
Report of the Supervisory Board of Aareal Bank AG, Wiesbaden

Dear shareholders,

The financial year under review was a remarkable one, both for Aareal Bank and for its shareholders. Specifically, the financial year was not only shaped by the impact of geopolitical uncertainty as well as uncertainty affecting property markets on Aareal Bank's business, but also by the implementation of the takeover offer, leading to Aareal Bank's delisting on 21 November 2023. Unfazed by these events, Aareal Bank successfully continued to pursue its growth strategy across all segments whilst making permanent improvements to its management of risks.

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. Furthermore, the Supervisory Board received comprehensive reports on the development of the business segments, and on operative and strategic planning. The Supervisory Board also discussed the steps taken by the majority shareholder. Within the framework of Atlantic BidCo's delisting offer, the Supervisory Board issued a further reasoned statement, jointly with the Management Board, advocating acceptance of the offer.

The Supervisory Board was involved in all material decisions of Aareal Bank Group. 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 informed decisions were 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. In 2023, meetings of the Supervisory Board and its committees were offered in hybrid format. Excluding 13 meetings (three plenary meetings, three meetings of the Remuneration Control Committee, four meetings of the Executive and Nomination Committee and three meetings of the Audit Committee), which were held as video conferences, all meetings were held as hybrid meetings.

Furthermore, between the individual meetings, the Chairman of the Management Board kept the Chairman of the Supervisory Board informed, on a continuous and regular basis, with regard to all material developments concerning the Company. The Chairman of the Management Board maintained close and regular contact with the Chairman of the Supervisory Board, in order to personally discuss key issues and important decisions. The Chairman of the Supervisory Board then proceeded to inform the other Supervisory Board members of these discussions at the following Supervisory Board meetings. In addition, regular discussions were held between members of the Management Board and committee Chairpersons, especially between the CRO and the Chairpersons of the Risk Committee. The Chairpersons reported on the discussions to their respective committees.

Activities of the Plenary Meeting of the Supervisory Board

Eight plenary meetings of the Supervisory Board were held in the year under review. 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, in view of and particularly bearing in mind the ongoing Russia-Ukraine war as well as the conflict in Israel and the Gaza Strip which broke out in October 2023, were focal points of the work and reporting at all scheduled meetings. This also included the risk management measures taken by the Bank to counter this environment. Supervisory Board discussions also focused on preparations for the completion of Atlantic BidCo's takeover offer for Aareal Bank AG shares, leading to the delisting offer submitted by Atlantic BidCo.

During the plenary meetings of the Supervisory Board, the Management Board regularly reported to the Supervisory Board in detail; these reports also covered the development of the Structured Property Financing, the Banking and Digital Solutions and Aareon segments, focusing in particular on current developments. In addition, the Supervisory Board was informed about the business develop-

ment of the entire Aareal Bank Group. At regular intervals, the Supervisory Board was informed of the Bank's liquidity status and the related steps taken by the Bank's Treasury division. The Management Board also regularly reported on the quality of the property financing portfolio against the background of market trends in the various property markets, with a particular emphasis on the current situation of the US portfolio and the exposure in Russia. Furthermore, within the scope of reporting, the regular reports prepared by the control functions – including Risk Controlling, Compliance, Internal Audit, the CISO and the Remuneration Officer – were presented and discussed. Finally, the Supervisory Board concerned itself with Management Board service contracts – without the members of the Management Board being present.

The focal points of the individual meetings are outlined below.

At the **March 2023** meeting, as scheduled, the Supervisory Board dealt with the financial statements and consolidated financial statements presented for the 2022 financial year, and with the external auditors' report. The relevant facts were presented in the Supervisory Board report for the previous year. Furthermore, the Supervisory Board discussed the 2022 non-financial report and the results of the associated audit to obtain limited assurance. At the same meeting in March, the Management Board also provided a detailed presentation of the Group's business strategy, the status of the ownership control procedure, and the preparations for closing the takeover. Furthermore, the Supervisory Board discussed the SREP Notice for 2022.

At the **June 2023** meeting, the Supervisory Board concerned itself with the ordinary Annual General Meeting and the associated nomination of a new Supervisory Board member. A report was provided regarding Atlantic BidCo's takeover of Aareal Bank; the meeting also focused on the regular quarterly report as well as an in-depth discussion of Aareal Bank Group's strategy and its further development. The Supervisory Board also dealt with prevailing business developments and discussed focal points of the audit. An ESG briefing was also provided to the Supervisory Board.

At the **August 2023** meetings, reports were provided concerning Aareal Bank AG's Annual General Meeting. A constituting meeting of the Supervisory Board in its new composition was held following the Annual General Meeting. A report on an acquisition by Aareon was given at a further meeting.

At the **September 2023** meeting, strategic issues were discussed with the Management Board in addition to the regular reports. Reports submitted by the BDS and Aareon segments were a focal point of this meeting; in addition, the Supervisory Board concerned itself with the delisting sought for Aareal Bank's shares by the investors.

At the meetings in **October** and **November 2023**, the Supervisory Board discussed the delisting as well as strategic projects.

An overview of planning, as well as on risk parameters in the planning context, was provided at the **December 2023** meeting, in addition to the regular reports. The Supervisory Board also received the report regarding the adjustment of the business strategy and on strategic initiatives. Besides the review of the governance documents and of the Declaration of Compliance in accordance with the German Corporate Governance Code ("GCGC"), the annual review of the individual and collective suitability of the Management Board and Supervisory Board members (annual evaluation) was carried out. The Supervisory Board also concerned itself with considerations regarding adjustments to the remuneration system for the Management Board, and with the Management Board targets for 2024.

The Chairpersons 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.

As part of preparing Supervisory Board decisions, a routine examination is carried out as to whether there are any conflicts of interest. Potential conflicts of interest were taken into consideration when taking decisions during the financial year under review. Please refer to the "Personnel Matters" section in this report regarding the specific handling of conflicts of interest.

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 ten meetings in the financial year under review. The focus of its meetings was to prepare the plenary meetings of the Supervisory Board. Regarding the agenda items within its exclusive responsibility, the Committee convened without the Management Board. Such items include, in particular, discussions regarding suitability requirements for Management Board and Supervisory Board members, the processes for reviewing this suitability, the targets for the composition of both executive bodies, and the annual evaluation of both the Management Board and the Supervisory Board. During the financial year under review, the Committee also deliberated on the succession of Prof. Dr Wagner and for Ms Seignette, whose term of office ended as scheduled. The Committee also prepared the issue of the reasoned statement required in connection with the delisting offer. Furthermore, the Executive and Nomination Committee addressed personnel matters of the Management Board and the preparation of the Annual General Meeting 2023. The corporate governance reports, including the Corporate Governance Statement and the report of the Supervisory Board, were also addressed. The Committee also addressed the training concept for the Supervisory Board and its committees.

Risk Committee:

The Risk Committee held four meetings during the financial year under review. It regularly discussed reports on the Bank's risk situation, which were submitted and explained by the Management Board. Having discussed the contents with the Management Board, these were duly noted by the members of the Committee. The Committee concerned itself with the Bank's strategies and risks, including credit and country risks, 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. Moreover, the Risk Committee concerned itself with the results of the risk management system review performed by the external auditors, the focal points of ECB's supervisory activities during the 2023 financial year and other regulatory publications and amendments. The Management Board also submitted detailed reports to the Risk Committee, covering all markets in which the Bank is active in the property finance business, as well as supplementary reports regarding the Bank's investments in securities portfolios. The Committee members discussed these reports and market views in detail. Within the scope of risk reporting, significant exposures were discussed in detail, and measures for the reduction of high-risk exposures presented and consulted within the Committee. The Risk Committee received reports on recovery planning and other risk management measures. The Management Board also informed the Risk Committee about all completed, ongoing and scheduled audits by the supervisory authorities at each Risk Committee meeting. The Risk Committee then concerned itself with the regular review of terms and conditions in the client business. The risk inventory and work on recovery planning were also presented.

The Committee also concerned itself in all meetings with the banking and regulatory environment. Individual meetings focused on current topics such as individual risk types, the development of all of the Bank's portfolios, concentrating on current critical developments in individual markets. This also included dealing with the US office portfolio in great detail, and the reduction of the residual Russian exposure, which took place during the course of the year, as well as with the measures required in this context. Furthermore, in all of the meetings the Risk Committee dealt with the audits performed by the supervisory authorities, the findings these audits yielded and the supervisory authorities' recommendations on risk-related topics. In addition, joint meetings were held with the Technology and Innovation Committee concerning information risk and information security issues.

Ms Seignette retired from the Supervisory Board at the close of the ordinary Annual General Meeting 2023, at the end of her term of office. Mr Giesecke succeeded her as Chairperson of the Risk Committee.

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 2023, the Audit Committee discussed the quarterly results to be published with the Management Board. At its meeting in March 2023, the Committee discussed the preliminary figures for the 2022 financial year as well as the presentation of the results of the external auditors' audit of the financial statements and the audit planning of Internal Audit. Furthermore, Audit Committee meetings regularly included the submission of reports on the current status and planning of key management indicators in the financial year, on current projects at Aareal Bank, Internal Audit reports and its audit planning as well as the report by the Bank's Compliance Officer. The Committee also received the external auditors' report on the audit of the financial statements and consolidated financial statements for the 2022 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. 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, with the exception of the discussion of those agenda items that relate to the assessment of the financial statements audit and the proposal for the appointment of the external auditors. A regular update on the status of already approved and anticipated non-audit services provided by the external auditors was presented at all meetings. At all meetings, the Committee also concerned itself with the current status of implementation regarding the CSRD. Finally, the Audit Committee dealt with and adopted the concept for preparing non-financial reporting for 2023 and the related audit.

Remuneration Control Committee:

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

Pursuant to the requirement set out in Section 25d (12) of the KWG, which is reflected in the Rules of Procedure of Aareal Bank's Supervisory Board, the Management Board does not attend Remuneration Control Committee meetings which deal with Management Board remuneration. During the 2023 financial year the Remuneration Control Committee convened eight times without any member of the Management Board being present, and held one meeting at which some Management Board members were present for selected agenda items.

During its meetings, the Remuneration Control Committee discussed issues concerning the Bank's remuneration systems and all related matters, fulfilling its original assignment. For this purpose, and to the extent considered necessary, external legal and remuneration advisors were retained to provide support. The Committee supported the plenary meeting of the Supervisory Board in monitoring the inclusion of internal control units and of all other material divisions in designing the remuneration systems, and assessed the effects of the remuneration systems on the Bank's risk, capital and liquidity situation. Moreover, the Remuneration Control Committee supported the Supervisory Board in all matters related to the remuneration system for the Management Board, determining Group targets for 2023 and Management Board targets for 2023 and 2024, as well as the degree of target achievement for the previous year. As a rule, support was provided to the Supervisory Board by preparing the corresponding recommendations for resolution. The Remuneration Control Committee also concerned itself with the remuneration system for the Supervisory Board resolved at the Annual General Meeting on 10 August 2023. Furthermore, the Committee dealt with the adjustment of Management Board service contracts to implement the remuneration system for the Management Board resolved by the Annual General Meeting 2022, and with the Remuneration Report 2022.

Technology and Innovation Committee:

The Technology and Innovation Committee convened for four meetings during the financial year under review. During 2023, the Committee focused on the Bank's IT strategy and IT security (in some cases jointly with the Risk Committee) as well as on further development of the digitalisation strategy, on market trends and technological developments. The Technology and Innovation Committee also concerned itself with the Aareon segment in detail.

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. One employee representative was on sick leave until he resigned from office. Attendance of Supervisory Board members at meetings is shown in the table below.

Member of the Supervisory Board	Participation in plenary meetings	Quota	Participation in committee meetings	Quota	Number of meetings attended / number of meetings*
Prof. Dr Hermann Wagner	8 / 8	100%	29 / 29	100%	37 / 37
Jean Pierre Mustier	5 / 5	100%	11 / 11	100%	16 / 16
Sylwia Bach**	8 / 8	100%	5 / 5	100%	13 / 13
Henning Giesecke	8 / 8	100%	21 / 21	100%	29 / 29
Denis Hall	8 / 8	100%	15 / 15	100%	23 / 23
Thomas Hawel**	0 / 0	100%	0 / 0	100%	00 / 00
Petra Heinemann-Specht**	8 / 8	100%	21 / 21	100%	29 / 29
Barbara Knoflach	8 / 8	100%	16 / 18	89%	24 / 26
Jan Lehmann**	8 / 8	100%	6 / 6	100%	14 / 14
Hans-Hermann Lotter	7 / 8	88%	26 / 28	93%	33 / 36
Marika Lulay	7 / 8	88%	13 / 14	93%	20 / 22
Klaus Novatius**	8 / 8	100%	17 / 19	89%	25 / 27
Sylvia Seignette	3 / 3	100%	7 / 7	100%	10 / 10
José Sevilla Álvarez	7 / 8	88%	24 / 24	100%	31 / 32

* plenary and committee meetings; ** Employee representative

Financial Statements and Consolidated Financial Statements

The Supervisory Board instructed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who were elected as external auditors by the 2023 Annual General Meeting, with the audit of the financial statements and the consolidated financial statements. The external auditors appointed submitted a statement regarding their independence to the Supervisory Board, who duly noted it. The Supervisory Board has no reason to doubt the accuracy of this statement of independence. Fulfilling their duties as commissioned by the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft audited the financial statements prepared in accordance with the German Commercial Code (“HGB”) and the consolidated financial statements prepared in accordance with IFRSs, as well as the Management Report and the Group Management Report. Based on the results of their audit, KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified audit opinion for the financial statements and consolidated financial statements. This also applies to the report prepared by the Management Board on the relationships with affiliated companies (Subordinate Status Report) pursuant to Section 312 of the AktG, which the external auditors also audited and issues an unqualified audit opinion in accordance with Section 313 of the AktG.

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

The financial statements and management report of Aareal Bank AG, prepared in accordance with the HGB, the consolidated financial statements as well as the Group Management Report prepared in accordance with IFRSs, the proposal of the Management Board regarding the appropriation of profit, and the audit reports, were all examined in detail. No objections were raised to the audit results.

At its meeting on 19 March 2024, the Supervisory Board approved the audit results. 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.

Non-financial Report

The Audit Committee and the Supervisory Board concerned themselves with sustainability issues and related reporting during their meetings on 21 and 22 March 2023; the Audit Committee dealt with this at its meeting on 11 December 2023.

Moreover, during its meeting on 21 March 2023, the Audit Committee of the Supervisory Board discussed the separate combined non-financial report for 2022 and the result of KPMG's audit of that report. Representatives of the external auditors attended this Audit Committee meeting and reported on material results of their commercial review in accordance with ISAE 3000 (revised), undertaken to obtain limited assurance for this report. They answered supplementary questions from Committee members. The Audit Committee conducted a plausibility check of the audit results submitted by KPMG and presented its assessment of the non-financial report (and its analysis of KPMG's audit results) to the Supervisory Board. The Audit Committee also issued a recommendation to the Supervisory Board to concur with the results of the audit conducted by KPMG. The Supervisory Board followed this recommendation; on 27 March 2023, it summarised its examination by stating no objections concerning the non-financial report and the results of the audit conducted by KPMG.

Atlantic BidCo GmbH offer

After Atlantic BidCo GmbH had secured 84 per cent of Aareal Bank shares within the framework of its public takeover offer in 2022, it gave notice on 22 May 2023 that all offer conditions had been met after the European Central Bank approved the majority takeover, allowing the offer to be completed. After completion of the takeover bid on 7 June 2023, Atlantic BidCo held just under 90 per cent of the shares.

Aareal Bank AG and Atlantic BidCo GmbH entered into a delisting agreement on 20 September 2023; Atlantic BidCo subsequently published a delisting offer which expired on 21 November 2023. In this context, Atlantic BidCo has stated that it holds a stake of more than 95 per cent in Aareal Bank upon completion of the delisting offer.

Annual General Meeting

In view of the aforementioned description of how the Atlantic BidCo GmbH takeover offer proceeded, the ordinary Annual General Meeting that was originally planned for May 2023 was postponed to 10 August 2023. Management's proposals for resolution were accepted by the Annual General Meeting with a large majority. Besides approval of the Remuneration Report, resolutions on Supervisory Board remuneration and on the election of a new Supervisory Board member were adopted with a very high approval rate.

Personnel matters

The following personnel changes were made to the Supervisory Board during the year under review:

Mr Hawel resigned from his office on Aareal Bank AG's Supervisory Board in mid-March 2023, and was succeeded by Ms Bach as a replacement candidate, with effect from 16 March 2023.

Ms Seignette retired from the Supervisory Board at the close of the Annual General Meeting on 10 August 2023, at the end of her regular term of office. Mr Mustier was elected to the Supervisory Board, to succeed Ms Seignette.

The Supervisory Board would like to thank Ms Seignette for her many years of constructive work on the Board, and wishes her all the best for the future. The members of the Supervisory Board are now looking forward to working with Mr Mustier.

Mr Lotter and Ms Lulay are subject to a conflict of interest within the meaning of E.1 GCGC: Mr Lotter is a managing director of Atlantic BidCo GmbH, which has acquired a majority stake in Aareal Bank within the scope of a public takeover offer. For this reason, Mr Lotter has abstained from voting on any and all discussions and resolutions in connection with Atlantic BidCo. As regards Ms Lulay, Managing Director of GFT Technologies SE, Aareal Bank AG has a business relationship with GFT Technologies SE. Whilst in principle, this must be considered material as defined by the Conflicts of Interest Policy for the Management Board and Supervisory Board, the business relationship is not relevant for the practical work of Aareal Bank's Supervisory Board. Ms Knoflach and Mr Giesecke are only subject to a potential conflict of interest. In the event of a resolution in Aareal Bank's Supervisory Board that concerns an actual conflict of interest, the Supervisory Board members in question will abstain from any related discussions, and from voting on the resolution.

Training and Continuous Professional Development

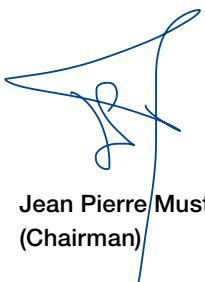
In September 2023, the Supervisory Board and its committees addressed the determination of the respective training requirements for the following year, according to the Supervisory Board's training concept. The training requirements determined were prepared by the Executive and Nomination Committee and presented to the Supervisory Board in December 2023 together with a proposal for resolution for a specific training concept for the following year.

Furthermore, professional development measures on current topics (or on those considered relevant by the Supervisory Board) took place during Supervisory Board meetings on a regular basis, whether as part of deep dives or on the occasion of additional information meetings. Likewise, the Supervisory Board was kept informed on relevant developments in the business and regulatory framework during training and information events organised by the external auditors elected by the Annual General Meeting.

The Supervisory Board would like to thank the Management Board and all of the Group's employees for the dedication and their tremendous continued commitment and flexibility shown during the past 2023 financial year. With their sustained commitment, strong motivation and perseverance, all Group employees have not only contributed to the Company's ability to successfully handle the ever-changing challenges on international markets, but have also continued their work on numerous projects which can set the course for key future developments, under dynamically changing circumstances. This once again emphatically demonstrated the great team spirit that defines Aareal Bank.

Frankfurt/Main, March 2024

For the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Jean Pierre Mustier', is written over a vertical blue line that extends from the signature down to the name below.

Jean Pierre Mustier
(Chairman)