

Declaration of Compliance / Voluntary Declaration regarding German Corporate Governance Code

As a non-listed company, Aareal Bank AG ("Aareal Bank") is not obliged to provide a declaration of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz). However, the Management Board and Supervisory Board have decided to provide a Declaration of Compliance on a voluntary basis and therefore declare as follows:

Since the last Declaration of Compliance was issued in December 2023, Aareal Bank has complied and is complying with the recommendations of the "Government Commission German Corporate Governance Code" as amended and published in the German Federal Gazette on 27 June 2022 – except for the restrictions set out below:

1. According to recommendation B 5, an age limit shall be specified for members of the Management Board and disclosed in the Corporate Governance Statement.

Aareal Bank complies with this recommendation and states that members of the Management Board should not exceed the age limit of 65 years during their term of office. This age limit is being exceeded with the new CFO, Andy Halford, being 65 years old. However, this one-off deviation does not fundamentally call this age limit into question. As a precautionary measure, however, a deviation from recommendation B 5 has been declared.

2. Pursuant to recommendation G. 10 sentence 2, Management Board members shall have access to granted long-term variable remuneration components only after a period of four years. In contrast to the draft version dated 22 May 2019, the Government Commission refrained from defining the term "long-term variable remuneration" in its final version.

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

Within Aareal Bank's remuneration system, all targets are derived from the strategy. Target achievement is determined over a three-year period. In line with the above definition provided in the draft version dated 22 May 2019, Aareal Bank's entire variable remuneration would classify as long-term. On the basis of the three-year target determination the variable remuneration is calculated, of which only 20% is paid out directly in the year following target achievement.. A further 20% is allotted in the form of virtual shares and subject to a one-year holding period. The remaining 60% is paid out in several tranches and over a total of five years.

This means that most of the long-term variable remuneration is, for the most part, paid out at the earliest after four years and is only paid out in full after eight years taking into account extended deferral periods for new members of the Management Board. 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 2024

The Management Board

Dr Christian Ricken

Nina Babic

Andy Halford

Christof Winkelmann

Aareal

Jean-Pierre Mustier
(Chairman)

