

Regulatory Remuneration Report 2021

pursuant to sections 16 and 27 (1) sentence 3
of the German Regulation on Remuneration
in Financial Institutions (InstVergV) in conjunction
with article 450 of the CRR

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This regulatory Remuneration Report discloses information for the 2021 financial year (“year under review”) as required by sections 16 and 27 (1) sentence 3 of the German Regulation on Remuneration in Financial Institutions (InstVergV) in conjunction with article 450 of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR). The disclosure requirement concerns Aareal Bank AG and all other entities in the regulatory scope of consolidation, to the extent that such entities are subject to the InstVergV.

In addition, further information on Management and Supervisory Board remuneration for the year under review is disclosed in this report pursuant to section 162a of the German Public Limited Companies Act (Aktiengesetz – “AktG”). The Remuneration Report was submitted for approval to the ordinary Annual General Meeting 2022.

Design Principles of the Remuneration Systems

Aareal Bank’s remuneration systems are designed to support the Bank’s business strategy as well as its long-term and sustainable success, whilst respecting the Bank’s risk culture.

Principle	Details
Pay for Performance and alignment to interests of shareholders	<p>The variable remuneration of employees and Management Board members is based on the achievement of ambitious targets or tasks. Therefore, the variable remuneration is directly linked to, and geared towards promoting the overall performance of, Aareal Bank.</p> <p>For risk takers, including Management Board members, at least 50 % (Management Board members: at least 55 %) of the variable remuneration is directly linked to the share price development above a defined level, and a total of at least 70 % of the variable remuneration is subject to deferral and/or retention arrangements.</p>
Alignment with business and risk strategies	<p>By deriving the remuneration targets from the business strategy, employees and Management Board members are incentivised to consistently pursue the achievement of Aareal Bank’s strategic goals. Furthermore, the targets are set in line with Aareal Bank’s risk strategies as well as the aspired risk culture and company culture.</p>
Long-term orientation	<p>Variable remuneration is subject to robust ex-ante as well as ex-post risk adjustment measures, including deferral arrangements that allow for a reduction, complete elimination, and even a clawback of variable remuneration.</p> <p>Variable remuneration for Management Board members is based on a multi-year assessment period, in order to ensure sustainable target achievement.</p>
Sustainability	<p>The Bank strives to be a frontrunner in terms of ESG (Environmental, Social, Governance) acknowledging the importance of ESG, not only for Aareal Bank and its business strategy but also for the entire financial industry. Therefore, the remuneration systems aim to establish a strong link between remuneration and ESG targets. In order to reflect the growing importance of ESG/sustainability-related aspects, under the new remuneration systems at least one of the Group targets is ESG-related.</p> <p>For the Management Board members, in addition, at least one strategic target is ESG-related under the new Management Board remuneration system. As a result, at least 25 % of the variable remuneration of Management Board members who are subject to the new Management Board remuneration system is directly linked to the achievement of ESG-related targets.</p>

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Principle	Details
Comprehensible system and transparent disclosure	<p>The Supervisory Board aims to implement a remuneration system that is easily comprehensible for all internal and external stakeholders and that can be operated without unnecessary complexity.</p> <p>In the annual Remuneration Report, Aareal Bank provides comprehensive details concerning the remuneration, the target achievements, and the metrics employed for any given financial year.</p>
Consistency between Management Board remuneration system and remuneration system for employees	<p>The Supervisory Board aims to design a remuneration system for the Management Board members that is closely aligned to the remuneration system for employees, ensuring that the entire workforce strives towards the same company goals for Aareal Bank's continued success.</p>
Governance and regulatory requirements	<p>As a financial institution which is supervised by the European Central Bank, and listed on the stock exchange, Aareal Bank is subject to numerous regulatory requirements regarding workforce remuneration, including the remuneration of Management Board members.</p> <p>Aareal Bank has established robust governance arrangements and bodies in line with the requirements of the German Banking Act (Kreditwesengesetz – "KWG"), the InstVergV and other applicable rules and regulations in order to ensure Aareal Bank's continuous compliance with the various German and international regulatory requirements.</p>
Gender equality	<p>An inclusive working environment which is free from discrimination is a material aspect of Aareal Bank's corporate values. Hence, Aareal Bank's remuneration systems are designed to be fully gender-neutral across all levels.</p>

Fixed Remuneration

All employees and Management Board members receive fixed remuneration, which is based on the scope and complexity of the individual's tasks and his/her role and responsibility, and is designed to be competitive on the market.

Fixed remuneration usually consists of a base salary and ancillary benefits (including benefits under the corporate retirement plan). For pay-scale employees the base salary is subject to the collective wage agreement for the German private banking sector, while for employees not covered by collective agreements it is based on an internal position plan that differentiates between an expert and manager career path and defines the base salary ranges. Aareal Bank has identified Managing Directors (MDs) as the management level immediately below the Management Board; their remuneration is determined by the Management Board. The fixed remuneration of the Management Board is determined by the Supervisory Board.

Variable Remuneration – Calculation

When it comes to the structure of the remuneration system for employees, a general distinction is made between three groups of employees. First of all, Aareal Bank has employees whose remuneration is governed by collective agreements. Aareal Bank AG is a member of the German Arbeitgeberverband des privaten Bankgewerbes e. V. (association of employers in private banking) and bound by the collective agreements for private banks. Then, there are employees whose remuneration is not governed by collective agreements. Some of these employees have been identified as "risk takers", i.e. employees whose actions have a material impact on the overall risk profile of the Bank or Group. The variable remuneration paid to these "risk takers" is subject to very stringent regulatory requirements.

The remuneration system for the Management Board and the remuneration system for employees are closely aligned. Consistency between the systems is achieved, in particular, by using the Group component in the structure of the variable remuneration system, such that both the Management Board and employees are set targets based on the Group performance criteria. In general, the targets set for the employees are derived from those set for the members of the Management Board, which means that, as well as the structure of the two systems being consistent, the actual content of the targets set is also cascaded throughout the entire workforce from the strategic Group targets. This also ensures that the individual targets are in line with the risk strategies, risk appetite and the targeted risk culture.

In order to identify employees who are classed as “risk takers”, Aareal Bank carries out an annual independent risk analysis, identifying the employees in question based on a uniform set of criteria whilst taking regulatory requirements pursuant to sections 1 (21) and 25a (5b) of the KWG in conjunction with the Delegated Regulation (EU) 2021/923 into account.

Remuneration parameters for employees

Variable remuneration for employees is calculated based on targets derived from the business strategy. The assessment period for target achievement is one year. The targets are divided into two or – for risk takers – three additive components, which are assessed independently: a Group component, an organisational unit component (referring to the organisational unit that the risk taker works for) and an individual component (individual target achievement). Upper and lower limits exist for all components.

Variable remuneration components

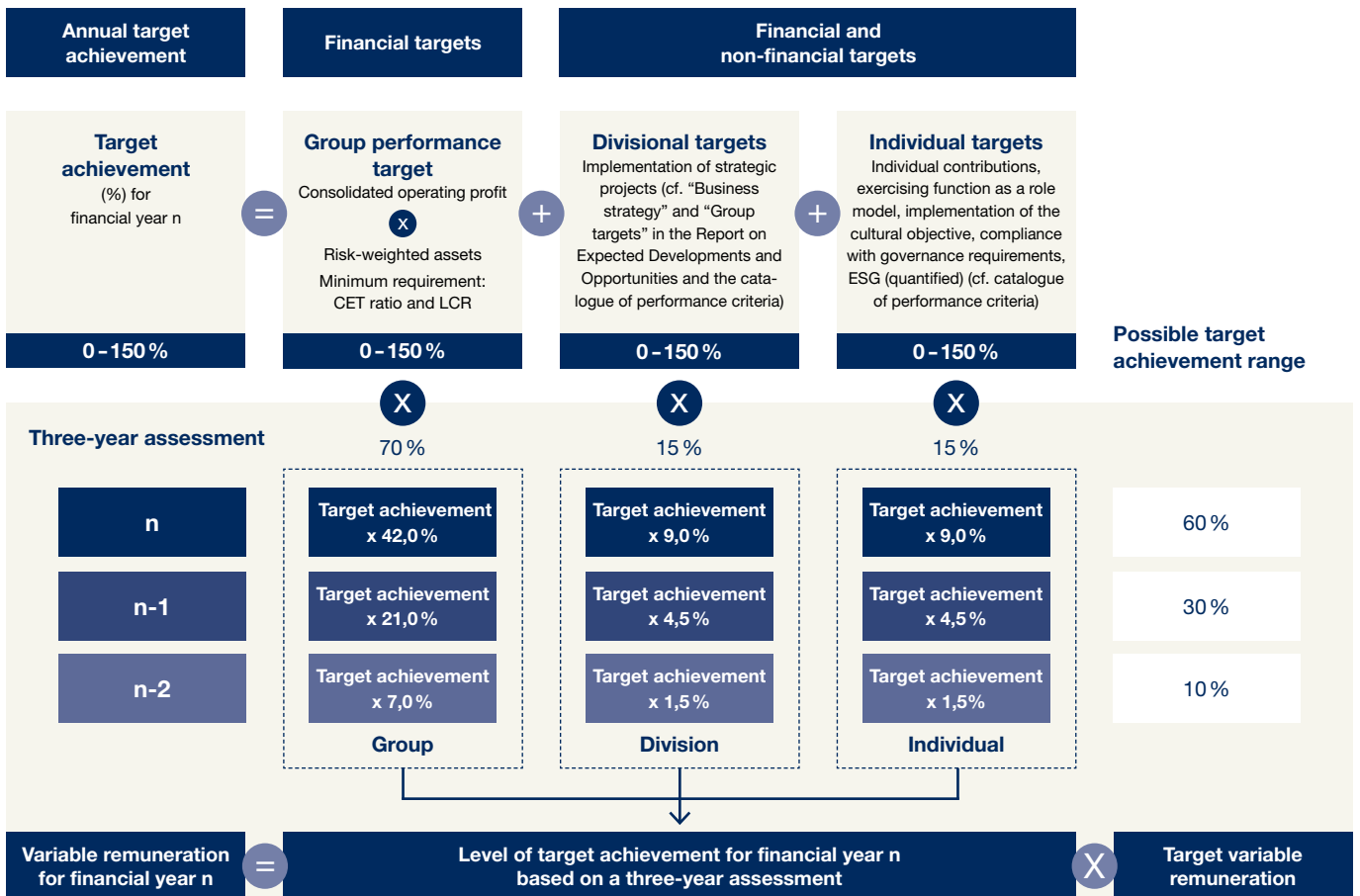
Group component	<p>Amongst other things, the Company's interests are duly taken into account by the fact that Group targets are geared towards the key performance indicators (“KPIs”) used for corporate management purposes. These KPIs are generally based directly on the Group's performance indicators. In order to reduce the influence of one-off effects, certain effects are already excluded from target achievement per se when the targets are set, e.g. changes due to external regulatory requirements, M&A transactions, etc.</p> <p>For the 2021 financial year, consolidated operating profit was set as earnings target, whereas risk-weighted assets (RWAs) were used as a risk-adjusted target. The 100% targets set for the target parameters complied with the corporate objectives communicated to the capital markets in the past, and will continue to do so in the future. The maximum achievement level for target consolidated operating profit is 150%; for the RWA target, it is 125%. The overall target achievement level is calculated by multiplying all target values; it is capped at a target achievement level of 150%.</p>
Organisational unit component (only for risk takers)	<p>The performance of the organisational unit for divisions allocated to Sales is measured using the Structured Property Financing segment operating result, as well as in terms of RWAs. The performance of the organisational unit for the housing industry is measured by reference to the operating result of the Banking & Digital Solutions segment.</p> <p>The other organisational units, i.e. in particular central staff functions and control units, as well as the Treasury division, are measured based on their respective cost target. The organisational unit component is only relevant for risk takers.</p>
Component related to individual performance	<p>The individual component is measured based on the individual performance of the employee in question and the overall assessment of the main tasks and targets, although targets are only agreed upon with employees not covered by collective agreements.</p>

When weighting the different components of variable remuneration, the employee’s position in the organisation’s hierarchy is also taken into account, reflecting his/her influence over the Group’s/Bank’s success. This results in differences in the weighting attached to the three additive components depending on an individual’s responsibility within the Company: the Group component payable to employees assigned to the management level below the Management Board (MDs) is 35%. By contrast, it is 25% for the other employees.

Remuneration parameters for Management Board members

Similar to the calculation of the variable remuneration for employees, the performance of Management Board members is assessed based on three target levels: Group performance, sectional and individual targets. The targets set at all three levels are focused on sustainable and long-term growth. To measure and monitor target achievement, various KPIs are determined annually for targets, and their degree of achievement is assessed at the end of the financial year. However, the target achievement level for each target level is not only determined by the respective KPI achievement of the past financial year, but also by the degrees of KPI achievement of the two previous financial years (three-year assessment basis).

Multi-year performance measurement across different target levels



The members of the Management Board are responsible – and epitomise – the Company’s success. This is also reflected in the weighting of the target levels. Accordingly, achieving Group performance targets accounts for the clear majority (70 %) of target achievement. The Group performance targets for Management Board members are identical to those applied for employees (Group component). The other two target levels, the sectional and individual target levels, are weighted at 15 % each.

To set ambitious targets and a strong incentive for successful Management Board work, target achievement levels are incorporated at different levels over time. As a result, the target achievement level is calculated by looking at performance in more than one year at all target levels. The most recent reporting year is weighted at 60 %, the preceding one at 30 %, and the oldest year in the assessment period at 10 %.

For newly appointed Management Board members, the three-year period for measuring remuneration targets is built up gradually. Accordingly, the weighting of target achievement for the years forming the performance period when determining the overall degree of target achievement can then be different for new members of the Management Board who have not yet completed three years of service. In accordance with regulatory requirements, the deferral period is extended correspondingly for periods with a shortened assessment period. Hence, for the first year, the assessment period is only one year, with the deferral period being extended from five to seven years. For the second year, the assessment period is extended to two years and the deferral period shortened to six years.

Variable Remuneration – Disbursement

In accordance with the regulatory requirements, a portion of the variable remuneration for risk takers, including members of the Management Board, must be deferred. Pursuant to section 18 (1) sentence 3 of the InstVergV, however, this does not apply to risk takers whose variable remuneration neither exceeds € 50,000 nor accounts for more than a third of the risk taker’s total remuneration – an exemption which applies to the majority of Aareal Bank’s risk takers.

Deferral period

For risk takers whose variable remuneration is partially deferred, the payout terms are based on those that apply to the Management Board remuneration system but once again vary depending on the risk taker’s position within the organisational structure.

60 % of the variable remuneration paid to risk takers on the Management Board and Managing Director levels is subject to a five-year deferral period. By contrast, 40 % of the variable remuneration paid to the other risk takers is subject to deferral over a period of three years.

50 % each of deferred and non-deferred components are converted into virtual shares that are held for a minimum period of one year. For Management Board members, the share-based portion is higher.

Overview of pay-out components of variable remuneration¹⁾ by employee category

	Cash bonus	Share bonus ⁴⁾	Cash deferral	Share deferral ⁴⁾
Non-risk takers	100 %	n/a	n/a	n/a
Risk takers (variable remuneration below the exemption threshold²⁾)	100 %	n/a	n/a	n/a
Risk takers (no MDs, variable remuneration above the exemption threshold but below the 60 % deferral threshold³⁾)	30 %	30 %	20 % (three-year deferral period)	20 % (three-year deferral period)
Risk takers (no MDs, variable remuneration above the exemption threshold and above the 60 % deferral threshold³⁾)	20 %	20 %	30 % (three-year deferral period)	30 % (three-year deferral period)
MDs (variable remuneration above the exemption threshold)	20 %	20 %	30 % (five-year deferral period)	30 % (five-year deferral period)
Management Board	20 %	20 %	25 % (five-year deferral period)	35 % (five-year deferral period)

¹⁾ The calculated variable remuneration refers to the sum of the two (three) variable remuneration components, each being calculated based on the individual target-variable remuneration at 100 % target achievement, the weighting of the component in question, and the degree of target achievement determined for the component in question.

²⁾ Risk takers, whose variable remuneration for a given financial year neither exceeds € 50,000 nor accounts for more than a third of the risk taker's total annual remuneration (exemption threshold), will receive their variable remuneration in line with section 18 (1) of the InstVergV as a 100 % cash bonus.

³⁾ In accordance with section 20 (3) of the InstVergV, the Bank has identified a threshold beyond which the proportion of variable remuneration to be deferred is increased from 40 % to 60 %. This threshold is higher for Aareal Bank's New York office given the differing market conditions and the usual remuneration levels prevailing there. The three-year deferral period is unaffected.

⁴⁾ Employees may opt to have their virtual shares disbursed at a later date after the end of the one-year holding period (up to three years after the end of the holding period). This option is not available to Management Board members.

Upon termination of the employment contract, the payout components that are still subject to deferral and/or a holding period are not to be paid out prematurely; instead, the payout dates and the criteria for the determination of the payout amount in accordance with the regular payout schedule remain unchanged.

Further details on share-based remuneration

Initial calculation	The share-based amount of the variable remuneration is converted into a corresponding number of virtual shares. The calculation of the number of virtual shares is based on the weighted average price of Aareal Bank shares on the basis of five (Xetra [®]) exchange trading days following publication of the preliminary results for the financial year for which the share-based variable remuneration is awarded.
Payout amount	Prior to the payout of the share bonus or the tranche of the share deferral, conversion of the virtual shares into a cash amount is conducted by using the weighted average price of Aareal Bank shares calculated on the basis of the five (Xetra [®]) exchange trading days following publication of the preliminary results for the year preceding the payout.
Cap	The payout amount of the share-based remuneration components for a given financial year may vary depending on the share price development, and has been limited to a maximum of 300 % of the share bonus/deferral component determined on the basis of the initial variable remuneration calculation.

Dividends	In accordance with the regulatory requirements for banks, employees are not entitled to any dividend payments for the share-based remuneration components of their variable remuneration during the retention period. If dividends are paid on Aareal Bank's shares during the holding period, a payout will be made as a salary component in an amount equivalent to the dividends and the proportion of the virtual shares.
Changes in share capital structure	Should the number of shares issued by Aareal Bank change within the deferral period or holding period, the number of virtual shares may be adjusted.

Backtesting, malus and clawback

In line with regulatory requirements, employees are not entitled to the deferred variable remuneration components until they are disbursed. Prior to disbursement, multiple reviews are conducted to assess if deferred variable remuneration components should be reduced or even be clawed back (ex-post risk adjustment). In addition, all deferred tranches of variable remuneration are subject to the requirements regarding risk-bearing capacity as outlined above.

Ex-post risk adjustment

Backtesting	Before the vesting of any deferred remuneration tranche, a retrospective review of the original success and performance measurement is conducted. If, for example, an indicator used to determine variable remuneration needs to be adjusted retrospectively, this can result in the variable remuneration components being reduced retrospectively before they vest.
Malus	<p>Until they are paid out, variable remuneration components remain subject to the same malus review as before the initial determination of the variable remuneration, which allows for a subsequent reduction or even the cancellation of the variable remuneration.</p> <p>Malus-triggering events include, but are not limited to, wilful breaches of internal or external rules, conduct damaging the Bank's reputation and negative performance contributions leading to significant losses of material regulatory sanctions.</p>
Clawback	Variable remuneration is also subject to clawback regulations. In cases involving negative performance contributions, variable remuneration components that have already been paid out can be clawed back for up to two years after the end of the last retention period for the variable remuneration paid out for the financial year in question.

Other rules governing remuneration

Hedging ban	Pursuant to section 8 of the InstVergV, all employees are prohibited from undertaking to limit or override the risk orientation of their remuneration by initiating personal protection or counter-measures. Spot checks are performed to verify compliance.
Bonus cap	Aareal Bank is subject to the provisions set out in section 25a (5) sentence 2 of the KWG, according to which variable remuneration must not exceed fixed remuneration in the assessment year ("bonus cap"). However, Aareal Bank's Annual General Meeting resolved in 2014 that, for a small number of defined functions, the variable remuneration may amount to up to 200 % of the fixed remuneration. This concerns employees holding executive positions and key international sales experts in the commercial property finance segment and some management functions of Aareal Capital Corporation, New York, and Aareal Bank Asia Ltd., Singapore.

Control units	For employees working in control units within the meaning of section 2 (11) of the InstVergV, it is ensured that the emphasis of their remuneration is on the fixed component, as required by section 9 of the InstVergV. Regarding the individual component and – for risk takers – the organisational unit component, the remuneration parameters are not based on the same remuneration parameters that apply to the organisational units they control.
Risk-bearing capacity	<p>The total amount of variable remuneration determined for a given financial year is subject to the proviso that, pursuant to section 7 of the InstVergV, the Bank resolves to provide an amount mathematically sufficient for all variable remuneration components to be paid out.</p> <p>Reviewing the prerequisites is carried out based on internal procedural guidelines and KPIs derived from the Bank's risk strategies.</p>
Severance payments	<p>In line with section 5 (6) of the InstVergV, the Bank has defined internal principles governing the calculation of severance payments when an employment contract is terminated.</p> <p>The Management Board service contracts do not include any obligation to make a severance payment in the event of premature termination. Service contracts concluded since 2021 also do not contain change-of-control provisions. Earlier contracts do contain change-of-control provisions that provide for severance payments in the event of a change of control. If these members were to be reappointed, the change-of-control clauses would no longer be included in that member's extended employment contract.</p> <p>Upon the premature termination of a Management Board service contract, severance payments may be made within the limits of applicable law. They must take into account the performance of the Management Board member over time, and may not reward negative performance contributions or misconduct by the Management Board member (no reward for failure). The contracts concluded with the members of the Management Board state that, in the event of a premature termination of their term on the Management Board without good cause, severance payments must not exceed twice the annual remuneration and must not constitute remuneration for more than the remaining term of the service contract (severance cap).</p>
Guaranteed variable remuneration	Under exceptional circumstances, the Bank may grant sign-on bonuses or guaranteed variable remuneration. However, this option is only available upon commencement of employment and not for existing employment relationships.
Share ownership	At least 50% of the variable remuneration (for risk takers below the Management Board with deferred remuneration components) is awarded in the form of virtual shares, meaning that the overall compensation is inextricably tied to the overall long-term performance of the institution. Against this background, there is no further obligation to hold actual shares in Aareal Bank.

Review of the Remuneration Systems

The remuneration systems were not subject to material adjustments in the year under review, compared to the previous year.

In line with the regulatory requirements, the remuneration systems are regularly reviewed for their appropriateness, in particular to ensure that changes to the business and risk strategies are adequately taken account of.

Aareal Bank's Management Board remuneration system was rejected by 63.35% of the votes cast at the ordinary Annual General Meeting 2021, meaning that it was not adopted. The Supervisory Board used the remainder of the year to address changes to the remuneration system in depth. A revised Management Board remuneration system, which features comprehensive changes, was presented to the ordinary Annual General Meeting 2022. Details can be found in the invitation to the ordinary Annual General Meeting 2022.

Scope of Application of the Remuneration Systems

In accordance with section 27 (1) of the InstVergV, Aareal Bank AG has laid out a Group-wide remuneration strategy for all entities within the regulatory scope of consolidation.

The remuneration system for employees outlined above applies to Aareal Bank AG and its international branches as well as to subsidiaries in the regulatory scope of consolidation. When it comes to the calculation of variable remuneration, exceptions are only made for Aareal Estate AG and Aareal First Financial Solutions AG. Instead of aggregating the different components (Group component as well as individual component) as outlined above, the two entities use a pool model, under which the total amount available is determined before it is distributed among the employees. However, since the calculation of this bonus pool is based on the same criteria as the calculation of the Group component, material differences – if any – are marginal. However, the remuneration model for risk takers, as described above, is also applicable to risk takers and Management Board members of these two subsidiaries.

Remuneration System for Members of the Supervisory Board

Remuneration for the services of the Supervisory Board members is specified in Article 9 of the Memorandum and Articles of Association of Aareal Bank AG. Remuneration for the services of the Supervisory Board members comprises exclusively fixed remuneration, plus an attendance fee and, if applicable, committee remuneration. In accordance with the requirements set out in section 25d (5) of the KWG, the members of the Supervisory Board do not receive any variable remuneration components for this activity. Where membership in the Supervisory Board falls short of an entire financial year, said remuneration shall be paid on a pro rata temporis basis. Furthermore, the Supervisory Board members will be reimbursed for their expenses.

The remuneration for any financial year shall be due and payable one month after the end of the respective financial year.

Remuneration Governance

Aareal Bank has adopted robust Governance arrangements ensuring the compliance with regulatory requirements.

Supervisory Board

Pursuant to section 3 (2) of the InstVergV, the Supervisory Board is responsible for the appropriate design of the remuneration systems for members of the Management Board. The Supervisory Board decides on Management Board remuneration, monitors appropriateness, defines targets for determining variable remuneration, and decides on target achievement. During the following years, the Supervisory Board reviews, within the framework of backtesting/malus reviews, whether variable remuneration originally determined needs to be adjusted or reclaimed (clawback). As part of examining appropriateness of Management Board remuneration, the Supervisory Board shall review whether the remuneration system for the Management Board (as well as the corresponding targets for Management Board members derived therefrom) is consistent with the Company's business and risk strategies, the objectives derived from these

strategies, the corresponding risk management, as well as with the defined risk appetite and corporate values. As further elements of this examination of appropriateness, a vertical comparison with the average remuneration of relevant employees and the top management level below the Management Board is to be carried out, as well as a horizontal comparison with the remuneration of Management Board members of comparable enterprises based on the relevant peer group.

Remuneration Control Committee

Tasks

The Remuneration Control Committee supports the Supervisory Board in its monitoring duties and prepares the plenary meeting's resolutions concerning remuneration. The Committee monitors the appropriateness of the structure of Management Board remuneration, proposes targets for variable remuneration and for target achievement at the end of the year, and also monitors the levels of target achievement during the course of each year.

Moreover, the Committee assesses the effects of the remuneration systems on the Group's risk, capital, and liquidity management. In the run-up to determining remuneration, it reviews whether there are any backtesting or malus events which may result in a reduction of variable remuneration.

The Remuneration Control Committee also supports the Supervisory Board when it comes to monitoring whether remuneration systems for the Bank's employees are appropriate. One of the particular tasks of the Remuneration Control Committee is to review on a regular basis, but at least once a year, if the aggregate amount of the variable remuneration – taking section 7 of the InstitutsVergV into consideration – has been determined, and if the established principles for the measurement of remuneration parameters, contributions to earnings and payment and deferral periods – including the conditions for a full forfeiture or partial reduction of the variable remuneration – are appropriate.

The Remuneration Control Committee held twelve meetings during the year under review.

Changes during the year under review

The Bank's long-standing Supervisory Board Chairman, Marija Korsch, informed the Management Board on 23 November 2021 that she was resigning as Chairman of Aareal Bank's Supervisory Board with immediate effect, and that she intended to resign from her Supervisory Board mandate with effect from 31 March 2022. The Supervisory Board elected Prof. Dr Hermann Wagner, who has been a member of the Supervisory Board since 2015 and already headed the Audit Committee, to succeed her as Chairman of the Supervisory Board. As Marija Korsch also resigned as Chairman of the Remuneration Control Committee with immediate effect, Christof von Dryander was elected as the committee's new Chairman.

At the Bank's extraordinary General Meeting held on 9 December 2021, however, Marija Korsch was dismissed as a member of the Bank's Supervisory Board with effect from the end of the meeting. In addition to Marija Korsch, Christof von Dryander and Dietrich Voigtländer were also dismissed by the extraordinary General Meeting. The proposals made by a shareholder for the election of new members to the Supervisory Board did not, however, secure the necessary majority at the extraordinary General Meeting. While the Supervisory Board then immediately initiated the process to have the court appoint three Supervisory Board members, this process was not completed until 14 January 2022. This meant that the

Supervisory Board only consisted of only nine members at the end of the reporting year. The three Supervisory Board members dismissed by the extraordinary General Meeting were members of the Remuneration Control Committee. Following their dismissal, the composition of the committee was changed. Professor Wagner and Petra Heinemann-Specht were appointed to the Remuneration Control Committee. Professor Wagner also assumed the position of Chairman of the Remuneration Control Committee. Klaus Novatius and Richard Peters were members of the Remuneration Control Committee for the entire year.

Risk Committee

The Risk Committee verifies whether the incentives created by the remuneration system take the Company's risk, capital and liquidity structure into account, as well as the probability and timing of income.

Annual General Meeting

In accordance with the German implementation of the Second Shareholder Rights Directive (ARUG II), the remuneration system for Management Board members is submitted to the Annual General Meeting for approval at least every four years and in the event of significant changes (Say-on-Pay). In addition, beginning in 2022 the Remuneration Report will also be submitted to the ordinary Annual General Meeting on an annual basis. Finally, the Annual General Meeting also decides whether or not to raise the cap on the variable remuneration component for certain functions (if applicable).

Remuneration Officer

The Remuneration Officer monitors the appropriateness of the remuneration systems and supports the Supervisory Board and its Remuneration Control Committee in their tasks to monitor all remuneration systems, and to determine the specifications thereof.

Management Board

Pursuant to section 3 (1) of the InstVergV, the Management Board is responsible for the adequate design of the remuneration systems for all employees.

Control units and Human Resources division

Pursuant to section 3 (3) of the InstVergV, the control units within the meaning of the InstVergV and the Human Resources division must be involved – in an appropriate manner – with the design and monitoring of the remuneration systems and in the procedure for identifying risk takers within the scope of their duties.

External advisors

In order to review the appropriateness of Management Board remuneration, an external remuneration advisor is engaged at least every four years to prepare an opinion as to the appropriateness of this remuneration – and especially, as to whether this remuneration is in line with common practice and is comparable. The Supervisory Board may seek support from remuneration and/or legal advisors in the course of further development and review of the remuneration systems. When mandating such advisors, attention

is paid to their independence to avoid any conflicts of interest. In the year under review, the Supervisory Board was advised by Willis Towers Watson regarding the remuneration's appropriateness and whether it was in line with common practice, and by Freshfields Bruckhaus Deringer regarding legal issues.

Quantitative Information on Remuneration

In the spring of 2022, the Management Board and the Supervisory Board stated that the conditions of section 7 of the InstVergV were met, and determined the total amount of variable remuneration for the financial year 2021. In June 2021, Areal Bank AG together with Areal Estate AG and Areal First Financial Solutions AG granted their employees a one-off Covid-19 allowance of € 750 per person, to mitigate extraordinary burdens in connection with the Covid-19 pandemic.

Remuneration data is disclosed below for Areal Bank AG as well as for Areal Bank Group entities in accordance with section 10a of the KWG, to the extent that such entities are subject to the InstVergV. According to Article 450 (1) (g) of the CRR, quantitative information is disclosed on an aggregated basis, broken down by business divisions.

Remuneration data in the disclosure tables shown below was rounded commercially; this may lead to rounding differences in the totals.

Total remuneration amount pursuant to section 16 (1) no. 3 of the InstVergV

	Management Body ¹⁾		Business Areas ²⁾				Total
	Members of the administrative or supervisory body pursuant to section 25d of the KWG	Management Board members pursuant to section 25c of the KWG	Retail Banking	Corporate Functions	Independent Control Functions	All other divisions	
Number during the year under review (head count)	12	5	332	424	103	211	1,087
Number during the year under review (full-time equivalents – "FTEs")			289.60	410.03	90.79	190.35	980.77
€ mn							
Total remuneration for the financial year	1.86	12.37	51.57	42.91	10.98	19.27	138.96
of which: total fixed remuneration ³⁾	1.86	8.34	37.27	37.36	9.60	16.63	111.05
of which: total variable remuneration ⁴⁾	–	4.04	14.30	5.55	1.38	2.64	27.91

¹⁾ The details under "Number during the year under review (head count)" refer to the annual average of the reporting year. As at the end of the 2021, the supervisory body consisted of nine persons and the Management Board of four persons.

²⁾ Sales and Credit Management units (Markt/Marktfolge) as well as those subsidiaries within the regulatory scope of consolidation assigned to our Structured Property Financing segment are allocated to the „Retail Banking“ business area. All central administrative units are allocated to „Corporate Functions“, except for control units as defined in EBA's guidelines for internal governance (EBA/GL/2017/11) – these are allocated to the „Independent Control Functions“ area. "Other business areas" comprise the Bank's Banking & Digital Solutions unit, as well as the subsidiaries within the regulatory scope of consolidation which are assigned to the Banking & Digital Solutions segment.

³⁾ Pursuant to regulatory requirements, fixed remuneration also includes the current service cost associated with the company pension scheme, as well as the value of the right to private use of company cars.

⁴⁾ In line with regulatory requirements, variable remuneration also includes severance payments granted during the reporting period.

Quantitative information on remuneration for risk takers

The disclosures in this report are based on the binding provisions for implementation of quantitative disclosure requirements specified in detail in Article 17 of Commission Implementing Regulation 2021/637/EU, in the interests of comparability and increased transparency pursuant to Article 450 of the CRR. The term “risk taker” used below refers to employees whose professional activities have a material impact on an institution’s risk profile and therefore need to be identified, as defined in article 92 of the CRD and the Commission Delegated Regulation (EU) 604/2014 for the implementation of article 94 (2) of the CRD.

EU REM1: Remuneration awarded for the financial year

	a	b	c	d	
	Management body – Supervisory function ¹⁾	Management body – Management function ²⁾	Other senior management ³⁾	Other risk takers	
In € mn (unless specified otherwise)					
Fixed remuneration					
1	Number of risk takers ⁴⁾	12	5	39	53
2	Total fixed remuneration	1.86	8.34	11.56	9.26
3	of which: cash-based	1.86	4.58	11.14	9.01
4	(not applicable in the EU)				
EU-4a	of which: shares or equivalent ownership interests	–	–	–	–
5	of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
EU-5a	of which: other instruments	–	–	–	–
6	(not applicable in the EU)				
7	of which: other forms	–	3.76	0.42	0.26
8	(not applicable in the EU)				
Variable remuneration					
9	Number of risk takers	–	5	39	53
10	Total variable remuneration	–	4.04	7.40	4.64
11	of which: cash-based	–	1.82	4.17	2.95
12	of which: deferred	–	1.01	1.94	0.75
EU-13a	of which: shares or equivalent ownership interests	–	–	–	–
EU-14a	of which: deferred	–	–	–	–
EU-13b	of which: share-linked instruments or equivalent non-cash instruments	–	2.22	3.23	1.68
EU-14b	of which: deferred	–	1.41	1.94	0.75
EU-14x	of which: other instruments	–	–	–	–
EU-14y	of which: deferred	–	–	–	–
15	of which: other forms	–	–	–	–
16	of which: deferred	–	–	–	–
17	Total	1.86	12.37	18.96	13.90

¹⁾ Aareal Bank AG’s Supervisory Board consists of twelve members on a regular basis and on an annual average. As at the reporting date 31 December 2021, the supervisory body consisted of nine persons.

²⁾ Aareal Bank AG’s Management Board consists of five members on an annual average. As at the reporting date 31 December 2021, the Management Board consisted of four persons.

³⁾ Senior management as defined in Article 3 (1) no. 9 of the CRD. This refers to the senior management (Managing Directors) at the management level below the Bank’s Management Board.

⁴⁾ Number of risk takers during the year under review (full-time equivalents – “FTE”) excluding the management body with an average headcount

EU REM2: Special payments to risk takers

	a	b	c	d
	Management Body – Supervisory function	Management Body – Management function	Other senior management ¹⁾	Other risk takers
In € mn (unless specified otherwise)				
Guaranteed variable remuneration				
1	Guaranteed variable remuneration awards – Number of risk takers	–	–	–
3	Guaranteed variable remuneration awards – Total amount	–	–	–
3	of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods that have been paid out during the financial year – Number of risk takers	–	–	2
5	Severance payments awarded in previous periods that have been paid out during the financial year – Total amount	–	–	0.47
Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of risk takers	–	–	2
7	Severance payments awarded during the financial year – Total amount	–	–	0.82
8	of which: paid during the financial year	–	–	0.71
9	of which: deferred	–	–	–
10	of which: severance payments paid during the financial year that are not taken into account in the bonus cap	–	–	0.71
11	of which: highest payment that has been awarded to a single person	–	–	0.71

¹⁾ Senior management as defined in Article 3 (1) no. 9 of the CRD. This refers to the senior management (Managing Directors) at the management level below the Bank's Management Board.

EU REM3: Deferred remuneration

	a	b	c	d	e	f	EU-g	EU-h
	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year ¹⁾	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
In € mn (unless specified otherwise)								
1 Management Body – Supervisory function	-	-	-	-	-	-	-	-
2 Cash-based	-	-	-	-	-	-	-	-
3 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5 Other instruments	-	-	-	-	-	-	-	-
6 Other forms	-	-	-	-	-	-	-	-
7 Management Body – Management function	9.23	2.25	6.98	-	-	2.54	2.25	1.81
8 Cash-based	4.20	1.12	3.09	-	-	-	1.12	-
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 Share-linked instruments or equivalent non-cash instruments	5.02	1.13	3.89	-	-	2.54	1.13	1.81
11 Other instruments	-	-	-	-	-	-	-	-
12 Other forms	-	-	-	-	-	-	-	-
13 Other senior management²⁾	11.91	3.21	8.70	-	-	2.21	3.21	1.49
14 Cash-based	5.66	1.62	4.04	-	-	-	1.62	-
15 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16 Share-linked instruments or equivalent non-cash instruments	6.25	1.59	4.66	-	-	2.21	1.59	1.49
17 Other instruments	-	-	-	-	-	-	-	-
18 Other forms	-	-	-	-	-	-	-	-

¹⁾ According to the Commission Implementing Regulation (EU) 2021/637 dated 15 March 2021, this is defined as remuneration granted in the previous financial years and which is to be immediately vested in the financial year (this is deemed to have been disbursed even if it is subject to a holding period).

²⁾ Senior management as defined in Article 3 (1) no. 9 of the CRD. This refers to the senior management (Managing Directors) at the management level below the Bank's Management Board.

	a	b	c	d	e	f	EU-g	EU-h
	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year ¹⁾	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods

In € mn

(unless specified otherwise)

19 Other risk takers	4.53	1.72	2.81	–	–	0.91	1.72	0.81
20 Cash-based	2.15	0.86	1.30	–	–	–	0.86	–
21 Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
22 Share-linked instruments or equivalent non-cash instruments	2.38	0.86	1.51	–	–	0.91	0.86	0.81
23 Other instruments	–	–	–	–	–	–	–	–
24 Other forms	–	–	–	–	–	–	–	–
25 Total	25.67	7.18	18.49	–	–	5.66	7.18	4.11

¹⁾ According to the Commission Implementing Regulation (EU) 2021/637 dated 15 March 2021, this is defined as remuneration granted in the previous financial years and which is to be immediately vested in the financial year (this is deemed to have been disbursed even if it is subject to a holding period).

Pursuant to section 18 (1) of the InstVergV, the requirement to defer variable remuneration of risk takers over a minimum period of three years is waived if such remuneration remains below an exemption threshold of € 50,000 and does not account for more than a third of the risk taker's total remuneration. The majority of risk takers at Aareal Bank Group receive a variable remuneration below (and in some cases, clearly below) € 50,000; this influences the share of non-deferred variable remuneration.

EU REM4: Remuneration of € 1 million or more per year

		a
		Number of risk takers ¹⁾
Remuneration levels (€)		
1	€ 1,000,000 to below € 1,500,000	1
2	€ 1,500,000 to below € 2,000,000	4
3	€ 2,000,000 to below € 2,500,000	1
4	€ 2,500,000 to below € 3,000,000	2
5	€ 3,000,000 to below € 3,500,000	–
6	€ 3,500,000 to below € 4,000,000	–
7	€ 4,000,000 and above	–

¹⁾ Number of high-salary risk takers within the meaning of Article 450 (1) letter i of the CRR

EU REM5: Information on remuneration of risk takers

	Management body remuneration			Business areas						j Total		
	a Management Body – Supervisory function	b Management Body – Management function	c Total	d Investment banking ¹⁾	e Retail banking ²⁾	f Asset manage- ment ¹⁾	g Corporate funktionen ³⁾	h Indepen- dent internal control functions	i Other ⁴⁾			
In € mn (unless specified otherwise)												
1	Number of risk takers during the year under review (full-time equivalents – “FTE”)										109	
2	of which: members of the management body		12	5	17							
3	of which: other senior management					–	17	–	14	4	4	39
4	of which: other risk takers					–	44	–	4	2	3	53
5	Total remuneration of risk takers		1.86	12.37	14.24	–	22.62	–	6.18	1.86	2.21	47.10
6	of which: variable remuneration		–	4.04	4.04	–	8.92	–	1.91	0.47	0.74	16.07
7	of which: fixed remuneration		1.86	8.34	10.20	–	13.69	–	4.27	1.40	1.47	31.03

¹⁾ Business areas not part of the Group

²⁾ The “Retail Banking” business area comprises the Sales and Credit Management units (Markt/Marktfolge) as well as those subsidiaries within the regulatory scope of consolidation which are assigned to the Structured Property Financing segment.

³⁾ The “Corporate Functions” business area comprises all central administrative units, except for the control units, which are assigned to the “Independent Control Functions” business area.

⁴⁾ The “Other” business area comprises the Bank’s Banking & Digital Solutions unit, as well as the subsidiaries within the regulatory scope of consolidation which are assigned to the Banking & Digital Solutions segment.

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