



Conference Call 9M 2023 results

November 09, 2023

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100 Years Building
Your Tomorrow

Aareal
YOUR COMPETITIVE ADVANTAGE.

Agenda

- **Recent Financial Performance**
- Loan Book & Asset Quality
- Liquidity & Funding
- Capital
- Outlook
- Appendix

Recent Financial Performance - Highlights

Strong operating performance continued

➔ Stable results both for 9M figures (€ 155 mn vs. 9M/22: € 157 mn) as well as for quarterly results (€ 68 mn vs. € 66 mn in Q3/22)

➔ Strong income development compensating elevated LLP due to headwinds from US office markets and significant investments by Aareon

➔ Stable NPL ratio as further reductions of legacy NPLs offset new US office NPLs

➔ Successful funding activities, deposit volume above plan, comfortable liquidity position

➔ CET1 ratio stable at 19.4% despite portfolio growth and macro economic headwinds

Recent Financial Performance - Group Profit & Loss

Strong income development compensating elevated LLP and significant investments into Aareon

	Q3 '22	Q1 '23	Q2 '23	Q3 '23	9M '22	9M '23	Δ 9M '23/'22
Profit & loss (€ mn)							
Net interest income (NII)	184	222	240	248	514	710	+38%
Net commission income (NCI)	67	72	77	76	199	225	+13%
Admin expenses	128	199	143	144	423	486	+15%
Other op. income / expenses ¹⁾	6	-1	-21	-10	37	-32	./.
Pre-provision profit	129	94	153	170	327	417	+28%
Loan loss provision (LLP)	63	32	128	102	170	262	+54%
Operating profit (EBT)	66	62	25	68	157	155	./.
Profit after tax	39	42	16	46	100	104	+4%

9M pre-provision profit increase of 28% despite significant investments into Aareon demonstrating high operating resilience

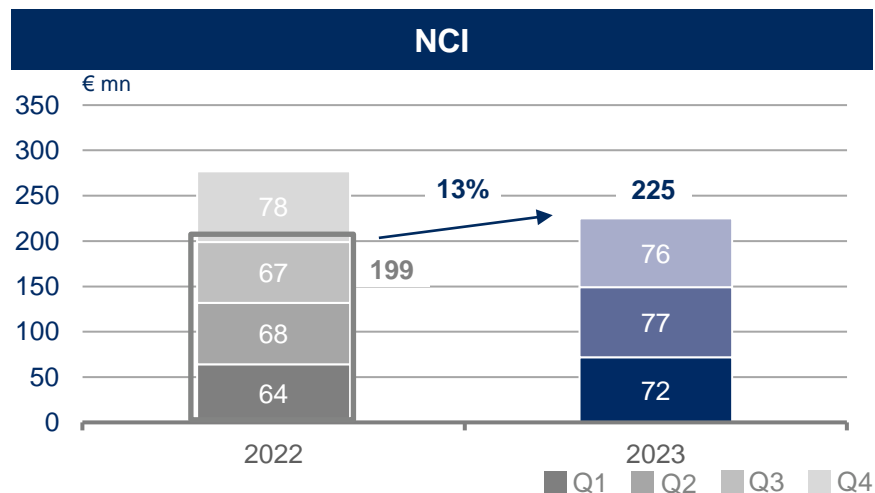
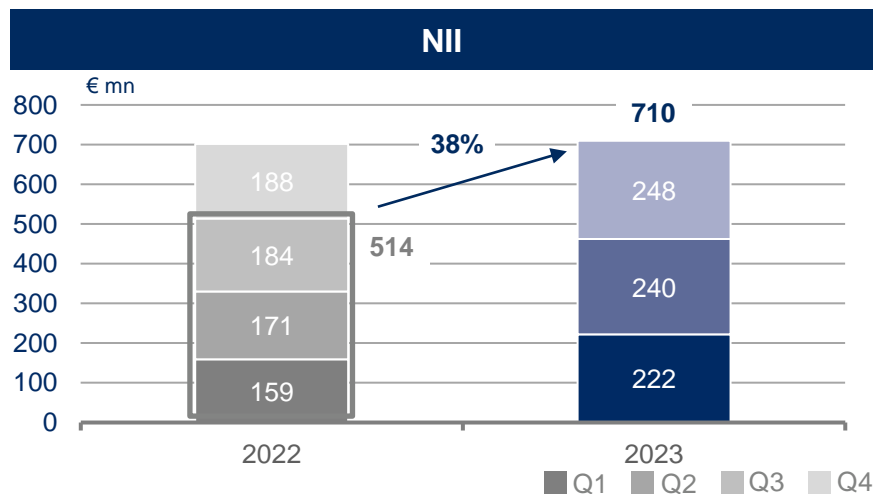
- NII substantially improved, up by 38%
- NCI 13% above previous year's figures
- Costs under control
 - Increase compared to last year mainly driven by significant investments into Aareon (€ ~70 mn)
 - Costs in the banking business largely stable (CIR Bank²⁾: 31%)
- LLP reflects ongoing headwinds from US office market and provisions for swift NPL reduction

1) Includes Net derecognition gain or loss, Net gain or loss from financial instruments (fvpl), Net gain or loss from hedge accounting, Net gain or loss from investments accounted for using the equity method, Net other operating income/expenses

2) Segment SPF & BDS, excl. bank levy/deposit guaranty scheme

Recent Financial Performance – NII & NCI

Strong income development



1) LTM = Last Twelve Months

Both segments contributed to increase

- **SPF**
 - NII increased to € 564 mn (9M/22: € 475 mn) supported by portfolio growth, good margins and diversified funding mix
 - ~80% of TLTRO repaid in Q4/22
- **BDS**
 - NII increased to € 170 mn (9M/22: € 49 mn)
 - Positive effects from normalised interest rate environment
 - Deposits from housing industry above targeted level

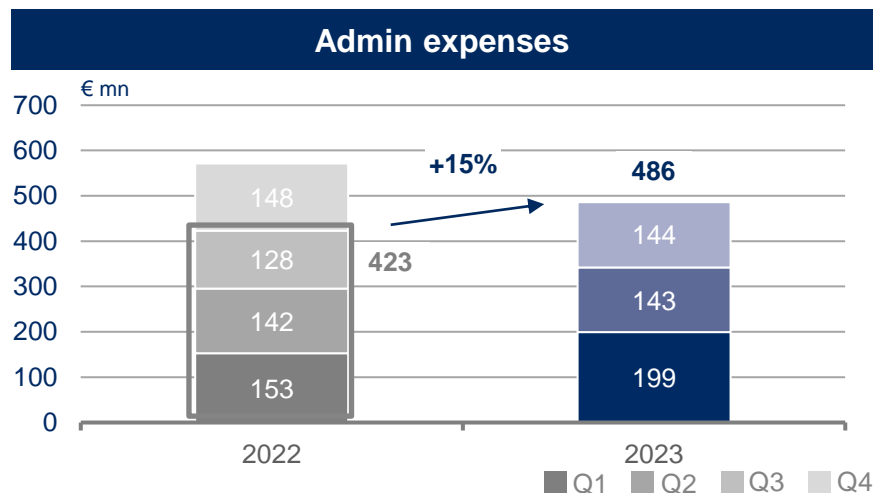
Aareon and BDS continue to grow successfully

- **Aareon**
 - NCI increased to € 207 mn (9M/22: € 180 mn) based on strong growth, incl. SaaS, in recurring revenues (+21%)
 - Recurring revenue now represents 78%¹⁾ of total revenues (9M/22: 74%¹⁾)
- **BDS**
 - NCI further increased to € 24 mn (9M/22: € 23 mn)

Recent Financial Performance - Admin expenses / LLP

Admin: increase reflects strategic investments into Aareon

LLP: elevated due to headwinds from US office market

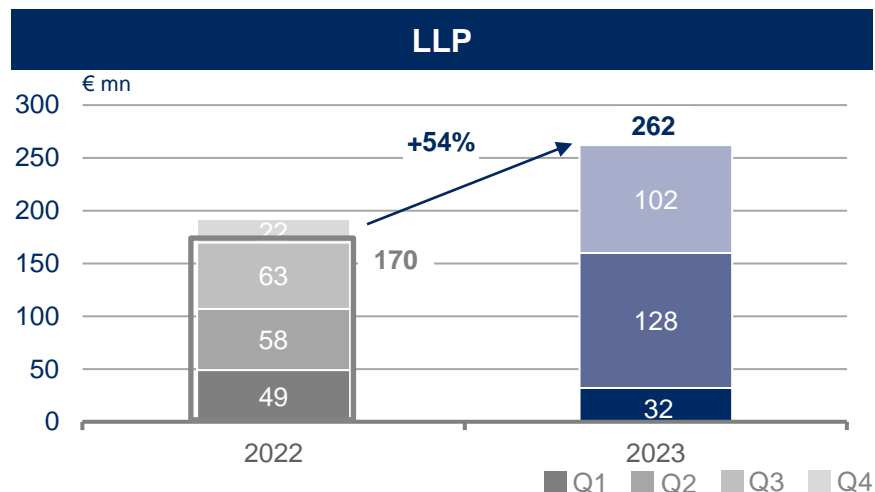


Dominated by significant investments into Aareon Bank¹⁾

- Stable at € 248 mn (9M/22: € 254 mn, incl. PTO related one-off € 12 mn)
- 9M/23 CIR²⁾ Bank at 31% (9M/22: 39%)

Aareon

- Expenses increased to € 250 mn (9M/22: € 178 mn) of which € ~70 mn for investments, incl. costs of replacing “hunting line” formerly provided by Aareal with external credit facility
- Investment in efficiency measures have started to pay off



9M LLP mainly driven by provisions for a swift NPL reduction and headwinds from US office market

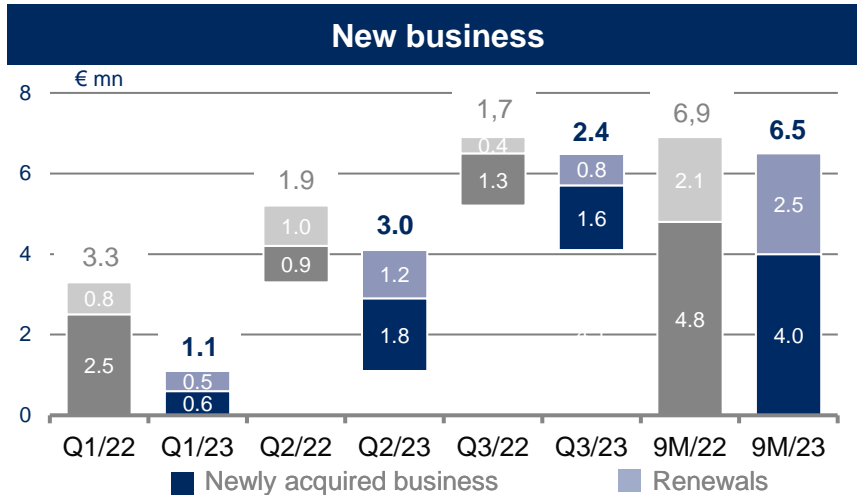
- 9M: € 262 mn (9M/22: € 170 mn)
Total LLP of € 316 mn incl. € 54 mn FVPL
- Provisions for a swift NPL reduction increased to € ~100 mn, thereof € 36 mn for sale of Russian exposure
- Further NPLs prepared for resolution in Q4

1) Segment SPF & BDS

2) Excl. bank levy/deposit guarantee scheme

Recent Financial Performance – Segment SPF

Selective new business, good LTVs, above plan margins

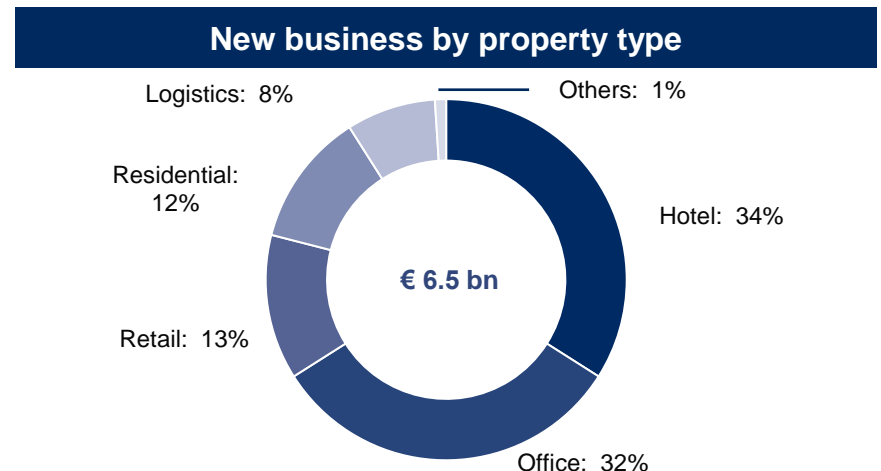
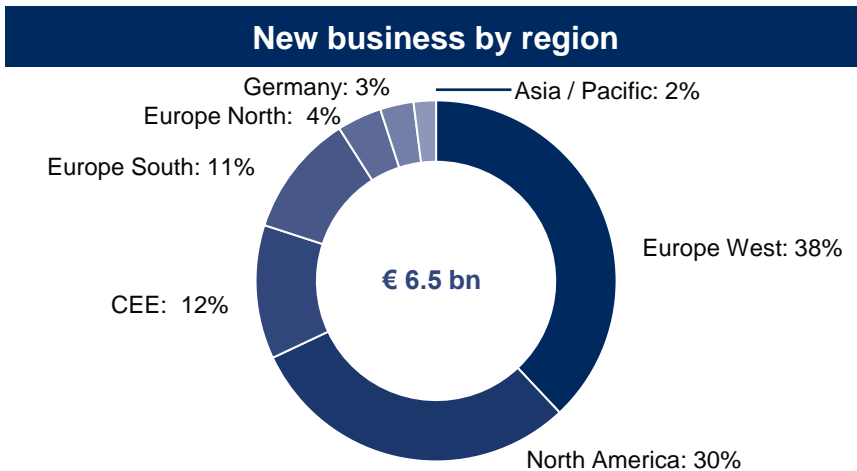


Selective new business

- Conservative avg. LTV of 53%¹⁾ (9M/22: 56%)
- Avg. margin of 294 bps¹⁾ (9M/22: 227 bps) (FY plan 2023: 240-250 bps¹⁾)
- YE portfolio target for 2023 of € 32 - 33 bn confirmed
- Alternative living established as new asset class

Additional € ~1.8 bn Green loans²⁾ YTD

- € ~1.3 bn new business
- € ~500 mn eligible existing loans with clients' agreement converted

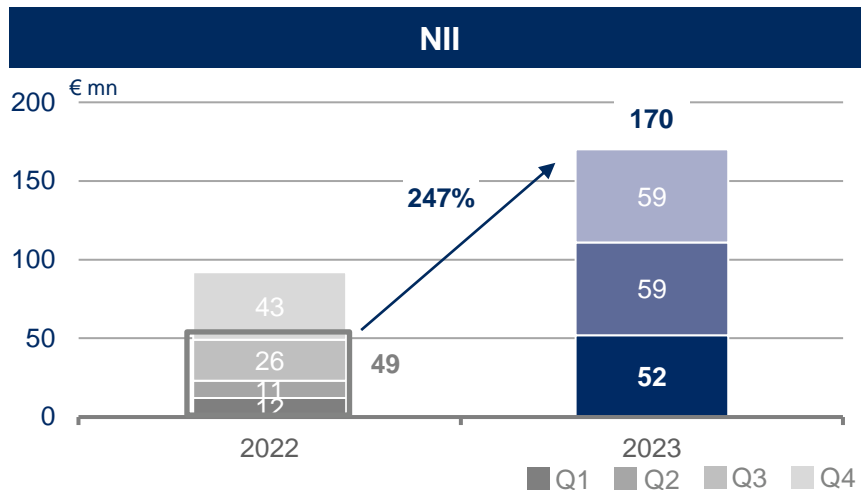


1) Newly acquired business

2) Governed by "Green Finance Framework"

Recent Financial Performance - Segment BDS

Normalised interest rate environment supporting increase in NII

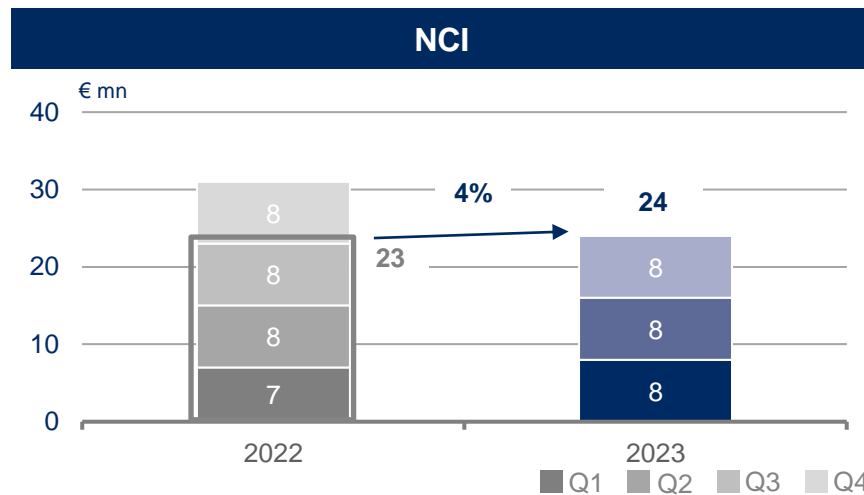
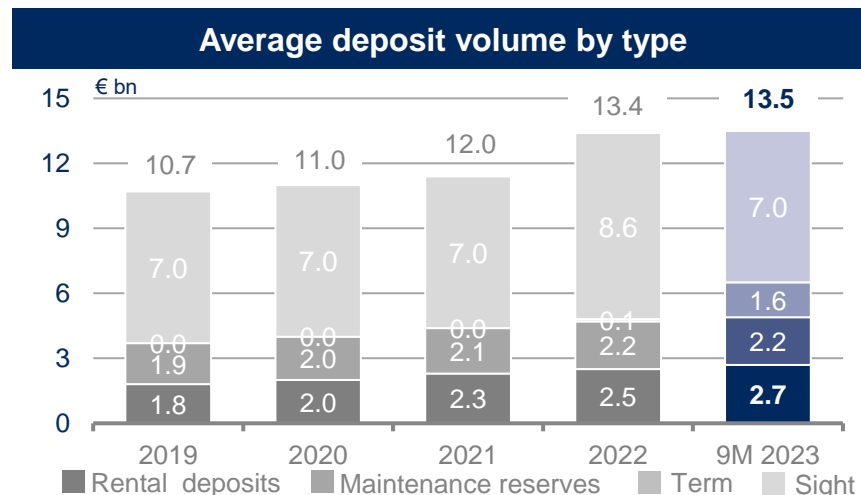


NII increase driven by normalised rate environment

- Deposit volume above targeted level of € ~13 bn
- Granular deposit structure from more than 3,700 housing industry clients managing ~8 mn rental units
- Sticky rental deposits continuously growing
- Continuous shift from sight into term deposits

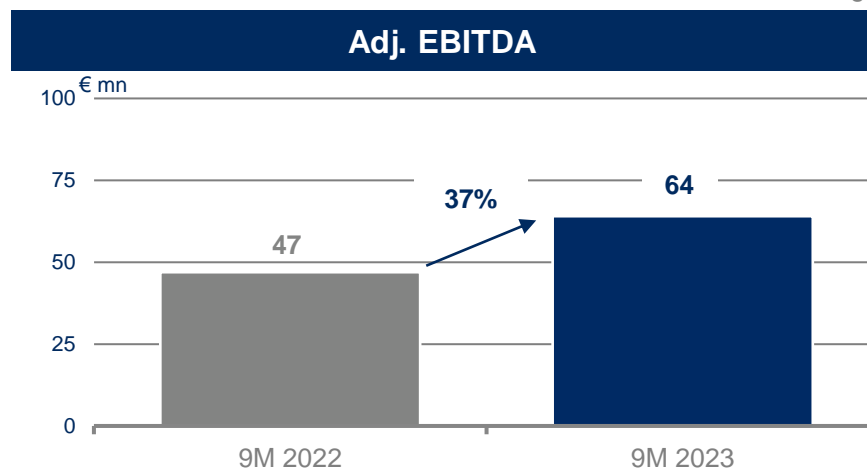
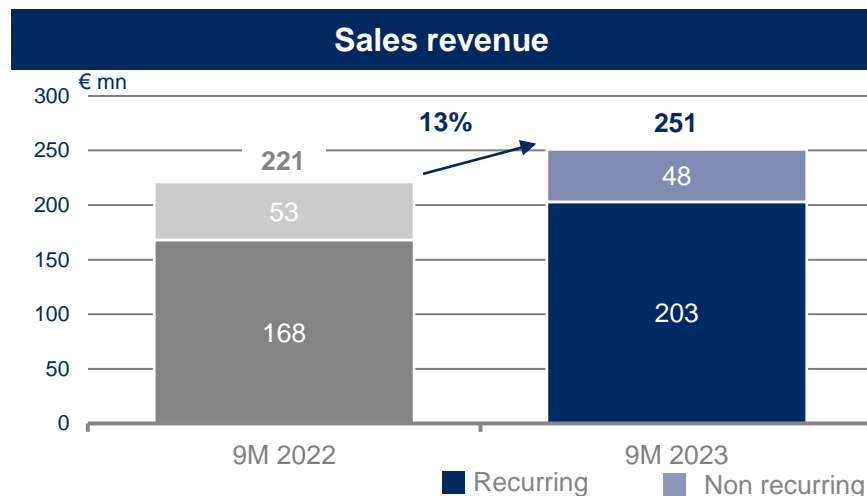
NCI further increased

- High share of recurring revenues (banking and software fees)
- New products and services providing growth potential



Recent Financial Performance - Segment Aareon

Strong growth in recurring revenue and adjusted EBITDA margin, entry into Spanish market, long-term flexible financing established



- Overall, sales revenue increased by € 30 mn (+13%)
 - Recurring revenue (incl. SaaS) grew by 21%
 - Recurring revenue (LTM¹⁾) now represents 78% of total revenues (09/22: 74%)
- Adj. EBITDA increased by € 17 mn to € 64 mn (+37%), adj. EBITDA margin increased to 26% (9M/2022: 21%), operating cash flow further improved (adj. EBITDAC)
- Major activities in Q3/23:
 - Acquisition / Signing of Spanish IESA, software provider for residential real estate
 - Further increase in Aareon Connect partners and customers. First partners in the UK
 - Replacement of M&A credit line formerly provided by Aareal with flexible long-term Unitranche facility. Group NII impact of low double-digit million per year
 - Further improvement in operational liquidity by replacing and increasing revolving credit facility (RCF)
 - Efficiency measures: Optimisation of offices / locations; completing workforce transformation
 - Positive effects from efficiency measures of € ~20 mn expected annually (first effects in 2023 of € ~10 mn)

Note: Numbers not adding up refer to rounding

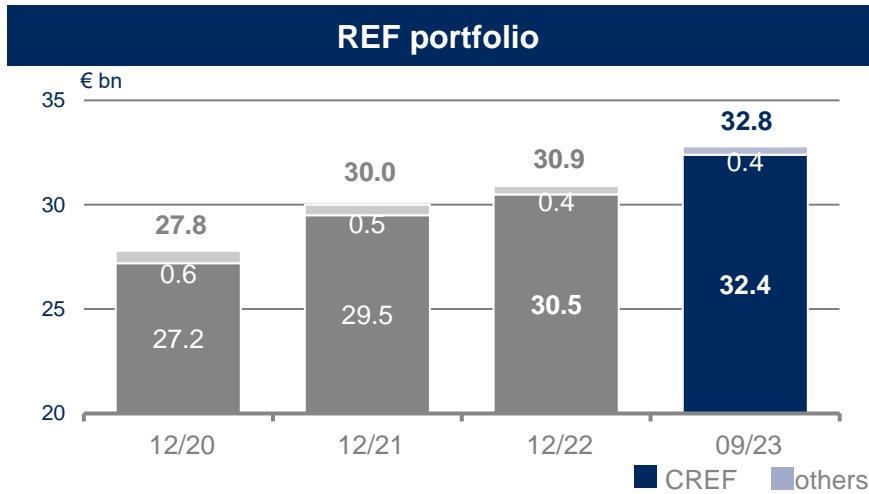
1) Last Twelve Months

Agenda

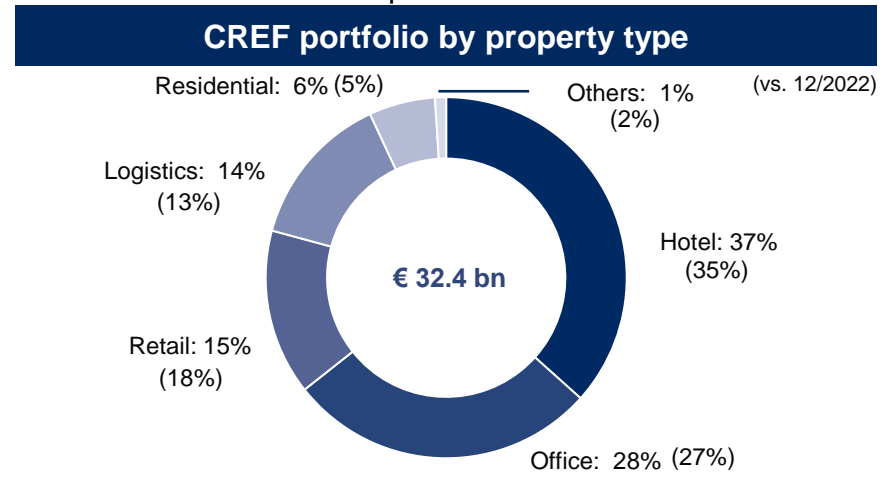
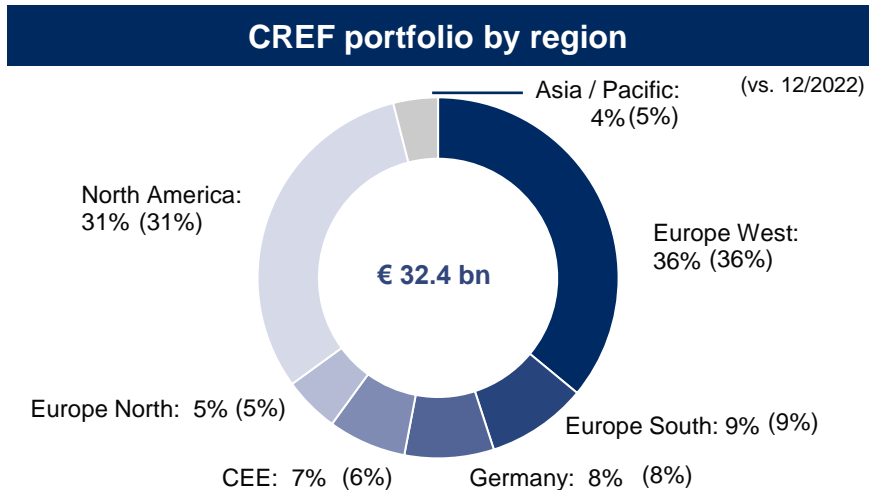
- Recent Financial Performance
- **Loan Book & Asset Quality**
- Liquidity & Funding
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Loan Book & Asset Quality

Portfolio volume increased by selective new business



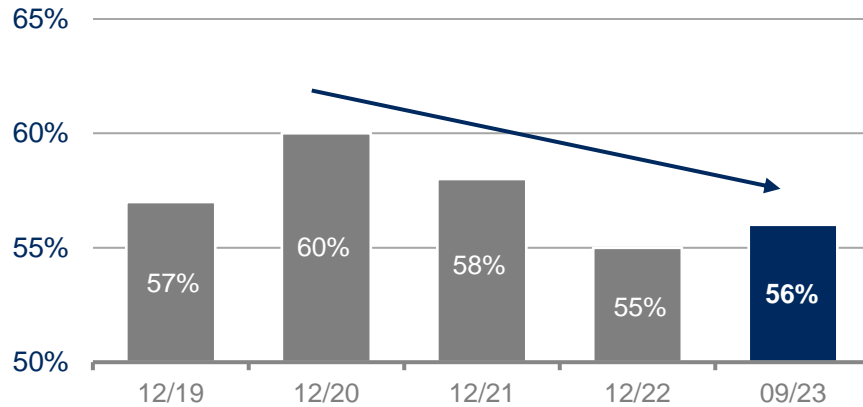
- Sticking to overall country and asset diversification
- China and Russia exited, focus on countries with credit / legal standards in line with western jurisdictions
- YE portfolio target for 2023 of € 32 - 33 bn confirmed
- Virtually no financing of developments (< 1%)
- Portfolio-LTV at 56% (12/22: 55%)
- Portfolio-YoD at 9.6% (12/22: 8.5%)
- Financing of refurbishments to foster green transition
- Green loan volume at € 3.4 bn (09/22: € 1.5 bn)
- Green property financing portfolio at € 8.4 bn or 26% of total CREF portfolio



Loan Book & Asset Quality

YoD further improved, headwinds from US office market reflected in slightly higher portfolio LTV

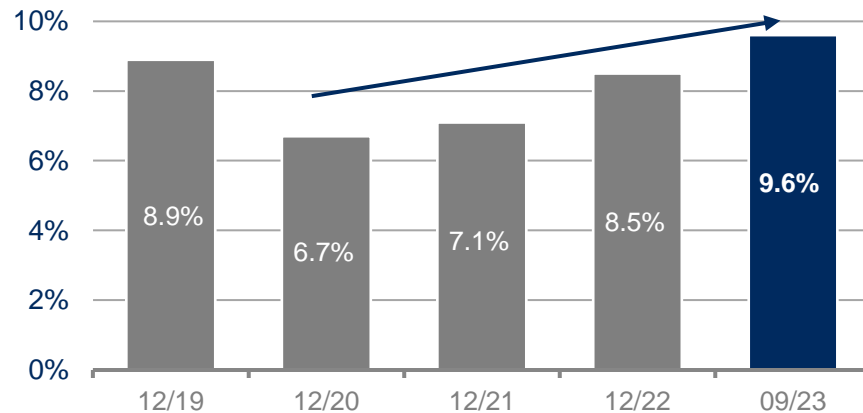
LTV¹⁾



LTV¹⁾ by property type

%	12 '19	12 '20	12 '21	12 '22	09 '23
Hotel	55	62	60	56	54
Logistics	54	56	55	52	53
Office	57	58	58	57	60
Retail	61	61	59	56	57

YoD¹⁾



YoD¹⁾ by property type

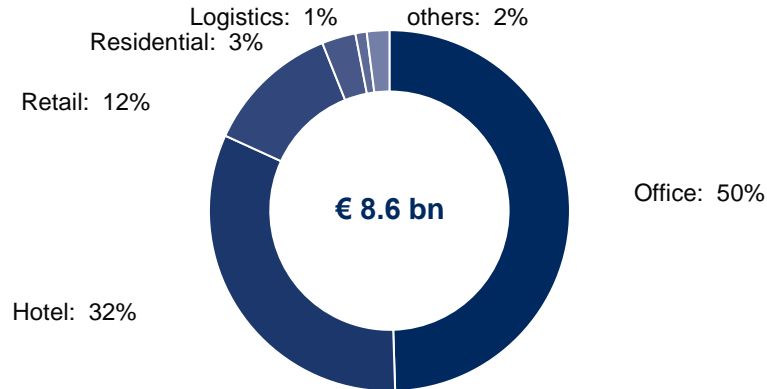
%	12 '19	12 '20	12 '21	12 '22	09 '23
Hotel	9.6	3.0	5.0	9.0	10.9
Logistics	8.5	9.2	8.7	9.0	9.6
Office	7.7	8.1	7.6	6.9	7.3
Retail	9.6	8.8	9.1	9.8	11.0

1) Performing CREF-portfolio only (exposure)

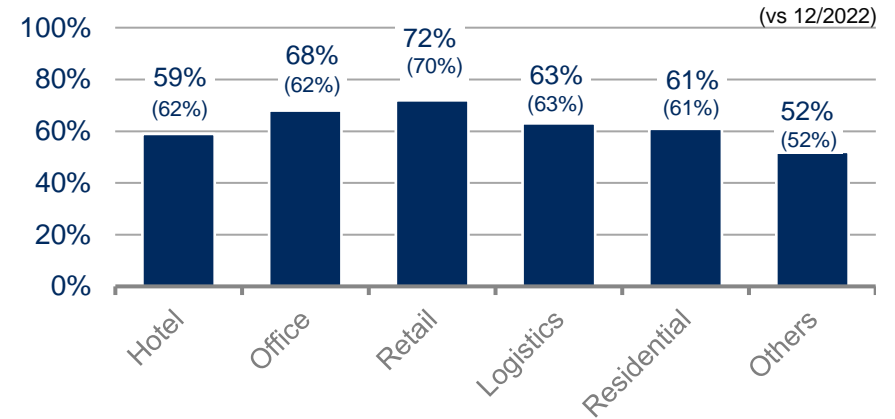
Loan Book & Asset Quality

US portfolio broadly diversified

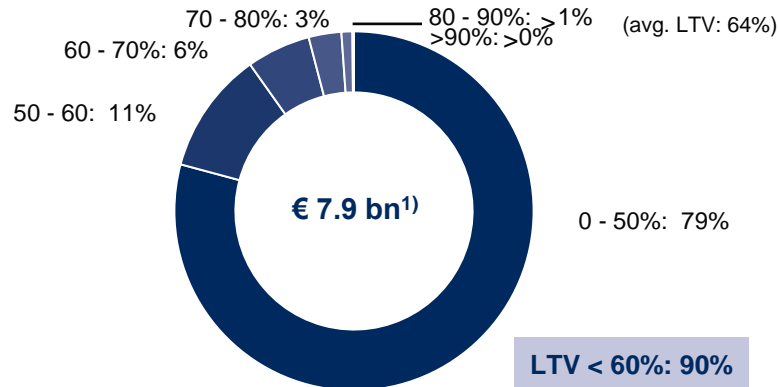
US portfolio by property type



Avg. LTV¹⁾ of US portfolio by property type



US portfolio by (layered) LTVs¹⁾



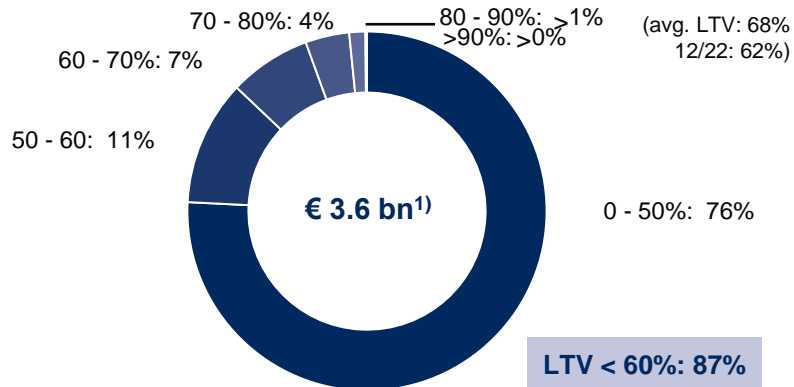
- Continuing selective new business approach
- Headwinds in the US office sector, stable performance within the other property types
- 90% of exposure below LTV of 60%
- Less than € 90 mn with an LTV above 80%

1) Performing CREF-portfolio only (exposure)

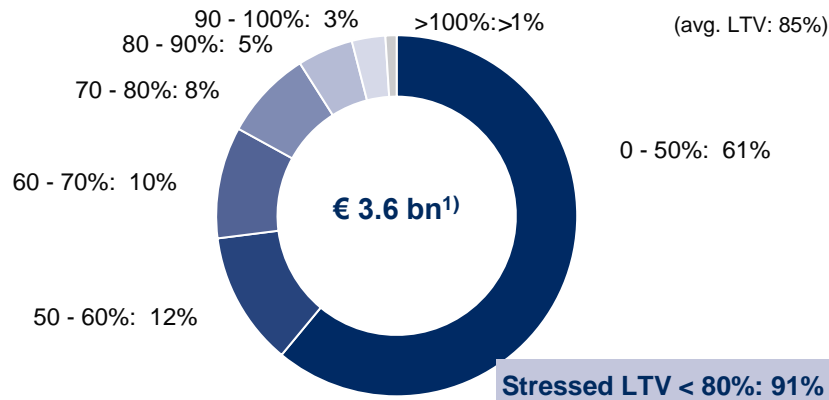
Loan Book & Asset Quality

US office portfolio: Update

Performing US office portfolio by (layered) LTVs¹⁾



Stressed (layered) LTVs¹⁾ – Market values down by 20%



- All values reviewed in 2023, thereof 56% externally
- External appraisals leading to
 - NPL: value decrease of 20 - 44%
 - PL: value decrease of ~18%
- ➔ Extrapolation to 100% of PL portfolio implies a pro-forma average LTV of 75%
- Average LTV at 68%, up from 62% by end of 2022

Portfolio as at 30.09. stressed with additional 20%

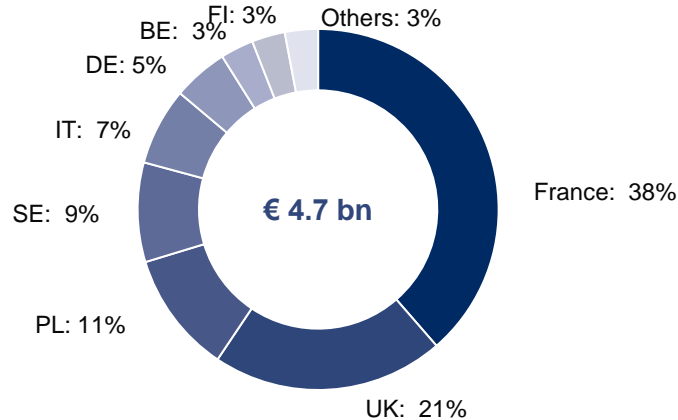
- Average LTV up to 85% (from ~68% as at 30.09.2023)
- (Layered) LTV above 100%: 1% (< € 60 mn)
- (Layered) LTV 80%-100%: 8% (< € 300 mn)
- ➔ Sound headroom even under stress assumptions

1) Performing CREF-portfolio only (exposure)

Loan Book & Asset Quality

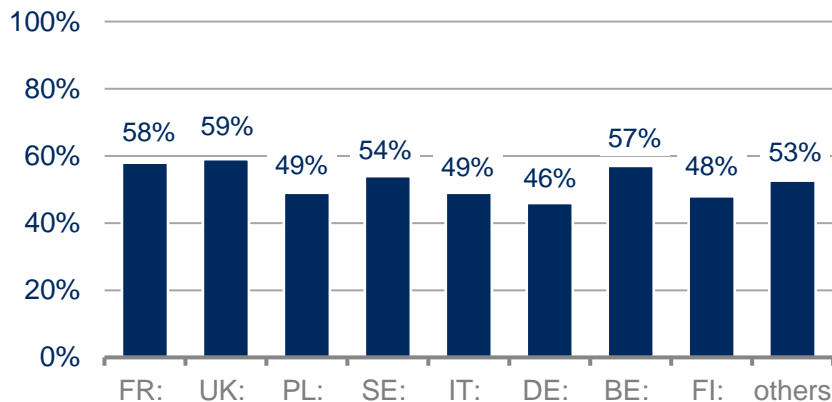
European office portfolio well positioned

European office portfolio by region

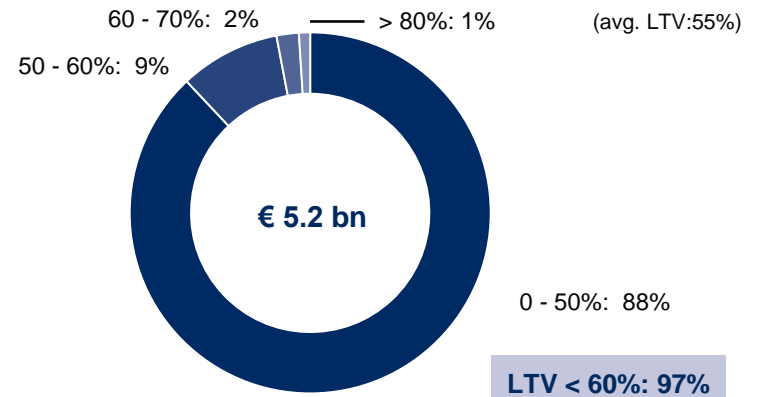


- France (Paris only) with high share of planned refurbishments into green assets (~1/3 of total French office portfolio)
- UK deals mainly in London city
- Rest of portfolio largely spread across Europe with LTVs mainly below average for European office portfolio

European office LTV¹⁾ by region



European office portfolio by (layered) LTVs¹⁾

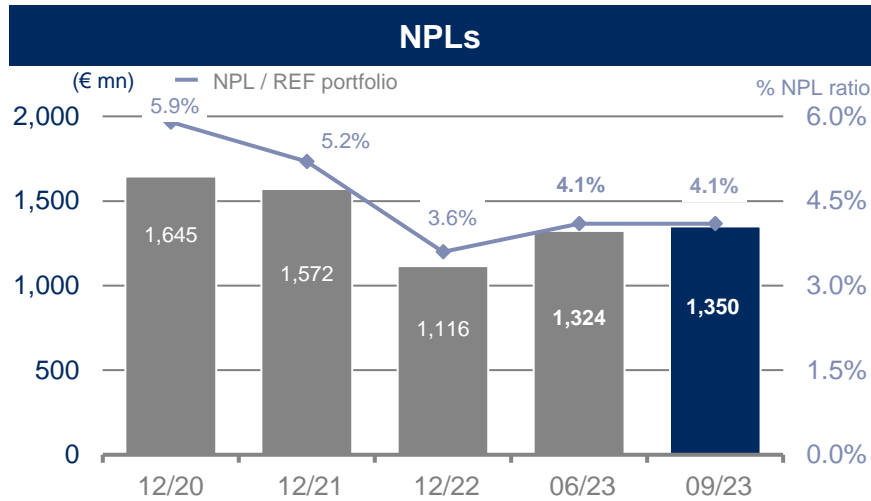


Note: others incl. countries with a portfolio below € 100 mn

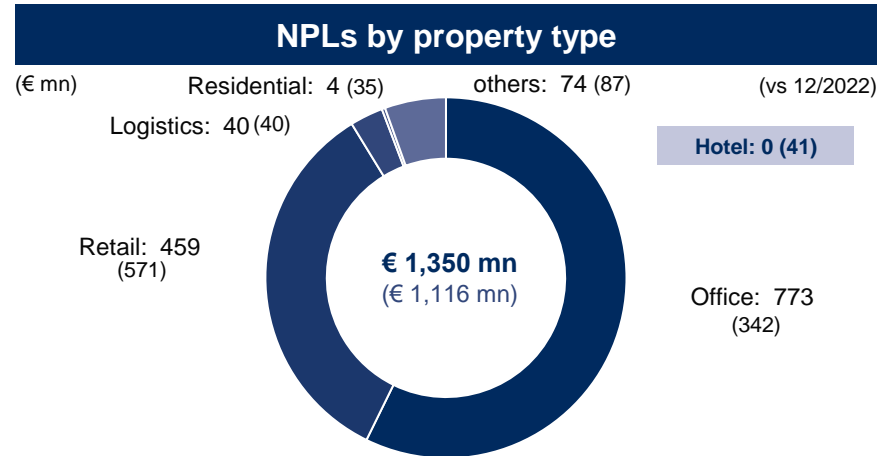
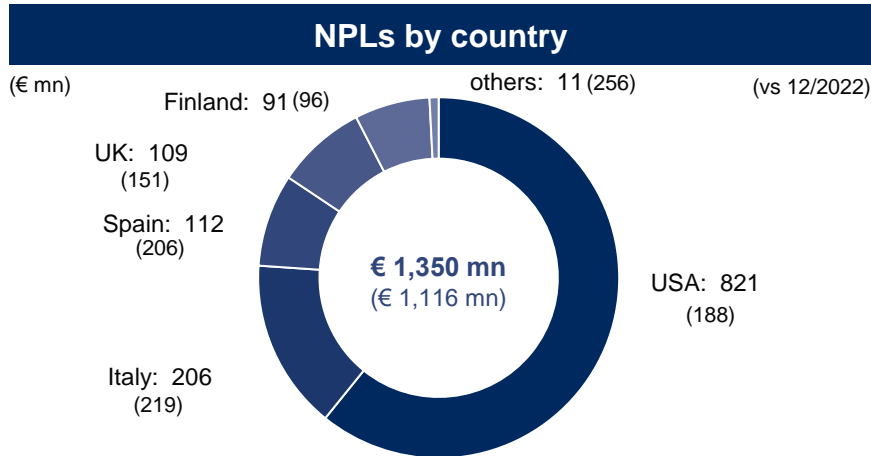
1) Performing CREF-portfolio only (exposure)

Loan Book & Asset Quality

Stable NPL ratio as further reductions of legacy NPLs offset new US office NPLs



- Provision for a swift NPL reduction of € ~100 mn, thereof € 36 mn for sale of Russian exposure
- More than € 300 mn NPL exits with expected resolution in Q4 in preparation
- No hotel NPLs
- Ratios acc. to EBA methodology¹⁾:
 - NPL: 3.3% (06/23: 3.2%)
 - NPE: 2.9% (06/23: 2.8%)



1) EBA Risk Dashboard

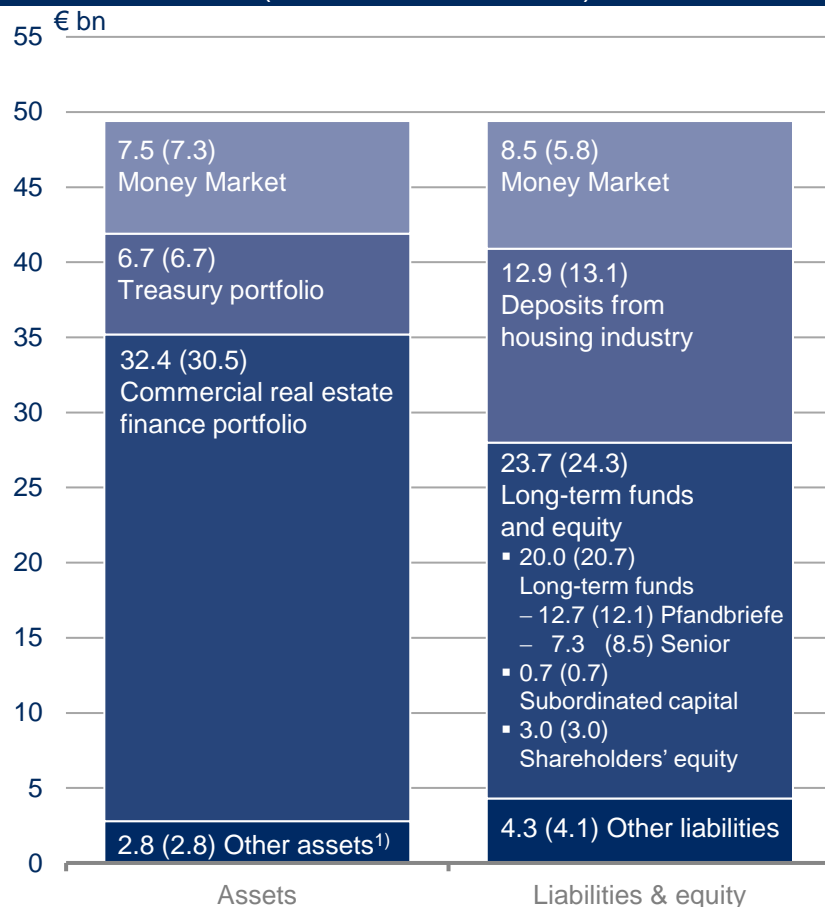
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Liquidity & Funding

Comfortable liquidity position

Balance sheet as at 30.09.2023: € 49.4 bn
(31.12.2022: € 47.3 bn)



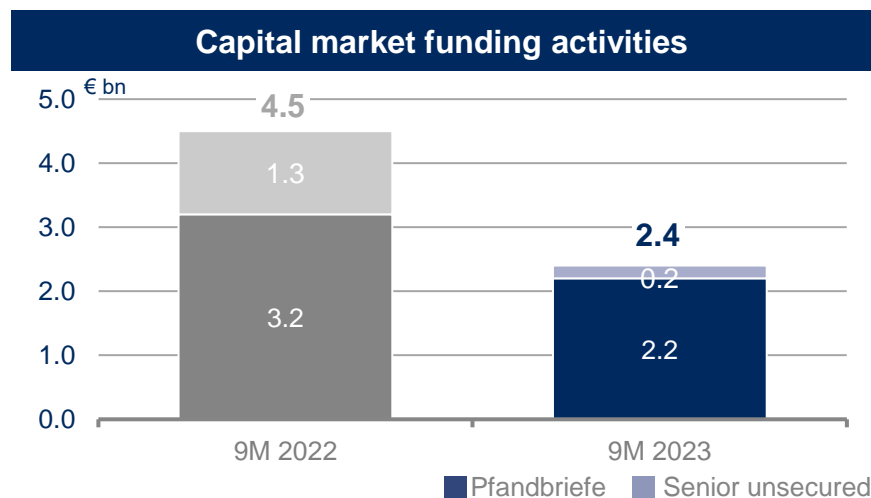
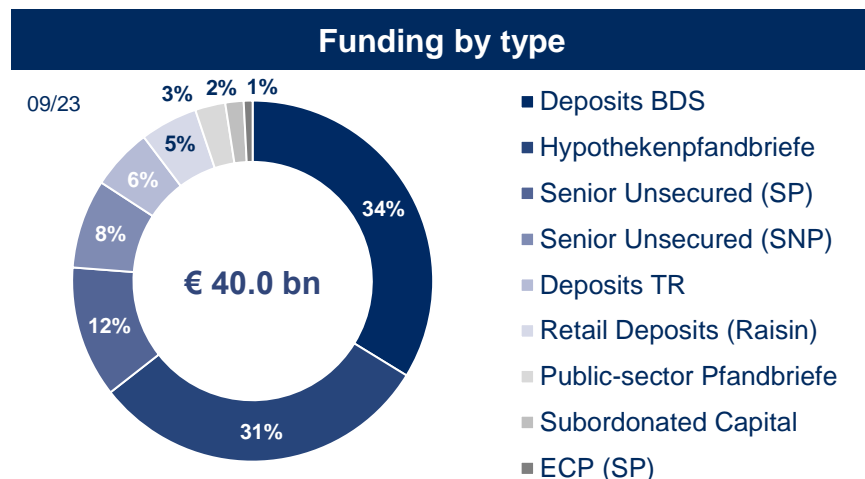
1) Other assets includes € 0.2 bn private client portfolio and WIB's € 0.2 bn public sector loans

Conservative liquidity management throughout the cycle

- On average long-term funds have longer maturities than CRE finance portfolio
- Substantial buffer in regulatory liquidity ratios (LCR / NSFR) despite strong growth in portfolio and difficult economic and capital markets environment
 - NSFR: 116%, (12/22: 119%)
 - LCR: 206%, (12/22: 210%)
- Liquid treasury portfolio with ~75% public sector
- TLTRO ~80% repaid in Q4/22

Liquidity & Funding

Well diversified funding mix



Successful 9M funding activities

- Pfandbrief and Senior totaling € 2.4 bn incl.
 - 2 Pfandbrief Benchmarks (€ 1.5 bn) in H1
 - 1 Pfandbrief Benchmark (€ 500 mn) in H2
- Deposits from housing industry at avg. of € 13.5 bn above targeted level of € ~13 bn
 - Granular deposit structure from more than ~3,700 housing industry clients managing ~8 mn rental units
 - Sticky rental deposits continuously growing
- Retail (term) deposits by cooperating with Raisin / Weltsparen significantly increased to € 2.1 bn (12/22: € 0.6 bn)
- Commercial Paper Program enables offering ECP in EUR, GBP & USD as well as in Green format
- Senior non-preferred benchmarks as additional instrument to support credit ratings (e.g. Moody's via LGF)
- Having further diversified and optimised funding mix, less senior preferred capital market funding planned
- At the end of October, Fitch affirmed Aareal's senior preferred rating at A- (neg. outlook)

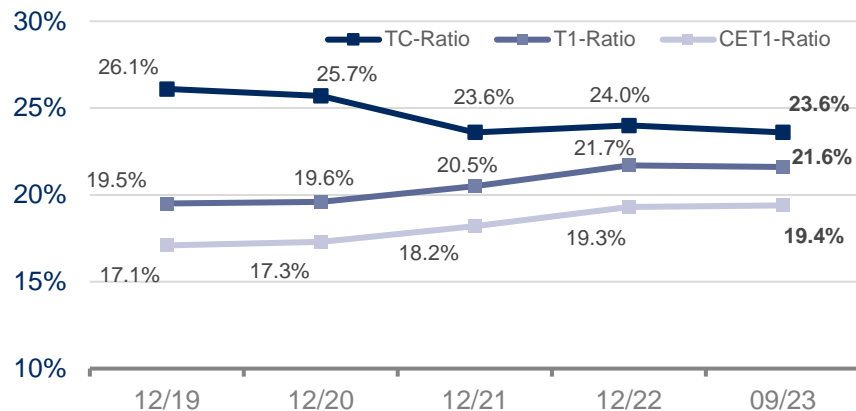
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Capital

Solid capital position

B4 (phase in) capital ratios



- Stable CET1 ratio
- CET1 increase from dividend/profit retention and RWA reduction from external refinancing of Aareon hunting line formerly provided by Aareal compensate RWA increase from loan portfolio growth and macro economic headwinds
- B4 fully phased ratio at 13.4%
- T1-Leverage ratio at 6.3%

B4 (phase in) RWA¹⁾



1) Based on draft version of the European implementation of Basel IV by the European Commission dated 27 October 2021 (CRR III)

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Outlook 2023

Operating profit targets confirmed

Group	METRIC	Previous OUTLOOK 2023	Current OUTLOOK 2023
	<ul style="list-style-type: none"> Net interest income Net commission income LLP¹⁾ Admin expenses 	<ul style="list-style-type: none"> Operating profit (adjusted) Operating profit Earnings per share (EPS) 	€ 730 - 770 mn € 315 - 335 mn € 170 - 210 mn incl. € 60 mn budget for a swift NPL reduction € 590 - 630 mn incl. € 35 mn budget for Aareon efficiency measures
Due to the existing uncertainties, additional burdens cannot be ruled out under adverse conditions			

Segments	METRIC	2022	Current OUTLOOK 2023
	Structured Property Financing	<ul style="list-style-type: none"> REF Portfolio New business 	€ 30.9 bn € 8.9 bn
Banking & Digital Solutions	<ul style="list-style-type: none"> Deposit volume NCI 	€ 13.4 bn € 31 mn	€ ~13 bn ~13% CAGR (2020-2023)
Aareon	<ul style="list-style-type: none"> Revenues Adj. EBITDA 	€ 308 mn € 75 mn	€ 325 - 345 mn € 90 - 100 mn

1) Incl. value adjustments from NPL fvpl

2) Based on expected FY-tax ratio of ~33%

3) Subject to FX development

Key takeaways

Well positioned in the current challenging environment



Thanks to our increased earnings power and resilience, we are able to absorb substantial extraordinary burdens



In view of the current uncertainties, we are actively managing our loan portfolio



We are sticking to our medium and long-term goals, further increasing efficiency and consistently implementing our strategy

Appendix
Segment: Aareon

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Segment: Aareon

9M 2023 P&L and other KPIs

P&L Aareon segment - Industry format ¹⁾	9M'22	9M'23	Δ 9M '23/'22
€ mn			
Sales revenue	221	251	13%
▪ <i>Thereof recurring revenues</i>	161	203	21%
▪ <i>Thereof other revenues</i>	60	48	-9%
Costs ²⁾	-190	-247	30%
▪ <i>Thereof material</i>	-41	-44	12%
EBITDA	32	4	-87%
Adjustments ³⁾	-15	-60	> 100%
Adj. EBITDA	47	64	37%
EBITDA	32	4	-87%
D&A / Financial result	-37	-69	88%
EBT / Operating profit	-5	-65	> 100%

R&D and Adjusted EBITDAC ⁴⁾	
R&D spend as % of software revenue – YTD (%)	21
YTD Operating Cash Flow (€ mn)	48

- R&D spend at 21%, 4% lower then in PY driven by product portfolio review last year in order to deliver the most value for our customers
- Adjusted EBITDAC at € 48 mn (Q3'22: € 25 mn) includes positive impact of efficiency measures

1) Calculation refers to unrounded numbers

2) Costs also include other operating income and capitalized software

3) Incl. New product, M&A, VCP, Venture, other one-offs (legal cases, restructuring)

4) KPI measuring the Adjusted Cash performance (Adjusted EBITDA excl. capitalized software, IFRS 16 impact and other non-cash valuation effects)

Appendix ESG

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ESG in our daily business

Putting sustainability at the core of our decisions since Q2 202



ESG in our lending business

Aareal Bank “Green Finance Framework – Lending” put into place

- Aareal Bank’s Green Finance Framework – Lending confirmed through a Second Party Opinion (SPO) by Sustainalytics
- Ambition to extend ESG assessment in our day-to-day lending activities
- Explicit customer demand for Aareal Bank’s green lending approach identified internationally and interest is high for the new product
- Green lending within a regularly updated framework provided

ESG in our funding activity

Aareal Bank “Green Finance Framework – Liabilities” forms basis for Green Bonds

- In addition to the lending framework, Aareal Bank has implemented an accompanying and regularly updated liability-side / use-of-proceeds framework - confirmed through SPO by Sustainalytics - that allows issuance of green financing instruments
- “Green Finance Framework – Liabilities” is intended to not only reflect our sustainable lending activities but also our strategic approach towards sustainability
- Bond issuances under this framework invite open discussion and engagement with investors on the progress we have made and, on the path, forward



Continue to enlarge climate transparency in the portfolio

- Portfolio transparency and data accumulation significantly improved for both existing and new lending and to be continued
- Aareal Bank involved in international initiatives to calculate financed emissions (PCAF)

Aareal's demanding Green Finance Framework

Aareal Green Finance Framework (GFF) in place

Green Property Financing:

Requirements to qualify as green property

- Meets EU Taxonomy criteria
and / or
- Certified with an above-average ratings
and / or
- Classified as nearly zero-energy building (nZEB) / thresholds as defined in Aareal GFF



Green Loan Rider:

Customer agrees to Maintaining "Aareal Green Finance Framework" requirements during the term of the loan



Green Loan:

Combination of

- Green property¹⁾
and
- Agreement

Eligibility category

Eligibility criteria (alternatives)

Green Buildings

1. EU taxonomy compliant:

Buildings meet the EU Taxonomy criteria according to the EU Commission Delegated Regulation, Chapter 7.7 "Acquisition and ownership of existing buildings"

2. Green building certification:

- BREEAM: "Very Good" and above
- LEED: "Gold" and above
- DGNB: "Gold" and above
- Green Star: "5 Stars" and above
- NABERS: "4.5 Stars" and above
- HQE: "Excellent" and above
- Energy Star. "80" or above

3. Energy efficiency:

Classified as a nearly zero-energy building (nZEB) **and / or** property falls **below** the maximum energy reference values

75 kWh/m ² p.a.	Residential
140 kWh/m ² p.a.	Office, Hotel, Retail
65 kWh/m ² p.a.	Logistics

Energy efficiency upgrades

1. EU taxonomy compliant:

Modernisation measures meet the EU Taxonomy criteria acc. EU Commission Delegated Regulation³⁾

2. Upgrade to Green Building:

Completion of the measure brings the property up to the green building standard defined above.

3. Energy efficiency improvement:

Completion of the measure results in an energy efficiency improvement of at least 30%.

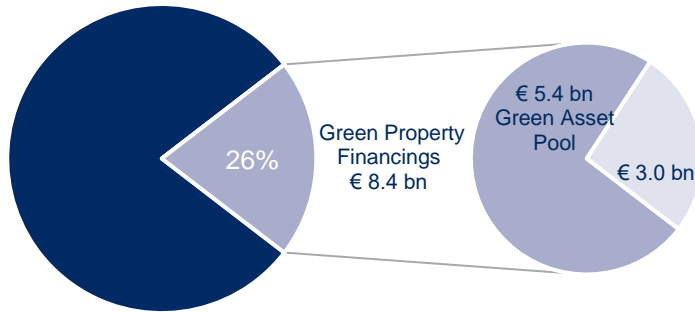
1) All buildings within a financing have to qualify as green buildings according to Aareal GFF

2) Partnership for Carbon Accounting Financials

3) Chapter 7.2 "Renovation of existing buildings"

26% of CREF portfolio classified as Green Property Financings

CREF¹⁾ portfolio

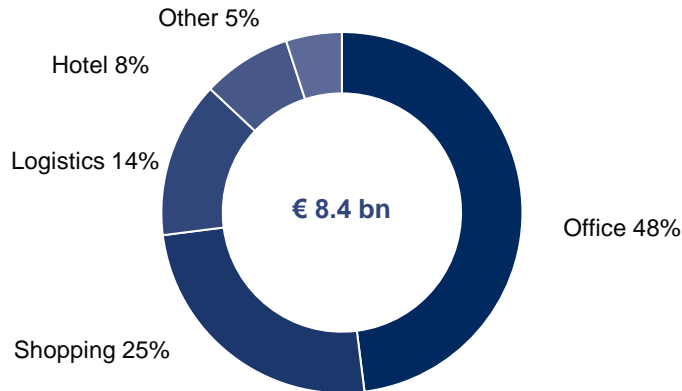


€ 8.4 bn¹⁾ (26%) of total CREF portfolio fulfilling Aareal's Green Finance Framework and are classified as "Green Property Financings", thereof

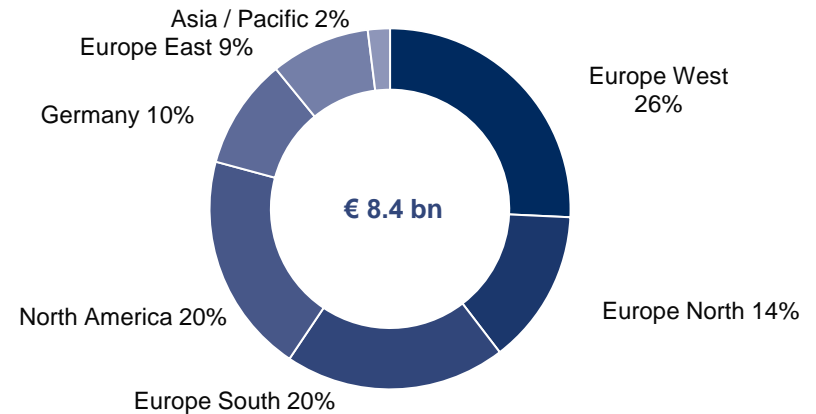
- € 5.4 bn included in green asset pool for underlying of Green bond issues
- € 3.0 bn green property financings mainly for technical reasons not (yet) included

■ CREF portfolio ■ Included in green asset pool ■ Not (yet) included

Green Property Financings²⁾ by property type



Green Property Financings²⁾ by region




1) CREF excl. business not directly collateralized by properties
Portfolio data as at 30.06.2023 – ESG Data as at 30.06.2023

2) Valid certificate is documented

ESG@Aareal

Phase 1:

Mission accomplished

	We have laid the foundation...	...achieved our 2022 goals... 	... and will continue to follow our path
Growing our impact	Green expansion of financing business € 2 bn by 2024 additional green loan volume	Achieved	On track for 2024
	Optimisation of funding mix € 1 bn in 2022 - new allocation of green funding	€ 1 bn long-term funding + € 0.5 bn green CPs	+ € 0.5 bn green long-term funding in '23
	Providing transparency for global CREF portfolio 20% by 2022 – Verified green properties	> 21% screening almost completed	Grow share of verified green properties PCAF report on financed emissions by '24
	Limiting our own Greenhouse Gas emissions Carbon-neutralised own business operations worldwide by 2023	Achieved	On track for 2023
	Expansion of innovative solutions with ESG impact Growth targets by 2025 – Identification of enabler products by 2022	Achieved	On track for 2025
Setting the tone at the top	ESG governance with enhanced Board's oversight CEO responsibility – Regular Board engagement	Achieved	Achieved and continuing
	ESG integration in business, credit, investment, risk and refinancing strategies and decision making process Targeting of ESG initiatives in individual / group targets	15% ESG component in Management Boards variable remuneration	Increased to 25% of our Management Board's variable remuneration in 2023

Additional Highlights

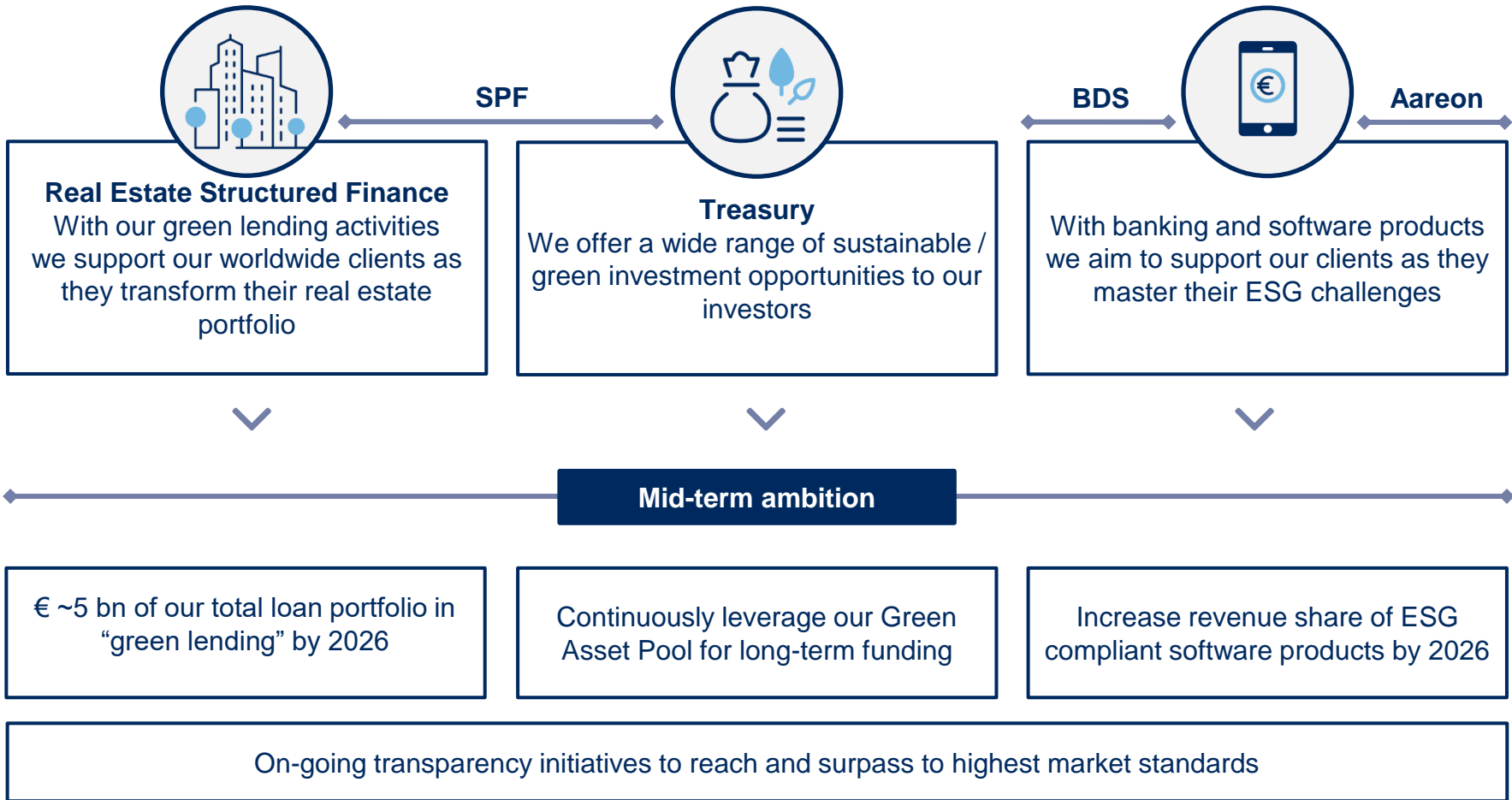
- Green Finance Frameworks Lending & Liabilities established and signed off by second party opinion (SPO)
- Strengthened investability for green investors through consistently positive ESG rating results
- Strong performance in ECB climate stress test, which assessed our portfolio for its vulnerability to physical and transitory risks

ESG@Aareal

Our mission for phase 2:

On the „Road to Paris“ we are supporting our clients

Published
March 2023



Consistently positive rating results

Rewarding Aareal's ESG performance



- With continuous AA status in ESG Rating, Aareal at the best 36 percent among 64 diversified financials
- Outstanding Score in Governance (8.0 of 10) compared to industry average (5.9)



- Prime Status confirms ESG performance above sector-specific Prime threshold, which means Aareal fulfils ambitious absolute performance requirements
- Range of 130 rated companies in the Mortgage & Public Sector Finance sector between D and B, Aareal on Decile Rank 1



- Aareal is at low risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues (negligible or low risk rating in five out of six material ESG issues)
- Still "Low" risk classification (18.7), Rank 197 of 1017 in Sector Banks, 17 of 99 in Thrifts and Mortgages



- ESG Overall Score of 51, Aareal with above sector average results in Environment 49 [ø47], Social 48 [ø44] and Governance 56 [ø48]



- Improvement to Management Level B in CDP's Climate Change survey, which affirms Aareal addressed the environmental impacts of its business and ensure good environmental management.

Note: Results and Benchmarks as of 25/10/2023

Appendix
Asset Quality

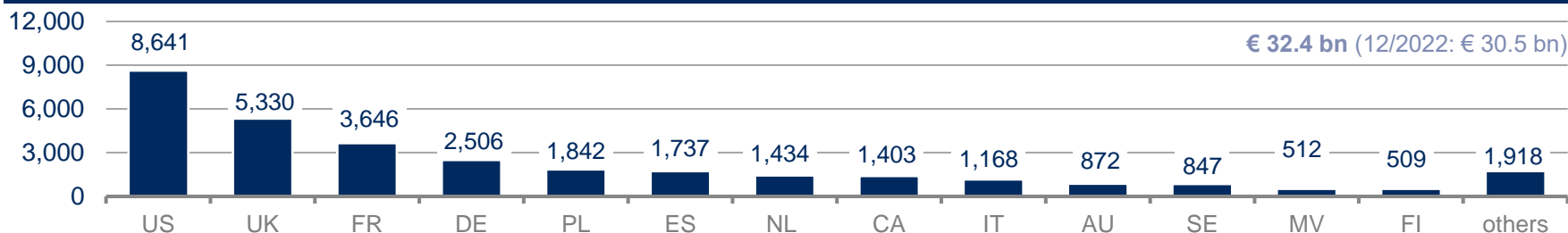
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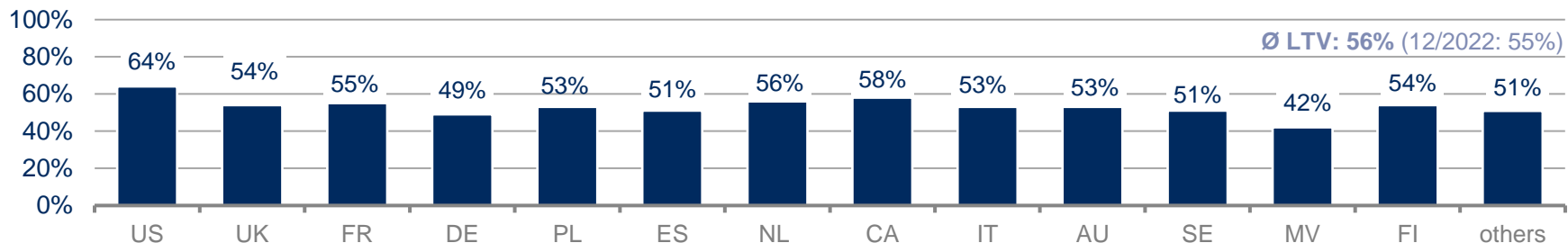
CREF portfolio by country

€ 32.4 bn well diversified

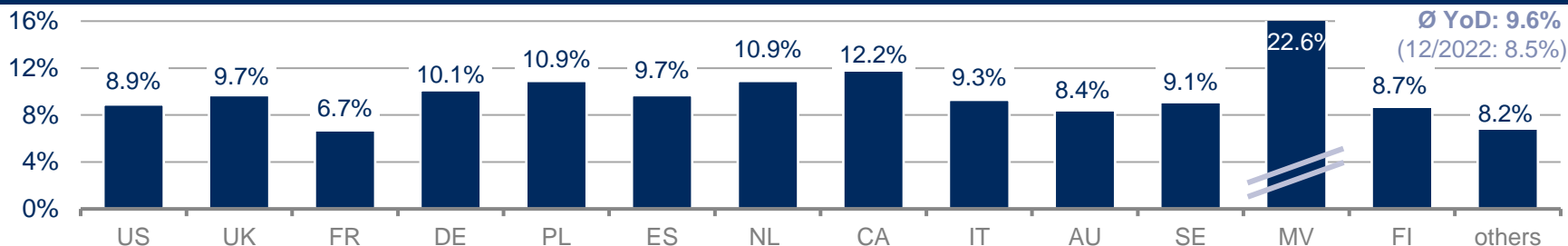
CREF portfolio (€ mn)



LTV¹⁾



YoD¹⁾

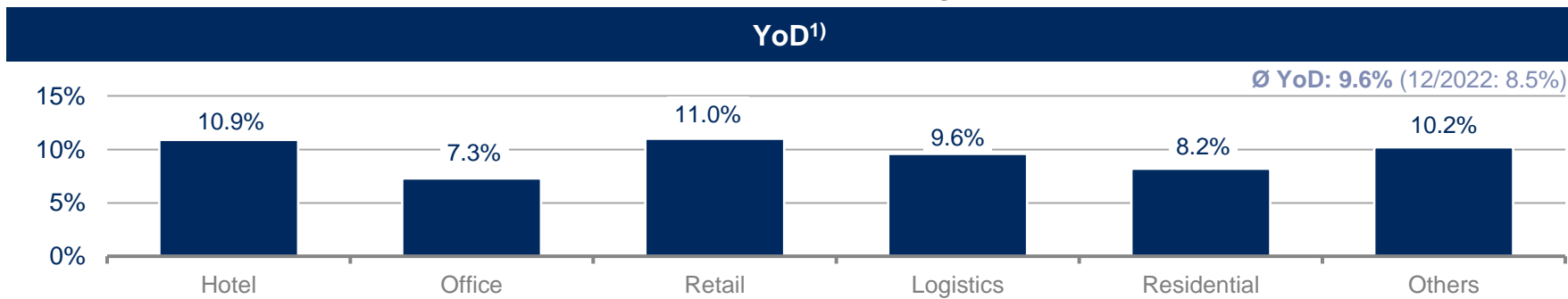
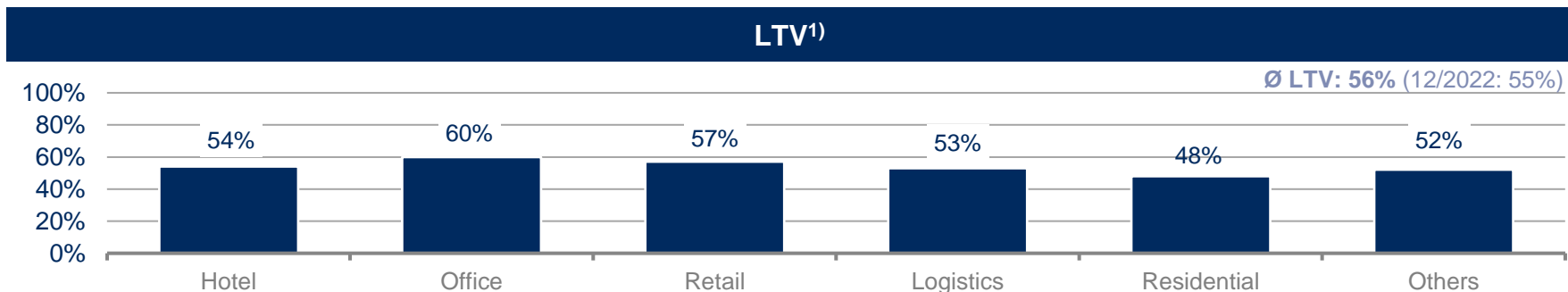
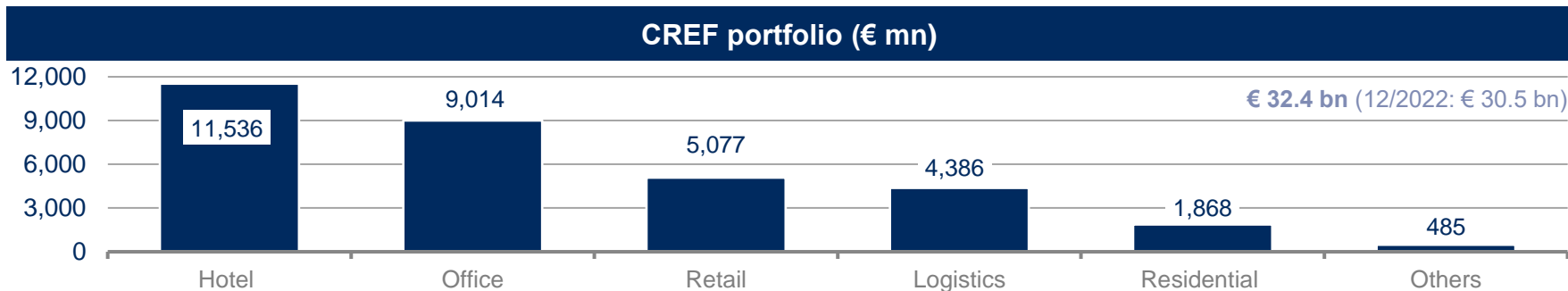


Note: others incl. countries with a portfolio below € 500 mn

1) Performing CREF-portfolio only (exposure)

CREF portfolio by property types

€ 32.4 bn well diversified



1) Performing CREF-portfolio only (exposure)

Appendix
Liquidity & Funding / Capital

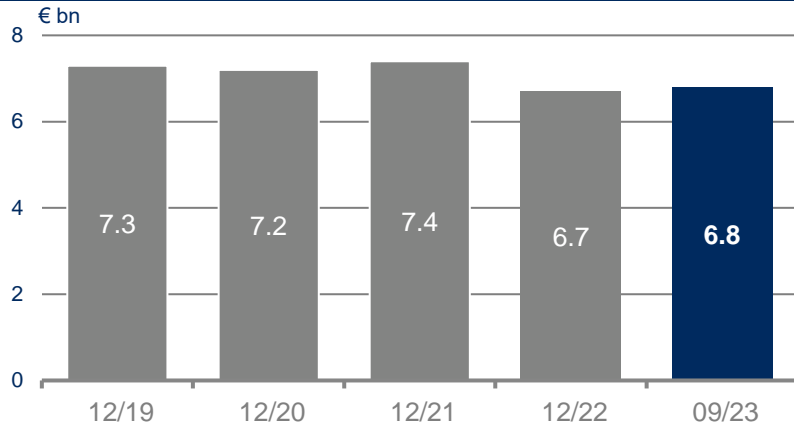
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Liquidity & Funding

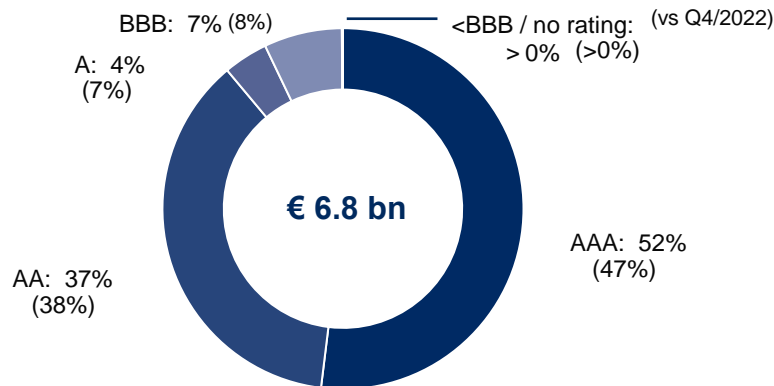
Treasury portfolio of € 6.8 bn ensures comfortable liquidity buffer

TR portfolio development

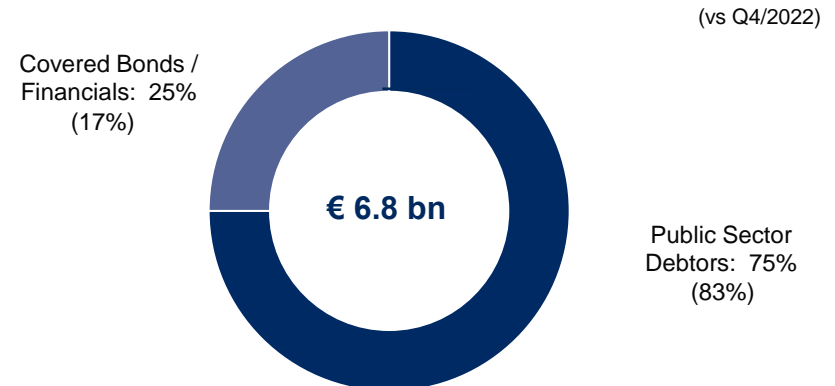


- Strong liquidity profile due to high-rated SSA and Covered Bond focus
- Asset-swap purchases ensure low interest-rate risk exposure
- Well-balanced maturity profile

TR portfolio by rating¹⁾



TR portfolio by asset class

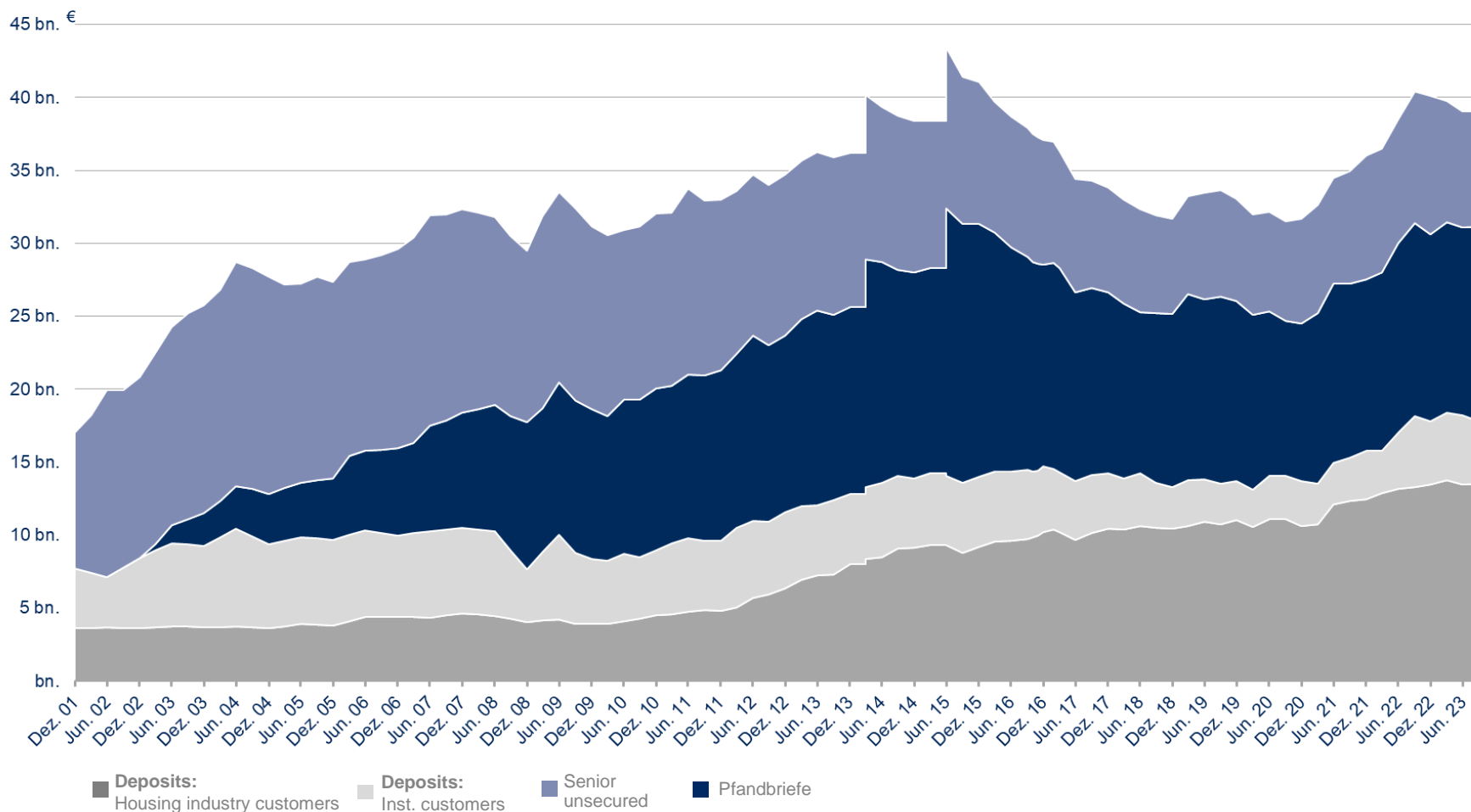


As of 30.09.2023 – all numbers refer to nominal amounts

1) Composite Rating

Liquidity & Funding

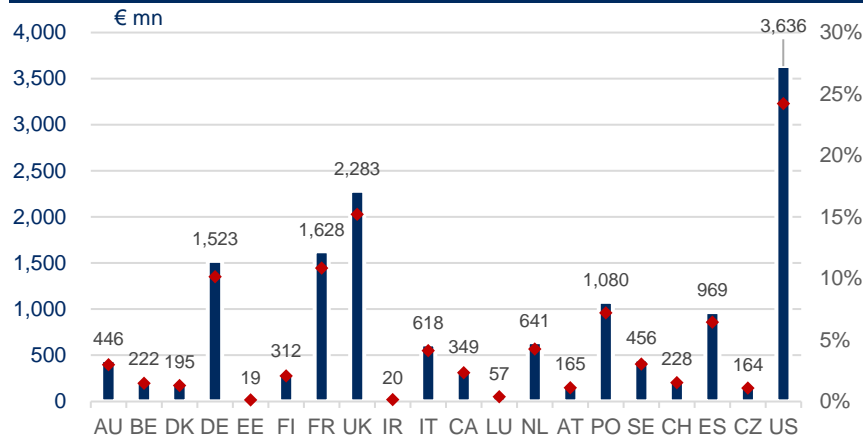
Diversified funding sources and distribution channels



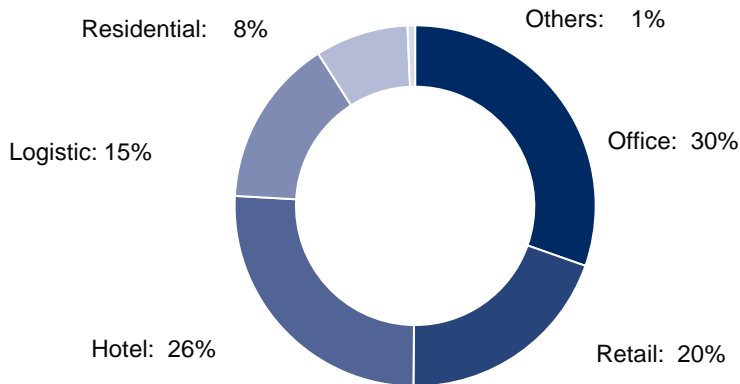
Liquidity & Funding

Strong Mortgage Cover Pool and Aaa Rating for Pfandbriefe

Cover Pool by Geography



Cover Pool by Property Type



As at 30.09.2023

Pfandbriefe funding cornerstone of wholesale issuance

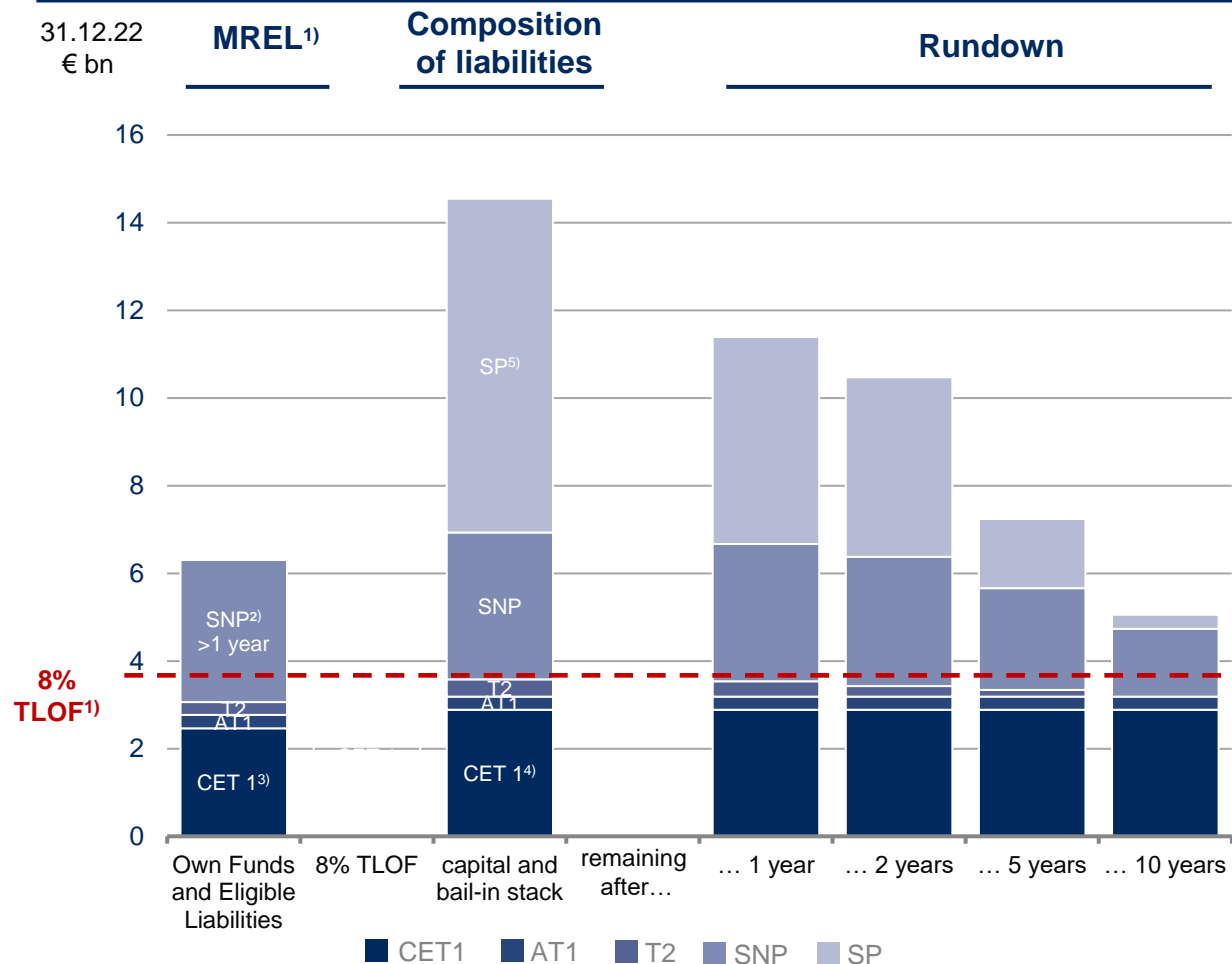
- Cover pool of € 15.7 bn incl. € 0.7 bn substitute assets diversified over 20 countries
- High quality assets: first-class mortgage loans (mortgage-lending-value 55.3%)
- Mortgage-lending-value with high discount from market-value
- Avg. LTV of the mortgage cover pool 32.7%
- Moody's has calculated a 'Aaa' supporting over-collateralisation ratio of 16.5% on a PV basis
- Over-collateralisation on a PV basis as of 30.09.2023 19.9%
- High diversification within property types



Liquidity & Funding

MREL ratios well above regulatory requirements

Published
March 2023



Senior Preferred have significant protection from subordinated liabilities and own funds

- Ample buffer to MREL requirements
- Senior Preferred remains the predominant senior product, though Senior Non-Preferred remains a key element of the funding strategy
- The rundown remains manageable with a number of long-term liabilities providing significant levels of subordination
- 8% TLOF is the bank's upcoming binding MREL requirement, to be met with 100% subordinated liabilities

1) 8% TLOF with 100% subordinated debt (i.e. Own Funds and SNP). MREL requirements are only updated once a year

2) MREL-eligible Senior Non-Preferred Debt >1Y according to contractual maturities

3) Considering regulatory adjustments

4) CET1 assumed to be constant over time

5) Senior Preferred, excluding structured unsecured issuances

Liquidity & Funding

Rating profile

Financial ratings

Fitch Ratings	FitchRatings	Moody's	MOODY'S
Issuer default rating ¹⁾	BBB+	Issuer rating ¹⁾	A3
Short-term issuer rating	F2	Short-term issuer rating	P-2
Deposit rating	A-	Senior preferred	A3
Senior preferred	A-	Senior non preferred	Baa2
Senior non preferred	BBB+	Bank deposit rating	A3
Viability rating	BBB+	BCA	Baa3
Subordinated debt	BBB-	Mortgage Pfandbriefe	Aaa
Additional Tier 1	BB		

Sustainability ratings

MSCI	 MSCI	AA
ISS-ESG	 ISS ESG	prime (C+)
Sustainalytics	 SUSTAINALYTICS	Low (20-10)
CDP	 CDP <small>DISCLOSURE INSIGHT ACTION</small>	Awareness Level B

1) Outlook negative

Financial ratings

- Ratings reflect strong credit profile based on solid capital und liquidity position
- Preservation of Fitch senior preferred rating at A- supported by new owners

Sustainability ratings

Aareal's ESG performance has been rewarded by the rating agencies:

- MSCI:
Aareal is in the best 35% of 63 diversified financials
- ISS ESG:
Prime Status confirms ESG performance above sector-specific Prime threshold
- Sustainalytics:
Still “Low” risk classification“, Rank 178 of 987 in Sector Banks, 16 of 99 in Thrifts and Mortgages
- MOODY's ESG Solutions:
Above sector average results in Environment, Social and Governance

Liquidity & Funding

Aareal Bank`s outstanding Benchmark Transactions

Pfandbriefe, Senior Unsecured and AT1

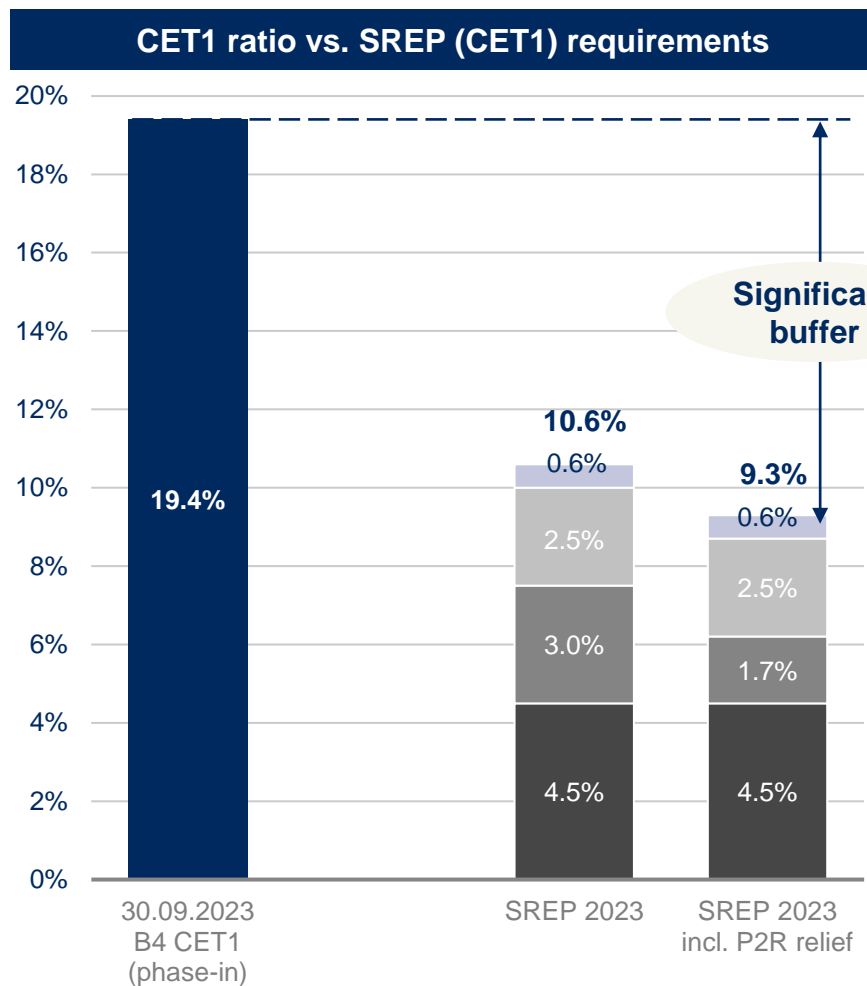
Product	Ratings ²⁾	Currency	Volume	Maturity ↓	Coupon	ISIN
<i>Pfandbriefe</i>	<i>Aaa</i>	<i>USD</i>	<i>750,000,000</i>	<i>02/14/25</i>	<i>0.625%</i>	<i>XS2297684842</i>
<i>Pfandbriefe</i>	<i>Aaa</i>	<i>GBP</i>	<i>500,000,000</i>	<i>04/29/25</i>	<i>SONIA + 100bps</i>	<i>XS2337339977</i>
Pfandbriefe	Aaa	EUR	750,000,000	02/01/24	0.125%	DE000AAR0249
Pfandbriefe	Aaa	EUR	500,000,000	07/30/24	0.375%	DE000AAR0207
Pfandbriefe	Aaa	EUR	500,000,000	07/15/25	0.375%	DE000AAR0215
Pfandbriefe²⁾	Aaa	EUR	750,000,000	02/13/26	3,125%	DE000AAR0389
Pfandbriefe²⁾	Aaa	EUR	500,000,000	05/18/26	3,875%	DE000AAR0397
Pfandbriefe	Aaa	EUR	500,000,000	08/03/26	0.010%	DE000AAR0272
Pfandbriefe	Aaa	EUR	500,000,000	02/01/27	2.250%	DE000AAR0348
Pfandbriefe	Aaa	EUR	500,000,000	07/08/27	0.010%	DE000AAR0256
Pfandbriefe²⁾	Aaa	EUR	750,000,000	10/11/27	3.000%	DE000AAR0371
Pfandbriefe	Aaa	EUR	500,000,000	02/01/28	0.010%	DE000AAR0280
Pfandbriefe	Aaa	EUR	500,000,000	09/15/28	0.010%	DE000AAR0306
Pfandbriefe	Aaa	EUR	750,000,000	02/01/29	1.375%	DE000AAR0330
Pfandbriefe	Aaa	EUR	625,000,000	09/14/29	2.375	DE000AAR0363
Pfandbriefe	Aaa	EUR	750,000,000	02/01/30	0.125%	DE000AAR0314
Senior Preferred	A- / A3	EUR	500,000,000	04/10/24	0.375%	DE000A2E4CQ2
Senior Preferred green	A- / A3	EUR	500,000,000	07/25/25	4.500%	DE000AAR0355
Senior Preferred	A- / A3	EUR	500,000,000	09/02/26	0.050%	DE000AAR0298
Senior Preferred	A- / A3	EUR	500,000,000	04/07/27	0.050%	DE000AAR0264
Senior Preferred	A- / A3	EUR	750,000,000	11/23/27	0.250%	DE000A289LU4
Senior Preferred green	A- / A3	EUR	500,000,000	04/18/28	0.750%	DE000AAR0322
Additional Tier 1	BB	EUR	300,000,000	PERP_NC_5-1	10.897%	DE000A1TNDK2

1) Pfandbriefe are rated by Moody`s, AT1 by Fitch Ratings and Senior Unsecured by Fitch Ratings and Moody`s

2) Issued in 2023

Capital

SREP (CET 1) requirements



- Capital ratios significantly above SREP requirements
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement (Overall Capital Requirement (OCR)) amounts to 14.1% compared to 23.6% total capital ratio

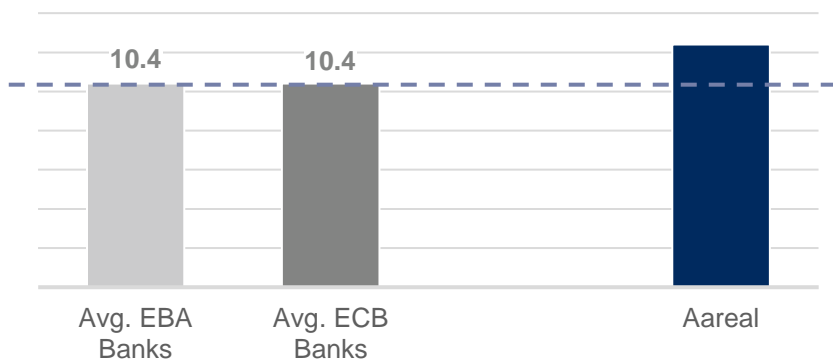
Capital

Good stress test results demonstrating healthy risk profile and operating resilience

Published
August 2023

Stressed CET1 ratios (adverse scenario)

(in %)



German CRE-lender	Sample	Min. CET1 ratio	Min. Leverage ratio
Bank A	SSM	CET1R \geq 14%	LR \geq 6%
Aareal Bank	SSM	11% \leq CET1R < 14%	4% \leq LR < 5%
Bank B	SSM	8% \leq CET1R < 11%	4% \leq LR < 5%
Bank C	EBA	8% \leq CET1R < 11%	LR < 4%
Bank D	EBA	8% \leq CET1R < 11%	LR < 4%
Bank E	EBA	8% \leq CET1R < 11%	LR < 4%
Bank F	EBA	8% \leq CET1R < 11%	LR < 4%
Bank G	EBA	CET1R < 8%	LR < 4%
Bank H	EBA	CET1R < 8%	LR < 4%

Risk driver stress test 2023

- Intensification of geopolitical tensions, partial de-globalisation
- Gas supply cuts, higher commodity prices and wage increases via large second round effects leading to persistently high inflation
- Higher current and expected inflation leading to higher interest rates, further exacerbating the contraction in output
- **Significant and abrupt price adjustment in the real estate market (approx. 30% discount) given a severe tightening in financing conditions and a weak economic outlook**
- Tighter financing conditions, deteriorated economic activity and high levels of government debt raising sovereign debt sustainability concerns

Aareal Bank's Results

- Stressed CET1 ratio comfortably within 11-14% range above EBA / ECB (SSM) average (10.4%) and well above regulatory requirements
- Stressed leverage ratio above 4%
- **Good stress test results demonstrating healthy risk profile and operating resilience of Aareal Bank**

Appendix
ADI of Aareal Bank

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Interest payments and ADI of Aareal Bank AG

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

Published
March 2023

	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020	31.12. 2021	31.12. 2022
€ mn							
Net Retained Profit	122	150	126	120	90	96	61
▪ <i>Net income</i>	122	147	126	120	90	30	61
▪ <i>Profit carried forward from previous year</i>	0	3	-	-	-	66	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-	-	-	-
+ Other revenue reserves after net income attribution	720	720	720	720	840	840	936
= Total dividend potential before amount blocked ¹⁾	842	870	846	840	930	936	997
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	235	283	268	314	320	386	466
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	28	35	42	40	43	36	24
= Available Distributable Items ¹⁾	580	552	536	486	566	515	507
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	46	32	25	23	21	20	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 ¹⁾	626	584	560	509	588	535	529

Note: Calculation refers to unrounded numbers

1) Unaudited figures for information purposes only

Appendix Group Results

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Aareal Bank Group

Results 9M 2023

	01.01.- 30.09.2023	01.01.- 30.09.2022	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	710	514	38%
Loss allowance	262	170	54%
Net commission income	225	199	13%
Net derecognition gain or loss	18	24	-25%
Net gain or loss from financial instruments (fvpl)	-58	22	
Net gain or loss on hedge accounting	-2	-6	-67%
Net gain or loss from investments accounted for using the equity method	2	-2	
Administrative expenses	486	423	15%
Net other operating income / expenses	8	-1	
Operating Profit	155	157	-1%
Income taxes	51	57	-11%
Consolidated net income	104	100	4%
Consolidated net income attributable to non-controlling interests	-13	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	117	100	17%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	117	100	17%
of which: allocated to ordinary shareholders	96	89	8%
of which: allocated to AT1 investors	21	11	91%
Earnings per ordinary share (in €) ²⁾	1.61	1.49	8%
Earnings per ordinary AT1 unit (in €) ³⁾	0.21	0.11	91%

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 9M 2023 by segments

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 30.09. 2023	01.01.- 30.09. 2022	01.01.- 30.09. 2023	01.01.- 30.09. 2022	01.01.- 30.09. 2023	01.01.- 30.09. 2022	01.01.- 30.09. 2023	01.01.- 30.09. 2022	01.01.- 30.09. 2023	01.01.- 30.09. 2022
	€ mn									
Net interest income	564	475	170	49	-24	-10	0	0	710	514
Loss allowance	262	170	0	0	0	0			262	170
Net commission income	6	5	24	23	207	180	-12	-9	225	199
Net derecognition gain or loss	18	24							18	24
Net gain or loss from financial instruments (fvpl)	-58	22	0	0	0	0			-58	22
Net gain or loss on hedge accounting	-2	-6							-2	-6
Net gain or loss from investments accounted for using the equity method		0	2	-1		-1			2	-2
Administrative expenses	173	200	75	54	250	178	-12	-9	486	423
Net other operating income / expenses	7	-4	-1	-1	2	4	0	0	8	-1
Operating profit	100	146	120	16	-65	-5	0	0	155	157
Income taxes	28	52	38	6	-15	-1			51	57
Consolidated net income	72	94	82	10	-50	-4	0	0	104	100
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	-13	0			-13	0
Cons. net income attributable to shareholders of Aareal Bank AG	72	94	82	10	-37	-4	0	0	117	100

Aareal Bank Group

Preliminary results – quarter by quarter

	Structured Property Financing					Banking & Digital Solutions					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3
	2023		2022			2023		2022			2023		2022			2023		2022			2023		2022		
€ mn																									
Net interest income	199	189	176	152	162	59	59	52	43	26	-10	-8	-6	-7	-4	0	0	0	0	0	248	240	222	188	184
Loss allowance	102	128	32	22	63	0	0	0	0	0	0	0	0	0	0						102	128	32	22	63
Net commission income	5	1	0	1	1	8	8	8	8	8	70	70	67	72	61	-7	-2	-3	-3	-3	76	77	72	78	67
Net derecognition gain or loss	6	12	0	-23	2																6	12	0	-23	2
Net gain / loss from fin. instruments (fvpl)	-17	-35	-6	4	4	0	0	0	0	0	0	0	0	0							-17	-35	-6	4	4
Net gain or loss on hedge accounting	-2	-4	4	4	1																-2	-4	4	4	1
Net gain / loss from investments acc. for using the equity method				0		2								0	0						2			0	0
Administrative expenses	53	46	74	60	54	23	20	32	25	17	75	79	96	66	60	-7	-2	-3	-3	-3	144	143	199	148	128
Net other operating income / expenses	0	7	0	-2	-2	0	-1	0	0	0	1	0	1		1	0	0	0	0	0	1	6	1	1	-1
Operating profit	36	-4	68	54	51	46	46	28	26	17	-14	-17	-34	2	-2	0	0	0	0	0	68	25	62	82	66
Income taxes	3	10	15	18	18	15	14	9	8	6	4	-15	-4	3	0						22	9	20	29	24
Consolidated net income	33	-14	53	36	33	31	32	19	18	11	-18	-2	-30	-1	-2	0	0	0	0	0	46	16	42	53	42
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	0	-4	0	-9	0	-1						-4	0	-9	0	-1
Cons. net income attributable to ARL shareholders	33	-14	53	36	33	31	32	19	18	11	-14	-2	-21	-1	-1	0	0	0	0	0	50	16	51	53	43

Appendix

Definitions and contacts

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Definitions

New Business	$\frac{\text{New business} = \text{Newly acquired business} + \text{renewals}}{\text{Total REF Portfolio}}$
Common Equity Tier 1 ratio	$\frac{\text{CET 1}}{\text{Risk weighted assets}}$
NPL ratio	$\frac{\text{NPL-exposure acc. CRR (excl. exposure in cure period)}}{\text{Total REF Portfolio}}$
CIR	$\frac{\text{Admin expenses (excl. bank levy, et al.)}}{\text{Net income}}$
Net income	$\text{Net interest income} + \text{Net commission income} + \text{Net derecognition gain or loss} + \text{Net gain or loss from financial instruments (fvpl)} + \text{Net gain or loss on hedge accounting} + \text{Net gain or loss from investments accounted for using the equity method} + \text{Net other operating income / expense}$
Net stable funding ratio	$\frac{\text{Available stable funding}}{\text{Required stable funding}}$
Liquidity coverage ratio	$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$
Earnings per share	$\frac{\text{operating profit} \cdot / \cdot \text{income taxes} \cdot / \cdot \text{income/loss attributable to non controlling interests} \cdot / \cdot \text{AT1 coupon}}{\text{Number of ordinary shares}}$
Yield on Debt	$\frac{\text{NOI} \times 100 \text{ (Net operating income, 12-months forward looking)}}{\text{Outstanding incl. prior/pari-passu loans (without developments)}}$
CREF-portfolio	Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
REF-portfolio	Real estate finance portfolio incl. private client business and WIB's public sector loans
Exposure (performing)	Maximum [actual commitment (performing) or Outstanding (performing)]

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