AG**  
**For the attention of the Management Board**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**

Amendments to the agenda that require communication (unless they were already communicated at the time of convocation) must be published, without undue delay following receipt of the request, in the electronic Federal Gazette 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 on <http://www.aareal-bank.com>, 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 or Supervisory Board and submit nominations for the election of members to the Supervisory Board and the appointment of external auditors. 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**  
**Corporate Development**  
**Paulinenstrasse 15**  
**65189 Wiesbaden, Germany**

**Fax: +49 611 348 2965**  
**E-mail: [hv2010@aareal-bank.com](mailto:hv2010@aareal-bank.com)**

Any counter-proposals and nominations received by the Company at the aforementioned address by no later than 4 May 2010 (24:00 hours) will be made available on the internet on <http://www.aareal-bank.com>, including the shareholder's name and the rationale behind the application. Any comments or statements by management will be published on the same website.

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

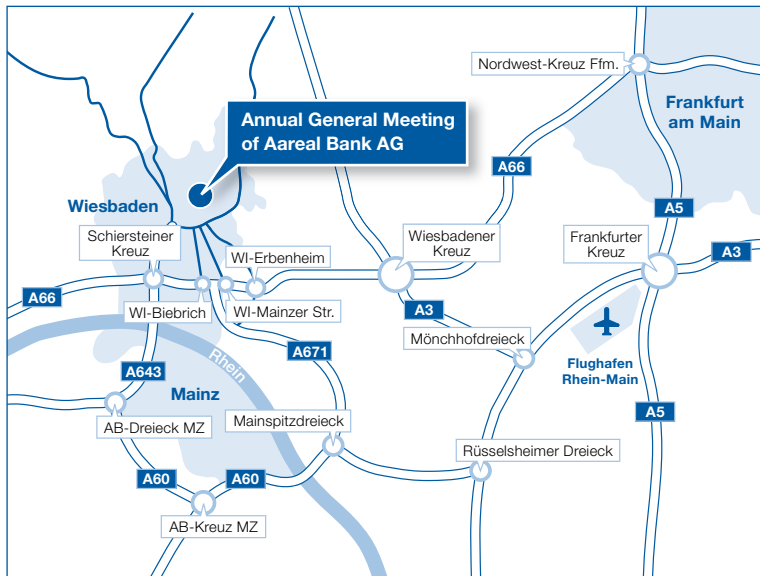
At the Annual General Meeting, every shareholder or shareholder representative may request information from the Management Board regarding the Company's affairs, its legal and business relationships with affiliated companies and the situation of the Group and the companies within the Group's scope of consolidation, provided that such information is necessary to make a reasonable assessment of the relevant agenda item. Disclosure requests at 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, 131 (1) of the AktG can be viewed on the internet on <http://www.aareal-bank.com>.

Aareal Bank AG

The Management Board  
 Wiesbaden, April 2010



### Venue of the Annual General Meeting

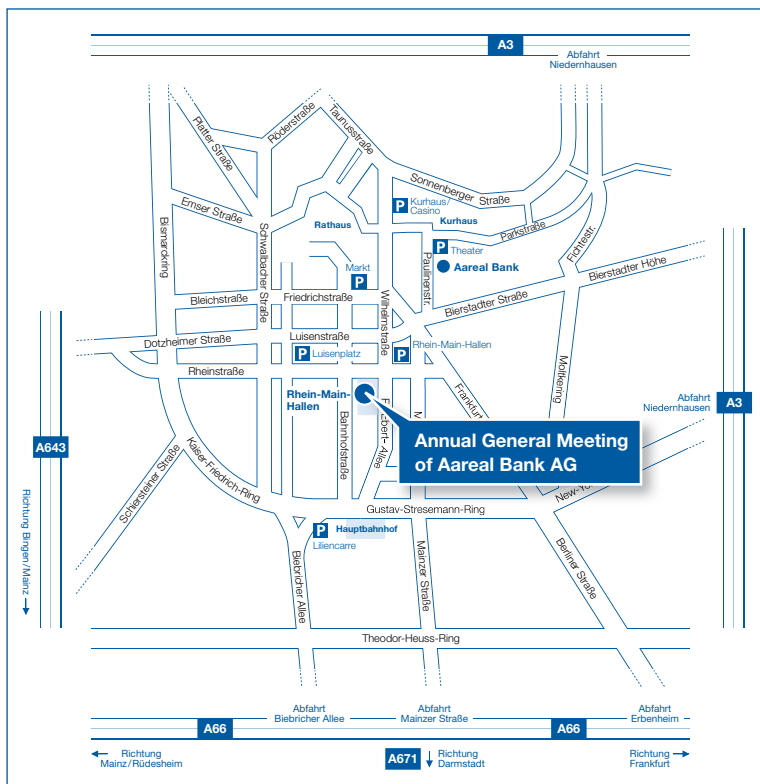
Rhein-Main-Hallen  
 Rheinstr. 20  
 65189 Wiesbaden, Germany

### Map and directions

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

Take the exit Wiesbaden-Mainzer Str. in direction Wiesbaden-Stadtmitte (town center), follow Mainzer Str. and then turn left into Gustav-Stresemann-Ring. Near the Central Station, turn right into Bahnhofstr., and then turn right again into Rheinstr.. After approximately 100 m, you will reach the Rhein-Main-Hallen. The main entrance is located around the corner on Friedrich-Ebert-Allee.

Parking facilities (subject to charges) are available in the Rhein-Main-Hallen parking garage and on marked parking spaces on the street (pay & display).



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

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

03/2010



**Aareal Bank**