

Aareal Bank AG

Wiesbaden

**Internal Rules of Procedure
for the Supervisory Board**

Contents

Clause 1 - General 3

Clause 2 - Confidentiality and conflicts of interest..... 4

Clause 3 - Chairman of the Supervisory Board..... 5

Clause 4 - Meetings 6

Clause 5 - Resolutions 7

Clause 6 - Formation of Committees 7

Clause 7 - Executive and Nomination Committee..... 8

Clause 8 - Risk Committee10

Clause 9 - Audit Committee.....11

Clause 10 - Remuneration Control Committee12

Clause 11 - Technology and Innovation Committee14

The Supervisory Board hereby adopts the following Internal Rules of Procedure (Geschäftsordnung), which shall also apply, mutatis mutandis, to its committees:

Clause 1 - General

- (1) The Supervisory Board advises and monitors the Management Board in the management of the Company. It monitors the Management Board, particularly with regard to compliance with the relevant banking and financial regulations. It devotes sufficient time to the discussion of strategies, risks and remuneration systems for the Management Board and employees.
- (2) The Supervisory Board is responsible for designing a suitable remuneration scheme for the Management Board pursuant to section 25a (1) no. 6 in conjunction with paragraph 5 of the German Banking Act (Kreditwesengesetz – "KWG") and the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung - InstitutsVergV). Based on the recommendations of the Remuneration Control Committee, the Supervisory Board determines the overall remuneration of the individual members of the Management Board and resolves on and regularly reviews the remuneration system. Should external experts be consulted to assess the suitability of compensation, care must be taken to ensure that they are not linked to the Management Board or the Company.
- (3) The Supervisory Board shall conduct its business in the interests of the Company, in accordance with the law, the Memorandum and Articles of Association, these Internal Rules of Procedure, and the Code of Conduct of Aareal Bank Group with the due diligence of a prudent managing body.
- (4) In order to carry out their tasks, the Supervisory Board and the Committees may consult auditors, legal advisors and any other advisors at their discretion and provided it is objectively necessary. Consultations with internal and external advisors shall be restricted to specific individual issues and to a limited period of time. The Company shall bear the costs.
- (5) The Supervisory Board enacts the Internal Rules of Procedure for the Management Board. Among other things, such Internal Rules of Procedure shall stipulate transactions of fundamental importance to the Company which are subject to the approval of the Supervisory Board and governs the reporting duties of the Management Board.
- (6) In its plenary meetings, the Supervisory Board deals with all matters which, according to the applicable law, are incumbent on it unless, in accordance with legal requirements, they are subsequently delegated to individual committees with the authority to resolve.
- (7) The plenary meetings of the Supervisory Board are entitled to take decisions on delegated tasks at any time and without preparation by the committee responsible.

Clause 2 - Confidentiality and conflicts of interest

- (1) Members of the Supervisory Board must maintain secrecy vis-à-vis third parties with regard to any facts of which they become aware through their activity as Supervisory Board members and the disclosure of which could compromise the interests of the Company. They shall, in particular, be obliged to maintain secrecy with regard to any confidential reports received, and any confidential discussions, including voting, debates and their outcomes and the positions and personal statements of individual Supervisory Board members. Such obligations shall continue to exist beyond the termination of office.
- (2) On termination of their office, members of the Supervisory Board are required to return to the Company, i.e. to the Chairman of the Supervisory Board, without delay all electronic devices furnished by the Company and all documents, such as written information, correspondence, recordings, etc. which refer to confidential Company matters that are in their possession. This obligation includes duplicates and photocopies as well. Electronic recordings must be deleted. Members of the Supervisory Board can claim no right of retention to such documents.
- (3) If the Supervisory Board, its individual committees or its individual members engage external consultants to the extent permitted in order to perform their duties, they are responsible for ensuring that these external consultants likewise comply with the duty of confidentiality.
- (4) Before and during the term of office, each member of the Supervisory Board shall be obliged to inform the Chairman of the Supervisory Board without delay of any conflicts of interest that may arise, in particular as a result of an advisory role or directorship at any client, supplier, lender or other third party, and any circumstance that may militate against the independence of the member in the performance of his or her supervisory activities.
- (5) Before and during the term of office, each member of the Supervisory Board shall be obliged to inform Aareal Bank AG of any relevant mandates in other enterprises pursuant to section 25d of the German Banking Act (Kreditwesengesetz – "KWG") and/or section 285 of the German Commercial Code (Handelsgesetzbuch – "HGB") in conjunction with section 125 of the German Public Limited Companies Act (Aktiengesetz – "AktG").
- (6) All Supervisory Board members must inform the Federal Financial Supervisory Authority and the Company in writing and without delay of any transactions within the meaning of and pursuant to article 19 Regulation (EU) No 596/2014 on market abuse.
- (7) The Conflict of Interest Policy (CoIP) jointly passed by the Management Board and Supervisory Board shall also apply.

Clause 3 - Chairman of the Supervisory Board

- (1) The Chairman of the Supervisory Board shall coordinate the work and chair the meetings of the Supervisory Board, develop the agenda for its meetings (cf. clause 4) and represent its interests externally. The Chairman shall ensure a proper organisation of the Supervisory Board's work, in particular regarding
 1. the clear distribution of tasks between committees;
 2. the efficient exchange of information between the Supervisory Board and its committees in order to ensure that the Supervisory Board fulfils all of its duties;
 3. an open culture of discussion, which promotes the exchange of opposite opinions;
 4. allocation of sufficient dedicated time during Supervisory Board meetings to the discussion of essential issues related to the Bank's strategy and risk management (as defined in section 25a of the KWG);
 5. the provision of a proper information basis used by the Supervisory Board as a foundation for its supervisory and other decisions;
 6. the delivery of information to the Supervisory Board with sufficient prior notice, allowing Board members to adequately prepare for the Board meetings.

The Supervisory Board's duty to ensure a proper organisation of the Supervisory Board work shall remain unaffected thereby.

- (2) In the event the Chairman of the Supervisory Board is informed by the Management Board or its Chairman of important events (see clause 8(4) of the Internal Rules of Procedure for the Management Board), the Chairman of the Supervisory Board shall decide, exercising due care and diligence, on the further notification of the Supervisory Board and, if necessary, convene a Supervisory Board meeting. The Chairman of the Supervisory Board shall inform the other Supervisory Board members immediately if necessitated by the circumstances.
- (3) In the event a Supervisory Board member discloses a conflict of interest to the Chairman, the Chairman shall decide to whom such information shall be passed, and whether the Supervisory Board member affected shall participate in meetings. More detailed provisions in this regard are set out in the CoIP.
- (4) The Chairman of the Supervisory Board may take part in discussions with investors. However, the Chairman must restrict himself/herself to subjects specific to the Supervisory Board and observe the duty of confidentiality pursuant to Section 2 of these Internal Rules of Procedure and legal requirements. His/Her own personal opinion is to be designated

as such. The Chairman shall inform the Executive and Nomination Committee at its next meeting of the key points of those discussions.

Clause 4 - Meetings

- (1) Invitations to Supervisory Board meetings shall be sent with a notice period of at least one week and include a copy of the agenda. This may also take place with the use of electronic media. In cases of urgency, the notice period may be reduced and the meeting may be convened orally or by telephone.
- (2) The agenda shall specify the topics for discussion and contain any motions to be tabled at the meeting. The items and motions of individual members of the Supervisory Board, or any proposed by the Management Board are to be placed on the agenda, provided they are submitted prior to its despatch.
- (3) Topics not on the agenda may be discussed if the members present so resolve by way of a simple majority; a substantive resolution may only be adopted if no member of the Supervisory Board opposes it. Supervisory Board members absent from the meeting must be given the opportunity to object to the resolution within a suitable period designated by the Chairman or to submit their vote in writing. Taking into account the votes submitted in writing, the resolution shall only take effect if the absent members of the Supervisory Board do not object to it within the set period. The Chairman shall notify the Supervisory Board members without delay of the outcome of the vote once the set deadline has expired.
- (4) At the invitation of the Supervisory Board Chairman, the Management Board or individual members thereof shall participate in Supervisory Board meetings. The Management Board or individual members thereof shall not be permitted to attend meetings of the Supervisory Board at which their remuneration, their suitability, their succession, any behaviour that breaches their duties, or conflicts of interest are discussed or decided upon.
- (5) Minutes shall be recorded for all meetings of the Supervisory Board and signed by the Chairman. The requirements are defined in Section 12 (4) of the Memorandum and Articles of Association. The Chairman of the Supervisory Board signs the minutes after approval of their content by the Supervisory Board. Each member of the Supervisory Board shall receive a copy of the signed minutes on demand, at least electronically (e.g. via e-mail).

Clause 5 - Resolutions

- (1) The Supervisory Board shall be quorate if at least half of the members participate in the resolution. Attendees may participate in person, by telephone or video, provided that they can be addressed directly during the meeting.
- (2) The committees shall be quorate if half of their members, but at least three committee members participate in the resolution.
- (3) The resolutions of the Supervisory Board and its committees are carried by a simple majority. In the event of a tie, the Chairman of the meeting shall have the casting vote. If none of the members object, absent members of the Supervisory Board may participate in resolutions at meetings by submitting their vote in writing, by telephone or other similar forms of casting votes, such as electronically (so-called mixed voting methods).
- (4) If no member of the Supervisory Board objects, the Chairman may determine that a resolution may also be adopted outside of meetings electronically, in writing, by fax or other similar form of adopting a resolution, as well as via a combination of all the previously mentioned means of adopting resolutions. The clauses pertaining to the Chairman of the meeting and making resolutions apply analogously to votes cast outside of the meetings.

Clause 6 - Formation of Committees

- (1) The Supervisory Board shall form the following committees from among its members:
 1. an Executive and Nomination Committee,
 2. a Risk Committee,
 3. an Audit Committee,
 4. a Remuneration Control Committee and
 5. a Technology and Innovation Committee.
- (2) Every committee shall comprise at least four but no more than six members.
- (3) At least one member of every committee should be an employee representative.
- (4) The committee members shall be elected in the Supervisory Board meeting following an Annual General Meeting during which a resolution has been passed to (re-)elect shareholder representatives or a change on the employee representative side has become effective.

- (5) Different committees shall not comprise exactly the same members. In order to promote cooperation and technical exchanges between the individual committees, at least one member of each committee should belong to an additional committee.
- (6) The Supervisory Board shall designate the committee chairmen and their deputies. The committee chairmen shall ensure a proper organisation of their respective committee's work in line with clause 3 (1) and (2) of these Internal Rules of Procedure.
- (7) Unless already informed by way of minutes, reports or other documents, the Supervisory Board shall be suitably briefed on committee work by the Chairmen of the respective committees in regular Supervisory Board meetings. Such briefing may be limited to the essential activities, recommendations and results of the committees.
- (8) Minutes shall be recorded for all committee meetings, and signed by the Chairman of the relevant committee. Clause 4 paragraph 5 shall apply *mutatis mutandis*.
- (9) The provisions of clause 4 which apply to the Supervisory Board are applicable to the committees *mutatis mutandis*.

Clause 7 - Executive and Nomination Committee

- (1) The Executive and Nomination Committee shall advise the Management Board; it prepares resolutions to be taken by the Supervisory Board concerning fundamental issues, personnel matters and capital measures (to the extent that the Supervisory Board is to be involved in this respect); the committee shall also monitor corporate governance.
- (2) The Committee shall be responsible for the following additional tasks, in particular:
 1. discussing the business strategy submitted by the Management Board, including the options for realising that strategy as well as progress made in implementation;
 2. identifying candidates for appointment to the Management Board (including preparation of a corresponding profile for the position to be filled); preparing the appointment and termination of appointment / dismissal of Management Board members, including Supervisory Board resolutions regarding employment contracts for Management Board members. Proposals on remuneration elements in the contracts of employment shall be agreed with the Remuneration Control Committee. The obligation of the Remuneration Control Committee, as stipulated in clause 10 (2) number 2 of these Internal Rules of Procedure, shall remain unaffected thereby. The Remuneration Control Committee will take an independent decision;

3. succession planning, plus preparing objectives for the promotion of the under-represented gender on the Supervisory Board and the Management Board, and conceiving a strategy to achieve such objectives;
4. advising the Supervisory Board concerning the proposals to be submitted to the Annual General Meeting for resolution (except for the proposals concerning the selection of external auditors). The Executive and Nomination Committee shall prepare suitable nominations for election of shareholder representatives to the Supervisory Board, to be put before the Annual General Meeting. While engaged in this task, the committee shall consider the balance and diversity of the knowledge, skills and experience of all members of the Supervisory Board, draft a job description with an applicant profile, and specify the time required for the role. The shareholder representatives in the Executive and Nomination Committee shall reserve the right to prepare the Supervisory Board proposals concerning the election of shareholder representatives to the Supervisory Board.
5. granting approval for external activities that Management Board members wish to engage in for remuneration, and for the assumption of Supervisory Board mandates outside the Group;
6. approving the appointment of Senior General Managers (Generalbevollmächtigte);
7. conducting the annual evaluation in accordance with section 25d (11) nos. 3 and 4 of the KWG;
8. reviewing the principles adhered to by the Management Board in identifying and appointing individuals to the Company's upper management level;
9. approving loans granted by the Company to related parties or companies (Organ-kredite), or by Group companies as defined in section 15 of the German Banking Act;
10. approving transactions with related parties as per section 111b (1) of the German Public Limited Companies Act as a committee under section 107 (3) sentence 4 of the German Public Limited Companies Act, provided no member of the committee is involved in the transaction;
11. approving agreements and other transactions requiring approval which are not covered under the legal provisions as per sections 111 a ff. of the German Public Limited Companies Act as a result of the CoIP in their currently applicable version;
12. taking note of conflicts of interest of members of the Management Board, as defined under CoIP, and reporting them to the Supervisory Board where appropriate;

13. preparation of the statement of the Supervisory Board regarding takeover offers in accordance with section 27 (1) of the German Securities Takeover Act (Wertpapiererwerbs- und Übernahmegesetz), and preparation of decisions of the Supervisory Board regarding actions to be taken by the Management Board beyond the normal course of business upon the announcement of a takeover offer.

Clause 8 - Risk Committee

(1) The Risk Committee shall:

1. advise the Supervisory Board on the current and future risk appetite, on the Bank's aggregate propensity to accept risk, its aggregate risk-bearing capacity and overall risk strategy; the Committee shall support Aareal Bank AG's Supervisory Board in monitoring the implementation of this strategy, the risk appetite, and compliance with the limits derived in order to ascertain the Bank's risk-bearing capacity. For the purpose of monitoring risk-bearing capacity, the Risk Committee takes a selection of various scenarios (and their effects on the Bank's risk profile) into account;
2. monitor whether the conditions in the client business are in line with the business model and risk structure of the Company; should this not be the case, the Risk Committee shall submit proposals to the Management Board specifying how the conditions in the client business may be structured to bring them into line with the business model and risk structure;
3. examine, on a regular basis and as deemed necessary, whether the incentives set by the remuneration system take into consideration the risk, capital and liquidity structure of the company as well as the likelihood and timing of earnings. The Risk Committee shall monitor the material risks of the Bank.

(2) The Risk Committee shall determine the type, volume, format and frequency of the strategy and risk information to be submitted by the Management Board. Where information is to be submitted both to the Risk Committee and to the plenary meeting of the Supervisory Board, only one report shall be prepared, to the extent possible.

(3) Furthermore, the Risk Committee shall be made aware in good time of transactions defined in clause 6 (2) of the Internal Rules of Procedure for the Management Board.

(4) The Chairman of the Risk Committee, or a representative authorised by the Chairman, may obtain information directly from the Head of Internal Audit, the Head of Risk Controlling, the Compliance Officer, the Chief Information Security Officer, and the Head of Second Line of Defense (NPL), provided the Management Board is informed thereof.

Clause 9 - Audit Committee

- (1) The Committee shall be responsible for accounting matters, and for auditing the Company and the Group, including risk management. The Audit Committee shall be responsible for the following tasks in particular:
 1. preparing the audit of the annual financial statements and the consolidated financial statements including the respective Management Reports by the Supervisory Board, on the basis of the results of the audit and the supplementary notes of the external auditor; and the evaluation of the external auditor's report;
 2. preparing the audit of the sustainability report to be published annually, and, as required, the evaluation of a third-party sustainability audit report;
 3. monitoring the implementation of the audit, and approving non-auditing services rendered by the external auditor (scope, frequency, reports, and scope of approved non-auditing services), and handling issues relating to the requisite independence of the external auditor, preparing the issuance or continuation of the audit assignment to the external auditor, determining the key points of the audit, and agreeing fees;
 4. reporting to the Supervisory Board concerning the Committee's assessment of financial statements, and of the external auditors' comments;
 5. monitoring the prompt rectification by the Management Board of any shortcomings established by the external auditor by means of suitable measures;
 6. discussing the half-year and quarterly reports / notifications with the Management Board prior to their publication;
 7. auditing the projections presented by the Management Board for the Group and its business segments;
 8. taking note of the reports submitted by the Compliance Officer;
 9. monitoring the effectiveness of the risk management system, especially of the Internal Control System and of Internal Audit;
 10. monitoring of the accounting and financial reporting process;
 11. monitoring the dividend distribution policy discussed with the Supervisory Board, acknowledging planned capital markets communications regarding the dividend distribution policy adopted.
- (2) The Chairman of the Audit Committee, or a representative authorised by the Chairman, may obtain information direct from the Head of Internal Audit, the Head of Risk Controlling,

the Head of Compliance, or the Chief Information Security Officer. The Management Board must be informed thereof.

Clause 10 - Remuneration Control Committee

- (1) The Remuneration Control Committee shall comprise at least one employee representative.
- (2) The Remuneration Control Committee shall carry out the tasks laid down in section 25d (12) of the KWG and section 15 of the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – "InstitutsVergV"), in particular
 1. monitoring the appropriate structure of the remuneration systems for the Management Board members and employees, in particular the appropriate structure of remuneration for those employees with a significant influence on the overall risk profile of the institution.
 2. supporting the Supervisory Board in establishing appropriate remuneration systems for members of the Management Board, particularly by
 - i. discussing the proposals of the Executive and Nomination Committee on remuneration elements in the contracts of employment of the members of the Management Board, while at the same time recommending a resolution on these elements to be adopted;
 - ii. preparing the Supervisory Board resolutions regarding the determination of the aggregate amount of variable remuneration as defined by section 45 (2) sentence 1 no. 5a of the KWG while taking into consideration section 7 of the InstitutsVergV, as well as resolutions regarding the remuneration of the Management Board members, in particular for the establishment of appropriate remuneration parameters, for the measurement of contributions to earnings, for the determination of payment and deferral periods including the conditions for a full forfeiture or partial reduction of the variable remuneration, taking into consideration in particular the impact of said resolutions on the risks and risk management of the Company, in order to serve the long-term interests of shareholders, investors and other stakeholders, as well as the public interest;
 - iii. reviewing regularly and at least annually, whether the decisions arrived at by the Supervisory Board concerning the points named under (i) and (ii) are still appropriate;

3. supporting the Supervisory Board in monitoring the appropriate establishment of the remuneration systems for the Bank's employees. 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 within the meaning of section 45 (2) sentence 1, no. 5a of the KWG under consideration of section 7 of the InstitutsVergV 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;
4. supporting the Supervisory Board in monitoring the proper inclusion of internal control and all other key divisions in the establishment of the remuneration systems.

Within the framework of fulfilling its responsibilities, the Remuneration Control Committee evaluates the effects of the remuneration systems on the Group's risk, capital and liquidity situation and ensures that the remuneration systems are in line with the business strategy aimed at the sustainable development of the institution, the risk strategies derived from the business strategy, and the remuneration strategy at Bank and Group level.

- (3) The Remuneration Control Committee shall take delivery of the reports prepared by the units specified in the InstitutsVergV (including those submitted by the Remuneration Officer). The Remuneration Control Committee decides on the intervals for preparing the remuneration control report drafted by the Remuneration Officer. The Remuneration Control Committee shall also work with the Risk Committee. It may consult external advisers who are independent from the Management Board and the Company.
- (4) The Chairman of the Remuneration Control Committee, or a representative authorised by the Chairman, may obtain information directly from the Head of Internal Audit and the Head of Human Resources. The Management Board must be informed thereof. The Remuneration Officer or his/her deputy appointed by Aareal Bank assists the Remuneration Control Committee in an advisory capacity.
- (5) At the invitation of the Committee Chairman, the Management Board or individual members shall participate in meetings of the Remuneration Control Committee. The Management Board or individual members thereof shall not be permitted to attend meetings of the Remuneration Control Committee at which their own remuneration is discussed.

Clause 11 - Technology and Innovation Committee

- (1) To complement the committees mentioned above, the Supervisory Board shall form a Technology and Innovation Committee. The Technology and Innovation Committee shall both support the Company's activities regarding its own technological and IT-related development and identify and discuss new technological trends on the market, advising the Company accordingly.
- (2) The Technology and Innovation Committee deals with matters related to the information technology used in the Company and topics related to IT products produced and/or distributed by Aareal Bank Group.
- (3) In addition, the Committee shall deal with the areas to be audited and the auditors' reports in this regard, supporting the Audit Committee in relevant fundamental questions.
- (4) With respect to "technology", the Committee shall also deal with trends and questions on the positioning of Aareal Bank Group and its products.
- (5) The Committee shall concentrate on fundamental questions regarding technology and IT architecture.
- (6) The Committee shall analyse relevant trends and developments, and obtain information on the state of developments.

Wiesbaden, 9 June 2020

Aareal Bank AG

– The Supervisory Board –

Marija Korsch

(Chairman)