

Transparency

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Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) / Corporate Governance Report

Declaration of Compliance in accordance with Section 161 of the AktG

The Management Board and Supervisory Board of Aareal Bank AG declare, in accordance with section 161 of the AktG, that:

Aareal Bank AG has complied with the recommendations of the Government Commission “German Corporate Governance Code” (as amended and published in the German Federal Gazette on 20 March 2020) – except for the restrictions set out below – since the last Declaration of Compliance was issued in June 2021:

1. According to recommendation B. 3, the first-time appointment of Management Board members shall be for a period of not more than three years. The Supervisory Board of Aareal Bank AG generally considers this provision to reflect good corporate governance. However, when appointing the new Chairman of the Management Board, Jochen Klösches, the Bank’s Supervisory Board deviated from this recommendation as an exception. Mr Klösches was appointed Chairman of the Management Board for a period of five years, by way of a Supervisory Board resolution dated 15 June 2021. Owing to Mr Klösches’ considerable professional experience, both in the property financing business and in banking operations, shortening the first term of office was deemed unnecessary. By appointing him for five years, Aareal Bank ensures continuity and stability with respect to this position.
2. Pursuant to recommendation G. 10 sentence 2, Management Board members shall have access to granted long-term variable remuneration components only after a period of four years. In contrast to the draft version dated 22 May 2019, the Government Commission refrained from defining the term “long-term variable remuneration” in its final version.

According to the definition in the version dated 22 May 2019, typical performance indicators for long-term variable remuneration were, inter alia, “long-term financial success (profitability and growth with multiple-year measurement basis), non-financial success as prerequisite for subsequent financial success [...], implementation of the corporate strategy [etc.]”

Within Aareal Bank’s remuneration system, all targets are derived from the strategy and measured over a period of three years. In line with the definition provided in the draft version dated 22 May 2019, Aareal Bank’s entire variable remuneration would classify as long-term. The three-year target determination yields an imputed amount of which only 20% is paid out directly, whereas the remaining 80% is paid out in several tranches and over a total period of six years.

This means that most of the long-term variable remuneration is accessible at the earliest after four years and at the latest after nine years, thus complying with the Code’s draft version. However, in the absence of the definition having been adopted – and the associated imprecise recommendation – it is not clear whether Aareal Bank’s remuneration structure meets the Code expectations. As a result, and as a precautionary measure, we declare a deviation from recommendation G. 10 sentence 2.

3. According to recommendation D. 4 sentence 2, the Chairman of the Supervisory Board shall not chair the Audit Committee. On 23 November 2021, Prof. Dr Hermann Wagner, who had headed the Audit Committee since his appointment to the Supervisory Board in 2015, was elected as Chairman of the Supervisory Board by Aareal Bank's Supervisory Board, after the previous Chairman of the Supervisory Board, Marija Korsch, had resigned from her office with immediate effect. On account of his many years as an auditor and tax advisor, as well as his extensive experience as Chairman of the Audit Committee, Prof. Dr Wagner will continue to exercise this position. Therefore, Aareal Bank deviates from this recommendation.

Wiesbaden, December 2021

The Management Board



Jochen Klösges



Marc Hess



Christiane Kunisch-Wolff



Christof Winkelmann

For the Supervisory Board



Prof. Dr Hermann Wagner (Chairman)

Corporate Governance at Aareal Bank Group

Aareal Bank Group is managed by the parent company Aareal Bank AG. Aareal Bank is a listed bank, which by virtue of being classified as “significant”, is supervised directly by the European Central Bank. Although the Management Board and the Supervisory Board of Aareal Bank AG are required to observe a large number of specific corporate governance rules, their common understanding does not end at compliance with these rules. They also discuss, on a regular basis, the application of voluntary standards that are recommended by the German Corporate Governance Code, the banking supervisory authorities, Aareal Bank shareholders or due to international best practice, or those that arise in the Supervisory Board’s and the Management Board’s day-to-day work.

It is the Management Board’s and the Supervisory Board’s top priority to act in the interests of the Company and hence to meet their responsibility vis-à-vis employees, clients, shareholders and the public alike.

Disclosures regarding Corporate Governance standards

Senior management aligns corporate governance with legal and regulatory rules, as well as a comprehensive set of internal rules and regulations, which provide concrete guidance on the conduct and processing of the Bank’s business, in line with our ethical responsibility. These rules and regulations comprise the Memorandum and Articles of Association, the Rules of Procedure for the Supervisory Board and the Management Board, the strategies, the Risk Appetite Framework, the Internal Governance Policy, the Code of Conduct, and the Conflicts of Interest Policy; all members of staff have access to the documents, via common internal communication channels such as the Bank’s intranet. Memorandum and Articles of Association, Code of Conduct, Conflicts of Interest Policy, and Rules of Procedure for the Supervisory Board are also accessible via Aareal Bank’s website.

Aligning with the German Corporate Governance Code's guiding principle

The Management Board and the Supervisory Board follow their own value structure and that of Aareal Bank, as well as the “reputable businessperson” concept and the German Corporate Governance Code’s principles of good corporate governance. The Declaration of Compliance pursuant to section 161 of the AktG lays out annually to what extent the Code’s recommendations were complied with, or shall be complied with.

According to Code recommendation F. 4, companies shall specify, in the Corporate Governance Statement, which Code recommendations were not applicable due to overriding legal stipulations.

- This applies to Code recommendation D. 5, according to which the Nomination Committee shall be composed exclusively of shareholder representatives. The Nomination Committee of a credit institution is regulated separately in the German Banking Act (Kreditwesengesetz – “KWG”). Pursuant to section 25d (11) of the KWG, the Supervisory Board’s Nomination Committee is required to assume additional tasks which are not supposed to be prepared by shareholder representatives on the Supervisory Board alone. Hence, the Executive and Nomination Committee of Aareal Bank AG also includes employee representatives. However, the Committee will ensure that the nomination of candidates for election by the Annual General Meeting will be determined exclusively by shareholder representatives on the Committee.

Sustainability approach

Contributing to sustainable economic development is a priority for Aareal Bank Group. As a partner to the property industry, Aareal Bank Group is thus pursuing a business strategy appropriate to the requirements of the sector and the stakeholders. The Group is aware of the responsibility associated with its sustainability mission statement and the need to focus on the needs of society, and aims

to preserve the foundations on which future generations can base and shape their lives.

The sustainability mission statement, which is supported by an integrated sustainability management system, is an essential part of the corporate strategy, providing a summary of Aareal Bank Group's corporate responsibility principles that are aligned with our objective of doing business sustainably:

- We think in an integrated and future-oriented manner, taking ethical, social and ecological topics into account.
- We analyse trends holistically, evaluate the resulting opportunities and risks, and align our forward-looking sustainability performance accordingly.
- We focus on all relevant stakeholder groups, seek to engage in active dialogue with them in a variety of ways and show how we make use of the insights we have gained.
- We make sure that business decisions take account of environmental, social and governance factors, and communicate our progress – and the challenges we face – transparently and credibly.
- We set priorities and implement our decisions, thereby reinforcing corporate sustainability values such as reliability, innovative ability, integrity, transparency and risk management, our appeal as an employer, and building and maintaining high-trust client relationships.

In doing so, we are guided by national and international frameworks, are committed to initiatives, or have joined organisations that represent generally accepted ethical standards and whose values we share. Relevant organisations include:

- United Nations Global Compact,
- International Labour Organization,
- German Corporate Governance Code,
- Diversity Charter,
- Work-Care Balance Charter.

Established already in 2012, the Sustainability Committee supports the Management Board in developing the Group's sustainability performance and reporting activities. At the same time, it serves as discussion and advisory body to the Group Sustainability Officer, who communicates relevant topics to the Management Board. The Committee includes representatives from all key divisions.

For further details please refer to the latest Sustainability Report: www.aareal-bank.com/en/investors-portal/finance-information/sustainability-reports/archive

Code of Conduct

We believe that the principles of integrity and responsible conduct must be observed by members of the Management Board and the Supervisory Board, and by all our employees across the Company, regardless of their functions and duties. Our internal Code of Conduct therefore contains binding rules governing the legal and ethical conduct of employees vis-à-vis clients, business partners, and colleagues. Aareal Bank Group's efforts in this context are also motivated by the desire to affirm and strengthen the confidence which stakeholders – our clients, business partners, investors, and staff – place in us (www.aareal-bank.com/en/footermenu/code-of-conduct).

Conflict of Interest Policy

Aareal Bank's processes are – and will be – set up in a manner to prevent conflicts of interest from occurring in the first place. Where they occur nonetheless, dealing with them in the right way is decisive. A Group-wide policy is in place that sets out the correct way of handling conflicts of interest, to prevent any adverse consequences for clients, the Bank and its employees, as well as any doubts regarding the integrity of Aareal Bank Group. These rules provide orientation as to how conflicts of interest are identified, documented, and appropriately resolved. All employees are required to establish transparency regarding any conflicts of

interest arising within their area of work, and to ensure that such conflicts are dealt with in accordance with the Policy.

Principles of diversity

The Management Board and the Supervisory Board are openly committed to diversity across the entire Aareal Bank Group.

Aareal Bank defines diversity as:

- The appreciation that every individual is unique, and the respect for this uniqueness
- Equal opportunities at all levels
- The prevention of discrimination of any kind
- The belief that diversity enriches corporate culture and also represents a success factor in reaching strategic goals.

The Bank thus aims to promote Aareal Bank Group's image as a modern employer, to strengthen employee commitment and increase employee motivation, to ensure skills and competencies are fostered individually in a way that promotes employee performance, to react to demographic change and an ageing workforce, and to take into account individual circumstances and stages of life.

In order to highlight the significance of diversity, and to document the fact that the concept of diversity is very important to Aareal Bank Group, the Bank signed the Charter of Diversity (an initiative launched by German industry in 2006) in 2013. Aareal Bank AG introduced a Diversity Policy in December 2021.

Aareal Bank employs people from 40 different countries. At Aareal Bank's foreign locations, we take care to ensure that positions are primarily filled by local staff if possible. Aareal Bank Group attaches great importance to the equal treatment of women and men, whether in the context of filling vacant positions, with regard to continuous professional development, or in terms of remuneration. Specifically, any vacancies below senior

executive level are generally published throughout the Company, in the form of job advertisements that all members of staff – male or female – may apply for. When setting the remuneration of employees, we do not differentiate by gender but rely exclusively on aspects such as qualification, professional experience or training.

In accordance with the German Act on Equal Participation of Men and Women in Executive Positions in the Private and Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), the Management Board sets specific targets – including concrete implementation deadlines – for the share of women holding executive positions on the first two management levels below the Management Board of Aareal Bank AG. On the first management level below the Management Board, by 30 June 2022 at least 13.5 % of executive positions are to be held by women; on 31 December 2021, the share of female managers on this level was 18.2 % (2020: 14.7 %). On the second management level below the Management Board, by 30 June 2022 at least 21.1 % of executive positions are to be held by women; on 31 December 2021, the share of female managers on this level was 21.2 % (2020: 23.1 %).

Across Aareal Bank Group, the share of women in executive positions stood at 24.3 % (2020: 24.6 %); at Aareal Bank AG, it was 21.4 % (2020: 21.6 %), and at Aareon, it was 25.5 % (2020: 25.5 %), with women accounting for 36.6 % of Aareal Bank Group's entire workforce as at 31 December 2021 (2020: 37.6 %); Aareal Bank AG: 41.4 % (2020: 42.5 %); Aareon: 33.9 % (2020: 34.4 %).

In Germany, Aareal Bank and Aareon apply the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – "AGG"), with specially-appointed Anti-Discrimination Officers overseeing compliance. In addition, all employees attend AGG training. In the US, the employee manual contains rules designed to avoid harassment at the workplace ("Anti-Harassment Rules").

Inclusion

Severely disabled persons made up 4.4 % of Aareal Bank's staff base in 2021 (2020: 5 %). This employee group is represented in the Group's German entities by a disability representative.

Working practices of the Management Board and the Supervisory Board

The Management Board is responsible for managing the Company and for its strategic orientation, material transactions and proper organisation. This also includes the implementation of effective monitoring systems. It focuses its business activities upon the Company's long-term and sustainable development. Its decisions incorporate the long-term consequences of its actions and are guided by the ethical principles of Aareal Bank Group (see relevant corporate governance principles).

Supervisory Board

The Supervisory Board exercises its control using different instruments. On the one hand, it sets out the reporting requirements of the Management Board in its internal Rules of Procedure, to ensure comprehensive and prompt reporting. These reports include the financial reports prior to publication, the reports of Internal Audit, Risk Controlling and Compliance, as well as the external auditors' reports. Said Internal Rules of Procedure also determine the transactions of the Management Board for which Supervisory Board approval is required.

Furthermore, the Supervisory Board contributes to Aareal Bank Group's sustainable success – in the interest of investors, clients, business partners, staff, and the general public – by selecting suitable Management Board members (as set out in the Guidelines for the selection of members of the Management Board and the Supervisory Board), a Management Board remuneration system which is aligned with the Company's long-term and sustainable interests, and by the effective supervision of said remuneration system.

The Supervisory Board has established five committees in order to perform its supervisory duties in an efficient manner: the Executive and Nomination Committee, the Remuneration Control Committee, the Risk Committee, the Audit Committee, and the Technology and Innovation Committee. An overview of the respective committee members can be found in the Notes to the Annual Report 2021: www.aareal-bank.com/en/investors-portal/finance-information/financial-reports/archiv/2021.

Executive and Nomination Committee

The Executive and Nomination Committee prepares resolutions to be taken by the Supervisory Board concerning fundamental issues, personnel matters and capital measures. In particular, it supports the Supervisory Board in advising and monitoring the strategy via a regular strategy dialogue. The Committee's area of responsibility also includes assessing the internal condition of Aareal Bank, corporate governance, issues concerning personnel planning for the Management Board as well as regarding the contracts with individual Management Board members. The Executive and Nomination Committee compiles profiles defining the requirements for members of the Management Board and the Supervisory Board and supports the Supervisory Board in selecting suitable candidates, considering personal and professional requirements as well as its targets for the composition of both bodies, including the diversity concept. Based on an at least annual evaluation, it determines the extent to which the members of the Management Board or Supervisory Board have a need for further training, or whether other adjustments are required. Furthermore, the Executive and Nomination Committee monitors, and resolves if necessary, decision proposals regarding loans to senior managers and other related party transactions. The Executive and Nomination Committee is also responsible for the assessment and handling of conflicts of interest arising within the sphere of influence of the Management Board or the Supervisory Board, in line with the Management Board's and Supervisory Board's Conflicts of Interest Policy.

The Executive and Nomination Committee, excluding the employee representatives, discusses the nomination of shareholder representatives for election by the Annual General Meeting.

Remuneration Control Committee

The Remuneration Control Committee monitors whether the structure of the remuneration systems for Management Board members and employees is appropriate, taking into account the impact of remuneration systems on Aareal Bank's overall risk profile. The Remuneration Control Committee prepares corresponding proposals concerning remuneration (including for members of the Management Board) for the plenary meeting of the Supervisory Board. The Remuneration Control Committee receives the information provided by Aareal Bank's Remuneration Officer, as well as the information on the remuneration system intended for disclosure.

Risk Committee

The Risk Committee deals with all material types of risk Aareal Bank is exposed to in its business activities. Along with the Supervisory Board in its entirety, it is also the recipient of the risk reports (please refer to the Risk Report). The material risk types comprise financial and non-financial types of risk alike, including IT-related risks. The Committee is also responsible for reviewing the contents of the risk strategies in accordance with the MaRisk, for checking conformity with the business strategy, and preparing the corresponding resolutions of the Supervisory Board. It furthermore advises the Management Board on how to design an appropriate and effective risk management system, making sure that the Bank's risk-bearing capacity is adequate. To achieve this, the Committee monitors the Management Board, especially as regards determining risk appetite and the corresponding limits.

Audit Committee

The Audit Committee is concerned with all accounting issues, as well as regarding the audit of Aareal Bank AG and Aareal Bank Group. The

Committee is responsible for the preparation and conduct of the audit of the financial statements and the consolidated financial statements; it prepares the decisions to be taken by the Supervisory Board on the basis of the Committee's analysis of the external auditors' reports. For this purpose, the Committee reports to the plenary meeting of the Supervisory Board on the results of its analysis and the assessments derived. Preparing the audit of the financial statements also comprises the preparations for instructing the external auditors (by virtue of the corresponding resolution passed by the Annual General Meeting), verifying the independence of the external auditors, including the approval of permissible non-audit services, negotiating the auditors' fees, determining focal points of the audit, and regularly selecting new external auditors. The Audit Committee also discusses quarterly and half-yearly financial reports with the Management Board, and obtains the external auditors' report on their review of the half-yearly report. Furthermore, the Audit Committee is responsible for examining the projections submitted by the Management Board. In addition, Compliance and Internal Audit address their reports to the Committee. Last but not least the Committee is responsible for monitoring the effectiveness of the internal control and monitoring system.

The Audit Committee comprises at least two financial experts, one of whom must have expertise in accounting and financial reporting, and another one of whom must have expertise in the audit of financial statements.

Technology and Innovation Committee

The Committee deals with issues concerning information technology used within the Company, and with issues related to IT products created and distributed by Aareal Bank Group entities. This comprises the Bank's as well as Aareon's products. As part of these duties, the Committee monitors the implementation of Aareal Bank Group's digitalisation strategy which calls not only for a technical transformation, but also for modern and agile working practices and project methods.

Working relationship between the Management Board and Supervisory Board

The working relationship between Management Board and Supervisory Board is characterised by trust and a constructive, yet critical dialogue – during Supervisory Board meetings and outside of them. Discussions during meetings are held in an adequate and target-oriented working atmosphere. The members of the Management Board do not attend meetings or agenda items during which personnel matters, Management Board remuneration, evaluation results, and individual business-related or strategic aspects are the main topics of discussion.

Outside meetings, it is mainly the Chairman of the Supervisory Board and committee chairmen that communicate with the competent Management Board members. The Chairman of the Supervisory Board regularly discusses questions regarding the strategy, business development, risk situation, risk management, compliance, as well as personnel- and remuneration-related matters with the Chairman of the Management Board. The Chairman of the Risk Committee goes into detail – especially with the Chief Risk Officer – on topics such as the risk situation, risk management, and risk strategies. The Chairman of the Audit Committee also regularly exchanges views with the Chief Risk Officer, but with the Chief Financial Officer and the external auditors, too; finally, the Chairman of the Technology and Innovation Committee keeps in touch with the Chairman of the Management Board outside meetings. The chairmen inform the other Supervisory Board members about the key points of these discussions at the next ordinary committee meeting.

Communications

Aareal Bank assigns great importance to comprehensive communication with its stakeholders and has accordingly set itself the objective of maintaining active, transparent and open communication with all stakeholders, taking into account

their interests equally. Likewise, Aareal Bank is committed to providing sound professional expertise as a contribution to political decision-making processes. The Bank has therefore registered as a legal entity in the newly-established Lobby Register covering political lobbying vis-à-vis the German parliament (the Bundestag) and the German government.

All press releases, ad-hoc disclosures, corporate presentations, as well as annual, sustainability and quarterly reports published by Aareal Bank are available on the Bank's website to any interested person, and may be downloaded from there. In addition, the financial calendar is updated regularly, and provides information about upcoming events.

Aareal Bank publishes details on its financial position and performance four times a year. On these occasions, the Management Board gives a personal account of results, within the scope of press and analysts' conferences, and issues press releases.

All information can be found on Aareal Bank's website: www.aareal-bank.com/en/investors-portal/.

Relationship with shareholders

To facilitate direct communication, Aareal Bank has set up a separate Investor Relations division within its organisation, which serves as a first point of contact for shareholders, other investors and analysts. The contact persons in Investor Relations can be found on the Aareal Bank website www.aareal-bank.com/en/investors-portal/equity-investors/contact/.

Aareal Bank addresses shareholders and other stakeholders in a targeted manner via roadshow activities, actively seeking their opinions. The Chairman of the Supervisory Board is also available for talks with shareholders and other stakeholders, using his own roadshow activities to gather external opinions on the Bank's governance.

The Bank also holds an ordinary Annual General Meeting once a year. Shareholders are thus given

the opportunity to actively participate in the development of Aareal Bank. The Act on Measures Affecting the Law on Corporations, Cooperatives, Associations, Foundations and Residential Property to Combat the Effects of the Covid-19 pandemic (Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der Covid-19-Pandemie – “Covid-19 Act”) dated 27 March 2020 provides for the opportunity of general meetings to be held in virtual form; the Act also permits to exclude the physical presence of shareholders or their representatives, and to restrict certain shareholder rights.

At the Annual General Meeting, the shareholders decide, in particular, on the formal approval of the Supervisory Board and Management Board members for the financial year under review, on the appropriation of any net retained profit, amendments to the Memorandum and Articles of Association, and authorisations on capital adjustments. The Annual General Meeting elects the external auditors for the Company, decides who joins the Supervisory Board as shareholder representatives, and adopts other resolutions submitted to the Annual General Meeting.

At Annual General Meetings with personal attendance, the Company’s shareholders may submit statements or proposals in writing, by fax or e-mail, to the Company. They may also request to speak at the Annual General Meeting. The shareholders may also submit counter or supplemental motions to the agenda items at the Annual General Meeting, so that they participate in structuring and influencing the meeting.

Guidelines regarding the Selection of Members of the Management Board and the Supervisory Board

The Supervisory Board of Aareal Bank AG is satisfied that the Management Board and the Supervisory Board are adequately staffed, if all members are in a position to perform their duties (professional qualification), commit the time necessary to

perform these and possess the integrity to be guided by the ethical principles of Aareal Bank when performing their duties (with respect to personal reliability, including conflicts of interest and independence aspects). The composition of the Supervisory Board and the Management Board, respectively, shall facilitate, in its entirety, cooperation and the widest possible diversity of opinions and knowledge (the concept of diversity).

The Supervisory Board has defined concrete requirements and processes to incorporate these criteria when evaluating Management Board and Supervisory Board members, as well as when selecting candidates for appointment to the Management Board, or shareholder representatives to the Supervisory Board. When establishing these processes, it took into account the requirements of the German Public Limited Companies Act (Aktengesetz – “AktG”) and the German Banking Act (Kreditwesengesetz – “KWG”), as well as the recommendations of the German Corporate Governance Code. In addition, the regulatory guidelines of the European Central Bank and the European Banking Authority on adequacy and internal governance are also incorporated, as are corporate governance guidelines of consultants on share voting rights and major shareholders that are relevant to Aareal Bank. Besides the Supervisory Board, the European Central Bank also reviews the suitability of the respective candidates before they take up their duties, using the so-called ‘fit & proper’ approach.

Personal reliability

The principles of personal reliability apply equally for all members of the Management Board and the Supervisory Board. All members of the Management Board and the Supervisory Board should demonstrate honesty, integrity and independence of mind. They should live by the ethical principles of Aareal Bank, as set out in the Code of Conduct, and commit sufficient time to perform their duties. The Supervisory Board calculates the time commitment of every member of the Management Board and the Supervisory Board, and reviews on an

annual basis whether they are also dedicating sufficient time to exercising the mandate. In this connection, the Supervisory Board takes care to ensure compliance with the requirements for the maximum number of additional offices, pursuant to sections 25c (2) and 25d (3) of the KWG.

Conflicts of interest and independence of Supervisory Board members

Special rules apply to the Supervisory Board, over and above the Group-wide Conflict of Interest Policy. Acting in the interests of the Company means making judgements unbiased by extraneous influences. The Supervisory Board therefore attaches particular importance to the handling and disclosure of actual, potential, temporary or permanent conflicts of interest that could, for example, call into question the independence of the Supervisory Board.

In the Management Board's and Supervisory Board's Conflicts of Interest Policy, which has been specifically designed for these two corporate bodies, the Supervisory Board has laid down procedures on how to handle conflicts of interest affecting members of the Management Board or the Supervisory Board. In accordance with this Policy, individual Management Board and Supervisory Board members must establish transparency in the event of any potential conflicts of interest. The members of the Supervisory Board and the Management Board have declared in writing that no conflicts of interest pursuant to recommendation E. 1 of the German Corporate Governance Code arose during the financial year under review. Any individual whose circumstances may give rise to a material conflict of interest that cannot be mitigated will be ineligible as a candidate.

The Supervisory Board also determines when the independence of one of its members is not ensured and carries out an annual review of whether the independence of individual members is no longer ensured, or may be compromised. In the event of the following circumstances, the Supervisory Board generally assumes that independence is not ensured:

- At the commencement of the fourth term of office as a member of the Supervisory Board of Aareal Bank AG ("general limitation to a member's maximum term of office"). The term of office begins with the election by the Annual General Meeting, excluding any judicial appointments.
- The period between membership in Aareal Bank AG's Management Board and membership in the Supervisory Board is less than five years.
- The period between being a senior manager at the first management level below the Management Board and membership in the Supervisory Board of Aareal Bank AG is less than three years.
- The period between working as or on behalf of a material consultant, external auditor, or other service provider or client of Aareal Bank and membership in the Supervisory Board of Aareal Bank AG is less than three years.
- A Supervisory Board member is simultaneously associated with a major competitor; this not only includes activity as a staff member, member of the Management or Supervisory Board, but may also be the case if said member acts as a consultant to a major competitor.

Furthermore, all Supervisory Board members are subject to the statutory limitations laid out in section 100 (2) nos. 2 to 4 of the AktG. Unlike the criteria listed above, the statutory limitations are mandatory, which means that they prevent the nomination of a potential candidate, or require the resignation of the affected board member.

Effective 31 December 2021, the Supervisory Board believes, taking the above criteria into account, that all shareholder representatives (Prof. Dr Hermann Wagner, Jana Brendel, Richard Peters, Sylvia Seignette and Elisabeth Stheeman) are independent.

Professional qualification

Every member of an executive body must possess the knowledge, ability and experience to properly perform their duties. This means that they must at least be able to understand and assess the Company's material business activities and the associated material risks, the control and monitoring system established in this regard, as well as the corresponding accounting and financial reporting systems. This also requires being familiar with the underlying material legal requirements. Each member of the Supervisory Board must be in a position to perform the duties incumbent on the Supervisory Board in its entirety.

When chairing a committee, Supervisory Board members should possess extensive expertise in the topics covered by that committee. The Chairman of the Audit Committee, for example, must be an expert on financial reporting issues and internal control and risk management systems, while the Chairman of the Risk Committee must be an expert in assessing the efficacy of risk management systems in credit institutions.

Overall, with regard to its collective composition, the Supervisory Board further decided that the following additional expertise be adequately represented:

- Experience in sectors and financial markets which are material to Aareal Bank Group,
- Digitalisation and transformation,
- Strategic planning,
- Design and assessment of risk management systems, internal control systems and corporate governance frameworks,
- Accounting and audit matters.

The curricula vitae of the members of the Management Board: www.aareal-bank.com/en/about-us/company-profile/the-management-board/ and the members of the Supervisory Board: www.aareal-bank.com/en/about-us/company-profile/supervisory-board/ can be found on the Bank's website.

Concept of diversity

In principle, the Management Board and the Supervisory Board pursue the objective in their bodies of ensuring maximum variety with regard to gender, age, internationality and professional diversity. Where there are several equally suitable candidates, further selection takes these aspects into account, to avoid "herd mentality" and to draw together the broadest possible spectrum of different perceptions to make the best possible decision for Aareal Bank. The Management Board ensures that these aspects of diversity are also taken into consideration at the management levels it controls, to facilitate succession oriented around this concept of diversity. The Supervisory Board has set individual objectives for the aforementioned diversity aspects, for both itself and the Management Board, the implementation of which it presents annually. It understands these objectives as being minimum objectives; there is no reason why they cannot be exceeded.

Gender diversity

In accordance with the German Act on Equal Participation of Men and Women in Executive Positions in the Private and Public Sector, the Supervisory Board sets specific targets – including concrete implementation deadlines – for the share of female members on the Supervisory Board and the Management Board. Likewise, the Management Board defines such targets for the first two management levels below the Management Board. On the Supervisory Board, by 30 June 2022 at least 25 % of positions are to be held by women. The status quo is 44.4 % (2020: 41.7 %). On the Management Board, by 30 June 2022 at least 20 % of positions are to be held by women. The status quo is 25 % (2020: 33.3 %). Therefore, the minimum objectives set by the Supervisory Board have been achieved.

Age diversity

The Supervisory Board has set out targets for the age structure of the Management Board and the Supervisory Board, in order to safeguard the con-

tinuous development of both executive bodies. At the time of (re)election to the Supervisory Board, candidates should be less than 70 years old. Furthermore, the Supervisory Board should not consist exclusively of members who are older than 60 years. Members of the Management Board should not exceed the upper age limit of 65 years while serving on the Management Board. These objectives are currently met.

International profile

In addition, given Aareal Bank's international business activities, the Supervisory Board has set itself and the Management Board the goal of having the broadest possible international experience, which can be proven by foreign nationality or considerable professional experience gained in another country. For the Management Board, the figure is currently at 25 % (2020: 33.3 %), for the Supervisory Board it is at 22.2 % (2020: 33.3 %).

Diversity of professional skills

The Supervisory Board pursues the objective of maximum professional diversity when selecting the members of the Management Board and the Supervisory Board. However, the demanding professional requirements for members of the management board and the supervisory board of so-called "significant credit institutions" limit the opportunities for achieving this objective: for instance, regulatory rules require in principle that members of the Management Board have extensive experience in the lending business and in risk management. In accordance with section 100 (5) of the AktG, the Management Board members in their entirety shall be familiar with the sector in which the Company operates. The Supervisory Board's aim of ensuring that not all members have gained most of their professional experience at a credit institution is currently met.

Election periods and dates ("staggered board")

To avoid a simultaneous outflow of considerable know-how, the Supervisory Board has set different

election dates at which decisions are made about three groups of Supervisory Board members. The terms of office of Mr Peters and Ms Seignette run until the ordinary Annual General Meeting in 2023, the terms of office of all other shareholder representatives who held office at the end of the year do not expire before the ordinary Annual General Meeting in 2024. Shareholder representatives' terms of office are generally four years, as a result of which a new resolution concerning some of the shareholder representatives must be taken at the latest every three years, bringing with it a possibility of renewing the Supervisory Board. The staggered-board concept will be taken into consideration as regards further changes to the Supervisory Board.

The terms of office for employee representatives continue to run for five years: the current representatives are therefore in office until the ordinary Annual General Meeting in 2025.

Regular evaluation of suitability and performance

The Executive and Nomination Committee evaluates the Management Board and Supervisory Board at least once a year. The evaluation consists of two components: the suitability test and the efficiency test. The evaluation is supported by external partners.

Within the scope of the evaluation, the Committee checks whether the Management Board and Supervisory Board members possess the necessary personal and professional requirements on the one hand, and the requirements for the collective composition, including collective competence profile and diversity concept, on the other.

Furthermore, the Executive and Nomination Committee takes the structure, size, composition, and performance of both bodies into consideration, including the results of a benchmark comparison conducted precisely for this reason. The assessment of structure, size, and composition is not restricted to the bodies as such, but also includes

the Supervisory Board committees; it comprises an efficiency and effectiveness review of the cooperation within the Supervisory Board, between the committees and the full Supervisory Board, as well as between the committees, the Supervisory Board and the Management Board.

In addition to the regular annual evaluation, event-driven assessments may be conducted should, for example, suspicions arise regarding insufficient individual or collective suitability, or should the adequate composition of the Management Board and/or the Supervisory Board need to be reviewed due to a change in strategy.

Succession planning

The Executive and Nomination Committee is responsible for the succession planning of the Management Board and the shareholder representatives on the Supervisory Board. On an annual basis, the Committee reviews the established competence profile, and whether it is compatible with Aareal Bank's business and risk strategies, proposing any necessary adjustments. Furthermore, the Committee reviews, as part of the annual evaluation, whether the current members of the Management Board and the Supervisory Board fulfil the presently applicable criteria, taking the latest amendments into account. If this is not the case, the Committee suggests measures to the Supervisory Board to ensure that all criteria are fulfilled going forward. Such measures may include continuing education courses for individual or multiple Management Board or Supervisory Board members, as well as changes in the composition of the Management Board or the Supervisory Board.

Furthermore, the Executive and Nomination Committee discusses upcoming personnel decisions, on an ongoing basis and in good time in advance, such as projected retirements, potential re-appointments, etc. Therefore, if the re-appointment of a Management Board or Supervisory Board member is not an option, the Executive and Nomination Committee already concerns itself with a suitable successor more than one year in advance.

In the event that changes in the composition of the Management Board or Supervisory Board have to be made, the Executive and Nomination Committee aims to find a successor who fulfils the personal criteria, while at the same time promoting the fulfilment of the goals established in terms of board composition (collective competence profile and diversity). Succession planning for the Management Board is made in close cooperation with the Chairman of the Management Board. The Executive and Nomination Committee considers both internal and external candidates.

Aareal Bank has taken various measures to be able to respond to short-term personnel fluctuations on the Management Board (for example, due to resignation for personal reasons), and to identify suitable internal successors. For instance, the Bank can provide tailor-made development measures to senior managers in order to ensure they have the fundamental skills and abilities to become a member of the Management Board. This includes, in particular, business development, risk management and accounting know-how as well as leadership skills.

As a general rule, every competence required for the activities of Aareal Bank's Supervisory Board and its committees is represented by at least two Supervisory Board members. In addition, in order to make sure there is a quorum even in the event of short-term changes in the composition of the respective committee, every committee comprises more than three members.

Composition of the Management Board and Supervisory Board

The members of the Supervisory Board and its committees, the respective chairmen and members of the Management Board and their relevant areas of responsibility, are presented below (cf. "Executive Bodies of Aareal Bank AG.") The Board of Management is currently comprised of four members. The Supervisory Board appoints one of the members as Chairman of the Management Board. In accordance with Aareal Bank AG's Memorandum

and Articles of Association, the Supervisory Board consists of twelve members. Once elected by the Annual General Meeting, the members of the Supervisory Board elect a Chairman and at least one Deputy Chairman from amongst them, for the duration of their term of office. Eight members are elected by shareholders at the Annual General Meeting; four members are elected by employees, through the Group Works Council.

The committees comprise at least four members, while the Audit Committee and the Risk Committee comprise six members. The Chairman of the Supervisory Board is a member of every statutory committee. According to recommendation D. 4 of the German Corporate Governance Code as well as Aareal Bank's Guidelines for the selection of members of the Management Board and the Supervisory Board, the Audit Committee and the Risk Committee are chaired by independent experts. Additionally, care is also taken to avoid any interlinking of the committee members' positions, to ensure mutual exchange of information.

Purchase or sale of the Company's shares

In 2021, members of the Company's executive bodies did not carry out any transactions involving the Company's shares which would have required publication in accordance with the requirements of Article 19 of the EU Market Abuse Regulation (596/2014/EU), in conjunction with section 26 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG").

Please refer to Aareal Bank's website under www.aareal-bank.com/en/about-us/corporate-governance/managers-transactions/ for the notifications.

Accounting policies

Aareal Bank AG prepares the Group's accounts in line with the International Financial Reporting Standards (IFRSs) as applicable in the European

Union. The single-entity financial statements of Aareal Bank AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – "HGB"). The Management Board prepares the financial statements and management reports of Aareal Bank AG and Aareal Bank Group. The external auditors submit their report on the audit of the financial statements and the consolidated financial statements to the Supervisory Board, which also monitors their independence. The fees paid to the external auditors are shown in Note (38) to the financial statements. Permissible non-audit services provided by the external auditors must be approved beforehand by the Audit Committee of the Supervisory Board.

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors of the 2021 financial statements – as elected for the first time by the Annual General Meeting 2021 and instructed accordingly by the Supervisory Board – have exercised their audit activities under the management of Messrs Gero Wiechens, Markus Winner and Franz Haider.

Report of the Supervisory Board of Aareal Bank AG, Wiesbaden

Dear shareholders,

The past financial year was yet another remarkable year, in many ways. Apart from the ongoing challenges of the Covid-19 pandemic, which Aareal Bank mastered well over the course of the year, we look back on a year that saw far-reaching changes to Aareal Bank's corporate bodies. One of these changes is the fact that this Supervisory Board report is no longer being signed by our previous Supervisory Board Chairman, Marija Korsch.

During the financial year under review, the Supervisory Board continually advised, monitored, and supervised the management of the Company. The Management Board informed the Supervisory Board regularly, without delay and comprehensively about all the issues important to the Bank. The Management Board reported on the Group's situation, business development, key financial indicators and market developments. In addition, detailed reports and explanations were given to the Supervisory Board regarding the current liquidity status and liquidity management measures taken, the prevailing risk situation, and on risk control and risk management measures taken within the Group. The Supervisory Board was also informed about compliance within the Company on a regular basis, and it received the reports prepared by Internal Audit. The Supervisory Board also received comprehensive reports on the development of the business segments, and on operative and strategic planning. Against the backdrop of the Covid-19 pandemic, the scope of reporting and the frequency with which we held meetings were intensified significantly. The search for a successor for CEO Hermann J. Merkens, who retired due to ill health, as well as the in-depth discussions surrounding the takeover offer for Aareal Bank by a bidder consortium also brought about a marked increase in the frequency of meetings.

The Supervisory Board was involved in all material decisions made by Aareal Bank Group, also – and in particular – in the monitoring of the Aareal Next Level strategic framework. All material events

were discussed and examined in detail; where a Supervisory Board resolution was required, the decision proposals were submitted to the Supervisory Board in due time, and a decision taken. In cases where resolutions needed to be passed in periods between scheduled Supervisory Board meetings, such resolutions were passed by way of circulation or via conference calls or video calls.

Furthermore, between the individual meetings of the Supervisory Board, the Chairman of the Management Board, or his deputies, kept the Chairman of the Supervisory Board informed, on a continuous and regular basis, regarding all material developments of the Company. The Chairman of the Management Board, or his deputies, maintained close contact with the Chairman of the Supervisory Board, in order to personally discuss key issues and important decisions. The Chairman of the Supervisory Board then proceeded to inform the other Supervisory Board members of these discussions at the following Supervisory Board meetings. During Hermann J. Merkens' absence due to illness, and before Jochen Klösge joined as the new CEO, such discussions were held with his deputies on the Management Board, Marc Hess and Thomas Ortmanns.

Discussions were also held on a monthly basis between Aareal Bank's management and the Chairmen of the Supervisory Board, the Risk Committee and the Audit Committee regarding the impact of the Covid-19 pandemic and how Aareal Bank was dealing with it. The Chairmen of the Supervisory Board, the Risk Committee and the Audit Committee also held various talks with the banking regulator's Joint Supervisory Team and presented the Supervisory Board's intensified corporate governance. The Chairmen reported on the aforementioned discussions to their respective committees in line with their respective areas of responsibility.

Activities of the Plenary Meeting of the Supervisory Board

Due to the above-mentioned factors, the Supervisory Board held 26 plenary meetings over the course of the previous financial year. During these meetings, the members of the Supervisory Board received the submitted reports and documents, as well as oral explanations, which were then discussed in detail. Economic and market developments, also in view of and particularly against the background of the Covid-19 pandemic, the ongoing large number of adjustments to regulatory requirements, and the ongoing progress made in implementing the Aareal Next Level strategic programme after its review against the background of the Covid-19 pandemic were focal points of the work and reporting at all scheduled meetings.

This also included the measures taken by the Bank to counter these market developments. During the plenary meetings of the Supervisory Board, the Management Board regularly and comprehensively reported to the Supervisory Board; these reports also covered the development of the Structured Property Financing, the Banking and Digital Solutions and Aareon segments, focusing in particular on current developments. In addition, the Supervisory Board was informed about the business development of the entire Aareal Bank Group. At regular intervals, the Supervisory Board was informed of the Bank's liquidity status and the related steps taken by the Bank's Treasury division. The Management Board also regularly reported on the quality of the property financing portfolio against the background of market trends in the various property markets, with an ongoing particular focus on the effects of the Covid-19 pandemic. Within the scope of reporting, the regular reports prepared by the control functions – including Risk Controlling, Compliance, Internal Audit, Information Security & Data Protection, the Remuneration Officer, and Human Resources – were presented and discussed. At each plenary meeting of the Supervisory Board, the committee chairmen reported on the committee meetings that had taken place in the meantime.

The focal points of the individual meetings are outlined below.

- At a meeting in **January 2021**, the Supervisory Board addressed strategic questions. A further meeting related to governance and remuneration issues.
- At two meetings in **February**, the Supervisory Board deliberated on remuneration issues and shareholder letters.
- At the **March 2021** meetings, the Supervisory Board addressed the further development, given the continued absence of the CEO due to ill health, and, in detail, the financial statements and consolidated financial statements presented for the 2020 financial year as well as the auditors' report. The relevant facts were presented in the Supervisory Board report for the previous year. Furthermore, the Supervisory Board discussed the 2020 non-financial report and the results of the associated audit to obtain limited assurance. Another issue covered at a meeting in March was the preparations for the Annual General Meeting in May 2021. This comprised the decision proposals regarding the agenda of the Annual General Meeting, including the proposal for the appropriation of profit and the proposal regarding the selection of external auditors. At the same meeting in March, the Management Board also provided a detailed presentation of the strategies pursuant to the Minimum Requirements for Risk Management ("MaRisk") that are applicable to the Group. In line with their respective responsibilities, the strategies had previously been presented to the Executive and Nomination Committee and the Risk Committee, and finally to the Supervisory Board, to be subsequently discussed in depth with the Management Board. The annual report submitted by Internal Audit, and their audit planning for the upcoming financial year as well as their mid-term plans were also discussed during the meeting. The Supervisory Board also involved itself with the internal governance and the remuneration systems for both

employees and Management Board members; it arrived at the conclusion that the Company's remuneration systems are appropriate.

- Several meetings in **April 2021** focused on the resignation of the CEO Hermann J. Merkens as a result of ill health and the finalisation of the search for a successor, which had already been launched as a precaution, as well as the holding of Aareal Bank's virtual Annual General Meeting and the request for an extension of the agenda, which had been received from a shareholder in this context.
 - The Supervisory Board's meetings in **May 2021** addressed both the preparation for and the review of Aareal Bank AG's Annual General Meeting.
 - Two Supervisory Board meetings took place in **June 2021**. At the first of these meetings, it was resolved that Jochen Klösge be appointed Aareal Bank's new CEO. The second meeting was devoted to the regular quarterly report as well as an in-depth discussion of Aareal Bank Group's strategy and its further development. The Supervisory Board talked about the presented strategic initiatives and options with the Management Board in considerable depth and detail. As a result of the appointment of a new CEO, a further discussion of strategic issues was scheduled for December to give Mr Klösge an opportunity to participate in this discussion on the basis of his observations during the first three months of his tenure at Aareal Bank.
 - During the **September 2021** meeting, current questions concerning strategic initiatives, including a progress report on their implementation, were presented and discussed, in addition to the regular reports. In addition, the event-driven review of the business and risk strategies, including the Risk Appetite Framework, were also discussed with the Supervisory Board.
 - At two meetings in **October 2021**, the Supervisory Board deliberated on the talks with a bidder consortium that had approached Aareal Bank with a view to opening discussions about tendering an offer for Aareal Bank's shares.
 - This discussion continued during all five meetings in **November 2021**. One November meeting also dealt with Marija Korsch's resignation from her duties as the Supervisory Board Chairman.
 - The Supervisory Board convened for a total of four meetings during **December 2021**. For the most part, these meetings related to discussions in connection with the enquiry submitted by investors. In addition, the Supervisory Board addressed the preparations for, and subsequently the proceedings of, the extraordinary General Meeting. As a consequence of three Supervisory Board members having been removed by shareholders at said General Meeting, the Supervisory Board also deliberated on the search for new members to fill these vacancies by way of judicial appointment. Furthermore, the Supervisory Board discussed pending issues at its regular meeting, such as the preparation of the corporate governance report presented by the Management Board, including the Corporate Governance Statement and the Declaration of Compliance. The latter was resolved and subsequently published on Aareal Bank AG's website. Furthermore, the annual review was carried out concerning Rules of Procedure for the Management Board and Supervisory Board, the individual and collective suitability and efficiency of the Management Board and Supervisory Board (annual evaluation), the review processes, and the Conflict of Interest Policy for members of the Company's executive bodies. The Supervisory Board discussed the results of the evaluation in detail and will incorporate the findings into the committee work. The Supervisory Board also concerned itself with the Management Board's preliminary target achievement 2021 and approved the targets for 2022.
- The chairmen of the Supervisory Board committees regularly gave account of the work in the commit-

tees to the plenary meeting, answering all related questions submitted by the members of the plenary meeting in detail.

To the extent that any Supervisory Board decisions were taken by way of circulation, the Supervisory Board received a report by the Management Board on the implementation of such decisions taken previously, at the subsequent Supervisory Board meeting.

As part of preparing Supervisory Board decisions, a routine examination is carried out as to whether there are any conflicts of interest. No potential conflicts of interest that would need to be considered in the context of decision-making processes were identified during the financial year under review.

Activities of Supervisory Board Committees

The Supervisory Board has established five committees in order to perform its supervisory duties in an efficient manner: the Executive and Nomination Committee, the Risk Committee, the Audit Committee, the Remuneration Control Committee, and the Technology and Innovation Committee.

Executive and Nomination Committee:

The Executive and Nomination Committee of the Supervisory Board convened for 20 meetings in the financial year under review. The Committee prepared, for the most part, the plenary meetings of the Supervisory Board during these meetings and discussed Aareal Bank Group's strategic development with the Management Board at regular intervals. Regarding the agenda items within the responsibility of the Supervisory Board, the Committee convened without the Management Board. These meetings particularly included discussions regarding suitability requirements for Management Board and Supervisory Board members, the processes for reviewing these requirements, the targets for the composition of both executive bodies, and the

results of the annual evaluation of Management Board and Supervisory Board. Moreover, deliberations concerning the search for a successor for the ailing CEO Hermann J. Merkens also took place during the financial year under review, with the selection of Jochen Klösge as his successor being discussed and resolved upon towards the end of this process. In addition, deliberations took place regarding the discussions with investors about the tender offer for the acquisition of Aareal Bank's shares, and the delivery of the requisite reasoned statement was prepared.

- At its meetings in **January and February 2021**, the Executive and Nomination Committee addressed the measures relating to Hermann J. Merkens' ill health and the Company's dividend policy.
- These discussions continued at the meetings in **March 2021**, along with the deliberation of strategic issues. In addition, these meetings served for the deliberation of changes to the composition of the Management Board.
- The **April 2021** meeting served for the further discussion of the steps to be taken as a result of Hermann J. Merkens' retirement from the Management Board.
- At the **June 2021** meetings, preparations were made for the appointment of Jochen Klösge as Aareal Bank AG's CEO and the further deliberations of the Management Board's restructuring. The July meeting saw a comprehensive discussion of regulatory and supervisory issues.
- Four meetings of the Executive and Nomination Committee took place in **September 2021**. The periodic meeting served for the preparation of this year's evaluation and the selection of the external auditor for this purpose. In addition, the strategy dialogue for the second half of the year 2021 was discussed. Other topics discussed included the long-term succession planning for the Supervisory Board and a decision on the next steps to be taken. In addition, the work on

the remuneration system for the Management Board was discussed in conjunction with the Remuneration Control Committee. The other meetings related to talks with investors. These deliberations continued over the five meetings in **October 2021** and the two meetings in **November 2021**.

- At the **December 2021** meeting, the Executive and Nomination Committee carried out the annual review of the Rules of Procedure for the Management Board and Supervisory Board, the individual and collective suitability and efficiency of the Management Board and Supervisory Board (annual evaluation), the respective review processes, and the Conflict of Interest Policy for members of the Company's executive bodies – also considering the results of the written survey directed at all Management Board and Supervisory Board members regarding potential conflicts of interest in the past financial year. The members of the Management Board and Supervisory Board have declared in writing that no conflicts of interest within the meaning of the GCGC arose during the financial year under review. Another topic discussed related to filling those Supervisory Board positions that remained vacant as a consequence of the resolutions adopted at the extraordinary General Meeting held on 9 December 2021. Moreover, the long-term succession planning was also discussed.

Risk Committee:

The Risk Committee held six meetings during the year under review. It regularly discussed reports on the Bank's risk situation, which were submitted and explained by the Management Board. The risk reporting structure and frequency, which had been adjusted in view of the Covid-19 pandemic, was retained. Having discussed the contents with the Management Board, these were duly noted and approved by the members of the Committee. Besides credit and country risks, the Committee concerned itself with market risks, liquidity risks, and operational risks, as well as reputational and IT risks. The Committee was also engaged with

the analysis of Aareal Bank's risk-bearing capacity and its capital ratios. Also, detailed reports were provided regarding the Bank's liquidity status and management as well as its funding. Risks from existing investments, as well as all additional material risks were also presented.

The Risk Committee concerned itself with Aareal Bank's strategies and the derived sub-risk strategies, as well as with the risk management system. The Management Board also submitted detailed reports to the Risk Committee, covering all markets in which the Bank is active in the property finance business, as well as supplementary reports regarding the Bank's investments in securities portfolios. The Committee members discussed these reports and market views in detail. Within the scope of risk reporting, significant exposures were discussed in detail, and measures for the reduction of high-risk exposures presented and consulted within the Committee. The Risk Committee received reports on recovery planning and other risk management measures. The Management Board also informed the Risk Committee about all completed, ongoing and scheduled audits by the supervisory authorities at each Risk Committee meeting. In addition to regular reporting on the risk situation at each meeting, the following meetings had additional focal points on certain topics: The impact of current Covid-19 pandemic-related developments on the individual types of risk was examined at all meetings.

- The Risk Committee meeting held in **March 2021** dealt with the results of the risk management system review performed by the external auditors, the supervisory authorities' focus during the 2021 financial year and other regulatory publications and amendments.
- In **April 2021**, the Risk Committee focused on those exposures in Aareal Bank Group's credit portfolio that entail a particularly high risk as well as the requirements of this year's supervisory stress tests along with issues relating to the recovery planning required by supervisory and regulatory specifications. In addition, various

supervisory and regulatory issues were also addressed.

- In **June 2021**, the Risk Committee dealt with the regular reporting as well as the yearly reports of the individual risk management functions.
- At the **September 2021** meeting, the Management Board informed the Risk Committee about the current recovery planning. The event-driven review of business and risk strategies as well as various issues centring on IT risks were other focal points.
- The **October 2021** meeting focused primarily on the specific risks of the property classes financed by Aareal Bank.
- At its meeting in **December 2021**, the Risk Committee discussed the results of the Bank's annual risk inventory. The Committee monitored the terms in the client business, based on the business model and risk structure of the Bank. The meeting in December also served to comprehensively review Aareal Bank's existing risks and the measures that are in place to manage these risks.

The Committee also concerned itself at all meetings with the banking and regulatory environment, focusing on current topics, such as individual risk types, during individual meetings. Furthermore, the Risk Committee dealt with the audits performed by the supervisory authorities, the findings these audits yielded and the authorities' recommendations on risk-related topics in all meetings.

Audit Committee:

The Audit Committee held eight meetings during the year under review.

In accordance with the requirements of the GCGC, during its meetings in May, August and November 2021, the Audit Committee discussed with the Management Board the quarterly results to be published. Furthermore, the current status and plan-

ning of key management indicators in the financial year, and current reviews and projects at Aareal Bank were reported upon at the Audit Committee meetings. In its meetings, the Committee received reports submitted by Internal Audit and the Bank's Compliance Officer, requesting and receiving detailed explanations, and duly noting both reports. The Committee was also informed about the work carried out by Internal Audit and of the audit planning. The Head of Internal Audit attended all meetings, unless these were exclusively for the purpose of presenting the preliminary quarterly figures. The Committee dealt with the measures the Management Board had taken to address the findings identified by the external auditor, Internal Audit and supervisory authorities, and had the Management Board regularly report on the status and progress of their rectification. External auditor representatives were also present at all meetings, with the exception of the discussion of those agenda items that relate to the assessment of the financial statements audit and the proposal for the appointment of the external auditors. A regular update on the status of already approved and anticipated non-audit services provided by the external auditors was presented at all meetings. The 70 % limit of approved non-audit services in relation to planned audit services was neither reached nor exceeded at any time. The latest impact of the Covid-19 pandemic on Aareal Bank Group's figures as well as the underlying scenarios were discussed at all meetings. The external auditors' assessment of this was also sought on several occasions.

- At its **February 2021** meeting, the preliminary figures for the 2020 financial year were submitted to the Audit Committee, and the dividend policy was discussed, among other things. In addition, the Annual Report 2020 and the audit planning of Internal Audit were presented.
- In **March 2021**, the Committee received the external auditors' report on the audit of the financial and consolidated financial statements for the 2020 financial year, and discussed the results with the auditors in detail. The Committee members discussed the contents of the audit

reports provided; they formed their own judgement of the audit results on the basis of these reports, and by way of meetings held with the external auditors. Furthermore, the Chairman of the Audit Committee informed the meeting about his discussions with the external auditor outside the meetings. Without the external auditors being present, the Audit Committee discussed the agenda items regarding the assessment of financial statements auditing and the proposal for the external auditor for the 2020 financial year. As previously reported, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was proposed for the first time to carry out the audit of the 2021 financial statements and the consolidated financial statements. The Committee also concerned itself with Aareal Bank Group's Sustainability Report and the audit undertaken to obtain limited assurance for this report. The report on compliance-related issues was also discussed.

- At its **May 2021** meeting, the Audit Committee discussed the business figures for the first quarter 2021 and deliberated on the focal audit points determined by the Supervisory Board for the 2021 financial year.
- The compliance-related reporting, including the annual review of the Code of Conduct, was continued at the meeting of **June 2021**.
- In **August 2021**, the Audit Committee meeting focused on the interim financial report as at 30 June 2021, including the results of its review, and the approach for the audit of the financial statements and consolidated financial statements for 2021.
- In **September 2021**, the focus was, inter alia, on the implementation of major projects.
- At its **November 2021** meeting, the Audit Committee dealt with the quarterly figures as at 30 September 2021.
- At its meeting in **December 2021**, the Audit Committee discussed the medium-term Group

planning in detail with the Management Board. Moreover, the Committee was informed about the status quo and the progress of the audit. In addition, the Audit Committee was informed about the structure of sustainability reporting for the 2021 financial year. Furthermore, the Committee was regularly informed about the risk management system and the review of the Internal Control System, in accordance with legal requirements; it duly acknowledged the reports, following discussion.

Remuneration Control Committee:

The Remuneration Control Committee held 12 meetings during the year under review. The Remuneration Officer, who attended every meeting, supported the Supervisory Board and the Remuneration Control Committee throughout the year under review.

Pursuant to the requirement set out in section 25d (12) of the KWG, which is reflected in the Rules of Procedure of Aareal Bank's Supervisory Board, the Management Board does not attend Remuneration Control Committee meetings which deal with Management Board remuneration. During the 2021 financial year, the Remuneration Control Committee convened eight times without any member of the Management Board being present and held four meetings, where not all Management Board members were present the entire time.

During its meetings, the Remuneration Control Committee discussed issues concerning the Bank's remuneration systems and all related matters, fulfilling its original assignment. For this purpose, and to the extent considered necessary, external legal and remuneration advisors were retained to provide support. The Committee supported the plenary meeting of the Supervisory Board in monitoring the inclusion of internal control units and of all other material divisions in designing the remuneration systems, and assessed the effects of the remuneration systems on the Bank's risk, capital and liquidity situation. Moreover, the Remuneration Control Committee supported the Supervisory

Board with all issues related to the remuneration of the Management Board. As a rule, support was provided to the Supervisory Board by preparing the corresponding recommendations.

- At the commencement of the year under review, the Committee deliberated on the Management Board's target achievement during the 2020 financial year, the measures taken in connection with the ill health of the CEO Hermann J. Merkens, the measures in connection with the departure of Management Board members due to retirement and the determination of target variable remuneration for the financial year under review.
- In **March 2021**, the Committee finalised its assessment of the appropriate structure of the remuneration systems for the Management Board and employees. The results of the penalty review for employees and the Management Board were also presented, as was the review of the overall amount of variable remuneration as to legal permissibility, pursuant, inter alia, to section 7 of the InstVergV. In addition, the so-called say-on-pay resolution was drafted with a view to presenting it at the Annual General Meeting in May 2021. In light of the results of voting on the say-on-pay resolution at the Annual General Meeting, a discussion regarding the restructuring of the remuneration system for the Management Board commenced in June 2021.
- At the first meeting of the Remuneration Committee in **June 2021**, the Committee deliberated on the remuneration of the new CEO. At the second meeting, the necessary steps in connection with any changes to the composition of the Management Board over the course of the year were discussed and the deliberations regarding adjustments to the remuneration system for the Management Board were continued.
- The Remuneration Control Committee continued its deliberations on the future Management Board remuneration system during **August, September and October 2021**.
- The meeting in **December 2021** discussed the Management Board's preliminary target achievement for 2021 as well as the determination of the Management Board targets for 2022 and continued the discussion concerning the restructuring of the Management Board remuneration system. Regulatory issues were also discussed.

Technology and Innovation Committee:

The Technology and Innovation Committee convened for four scheduled meetings in the year under review, during which the Committee discussed the implementation and further development of the digitalisation strategy, market trends, technological developments and innovation trends in detail, especially with a view to clients of the Banking and Digital Solutions and Aareon segments. Potential business opportunities arising from the growing digitalisation of business processes – and how these can be put to use by Aareal Bank Group, and especially for its clients – were explained by the employees of the Bank and respective subsidiaries responsible for the development, among others.

Further key aspects of regular discussions were issues related to the security and flexibility of the IT systems provided and used within the Bank, as well as the ongoing realignment of banking systems and the successes achieved in this regard so far, as well as the adjustments to the new requirements in the areas of reporting, regulation and cybersecurity. The IT strategy, budget planning and the monitoring and progress of major IT projects were also discussed.

External experts were invited to the meetings for selected topics, to present current developments from an independent perspective, and to discuss their potential impact on Aareal Bank, or how they can be taken on board by the Bank.

Attendance of Supervisory Board members at plenary and committee meetings:

Where members of the Supervisory Board were unable to attend a meeting, they announced their

absence in advance, giving reasons. Attendance of Supervisory Board members at meetings is shown in the following table.

Member of the Supervisory Board	Participation in plenary meetings	Quote	Participation in committee meetings	Quote	Number of meetings attended / number of meetings*
Prof. Dr Hermann Wagner	26/26	100%	35/35	100%	61/61
Marija Korsch	23/23	100%	45/45	100%	68/68
Richard Peters	22/26	85%	35/40	88%	57/66
Klaus Novatius**	26/26	100%	31/32	97%	57/58
Jana Brendel	24/26	92%	11/11	100%	35/37
Thomas Hawel**	26/26	100%	4/4	100%	30/30
Petra Heinemann-Specht **	26/26	100%	15/15	100%	41/41
Jan Lehmann**	26/26	100%	5/5	100%	31/31
Sylvia Seignette	26/26	100%	8/8	100%	34/34
Elisabeth Stheeman	25/26	96%	12/12	100%	37/38
Hans-Dietrich Voigtländer	23/23	100%	21/21	100%	44/44
Christof von Dryander	23/23	100%	37/37	100%	60/60

* Plenary and committee meetings; ** Employee representative

of their audit, KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified audit opinion for the financial statements and consolidated financial statements.

All members of the Supervisory Board received the audit reports, including all annexes thereto, in good time before the meeting during which the financial statements and the consolidated financial statements were discussed. Having examined the documents provided, the Supervisory Board members formed their own judgement of the audit results. The external auditor representatives attended the meeting of the Supervisory Board, during which the financial statements and consolidated financial statements were discussed, and gave a detailed account of the results of their audit. The representatives of KPMG AG Wirtschaftsprüfungsgesellschaft were then available to the Supervisory Board to answer further questions and to provide additional information. All questions were answered to the full satisfaction of the Supervisory Board.

The financial statements and management report of Aareal Bank AG, prepared in accordance with the HGB, the consolidated financial statements as well as the Group Management Report prepared in accordance with IFRSs, the proposal of the Management Board regarding the appropriation of profit, and the audit reports, were all examined in detail. No objections were raised to the audit results. At its meeting on 14 March 2021, the Supervisory Board approved the results of the audit. The Supervisory Board thus confirmed the financial statements of Aareal Bank AG (in accordance with the HGB), and approved the consolidated financial statements (in accordance with IFRSs). The Supervisory Board examined and discussed with the Management Board its proposal regarding the appropriation of profit. On the basis of this discussion, the Supervisory Board endorsed the proposal for the appropriation of profit submitted by the Management Board, which dovetails the ECB's recommendations.

Financial Statements and Consolidated Financial Statements

The Supervisory Board instructed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who were elected as auditors by the 2021 Annual General Meeting, with the audit of the financial statements and the consolidated financial statements. The external auditors appointed submitted a statement regarding their independence to the Supervisory Board, who duly noted it. The Supervisory Board has no reason to doubt the accuracy of this statement of independence. Fulfilling their duties as commissioned by the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft audited the financial statements prepared in accordance with the German Commercial Code ("HGB") and the consolidated financial statements prepared in accordance with IFRSs, as well as the Management Report and the Group Management Report. Based on the results

Non-financial Report

The Audit Committee and the Supervisory Board concerned themselves with sustainability issues and related reporting during their meetings on 23 and 25 March 2021, and on 10 and 15 December 2021.

Moreover, during its meeting on 11 March 2022, the Audit Committee of the Supervisory Board discussed the separate combined non-financial report for 2021 and the result of KPMG's audit of that report. Representatives of the external auditors attended this Audit Committee meeting and reported on material results of their commercial review in accordance with ISAE 3000 (revised), undertaken to obtain limited assurance for this report. They answered supplementary questions from Committee members. The Audit Committee conducted a plausibility check of the audit results submitted by KPMG and presented its assessment of the non-financial report (and its analysis of KPMG's audit results) to the Supervisory Board. The Audit Committee also issued a recommendation to the Supervisory Board to concur with the results of the audit conducted by KPMG. The Supervisory Board followed this recommendation; at its meeting on 14 March 2022, it summarised its examination by stating that it had no objections concerning the non-financial report and the results of the audit conducted by KPMG.

Communication with Shareholders

In their role as Chairman of the Supervisory Board, Marija Korsch and, from 23 November 2021 onwards, Professor Hermann Wagner held talks with shareholder representatives as regards corporate governance within Aareal Bank. Both presented the topics within the responsibility of the Supervisory Board, such as the composition of the Management Board and the Supervisory Board, the remuneration systems for Management Board and Supervisory Board members, the role of the Supervisory Board in the strategy development and implementation process as well as its involve-

ment in environmental, social and governance (ESG) matters, the election of the external auditor and the succession planning.

Personnel matters

The following changes to the composition of the Management Board and the Supervisory Board arose during the year under review.

Management Board:

On 20 April 2021, Hermann J. Merkens informed the Supervisory Board that, contrary to initial expectations and from a medical perspective, he would not be able to resume his work as member and Chairman of the Management Board for the foreseeable future. In accordance with contractual agreements, Mr Merkens therefore resigned from the Management Board with effect from 30 April 2021. The Supervisory Board greatly regrets that Hermann J. Merkens was not able to resume his duties at Aareal Bank. He has made an enormous contribution to Aareal Bank over the course of two decades of service on the Management Board; thanks to his immense commitment, his outstanding expertise, his level-headed approach and his strategic far-sightedness, he has played a decisive role in shaping what Aareal Bank Group is today, with activities reaching far beyond purely banking business. On behalf of the entire Supervisory Board, I would like to thank Mr Merkens for his exceptional contribution. Both the Supervisory Board and the staff hope he has a swift and full recovery and wish him all the best for the future.

On 15 June 2021, i.e. after only two months, the Supervisory Board appointed Jochen Klösge as successor to fill the vacant position on the Management Board. Mr Klösge combines an entrepreneurial spirit, client orientation and strategic thinking with broad-based and vast experience across all major aspects of the property finance and banking business. The Supervisory Board believes that Aareal Bank Group will sustain its successful development under his leadership and continue

to find the right strategic answers at a time of profound change.

Dagmar Knopek, who has been a member of the Management Board since 2013 and, in her capacity as Chief Lending Officer, was responsible for Credit Management, Operations and the Workout portfolio, opted not to renew her contract, which expired on 31 May 2021. Ms Knopek chose to retire. The Supervisory Board thanks Ms Knopek for her outstanding commitment and valuable contributions to the development of Aareal Bank over the past years. As a result of her strong expertise, she ensured the high quality of the Bank's credit portfolio for many years – a safeguard that also benefited Aareal Bank during the coronavirus pandemic. The Supervisory Board wishes Dagmar Knopek all the best for her future.

On 30 September 2021, Thomas Ortmanns resigned from the Management Board in accordance with his personal plans for the future. The Supervisory Board respects his wish to pursue a different direction. For over 15 years, Mr Ortmanns – in his role as Management Board member – was instrumental in shaping Aareal Bank Group and contributed significantly to Aareal Bank being able to consistently expand its position as a reliable banking partner to the institutional housing industry. The fact that Aareon has become the company it is today is largely due, to Mr Ortmanns' achievements. The Supervisory Board wishes Thomas Ortmanns all the best for his future.

Supervisory Board:

On 23 November 2021, the Supervisory Board Chairman, Marija Korsch, announced that she would resign with immediate effect from her office, which she had held since 2013, in light of the fundamental changes to the Company's future strategic course, which were realised over the preceding days and weeks. Marija Korsch stated that it was the right time to pass the Chair of the Supervisory Board on to a successor. Most recently, the successful appointment of Jochen Klösge as the new CEO and the conclusion of an Investment Agree-

ment with a bidder company that pursued a long-term strategy for Aareal Bank took place under the aegis of Ms Korsch. As the Supervisory Board Chairman, Ms Korsch worked tirelessly for our Company. The Supervisory Board regrets that Marija Korsch has resigned from her office but respects her decision. At a plenary meeting of the Supervisory Board that took place the same day, Professor Dr Hermann Wagner was elected as the new Chairman of the Supervisory Board.

At the extraordinary General Meeting held on 9 December 2021, a shareholder majority supported Petrus Advisers Investments Fund L.P.'s request for an extension of the agenda and voted Supervisory Board members Marija Korsch, Christoph von Dryander and Dietrich Voigtländer out of office. The Supervisory Board regrets, but respects, this decision and sincerely thanks Marija Korsch, Christof von Dryander and Dietrich Voigtländer for their valuable contributions to Aareal Bank Group's success, which they achieved through their dedicated work on the Supervisory Board, and wishes them all the best for their respective futures.

The replacement candidates proposed by Petrus Advisers Investments Fund L.P. were rejected by a majority of the capital present. The Bank then applied for the appointment of Supervisory Board members by the court in order to restore the Supervisory Board's composition in line with the requirements set out in the Memorandum and Articles of Association. The Frankfurt/Main Higher Regional Court approved this application on 14 January 2022 and appointed Holger Giese, Friedrich Munsberg and Dr Ulrich Theileis as members of Aareal Bank's Supervisory Board with immediate effect. Previously, the Wiesbaden Local Court had rejected the Bank's application for judicial appointment of Supervisory Board members, stating that it did not recognise the need for urgency. Aareal Bank had lodged an appeal against this decision. The Bank's Supervisory Board welcomed the decision of the Higher Regional Court because, in the Supervisory Board's view, it is important to have a fully-staffed Supervisory Board. The Supervisory Board is looking forward to the future cooperation with its new

colleagues, who will be a very good match for Aareal Bank's Supervisory Board, thanks to their expertise and experience.

Training and Continuous Professional Development

The Supervisory Board members made use of the training and continuous professional development measures offered and required for their task at their own account. Aareal Bank AG supported them in an appropriate manner. These measures included individual continuous professional development and information events organised by the external auditor elected by the Annual General Meeting.

Furthermore, continuous professional development measures take place on a regular basis within the course of Supervisory Board meetings. This is typically a two-stage process. At a first meeting, trends or legal or regulatory changes in particular are reported on in the abstract, and their impact on Aareal Bank Group outlined. The specific implementation is presented at a subsequent meeting. Adjustments made during the year are referred to in later reports. The committees also address relevant topics in more depth at their own meetings. In 2021, these included, for example, two meetings of the Risk Committee involving an in-depth analysis. The requirements for addressing non-financial risks and their treatment at Aareal Bank Group represented another focal point. One further focal point was the thorough analysis of the property types financed and the impact of the Covid-19 pandemic.

In addition to its regular meetings, the Supervisory Board convened for a separate informational meeting in January 2022 during which the auditor KPMG provided detailed information on current changes and considerations within the regulatory and legal framework as well as on the potential impact of such trends on Aareal Bank.

Atlantic BidCo GmbH offer

On 23 November 2021, the financial investors Advent International Corporation and Centerbridge Partners, L.P., along with other co-investors, announced their intention to make an offer for the takeover of the majority of shares in Aareal Bank AG. The offer document was published on 17 December 2021. On 27 December 2021, the Management Board and the Supervisory Board issued a reasoned statement. Essentially, the Investment Agreement concluded with Atlantic BidCo GmbH, on which the offer was based, aimed at further accelerating growth across Aareal Bank Group's three segments over the next few years, in line with the Aareal Next Level strategy.

Having examined the offer separately and independently of each other, the Management Board and the Supervisory Board recommended that shareholders accept the offer, which was, in the opinion of both Management Board and Supervisory Board, in the best interest of the Company and its stakeholders from a strategic perspective. On 18 January 2022, Atlantic BidCo released an amendment to its public offer.

On 4 February 2022, Atlantic BidCo GmbH ("BidCo" – the "Bidder") notified Aareal Bank that its voluntary public takeover offer for shares in Aareal Bank AG was not successful: according to information provided by the Bidder, the minimum acceptance level of 60% was not achieved by the end of the acceptance period on 2 February 2022, 24:00 CET. The offer therefore lapsed.

Aareal Bank sees this development as a decision by its shareholders to continue supporting the Bank on its path of sustainable value creation. Aareal Bank will continue along this path, driving its growth initiatives forward from its own strength. Therefore, Aareal Bank plans to continue the growth path already expedited in the past financial year, and to exploit available opportunities for attractive new property finance business to an even stronger extent than originally communicated in early 2021.

Growth initiatives are also set to be expedited in the Group's other segments:

In conclusion, the Supervisory Board would like to thank the Management Board and all of the Group's employees for the dedication, tremendous commitment and flexibility they have shown during the past 2021 financial year. With their continued commitment, strong motivation and perseverance, all Group employees have not only contributed to the Company's ability to successfully handle the ever-changing challenges brought about by the Covid-19 pandemic and the endeavours to overcome it, but have also continued their work on numerous projects under difficult circumstances, which have set the course for the future. This once again emphatically demonstrated the great team spirit that defines Aareal Bank.

Frankfurt/Main, March 2022

For the Supervisory Board

A handwritten signature in blue ink, appearing to read 'H. Wagner', written in a cursive style.

Prof. Dr Hermann Wagner (Chairman)

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Glossary

Ad-hoc disclosure

Pursuant to Article 17 of the MAR (Market Abuse Regulation), issuers of financial instruments are obliged to publish any information that may have an impact on the price of these instruments without delay. This obligation is discharged using so-called "ad-hoc" disclosures which may relate to the issuer's financial position and performance, or to its general business operations. The ad-hoc disclosure obligation applies in Germany as well as in other major financial centres; it is designed to prevent insider trading.

Advanced Internal Ratings-Based Approach (AIRBA)

Under the "Advanced Approach", banks are allowed to use their internal rating procedures to gain an assessment of the credit quality for the supervisory measurement of risk-weighted assets (RWAs).

Associated enterprise (associate)

An enterprise which is accounted for in the consolidated financial statements using the equity method (as opposed to full or partial consolidation), over whose business or financial policies an entity included in the consolidated financial statements exercises significant influence.

Basel III/IV

"Basel III" denotes the regulatory framework for banks, promulgated by the Basel Committee on Banking Supervision at the Bank for International Settlements (BIS) with the objective of stabilising the banking sector. The Basel III regulations, finalised in December 2017, are generally known as "Basel IV".

Bonds

Generic term for fixed-income securities or debt securities.

Capital ratios

Common Equity Tier 1 ratio (CET 1 ratio) =

$$\frac{\text{Common Equity Tier 1 (CET 1)}}{\text{Total risk exposure amount (RWAs)}} \times 100\%$$

Tier 1 ratio (T1 ratio) =

$$\frac{\text{Tier 1 capital (T1)}}{\text{Total risk exposure amount (RWAs)}} \times 100\%$$

Total capital ratio (TC ratio) =

$$\frac{\text{Total capital (TC)}}{\text{Total risk exposure amount (RWAs)}} \times 100\%$$

Commercial Mortgage Backed Securities (CMBS)

Bonds backed by loans collateralised by commercial and multi-family properties.

Consolidated statement of cash flows

Statement showing the cash flows an enterprise has generated and used during a financial year, from its operating, investment and financing activities, together with the cash and cash equivalents at the beginning and end of the financial year.

Corporate governance

Corporate governance denotes the legal and factual framework for the management and governance of enterprises. The recommendations of the German Corporate Governance Code safeguard transparency and are designed to strengthen confidence in good and responsible corporate governance. They predominantly serve to protect shareholders' interests.

Cost/Income ratio (CIR)

Financial indicator expressing the ratio of expenses to income within a given reporting period.

CIR =

Administrative expenses

$$\frac{\text{Administrative expenses}}{\text{Net interest income + net commission income + net derecognition gain/loss + net gain/loss from financial instruments fvpl + net gain/loss from hedge accounting + net gain/loss from investments accounted for using the equity method + net other operating income/expenses}}$$

In line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included in administrative expenses.

Covered bonds

"Covered" bonds is a generic term for debt securities covered by collateral. In Germany, covered bonds are mainly issued in the form of "Pfandbriefe"

pursuant to the German Pfandbrief Act (PfandBG), which provides a legal framework for collateralisation (assets eligible for Pfandbrief cover include mortgages and public-sector loans).

Credit Risk Standard Approach (CRSA)

The CRSA is applied, provided no advanced approach (AIRBA) to assess the credit risk exposure exists, or has been approved.

Deferred taxes

Income taxes payable or receivable in the future, due to temporary differences between the carrying amounts of assets and liabilities in the IFRS statement of financial position and the tax accounts. At the time of recognition, deferred tax assets or liabilities do not yet constitute any actual claims on, or liabilities to the tax authorities.

Derivatives

Derivatives – which include all types of forwards, futures, options and swaps – are financial instruments whose value is derived from the price (and/or the price fluctuations) of an underlying instrument, such as equities, bonds or currencies.

Earnings per share (EpS)

Earnings per ordinary share: financial indicator expressing the ratio of net income after non-controlling interest income to the average number of common shares outstanding.

Earnings per share =

Operating profit ./. income taxes ./. consolidated net income attributable to non-controlling interests ./. AT1 coupon (net)

Number of ordinary shares

EBIT margin

BIT margin =

EBIT (operating profit before interests)

Sales revenues

Effective interest method

Method for amortising the mark-up/mark-down between cost and the nominal value (premium/discount), using the effective yield of a financial asset or liability.

Equity method

Method for measuring shareholdings in enterprises on whose business policy the reporting entity has significant influence ("associates"). When applying the equity method, the associate's pro-rata net income/loss is recognised in the carrying amount of the shareholding; any distributions are recognised via a corresponding pro-rata reduction in the carrying amount.

EURIBOR

European Interbank Offered Rate – the interest rate at which prime European banks offer euro deposits (with fixed terms of one week, and between one and twelve months) to one another.

Fair value

The fair value is the amount for which an asset can be exchanged (or a liability settled) between knowledgeable, willing parties in an arm's length transaction; this is often identical to the market price.

Fair value hedge

Using a swap to hedge the market risk of a balance sheet item with a fixed interest rate (e.g. a receivable or a security); this is measured at fair value.

Financial assets (fvoci)

Financial assets measured at fair value, whose change in value is recognised directly in equity via other reserves (fvoci = fair value through other comprehensive income).

Financial assets/liabilities (ac)

Financial instruments measured by applying the effective interest method at amortised cost (ac = amortised cost). The financial instrument is measured at the amount at which it was initially recognised, minus principal repayments, plus or minus the cumulative amortisation of any premium or discount, and minus any reduction for impairment or non-collectability. The effective interest method amortises the mark-up/mark-down between cost and nominal value (premium/discount) over a residual term.

Financial assets/liabilities (fvpl)

Financial instruments measured at fair value, whose change in value is recognised in income (fvpl = fair value through profit or loss).

Financial instruments

Generic term for loans extended and other receivables, fixed-income securities, equities, shareholdings, liabilities, and derivatives.

FX

Abbreviation for foreign exchange.

Goodwill

The amount which the buyer of an enterprise pays over the fair value of assets less liabilities (the net asset value), taking expected future income into account (the fully-capitalised earnings value).

Green Finance Framework

Defines the criteria for classification as a “green” building. Specifically, these comprise the EU taxonomy criteria, an above-average sustainability rating by recognised rating agencies or compliance with conservative energy efficiency criteria.

Hedge accounting

Concept describing the recognition (or other form of accounting) of two or more financial instruments, which together form a hedging relationship. In this context, the relationship between these contracts is based on the equal and opposite specification of contractual elements giving rise to risks (usually financial risks). Given these specifications, such agreements can be used to partially or fully offset and neutralise risks. In the context of hedge accounting, one of the contracts involved (specifically, the contract establishing the risk(s) concerned) is referred to as the “underlying transaction”, and the other contract (the one entered into to hedge the risk(s) of the underlying transaction) as the “hedge transaction” or just “hedge”.

Impairment

An impairment within the scope of determining loss allowance.

International Financial Reporting Standards (IASs/IFRSs)

IFRSs comprise International Accounting Standards (IASs) and interpretations issued by the Standing Interpretations Committee, as well as International Financial Reporting Standards (IFRSs) and related interpretations published by the International Accounting Standards Board (IASB).

LIBOR

London Interbank Offered Rate; the interest rate at which prime London banks offer deposits to one another.

Liquidity Coverage Ratio (LCR)

A Basel III indicator designed to assess liquidity risk.

Loan-to-value ratio (LTV)

The ratio of loan amount to property value, in the context of property loans.

Minimum Requirements for Risk Management (MaRisk)

The Minimum Requirements for Risk Management in Banks (MaRisk) are binding requirements for the structure of risk management in German banks, as promulgated by the German Federal Financial Supervisory Authority (BaFin).

Money and capital markets

Markets for short, medium- and long-term investments and borrowing in different forms, such as debt securities or promissory note loans.

Mortgage Pfandbriefe

Debt securities issued by Pfandbrief issuers (Pfandbrief banks), which are collateralised by mortgages with a maximum mortgage lending value ratio of 60 %.

Option

The right to buy or sell a specific asset.

Other Comprehensive Income (OCI)

Other reserves. Equity sub-item, in which the following effects are recognised directly: the reserve from remeasurements of defined benefit plans, the reserve from the measurement of equity and

debt instruments at fair value through other comprehensive income, the hedging reserve, the reserve from changes in the value of foreign currency basis spreads, and the currency translation reserve.

Over the counter (OTC)

Financial markets term for off-exchange trading between market participants.

Present value

The present value of a future cash flow, determined by discounting all future cash flows (inflows and outflows) to today's date.

Profit-participation rights

Profit-participation rights are a hybrid of equity and debt. Their creditors' rights are subordinated to those of other creditors, whilst their interest claim takes precedence over the profit entitlements of shareholders.

Public-Sector Pfandbriefe

Debt securities issued by Pfandbrief issuers (Pfandbrief banks), which are collateralised by claims against the public sector.

Purchased or originated credit impaired (POCI)

Financial assets which had already defaulted at the time of acquisition.

Repo or reverse repo transaction (repurchase transaction)

Short-term money-market transaction collateralised by securities.

Return on equity (RoE)

Financial indicator expressing the ratio of net income (or pre-tax profit, for example) to average equity over the period. RoE expresses the return on the capital employed by the company (and its owners/shareholders).

RoE before taxes =

Operating profit ./ consolidated net income attributable to non-controlling interests ./ AT1 coupon

Average equity (IFRS) excluding non-controlling interests, AT1 bond and dividends

RoE after taxes =

Operating profit ./ income taxes ./ consolidated net income attributable to non-controlling interests ./ AT1 coupon (net)

Average equity (IFRS) excluding non-controlling interests, AT1 bond and dividends

Risk-weighted assets (RWAs)

Risk-weighted assets are determined by multiplying the exposure value of a counterparty credit risk position with the risk weight assigned to the borrower.

Segment reporting

Shows financial information of segments which are material for management, and their contribution to the consolidated net income.

Swap

Generic term for contracts to exchange cash flows, such as the exchange of fixed-rate and variable-rate cash flows in the same currency (interest rate swap), or the exchange of cash flows and/or nominal amounts in different currencies (cross-currency swap).

Swaption

Option to enter into a swap agreement: the right to enter into a swap at a specific point in time, at interest rates and terms agreed upon at the outset.

Value-at-risk (VaR)

Method to quantify risks: it measures the maximum potential future loss which will not be exceeded within a defined period, and given a certain probability.

Financial Calendar

11 May 2022	Publication of results as at 31 March 2022
18 May 2022	Annual General Meeting
11 August 2022	Publication of results as at 30 June 2022
10 November 2022	Publication of results as at 30 September 2022

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