



# Fixed Income Presentation

## Q2 2021 results

August 12, 2021

**Aareal**  
YOUR COMPETITIVE ADVANTAGE.

# Agenda

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- (1) Introduction of Aareal Bank
  - (2) Highlights
  - (3) Group Results
  - (4) Segments
  - (5) Capital, Funding & Liquidity
  - (6) Outlook
  - (7) Key Takeaways
- Appendix

# Introduction of Aareal Bank

01

**Aareal**

# Aareal Bank Group

The new lineup - THREE segments

## Aareal

YOUR COMPETITIVE ADVANTAGE.

### Structured Property Financing (SPF)

#### Commercial real estate financing

solutions across 3 continents: Europe, North American and Asia/Pacific

#### Diverse property types

- Hotels, logistics, offices, retail, residential and student housing
- Additional **industry experts** in hotels, logistics and retail properties

#### Investment finance

- Single asset, portfolio, value add
- Portfolio size: c.€ 28,5 bn; average LTV: 59%

“Activate”

### Banking & Digital Solution (BDS)

#### Integrated payment transaction

**system** for the housing industry (market-leading) and the utility sector

#### Financial solutions

- Payment processing provider
- Deposit bank

#### Software solutions

- Intelligent solutions to improve connectivity and efficiency for bank and non-bank customers
- Average deposit volume of € 12.2 bn in Q2 2021

“Elevate”

### Aareon

#### European leader for real estate

**software**, 60+ years in the market serving c.3k customers and 10m+ units with 40 locations in DACH, Netherlands, France, Nordics and UK

**Mission-critical ERP** and broad set of **modular Digital Solutions** built on a **cloud-enabled PaaS platform**

**Sustainable and resilient business model** with **strong downside protection** delivers **decades of consistent profitable growth**

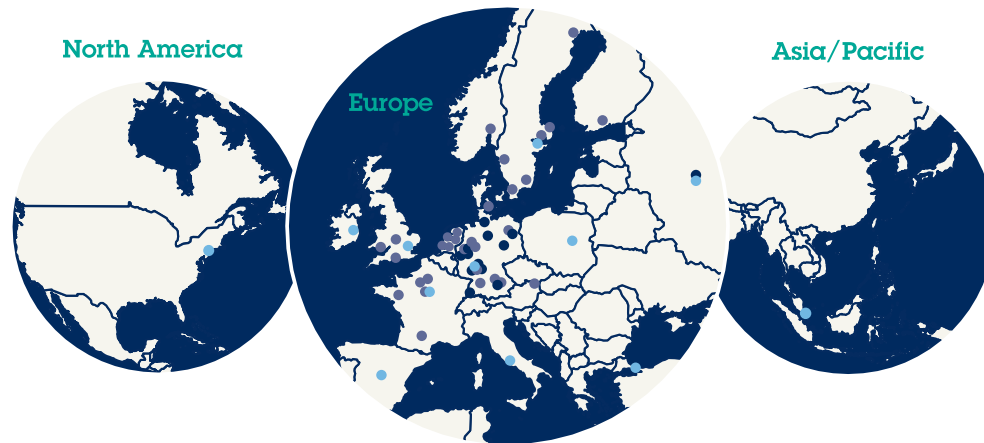
**Experienced leadership team** combining deep **software expertise** and longstanding **real estate experience** with a strong **M&A roll-up track-record**

“Accelerate”

# Aareal

# Aareal Bank Group

One Bank – three segments – three continents



## • Structured Property Financing

**Aareal Bank, Real Estate Structured Finance:** Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Singapore, Stockholm, Warsaw, Wiesbaden |

**Aareal Estate AG:** Wiesbaden

## • Banking & Digital Solutions

**Aareal Bank, Consulting/Services Bank:** Berlin, Essen, Wiesbaden | **Aareal First Financial Solutions AG:** Mainz | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Düsseldorf, Frankfurt/Main, Freiburg, Hamburg, Hanover, Leipzig, Moscow, Munich | **plusForta GmbH:** Berlin, Düsseldorf

## • Aareon

**Aareon:** Amsterdam, Augsburg, Berlin, Bochum, Coventry, Dortmund, Emmen, Enschede, Gorinchem, Grathem, Hamburg, Hattingen, Helsinki, Hückelhoven, Karlskrona, Kiel, Lund, Mainz, Meudon-la-Forêt, Mölndal, Munich, Nantes, Norrtälje, Orléans, Oslo, Paris, Piteå, Southampton, Stockholm, Stuttgart, Swansea, Toulouse, Utrecht, Vienna

# Aareal's ownership structure

## 100% Free Float

### Aareal Bank AG

- Listed in the German SDAX
- 59,857,221 outstanding shares
- 100% free float
- 3,036 employees
- Balance Sheet: 46.6 bn €
- Flat hierarchies

### Stock performance since 01. Jan 2003



# Aareal Bank Ratings



<b>Issuer Default Rating <sup>1)</sup></b>	<b>BBB+</b>
<b>Short-term</b>	<b>F2</b>
<b>Deposit Rating <sup>1)</sup></b>	<b>A-</b>
<b>Senior Preferred <sup>1)</sup></b>	<b>A-</b>
<b>Senior non Preferred <sup>1)</sup></b>	<b>BBB+</b>
<b>Viability Rating <sup>1)</sup></b>	<b>bbb+</b>
<b>Subordinated Debt <sup>1)</sup></b>	<b>BBB-</b>
<b>Additional Tier 1 <sup>1)</sup></b>	<b>BB</b>



<b>Issuer Rating</b>	<b>A3</b>
<b>Short-term Issuer Rating</b>	<b>P-2</b>
<b>Bank Deposit Rating</b>	<b>A3</b>
<b>Baseline Credit Assessment</b>	<b>baa3</b>
<b>Mortgage Pfandbriefe</b>	<b>Aaa</b>

1) Rating changes as of 27.03.2020  
Fitch has downgraded Aareal Bank AG's Long-Term IDR to 'BBB+' and placed Aareal's VR, Long-Term IDR, DCR and debt ratings on RWN

# Highlights

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Aareal



# Highlights

Significant top-line driven profit increase, operating profit target confirmed

<b>Aareal Bank Group</b>	<b>Still uncertain environment</b>	<ul style="list-style-type: none"><li>▪ Positive developments due to vaccination progress</li><li>▪ Remaining uncertainties by e.g. delta variant</li><li>▪ Swoosh scenario continues to be intact (economic recovery)</li></ul>
	<b>Encouraging performance</b>	<ul style="list-style-type: none"><li>▪ Significant top line driven profit increase in Q2</li><li>▪ Strong NII development based on profitable portfolio growth</li><li>▪ Cost discipline maintained; increase attributable to Aareon growth</li><li>▪ Moderate LLP despite successfully concluding Italian de-risking activities</li><li>▪ SPF:<ul style="list-style-type: none"><li>- New business and promising deal pipeline support growth plan</li><li>- Attractive margins and good LTVs</li><li>- Portfolio further increased</li></ul></li><li>▪ BDS:<ul style="list-style-type: none"><li>- NCI stable considering BGH-ruling regarding fees</li><li>- Deposit volume at high level</li></ul></li><li>▪ Aareon:<ul style="list-style-type: none"><li>- Sales revenue further increased despite Covid-19 burden</li><li>- Successful M&amp;A activities</li></ul></li></ul>
	<b>Outlook</b>	<ul style="list-style-type: none"><li>▪ Operating profit target confirmed, FY-tax rate between 50% - 60% expected</li><li>▪ Continuing to intend distributing a second dividend tranche for 2020 of € 1.10 per share, if the communicated conditions are met<sup>1)</sup></li></ul>

1) Following a corresponding announcement by the European Central Bank on 23 July, Aareal Bank continues to intend distributing a second dividend tranche of €1.10 per share for the 2020 financial year, provided that the communicated conditions are met, which is the Bank's current expectation. In the absence of material adverse developments, Aareal Bank plans to convene an extraordinary General Meeting in the fourth quarter, to decide on the dividend proposal.

# Group Results

03

Aareal

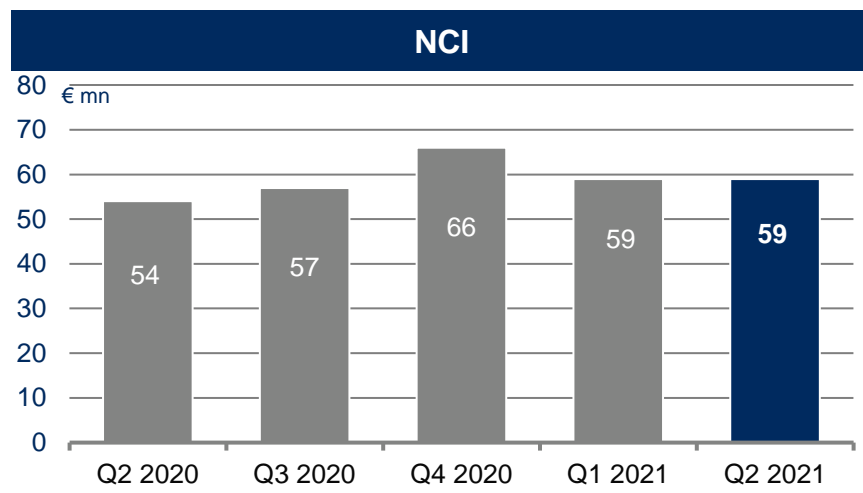
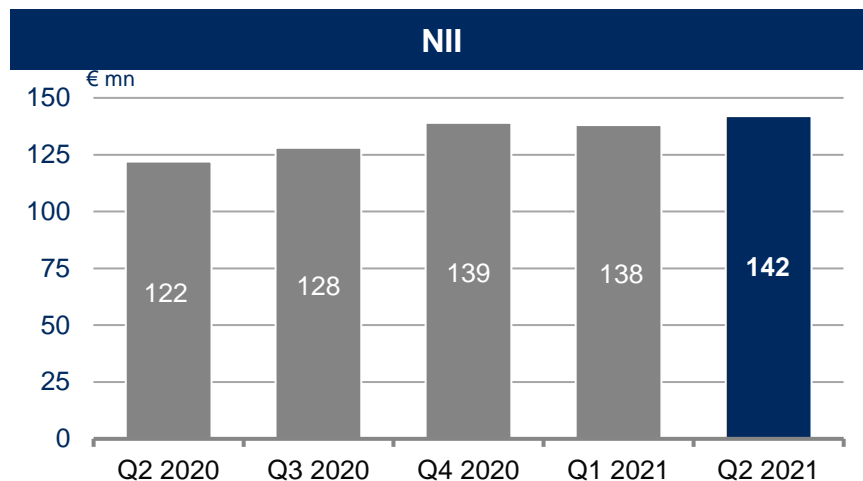
# Group Results

## Significant top-line driven profit increase

€ mn	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	6M '20	6M '21	2021-Comments
Net interest income	122	128	139	138	142	245	280	Strong NII development based on profitable portfolio growth, incl. TLTRO
Loss allowance	48	61	177	7	33	106	40	Moderate LLP despite successfully concluded Italian de-risking activities
Net commission income	54	57	66	59	59	111	118	Above last year driven by BDS and Aareon growth despite ongoing Covid-19 burdens
Derecognition result	9	3	9	0	8	16	8	Positive effects from early loan repayments in line with expectations
FV- / hedge-result	-16	-2	-19	-4	-3	-5	-7	Incl. € -7 mn value adjustments (NPLs) in Q2
Admin expenses	109	114	117	150	118	238	268	Cost discipline maintained, increase attributable to Aareon growth
<i>Others</i>	-10	0	-1	-4	-14	-10	-18	Incl. € -11 mn tax related provisions as well as Covid-19 related lower income from own assets
<b>Operating profit (EBT)</b>	<b>2</b>	<b>11</b>	<b>-99</b>	<b>32</b>	<b>41</b>	<b>13</b>	<b>73</b>	Significant top-line driven profit increase
Income taxes	-7	10	-13	11	29	-3	40	FY-tax rate between 50%-60% expected due to adverse non-recurring tax one-off and higher share of non-tax-deductible items
Minorities	0	1	3	1	1	1	2	
AT1	4	4	4	4	3	8	7	
<b>Consolidated net income allocated to ord. shareholders</b>	<b>5</b>	<b>-4</b>	<b>-93</b>	<b>16</b>	<b>8</b>	<b>8</b>	<b>24</b>	
Earnings per share (€)	0.07	-0.05	-1.56	0.27	0.13	0.11	0.40	

# Net interest income (NII) / Net commission income (NCI)

## Positive revenue development



### Strong NII development based on profitable portfolio growth, incl. TLTRO

- Significant NII increase of 16% vs Q2/20
- Strong new business with margins in line with plan and LTVs better than planned
- REF portfolio further increased

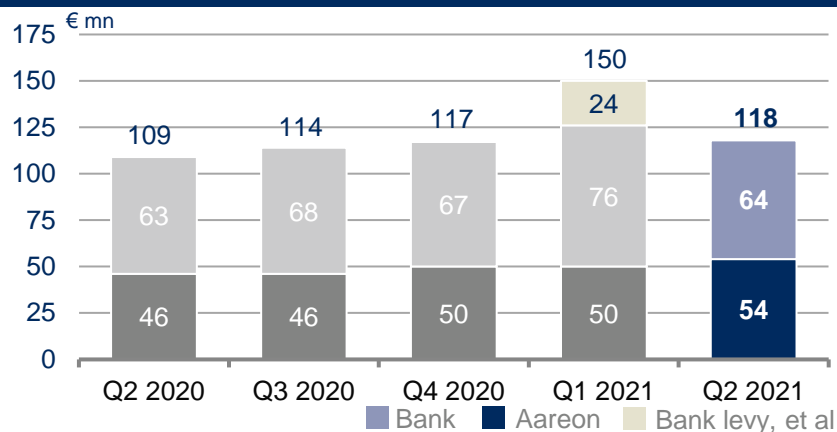
### Above last year driven by BDS and Aareon growth despite ongoing Covid-19 burdens

- Aareon:
  - Sales revenue further increased organically and via M&A
  - Q4 regularly boosted by seasonal effects
- BDS with positive development H1/21 vs. H1/20, limited impact from BGH-ruling regarding fees

# Admin expenses / Loan loss provisions (LLP)

## Cost discipline maintained, moderate LLP

### Admin expenses



### Cost discipline maintained, increase attributable to Aareon growth

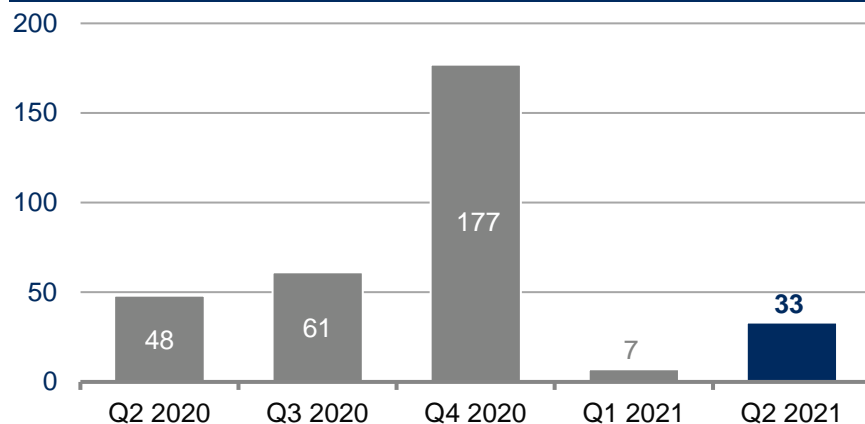
Bank:

- Q2/21 includes transformation costs of € ~2 mn (“Aareal Next Level”)
- Still benefitting from Covid-19 related underspend, however less pronounced than previous year

Aareon:

- As envisaged, higher costs mainly related to Value Creation Plan (VCP) as well as M&A

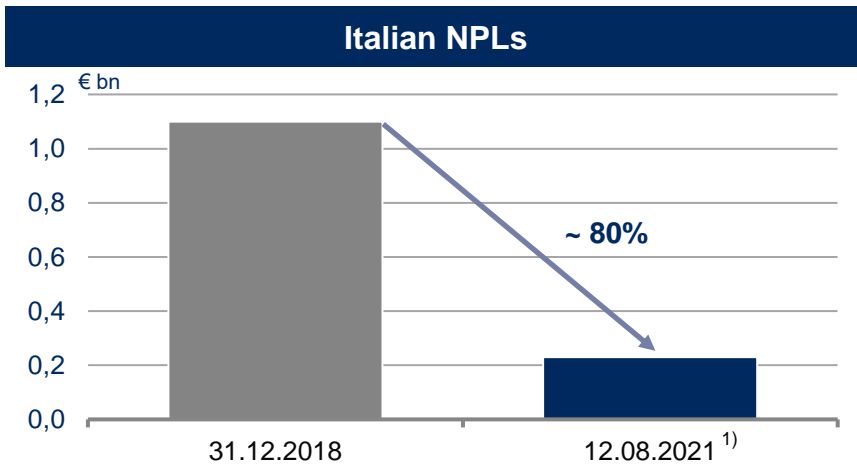
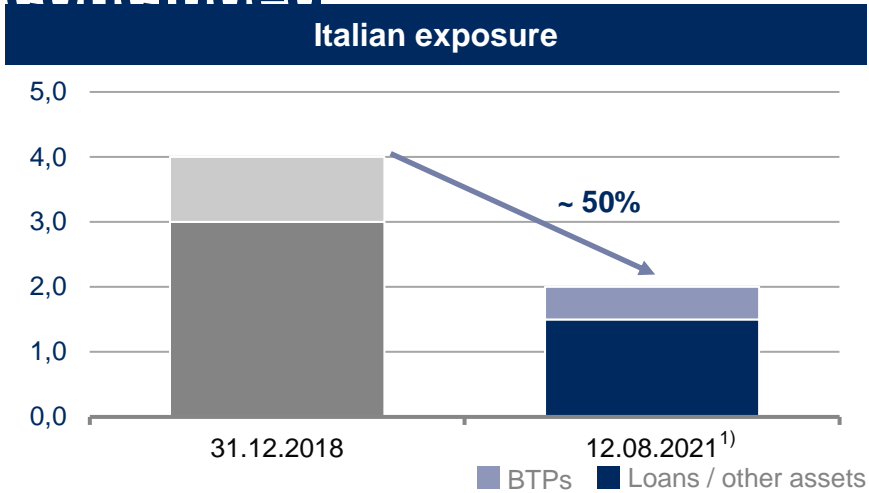
### LLP



### Moderate LLP despite successfully concluded Italian de-risking activities

- Q2-LLP significantly below last year’s level, last years’ figures largely impacted by Covid-19 effects
- Total Q2-LLP of € 40 mn
  - Incl. € 7 mn value adjustments in FVPL-line
  - Thereof € 13 mn net effect from concluded Italian de-risking vs. LLP-reversal in one single case
- Despite promising development in H1 adhering to LLP guidance for FY 2021 due to uncertainties e.g. delta variant

# Accelerated Italian De-Risking initiative successfully concluded

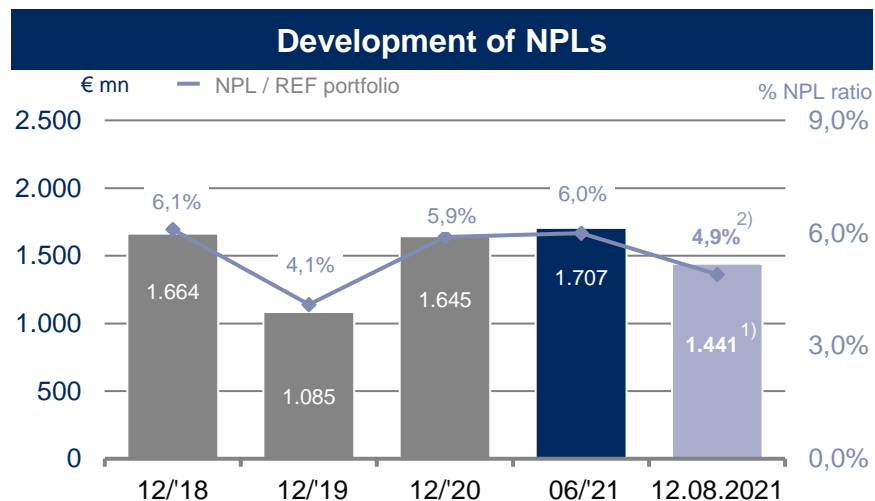


- De-Risking initiative started in 2019 which in itself led to a significant reduction of the Italian legacy exposure by € 1.6 bn
  - NPLs reduction of € 730 mn<sup>2)</sup> or ~65%
  - Performing loans with LtV > 90% reduced by € 350 mn
  - BTPs<sup>3)</sup> reduced by € 530 mn
- Significant net capital release resulting from de-risking initiative exceeding P&L burden
  - Net capital release eco. ICAAP: € ~150 mn
  - Net capital release reg. Capital (B3<sup>4)</sup>): € ~140 mn
  - Net capital release reg. Capital (B4<sup>5)</sup>): € ~110 mn

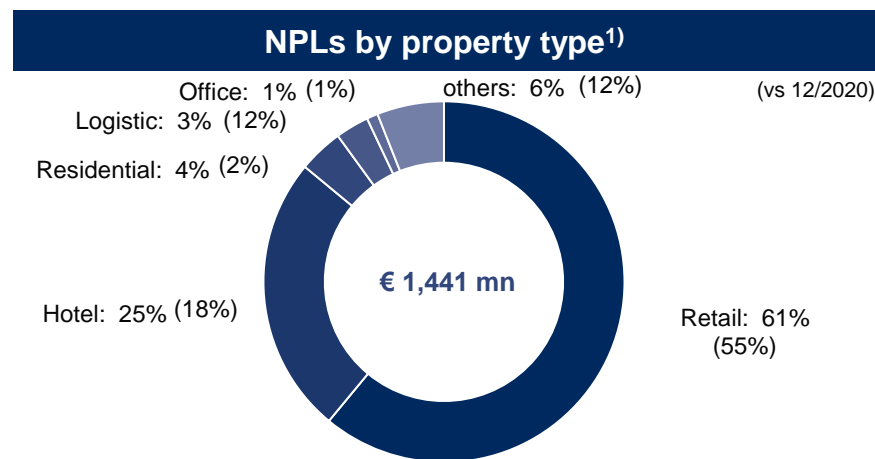
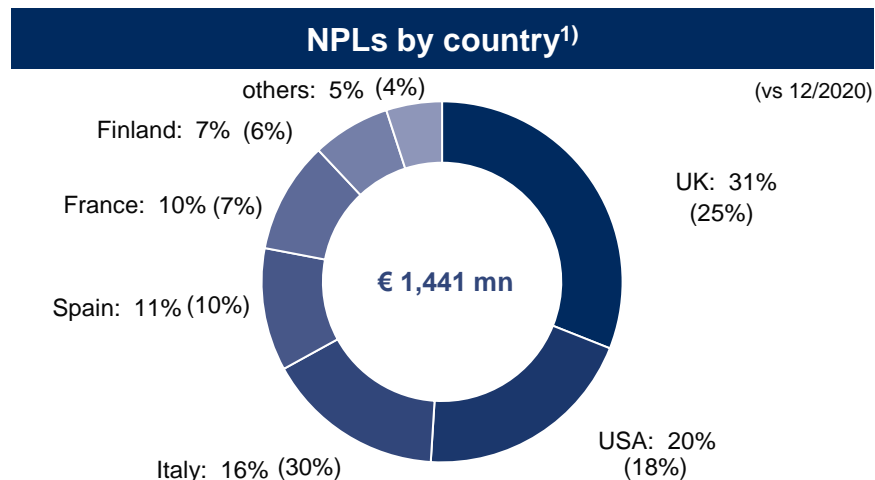
1) Figures as of 30/06/21 less two NPLs derecognised in 08/21  
 2) Foreclosed Italian assets taken on own book for future development of € 137 mn not included  
 3) BTP = Buono del Tesoro Poliennali  
 4) Based on B3 CET1-ratio of 18.8%  
 5) Based on B4 CET1-ratio (phase-in) of 17.3%

# Non performing loans (NPL)

## NPLs reduced



- Close and dedicated monitoring of exposure continued
- In Q2 two existing NPLs resolved, two new NPLs
- After reporting date, further major reduction of Italian NPLs concluding de-risking initiative, additionally one US NPL resolved
  - NPL-ratio reduced to 4.9%



1) Figures as of 30/06/21 less three NPLs derecognised in 07/21 and 08/21

2) REF portfolio of € 29.2 bn as at 31.07.2021

**Segments**

04

**Aareal**



# Segment: Structured Property Financing

Vaccination is speeding up normalisation vs. Delta variant and inflation

## Business Environment

### General observations

- Rate of vaccinations against Covid-19 is speeding up across the globe, with some countries (e.g. GER, CAN, UK, USA) showing share of fully vaccinated people of ~50% or above
- Delta is a risk. However, vaccinations protecting effectively against severe course of illness
- Inflation increasing markedly in the US but also in the EU, in parts due to transitory supply-demand mismatches
- Economic growth forecasts remain strong for 2021, as well as for 2022
- Real estate values are stabilizing in most markets, with first initial signs of slightly increasing values due to favourable economic outlooks positively impacting rents and yields
- Individual declines can however not be fully excluded, yet, and are also subject to any unforeseen new restrictions and developments
- Transaction volumes for CRE showed a strong Q2, in particular in June underscoring the initial signs of an improving sentiment in the industry

# Segment: Structured Property Financing

## Investment markets

### North America

- More than 50% of the US-adult population have received the full vaccination
- Since YE 2020 3¼ m jobs were created: 70% of lost jobs under Corona were recovered
- GDP will have reached its pre-corona level by end of Q2 2021
- Inflation increased in June to more than 5% on an annual basis
- Fed shows first cautious signs of tightening bond buying programs
- US transaction market for CRE rebounding strongly due to very high activities in Q2

### Continental Europe

- Strong economic recovery despite Delta variant
- GDP growth rates > 4% expected in 2021/22; Pre-Corona level to be reached in 2022
- ECB published new strategy, but still a very expansive monetary policy; inflation has increased but is much lower than in the US
- Positive CRE transaction development in Q2, H1 still moderately negative

### UK

- Most Covid-19 related restrictions were lifted on 19. July
- Initial surge in Covid-19 cases due to Delta, but last days showed a reversal of this trend
- Strong economic recovery expected due good to domestic demand
- UK average prime yields continue with their slight downward trend
- After a longer period as Europe's number two, London was back in pole position in terms of CRE transactions (volume) by end of H1 2021

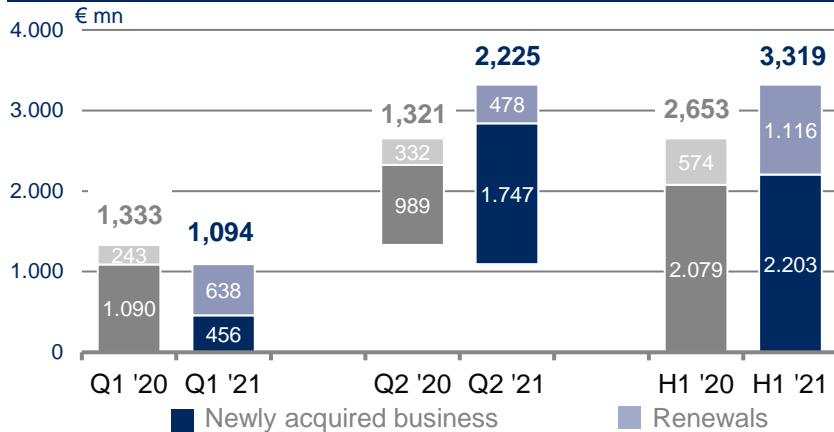
### Asia / Pacific

- China's GDP reached its Pre-Corona-Level at the end of 2020 already.  
For Australia a strong increase in domestic demand is expected for 2021
- Cross-border investments have started to increase again, albeit at a slow pace

# Segment: Structured Property Financing

New business and promising deal pipeline support growth plan

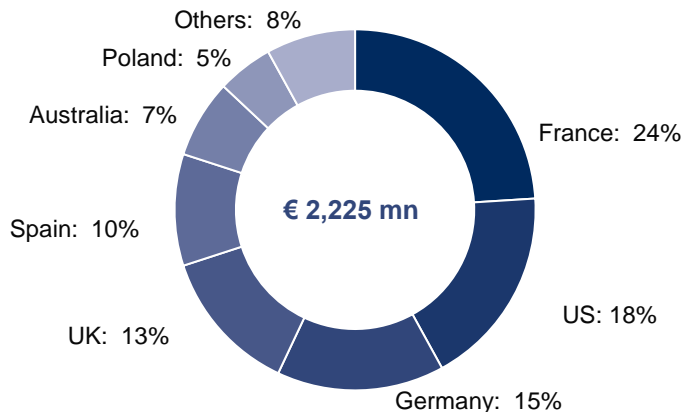
## New business<sup>1)</sup> by quarter



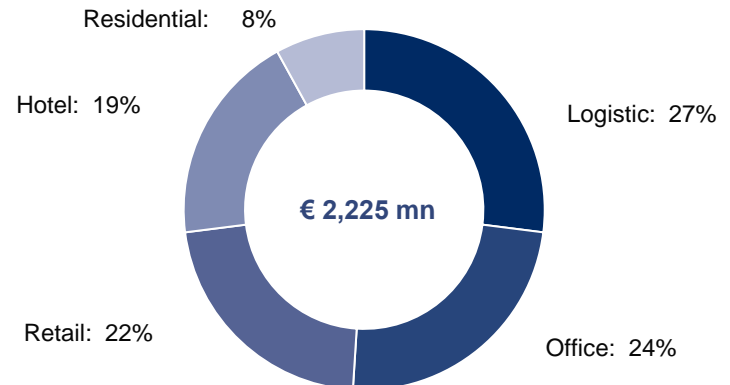
## Newly acquired business in Q2

- Pre-FX margins of ~205 bps leading to an Ø-YtD margin of ~215 bps in line with FY plan
- Conservative Ø-LTV of 55% on post-Covid valuations leading to an average LtV of 56% in H1
- Portfolio transactions at 63%, Cross-border-share at 23% resulting in a high granularity and diversification by regions
- First green loans governed by our “Green Finance Framework” totalling € ~220 mn

## New business by country



## New business by property type



1) New business = newly acquired business + renewals

# Segment: Structured Property Financing

## Green Finance – important milestones reached in Q2

### Climate transparency improved, Green Lending put into place, ongoing preparations for inaugural Green Bond

- ✓ **Climate transparency in CREF portfolio enhanced (→ Green Asset Pool)**
  - Continuously identifying green assets within existing / new lending engagements
  - ESG-data fields in IT-Systems implemented to accommodate documentation of relevant climate-performance data
  - Aareal involved in international initiative to calculate financed emissions (PCAF<sup>1</sup>)
  
- ✓ **Aareal Green Lending successfully launched (→ Green Loans)**
  - “Aareal Green Finance Framework – Lending” confirmed through Second Party Opinion (SPO) by Sustainalytics
  - Explicit customer demand for Aareal Green Lending internationally identified
  - Loan qualifies for Aareal Green Lending if property meets Aareal’s green building definition and customer agrees to maintain the requirements from “Aareal Green Finance Framework – Lending” during the term of the loan
  - Aareal provided first Green Loans of € ~220 mn in
    - Australia
    - UK
    - USA
  
- ✓ **Issuance of Green Bond envisaged for 2<sup>nd</sup> half year 2021 (→ Green Bonds)**
  - “Aareal Green Finance Framework – Liabilities” currently assessed by Sustainalytics (SPO confirmed 08/21)
  - Preparations for inaugural green bond under way

1) Partnership for Carbon Accounting Financials (PCAF)

# Segment: Structured Property Financing

## Continuing to strive towards greater ESG-transparency

Target KPI to be derived when robust environmental data for our global CREF portfolio are available

### What we have already achieved:

- With our clients we have enhanced portfolio-transparency relating to environmental performance of properties
- We have ESG-data fields in our IT-Systems in place to accommodate gathered documentation of relevant climate-performance data
- For approximately 60%<sup>1)</sup> of our CREF portfolio we have identified building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates or both

### Our way forward:

1. Gather robust environmental data (E) for CREF-portfolio
2. Foster financing of green assets
3. Derive target KPI (e.g. "Share of green assets in CREF portfolio")
4. Improve extent, level of detail and quality of ESG-data (full transparency by end of 2022)
5. Regularly report on progress

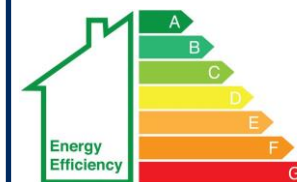
1) Gathering of relevant certificates / supporting documents / in progress



BREEAM®



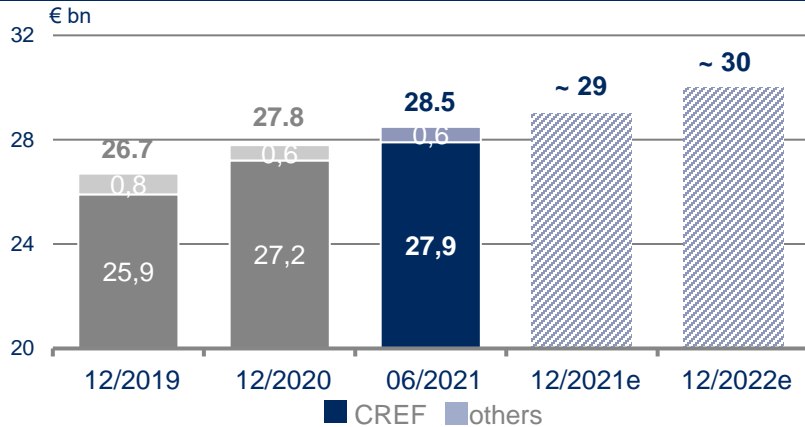
HQE®



# Segment: Structured Property Financing

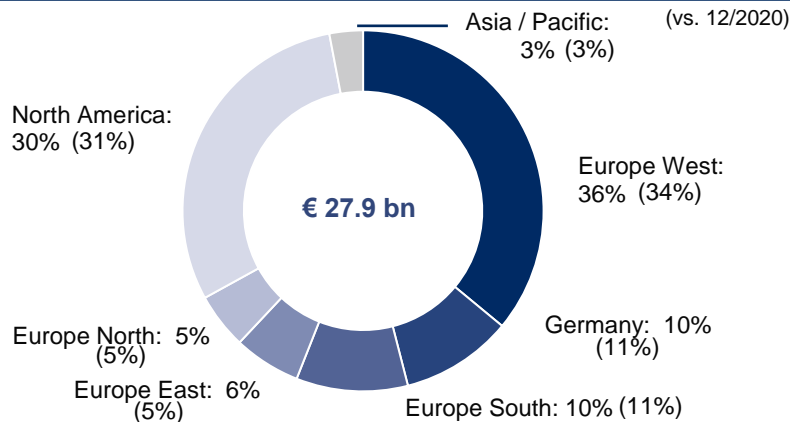
Portfolio further increased towards target size

## Development REF portfolio



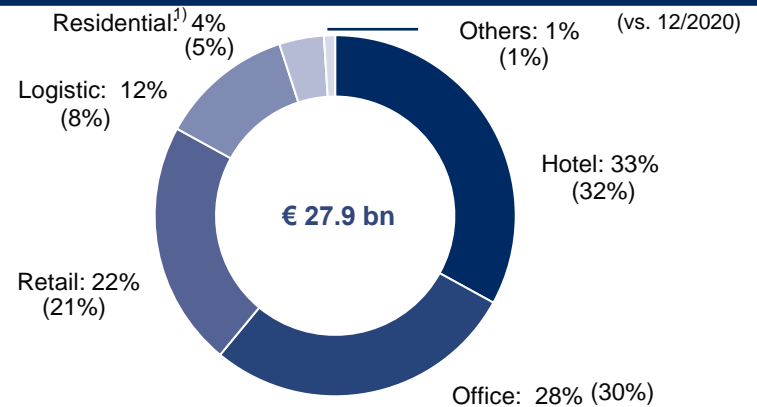
- REF-Portfolio further increased to € 29.2 bn by end of July with KPIs at or better than plan
- Targeted portfolio of € ~29 bn by YE 2021 more than realistic
- Sticking to overall country and asset diversification with increasing importance of logistics financings, as well as portfolios for risk improvement due to cross collateralisation
- Acquisition pipeline well filled with KPIs at or better than plan

## CREF portfolio by region



1) Incl. Student housing (UK & Australia only)

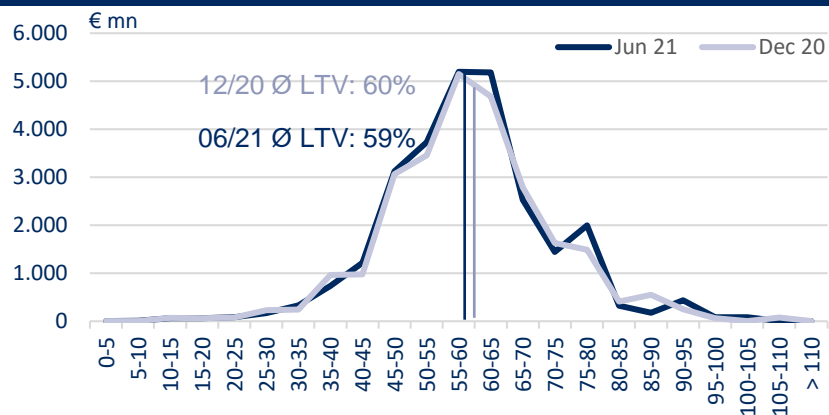
## CREF portfolio by property type



# Segment: Structured Property Financing

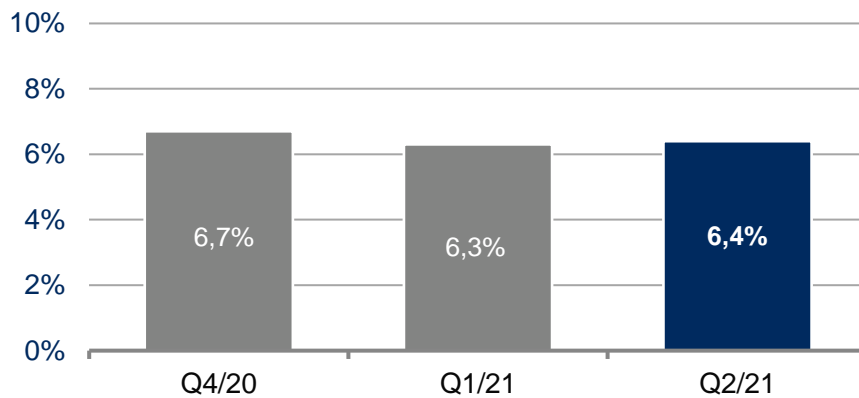
## Stabilising values

LTV development 12/20 vs. 06/21<sup>1)</sup>



- LTVs are stabilising or even slightly improving
- Ø-portfolio LTV<sup>1)</sup> at 59% vs. 60% at YE 2020
- Ø-portfolio YoD<sup>1)</sup> at 6.4% slightly up - as a consequence demand for additional liquidity support is slowing down
- Declining Covid-19 related demand for liquidity lines and postponements of amortisation in Q2/21: € 44 mn (Q1/21: € 53 mn, Q4/20: € 79 mn, Q3/20: € 27 mn, Q2/20: € 160 mn))

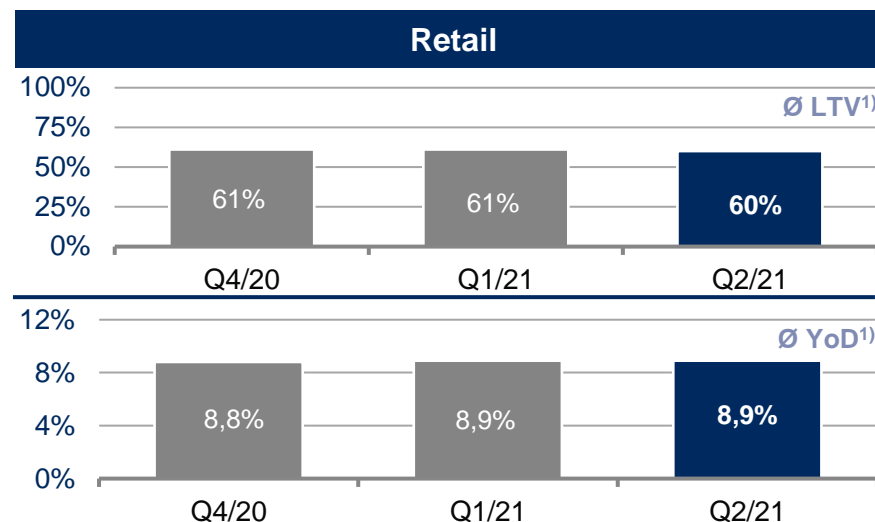
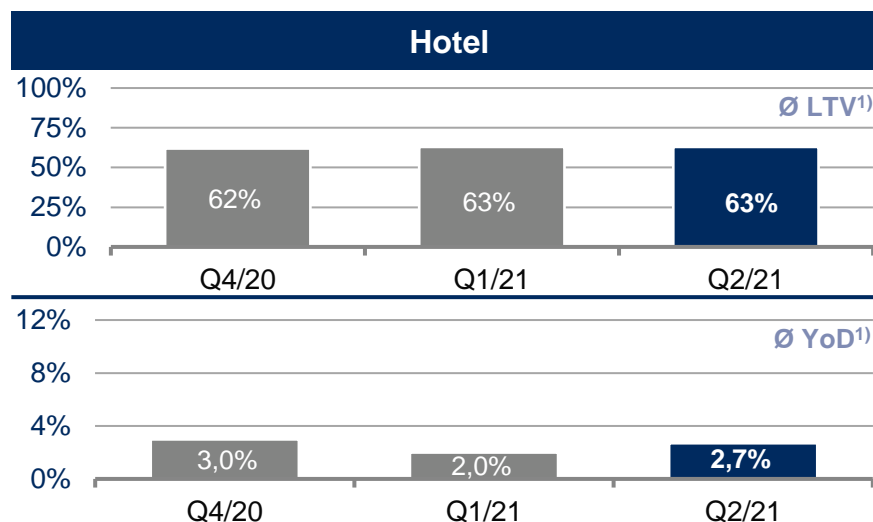
YoD development<sup>1)</sup>



1) Performing CREF-portfolio only (exposure)

# Segment: Structured Property Financing

## Update on hotel- and retail portfolio



- Markets with early vaccination roll-outs already showing good levels of recovery, particularly in the US (i.e. New York occupancy for June was 67% within the Aareal portfolio)
- Overall, LTVs remained stable compared to the end of Q4/20
- YoD's are still below the YE-level of 2020, though a slight increase is visible quarter over quarter. Accordingly, it is expected that YoD will further increase in the next quarters

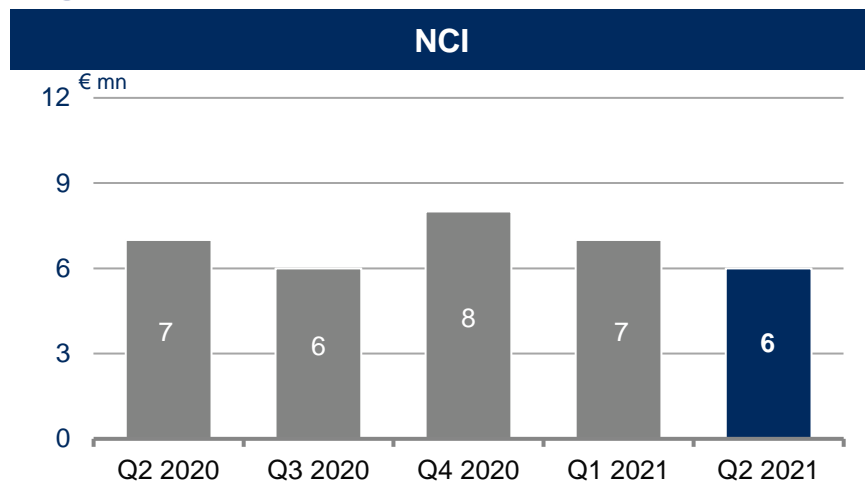
1) Performing CREFF-portfolio only (exposure)

- Development of recovery still dependent on rolling out of vaccination and spreading of further variants such as Delta
- Assets re-opened with good recovery due to catch-up effects with both, online and offline sales, partially exceeding 2019 level
- Updated valuations proofed overall stabilisation of LTV level
- YoD reflecting an overall stable NOI



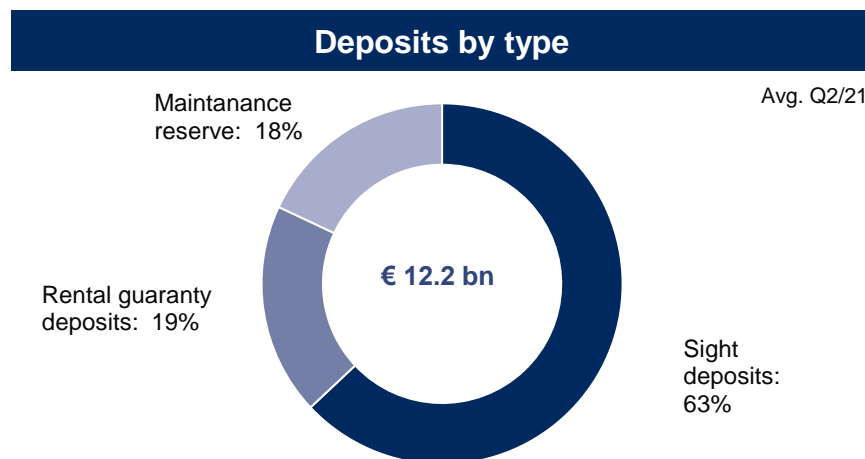
## Segment: Banking & Digital Solutions

NCI stable considering BGH-ruling regarding fees, deposits at high level



### NCI stable considering BGH-ruling

- H1-NCI further increase to € 13 mn in 2021 vs. € 12 mn in H1/20
- Q2 slightly decreased due to BGH-ruling



### Deposits at high level in Q2

- Deposits from rental guarantees and maintenance reserves further increased
- Stickiness during crises continuously proven over the last decades

# Segment: Aareon

## M&A activities and Products / Markets

### Progress on M&A activities and the development of products, markets

#### M&A activities

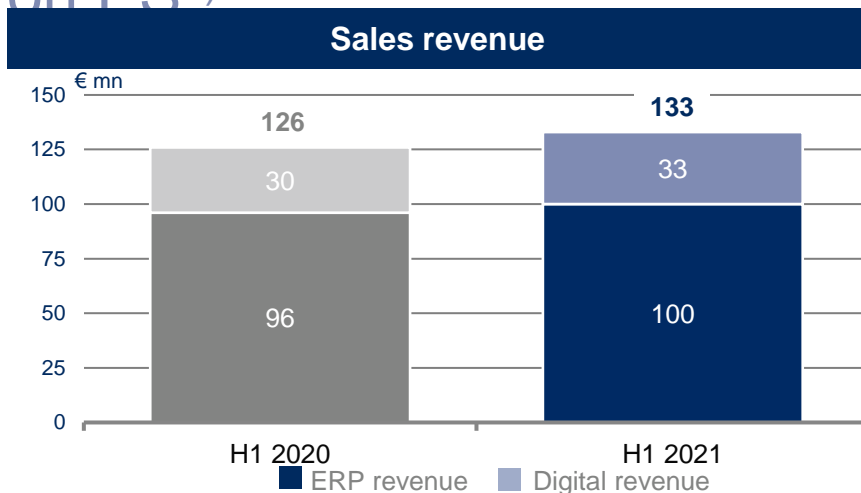
- Forceful execution of communicated strategic M&A roadmap – M&A activities are expected to provide additional upside potential beyond the 2025 Adj. EBITDA target
- Twinq, NL, acquired in May – market-leading software specialist for privately owned housing market – complementing the offering of Aareon Nederland to capture attractive adjacent niche in Dutch residential market; adding ~700k units and catering top- and bottom-line growth in NL
- Acquisitions in the UK tap into a fast growing adjacent market for property management (PM) in the small and medium-sized business (SMB) segment. Foundation for potential pan-European expansion to drive market penetration.
  - Arthur, UK, acquired in January, serves with its best-in-class SaaS PM-Software and experienced leadership team as the nucleus for the private SMB market expansion
  - Fixflo (Tactile), UK, acquired in May, leading provider of property repairs and maintenance software in the UK – exploit cross-sell opportunities with Arthur and unlock strategic value opportunity for broader Aareon portfolio; adding ~1m units
  - Tilt, UK, acquired in July: support consolidation of fragmented UK market and increase of Arthur portfolio by providing higher client-value upgrades to further strengthen the UK market position

#### Products / Markets

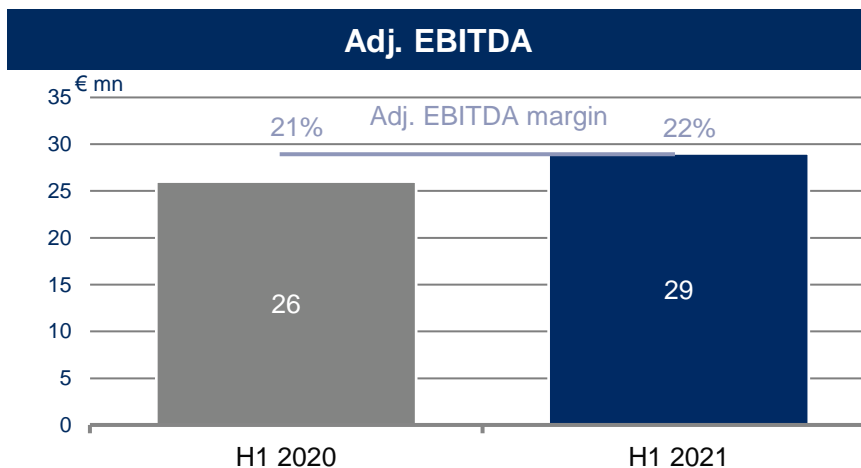
- In Germany start of campaign to Subscription, SaaS and higher client value product bundles. 340 customers already bought into Wodis Yuneo since YE 2020 representing almost 33% of total Wodis customer base with 42% of total Wodis units
- New Products: Marketing Launch of Digital Agency (platform for complete tenant life cycle) and of PrediMa (Germany). PrediMa uses synergies with digital solution AiBATROS (CalCon) for predictive maintenance
- Digital Event Aareon Live in Germany with more than 1,000 participants

## Segment: Aareon

Adj. EBITDA and sales revenues increased – Covid-19 effects mainly on PS<sup>1)</sup>



- Sales revenues increased by € 7 mn to € 133 mn (+6% yoy) despite Covid-19 interference, Q1/20 revenues (almost) unaffected from the crisis
- Digital revenues ex PS<sup>1)</sup> up 17% yoy (incl. PS up 11%)
- ERP revenues ex PS<sup>1)</sup> up 6% yoy (incl. PS up 4%)
- Strong organic growth and acquired SaaS-business from Arthur, Twinq, and Fixflo (Tactile) revenues were key drivers in order to raise share of recurring business; >68% of total revenues (last 12 months, prev. quarter: 67%)



- Adj. EBITDA increased by € 3 mn to € 29 mn (+9% yoy) - margin increased by 100 bps yoy
- EBITDA H1/21 adjusted by € 11 mn (H1/20: € 3 mn) from ramping-up strategic M&A roadmap and investments in New Products and VCP strategy
- FY 2021 outlook regarding Adj. EBITDA confirmed despite ongoing Covid-19 impact on PS<sup>1)</sup> revenues

Note: Numbers not adding up refer to rounding

1) PS (Professional Services) = Consulting business

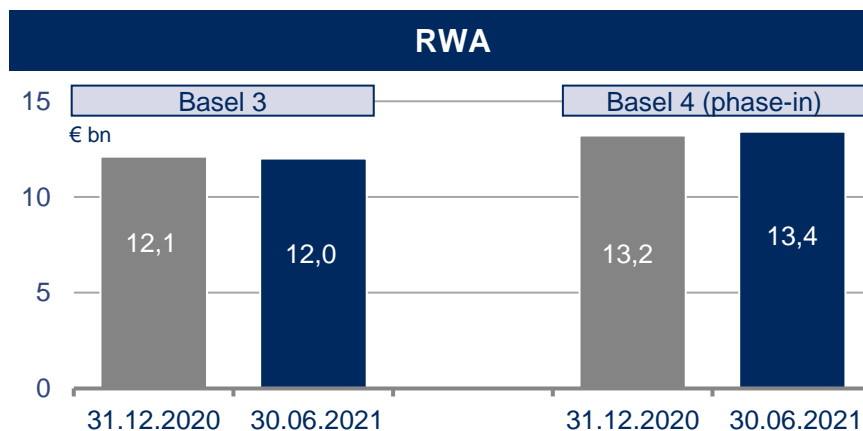
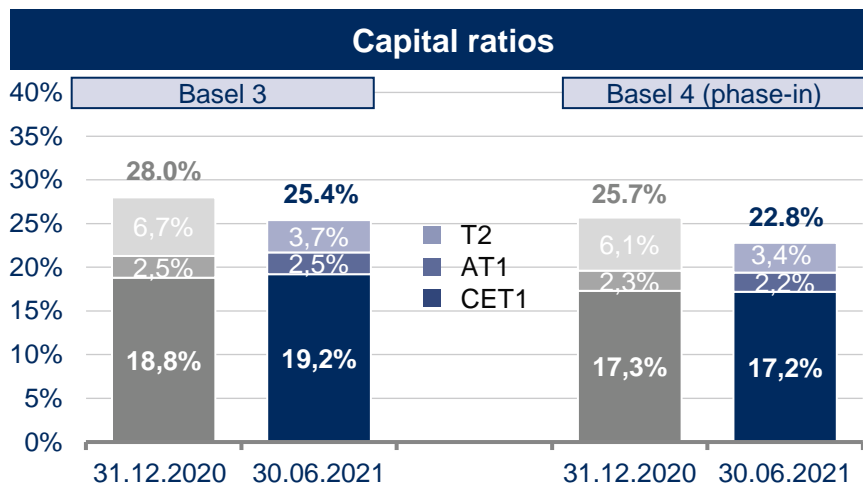
# Capital, Funding & Liquidity

05

Areal

# Capital

## Solid capital position

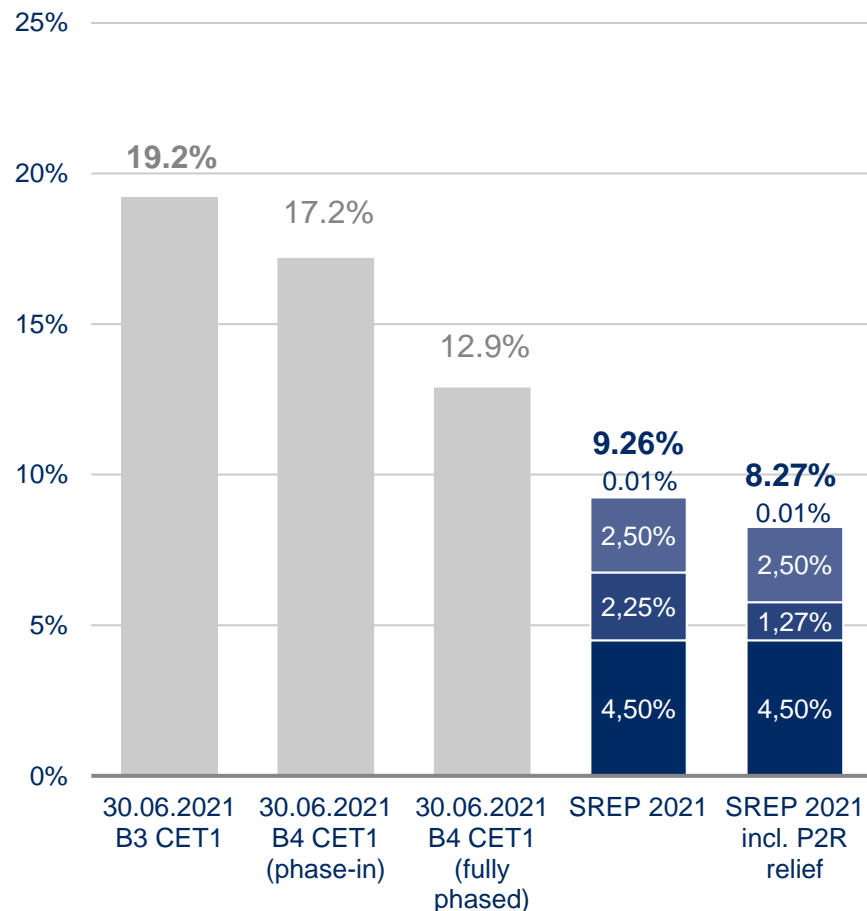


- CET1 ratios largely stable vs. 31.12.2020
- Portfolio growth in Q2 and related RWA increase resulting in slightly reduced CET1 ratios vs. 31.03.2021 (B3 CET1: 19.5% and B4 CET1: 17.7%)
- Redemption of € 300 mn Tier 2 Notes in Q1 reflected in total capital ratios, further optimisation potential
- Solid T1-Leverage ratio at 5.7% despite TLTRO participation
- Remaining regulatory uncertainties (models, ICAAP, ILAAP, B4, etc.)
- Stress test results confirming solid capital position even under extreme scenario of CRE values further down > 30% vs. YE 2020

# SREP (CET 1) requirements

Demonstrating conservative and sustainable business model

## CET1 ratios vs. SREP (CET1) requirements

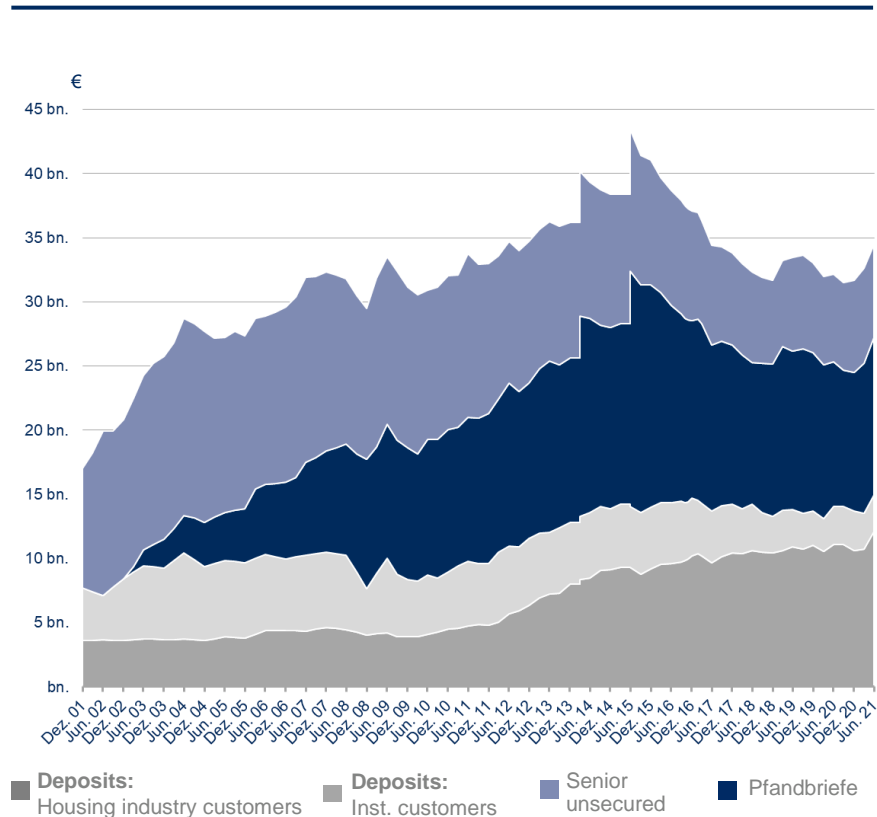


- Capital ratios significant above SREP requirements
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement 2021 (Overall Capital Requirement (OCR)) amounts to 12.8% compared to 25.5% total capital ratio
- All ratios already include TRIM effects as well as prudential provisioning

- Countercyclical Buffer
- Capital Conservation Buffer
- Pillar 2 Requirement
- Pillar 1 Requirement

# Funding & Liquidity

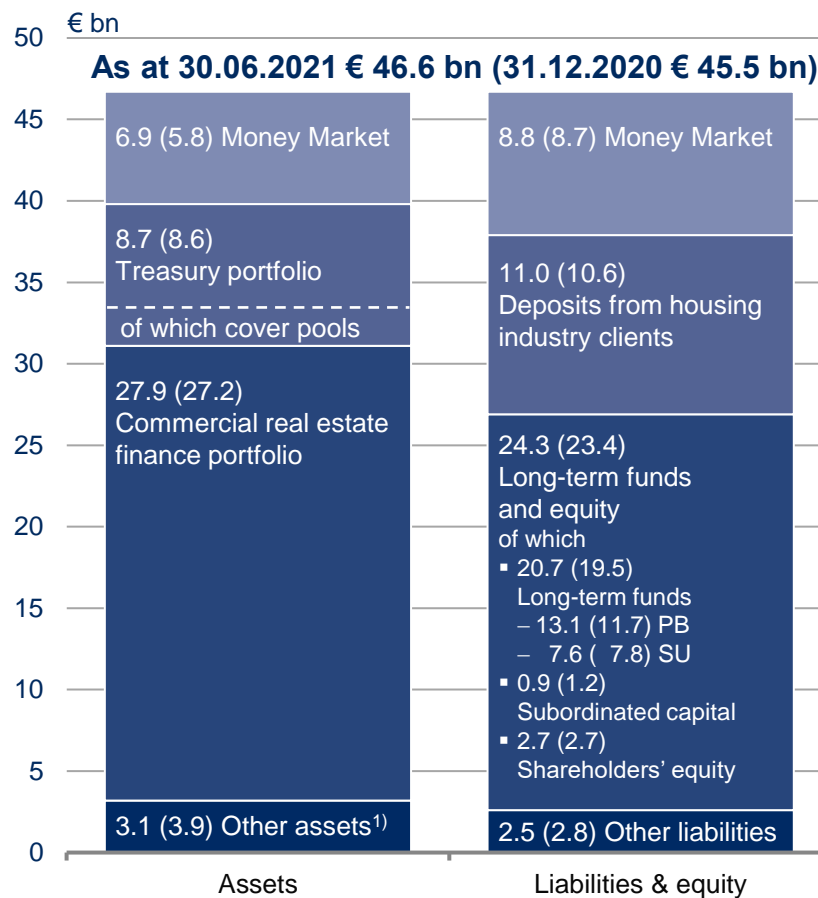
## Diversified funding sources and distribution channels



- Sustainable and strong housing industry deposit base part of well diversified funding mix
- Successful funding activities of more than € 2.2 bn in 2021 incl. e.g.
  - € 500 mn Benchmark Pfandbrief
  - \$ 750 mn Benchmark Pfandbrief
  - Inaugural SONIA linked £ 500 mn Pfandbrief
  - € 250 mn increase of outstanding Senior preferred Bond (Nov/2027) to new notional amount of € 750 mn
- Liquidity ratios significantly over fulfilled:
  - NSFR > 100%
  - LCR >> 100%

# B/S structure according to IFRS

Well balanced



1) Other assets includes € 0.3 bn private client portfolio and WIB's € 0.3 bn public sector loans



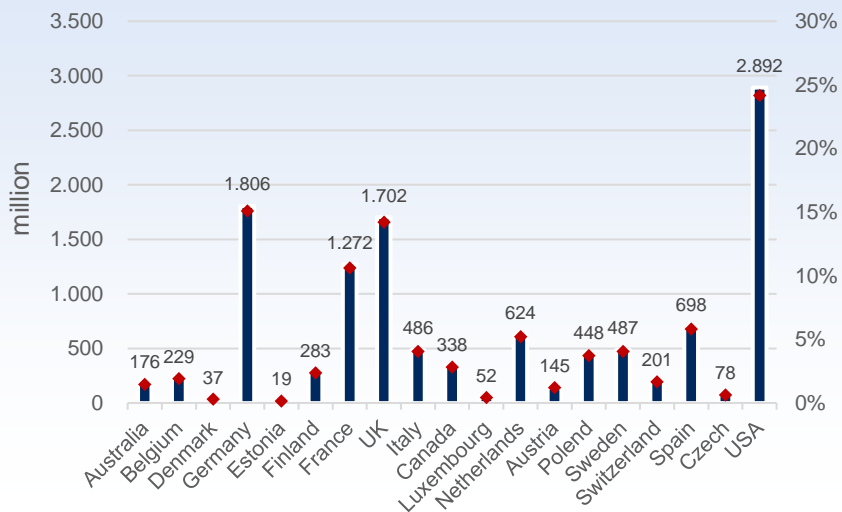
# Mortgage Cover Pool

## Well diversified regarding Geography and Property Type

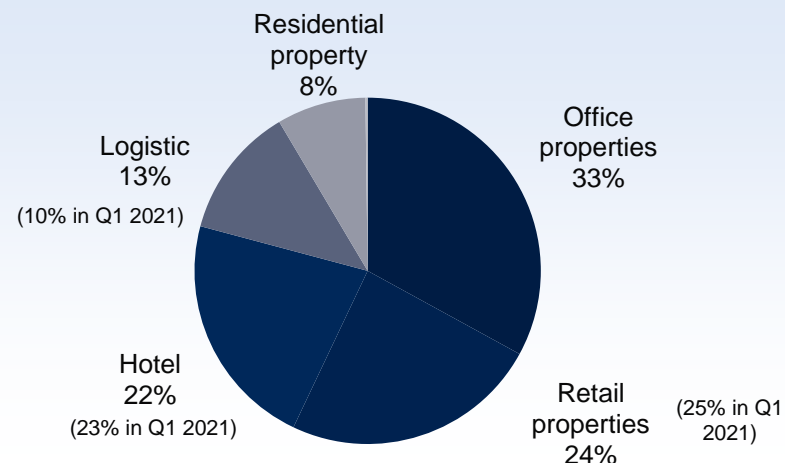
- Cover pool of € 12.8 bn including € 0.8 bn substitute assets diversified over 19 countries
- High quality of assets: first-class mortgage loans (mortgage-lending-value 55.2%)
- Mortgage-lending-value with high discount from market-value
- Ø LTV of the mortgage cover pool 33.2%
- Moody's has calculated a 'Aaa' supporting over-collateralisation ratio of 18.0% on a PV basis
- Over-collateralisation on a PV basis as of 30.06.2021: 21.5%
- High diversification within property types



### Cover Pool by Geography



### Cover Pool by Property Type




# Funding

## Favourable market environment used for strong funding activities

### Capital markets refinancing activities in 2021

 <p><b>Aareal Bank Group</b></p> <p><b>0.010%</b> EUR 500.000.000 Hypothekendarlehen</p> <p>7 Years Maturity 01.02.2028 ISIN: DE000AAR0280</p> <p>Lead Manager BNPP, Commerzbank, LBBW, SocGen, UniCredit</p> <p>January 2021</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.625%</b> USD 750.000.000 Hypothekendarlehen</p> <p>4 Years Maturity 14.02.2025 ISIN: XS2297684842</p> <p>Lead Manager Citigroup, Deutsche Bank, HSBC, LBBW, NatWest</p> <p>February 2021</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.250%</b> TAP EUR 200mn to 500mn <b>Senior Preferred</b></p> <p>7 Years Maturity 13.11.2027 ISIN: DE000A289LU4</p> <p>Lead Manager Commerzbank, DekaBank, DZ Bank, GS, HSBC</p> <p>February 2021</p>	 <p><b>Aareal Bank Group</b></p> <p>SONIA +31bps GBP 500.000.000 Hypothekendarlehen</p> <p>4 Years Maturity 29.04.2025 ISIN: XS2337339977</p> <p>Lead Manager Deutsche Bank, HSBC, NatWest, Nomura</p> <p>April 2021</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.250%</b> TAP EUR 250mn to 750mn <b>Senior Preferred</b></p> <p>7 Years Maturity 13.11.2027 ISIN: DE000A289LU4</p> <p>Lead Manager Commerzbank, DekaBank, GS, HSBC</p> <p>July 2021</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.05%</b> EUR 500.000.000 <b>Senior Preferred</b></p> <p>5 Years Maturity 02.09.2026 ISIN: DE000AAR0296</p> <p>Lead Manager BNPP, Citi, Commerzbank, DekaBank, DZ Bank</p> <p>September 2021</p>
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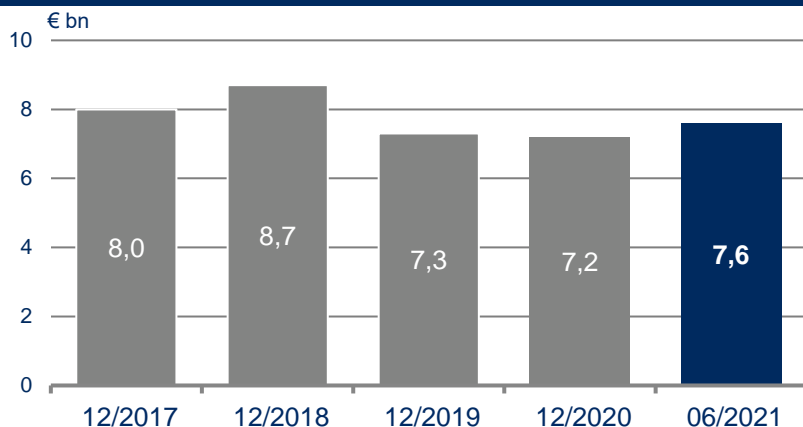
### Capital markets refinancing activities 2020

 <p><b>Aareal Bank Group</b></p> <p><b>0.500%</b> EUR 500.000.000 <b>Senior Preferred</b></p> <p>7 Years Maturity 07. Apr 2027 ISIN: DE000AAR0264</p> <p>Lead Manager BayernLB, Deka Bank, DZ Bank, HSBC, Natixis</p> <p>September 2020</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.010%</b> EUR 500.000.000 Hypothekendarlehen</p> <p>6 Years Maturity 03. Aug 2026 ISIN: DE000AAR0272</p> <p>Lead Manager BNP Paribas, Commerzbank, Deutsche Bank, Helaba, UniCredit</p> <p>October 2020</p>	 <p><b>Aareal Bank Group</b></p> <p><b>0.250%</b> EUR 300.000.000 <b>Senior Preferred</b></p> <p>7 Years Maturity 13.11.2027 ISIN: DE000A289LU4</p> <p>Sole-Lead Manager Goldman Sachs</p> <p>November 2020</p>
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# Treasury portfolio

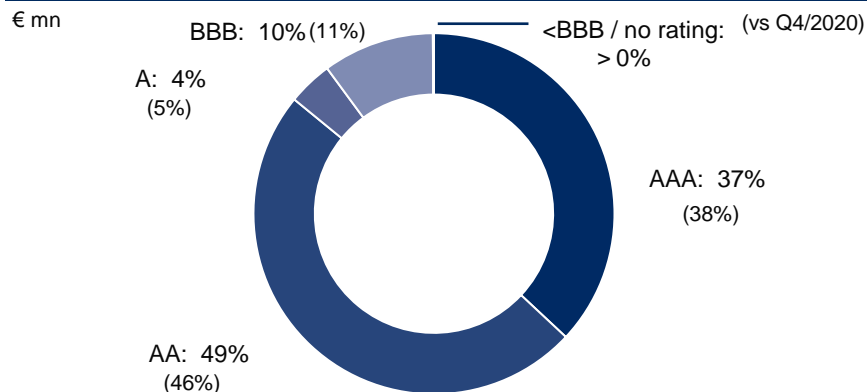
€ 7.6 bn of high quality and highly liquid assets

## TR portfolio development

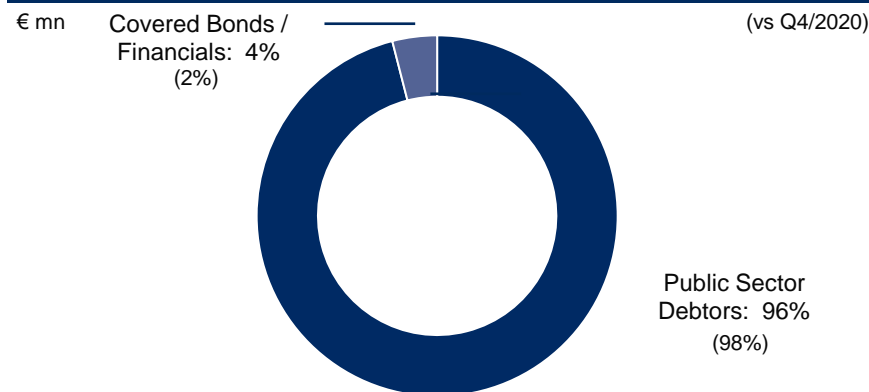


- Portfolio further diversified with additional investments in new agencies and Covered Bonds
- Investments in Covered Bonds supporting spread improvement
- Slight increase of total TR-portfolio due to increased ECB collateral requirements for the existing TLTRO

## TR portfolio by rating<sup>1)</sup>



## TR portfolio by asset class



As at 30.06.2021 – all figures are nominal amounts

1) Composite Rating

**Outlook 2021**

06

**Aareal**

# Outlook 2021

## Operating profit target confirmed

Group	METRIC	2020	OUTLOOK 2021 <sup>1)</sup>
	<ul style="list-style-type: none"> <li>Net interest income</li> <li>Net commission income</li> <li>LLP</li> <li>Admin expenses</li> </ul>	€ 512 mn € 234 mn € 344 mn € 469 mn	€ 550 - 580 mn € 250 - 270 mn € 125 - 200 mn € 520 - 540 mn
<ul style="list-style-type: none"> <li>Operating profit</li> <li>Earnings per share (EPS)</li> </ul>	€ -75 mn € -1.50	€ 100 - 175 mn € ~0.40 - ~1.20 <sup>2)</sup>	

Segments	Aareal Next Level	METRIC	2020	OUTLOOK 2021 <sup>1)</sup>
	„Activate“	Structured Property Financing	<ul style="list-style-type: none"> <li>REF Portfolio</li> <li>New business</li> </ul>	€ 27.8 bn € 7.2 bn
„Elevate“	Banking & Digital Solutions	<ul style="list-style-type: none"> <li>Deposit volume</li> <li>NCI</li> </ul>	€ 11.0 bn € 26 mn	€ ~11 bn € ~28 mn
„Accelerate“	Aareon	<ul style="list-style-type: none"> <li>Revenues</li> <li>Adj. EBITDA</li> </ul>	€ 258 mn € 62 mn	€ 276 mn - € 280 mn € 63 mn - € 65 mn

1) Based on "Swoosh" scenario. In the current environment, this forecast is subject to significant uncertainty, especially with regard to the assumed duration and intensity of the crisis, the pace of recovery and the associated effects on our clients, as well as prevailing unclear regulatory and accounting provisions, and the possibility that individual loan defaults cannot be reliably predicted.

2) EPS calculation based on expected FY-tax ratio between 50% and 60%

3) Subject to FX development

## Key Takeaways

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# Key takeaways

## Significant profit increase in Q2



- Net interest income at the highest level for almost four years
- Revenues up by 14% yoy
- Significantly lower LLP yoy, despite one-off effects from the successful conclusion of the accelerated de-risking measures in Italy
- Operating profit increased to € 41 mn; € 52 mn excl. adverse non-recurring tax related effect

## Growth initiatives start paying off



- Structured Property Financing:  
Strong new business, green lending successfully launched, portfolio volume further increased
- Banking & Digital Solutions: On-going positive development
- Aareon: Growth supported by successful M&A activities

## Operating profit confirmed, second dividend tranche planned in Q4



- 'Swoosh-shaped' economic recovery continues to be intact
- Sticking to conservative LLP-guidance, due to persistent pandemic-related uncertainty
- After positive business development in H1, operating profit target of € 100 mn - € 175 mn confirmed
- Continuing to intend distributing a second dividend tranche of € 1.10 per share, if the communicated conditions are met<sup>1)</sup>

1) Following a corresponding announcement by the European Central Bank on 23 July, Aareal Bank continues to intend distributing a second dividend tranche of €1.10 per share for the 2020 financial year, provided that the communicated conditions are met, which is the Bank's current expectation. In the absence of material adverse developments, Aareal Bank plans to convene an extraordinary General Meeting in the fourth quarter, to decide on the dividend proposal.

**Group results Q2 / H1 2021**

Appendix



# Aareal Bank Group

## Results Q2 2021

	01.04.- 30.06.2021 € mn	01.04.- 30.06.2020 € mn	Change
<b>Profit and loss account</b>			
Net interest income	142	122	16%
Loss allowance	33	48	-31%
Net commission income	59	54	9%
Net derecognition gain or loss	8	9	-11%
Net gain or loss from financial instruments (fvpl)	-3	-17	-82%
Net gain or loss on hedge accounting	1	1	0%
Net gain or loss from investments accounted for using the equity method	-1	0	
Administrative expenses	118	109	8%
Net other operating income / expenses	-14	-10	40%
<b>Operating Profit</b>	<b>41</b>	<b>2</b>	<b>1950%</b>
Income taxes	29	-7	-514%
<b>Consolidated net income</b>	<b>12</b>	<b>9</b>	<b>33%</b>
Consolidated net income attributable to non-controlling interests	1	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	11	9	22%
<b>Earnings per share (EpS)</b>			
Consolidated net income attributable to shareholders of Aareal Bank AG <sup>1)</sup>	11	9	22%
of which: allocated to ordinary shareholders	8	5	60%
of which: allocated to AT1 investors	3	4	-25%
Earnings per ordinary share (in €) <sup>2)</sup>	0.13	0.07	86%
Earnings per ordinary AT1 unit (in €) <sup>3)</sup>	0.03	0.04	-25%

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

# Aareal Bank Group

## Results Q2 2021 by segments

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.04.- 30.06. 2021	01.04.- 30.06. 2020	01.04.- 30.06. 2021	01.04.- 30.06. 2020	01.04.- 30.06. 2021	01.04.- 30.06. 2020	01.04.- 30.06. 2021	01.04.- 30.06. 2020	01.04.- 30.06. 2021	01.04.- 30.06. 2020
€ mn										
Net interest income	133	113	11	10	-2	-1	0	0	142	122
Loss allowance	33	48	0		0	0			33	48
Net commission income	2	1	6	7	54	49	-3	-3	59	54
Net derecognition gain or loss	8	9							8	9
Net gain or loss from financial instruments (fvpl)	-3	-17		0		0			-3	-17
Net gain or loss on hedge accounting	1	1							1	1
Net gain or loss from investments accounted for using the equity method			-1		0	0			-1	0
Administrative expenses	50	49	17	17	54	46	-3	-3	118	109
Net other operating income / expenses	-15	-11	0	0	1	1	0	0	-14	-10
<b>Operating profit</b>	<b>43</b>	<b>-1</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>2</b>
Income taxes	30	-8	-1	0	0	1			29	-7
<b>Consolidated net income</b>	<b>13</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>9</b>
<b>Allocation of results</b>										
Cons. net income attributable to non-controlling interests	0	0	0	0	1	0			1	0
Cons. net income attributable to shareholders of Aareal Bank AG	13	7	0	0	-2	2	0	0	11	9

# Aareal Bank Group

## Results H1 2021

	01.01.- 30.06.2021 € mn	01.01.- 30.06.2020 € mn	Change
<b>Profit and loss account</b>			
Net interest income	280	245	14%
Loss allowance	40	106	-62%
Net commission income	118	111	6%
Net derecognition gain or loss	8	16	-50%
Net gain or loss from financial instruments (fvpl)	-4	-7	-43%
Net gain or loss on hedge accounting	-2	2	-200%
Net gain or loss from investments accounted for using the equity method	-1	0	
Administrative expenses	268	238	13%
Net other operating income / expenses	-18	-10	80%
<b>Operating Profit</b>	<b>73</b>	<b>13</b>	<b>462%</b>
Income taxes	40	-3	-1433%
<b>Consolidated net income</b>	<b>33</b>	<b>16</b>	<b>106%</b>
Consolidated net income attributable to non-controlling interests	2	1	100%
Consolidated net income attributable to shareholders of Aareal Bank AG	31	15	107%
<b>Earnings per share (EpS)</b>			
Consolidated net income attributable to shareholders of Aareal Bank AG <sup>1)</sup>	31	15	107%
of which: allocated to ordinary shareholders	24	7	243%
of which: allocated to AT1 investors	7	8	-13%
Earnings per ordinary share (in €) <sup>2)</sup>	0.40	0.11	264%
Earnings per ordinary AT1 unit (in €) <sup>3)</sup>	0.07	0.08	-13%

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

# Aareal Bank Group

## Results H1 2021 by segments

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.06. 2021	01.01.- 30.06. 2020	01.01.- 30.06. 2021	01.01.- 30.06. 2020	01.01.- 30.06. 2021	01.01.- 30.06. 2020	01.01.- 30.06. 2021	01.01.- 30.06. 2020	01.01.- 30.06. 2021	01.01.- 30.06. 2020
€ mn										
Net interest income	260	226	22	20	-2	-1	0	0	280	245
Loss allowance	40	106			0	0			40	106
Net commission income	4	3	13	12	107	102	-6	-6	118	111
Net derecognition gain or loss	8	16							8	16
Net gain or loss from financial instruments (fvpl)	-4	-7		0		0			-4	-7
Net gain or loss on hedge accounting	-2	2							-2	2
Net gain or loss from investments accounted for using the equity method			-1		0	0			-1	0
Administrative expenses	134	117	36	35	104	92	-6	-6	268	238
Net other operating income / expenses	-20	-11	0	0	2	1	0	0	-18	-10
<b>Operating profit</b>	<b>72</b>	<b>6</b>	<b>-2</b>	<b>-3</b>	<b>3</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>13</b>
Income taxes	40	-5	-1	-1	1	3			40	-3
<b>Consolidated net income</b>	<b>32</b>	<b>11</b>	<b>-1</b>	<b>-2</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>33</b>	<b>16</b>
<b>Allocation of results</b>										
Cons. net income attributable to non-controlling interests	0	0	0	0	2	1			2	1
Cons. net income attributable to shareholders of Aareal Bank AG	32	11	-1	-2	0	6	0	0	31	15

# Aareal Bank Group

## Results – quarter by quarter

	Structured Property Financing					Banking & Digital Solutions					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2
	2021			2020		2021			2020		2021			2020		2021			2020		2021			2020	
€ mn																									
Net interest income	133	127	129	119	113	11	11	10	9	10	-2	0	0	0	-1	0	0	0	0	0	142	138	139	128	122
Loss allowance	33	7	177	61	48			0			0		0	0	0						33	7	177	61	48
Net commission income	2	2	4	1	1	6	7	8	6	7	54	53	58	53	49	-3	-3	-4	-3	-3	59	59	66	57	54
Net derecognition gain or loss	8	0	9	3	9																8	0	9	3	9
Net gain / loss from fin. instruments (fvpl)	-3	-1	-21	-4	-17					0			0	0	0						-3	-1	-21	-4	-17
Net gain or loss on hedge accounting	1	-3	2	2	1																1	-3	2	2	1
Net gain / loss from investments acc. for using the equity method			2			-1					0	0	-1	0	0						-1	0	1	0	0
Administrative expenses	50	84	54	56	49	17	19	18	15	17	54	50	50	46	46	-3	-3	-5	-3	-3	118	150	117	114	109
Net other operating income / expenses	-15	-5	-3	0	-11	0	0	0	0	0	1	1	3	0	1	0	0	-1	0	0	-14	-4	-1	0	-10
<b>Operating profit</b>	<b>43</b>	<b>29</b>	<b>-109</b>	<b>4</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>4</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>32</b>	<b>-99</b>	<b>11</b>	<b>2</b>
Income taxes	30	10	-18	9	-8	-1	0	1	-1	0	0	1	4	2	1						29	11	-13	10	-7
<b>Consolidated net income</b>	<b>13</b>	<b>19</b>	<b>-91</b>	<b>-5</b>	<b>7</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>1</b>	<b>0</b>	<b>-1</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>21</b>	<b>-86</b>	<b>1</b>	<b>9</b>
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	0	1	1	3	1	0						1	1	3	1	0
Cons. net income attributable to ARL shareholders	13	19	-91	-5	7	0	-1	-1	1	0	-2	2	3	4	2	0	0	0	0	0	11	20	-89	0	9

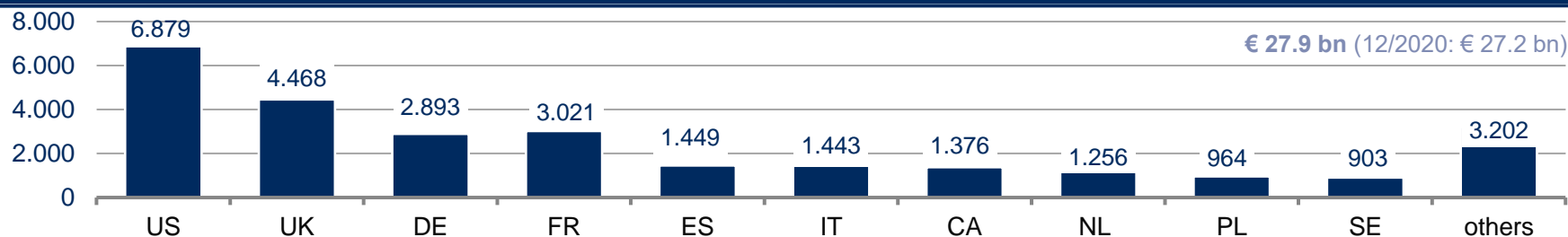
**Asset quality**

Appendix

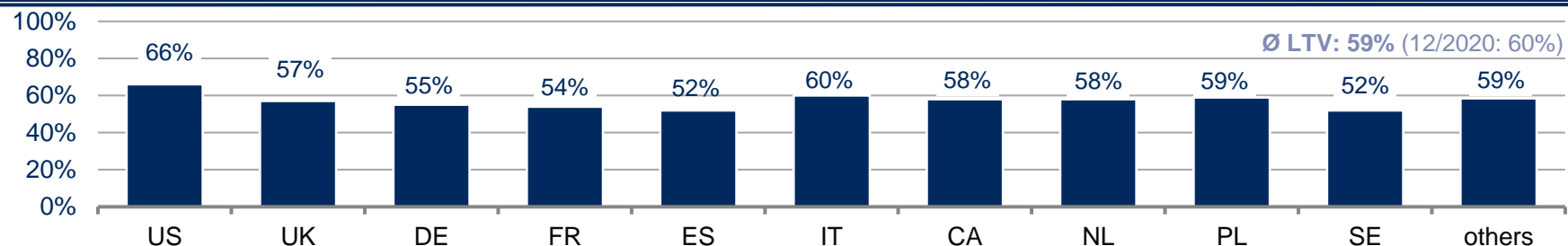
# CREF portfolio by country

€ 27.9 bn highly diversified

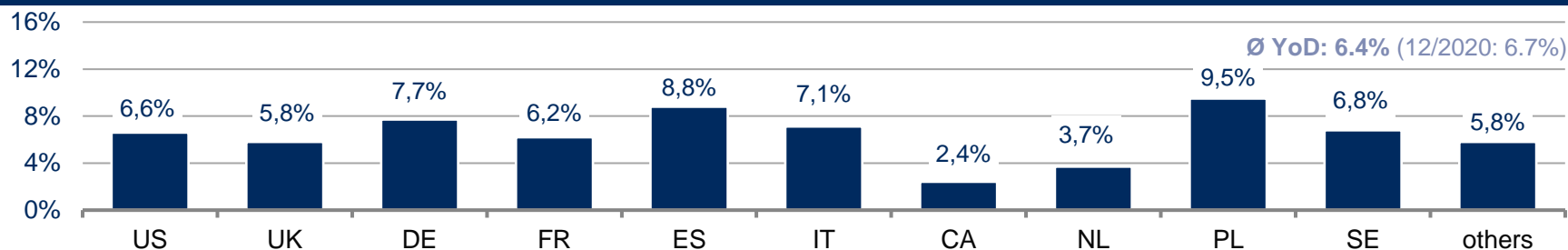
## CREF portfolio (€ mn)



## LTV<sup>1)</sup>



## YoD<sup>1)</sup>

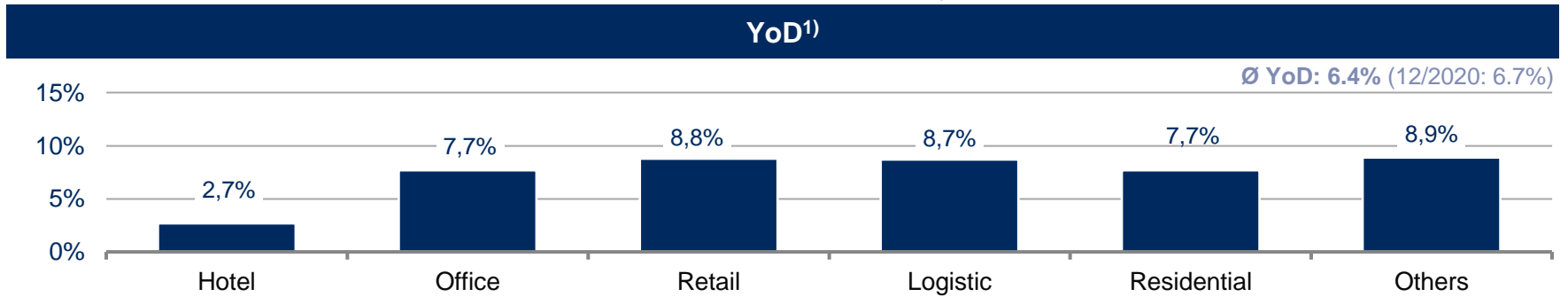
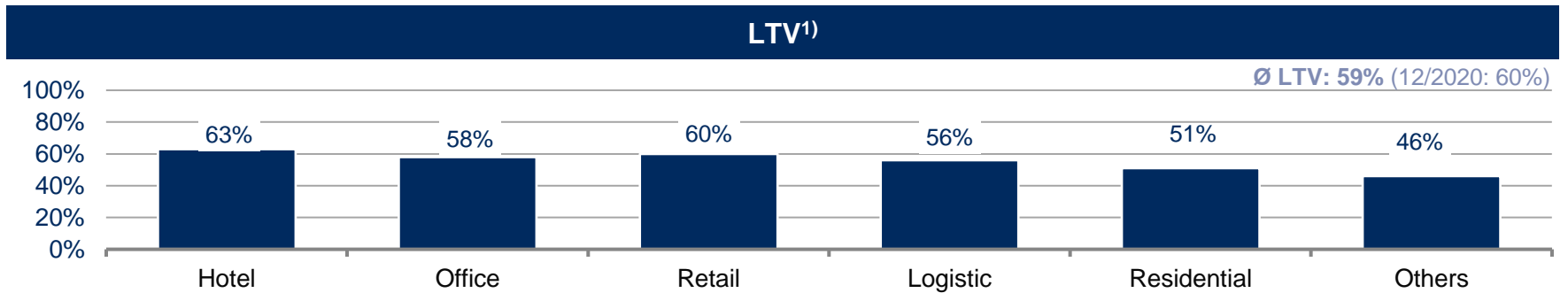
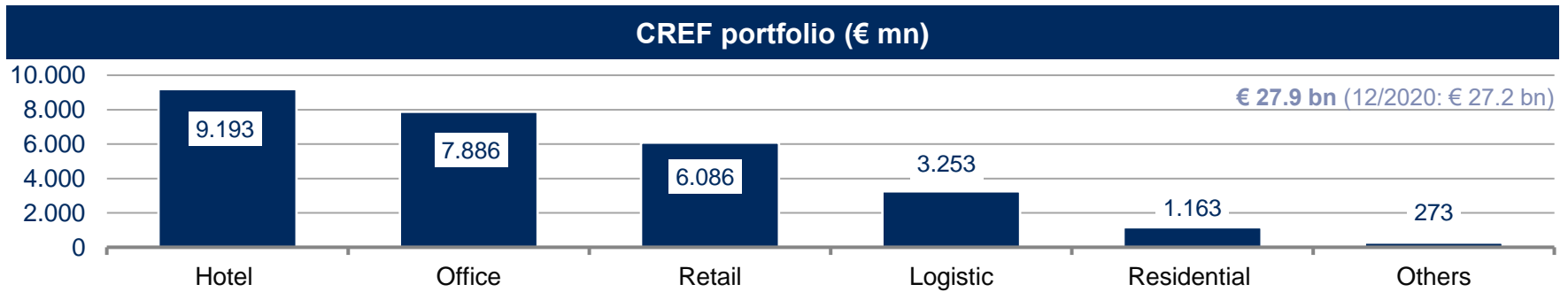


Note: others incl. countries with a portfolio below € 500 mn

1) Performing CREF-portfolio only (exposure)

# CREF portfolio by property types

€ 27.9 bn highly diversified



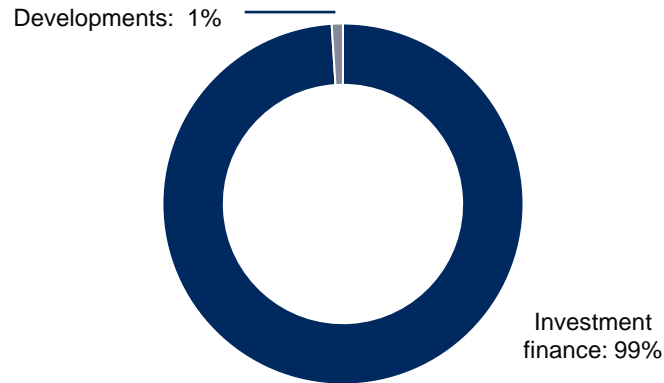
1) Performing CREF-portfolio only (exposure)



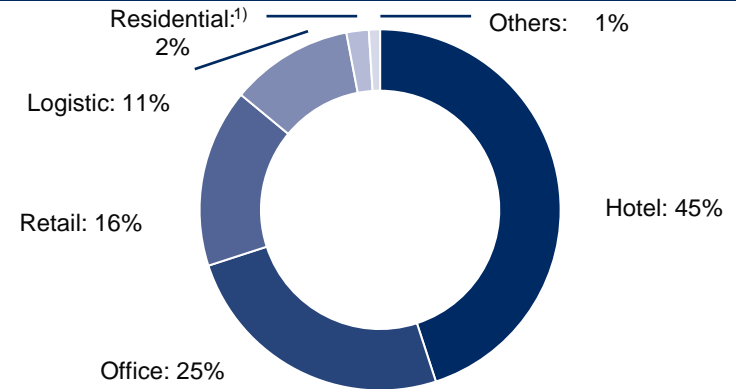
# Western Europe (ex Germany) CREF portfolio

Total volume outstanding as at 30.06.2021: € 10.0 bn

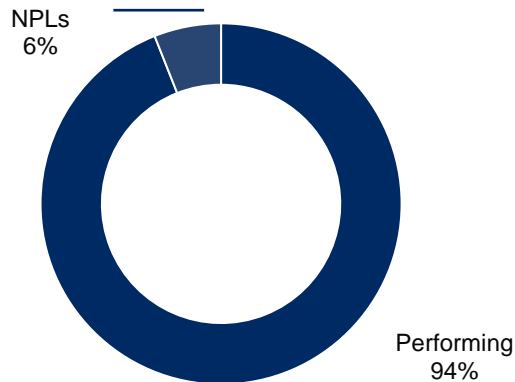
## by product type



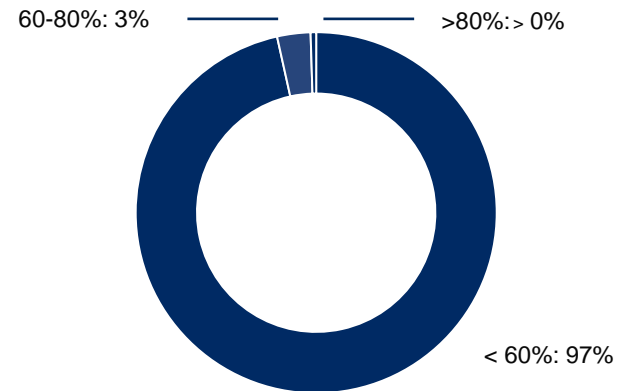
## by property type



## by performance



## by LTV ranges<sup>2)</sup>



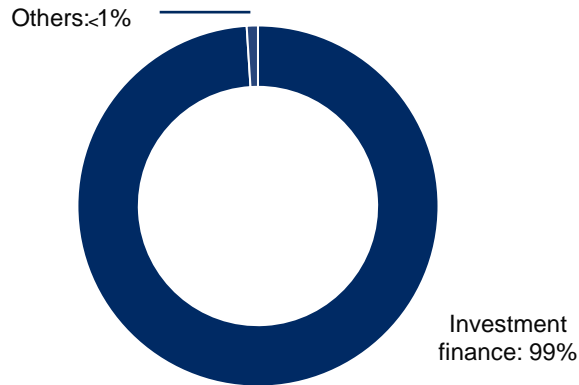
1) Incl. Student housing (UK & Australia only)

2) Performing CREF-portfolio only (exposure)

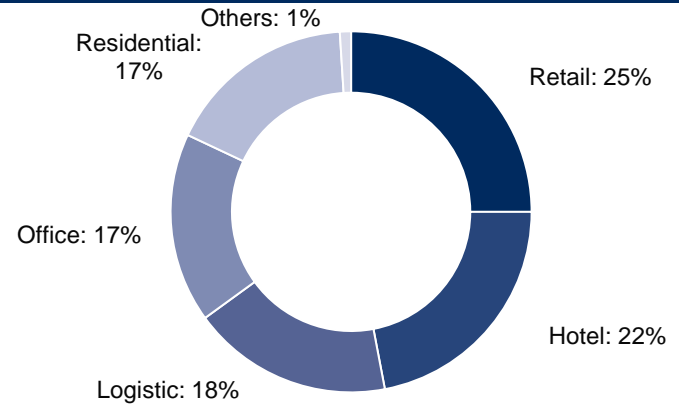
# German CREF portfolio

Total volume outstanding as at 30.06.2021: € 2.9 bn

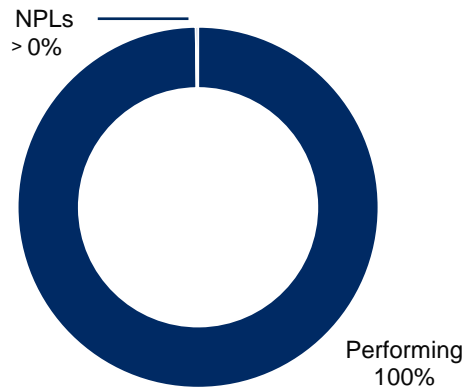
## by product type



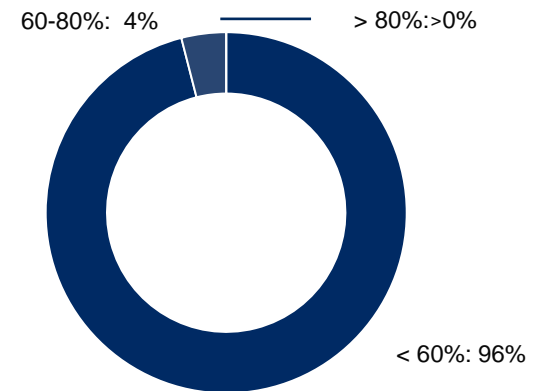
## by property type



## by performance



## by LTV ranges<sup>1)</sup>

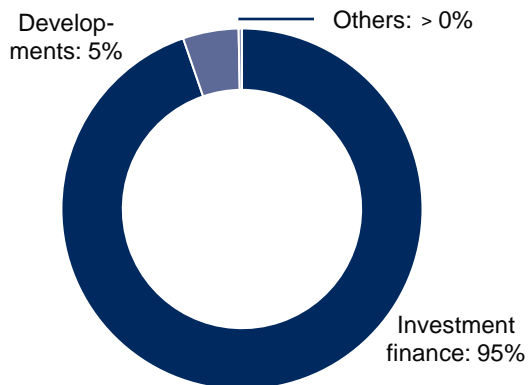


1) Performing CREF-portfolio only (exposure)

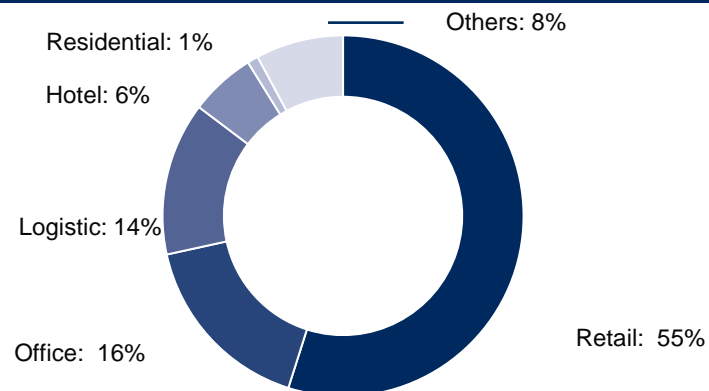
# Southern Europe CREF portfolio

Total volume outstanding as at 30.06.2021: € 2.9 bn

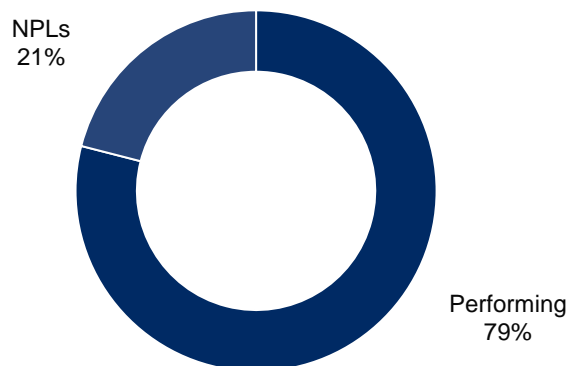
## by product type



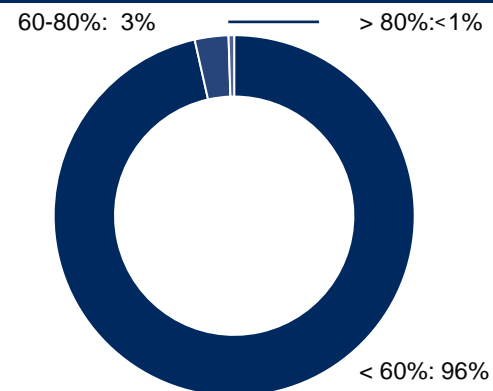
## by property type



## by performance



## by LTV ranges<sup>1)</sup>

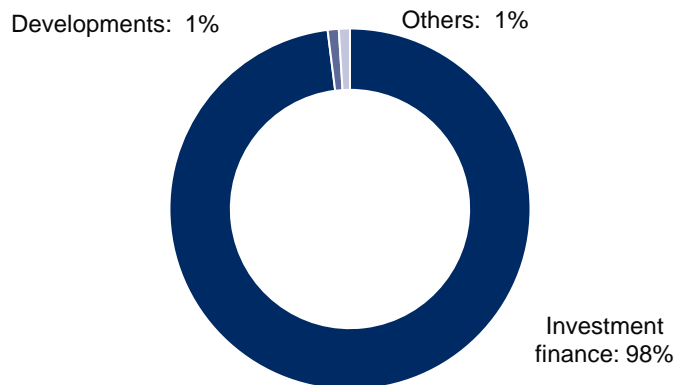


1) Performing CREF-portfolio only (exposure)

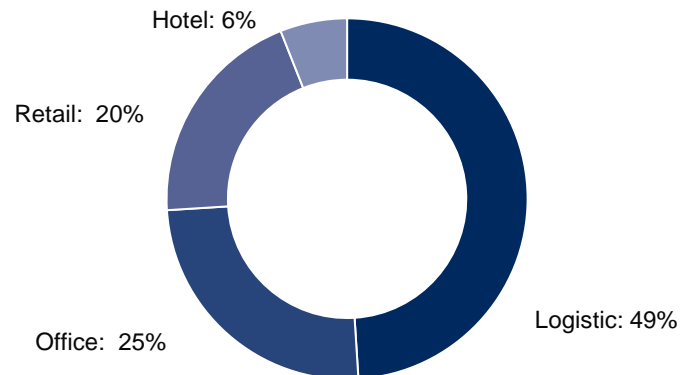
# Eastern Europe CREF portfolio

Total volume outstanding as at 30.06.2021: € 1.5 bn

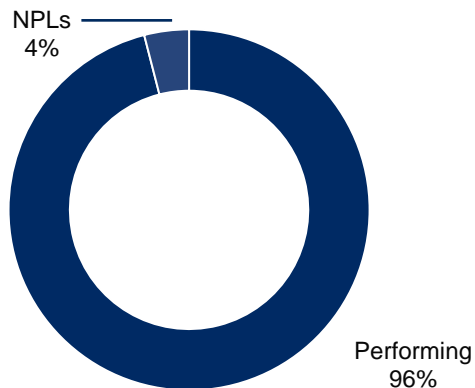
## by product type



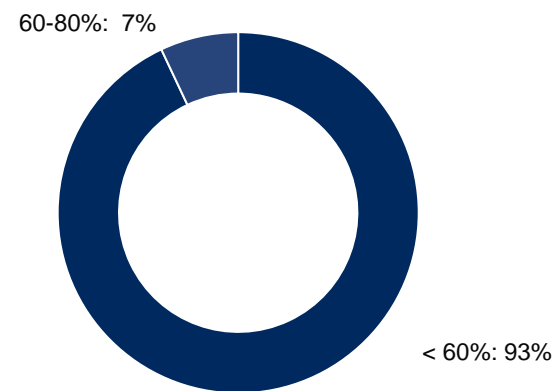
## by property type



## by performance



## by LTV ranges<sup>1)</sup>



1) Performing CREF-portfolio only (exposure)

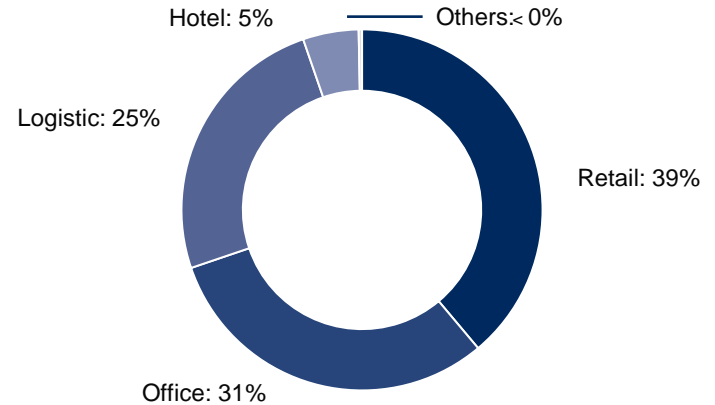
# Northern Europe CREF portfolio

Total volume outstanding as at 30.06.2021: € 1.4 bn

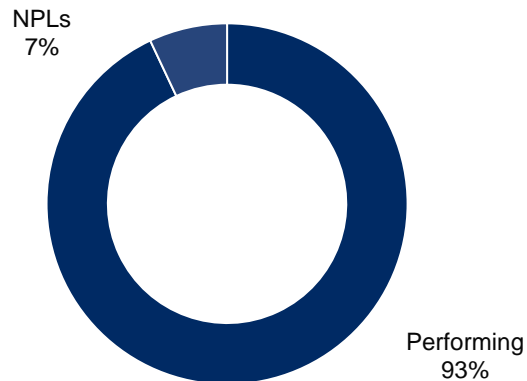
## by product type



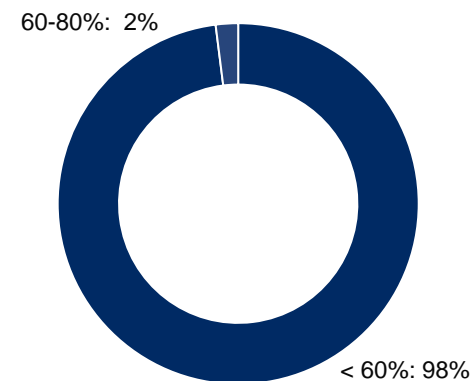
## by property type



## by performance



## by LTV ranges<sup>1)</sup>



1) Performing CREF-portfolio only (exposure)

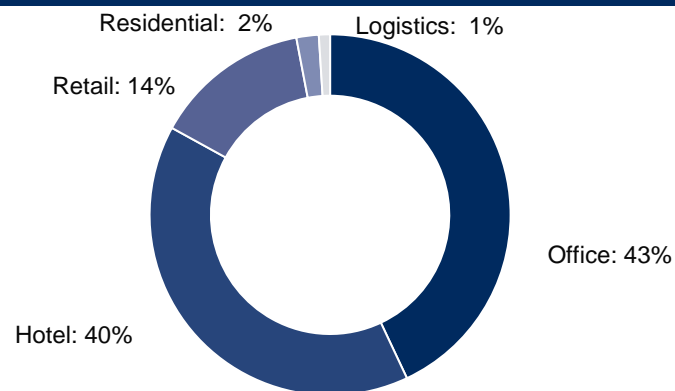
# North America CREF portfolio

Total volume outstanding as at 30.06.2021: € 8.3 bn

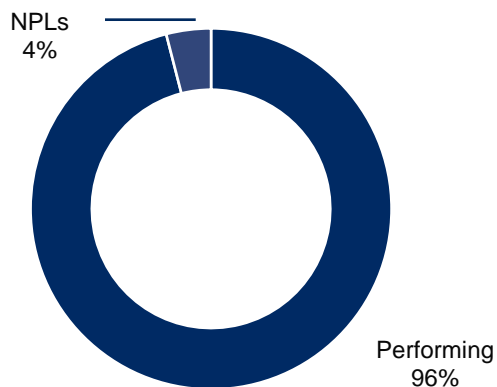
## by product type



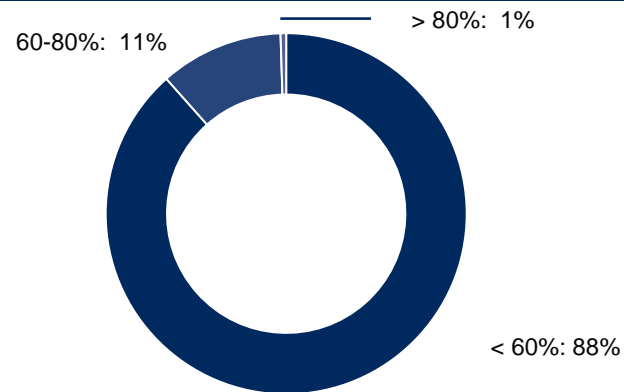
## by property type



## by performance



## by LTV ranges<sup>1)</sup>



1) Performing CREF-portfolio only (exposure)

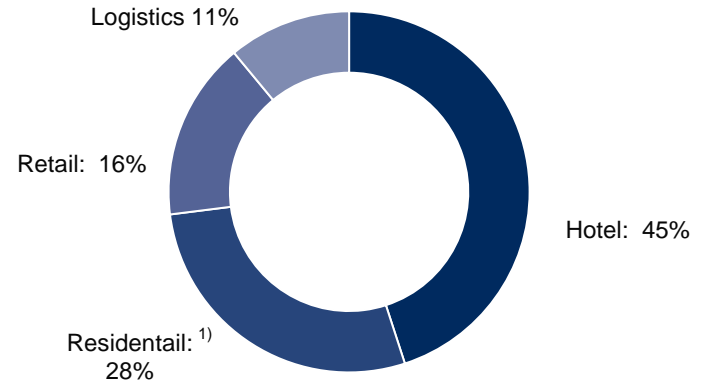
# Asia / Pacific CREF portfolio

Total volume outstanding as at 30.06.2021: € 0.9 bn

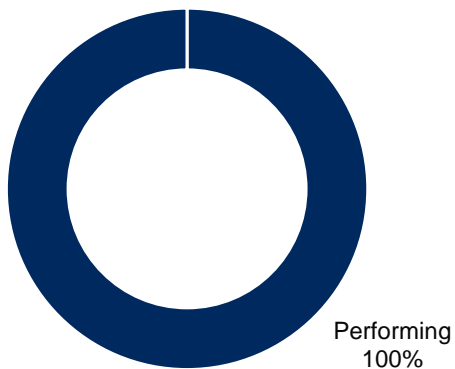
## by product type



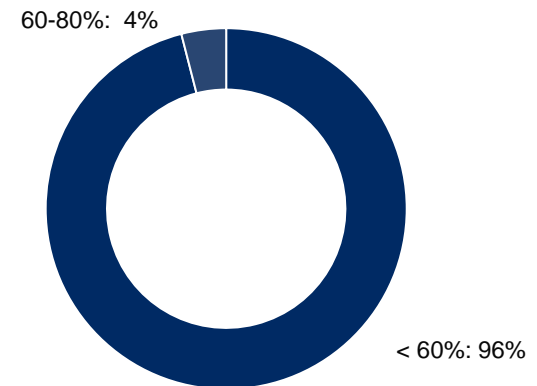
## by property type



## by performance



## by LTV ranges<sup>2)</sup>



1) Incl. Student housing (UK & Australia only)

2) Performing CREF-portfolio only (exposure)

# Segment: Structured Property Financing

Aareal Bank provided first Green Loans as part of expanding a risk-conscious and ESG-orientated portfolio

## Eligibility criteria to qualify as green asset<sup>1)</sup>

[acc to Aareal's green building definition]

1. EU taxonomy-compliant and / or

Property meets the EU Taxonomy criteria

2. Green building certification (top level)

Existence of a reputable green building certificate with an above-average rating:

- BREEAM: "Outstanding", "Excellent" and "Very Good"
- LEED: "Platinum", and "Gold"
- DGNB: "Platinum" and "Gold"
- HQE: "Exceptionnel" and "Excellent"
- Green Star: "6 Stars" and "5 Stars"
- NABERS: "6 Stars", "5 Stars" and "4 Stars"

and / or

3. High energy efficiency of the property

Property meets the national requirements for a nearly zero-energy building (nZEB) and / or property falls below the maximum energy reference values

- 75 kWh/m<sup>2</sup> p.a. Residential
- 140 kWh/m<sup>2</sup> p.a. Office, Hotel, Retail
- 65 kWh/m<sup>2</sup> p.a. Warehouse / Logistics

## 1. „Aareal Green Finance Framework – Lending“

- ✓ Put in place (June 2021)
- ✓ SPO by Sustainalytics



Evaluation Summary:

*„Sustainalytics is of the opinion that the Aareal Bank Green Finance Framework **is credible and impactful** and aligns with the core components of the Green Bond Principles 2018 and Green Loan Principles 2020.“*

**Aareal Bank provided first Green Loans in a total volume of € ~220 mn:**

- ✓ Australia
- ✓ UK
- ✓ USA

1) If a modernisation / renovation measure results in the financed building meeting the defined criteria according to the "Aareal Green Finance Framework – Lending" after completion, it qualifies as an energy efficiency upgrade, and hence the loan that is partially used to finance this renovation qualifies as green lending



**Segment: Aareon**

Appendix

# Segment: Aareon

## P&L and other KPIs

P&L Aareon segment - Industry format <sup>1)</sup>	Q2'20	H1'20	Q2'21	H1'21	Δ Q2 '21/'20	Δ H1 '21/'20
€ mn						
Sales revenue	61	126	67	133	9%	6%
▪ <i>Thereof ERP</i>	47	96	50	100	8%	4%
▪ <i>Thereof Digital</i>	15	30	17	33	14%	11%
Costs <sup>2)</sup>	-51	-102	-60	-	17%	13%
▪ <i>Thereof material</i>	-12	-23	-13	115 -26	12%	10%
<b>EBITDA</b>	<b>10</b>	<b>24</b>	<b>7</b>	<b>18</b>	<b>-27%</b>	<b>-25%</b>
Adjustments <sup>2)</sup>	-2	-3	-7	-11	>100%	>100%
<b>Adj. EBITDA</b>	<b>12</b>	<b>26</b>	<b>14</b>	<b>29</b>	<b>22%</b>	<b>9%</b>
<b>EBITDA</b>	<b>10</b>	<b>24</b>	<b>7</b>	<b>18</b>	<b>-27%</b>	<b>-25%</b>
D&A / Financial result	-7	-13	-8	-15	29%	15%
<b>EBT / Operating profit</b>	<b>3</b>	<b>10</b>	<b>-1</b>	<b>3</b>	<b>&lt;-100%</b>	<b>-76%</b>

R&D, RPU and operating cashflow	
Revenue per unit (RPU) – LTM (€)	24
R&D spend as % of software revenue – YTD	22%
YTD Operating Cash Flow (€ mn)	14

- RPU (last 12 months) flattish at 24 €
- R&D spend picking up in line with communicated pattern of gradual increase in the short term up to 25%
- VCP- as well as M&A-related investments led to higher costs growth in relation to revenue growth as planned
- Operating Cash Flow at € 14mn (H1/20: € 20 mn) mainly driven by lower operating result due to higher investments
- Adjustments and Financing costs have an impact of € 8 mn in Q2/21

1) Calculation refers to unrounded numbers

2) Incl. New product, VCP, Ventures, M&A and one-offs

## Aareal Next Level – 360°-review

Appendix

# Aareal enters into first stage evolution of 'Aareal Next Level'

Operating profit target of € ~300 mn to be achieved already in 2023<sup>1)</sup>

<b>January 2020</b>	<ul style="list-style-type: none"> <li>▪ We introduced our strategy 'Aareal Next Level' with three strategic pillars ACTIVATE!, ELEVATE! and ACCELERATE!</li> </ul>
<b>Q4 2020</b>	<ul style="list-style-type: none"> <li>▪ Management initiated a 360° review of 'Aareal Next Level' in the context of Covid-19 and its mid term structural implications supported by McKinsey</li> <li>▪ Key focus of 360° review: i) create sustainable shareholder value in a new normal after Covid-19 with the aim of earning our CoE mid-term<sup>1)</sup> and ii) resume our track record as reliable dividend payer<sup>2)</sup></li> </ul>
<b>Early 2021</b>	<ul style="list-style-type: none"> <li>▪ 360° review confirms 'Aareal Next Level' remaining a successful and attractive strategy even in a post Covid-19 environment. Thus, we will enter into first stage evolution of 'Aareal Next Level'</li> <li>▪ We identified <b>1 2 3 4 5</b> additional levers within the 'Aareal Next Level' strategic framework to significantly improve our successful performance in the future</li> <li>▪ We envisage to achieve an operating profit target of € ~300 mn already in 2023<sup>3)</sup> which translates into a return on equity after taxes of ~8%<sup>1)</sup> on Group as well as on Bank level</li> <li>▪ Free capital retained for either M&amp;A and/or capital management</li> </ul>

1) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then

2) Subject to ECB approval

3) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then

Note: All 2020 figures preliminary and unaudited

# 'Aareal Next Level' strategy confirmed as successful and attractive

Operating profit target of € ~300 mn to be achieved already in 2023<sup>1)</sup>



**Strategy and business model confirmed, being successful in a normalised environment post Covid-19**



**First evolution of 'Aareal Next Level' enables utilising market opportunities in Covid-19 environment and increase efficiency in organisation, of processes and infrastructure**



**Operating profit target of € ~300 mn to be achieved already in 2023<sup>1)</sup> translating into a RoE after taxes of ~8%<sup>2)</sup> on Group and Bank level**



## **Transformation, innovation and investment budgets**

- Aareal Bank: i) transformation budget of € 10 mn fully financed by related positive one-offs and ii) innovation budget for growth initiatives of on avg. € ~2 mn p.a. (2021 - 2023) to boost NCI in Banking & Digital Solutions<sup>3)</sup>
- Additional investment budget<sup>4)</sup> for Aareon with growth costs in context of VCP implementation (2021: € ~8 mn) leading to a temporary dilution of EBT

1) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then

2) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then

3) Formerly known as Consulting / Services Bank: has been renamed effective from Jan. 2021

4) Excluding costs for Aareon M&A and M&A financing

Note: All 2020 figures preliminary and unaudited

# ACTIVATE! Structured Property Financing

Take advantage of market opportunities, grow book and optimize funding

**We continue to leverage on expanded origination, structuring and exit opportunities – “Play the Matrix”  
i .e. countries, property types and structures**

<b>Lever</b>	<b>First stage evolution of 'Aareal Next Level'</b>	<b>Targets</b>
<b>1</b>	<p><b>Continue to pursue risk-conscious and ESG conform, organic expansion of financing business based on attractive margins to increase our on-balance credit portfolio</b></p> <ul style="list-style-type: none"> <li>As done in Q4, utilizing market opportunities in the Covid-19 environment with attractive risk / return profiles building on our USPs</li> <li>Increase our NII, leverage our platform and enhance profitability through RoE accretive business, syndication capability is continuously used to improve structure of new business and profitability / return</li> <li>We will continue to further develop our asset light strategy</li> </ul>	<p><b>REF portfolio:</b> YE 21: € ~29 bn YE 22: € ~30 bn</p>
<b>2</b>	<p><b>Optimisation of funding mix and capital structure to enhance profitability and return</b></p> <ul style="list-style-type: none"> <li>Review and fine-tune our liquidity and ALM strategy, but maintain prudent liquidity ratios</li> <li>Enhance our funding mix regarding new products e.g. establishing a CP programme and optimize funding costs, by speeding up our cover pool process</li> <li>Optimize our regulatory capital structure</li> </ul>	<p><b>Q1 21:</b> <b>Termination of T2 € 300 mn</b></p> <p><b>YE 22:</b> <b>Executed ALM / liquidity strategy</b></p>

# ACTIVATE! We continue to strive towards greater ESG-transparency

Preliminary data on climate performance for about 85% of our existing CREF portfolio has been collected – pursuit of further data ongoing



## Transparency

### Improvement of ESG-Transparency

- Together with our clients we are striving to achieve maximum transparency relating to the environmental performance of our commercial real estate finance portfolio
- Through an ongoing dialogue with our clients and research in external databases we have been able to gather preliminary data on about 85% of our CREF portfolio
- For approximately 65% of our CREF portfolio we know of robust building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates or both
- We continue our effort in improving the extent, level of detail and quality of our ESG-data together with our clients
- At the same time we are implementing further enhancements to our IT-Systems in order to accommodate documentation of relevant climate-performance data

**Our target remains to achieve full transparency relating to climate performance in 2022**

## External recognition



# ELEVATE! Banking & Digital Solutions<sup>1)</sup>

Leverage on our deeply embedded customer integration and increase NCI

We continue to leverage and grow our housing and adjacent industries business through elevation and expansion of our product suite with focus on NCI based income and take opportunities in cooperation with customers and other partners

Lever	First stage evolution of 'Aareal Next Level'	Targets
3	<p><b>Increase our opportunities for a further expansion with a particular focus on our net commission income in our Digital Solutions business</b></p> <ul style="list-style-type: none"> <li>▪ Sharpening our strategic profile and enhance our development capabilities</li> <li>▪ Continue to leverage and grow our housing and adjacent industries business through cross selling with an increasing contribution of our innovation portfolio               <ul style="list-style-type: none"> <li>➤ grow NCI with a CAGR of 13% until 2023</li> </ul> </li> <li>▪ On top: Innovation budget for growth initiatives of on average € ~2 mn p.a. between 2021 and 2023 together with pursuing selected M&amp;A opportunities with the ambition to double NCI until 2025</li> </ul> <p><b>We reconfirm the attractiveness of our deposit base in our Banking business which is deeply imbedded in our clients' processes</b></p> <ul style="list-style-type: none"> <li>▪ Sticky deposit base at attractive terms and costs from group perspective, further upside in a rising rate environment and the opportunity of additional cross selling</li> </ul>	<p><b>Ø 23: Deposit volume of € &gt;11 bn</b></p> <p><b>Grow NCI with a CAGR of 13% until 2023</b></p> <p><b>Ambition to double NCI until 2025</b></p>

1) Formerly known as Consulting / Services Bank: has been renamed effective from Jan. 2021



# ACCELERATE! Aareon

VCP to increase mid-term adj. EBITDA target to € 135 mn, M&A on top

We continue to strengthen Aareon's position as the leading and independent software company for the property industry with a strong value proposition

Lever	First stage evolution of 'Aareal Next Level'	Targets
4	<p><b>VCP, developed with Advent, Aareon and Aareal, to increase mid-term adj. EBITDA target from € &gt;110 mn to € 135 mn and M&amp;A on top</b></p> <ul style="list-style-type: none"> <li>▪ Accelerate investment in developing new digital products and offerings to add to Aareon's growing portfolio of Digital Solutions</li> <li>▪ Go to market excellence and accelerate "new logo" wins</li> <li>▪ Leveraging Aareon's core ERP installed base to upsell / cross sell new modules and digital solutions from Aareon's Smart World</li> <li>▪ Additional investment budget<sup>1)</sup> for Aareon with growth costs in context of VCP implementation (2021: € ~8 mn) leading to a temporary dilution of EBT</li> </ul>	<p><b>YE 23: VCP with add. positive EBT impact (organic)</b></p> <p><b>YE 25: Increase adj. EBITDA from € &gt;110 mn to € ~135 mn; achieve Rule of 40<sup>2)</sup></b></p>
M&A	<p><b>Implementing Aareon's strategic M&amp;A roadmap</b></p> <ul style="list-style-type: none"> <li>▪ Execution of strategic M&amp;A roadmap and EBITDA contribution from M&amp;A activities on top</li> <li>▪ Initially up to € 250 mn debt funding of M&amp;A roadmap negotiated</li> <li>▪ Recent acquisition of SaaS company Arthur being the first evidence of the successful partnership with Advent</li> </ul>	<p><b>EBITDA from M&amp;A on top</b></p>

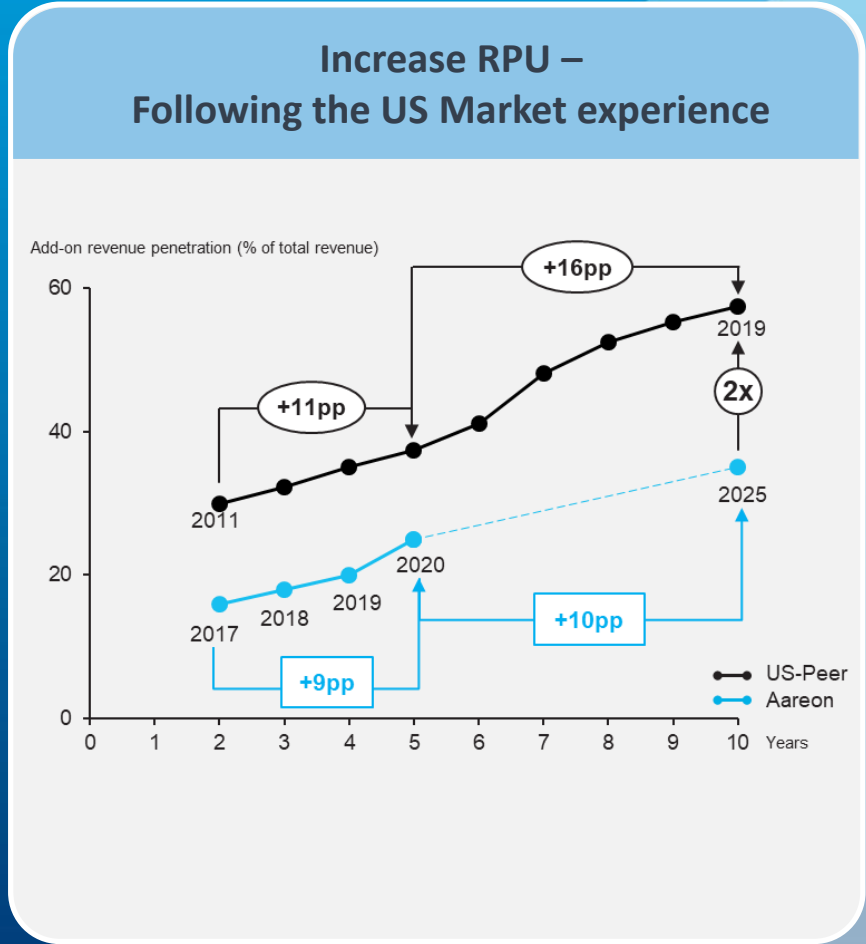
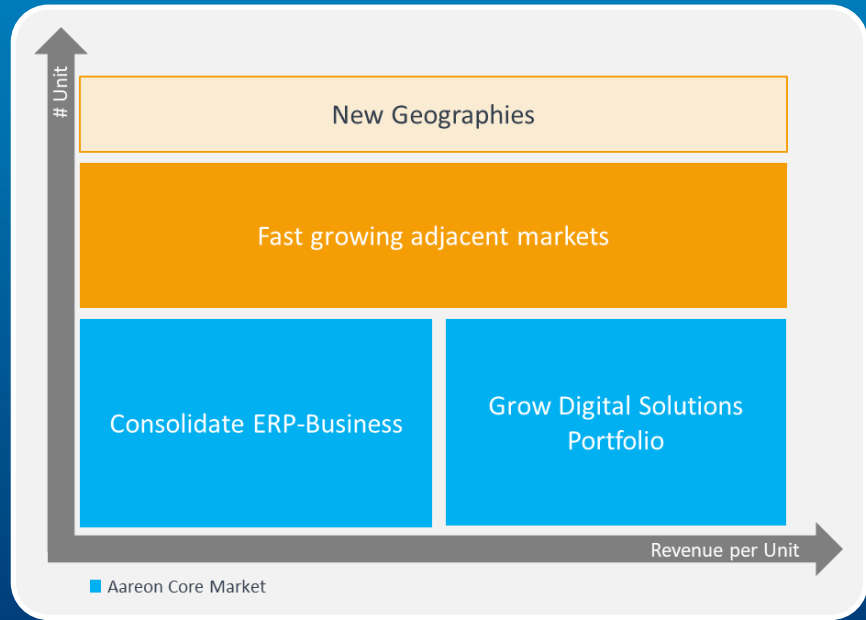
1) Excluding costs for Aareon M&A and M&A financing

2) Rule of 40: Sum of Aareon's annual revenue growth and adj. EBITDA margin will at least reach 40%

# Aareon unmatched growth opportunity

Substantial upside unlocked through a combination of RPU growth and unit expansion

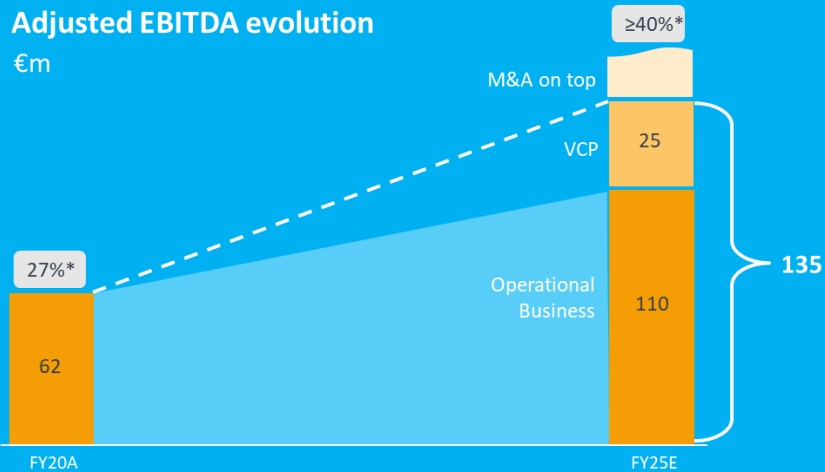
- Highly integrated digital ecosystem Aareon Smart World
- End-to-end product suite and roadmaps, from ERP to Digital Solutions
- Strong pan-European M&A roll-up platform



# Aareon elevated to a “Rule of 40 company”

## Adjusted EBITDA evolution

€m



### Operational business (as presented at Investor Day)

- ERP 2025: Ambitious continuation of implementation of new ERP product generations
- Offer Digital Solutions, continued investment in developing innovative and competitive digital products
- Employee Engagement Program: Empower people for success

### Well structured M&A process

- Highly attractive M&A platform, with opportunity to further scale internationally
- New M&A and PMI teams implemented
- Sharpened & expanded M&A pipeline is systematically pursued – considering mature business & high growth ventures
- Financing structure for M&A has been negotiated (€250m)

### Value Creation Program

- Go-To-Market: Improve GTM excellence with focus on targeting new logos and driving up-/cross-sell. Opportunity to extend value based packages to customers while driving digitalisation of industry
- SaaS Acceleration: Drive SaaS to realise higher share of recurring revenues
- Software Implementation Efficiency: Accelerate growth from recurring software through highly efficient software implementations
- Operations Excellence: Leverage potential organisational value creation levers that could support growth
- 360One: Provide a data lake for reporting excellence. Improve back office performance and automation

# Aareon further increased strong financial outlook

Despite Covid-19 pandemic KPIs remained rather solid in 2020

	2020A	Former Mid-Term	2025E
Revenue growth	2%	7-9%	10%*
% Recurring revenues of total revenue	67%	-	70%
Revenue per unit (RPU) in €	24	35-40	40
Adj. EBITDA in €m (without M&A)	62	110	135
Rule of 40	27%	-	≥40%
% R&D spend** (of software revenue)	22%	20%	20%

\*\*short-term up to 25%

\*CAGR 20/25



# Organisation: Implementation of group wide efficiency measures

## Maintaining strict cost discipline and implement further efficiency measures

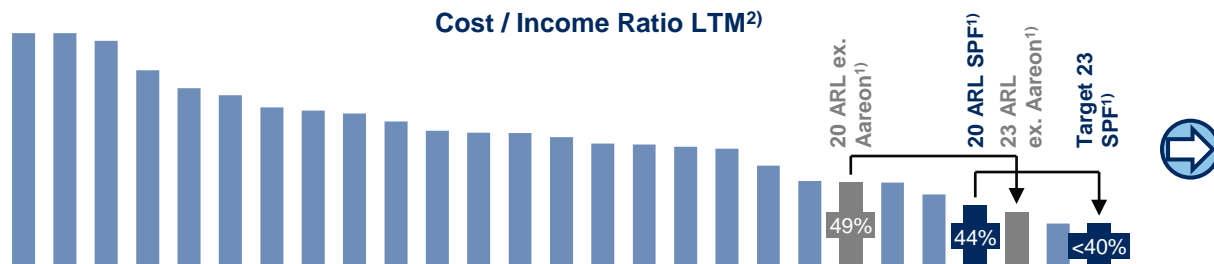
Lever	First stage evolution of 'Aareal Next Level'	Targets
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### 5 Objective of further efficiency measures in organisation, processes & infrastructure

- IT Next Level: Further reduction of specific internal developments and implementation of standardized applications in our S4 Hana environment will i) further reduce complexity of Aareal's IT platforms and ii) enable cloud-based business and IT operating models. Thus, leading to lower running and change costs
- Efficiency measures optimising marginal costs of portfolio expansion, i.e. automatisaton of the credit and adjacent processes as well as reporting procedures
- Campus: i) recalibrate workflow concepts to address new way of working, ii) optimise self-owned real estate incl. residential development realising a related capital gain of € ~10 mn and iii) create an attractive source of income for our CTA (pensions)
- Implementation of young talent programme already started in 2020; first positive effects already achieved
- Cost reduction through streamlining of management structure: number of members of first management level (Managing Director) to be reduced by 15 percent; Supervisory Board to consider size and composition of Executive Board

YE 23:  
SPF CIR  
of <40%<sup>1)</sup>

Transformation  
budget financed  
by related one  
off effects



Continued cost discipline, additional efficiency measures and growth at low marginal costs underlines our compared to peers best in class Cost/Income Ratio

1) Excluding bank levy; 2020 ARL ex Aareon incl. bank levy 54% / 2020 ARL SPF incl. bank levy 48%

2) Euro StoxxBanks plus Deutsche Pfandbriefbank as of 15.02.2021, total non-interest expense LTM divided by revenue before loan losses LTM (excluding unusual Items like goodwill impairments, restructuring costs etc.); Source: S&P Capital IQ

# 'Aareal Next Level': Our KPIs and targets

Operating profit target of € ~300 mn to be achieved already in 2023<sup>1)</sup>

	2020	On track to achieve 'Aareal Next Level' objectives (February 2020)	Our KPIs and targets	
			2023	2025
<b>Aareal Bank Group</b>				
▪ Revenues <sup>2)</sup>	€ 746 mn	✓	Mid-single digit growth CAGR	
▪ Operating profit	€ -75 mn		€ ~300 mn <sup>1)</sup> Incl. positive impact of VCP	
▪ RoE post tax Group	-3.5%		~8% <sup>3)</sup>	
▪ Dividend policy	Announced	Unchanged, 50% base dividend plus 20-30% supplementary dividend <sup>4)</sup>		
<b>Aareal Bank</b>				
▪ CIR SPF <sup>5)</sup>	44%		<40%	
<b>Aareon</b>				
▪ Revenue	€ 258 mn	✓	10% CAGR	
▪ Adj. EBITDA	€ 62 mn	✓	➡	€ ~135 mn Achieve rule of 40
			EBITDA from M&A on top	

1) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then

2) Net interest income and net commission income

3) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid-19 crisis being fully overcome by then

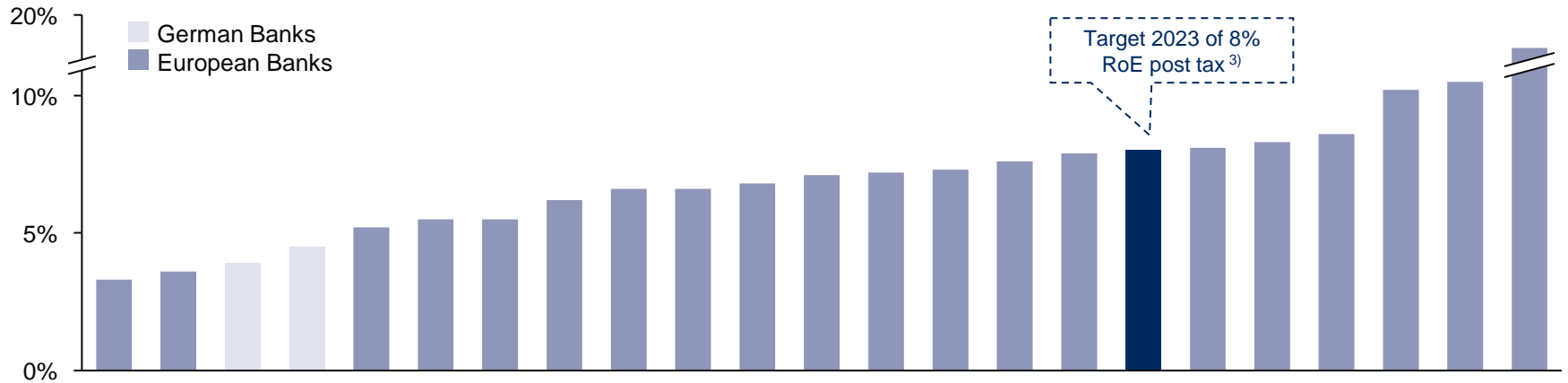
4) Subject to ECB approval according to conditions mentioned on page 68

5) Excluding bank levy

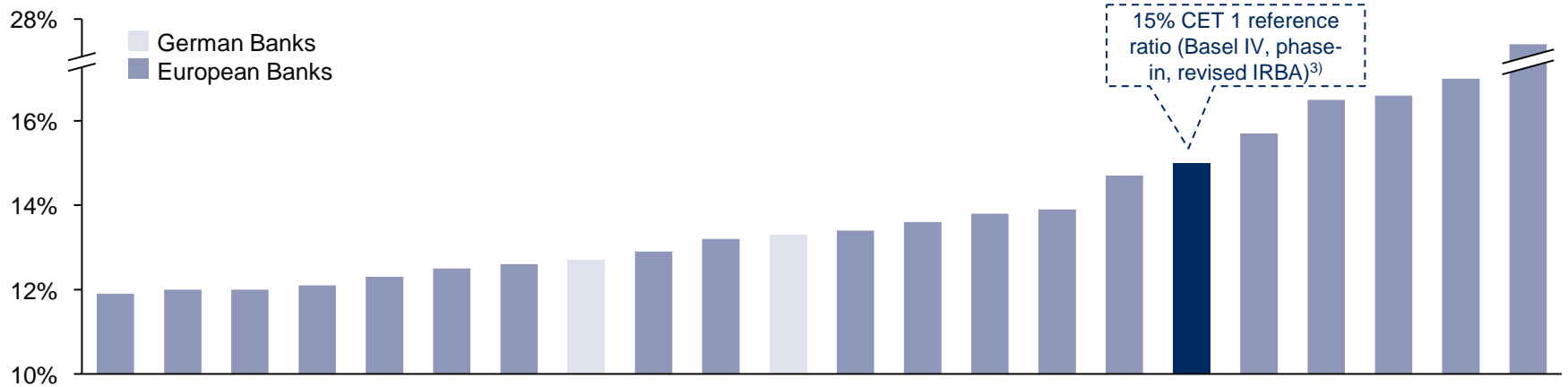
# 2023 Target RoE post tax above peers...

## ...despite higher CET1 Ratio

### 2023 RoE post tax – Broker estimates<sup>1)</sup>



### 2023 CET1 Ratio – Broker estimates<sup>2)</sup>



1) Euro Stoxx Banks as of 18.02.2021, Average FactSet Consensus, where available: EPS divided by average book value per share (Source: Factset)

2) Euro Stoxx Banks as of 18.02.2021, Average FactSet Consensus, where available: (Source: Factset)

3) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA)<sup>3)</sup> exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then

Note: All 2020 figures preliminary and unaudited

# Next Steps in our ESG Journey

Strengthening ESG as an integral part of our DNA by refining our strategy and setting ambitious goals and targets



1) e.g. Building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates based on an ongoing dialogue with our clients as well as research in external databases



# Dividend Policy

Appendix

# Dividend Policy and BVPS-development

## Base Dividend<sup>1)</sup>

Distribute **approx. 50%** of the earnings per ordinary share (EpS) as base dividend

## Potential Supplementary Dividend<sup>1)</sup>

A supplementary dividend **up to 20 - 30%** of the EpS to be considered, if

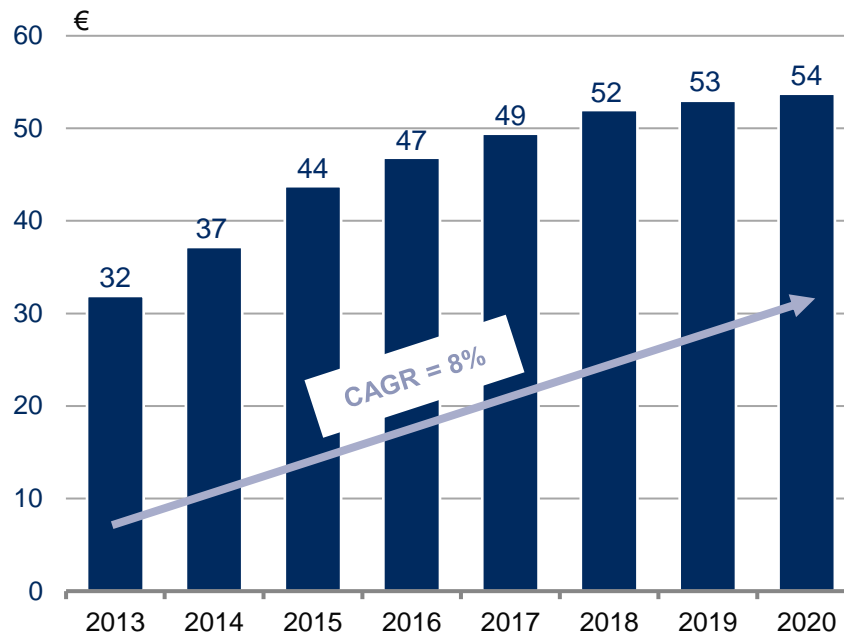
- No material deterioration of the environment (with longer-term and sustainably negative effects) **and**
- No material changes in regulation incl. sufficient capital buffers in a forward looking perspective **and**
- No attractive investment opportunities **and**
- No positive growth environment beyond current planning

### For FY 2021, payable in 2022:

Further development of Covid-19 and above-mentioned factors to be considered regarding supplementary dividend

1) ECB approval required

## Significant book value per share growth incl. dividend



Attractive dividend policy and significant book value growth created sustainable value for Aareal and hence our shareholders

## AT1: ADI of Aareal Bank AG

Appendix

# Interest payments and ADI of Aareal Bank AG

## Available Distributable Items (as of end of the relevant year)

	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020
€ mn					
Net Retained Profit	122	147	126	120	90
▪ <i>Net income</i>	122	147	126	120	90
▪ <i>Profit carried forward from previous year</i>	-	-	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-	-
+ Other revenue reserves after net income attribution	720	720	720	720	840
= Total dividend potential before amount blocked <sup>1)</sup>	842	870	846	840	930
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	235	283	268	314	320
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	28	35	42	40	43
= Available Distributable Items <sup>1)</sup>	579	552	536	486	566
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments <sup>1)</sup>	46	32	24	23	21
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments <sup>1)</sup>	625	584	560	509	587

1) Unaudited figures for information purposes only

# Definitions and contacts

# Definitions

<b>New Business</b>	New business = Newly acquired business + renewals
<b>Common Equity Tier 1 ratio</b>	$\frac{\text{CET 1}}{\text{Risk weighted assets}}$
<b>Pre tax RoE</b>	$\frac{\text{Operating profit/income} \text{ ./. loss attributable to non-controlling interests} \text{ ./. AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, AT1 and dividends}}$
<b>CIR</b>	$\frac{\text{Admin expenses (excl. bank levy)}}{\text{Net income}}$
<b>Net income</b>	net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
<b>Net stable funding ratio</b>	$\frac{\text{Available stable funding}}{\text{Required stable funding}}$
<b>Liquidity coverage ratio</b>	$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$
<b>Earnings per share</b>	$\frac{\text{operating profit} \text{ ./. income taxes} \text{ ./. income/loss attributable to non controlling interests} \text{ ./. net AT1 coupon}}{\text{Number of ordinary shares}}$
<b>Yield on Debt</b>	$\frac{\text{NOI} \times 100 \text{ (Net operating income, hotels based on 12-months forward looking estimate)}}{\text{Outstanding incl. prior/pari-passu loans (without developments)}}$
<b>CREF-portfolio</b>	Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
<b>REF-portfolio</b>	Real estate finance portfolio incl. private client business and WIB's public sector loans
<b>NPL-ratio</b>	$\frac{\text{NPL-exposure acc. CRR (excl. exposure in cure period)}}{\text{Total REF Portfolio}}$

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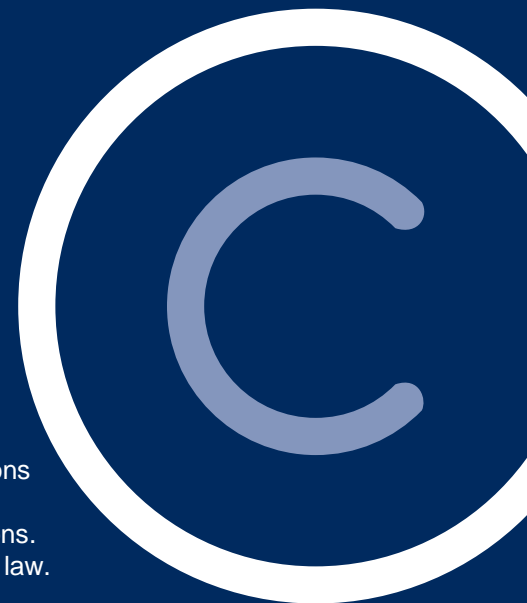
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