

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:

1. 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 24 April 2017) – except for the restriction set out below – since the last Declaration of Compliance was issued in December 2019:

Pursuant to section 25d of the German Banking Act (Kreditwesengesetz – "KWG"), the Executive and Nomination Committee of Aareal Bank AG's Supervisory Board 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 also includes employee representative members, in contravention of the recommendation in section 5.3.3 of the German Corporate Governance Code (the "Code"). 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.

2. Since 20 March 2020, all recommendations of the Government Commission "German Corporate Governance Code" (as amended and published in the German Federal Gazette on 20 March 2020) have been complied with – except for the restriction set out below:

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 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.

Wiesbaden, December 2020

The Management Board

Hermann J. Merkens
(absent due to illness)




Marc Hess



Dagmar Knopek



Christiane Kunisch-Wolff



Thomas Ortmanns



Christof Winkelmann

For the Supervisory Board



Marija Korsch (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 Code, the supervisory authorities, Aareal Bank shareholders or due to international best practice, or that arise for the Supervisory Board and the Management Board in their day-to-day work.

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

Disclosures regarding Corporate Governance standards

To discharge its responsibility, 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 documents 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, and the Code of Conduct; all members of staff have access to the documents, via common internal communications channels such as the Bank's Intranet. Memorandum and Articles of Association, Code of Conduct, 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 "honourable 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 to what extent the recommendations were complied with, or shall be complied with.

Furthermore, since 1 January 2021 the Management Board and Supervisory Board have also reported whether they comply with the Code's suggestions, stating the reasons for failing to do so if applicable. Other than the following exception/restriction, the Management Board and the Supervisory Board comply with the suggestions:

- Contrary to the suggestion made in G. 14 of the Code, Management Board members' service contracts continue to contain rules governing severance pay in the event of a change of control. Any severance payment made shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract.
- In line with D. 8 sentence 2, participation in Supervisory Board meetings by video or telephone conference should not be the rule. To protect Supervisory Board members, employees and Management Board members of Aareal Bank from a potential SARS-CoV-2 infection, most Supervisory Board meetings in 2020 were held virtually. As soon as developments concerning the coronavirus pandemic reasonably allow it, the Supervisory Board intends to resume personal attendance for members at meetings.

According to Code recommendation F. 4, companies shall specify, in the Corporate Governance Statement, what 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 KWG. Pursuant to section 25d of the KWG, the Nomination Committee of Aareal Bank AG's Supervisory Board 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 representative members. 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.
- 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 ecological, 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 and compliance, our appeal as an employer, and an emphasis on building and maintaining high-trust client relationships.

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

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

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to the Chairman of the Management Board. In this way, Aareal Bank Group emphasises the strategic importance of sustainability for its corporate philosophy and steers its practical implementation at the highest level. Established now since 2012, the Sustainability Committee supports the Management Board in the ongoing development of the sustainability programme and in coordinating the Group-wide sustainability activities. It includes representatives from all key divisions.

Further details can be found in the latest Sustainability Report: www.aareal-bank.com/en/investor-portal/finance-information/sustainability-reports/archive

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 integral part of the corporate strategy, providing a summary of the corporate responsibility principles of Aareal Bank Group that are aligned with our objective of doing business sustainably:

- Our thinking is integrated and future-oriented, taking ethical, societal and ecological topics into account.
- We analyse trends holistically, evaluate the resulting opportunities and risks, and align our forward-looking sustainability programme with this.

Code of Conduct

We believe that the principles of integrity and responsible conduct must be observed by the 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 further strengthen the confidence placed by stakeholders – our clients, investors, and staff: www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/Code_of_Conduct_en.pdf

Principles of diversity

The Management Board and the Supervisory Board are openly committed to diversity throughout 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 goals are 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 the German industry in 2006) in 2013.

Aareal Bank employs people from more than 30 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 2020, the share of female managers on this level was 14.7 % (2019: 16.2 %). 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 2020, the share of female managers on this level was 23.1 % (2019: 23.7 %).

Across Aareal Bank Group, the share of women in executive positions stood at 24.6 % (2019: 23.8 %); at Aareal Bank AG, it was 21.6 % (2019: 21.9 %), and at Aareon, it was 25.5 % (2019: 24.1 %), with women accounting for 37.6 % of Aareal Bank Group's entire workforce as at 31 December 2020

(2019: 36.8% – Aareal Bank AG: 42.5% (2019: 41.9%); Aareon: 34.4% (2019: 33.1%).

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

Inclusion

Severely disabled persons made up 5% of Aareal Bank's staff base in 2020 (2019: 4.8%). 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 being published, the reports of Internal Audit, Risk Controlling and Compliance, as well as the external auditor's reports. It also determines the transactions of the

Management Board in its internal Rules of Procedure, where its approval is required.

Furthermore, the Supervisory Board contributes to the sustainable success of Aareal Bank Group – in the interest of investors, clients, staff, and the general public – by selecting suitable Management Board members (as set out in the Guidelines for the Selection of Members of the Supervisory Board and Management Board), a Management Board remuneration system which is aligned with the Company's long-term and sustainable interests (as set out in the Remuneration Report), and the effective supervision of this 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: www.aareal-bank.com/en/investors-portal/finance-information/financial-reports/archive

Executive and Nomination Committee

The Executive and Nomination Committee prepares the plenary meetings of the Supervisory Board, together with proposed resolutions. 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 the Group, corporate governance, and issues concerning personnel planning for the Management Board (also regarding the contracts with individual Management Board members, based on the remuneration system prepared by the Remuneration Control Committee and adopted by the plenary meeting of the Supervisory Board). 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 in line with the 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. For further details, please refer to the section on remuneration governance in the Remuneration Report.

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. The Committee is also responsible for monitoring the effectiveness of the internal control and monitoring system.

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. Meetings also take place without the Management Board present, for example when talking about personnel matters, Management Board remuneration, evaluation results, and individual business-related or strategic aspects.

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 risk situation, risk management, and risk strategies. The Chairman of the Audit Committee also regularly exchanges views with the Chief Risk Officer, but also with the Chief Financial Officer and the external auditors; finally, the Chairman of the Technology and Innovation Committee keeps in touch with the Chief Digitalisation Officer outside meetings. The chairmen inform the other Supervisory Board members about the key points of these discussions at the next committee meeting.

Communications

Aareal Bank assigns great importance to extensive communications with all of the Bank's stakeholders. It has set itself the target of actively, transparently and openly communicating with all stakeholders, taking into account the interests of all stakeholders.

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 five times annually. On these occasions, the Management Board gives a personal account of results, within the scope of press and analysts' conferences, as well as issuing press releases.

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

Relationship to shareholders

To facilitate direct communication, Aareal Bank has set up a separate 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 her 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 the Company.

At the Annual General Meeting, the shareholders decide, in particular, on the formal approval of the members of the Supervisory Board and Management Board 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 also elects the external auditors for the Company and decides who joins the Supervisory Board as shareholder representative.

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. The Management Board and the Supervisory Board refer to shareholders' comments made during the general debate, or to motions submitted by shareholders in advance, to respond to questions, or to comment on other contributions.

In certain situations, such as the current pandemic, the aforementioned may be legally limited or adapted to allow for an Annual General Meeting to take place adjusted to the respective situation.

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 for the evaluation of Management Board and Supervisory Board members, as well as when selecting candidates for appointment to the Management Board, or for shareholder representatives to the Supervisory Board. When establishing these processes, it has taken into account the legal requirements of the German Public Limited Companies Act (Aktiengesetz – "AktG"), the German Banking Act (Kreditwesengesetz – "KWG") and 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 prior to taking up their duties, 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. 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 also dedicate 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 & independence

Acting in the interests of the Company means being able to make significant judgements unbiased by considerations irrelevant to the matter at hand. The Supervisory Board therefore attaches particular importance to the handling and disclosure of conflicts of interest or potential conflicts of interest that could, for example, call into question the independence of the Supervisory Board.

In its Conflicts of Interest Policy, the Supervisory Board has laid down procedures on how to prevent or handle potential conflicts of interest affecting members of the Management Board or the Supervisory Board. Specifically, the Policy provides that individual Management Board and Supervisory Board members must establish transparency even where there is only a potential conflict 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, 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, as a staff member, member of the Management or Supervisory Board; consultants to major competitors may also not be considered independent.

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 2019, the Supervisory Board believes, taking the above criteria into account, that all shareholder representatives (Marija Korsch, Jana Brendel, Christof von Dryander, Richard Peters, Sylvia Seignette, Elisabeth Stheeman, Dietrich Voigtländer and Prof. Dr Hermann Wagner) 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. The members of the Management Board are responsible for

the duties of the entire Management Board as well as those of the sections assigned to them. 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 monitoring systems, while the Chairman of the Risk Committee must be an expert in monitoring risks. Both committee chairmen may not hold the position of Chairman of the Supervisory Board.

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 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 suitable candidates, further selection takes these aspects into account, to draw

together the broadest possible spectrum of different perceptions in the interest of making 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 (please refer to relevant management duties/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 41.66 %, unchanged from the previous year. On the Management Board, by 30 June 2022 at least 20 % of positions are to be held by women. The status quo is 33.33 %, unchanged from the previous year. 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, 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 33 %, unchanged from the previous year, whilst the figure has increased to 33 % (2019: 25 %) for the Supervisory Board.

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 the 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 Ms Korsch, Mr von Dryander, Mr Peters, and Ms Seignette run until the ordinary Annual General Meeting in 2023. All the other shareholder representatives' terms of office do not expire before the ordinary Annual General Meeting in 2024. Shareholder representatives' terms of office are only four years long, 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 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 whether requirements for the collective composition, including skills profiles and diversity concepts, are fulfilled on the other hand. Should this not be the case, the Executive and Nomination Committee submits proposals to the Supervisory Board as to how individual or collective suitability can be achieved. The Executive and Nomination Committee also assesses future trends and developments, and, at a minimum, suggests adequate training programmes for the two bodies, enabling them to deal with such trends and developments. This applies, for example, to information on digitalisation and on sustainability and non-financial risks (cf. the Report of the Supervisory Board), tailored to the needs of the Management Board and Supervisory Board.

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 Super-

visory Board committees; it comprises an efficiency and effectiveness review of the cooperation within the Supervisory Board, between the committees and with the plenary meeting of the 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 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 this 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 and Supervisory Boards 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 or Supervisory Board members as well as changes in the composition of the Management or Supervisory Board.

Furthermore, at the beginning of every year, the Executive and Nomination Committee discusses personnel decisions due within the next two years, such as projected retirements, potential re-appointments, etc. Therefore, if the re-appointment of a Management or Supervisory Board member is not an option, the Executive and Nomination Committee concerns itself with a suitable successor more than one year in advance.

If changes in the composition of the Management or Supervisory Board have to be made, the Executive and Nomination Committee aims to fulfil 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 (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 fundamentally prepare them 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. In addition, all Management Board members have first- and second-level responsibilities. This means that if the Management Board member with first-level responsibility is not available, his/her duties will be assumed by the respective Management Board member with second-level responsibility.

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. Hence, the Audit Committee comprises not only the respective Chair as a financial expert, but also at least one other person holding the same qualifications. 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. As per the Supervisory Board's decision, the Management Board is comprised of six 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 two Deputy Chairmen 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 belongs to every committee and assumes the position of risk management expert in the Remuneration Control Committee. According to the provisions of 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 the mutual exchange of information.

Purchase or sale of the Company's shares

In 2020, 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"). As set out on Aareal Bank AG's website, only one transaction by a family member of a Supervisory Board member took place. At the end of the financial year, aggregate shareholdings of members of executive bodies in the Company's shares were less than 1% of the issued share capital of Aareal Bank AG.

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 according to 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.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), the auditors of the 2020 financial statements – as elected by the Annual General Meeting 2020 and instructed accordingly by the Supervisory Board – have exercised their audit activities under the management of Messrs Ralf Schmitz and Christian Rabeling. In line with the audit firm's internal regulations, their staff members rotate their audit mandates periodically – every five years in this case.

Mr Schmitz has audited Aareal Bank since 2018; Mr Rabeling, the responsible auditor, since 2019.

Please note that, due to the statutory rotation of external auditors, this was the final time (for now) that PricewaterhouseCoopers GmbH were appointed as external auditors for Aareal Bank AG.

Report of the Supervisory Board of Aareal Bank AG, Wiesbaden

Dear shareholders,

This annual report reflects the different ways in which the events of last year concern us all and led to diverse restrictions and new situations for you, dear shareholders, and for the companies and hence for Aareal Bank. In addition, Aareal Bank finds itself in a special situation due to the ill health of Hermann Merkens, our Chairman of the Management Board. Nonetheless, Aareal Bank can be proud of how superbly its management and employees have mastered these changes. This allowed the Bank to continue its operating business activities unrestricted during the lockdown in spring 2020, with virtually all of its staff working from home. The Management Board and the Works Council ensured well in advance that the Bank's workforce was sufficiently mobile. Regardless of this development, Aareal Bank has continued to operate successfully in its markets. It also conducted the sale of a partial stake in Aareon, among other things.

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 Supervisory Board was involved in all material decisions made by Aareal Bank Group,

also – and in particular – in monitoring the Aareal Next Level strategic framework and the event-driven review against the background of the Covid-19 pandemic and the process for the sale of a minority stake in Aareon AG. 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, on 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 discuss key issues and important decisions personally. The Chairman of the Supervisory Board then proceeded to inform the other Supervisory Board members of these discussions at the following Supervisory Board meetings. Due to Hermann Merkens's absence due to illness, discussions have since been held with his deputies on the Management Board, Marc Hess and Thomas Ortmanns.

Discussions were also held – on a weekly basis initially, then every two weeks and now monthly – between Aareal Bank's management and the Chairman of the Supervisory Board, the Risk Committee and the Audit Committee about the impact of the Covid-19 pandemic and how Aareal Bank was dealing with it. The chairmen of the Supervisory Board, and of 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 in their respective committees, in line with their respective areas of responsibility.

Activities of the Plenary Meeting of the Supervisory Board

Eighteen plenary meetings of the Supervisory Board were held in the year under review, also due to the developments arising from the global Covid-19 pandemic. During these meetings, the members of the Supervisory Board received the submitted reports and documents, as well as oral explanations, which were discussed in detail. Economic and market developments, also in view of and particularly against the background of the Covid-19 pandemic, the still large number of related adjustments to regulatory requirements, and the ongoing progress made in implementing the Aareal Next Level strategic programme were focal points of the work and reporting in 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 reported to the Supervisory Board regularly and comprehensively; these reports also covered the development of the Structured Property Financing, Consulting/Services Bank and Aareon segments, focusing in particular on current economic 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 reported regularly on the quality of the property financing portfolio against the background of market trends in the various property markets, with a particular emphasis placed 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.

- In two meetings in **January 2020**, the Supervisory Board addressed strategic questions and associated communications. It discussed the Aareal Next Level strategic programme, which was subsequently approved by the Management Board and communicated to the capital market.
- During its meeting at the **beginning of the year**, the Supervisory Board dealt with the Bank's dividend policy, the individual Management Board members' target achievement in the past financial year, and the setting of targets for the new financial year. Preparations were also made for the election of members to the Supervisory Board at the Annual General Meeting in May. Deliberations on the Supervisory Board elections continued during another meeting in March, together with the feedback and implementation proposals from the corporate governance roadshow. The Management Board members' targets were also dealt with.
- In the **March 2020** meeting, the Supervisory Board dealt in detail with the financial statements and consolidated financial statements presented for the 2019 financial year, and with the auditors' report. The relevant facts were presented in the Supervisory Board report for the previous year. Furthermore, the Supervisory Board discussed the non-financial report 2019 and the results of the audit going hand in hand with it, to obtain limited assurance. Another issue covered during the March meeting included preparations for the Annual General Meeting in May 2020. This comprised resolution proposals for the agenda of the Annual General Meeting, including the proposal for the appropriation of profit and the proposal regarding the selection of external auditors and election of Supervisory Board members. At the March meeting, the Management Board also presented the strategies pursuant to Minimum Requirements for Risk Management ("MaRisk") applicable to the Group in detail. According to their respective responsibilities, the strategies had previously been presented to the Executive and Nomination Committee, the Risk Committee, and the Audit Committee, and finally to the Supervisory Board,

to subsequently be discussed with the Management Board in depth. 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 concerned itself with the internal governance and the remuneration systems for employees and Management Board members; it came to the conclusion that the Company's remuneration systems are appropriate.

- During three meetings in **April 2020**, alongside discussions concerning Aareal Bank's first virtual Annual General Meeting, the Supervisory Board addressed in particular the agenda items of the Annual General Meeting, including the final proposal for candidates to be elected to the Supervisory Board, the introduction of different terms of office for Supervisory Board members, the handling of the supervisory authorities' recommendation on dividend policy, and the proposal on the appointment of the external auditors. External legal advisors were consulted, in particular with regard to the moratorium on dividend payments. The Supervisory Board agreed to permanently reduce the terms of office of Supervisory Board members to four years, and at the same time to introduce elections at different points in time. The Supervisory Board candidates especially strengthened the digitalisation and banking expertise on the Supervisory Board. As reported in the previous year, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, was proposed for the last time for the audit of the 2020 financial statements and the consolidated financial statements, due to the rotation requirements that are in place. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was proposed for any review of additional financial information after 31 December 2020 and up to the 2021 Annual General Meeting. In addition, the meeting in April also dealt with the already extended reporting on the effects of the Covid-19 pandemic.
- The launch of a process to sell a minority stake in Aareon was on the agenda of the Supervisory Board's first meeting in **May 2020**. The Supervisory Board's second meeting in May, which was held immediately after the Annual General Meeting, started with a review of the Annual General Meeting of Aareal Bank AG preceding the meeting. Following the conclusion of the Supervisory Board elections, the meeting also covered the election of the Chairman and Deputy Chairman of the Supervisory Board and its committees.
- Two Supervisory Board meetings were held in **June 2020**. These addressed the impact of the Covid-19 pandemic on Group planning and the intra-year forecast, including the assumed scenarios, and the Supervisory Board's governance. Organisational issues were also covered.
- The two-day Supervisory Board meeting in **July 2020** was held to comprehensively discuss Aareal Bank Group's strategy and refinements thereon, as well as to receive the Management Board's regular report. Issues concerning coping with the situation surrounding the Covid-19 pandemic were also added to this year's agenda. The Supervisory Board talked about the presented strategic initiatives and options with the Management Board in considerable depth and detail. Within this context, adjustments made to material risk documents were also presented and discussed.
- The meeting in **August 2020** dealt exclusively with the sale of a minority stake in Aareon AG. During the **September 2020** meeting, current questions concerning strategic initiatives, including a progress report on their implementation, were presented and discussed, in addition to the regular reports. Besides an update on Covid-19, these questions dealt with Aareon and Advent subsequent to the signing of the sale of a minority stake in August 2020, with the share price and shareholder structure, M&A and capital management, as well as with ESG topics. In this context, the event-driven review of the business and risk strategies, including the Risk Appetite Framework, were also discussed with the Supervisory Board.

- In the two meetings convened in **November 2020**, the Supervisory Board addressed the illness of the Chairman of the Management Board, Hermann J. Merkens. Based on consultations, all measures were agreed upon that would allow his responsibilities to be continued without interruption during the substitution phase. Since his absence as Chairman of the Management Board, the Supervisory Board convened on a weekly basis until year-end and, in coordination with Marc Hess and Thomas Ortmanns, is convinced of the Management Board's capacity to act. The Supervisory Board also dealt with the proposal to appoint a new Compliance Officer and approved the proposal.
- In the **December 2020** meeting, the Management Board prepared and presented the Corporate Governance Report, 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 its work. The Supervisory Board also concerned itself with the Management Board's preliminary target achievement 2020 and approved the targets for 2021.

The chairmen of Supervisory Board committees regularly gave account of the work in the committees 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 eleven meetings in the year under review. The Committee prepared the plenary meetings of the Supervisory Board in all its 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. Consultations were also held in the year under review on the shareholder representatives nominated for election to the Supervisory Board. The Management Board was not present at these meetings. As provided for in the Supervisory Board's Rules of Procedure, the employee representatives on the committee had no right to vote on this issue.

- At the meeting in **February 2020**, the Executive and Nomination Committee dealt with the Company's dividend policy and the selection of candidates for election to the Supervisory Board.

- The meetings in **March 2020** were used to continue selecting candidates and hence to prepare for the Annual General Meeting in May 2020. Information was also provided on the corporate governance roadshow held by the Chairman of the Supervisory Board. This comprised the resolution proposals for the agenda of the Annual General Meeting plus the introduction of different terms of office for Supervisory Board members. The meetings also dealt with any pending appointments to the Management Board in the next financial year, and thus with the topic of succession planning.
- The meetings in **April 2020** were also concerned with further preparations for the Annual General Meeting and corporate governance topics, including in particular discussions regarding the ECB's recommendation on the dividend policy. In **May 2020**, the Executive and Nomination Committee discussed in detail with the Management Board the current plans in relation to Aareon.
- The **June 2020** meeting was used to prepare for the Supervisory Board's strategy meeting. An intense discussion as regards the processes for the Management Board's general succession planning was also held. The Supervisory Board also advised on regulatory changes and the regular changes in the German Corporate Governance Code (GCGC) and their relevance for Aareal Bank.
- In **August 2020**, the sale of a minority stake in Aareon was discussed in detail with the Executive and Nomination Committee.
- The Executive and Nomination Committee meeting in **September 2020** was held to prepare for this year's evaluation and the selection of external auditors to this end. In addition, the strategy dialogue for the second half of the year 2020 was discussed. Current corporate governance developments and the implementation of the relevant changes in the GCGC were also advised on. As proposed by the GCGC, the Chairman of the Supervisory Board held an appropriate number of talks with investors in the year under review, exchanging views with them on Aareal Bank's corporate governance and informing Board members concerning the contents of these talks in subsequent meetings (see "Shareholder communication" below for details on the topics).
- At the **December 2020** 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.

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 was extended with supplementary reports, relating specifically to the impact of the Covid-19 pandemic. 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 a report on recovery planning and other risk management measures, which included preparations for the UK's exit from the EU after the end of the transition period on 31 December 2020 and the related ongoing consultations about an agreement between the UK and the European Union. 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 were examined in all meetings since March 2020.

- The Risk Committee meeting held in **March 2020** dealt with the results of the risk management system review performed by the external auditors, the supervisory authorities' focus in the 2020 financial year and other regulatory publications and amendments.
- In **April 2020**, the Risk Committee mainly addressed the non-financial risks of Aareal Bank Group, the risk culture report and specific credit risk management aspects.
- In **June 2020**, it dealt with the regular reporting as well as with the yearly reports of the individual risk management functions.
- At the **September 2020** meeting, the Management Board informed the Risk Committee about

current recovery planning. Another focal point was the event-driven review of the business and risk strategies, in light of the Covid-19 pandemic.

- At the meeting in **October 2020**, individual aspects of the event-driven review of the risk strategies were dealt with in more detail, including the specific emphasis on the credit processes due to the Covid-19 pandemic. Issues concerning data and information security were also addressed.
- In its meeting in **December 2020**, 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, supported the Remuneration Control Committee in evaluating the effects of the remuneration systems on the Bank's risk, capital and liquidity situation, and checked whether the remuneration systems are aligned with the Bank's sustainable development and business strategy. Within this context, the Risk Committee also ensured that the derived risk strategies and the remuneration strategy are in line. The meeting in December also served to comprehensively review ESG risks, and the measures that are in place to manage these risks.

The Committee also concerned itself in 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 2020, the Audit Committee discussed with the Management Board the quarterly results to be

published. Furthermore, the current status and planning 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 external auditors, Internal Audit and supervisory authorities, and had the Management Board report on the status and progress of their rectification. External auditor representatives, too, attended all meetings, excluding the agenda items regarding the assessment of financial statements auditing and the proposal for new external auditors. A regular update on the status of already approved and expected non-audit services provided by the external auditors was given 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, including the underlying scenarios, have been discussed at all meetings since March 2020. The external auditor's assessment of this was also sought on several occasions.

- At its **February 2020** meeting, the preliminary figures for the 2019 financial year were submitted to the Audit Committee, and the dividend policy was discussed, among other things. In addition, the annual report 2019 and the audit planning of Internal Audit were presented.
- In **March 2020**, the Committee received the external auditors' report on the audit of the financial and consolidated financial statements for the 2019 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 auditors 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 auditors for the 2020 financial year. As reported in the previous year, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, was proposed for the last time for the audit of the 2020 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 meeting in **May 2020**, the Audit Committee discussed the focal audit points determined by the Supervisory Board for the 2020 financial year.
- The compliance-related reporting, including the annual review of the Code of Conduct, was continued at the meeting in **June 2020**.
- In **August 2020**, the Audit Committee meeting focused on the interim financial report as at 30 June 2020, including the results of its review, and the approach for the audit of the financial statements and consolidated financial statements.
- The meeting in **September 2020** focused on the discussion of the impact of the Covid-19 pandemic on Group planning and the intra-year forecast, including the assumed scenarios, as well as the progress in preparing for the implementation of the requirements of the benchmark reform.
- At its **November 2020** meeting, the Audit Committee dealt with the preliminary figures for the financial year as at 30 September 2020.

- In its meeting in **December 2020**, the Audit Committee discussed the medium-term Group planning in detail with the Management Board. The external auditors also informed the committee about the results of the audit of the organisation of the lending business. The Audit Committee was also informed by the Management Board about the structure of sustainability reporting for the 2020 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 eight 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. In the 2020 financial year, the Remuneration Control Committee held four meetings without the Management Board, and four with it.

During its six 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 beginning of the year under review, the Committee dealt with the Management Board's target achievement for the 2019 financial year and with determining the Management Board targets for 2020.
- In **March 2020**, the Committee finalised the 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.
- The Remuneration Control Committee meeting in **June 2020** focused on the completed implementation of the comments which the supervisory authorities had made regarding the remuneration system, as well as on how Covid-19 impacted on the remuneration of the Management Board and employees.
- The Remuneration Control Committee continued its deliberations about the impact of Covid-19 on the remuneration of the Management Board and employees in **September 2020** and **November 2020**.
- In the two meetings in **December 2020**, the Remuneration Control Committee dealt with the Management Board's preliminary target achievement for 2020 and determined the Management Board targets for 2021. 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 Consulting/Services Bank 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 relating to the security and flexibility of IT systems provided and used within the Bank, as well as the current realignment of banking systems and successes already achieved here, such as the introduction of S4/HANA and the associated adjustments to the new requirements in the areas of accounting, regulation, and cybersecurity. The IT strategy, budget planning and the monitoring and progress of important 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 table below.

Financial Statements and Consolidated Financial Statements

The Supervisory Board instructed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, who were elected as auditors by the Annual General Meeting 2020, 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, PricewaterhouseCoopers GmbH 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 of their audit, PricewaterhouseCoopers GmbH 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 mem-

Member of the Supervisory Board	Participation in plenary meetings	Quota	Participation in committee meetings	Quota	Number of meetings attended/ number of meetings*
Marija Korsch	18/18	100%	37/37	100%	55/55
Richard Peters	18/18	100%	26/26	100%	44/44
Klaus Novatius*	18/18	100%	19/19	100%	37/37
Jana Brendel	8/9	89%	6/7	86%	14/16
Thomas Hawel*	18/18	100%	4/4	100%	22/22
Petra Heinemann-Specht*	18/18	100%	11/11	100%	29/29
Jan Lehmann*	9/9	100%	3/3	100%	12/12
Dr Hans-Werner Rhein	9/9	100%	8/8	100%	17/17
Prof. Dr Stephan Schüller	9/9	100%	10/11	91%	19/20
Sylvia Seignette	18/18	100%	6/6	100%	24/24
Elisabeth Stheeman	18/18	100%	10/10	100%	28/28
Hans-Dietrich Voigtländer	18/18	100%	20/20	100%	38/38
Christof von Dryander	9/9	100%	16/16	100%	25/25
Prof. Dr Hermann Wagner	18/18	100%	19/19	100%	37/37
Beate Wollmann*	9/9	100%	3/3	100%	12/12

* Plenary and committee meetings; ** Employee representative

bers 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 PricewaterhouseCoopers GmbH 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. In its meeting on 25 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 is oriented on the ECB's recommendations.

Non-financial Report

The Audit Committee and the Supervisory Board concerned themselves with sustainability issues and related reporting during their meetings on 19 and 24 March 2020, 23 September 2020 and on 10 and 16 December 2020.

Moreover, during its meeting on 23 March 2021, the Audit Committee of the Supervisory Board discussed the separate combined non-financial report for 2020 and the result of PricewaterhouseCoopers'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 PricewaterhouseCoopers, and presented its assessment of the non-financial report (and its analysis of PricewaterhouseCoopers'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 PricewaterhouseCoopers. The Supervisory Board followed this recommendation; in its meeting on 25 March 2021, it summarised its examination by stating that it had no objections concerning the non-financial report and the results of the audit conducted by PricewaterhouseCoopers.

Communication with Shareholders

In her function as Chairman of the Supervisory Board, Ms Korsch held discussions with shareholder representatives concerning corporate governance at Aareal Bank. Ms Korsch 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 involvement in environmental, social and governance (ESG) matters, the election of the auditor and succession planning.

Personnel matters

The following personnel changes were made to the Supervisory Board during the reporting period: Six shareholder representatives – Elisabeth Stheeman, Sylvia Seignette, Dietrich Voigtländer, Prof. Dr Hermann Wagner, Jana Brendel and Christof von Dryander – were elected to the Supervisory Board. Prof. Dr Stephan Schüller and Dr Hans Werner

Rhein resigned from the Supervisory Board at the Annual General Meeting.

We would like to thank Prof. Dr Stephan Schüller and Dr Hans Werner Rhein for their enriching and constructive cooperation on the Supervisory Board of Aareal Bank.

Employee representative Ms Beate Wollmann resigned from the Supervisory Board at the Annual General Meeting. The Supervisory Board would also like to express its thanks for her outstanding commitment and constructive work. She is succeeded by Jan Lehmann, who was appointed by Aareon as employee representative to the Supervisory Board.

No personnel changes were made with regard to the Management Board in 2020.

Due to the illness of the Chairman of the Management Board, Hermann J. Merkens, the Executive and Nomination Committee and the plenary meeting convened to discuss the situation and take measures to ensure the management's operational capacity. Taking the situation into account, the already communicated substitutional regulations were put into effect.

The Supervisory Board sincerely regrets that Mr Merkens is currently unable to perform his duties for health-related reasons, and wish him a swift recovery.

On 12 March 2021, Mr Merkens announced that his absence due to ill health will last longer than originally expected and communicated on 8 November 2020. Whether and when Mr Merkens will be able to return to his duties cannot be reliably predicted at this point. The substitution regulations described will remain in force. Due to the uncertainties surrounding the recovery of Mr Merkens, the Supervisory Board has decided to expedite the search for a successor, which it has initiated as a precautionary measure, alongside an analysis of the size and composition of the Management Board, as communicated during the annual press conference on 24 February 2021.

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. An internal introductory programme, specifically aligned to the members newly elected to the Supervisory Board by the Annual General Meeting 2020, was conducted and external training measures structured and provided, to familiarise them with their new role and hence with the mandate. These measures included individual continuous professional development and information events organised by the external auditor elected by the Annual General Meeting.

Aareal Bank's onboarding process for new members of the Company's executive bodies aims to impart deeper knowledge of the business specifics, the strategy, risk management, accounting, and material legal provisions of Aareal Bank. Alongside external training and continuous professional development measures, more than 20 internal discussions were held with the heads of division of the internal control units, of Finance & Controlling, Group Strategy, the business divisions, the Chairman of the Management Board of Aareon AG, and with the Management Board members and chairmen of the Supervisory Board committees. To ensure the transition to the Supervisory Board work runs as seamlessly as possible, this onboarding process started already before the candidates were elected by the Annual General Meeting, while respecting confidentiality measures. Comprehensive knowledge about Aareal Bank was imparted before the candidates elected by the Annual General Meeting attended their first committee meetings.

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. In 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 in a next meeting. Adjust-

ments made during the year are referred to in later reports. The committees also address relevant topics in more depth in their own meetings. In 2020, these included for example two meetings of the Risk Committee with an in-depth analysis of current regulatory developments and of reporting and monitoring instruments that were expanded specifically due to the Covid-19 pandemic. The requirements for addressing non-financial risks and their treatment at Aareal Bank Group represented another focal point.

In addition to its regular meetings, the Supervisory Board convened for a separate informational meeting, during which auditors Pricewaterhouse-Coopers provided detailed information on current changes and deliberations within the regulatory and legal framework, as well as on the potential impact of such trends upon Aareal Bank.

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 2020 financial year. With this continued commitment, strong motivation and persistence, all Group employees have not only contributed to the Company's seamless transition to working from home, allowing day-to-day operations to continue unrestricted. They have also successfully handled the special challenges, while at the same time setting the course for the future, for example, with the important work carried out on the IT infrastructure under special circumstances. This visibly demonstrated the great team spirit that defines Aareal Bank.

Frankfurt/Main, March 2021

For the Supervisory Board



Marija Korsch (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/loss ./. income taxes ./. consolidated net income attributable to non-controlling interests ./. AT1 coupon (net)

Number of common 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).

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.

MDAX

The MDAX® mid-cap index comprises the shares of 60 companies from traditional sectors listed in Deutsche Börse's Prime Standard segment that, in terms of market capitalisation and exchange turnover, rank immediately below the companies included in the DAX® blue-chip index.

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 com-

prehensive 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, other reserves, 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, other reserves, 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 2021	Publication of results as at 31 March 2021
18 May 2021	Annual General Meeting
12 August 2021	Publication of results as at 30 June 2021
11 November 2021	Publication of results as at 30 September 2021

Imprint

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