

Transparency

Corporate Governance Statement / Corporate Governance Report

Declaration of Compliance / Voluntary Declaration regarding German Corporate Governance Code

As a non-listed company Aareal Bank AG is not required to provide a declaration of compliance in accordance with Section 161 of the German Public Limited Companies Act (Aktiengesetz – AktG). The Management Board and Supervisory Board have however decided to provide a declaration of compliance on a voluntary basis and therefore declare as follows:

Since the last declaration of compliance issued in December 2022, Aareal Bank AG has complied and is complying with the recommendations of the “Government Commission German Corporate Governance Code” as amended and published in the German Federal Gazette on 27 June 2022 – except for the restrictions set out below:

- I. 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. Target achievement is determined over a three-year period. In line with the above definition provided in the draft version dated 22 May 2019, Aareal Bank’s entire variable remuneration would classify as long-term. On the basis of the three-year target determination the variable remuneration is calculated, of which only 20% is paid out directly in the year following target achievement. The remaining 80% is paid out in several tranches and over a total period of six years.

This means that long-term variable remuneration is, for the most part, paid out at the earliest after four years and is paid out fully only 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.

2. According to recommendation D. 3 sentence 5, the Chairman of the Supervisory Board shall not chair the Audit Committee. Prof. Dr Hermann Wagner has been the Chairman of the Supervisory Board since 23 November 2021. On account of his many years as an auditor and tax advisor, as well as his extensive experience as Chairman of Aareal Bank's Audit Committee, he continues to serve as Chairman of the Audit Committee, thereby complying with the statutory provision of Section 25d (9) sentence 2 of the KWG, according to which the Chairman of the Audit Committee must be an accounting/financial reporting and auditing expert. The Supervisory Board decided on 10 August 2023 to elect Mr Jean Pierre Mustier as Chairman of the Supervisory Board as soon as the ECB has adopted its decision regarding Mr Mustier's "fit & proper" assessment and as soon as Prof. Wagner has resigned from his office as Chairman of the Supervisory Board. As soon this has occurred, recommendation D. 3 sentence 5 will be followed.

Wiesbaden, December 2023

The Management Board



Jochen Klösges



Nina Babic



Marc Hess



Christof Winkelmann

For the Supervisory Board



Prof. Dr Hermann Wagner
(Chairman)

Corporate Governance at Aareal Bank Group

Aareal Bank AG is a bank, which by virtue of being classified as ‘significant’, is supervised directly by the European Central Bank. Even after the acquisition of a majority of more than 95% of the shares by Atlantic BidCo GmbH, Aareal Bank AG remains the parent company of a group of affiliated companies, including Atlantic BidCo GmbH and Atlantic Lux HoldCo S.à r.l., from a regulatory perspective. Although the Management Board and the Supervisory Board of Aareal Bank AG observe a large number of specific corporate governance rules even after Aareal Bank AG was delisted on 21 November 2023, 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, which is also rooted in the Code of Conduct of the Bank. These rules and regulations comprise the Memorandum and Articles of Association, the Internal 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 Internal 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 voluntary Declaration of Compliance lays out to what extent the recommendations of the Code 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. 4, according to which the Nomination Committee shall be composed exclusively of shareholder representatives. The Nomination Committee of a bank is subject to special provisions of 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 mission statement

Contributing to sustainable economic development is a priority for Aareal Bank Group. As a partner to the property industry, Aareal Bank Group thus aligns its business conduct with the requirements of the sector and the stakeholders. The Group is aware of the responsibility associated with its sustainability mission statement and the necessity 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 underpins Aareal Bank Group's corporate sustainability strategy and is achieved through an integrated sustainability management. It provides a summary of the 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.

The ESG Expert Group established in fiscal year 2023 focuses on the continued development and long-term expansion of Aareal Bank's value contribution in ESG-relevant areas of action, the assessment of the relevance of climate and environmental risks specific to the Bank-wide strategy, and early responses to regulatory requirements. The ESG Expert Group serves as a platform of the Management Board for developing the Group's sustainability performance. 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 ESG Expert Group is interdisciplinary, which ensures that stakeholder-specific requirements in the ESG environment are always given broad consideration. In addition, Aareal Bank Group continuously works to improve its ESG governance, considering not only regulatory and supervisory requirements, but also the needs of different stakeholder groups and the unique features of its business model.

For further details please refer to the latest Sustainability Report under 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 Code of Conduct therefore contains binding rules governing the legal and ethical conduct of all 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 and any specific requirements for particular transactions.

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, to 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 AG, the Bank has signed the Charter of Diversity, an initiative launched by German industry, and introduced a diversity directive.

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 applicable laws, the Management Board sets specific targets – including 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 2027 at least 20% of executive positions are to be held by women; on 31 December 2023, the share of women 16.1% was (2022: 16.1%). On the second management level below the Management Board, by 30 June 2027 at least 23.0% of executive positions are to be held by women. On 31 December 2023, the share of women was 22.3% (2022: 22.2%).

Across Aareal Bank Group, the share of women in executive positions stood at 24.4% (2022: 22.5%). At Aareal Bank AG, the share was 22.1% (2022: 21.6%), and at Aareon, it was 25.5% (2022: 22.8%). On 31 December 2023, the share of female employees at Aareal Bank Group, overall, was 36.9% (2022: 36.4%), at Aareal Bank AG 41.9% (2022: 42.1%) and at Aareon 34.4% (2022: 33.7%).

In Germany, Aareal Bank and Aareon have appointed nondiscrimination officers in accordance with the German General Non-discrimination Act (Allgemeines Gleichbehandlungsgesetz – "AGG"). 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 4.1% of Aareal Bank AG's staff base in 2023 (2022: 4.4%). 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 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 auditor's reports. Said 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 2023 Annual Report: www.aareal-bank.com/en/investors-portal/finance-information/financial-reports/archiv/2023/.

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. The Committee's areas of responsibility also include assessing corporate governance and preparing the Supervisory Board's personnel decisions – in particular concerning the appointment and removal of Management Board members, and the drafting of individual contracts with Management Board members. The Executive and Nomination Committee compiles profiles defining the requirements for members of the Management Board and the Supervisory Board, considering personal and professional requirements along with its targets for the composition of both bodies, including the diversity concept. In addition, the Committee conducts an evaluation of the Management Board and Supervisory Board at least annually, and determines any further training requirements. Furthermore, the Executive and Nomination Committee resolves decision proposals regarding loans to senior managers and approves the assumption of any sideline activities by Management Board members. It 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, votes on 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 Committee also prepares corresponding proposals concerning the material performance criteria and targets for determining the Management Board's variable remuneration. The Remuneration Control Committee takes delivery of the reports prepared by the units specified in the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung), in particular, those submitted by Aareal Bank's Remuneration Officer.

Risk Committee

The Risk Committee monitors Aareal Bank's material risks, comprising financial and non-financial types of risk alike. 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 that end, the Committee monitors the Management Board, especially as regards determining risk appetite and the corresponding limits.

Audit Committee

The Audit Committee is responsible for accounting matters, and for auditing the Group and Aareal Bank AG, including risk management. 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; the Chairperson must be an accounting/financial reporting and auditing expert, whilst another member must be an accounting/financial reporting or an auditing expert.

Technology and Innovation Committee

It is the Technology and Innovation Committee's responsibility to both support Aareal Bank's activities regarding its own technological and IT-related development and identify and discuss new technological trends on the market, advising Aareal Bank accordingly. The Committee also deals with issues concerning information technology used within Aareal Bank, and with issues related to IT products created and distributed by Aareal Bank Group. 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 Supervisory Board and the Management Board work together in a trusting and constructively critical manner, for the benefit of Aareal Bank as a whole. Discussions during meetings are held in an adequate and target-oriented working atmosphere. Members of the Management Board are especially not permitted to attend Supervisory Board meetings at which their remuneration, their suitability, their succession, any behaviour that breaches their duties, or conflicts of interest are discussed or decided upon.

Outside meetings, it is mainly the Chairman of the Supervisory Board and committee chairpersons 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 regularly exchanges views with the Chief Financial Officer and the external auditors; finally, the Chairwoman of the Technology and Innovation Committee keeps in touch with the Chairman of the Management Board outside meetings. The chairpersons inform the other Supervisory Board members about the key points of these discussions at the next ordinary Supervisory Board or 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 is therefore registered as a legal entity in the Lobby Register covering political lobbying vis-à-vis the German parliament (the Bundestag) and in the EU transparency register.

In connection with the delisting offer by Atlantic BidCo GmbH, the Management Board announced that Aareal Bank will continue to communicate transparently and maintain high disclosure standards, despite its withdrawal from the regulated stock market.

All press releases, ad-hoc disclosures, corporate presentations, along with annual, sustainability and quarterly reports of Aareal Bank are published on the Bank's website, where they may be viewed and downloaded by anyone at the same time. 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 an 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/.

The Bank holds an Annual General Meeting once a year. The Act on the Introduction of Virtual Annual General Meetings of German Stock Corporations dated 26 July 2022 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. By resolution of the Annual General Meeting on 10 August 2023, the Memorandum and Articles of Association were amended to the effect that the Management Board was authorized to provide for the Annual General Meeting to be held without the physical presence of shareholders or their proxies at the location of the Annual General Meeting.

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 representative, and adopts other resolutions submitted to the Annual General Meeting.

Aareal Bank shareholders may submit statements or recommendations to the Company, using various means of communication, at Annual General Meetings. 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, thereby participating in structuring and influencing the meeting.

On 22 November 2023, Atlantic BidCo GmbH announced that it held more than 95 % of the shares of Aareal Bank after expiry of the acceptance period of the delisting tender offer and intended to initiate a squeeze-out of the remaining minority shareholders.

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 potential 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 (Aktiengesetz – 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. Besides the Supervisory Board, the European Central Bank also reviews the suitability of the respective candidates, using the so-called ‘fit & proper’ assessment.

Personal reliability

The principles of personal reliability apply equally for all members of the Management Board and the Supervisory Board. The members of the Management Board and the Supervisory Board shall 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 has calculated 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 context, 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 Conflicts 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, impair 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 Supervisory Board has also determined when the independence of shareholder representatives is no longer ensured. At least once a year, it carries out a 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:

- presence of a material, and not just temporary, conflict of interest materialises within the meaning of the Management Board’s and Supervisory Board’s Conflicts of Interest Policy.
- if the member of the Supervisory Board has served on the Supervisory Board or Management Board of Aareal Bank AG for twelve consecutive years or longer.

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- if less than five years have elapsed between their service on the management board of an institution included in the scope of prudential consolidation and their membership of Aareal Bank AG's Supervisory Board.
 - if less than three years have elapsed between their serving as a senior manager at the top management level below the Management Board at Aareal Bank AG or another entity included in the scope of prudential consolidation and their membership of the Supervisory Board of Aareal Bank AG.
 - if the member of the Supervisory Board is a controlling shareholder of Aareal Bank AG as defined in Article 22 (1) of Directive 2013/34/EU, or if they represent the interests of a controlling shareholder.
 - if the member of the Supervisory Board has a material financial or business relationship with the relevant institution.
 - if the Supervisory Board member is an employee of, or otherwise affiliated with, a controlling shareholder of Aareal Bank AG.
 - if the member of the Supervisory Board has been the owner of a significant professional advisor or external auditor or have themselves been a significant advisor to Aareal Bank AG or any other entities included in the scope of prudential consolidation within a three-year period.
 - if the member of the Supervisory Board is, or was in the previous year, a significant supplier or client of Aareal Bank AG or any other entity included in the scope of prudential consolidation, or had any other significant business relationship with, or is a senior executive (leitende(r) Angestellte(r)) of, a significant supplier, client or commercial enterprise that has a significant business relationship, or is otherwise directly or indirectly related to such significant supplier, client or commercial enterprise.
 - if the member of the Supervisory Board member receives significant remuneration or other benefits from Aareal Bank AG or another entity included in the scope of prudential consolidation over and above the remuneration for their activities as a member of the Supervisory Board or any remuneration for activities performed in connection with any significant financial or business relationship with Aareal Bank AG.
 - if the Supervisory Board member is a close relative of a member of the Management Board of Aareal Bank AG or of a member of the management board or a managing director of another entity included in the scope of prudential consolidation.

The Supervisory Board may deviate from this principle if it is determined in a specific case that the Supervisory Board member's ability to make objective and balanced judgments and independent decisions is not impaired due to the circumstance jeopardizing independence.

Furthermore, all Supervisory Board members are subject to the statutory limitations of Section 100 (2) nos. 2 to 4 of the German Stock Corporation Act (AktG) and Section 25d (3) sent. 1 of the German Banking Act (KWG). 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 as of 31 December 2023, the Supervisory Board believes, taking the above definition into account, that seven of eight shareholder representatives – specifically, Prof. Dr Wagner, Mr Giesecke, Mr Hall, Ms Knoflach, Ms Lulay, Mr Mustier, and Mr Sevilla Álvarez – are independent. According to the above definition, Mr Lotter and is not considered independent. With respect to Ms Lulay, there is a business relationship between Aareal Bank AG and GFT Technologies SE. While this business relationship generally qualifies as material within the meaning of the Conflict of Interest Policy of the Management Board and Supervisory Board, the resulting conflict of interest does not, in the view of the Supervisory Board, taking into consideration the specific circumstances involved, result in a loss of Ms Lulay's independence. While she is also the CEO and Managing Director of GFT Technologies SE, the business relationship is not relevant to the practical work of the Supervisory Board of Aareal Bank.

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 Chairperson of the Audit Committee, for example, must be an expert on accounting/financial reporting issues and internal control and risk management systems, while the Chairperson 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/financial reporting and audit matters,
- ESG, and
- M&A.

The skills matrix below provides an overview of the implementation status of the collective profile of required skills and expertise:

Member of the Supervisory Board	Material sector and financial markets expertise	Digitalisation and transformation	Strategic planning	Design and assessment of RMS, ICS and CG frameworks	Accounting/ financial reporting and auditing	ESG	M&A
Jean Pierre Mustier	X	X	X	X	X	X	X
Sylwia Bach*	X	X					
Henning Giesecke	X		X	X	X		
Denis Hall	X	X		X	X	X	X
Petra Heinemann-Specht*	X			X			
Barbara Knoflach	X	X	X			X	X
Jan Lehmann*	X	X			X		
Hans-Hermann Lotter	X		X	X	X		X
Marika Lulay	X	X	X			X	X
Klaus Novatius*	X			X			
José Sevilla Álvarez	X		X	X	X		X
Prof. Dr Hermann Wagner	X			X	X		

* Employee representative

The following Audit Committee members are experts in the areas of accounting/financial reporting and auditing: Prof. Dr Wagner, Mr Giesecke, Mr Hall and Mr Sevilla Álvarez. Mr Lotter is an auditing expert and Mr Mustier is an accounting/financial reporting expert.

Please refer to Aareal Bank's website for the curricula vitae of the members of the Management Board (www.aareal-bank.com/en/about-us/company-profile/the-management-board) and of the Supervisory Board (www.aareal-bank.com/en/about-us/company-profile/supervisory-board).

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 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

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 2027 at least 33 % of positions are to be held by women. The status quo is 33.3 % (2022: 41.7 %). On the Management Board, by 30 June 2027 at least 25 % of positions are to be held by women. The status quo is 25 % (2022: 25 %). 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 continuous development of both executive bodies. At the time of (re)election to the Supervisory Board, candidates should be less than 70 years old. Furthermore, half of the Supervisory Board members should be younger 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 at least three years of relevant professional experience gained in another country. For the Management Board, the figure is currently at 50 % (2022: 50 %), for the Supervisory Board it is at 58.3 % (2022: 58.3 %).

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 the simultaneous outflow of considerable know-how, the Supervisory Board has set different election dates at which, barring unforeseeable developments, decisions are made about different groups of Supervisory Board members. The terms of office of Mr Hall, Mr Lotter and Prof. Dr Wagner will end at the Annual General Meeting in 2024. The terms of office of Mr Giesecke, Ms Knoflach, Ms Lulay, Mr Mustier and Mr Sevilla Álvarez will end at the Annual General Meeting in 2026. To establish appropriate groups of Supervisory Board members, the Supervisory Board intends to make proposals for the succession or re-election of shareholder representatives for four-year terms of office. This means that a new resolution on some of the shareholder representatives must be passed at least every two years.

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. 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 profile of required skills and expertise, 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. The assessment also includes the Supervisory Board committees and investigates the efficiency and effectiveness of the cooperation within the Supervisory Board, between the committees and the plenary Supervisory Board, as well as between 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. The Committee performs an annual review of the established profile of required skills and expertise, and examines 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 advises on upcoming personnel decisions well ahead of time, such as planned retirements and potential re-appointments. If the re-appointment of a Management or Supervisory Board member is not an option, the Executive and Nomination Committee will generally concern itself with a suitable successor more than one year in advance.

In the event of upcoming changes to the composition of the Management Board or Supervisory Board, 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. 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/financial reporting know-how as well as leadership skills.

The Supervisory Board aims to double the competencies required for Supervisory Board or committee work at Aareal Bank; in terms of the Audit Committee, this applies through compliance with the recommendations of the German Corporate Governance Code. 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 chairpersons and members of the Management Board and their relevant areas of responsibility, are presented below (cf. “Executive Bodies of Aareal Bank AG”). The Management Board is currently comprised of four members. The Supervisory Board appoints one of the members as Chairperson 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 Chairperson and at least one Deputy Chairperson from amongst them, for the duration of their term of office. At its constitutive meeting on 10 August 2023 the Supervisory Board decided to elect Mr Mustier as Chairman of the Supervisory Board as soon as the ECB had made a decision in the fit & proper assessment of Mr Mustier and as soon as Prof. Dr Wagner had resigned from his office as Chairman of the Supervisory Board. Following fulfilment of both conditions, Mr Mustier was elected by the Supervisory Board as Chairman of the Supervisory Board effective 25 January 2024. Furthermore, Mr Lotter was elected as an additional Deputy Chairman of the Supervisory Board. Eight members are elected by shareholders at the Annual General Meeting; four members are elected by employees, through the Group Works Council.

The committees generally have six members, subject to temporary exceptions. According to recommendation C. 10 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, the Remuneration Control Committee, the Executive and Nomination 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.

Managers transactions

In 2023, there were transactions of members of governing bodies of Aareal Bank or of parties associated with members of governing bodies of Aareal Bank which 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”). A person associated with the Supervisory Board sold shares in the amount of € 38,000 in connection with the purchase of Aareal Bank by Atlantic BidCo GmbH. Furthermore, a member of the Management Board, member of the Supervisory Board, and company associated with the Supervisory Board purchased debentures in an approximate amount of € 1.6 million on arm’s-length terms.

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 2023 financial statements – as elected by the Annual General Meeting 2023 and instructed accordingly by the Supervisory Board – have exercised their audit activities under the management of Messrs Gero Wiechens and Markus Winner.