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Jochen Klösges

Chairman of the Management Board of Aareal Bank AG

Speech at the Ordinary Annual General Meeting on 31 August 2022

– The spoken text will prevail in the event of any differences –

I. Welcome and introduction

Ladies and Gentlemen, dear shareholders,

On behalf of the entire Management Board, it is my pleasure to welcome you to this year's Annual General Meeting of Aareal Bank AG!

This year, the event is taking place much later than usual – for two reasons:

Firstly, the offer period for the takeover offer submitted by Atlantic BidCo GmbH was still ongoing in mid-May, the time when our Annual General Meeting usually takes place. It would not have made sense to hold an AGM at such a crucial time.

Secondly, as Professor Wagner already noted, we postponed the Annual General Meeting from the 10th of August, the date originally scheduled, to today, as a result of a technical fault. Due to a missing security identification number, it was not possible to guarantee that all shareholders entitled to vote actually received the convening notice published on 30 June 2022. Once we discovered the fault, there was no question of sticking with the original date – regardless of how many (or how few) shares would have been impacted. All shareholders entitled to vote should of course be able to exercise their voting rights, and must receive all necessary information about the Annual General Meeting with reasonable advance notice. We safeguarded this by postponing the Meeting, thus complying with the deadline specified in our Memorandum and Articles of Association as well as with legal requirements for convening the General Meeting.

Nonetheless, we very much regret that this fault occurred in the first place. On behalf of the entire Management Board, I would like to sincerely apologise to you, dear shareholders.

Ladies and Gentlemen,

It is not just due to the postponement that our Annual General Meeting is being held under exceptional circumstances.

A war is being waged in the middle of Europe: something that hardly anyone would have considered possible just a few months ago. The Russian assault on Ukraine is not only inflicting great suffering on many people but also marks a political and economic turning point. Uncertainty is everywhere, and inflation is extremely high. An economic slowdown scenario now seems inevitable. As I will present to you today, Aareal Bank Group is well prepared even for such a challenging environment. We also remain highly vigilant regarding potential risks that could result from the current situation.

The circumstances surrounding recent developments at Aareal Bank Group itself are not the norm either. We are about to embark upon a new chapter in our almost one hundred-year history, as a result of the Bidder's successful takeover offer.

II. Takeover offer

You, our shareholders, paved the way for the takeover. You accepted – with a very large majority – the improved second takeover offer of 33 euros per share made by the Bidder in April. Subject to the necessary regulatory approvals, Atlantic BidCo will therefore become the new majority shareholder of Aareal Bank AG.

As you know, we didn't put our Company up for sale. However, following careful consideration, we submitted the offer to you, our shareholders, as an option to act – mainly because the Management Board and the Supervisory Board of Aareal Bank

AG are convinced that the offer was in the best interests of the Company and its stakeholders.

Based on a comprehensive Investment Agreement, we believe the takeover offers promising perspectives for our institution, from a business and strategic point of view. The stable future ownership structure offers us a clear advantage in implementing our strategy, especially in view of the considerable uncertainty that prevails in our environment.

With the support of our investors, we will further enhance our risk-conscious growth strategy – in all three business segments and thus within the existing structure of our Group.

Growth will be made possible especially by increasingly retaining profits over the years ahead, allowing us to generate substantial additional funds for attractive business opportunities.

Therefore, and as agreed with the Bidder, we are now withdrawing our original proposal to distribute a dividend of 1.60 euros per share. As interpreted by the Bidder – and communicated repeatedly – this dividend is included in the offer price of 33 euros. The funds remaining in the Company strengthen our capital ratios and are thus directly available to support our growth plans.

Our clients also benefit from the takeover. We will further expand our range of services and enhance our innovative strength by making targeted use of our investors' expertise.

We also attach great importance to the takeover opening up prospects for our employees. The targeted growth will increase the size of the workforce in the relevant divisions. Furthermore, a growing company offers more individual development opportunities.

The takeover offer is not yet formally concluded. The bidder company continues to expect the transaction to close, and therefore the tendered shares to be transferred, in the fourth quarter of the current year or in the first quarter of the next year. Several regulatory proceedings have yet to be concluded.

This intensive phase has already offered many benefits:

- Firstly, the renewed confirmation that we can shoulder additional burdens at any time. After all, Aareal Bank Group achieved good results even during this period – I will come to this shortly. This was only possible due to the outstanding and committed work of our employees, to whom I would like to express my thanks on behalf of the Management Board. Despite all the additional tasks we had to assume, we have not neglected our core business. Our clients are at the heart of our institution, and they continue to be our main priority.
- Secondly, the fact that the due diligence carried out by the bidders, who scrutinised our loan book, confirmed our own well-founded risk assessment for our portfolios.
- And thirdly, the knowledge that our strategy of client-oriented, risk-conscious and sustainable growth was so convincing for experienced and ambitious investors that they want to support our “Aareal Next Level” strategy.

The fact that we can already prove that our strategy is taking effect may have helped. The growth initiatives are increasingly bearing fruit. This was already substantiated by our good result in the last financial year. Operational developments in the current year have once again clearly confirmed this positive scenario.

III. Review of the 2021 financial year

Ladies and Gentlemen,

The 2021 financial year dates back longer than is usual in the context of an annual general meeting. I will therefore focus my comments here on a small number of key aspects.

- As promised, we achieved a quick and clear turnaround in 2021, not only reaching our material strategic objectives but even exceeding them for the most part.
- In what was a challenging environment due to the pandemic, we generated consolidated operating profit of 155 million euros in the financial year 2021. This figure was in the upper third of our forecast range and exceeded even our own, very ambitious plans.
- We adopted the right strategy of not stepping on the brakes too hard during the Covid-19 crisis but of supporting our clients and even continuing to generate new business on a selective basis, thereby reinforcing our position and laying the foundation for sustainably – and significantly – higher income.
- It was also important for us that we were able to lower loss allowance in the second pandemic year, 2021, as expected: it was within our forecast. This was due to our sophisticated risk management.

In conclusion, the previous financial year turned out nicely: together with our clients, we have mastered the real stress test – presented by the pandemic – in good shape to date. Aareal Bank Group has therefore once again significantly improved its starting position for future, sustainable growth, as I had summarised at our annual press conference on 24 February.

That was the day Russia launched the invasion of Ukraine.

The day that changed the world.

IV. Developments in the current financial year

Ladies and Gentlemen, the war has been going on for six months now, and there is no end in sight to the suffering of the Ukrainian people. Nor is there any sign of a diplomatic solution.

It has meanwhile become somewhat clearer how serious the political and economic consequences are. Europe has closed ranks, NATO is expanding, and the confrontation is heightening between autocracy and democracy. The significance of security and defence policy has increased immensely. Energy policy is being completely realigned to make us totally independent of fossil fuels from Russia as quickly as possible.

The war has destroyed hopes that we would be well on the way to economic normality after two years defined by the pandemic. The forecasts for this year's economic growth have already crumbled, both globally and in relation to Germany. The imminent gas emergency is raising concerns regarding autumn and winter, especially in this country.

Policymakers are doing what they can to cushion the impact. Public debt is rising as a result and the consolidation that was anticipated following the pandemic-related extraordinary burdens will have to wait. At the same time, exploding energy and commodity prices, as well as the weak euro, are driving up inflation further. Even though the ECB has started to take countermeasures, this is clearly later than other central banks. Nonetheless, doubts remain as to whether it will in fact succeed in breaking the inflation trend quickly – especially since it is now likely to be fuelled by wages too.

We still see opportunities that we are able to exploit, driven in particular by our long-standing, excellent client relationships. However, we now have to take account of the significant changes in overall conditions and be even more selective in the near future.

This year, we have further expanded our portfolio volume to date, preserving the risk sensitivity that is characteristic for us. At the half-year point, it reached 31.3 billion euros, meaning that we have exceeded our original target for the full year 2022 – to increase our lending volume by one billion euros – already after the first six months.

New business has thus been very good so far this year. But the war has not left us unscathed either.

The remaining credit exposure in Russia, which amounts to just over 200 million euros, resulted in a significant one-off charge. Although the client is solvent and willing to pay, we classified the loan as non-performing in the first quarter, due to the sanctions imposed on Russia, recognising impairment charges of around 60 million euros, which were increased to around 83 million euros in the second quarter. Hence, we have adjusted the market value of the two financed office buildings in Russia to a level that is in line with the developments of earlier crises. It remains to be seen whether this proves to be too little or too much in the end.

Overall, loss allowance in the second quarter totalled 58 million euros, a slight increase compared to the first quarter. This figure includes changed risk parameters as well as deteriorated macro-economic forecasts. For the first half of the year, loss allowance therefore amounted to a total of 107 million euros, with the majority of this figure attributable to loss allowance for the residual Russian exposure, as I just mentioned.

Regardless of this individual case, the key quality indicators of our portfolio have continued to improve structurally. What is particularly welcome is that the indicators for hotels and retail properties – asset classes which were particularly hard hit during the course of the coronavirus pandemic – have recovered significantly.

Thanks to our strong operating business, we were able to weather the unexpected Russian loss allowance well. Consolidated operating profit rose to 61 million euros in the second quarter, up by around 50 per cent year-on-year. Overall, this translates into consolidated operating profit of 91 million euros for the first half of the year, up by approximately one quarter on the first six months of 2021.

This year's main driver of results is net interest income, which was up by just under 18 per cent compared to the same period of the previous year. This marked increase was attributable, as mentioned, to continuous expansion of the portfolio volume – and hence of the interest-bearing business – as well as to the still-healthy margins for new business originated during the past quarters.

Alongside net interest income, net commission income is also moving in the right direction: upwards. This is due above all to the continuously positive sales revenue development of our software subsidiary Aareon which recently completed the acquisition of a majority stake in Swedish Momentum Software Group in June. This is its largest acquisition so far and an important milestone in its M&A and internationalisation strategy. It also reinforces our market leadership in Northern Europe.

All told, my take on Aareal Bank Group's performance during the first half of the year is a positive one, in spite of high volatility, increased uncertainty and macroeconomic distortions.

Our good business development continued in the second quarter, across all three segments: the credit portfolio has risen further, as has the volume of deposits. Aareon posted yet another increase in sales revenues.

Our earnings power and financial strength are the best possible basis for the uncertain times ahead. Following the positive development overall so far this year, we are sticking to our forecast for the year 2022 as a whole. As a reminder, when announcing our figures for the first quarter, we had indicated that our consolidated operating profit would probably come in at the lower end of the communicated range of 210 to 250 million euros, due to significant loss allowance for the residual Russian exposure. In this context, we pointed out that this guidance did not include transaction costs for the takeover by the Bidder. Now that the takeover offer has been successful, we recognised these costs – amounting to 12 million euros – in the second quarter. Yet we have not adjusted our earnings forecast downwards. Following the good development in the first half of the year, we believe that we will be able to offset this additional burden through our strong operating performance. In any case, we will be working hard to achieve this – despite the still-impaired macro-economic outlook, and the fact that the impact of the war remains very difficult to assess.

V. Comments on the agenda

Dear shareholders,

Please allow me to add to Professor Dr Wagner's comments with a few words about today's agenda, in particular agenda item 11, where we present a control and profit transfer agreement for approval. It concerns the newly-established subsidiary, Participation Zwölfte Beteiligungs GmbH. German public limited companies law requires the Management Board to provide an explanation of such agreements at the Annual General Meeting. We announced the wording of the agreement – and in particular, the written report on this – upon convening this Annual General Meeting. I would like to refer to them here.

The subsidiary, Participation Zwölfte Beteiligungs GmbH, is a shelf company that will be provided with a profit transfer agreement. This is a precautionary measure to create receiving legal entities for the Bank's potential transactions. Such an inter-company agreement is widely used in practice. Specifically, conclusion of the agreement will achieve fiscal unity, which allows the subsidiary to be included in Aareal Bank Group's consolidated tax group.

Moreover, with the agreement, the subsidiary delegates its corporate management to Aareal Bank AG – a necessary step to safeguard the uniform management of the subsidiary and its integration into Aareal Bank Group. As stated previously, the measure is purely precautionary.

The agreement includes a profit transfer obligation for the subsidiary, in accordance with the provisions of section 301 of the German Public Limited Companies Act as amended. It also comprises a loss-assumption obligation for Aareal Bank AG, in accordance with the provisions of section 302 of the German Public Limited

Companies Act as amended. Beyond that, Aareal Bank AG has no further specific financial obligations.

The agreement has been entered into for a fixed minimum term of five years, but may be terminated for good cause, as stipulated in more detail by the agreement. Since the company in question is a wholly-owned subsidiary of Aareal Bank AG, there are no cover obligations vis-à-vis third-party shareholders, nor is an examination by a court-appointed auditor required.

You will find further details concerning the new control and profit transfer agreement in the documents on our website, in particular the joint written report of the management boards of the companies involved.

The shareholder meeting of Participation Zwölfte Beteiligungs GmbH has already approved the control and profit transfer agreement. The agreement will become legally effective upon its registration in the Commercial Register at the subsidiary’s registered office.

Following this digression regarding the agenda, I will now return to Aareal Bank Group and to our strategic outlook.

VI. Strategic outlook

How will Aareal Bank Group progress beyond the current year, in operational and strategic terms?

We cannot influence geopolitical and macro-economic developments. However, we can anticipate potential risks at an early stage and then actively manage them in the best possible way.

We will also concentrate on implementing our strategy – with the additional support of our new majority shareholders going forward.

We have already agreed on key points and objectives with the investors. We had provided detailed information on this when we concluded the Investment Agreement with the bidder company at the beginning of April.

The parties have identified the banking business as one main area presenting growth opportunities.

In the **Structured Property Financing segment**, additional capital available could allow Aareal Bank to broaden and diversify the volume of its portfolio to an even greater extent than projected to date, in a market phase that offers manifold opportunities for attractive new business. In doing so, Aareal Bank will maintain its conservative risk policy: we will continue to grow, but not at any cost. Controlled growth has always been our motto and carries even greater weight now in view of the current tense environment.

We are also making good progress with our ESG activities. The green share of our international credit portfolio is increasing: at the end of June, the portion of our commercial property portfolio that is collateralised by green buildings stood at 21 per cent, equivalent to a volume of 6.4 billion euros.

We originated around 350 million euros in green new business during the first half of the year. This comprises financings of buildings that meet our green criteria, where clients have contractually undertaken to furnish corresponding evidence throughout the lifetime of the contract. We have added another approximately 200 million euros in green new business since the end of June.

In June of this year, for example, we announced the conclusion of a green financing agreement with Scape Living, a UK property fund and subsidiary of the Dutch pension fund manager APG Asset Management. Specifically, it involves a 157 million pound sterling financing package. In July, we also issued a 200 million euro green loan to RedTree Capital for the acquisition and renovation of a 26,000 sqm office building near Paris according to the highest ESG and market standards.

Our Green Finance Framework now covers the financing as well as the refinancing side. It thus allows us to refinance loans for green properties with green capital market instruments. We have therefore also issued green benchmark bonds this year in excess of one billion euros.

Additionally, we have made significant progress in anchoring ESG aspects throughout the Group in our business and decision-making processes. Our excellent performance in the European Central Bank's last climate stress test confirms that. The overall results published demonstrate the challenges that banks will face in the years ahead. We see ourselves as well positioned in this respect.

In all of this, we will not lose sight of one important framework condition: the investors and the Management Board agree that the Bank should continue to maintain a robust capital base in the future. Specifically, we aim to retain a long-term rating of at least A- from Fitch Ratings for the Bank's senior debt capital. The investors have also agreed to provide additional equity, if required, to enable growth beyond the business plan.

In this context, I am particularly pleased that despite the marked portfolio growth, we were able to report a very strong Common Equity Tier 1 ratio of 19.8 per cent for the second quarter. We are continuing to work on diversifying our sources of funding. In this connection, we have been able to also obtain an issue rating of A3 from Moody's for our unsecured bond issues since July.

Our focus in the **Banking & Digital Solutions segment** (BDS) will be on playing even more to our strengths in the coming months and years. Based on the consensus view amongst management and the financial investors, BDS harbours considerable potential for further capital-efficient growth in net commission income.

The segment can provide even greater support to the housing industry in future with digital banking products, especially in relation to the core offering in payment services. Building on our strong market position, we see – for example – the opportunity to exploit the existing integration of payment services with our clients' ERP systems to provide integrated products and services through our Aareal Exchange & Payment Platform (AEPP) – not least through cross-selling among Aareon's international clients.

BDS is also set to grow through further M&A activities. A good example is the acquisition of CollectAI, one of the renowned names for interactive invoicing and intelligent dunning solutions, which was announced in March. In taking this step, we are expanding our range of services in the BDS segment and creating the opportunity to open up new market and client groups, as well as achieving further growth with existing clients from the housing industry and related sectors.

We will continue to strengthen our deposit base, which is important for our funding, especially in rental deposits – a segment that is very attractive for us. We already exceeded our deposit volume target of around 12 billion euros in the second quarter, with an average of 13.4 billion euros.

Now for our third segment, **Aareon**. We strive to consistently implement the strategy – jointly developed with Advent International as co-shareholder – that aims for significant earnings growth at our software subsidiary. Aareon's new CEO Harry Thomsen, who joined us from SAP on 1 April 2022, repositioned Aareon's management team by getting Dr Ernesto Marinelli and Rumyana Trencheva on board. Ernesto Marinelli is responsible for the newly created Management Board function of Chief People Officer (CPO). Rumyana Trencheva was appointed Chief Market Officer (CMO). This demonstrates the high priority assigned to recruiting and developing employees against the background of Aareon's ambitious growth plans. It also highlights just how important an efficient, international sales operation is, with close proximity to its clients whom it supports throughout the technological innovation cycle. In the operating business, we are making good progress with the challenging switch from a licence-based business model to software-as-a-service or subscriptions. This will secure future revenues.

Aareon remains very active on the acquisition front, with a total of six acquisitions completed in 2021 alone. We are keeping the pace going here. Aareon concluded the aforementioned acquisition of a majority stake in Momentum Software Group in June. In doing so, we are considerably strengthening and improving our market position in the Nordic countries. The Swedish company develops, sells and implements software-as-a-service for property management and energy monitoring. By joining forces, Momentum and Aareon can offer their clients a broader product portfolio, and support the Nordic property sector in further digitalising its workflows.

At the same time, the investments made in previous years are increasingly paying off, and we expect growth to continue to accelerate over the coming years, both in terms of sales revenue and earnings.

Together with our co-shareholder Advent, we aim to gradually develop Aareon into a "Rule of 40" enterprise by 2025. Aareon needs this time to realise its potential. This is best done with the support that a stable shareholder base provides. For this reason, we strongly believe that at this moment in time, Aareon's interests are best served under the umbrella of Aareal Bank Group – and in its long-term partnership with Advent.

VII. Conclusion

Ladies and Gentlemen,

We expect to be able to achieve significantly stronger results over the next few years, not only at our software subsidiary, but at Group level too. Looking ahead, we want to generate consolidated operating profit of around 300 million euros. This equates to a return on equity after taxes of around 8 per cent, based on a CET1 ratio of 15 per cent.

Controlled and sustainable growth in all segments – with our clients, and for our clients – and an increase in profitability: this is, in essence, what we intend to achieve over the next few years.

We are confident that we will achieve this. For good reason.

- Aareal Bank Group is an efficient and financially sound specialist institution with a strong client franchise. We can rely on this.
- Aareal Bank Group has excellent risk management processes in place. Otherwise, we would not have come through the Covid-19 crisis quite as well as we and our clients did.

- Aareal Bank Group pursues a coherent strategy that is increasingly achieving results and is continually developing.
- Last but not least: we have set out a clear direction for us as management. We are doing what is right in the long term; for the Company and for its stakeholders. This is the case today, and will continue to hold true.

Dear shareholders,

For those of you who tendered their shares in the takeover offer, this may be your last Annual General Meeting with us. On behalf of the Management Board, I would like to sincerely thank you for your consideration and commitment in supporting our work.

By accepting the offer, you made the takeover by the bidder company possible in the first place. For us as Aareal Bank Group, this means that essentially we will be able to expedite implementation of our strategy in all three business segments, with the support of the new investors. Especially in the current environment, defined by great uncertainty and volatility, our new ownership structure will help us implement our strategy, by providing additional stability and planning certainty.

To those of you who did not accept the offer and remain invested with us for now: I can assure you that the Management Board will continue to do everything in its power to safeguard the long-term, sustainable success of Aareal Bank Group.

Thank you for your attention.