Analyst Conference Call
Q2 2020 results

August 13, 2020
Hermann J. Merkens, CEO – Marc Hess, CFO

Aareal
YOUR COMPETITIVE ADVANTAGE.

Agenda

- Business development in times of Covid-19 and Highlights Q2/2020
- Asset Quality
- Segments
- Group results Q2 2020
- Capital, B/S, Funding/Liquidity
- Outlook 2020

- Appendix

Business development in times of Covid-19 and Highlights Q2/2020

01

Business development in times of Covid-19

Staying on course: Managing Covid-19 challenges and pursue strategic initiatives consistently

Q1/2020 / May 2020		Q2/2020 / August 2020
What we see: The perfect storm	…	**What we see:** First signs of gradual recovery…
Covid-19 caused the sharpest global recession in post-war history - with dramatic effects on all sectors of the economy		… but more pronounced (than expected) dip and still high Covid-19 risks and uncertainties
How we entered into this crisis: Robust and resilient	…	**How we maneuver through the crisis:** Staying on course
▪ Conservative risk profile ▪ Strong capital base ▪ Solid liquidity position ▪ Well-diversified business		▪ As a reliable partner being in close contact with our clients finding solutions, supporting where necessary ▪ Precautionary model based risk provisioning and value adjustments ▪ Pursue strategic initiatives consistently ▪ Continue de-risking when opportunities arise
What we expect: Gradual recovery	…	**What we expect:** Gradual recovery continuous
Continuous normalisation from mid 2020 onwards, followed by a significant recovery ("swoosh" shaped) in 2021		Sticking to "swoosh scenario" with more pronounced dip considering slightly slower recovery

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Highlights Q2/2020

Slightly positive result in the lock down quarter despite Covid-19 impacts and further successful accelerated de-risking activities

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Solid Group Financials

- Q2 operating profit of € 2 mn considering precautionary risk provisioning and value adjustments as well as further successful accelerated de-risking activities
- Strong capital, funding and liquidity position

Resilient Segment Performance

- SPF:
  - New business: low LTVs and strong, significantly above plan margins partly mitigated by higher funding spreads
  - Precautionary model based risk provisioning and value adjustments
  - Italian NPLs significantly reduced (07/20)
- C/S Bank:
  - As expected, housing industry deposits proven stable
  - Commission income increased in line with guidance
- Aareon:
  - Remaining on track, Covid-19 seen as mid-term catalyst for digitisation
  - Strong sales of digital products

Outlook[1)]

From today's point of view, Aareal Bank Group remains confident that it can achieve a substantially positive consolidated operating profit for the 2020 financial year, i.e. in the mid- to upper double-digit euro million range. Further effects from potential accelerated de-risking measures are not included.

1) Naturally, 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

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Asset quality

02

Asset quality

Actively managing Covid-19 implications

Covid-19 implications

- Normal loan servicing by vast majority of our clients
- In close contact with our clients
  - Review business plans
  - Loan agreements / covenants realigned where necessary
  - Primarily hotel and retail in focus
- Debt service
  - Significant liquidity injections by clients / sponsors, keeping substantial liquidity reserves
  - Governmental programs providing additional support
  - So far, only minor amortisation holidays (€ 76 mn) and credit / liquidity lines (€ 84 mn) granted by Aareal Bank
- Property values
  - As external appraisals were not possible / realisable, LTVs[1)] and RWAs[2)] are hardly affected so far, Ø portfolio LTV of 57% with little variance reflects good entry level however
- P/L
  - Precautionary model based risks provisioning (management overlays) anticipating possible changes in property value
  - Covid-19 related impact of € 44 mn (LLP and fvpl-results) in Q2 (H1/20: € 94 mn), thereof management overlays of € 33 mn (H1/20: € 50 mn); additionally scenario based value adjustments of € 13 mn for own assets (Other expenses)

Uncertainties continue, but Aareal has comfortable headroom due to conservative risk parameters and a solid capital position

1) LTV pre Covid-19, as at 30.06.2020
2) Ratings not yet reflecting potential changes from management overlays

Asset quality: Hotel Portfolio

Actively managing Covid-19 implications

Hotel	

Hotel	▪ Hotel of € 8.7 bn focussing on 4-5 star properties within city centres
	▪ Well diversified portfolio with respect to region and demand sources
	▪ Based on current market research it is expected that
	  ▫ The leisure segment will recover first, which has already been witnessed by strong bookings in drive-to holiday and city locations
	  ▫ The corporate segment will follow thereafter and the speed of recovery will be more visible after the summer holidays as of September
	  ▫ The MICE segment will take the longest to recover, and will depend on local regulations regarding permitted size of events as well as on the configuration of the meeting facilities within the individual hotels
	▪ Only appr. 10% of our portfolio with expected prolonged recovery period, e.g. luxury, airport hotels, convention
	▪ Ø YoD from 9.6% (in Q1 2020) to 4.5% as a consequence of the crises, however still positive
	▪ Over 90% of the total volume based on management contracts
	▪ Over 90% with large international hotel brands
	▪ Pre-crisis, as the hotel industry has gone through 10 consecutive years of RevPAR (revenue per available room) growth in all major markets a large share of our hotel owners have been able to build substantial reserves
	▪ Investment finance only, no developments
	▪ Good entry LTV of 56% on total hotel portfolio, only € 37 mn with LTV[1)] > 70% only € 37 mn
	▪ Defaulted exposure: € 178 mn
	(€ 152 mn as at 07/2020, NPL ratio of hotel portfolio: 1.8% vs. total NPL ratio of 3.7%)

1) LTV pre Covid-19, as at 30.06.2020

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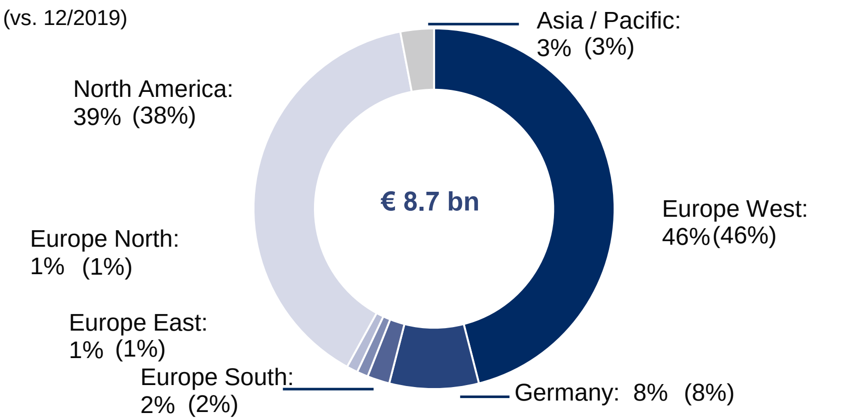
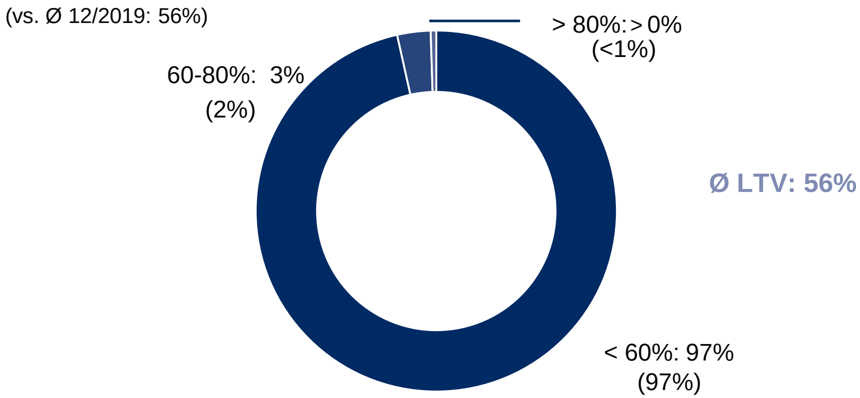
Asset quality: Hotel Portfolio

Hotel portfolio well positioned to master Covid-19 crisis

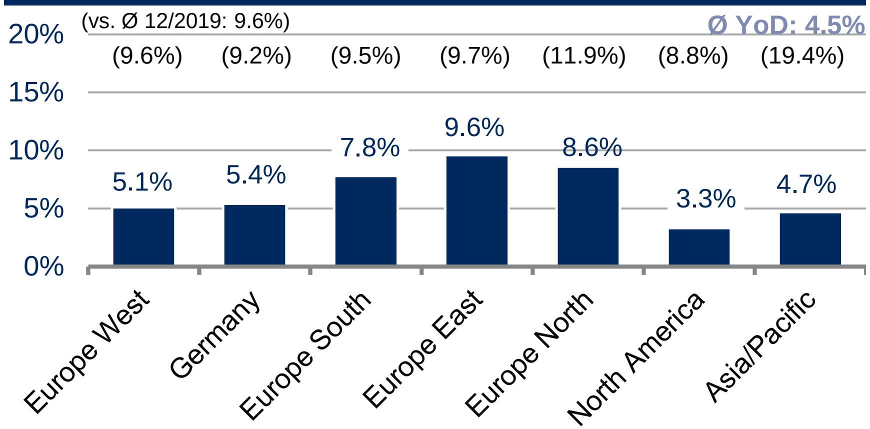
Hotel Portfolio by region



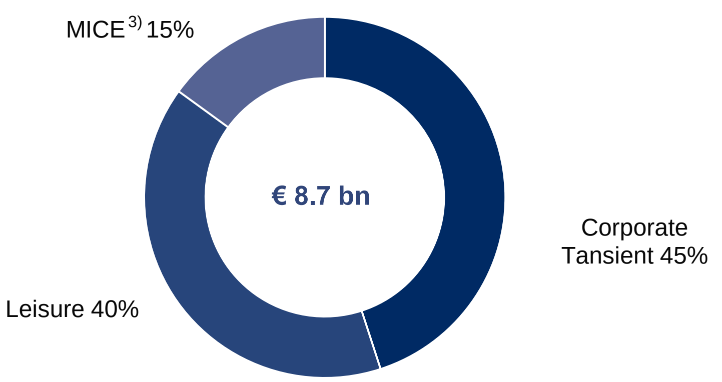
Hotel Portfolio by LTV ranges1)



Yield on debt



Hotel Portfolio by Demand Sources2)



1) Performing CREF-portfolio only, LTV pre Covid-19, as at 30.06.2020
2) Approx. share of revenue sources, individual hotels may generate revenues out of al 3 sources
3) MICE (Meetings Incentives Conventions Exhibitions/Events)

Asset quality: Retail Portfolio

Actively managing Covid-19 implications

Retail

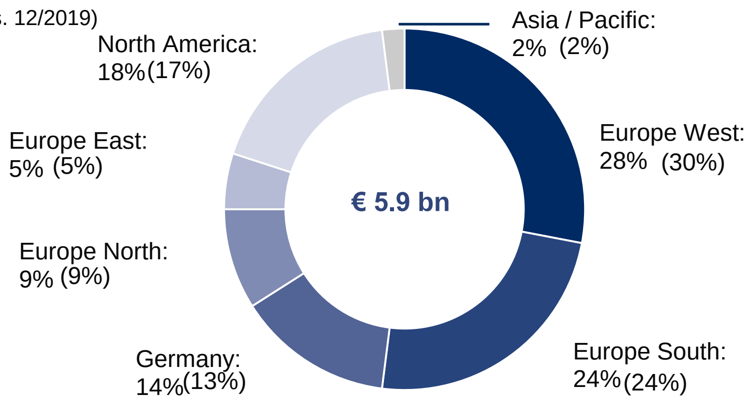
- Retail portfolio of € 5.9 bn, thereof ~80% of total portfolio located in Europe
- Largest portfolio share in UK (~€ 1.1 bn), US (~€ 1.1 bn), DE and ES (~€ 0.8 bn each) and IT (~€ 0.7 bn) with substantial state support programs for tenants in place
- All major markets already lifted lock down measures but retail activities partially still limited by safety requirements
- Footfall still below pre-crisis level, but first sign from re-openings indicate positive signals to get back to normality. In many centres sales revenue per customer increased
- Covid-19 related Ø YoD decrease so far limited from 9.6% in Q1 2020 to 8.6% in Q2 2020
- Based on current market research it is expected that
  - Malls: Accelerated transformation of the retail concepts is expected such that the dominant assets which fulfill omnichannel requirements will recover faster
  - Retail parks are less impacted and seem to be more compatible with the safety and health requirements due to Covid-19. Supermarkets hardly effected by lock-down due to the importance in the daily supply
  - Prime- / Luxury-High-Street segments seem to recover faster in some markets (e.g. Asia) although still travel prohibitions in place
- Highly committed and professional sponsors with high quality assets
- Good entry LTV[1)] of 59% -
  on total retail portfolio only € 182 mn > 70% / € 103 mn > 80% / € 60 mn > 90%
- Investment finance only, no developments
- Defaulted exposure: € 369 mn

1) LTV pre Covid-19, as at 30.06.2020

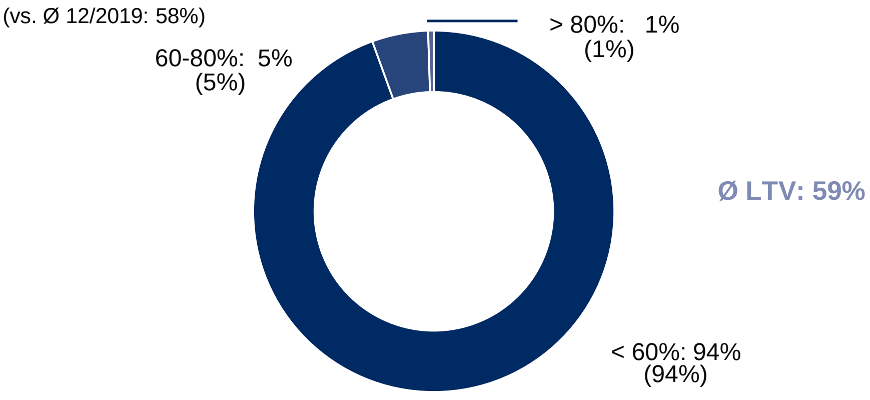
Asset quality: Retail Portfolio

Retail portfolio well positioned to weather Covid-19

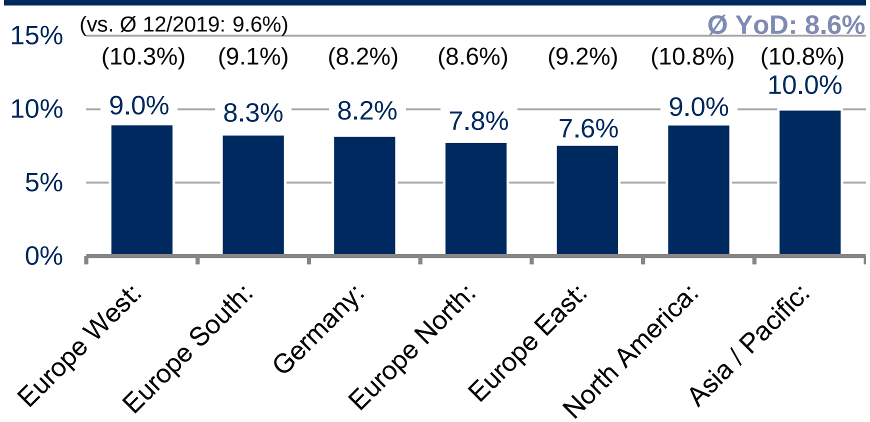
Retail Portfolio by region



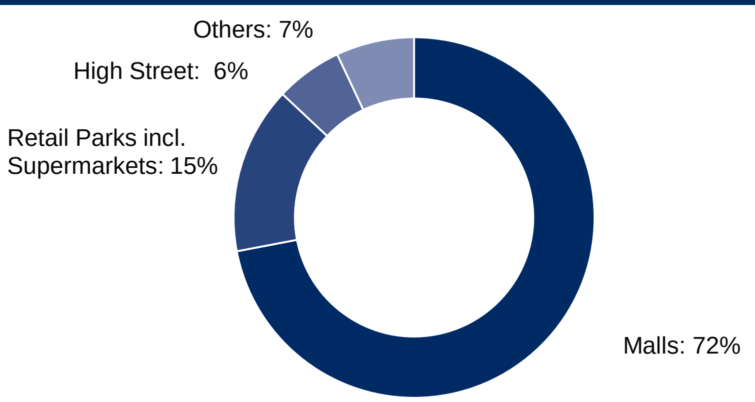
Retail Portfolio by LTV ranges[1)]



Yield on debt



Retail Portfolio by category[2)]



1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020
2) Estimate only due to hybrid character of some assets

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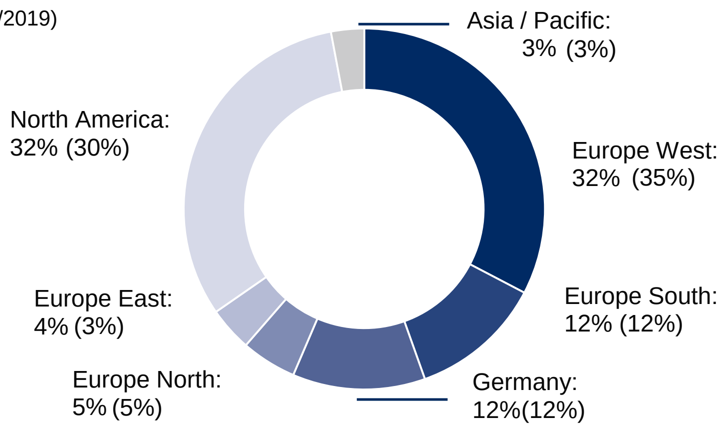
Commercial real estate finance portfolio (CREF)

€ 25.6 bn highly diversified

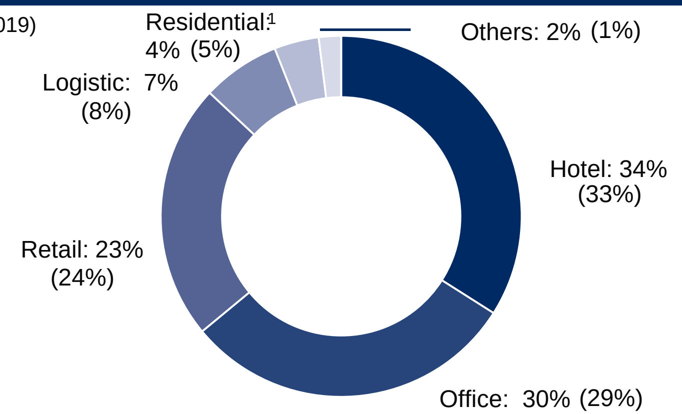
Portfolio by region

(vs. 12/2019)



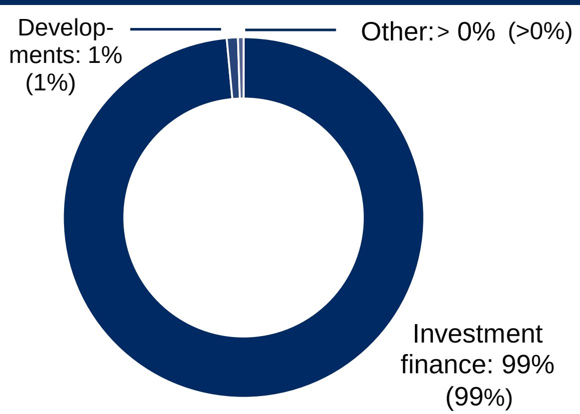
Portfolio by property type

(vs. 12/2019)



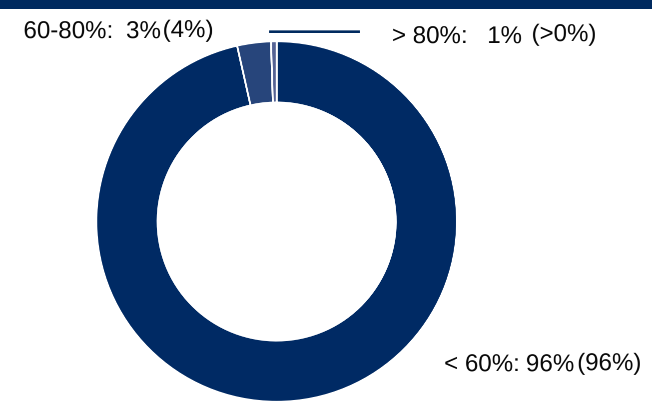
Portfolio by product type

(vs. 12/2019)



Portfolio by LTV ranges[2)]

(vs. 12/2019)



1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

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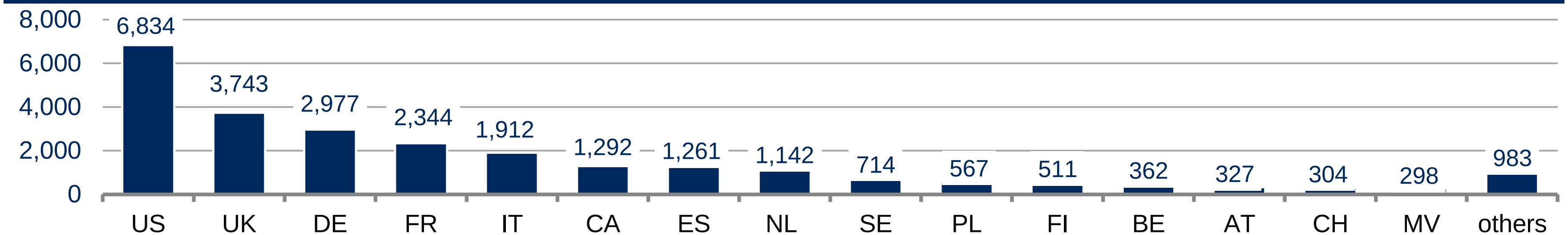
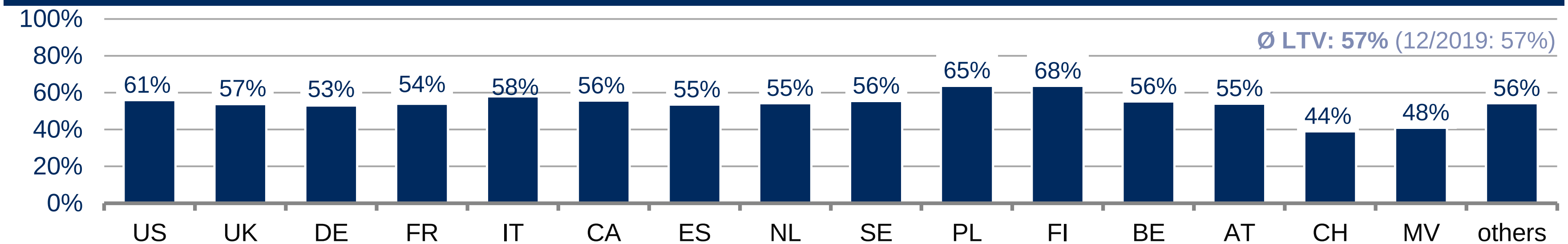
Commercial real estate finance portfolio (CREF) by country

€ 25.6 bn highly diversified

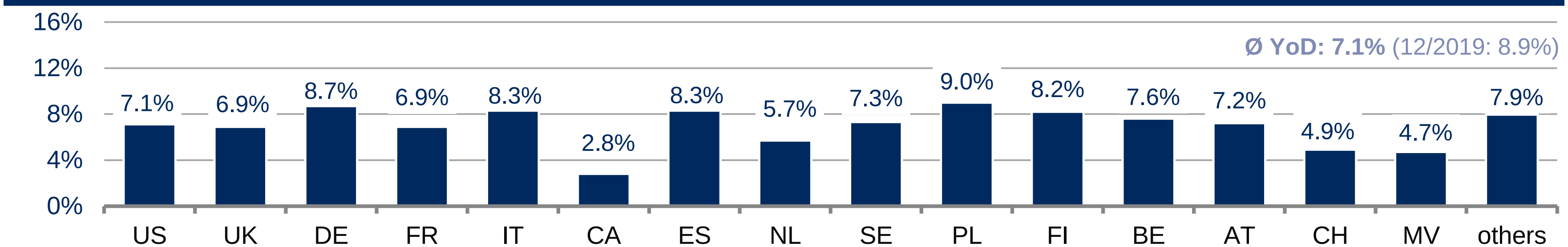
CREF portfolio (€ mn)



LTV[1)]



YoD[1)]

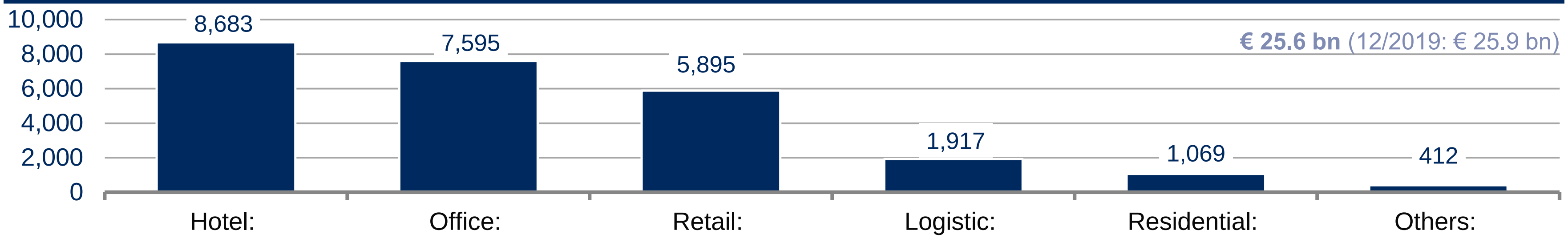


1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

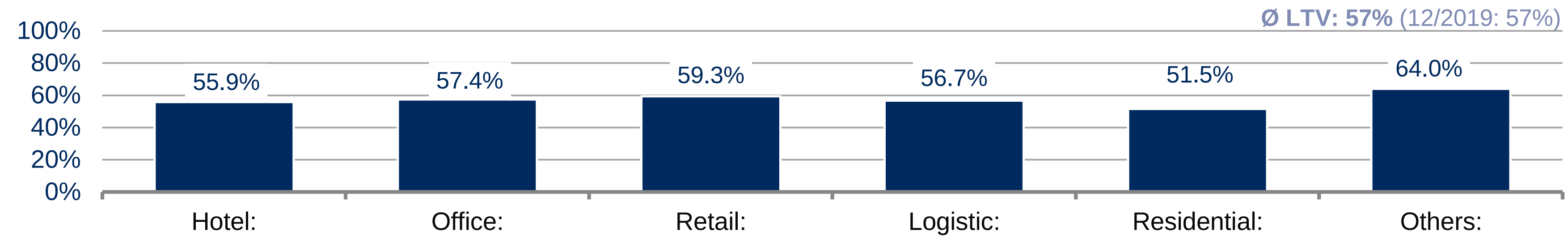
Commercial real estate finance portfolio (CREF) by property types

€ 25.6 bn highly diversified

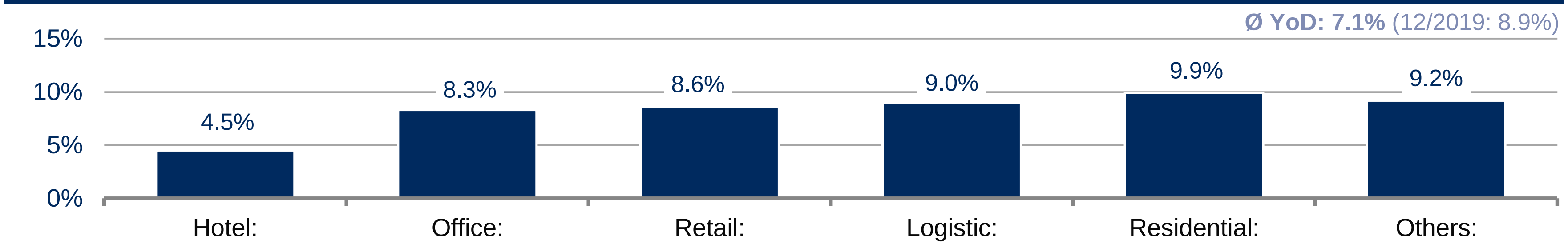
CREF portfolio (€ mn)



LTV1)



YoD1)



1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

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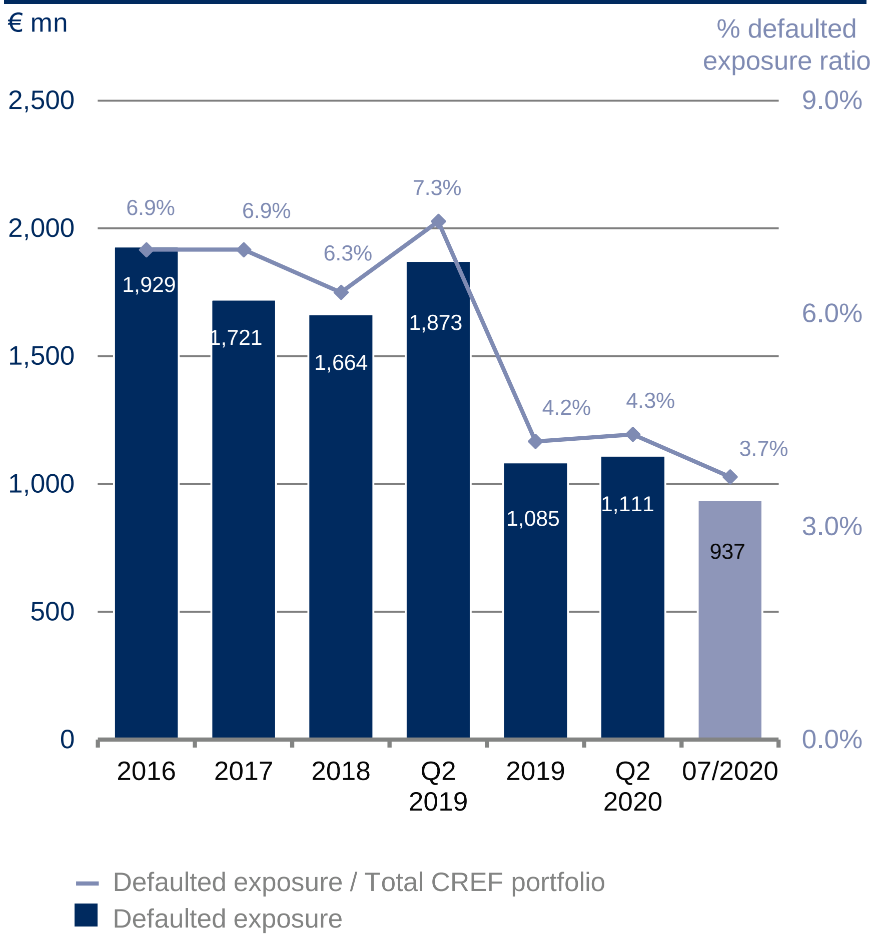
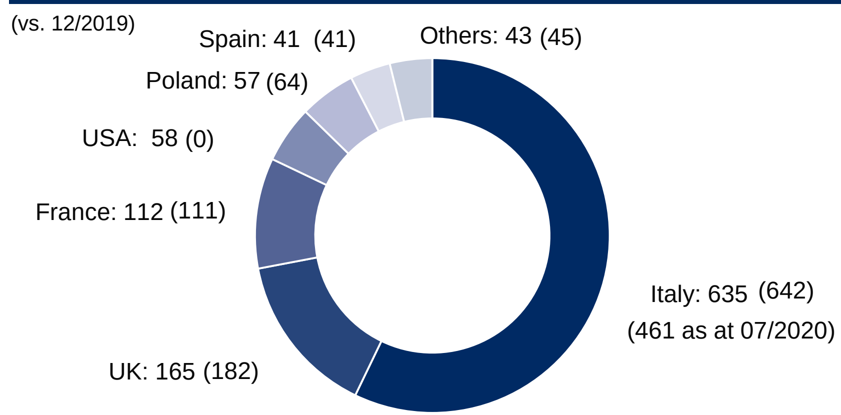
Defaulted exposure

NPL portfolio further reduced by successful acc. de-risking activities

Development of defaulted exposure



Defaulted exposure by country (€ mn)



- Successful accelerated de-risking activities in July 2020 (LLP already booked in Q2)
  - Total NPL portfolio below € 1 bn
  - Italian NPLs down to < 500 mn
- Opportunities for further accelerated de-risking will be assessed if they emerge

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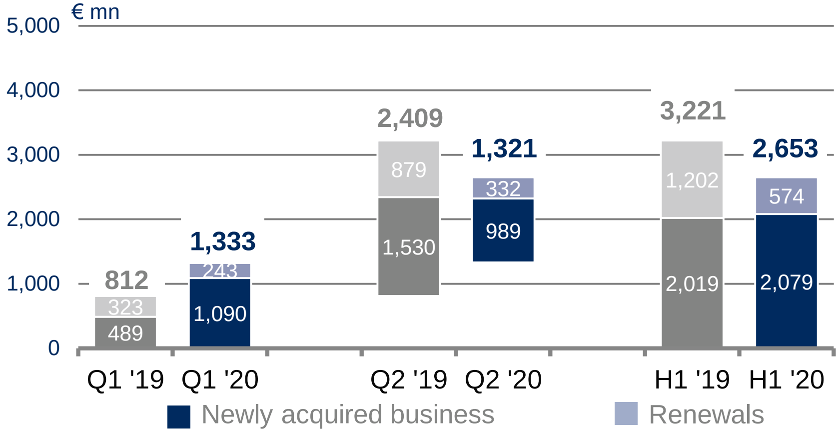
Segments

03

Segment: Structure Property Financing

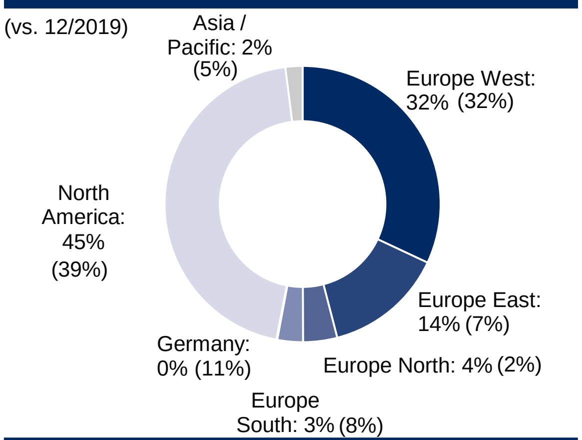
Strong new business margins, significantly above plan

New business by quarter[1)]

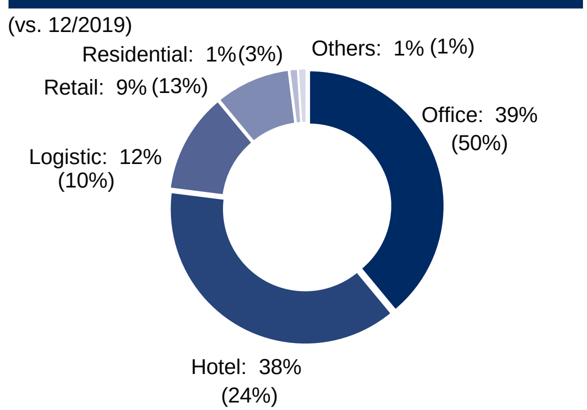


- Newly acquired business in Q2:
  - Margins of ~235 bp above plan (180-190 bps)
  - Strong Ø LTV of 54%
  - Volume despite Covid-19 related lock down in April and May on Q1 2020-level
- Portfolio size at lower end of range (€ 26 - 28 bn) due to Covid-19.
  Increase in H2 expected to upper half of guided range tapping business opportunities

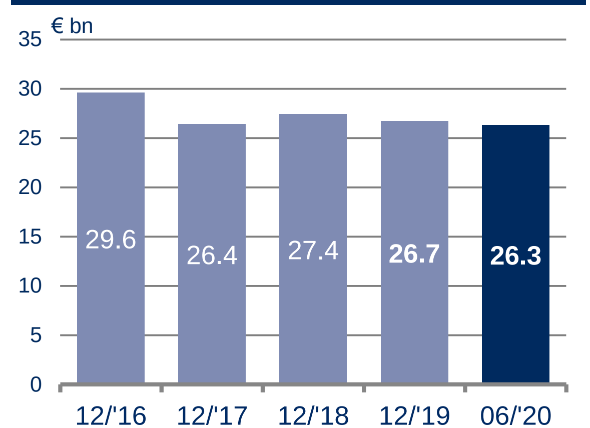
Q2-new business by region[1)]



Q2-new business by property type[1)]



REF portfolio development



1) Incl. renewals

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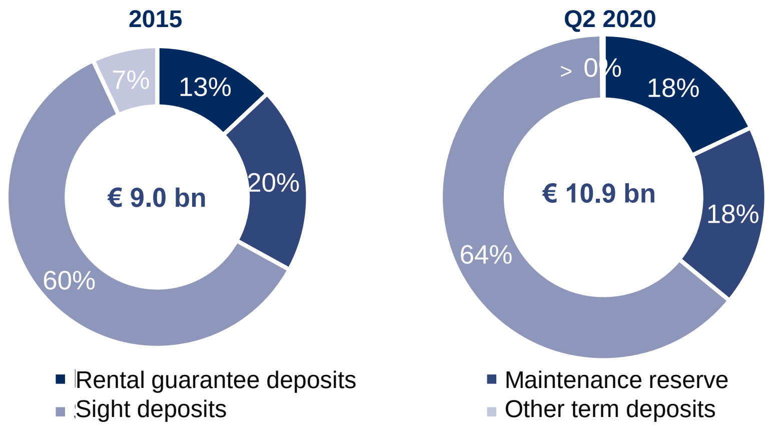
Segment: Consulting/Services Bank

Housing industry deposits proven stable, NCI in line with guidance

Split of deposits by type



€ mn	Q2 ‘19	Q3 ’19	Q4 ’19	Q1 ’20	Q2 ‘20
Net interest income	-3	-4	-5	10	10
Net commission income	6	7	6	5	7
Admin expenses	19	20	16	18	17
Net other operating income	-1	0	1	0	0
Operating profit	-17	-17	-14	-3	0

- Despite Covid-19 deposit volume increased to € 10.9 bn (from € 10.7 bn in Q2 2019)
- Structure further improved, sticky rental guarantee deposits grown up to ~ € 2 bn
- Q2 NII stable at € 10 mn / H1 ’20 at € 20 mn (Q2 ’19: € -3 mn / H1 ’19: € -6 mn)
  Improvement in current year mainly due to adjusted modelling and transfer pricing, reflecting value of stable funding source
- Net commission income further improved;
  H1 result in line with guidance of +13% CAGR
- Due to higher short term interest rates and Covid-19 related underspend segment FY-EBT now expected at ~ € -10 mn (original guidance ~ € -20 mn)
- Unlocking further business opportunities, e.g. joint-venture with ista (“objego”)

Segment: Aareon

Potential partners' supporting Aareon's strategy and value creation levers

Strategic evolution of Aareon…

Announcement "Aareal 2020" in Feb. 2016

- Drive ERP adoption and international expansion
- Focusing on delivering sustainable growth
- Develop first digital solutions

Aareon Investor Seminar in May 2019

- Embark next chapter with accelerating the growth program on an organic basis
- Drive digital solutions business and foster innovation

Announcement "Aareal Next Level" in Jan. 2020

- **Accelerate** the organic growth program as well as expedite inorganic initiatives through systematic and institutionalized M&A activities to drive RPU, Units and recurring revenues

Launch minority sales process in May 2020

- Join forces with a potential partner, in order to further strengthen Aareon's organic and inorganic growth prospects

Unlock potential and elevate growth opportunities

… and current positioning

European leader for real estate software, serving c.3,000 customers and 10m+ units in DACH, Netherlands, France, Nordics and the UK

Business-critical ERP Solutions and a broad suite of **modular Digital Solutions** including a **cloud-native PaaS platform and enabling new technologies**, e.g. Artificial Intelligence based Virtual Assistant

Sustainable and **resilient business model** with **robust downside protection** through high level of recurring revenue and low churn, delivering **decades of consistent, profitable growth**

Experienced leadership team combining deep **software** and **real estate expertise**, poised to ramp up inorganic growth by building on a successful M&A track record

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Segment: Aareon

Remaining on track, Covid-19 seen as mid-term catalyst for digitisation

P&L Aareon segment - Industry format[1)] € mn	H1 '19	H2 '19	H1 '20	Δ H1 '20 / '19
Sales revenue	122	130	126	3%
▪ *Thereof ERP revenue*	*99*	*102*	*96*	*-3%*
▪ *Thereof Digital revenue*	*23*	*28*	*30*	*27%*
Costs[2)]	-94	-97	-102	9%
▪ *Thereof material costs*	*-21*	*-23*	*-23*	*11%*
EBITDA	**28**	**33**	**24**	**-17%**
New products / Inorganic[3)]	0	-2	-3	>100%
One-offs	0	0	0	
Adj. EBITDA	**29**	**35**	**26**	**-8%**
EBITDA	**28**	**33**	**24**	**-17%**
D&A / Financial result	-12	-12	-13	14%
EBT / Operating profit	**17**	**20**	**10**	**-38%**

- Sales revenues increased by € 4 mn to € 126 mn (+3%); Q1 was mostly unaffected by Corona whereas Q2 is expected to bear the brunt of the Covid-19 impact (€ -5 mn adj. EBITDA against initial outlook)
- As of now, Aareon confirms Q1 guided crisis impact with an adjusted EBITDA effect in FY 20 of approx. € -10 mn
- Crisis seen as a catalyst for digitisation creating future business opportunities for Aareon
- Mid term 2025 targets and commitments remain in place
- Digital revenues grew by 27% yoy based on higher penetration with existing digital products and CalCon
- Recurring revenues share (LTM) of 65% (last year 63%) increased from high level underpinning the downside protected business model
- Costs increased as expected to € 102 mn – mainly driven by higher number of FTEs (CalCon acquisition) as well as additional € 3 mn investments supporting Aareon's growth strategy

1) Calculation refers to unrounded numbers
2) Incl. capitalised software and other income
3) Incl. strategic investments, venture and M&A related costs

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Group results Q2 2020

04

Q2 results 2020

Considering precautionary risk provisioning and value adjustments as well as further successful acc. de-risking activities

€ mn	Q2 ’19	Q3 ’19	Q4 ’19	Q1 ’20	Q2 ‘20	Q2 2020-Comments
Net interest income	134	134	130	123	122	Stable on Q1, increase in H2 expected
Derecognition result	11	15	22	7	9	€ 5 mn from pre-payments, € 4 mn liability buy-backs
Loss allowance	23	27	35	58	48	Incl. precautionary model based risks provisioning and effects from further acc. de-risking
Net commission income	57	54	65	57	54	Aareon with strong sales of digital products
FV- / hedge-result	-7	2	-4	11	-16	Incl. precautionary model based value adjustments of NPL (fvpl)
Admin expenses	112	114	118	129	109	Reflecting cost management during Covid-19 crises, incl. investments in Aareon growth
Others	*1*	*0*	*2*	*0*	*-10*	Incl. Covid-19 scenario based internal value adjustments of own assets
Operating profit (EBT)	**61**	**64**	**62**	**11**	**2**	Considering precautionary risk provisioning and value adjustments as well as further successful de-risking activities
Income taxes	20	24	20	4	-7	DTA from unused loss carryforwards
Minorities / AT1	4	5	4	5	4	
Consolidated net income allocated to ord. shareholders	**37**	**35**	**38**	**2**	**5**	
Earnings per share (€)	0.61	0.60	0.62	0.04	0.07	

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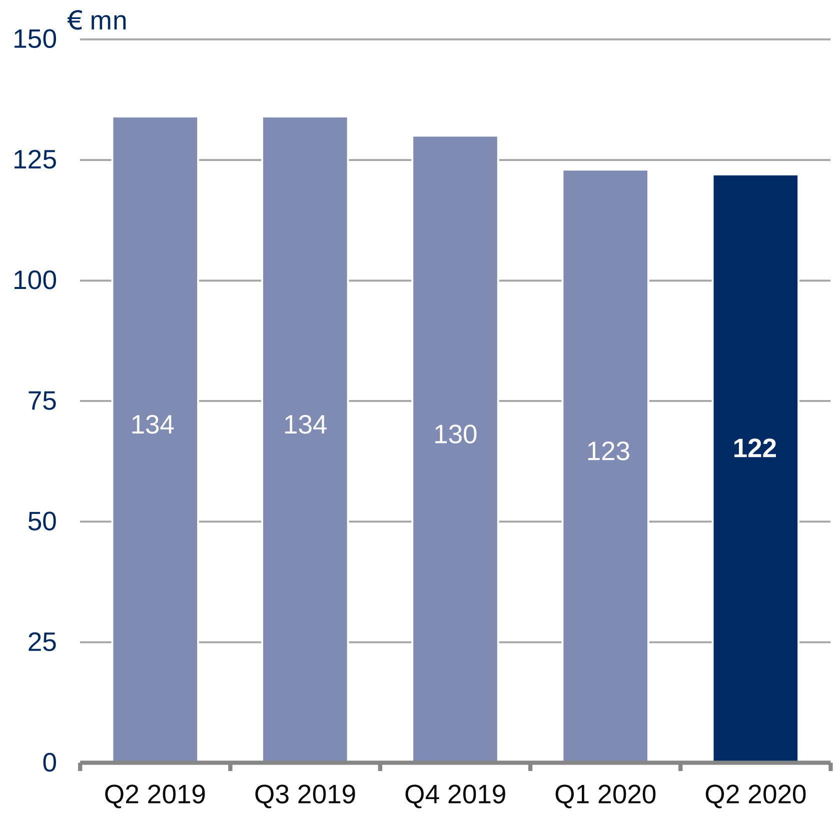
Net interest income (NII)

Stable on Q1, increase in H2 expected

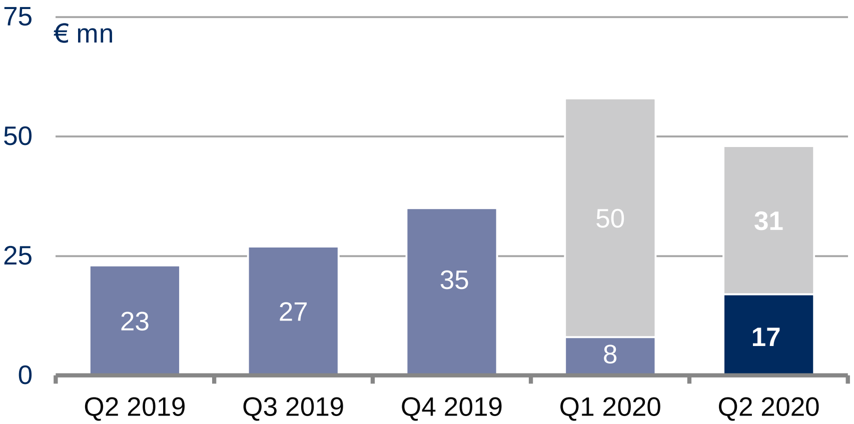


- Successful de-risking activities in 2019 led to a lower CREF- and TR portfolio
- Market transaction volume dropped sharply in Q2 due to Covid-19 related lock down - prevented portfolio growth
- NII increase in H2 expected by using attractive business opportunities unfolded in the crisis.
  YE-portfolio size in the upper half of guided range expected (€ 26 - 28 mn)
- In H2, NII expected to benefit from TLTRO bonus (over 12 month, € 20 mn max., likely to be partially shared with creditors)

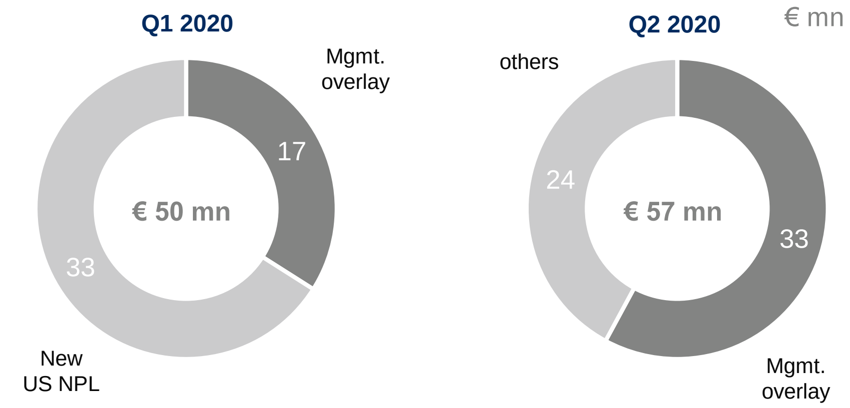
Loss allowance (LLP) / Others

Incl. precautionary model based risks provisioning and effects from further acc. de-risking

LLP



Covid-19 related impact



- Q1-LLP with
  - € 8 mn normalised provisioning
  - € 50 mn Covid-19 related provisioning (thereof € 17 mn management overlay)
- Q2-LLP as a combination of
  - € 17 mn normalised provisioning (thereof € 9 mn further de-risking activities in 07/20)
  - € 31 mn Covid-19 related provisioning (thereof € 20 mn management overlay)
- LLP in Q2 not diluted by new NPL
- H1 incl. € 26 mn (net) Stage 1/2 related LLP, LLP stock related to Stage 1/2 increased by 64% from € 39 mn to € 64 mn

- Covid-19 (asset quality) related impact of € 107 mn in H1, thereof € 50 mn management overlay
- € 107 mn in H1 reflected in the following P/L positions
  - € 81 mn LLP (thereof € 37 mn management overlay)
  - € 13 mn fvpl result (thereof € 13 mn management overlay)
  - € 13 mn other expenses (scenario based value adjustments for own assets)

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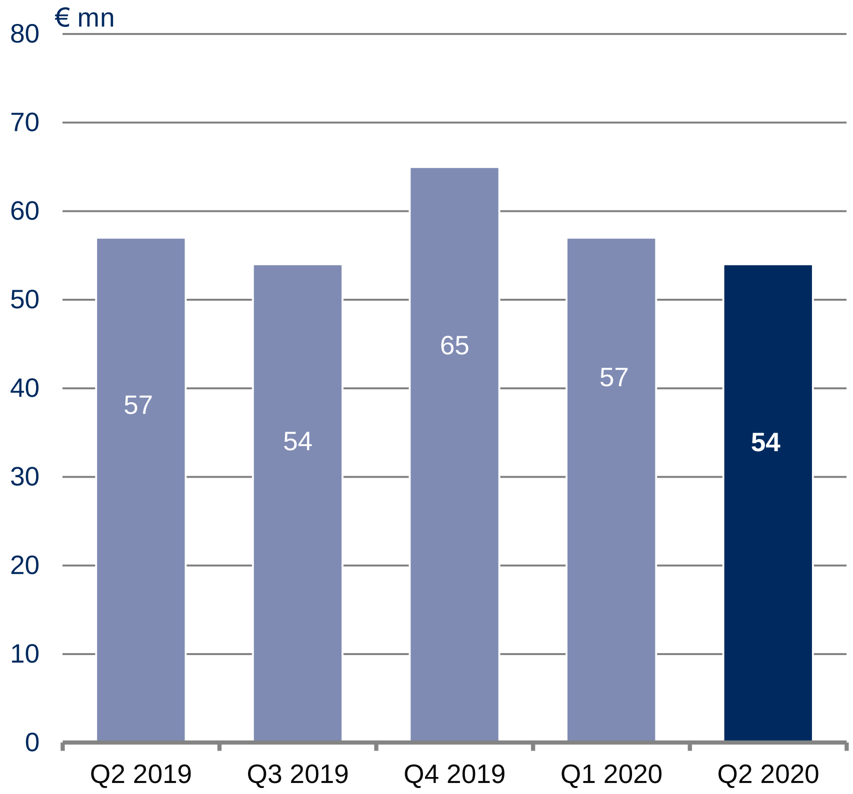
Net commission income

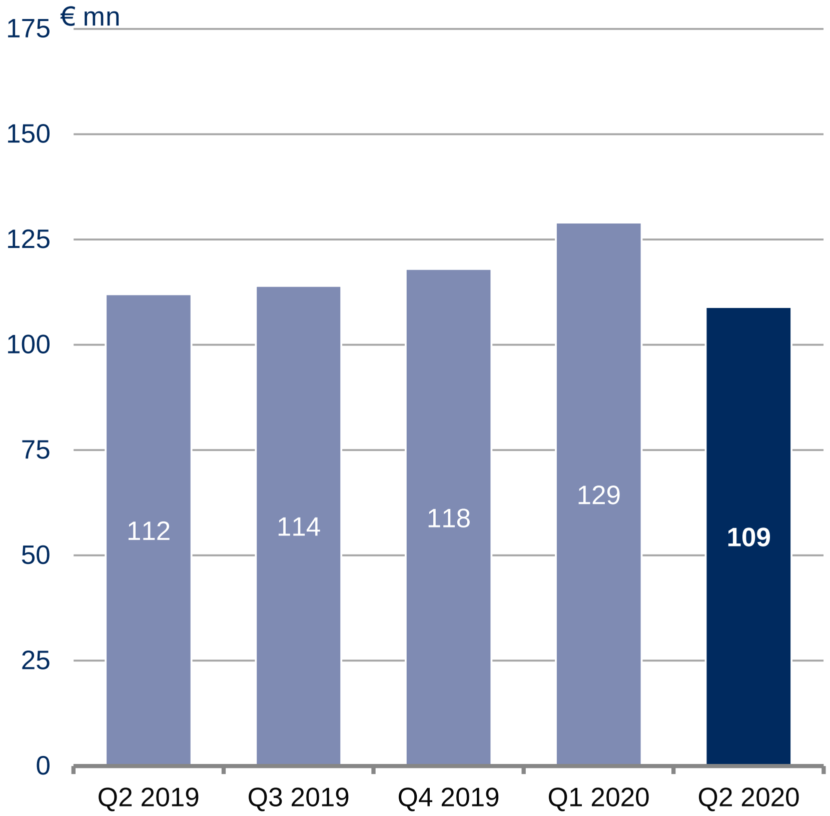
Aareon with strong sales of digital products



- NCI of € 111 mn on H1 2019 level of € 110 mn, despite Covid-19 related impact
- Aareon's sales revenue slightly diluted by lock down related lower consultancy revenues
  - Digital revenues grew by 27% in H1 2020 (vs. H1 2019) based on higher penetration with existing digital products and CalCon
- C/S Bank increased contribution to € 7 mn in Q2 (€ 5 mn in Q1) in line with guidance

Admin expenses

Reflecting cost management during Covid-19 crises, incl. Aareon growth



Decrease of admin expenses in Q2 2020 vs.

- Q1 2020: € -20 mn
  mainly € 18 mn European bank levy and ESF
- Q2 2019: € -3 mn
  - Aareon: € 3 mn, thereof
    - € 2 mn strategic investments
    - € 2 mn CalCon
    - € -1 mn growth vs. Covid-19 related underspend
  - Bank: € -6 mn, thereof
    - € -2 mn DHB integration
    - € -4 mn Covid-19 related underspend

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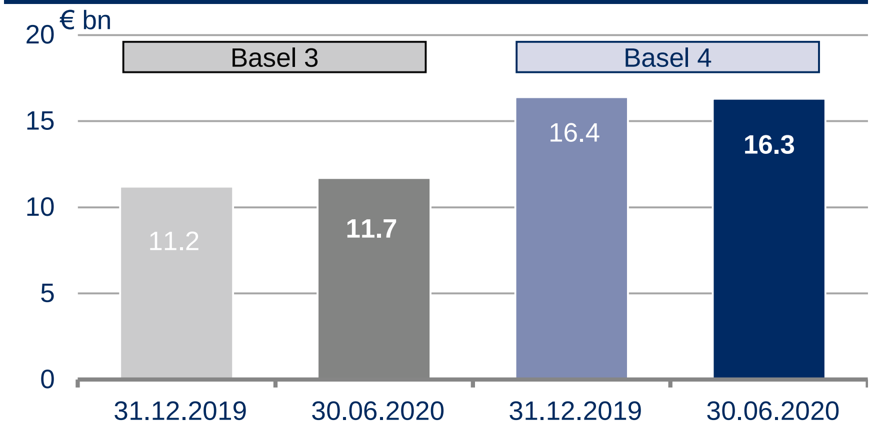
Capital, B/S, Funding/Liquidity

05

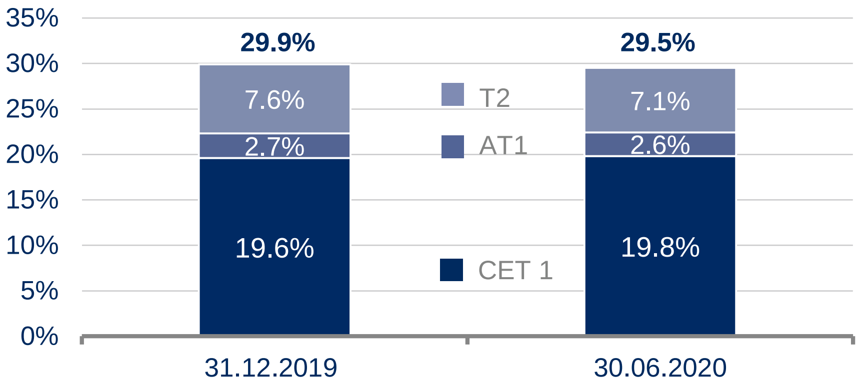
Capital
Solid capital ratios

B3 / B4[1)] RWA[2)]

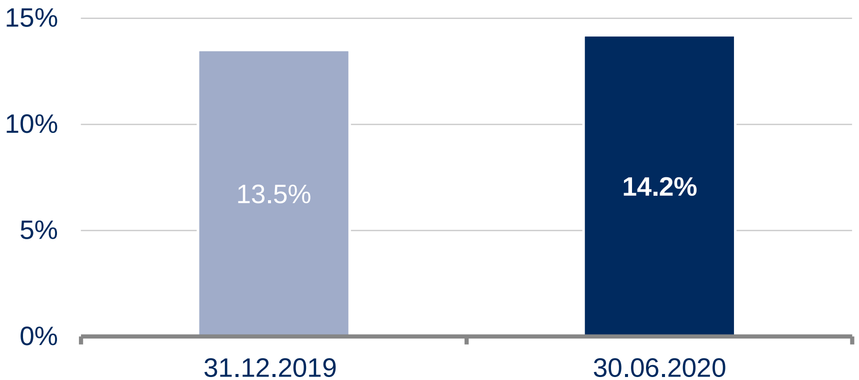


- Capital ratios significant above SREP requirements
- Slight B3-RWA increase in Q2 due to slightly higher portfolio and first Covid-19 effects
- Additional Covid-19 impact on B3-RWA in H2 expected mitigated by CRR3 Quick-Fix
- B4-RWA less exposed to Covid-19 volatility due to floor
- Significant CET1, AT1 and T2 buffers; continuously reviewed regarding optimisation potential in the context of the total capital management and group strategy
- T1-Leverage ratio still 5.8% despite TLTRO participation
- Remaining regulatory uncertainties (models, ICAAP, ILAAP, B4 etc.): modelled RWA's may further inflate

B3 capital ratio[3)]



B4 CET 1 ratio[1)]



1) Underlying RWA estimate, given a 72.5 % output floor based on the final Basel Committee framework dated 7 December 2017, calculation subject to outstanding EU implementation as well as the implementation of further regulatory requirements
2) Ratings not yet reflecting potential changes from management overlays
3) When calculating own funds as at 30 June 2020, interim profits were taken into account, deducting the pro-rata dividend in line with the dividend policy, and incorporating the pro-rata accrual of net interest payable on the AT1 bond. Moreover, the expected relevant impact of the TRIM exercise on commercial property financings, and of the SREP recommendations concerning the NPL inventory as well as the ECB's NPL guidelines for exposures newly classified as NPLs, were taken into account for determining regulatory indicators.

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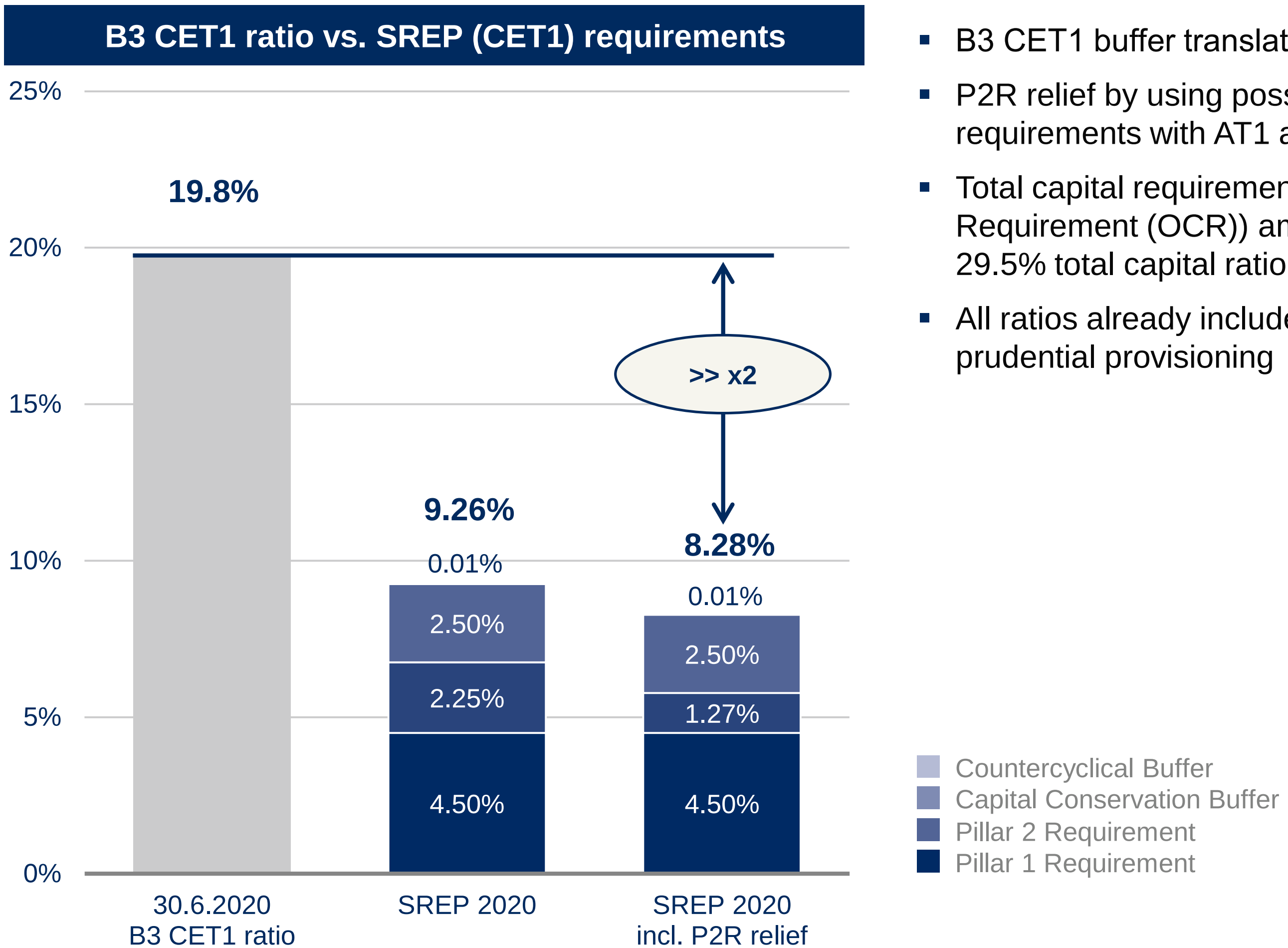
SREP (CET 1) requirements

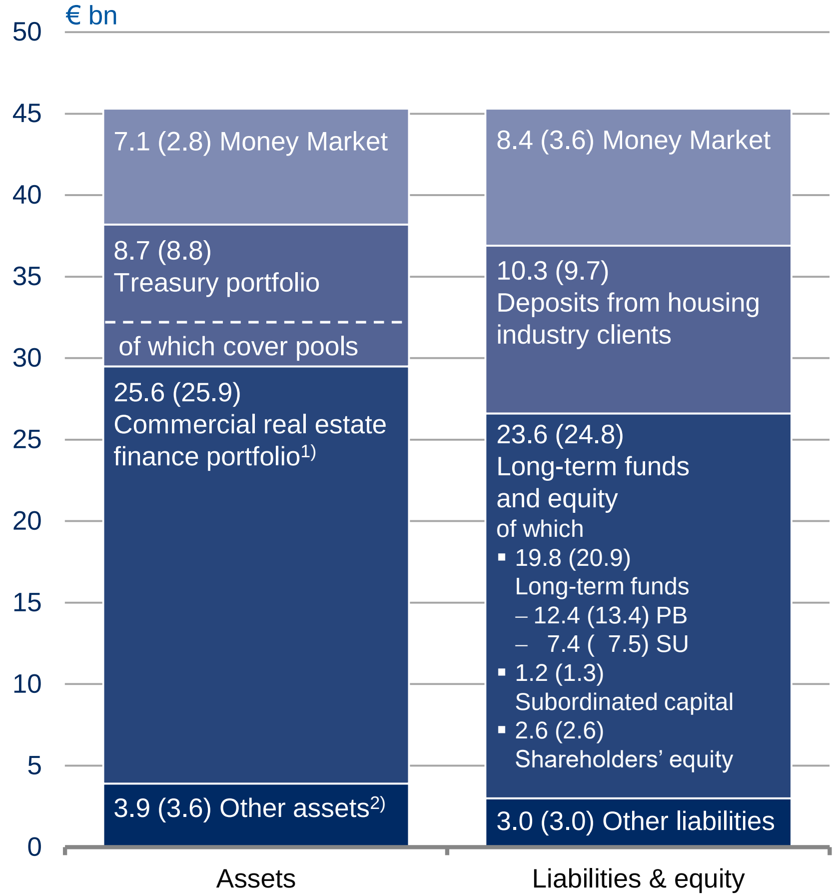
Demonstrating conservative and sustainable business model



- B3 CET1 buffer translates into > € 1.3 bn
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement 2020 (Overall Capital Requirement (OCR)) amounts to 12.8% compared to 29.5% total capital ratio
- All ratios already include TRIM effects as well as prudential provisioning

B/S structure according to IFRS

As at 30.06.2020: € 45.3 bn (31.12.2019: € 41.1 bn)

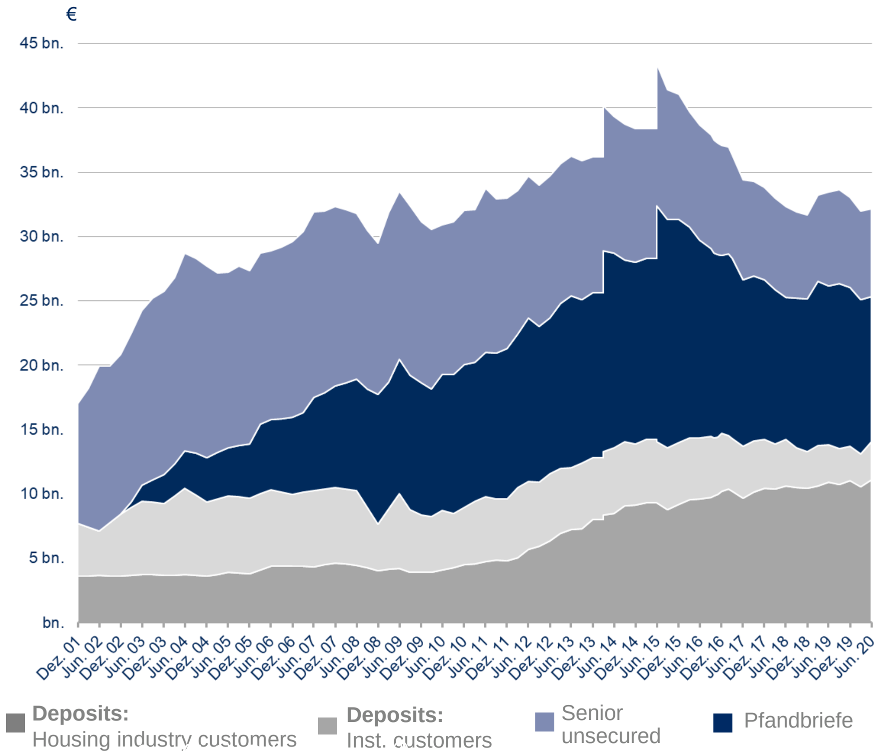


- Well balanced B/S structure
- Temporary significant increase of total assets due to participation in ECBs' TLTRO (> € 4 bn) currently reflected in money market positions

1) CREF-portfolio only, private client business (€ 0.4 bn) and WIB's public sector loans (€ 0.3 bn) not included
2) Other assets includes € 0.4 bn private client portfolio and WIB's € 0.3 bn public sector loans

Funding / Liquidity

Diversified funding sources and distribution channels



- Sustainable and strong housing industry deposit base stays at a high level of well diversified funding mix
- Successful issuance of several senior unsecured private placements during the first 6 months with a total volume of close to € 500 mn (H1 2019: € 143 mn)
- Liability buy-backs to improve secondary market liquidity driven by investor demand
- Participation in the latest TLTRO III with a volume of more than € 4 bn
  - TLTRO offers attractive refinancing costs[1)] for a maximum of three years
  - Additional option for bonus of 50 bps for one year, if the relevant loan portfolio stays at least at the same level
- Liquidity ratios significantly over fulfilled:
  - NSFR > 100%
  - LCR >> 100%

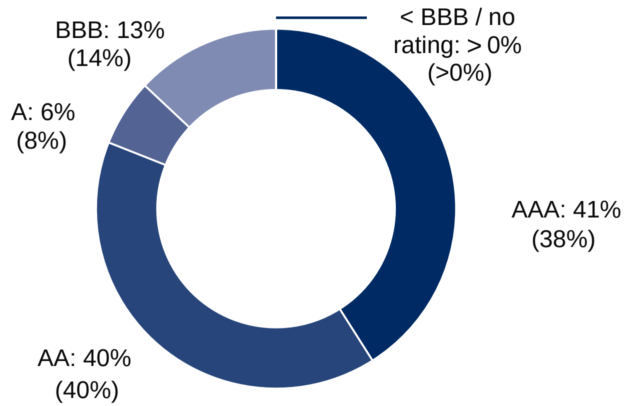
1) ECB deposit facility rate currently -0,50%

Treasury portfolio

€ 7.2 bn (2019: € 7.3 bn) of high quality and highly liquid assets

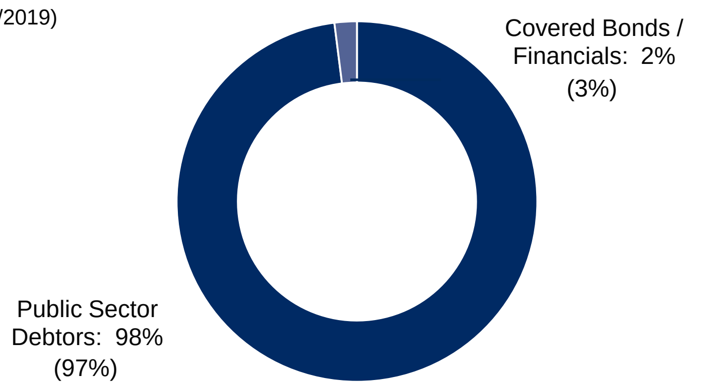
by rating[1)]

(vs. 12/2019)



by asset class

(vs. 12/2019)



- Asset quality slightly further improved

As at 30.06.2020 – all figures are nominal amounts

1) Composite Rating

Outlook 2020

06

Outlook 2020 confirmed

We had qualified our annual forecast published in the 2019 Annual Report, noting that the impact of the COVID-19 pandemic cannot be reliably estimated and that it is thus impossible to anticipate the consequences for business and earnings development.

In the remaining course of the year and in addition to our strategic initiatives as part of “Aareal Next Level” we focus to overcome the challenges and impacts from the Covid-19 pandemic together with our clients.

Crucial Question:	When will the economic recovery kick-in? With what momentum?
Our assumption:	We assume a continuous normalisation of the global economy from mid 2020 onwards followed by a significant recovery (“Swoosh” shaped) in 2021 / 2022
Our Outlook:	From today’s point of view, Aareal Bank Group remains confident that it can achieve a substantially positive consolidated operating profit for the 2020 financial year, i.e. in the mid- to upper double-digit euro million range. Further effects from potential accelerated de-risking measures are not included.

Naturally, 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.

Key Takeaways

07

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Key takeaways

Robust business in tough times	**Resilient performance**	Aareal Group stays positive on operating profit and EpS-level despite significant Covid-19 related burdens, thanks to its strong business performance
	Manageable risks	Precautionary model based risk provisioning and value adjustments, combined with a highly intense monitoring of the credit portfolio to keep Covid-19 impact under control
	Strong capital and liquidity position	Aareal Group is well-equipped to weather burdens from Covid-19
	Confirmed guidance	Despite continuous high level of uncertainty, Aareal Group confirms its earnings outlook for FY-2020
	Compelling strategy	Regardless of high attention to manage through the crisis, Aareal Group continues to execute on its strategy with full speed

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Group Results

Appendix

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Aareal Bank Group
Results Q2 2020

	01.04.-30.06.2020 € mn	01.04.-30.06.2019 € mn	Change
Profit and loss account			
Net interest income	122	134	-9%
Loss allowance	48	23	
Net commission income	54	57	-5%
Net derecognition gain or loss	9	11	-18%
Net gain or loss from financial instruments (fvpl)	-17	-6	183%
Net gain or loss on hedge accounting	1	-1	-200%
Net gain or loss from investments accounted for using the equity method	0		
Administrative expenses	109	112	-3%
Net other operating income / expenses	-10	1	
Operating Profit	**2**	**61**	**-97%**
Income taxes	-7	20	-135%
Consolidated net income	**9**	**41**	**-78%**
Consolidated net income attributable to non-controlling interests	0	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	9	41	-78%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	9	41	-78%
of which: allocated to ordinary shareholders	5	37	-86%
of which: allocated to AT1 investors	4	4	
Earnings per ordinary share (in €)[2)]	0.07	0.61	-89%
Earnings per ordinary AT1 unit (in €)[3)]	0.04	0.04	

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.

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Aareal Bank Group

Results Q2 2020 by segments

	Structured Property Financing		Consulting / Services Bank		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.04.-30.06.2020	01.04-30.06.2019	01.04.-30.06.2020	01.04-30.06.2019	01.04.-30.06.2020	01.04-30.06.2019	01.04.-30.06.2020	01.04-30.06.2019	01.04.-30.06.2020	01.04-30.06.2019
€ mn										
Net interest income	113	138	10	-3	-1	-1	0	0	122	134
Loss allowance	48	23			0	0			48	23
Net commission income	1	2	7	6	49	52	-3	-3	54	57
Net derecognition gain or loss	9	11							9	11
Net gain or loss from financial instruments (fvpl)	-17	-6	0		0				-17	-6
Net gain or loss on hedge accounting	1	-1							1	-1
Net gain or loss from investments accounted for using the equity method					0				0	
Administrative expenses	49	53	17	19	46	43	-3	-3	109	112
Net other operating income / expenses	-11	1	0	-1	1	1	0	0	-10	1
Operating profit	**-1**	**69**	**0**	**-17**	**3**	**9**	**0**	**0**	**2**	**61**
Income taxes	-8	23	0	-6	1	3			-7	20
Consolidated net income	**7**	**46**	**0**	**-11**	**2**	**6**	**0**	**0**	**9**	**41**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0			0	0
Cons. net income attributable to shareholders of Aareal Bank AG	7	46	0	-11	2	6	0	0	9	41

Aareal Bank Group
Results H1 2020

	01.01.-30.06.2020 € mn	01.01.-30.06.2019 € mn	Change
Profit and loss account			
Net interest income	245	269	-9%
Loss allowance	106	28	279%
Net commission income	111	110	1%
Net derecognition gain or loss	16	27	-41%
Net gain or loss from financial instruments (fvpl)	-7	0	
Net gain or loss on hedge accounting	2	-1	-300%
Net gain or loss from investments accounted for using the equity method	0	0	
Administrative expenses	238	256	-7%
Net other operating income / expenses	-10	1	
Operating Profit	**13**	**122**	**-89%**
Income taxes	-3	41	-107%
Consolidated net income	**16**	**81**	**-80%**
Consolidated net income attributable to non-controlling interests	1	1	0%
Consolidated net income attributable to shareholders of Aareal Bank AG	15	80	-81%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	15	80	-81%
of which: allocated to ordinary shareholders	7	72	-90%
of which: allocated to AT1 investors	8	8	
Earnings per ordinary share (in €)[2)]	0.11	1.20	-91%
Earnings per ordinary AT1 unit (in €)[3)]	0.08	0.08	

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

Aareal Bank Group

Results H1 2020 by segments

	Structured Property Financing		Consulting / Services Bank		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
€ mn	01.01.-30.06. 2020	01.01-30.06. 2019	01.01.-30.06. 2020	01.01-30.06. 2019	01.01.-30.06. 2020	01.01-30.06. 2019	01.01.-30.06. 2020	01.01-30.06. 2019	01.01.-30.06. 2020	01.01-30.06. 2019
Net interest income	226	276	20	-6	-1	-1	0	0	245	269
Loss allowance	106	28			0	0			106	28
Net commission income	3	4	12	10	102	101	-6	-5	111	110
Net derecognition gain or loss	16	27							16	27
Net gain or loss from financial instruments (fvpl)	-7	0	0		0				-7	0
Net gain or loss on hedge accounting	2	-1							2	-1
Net gain or loss from investments accounted for using the equity method					0	0			0	0
Administrative expenses	117	140	35	37	92	84	-6	-5	238	256
Net other operating income / expenses	-11	1	0	-1	1	1	0	0	-10	1
Operating profit	**6**	**139**	**-3**	**-34**	**10**	**17**	**0**	**0**	**13**	**122**
Income taxes	-5	47	-1	-11	3	5			-3	41
Consolidated net income	**11**	**92**	**-2**	**-23**	**7**	**12**	**0**	**0**	**16**	**81**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	1	1			1	1
Cons. net income attributable to shareholders of Aareal Bank AG	11	92	-2	-23	6	11	0	0	15	80

Aareal Bank Group

Results – quarter by quarter

€ mn	Structured Property Financing					Consulting / Services Bank					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q2 2020	Q1	Q4 2019	Q3	Q2	Q2 2020	Q1	Q4 2019	Q3	Q2	Q2 2020	Q1	Q4 2019	Q3	Q2	Q2 2020	Q1	Q4 2019	Q3	Q2	Q2 2020	Q1	Q4 2019	Q3	Q2
Net interest income	113	113	135	138	138	10	10	-5	-4	-3	-1	0	0	0	-1	0	0	0	0	0	122	123	130	134	134
Loss allowance	48	58	35	27	23			0			0	0	0	0	0						48	58	35	27	23
Net commission income	1	2	4	2	2	7	5	6	7	6	49	53	58	49	52	-3	-3	-3	-4	-3	54	57	65	54	57
Net derecognition gain or loss	9	7	22	15	11																9	7	22	15	11
Net gain / loss from fin. instruments (fvpl)	-17	10	-4	5	-6	0					0	0	0								-17	10	-4	5	-6
Net gain or loss on hedge accounting	1	1	0	-3	-1																1	1	0	-3	-1
Net gain / loss from investments acc. for using the equity method			1								0	0	0	0							0	0	1	0	
Administrative expenses	49	68	59	55	53	17	18	16	20	19	46	46	46	43	43	-3	-3	-3	-4	-3	109	129	118	114	112
Net other operating income / expenses	-11	0	-1	-1	1	0	0	1	0	-1	1	0	1	1	1	0	0	0	0	0	-10	0	1	0	1
Operating profit	**-1**	**7**	**63**	**74**	**69**	**0**	**-3**	**-14**	**-17**	**-17**	**3**	**7**	**13**	**7**	**9**	**0**	**0**	**0**	**0**	**0**	**2**	**11**	**62**	**64**	**61**
Income taxes	-8	3	21	27	23	0	-1	-4	-6	-6	1	2	3	3	3						-7	4	20	24	20
Consolidated net income	**7**	**4**	**42**	**47**	**46**	**0**	**-2**	**-10**	**-11**	**-11**	**2**	**5**	**10**	**4**	**6**	**0**	**0**	**0**	**0**	**0**	**9**	**7**	**42**	**40**	**41**
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0						0	1	0	1	0
Cons. net income attributable to ARL shareholders	7	4	42	47	46	0	-2	-10	-11	-11	2	4	10	3	6	0	0	0	0	0	9	6	42	39	41

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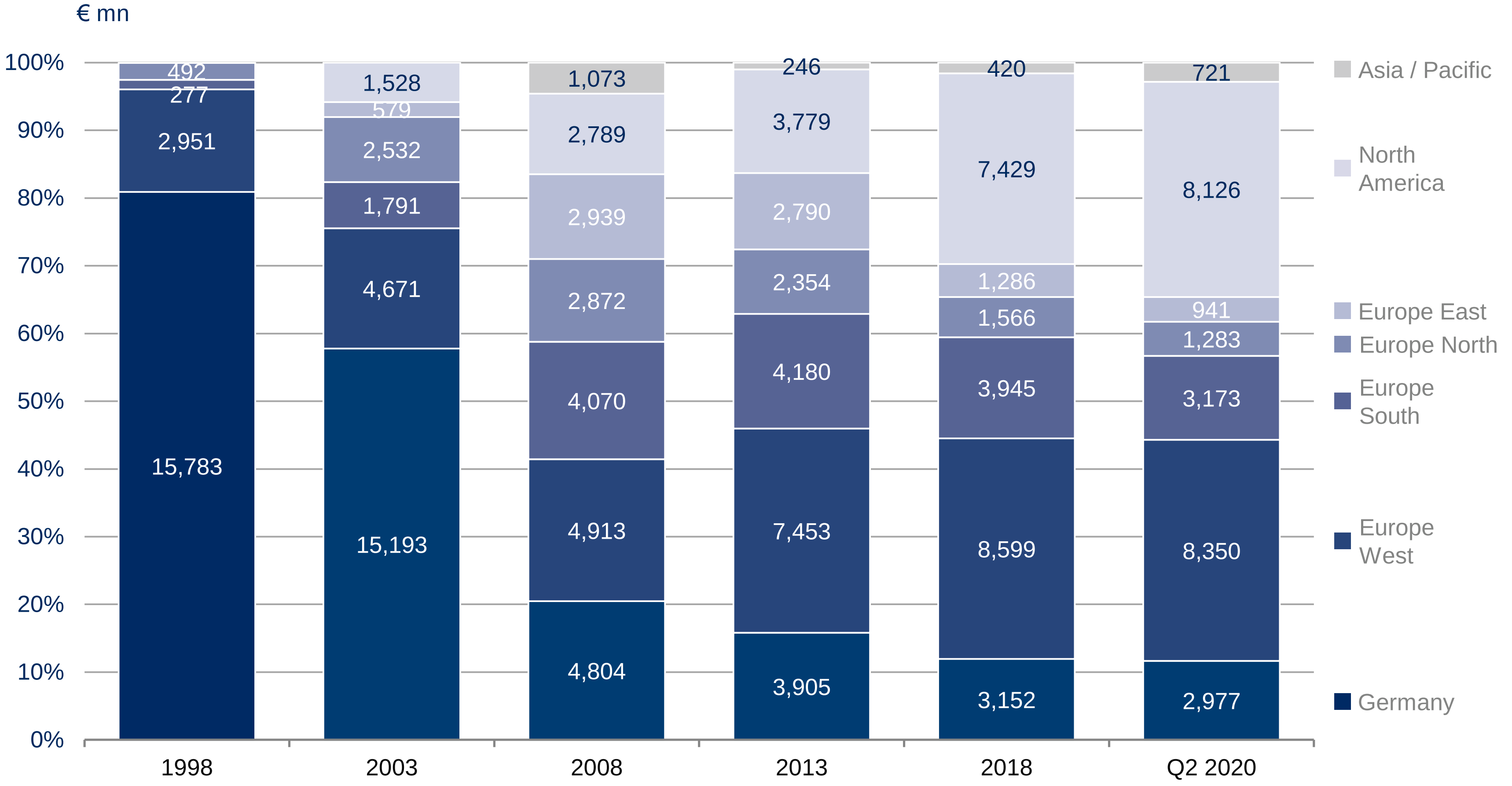
Commercial Real Estate Finance Portfolio

Appendix

Development commercial real estate finance portfolio

By region



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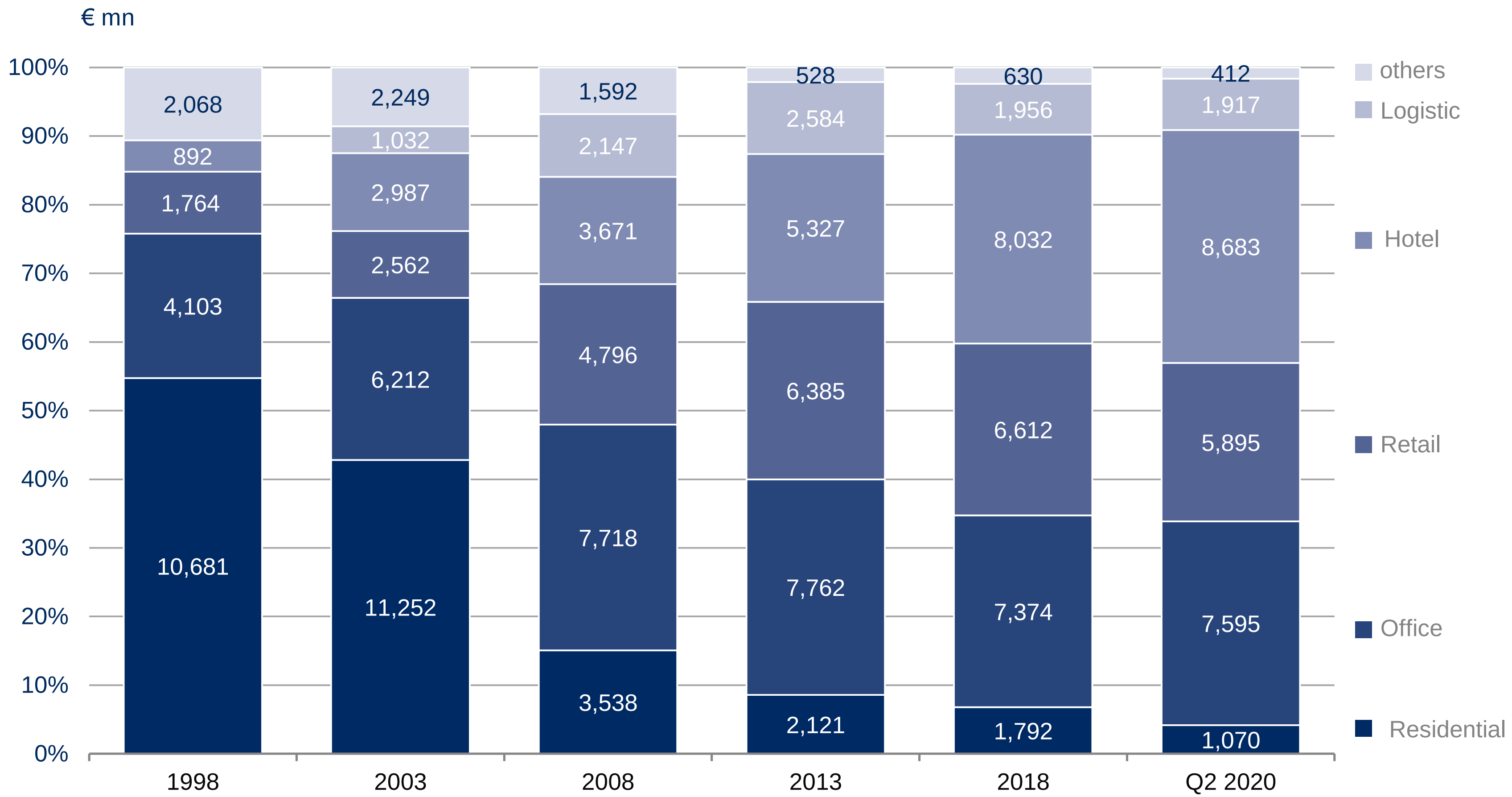
Development commercial real estate finance portfolio

By property type



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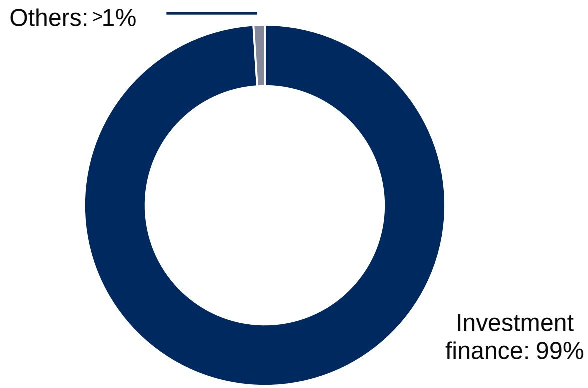
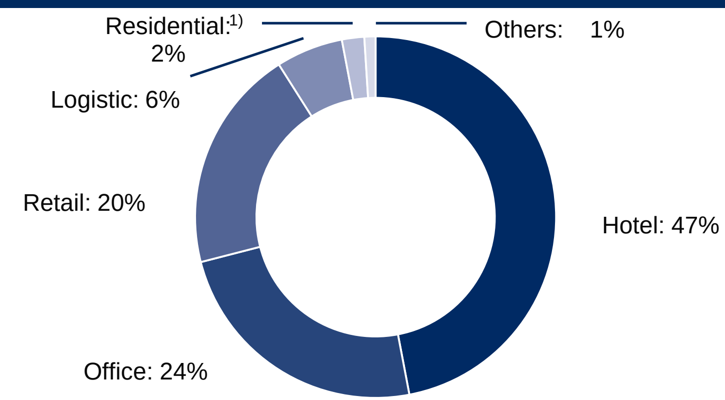
Western Europe (ex Germany) CREF portfolio

Total volume outstanding as at 30.06.2020: € 8.4 bn

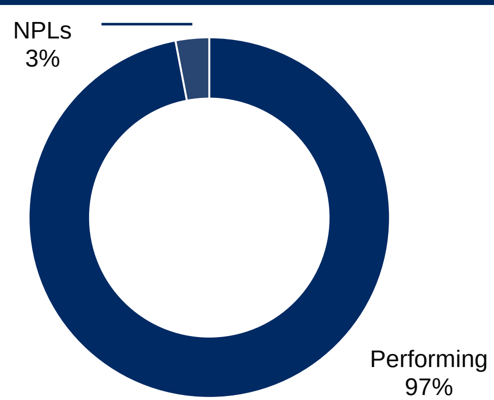
by product type



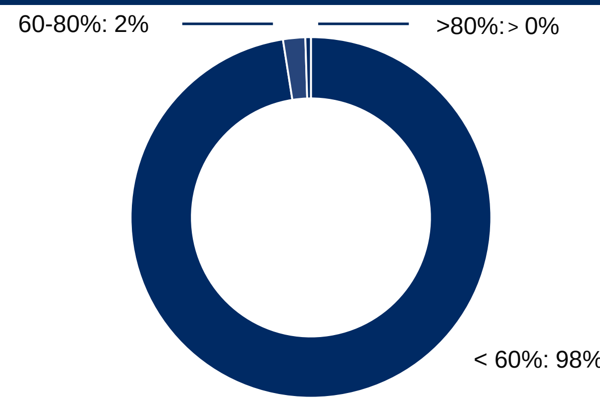
by property type



by performance



by LTV ranges[2)]

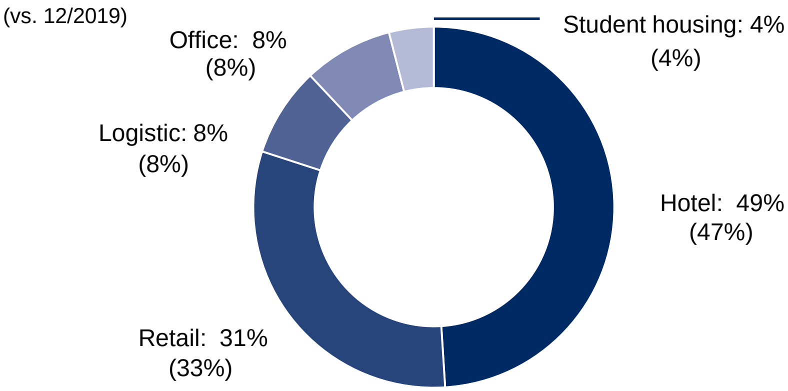


1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

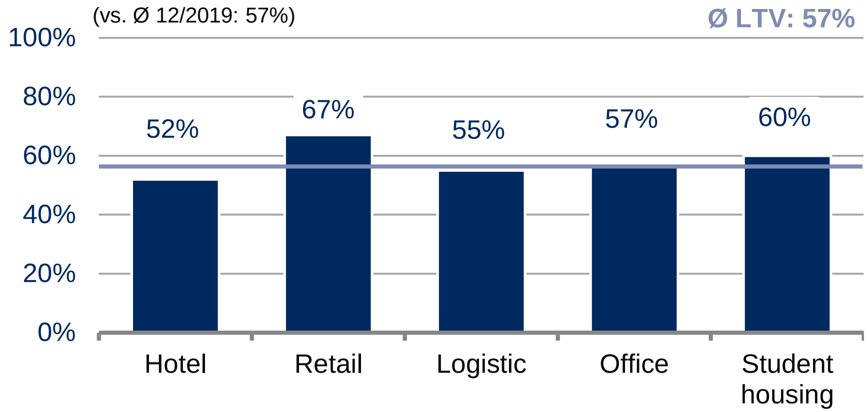
Spotlight: UK CREF portfolio

€ 3.7 bn (~15% of total CREF-portfolio)

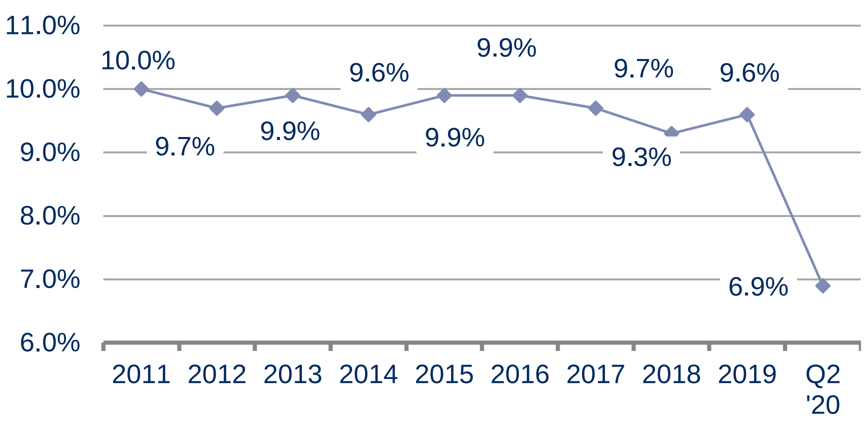
Total portfolio by property type



Average LTV by property type[1)]



Yield on debt[1)]



Comments (vs. 2019)

- Performing:
  - Investment finance only, no developments
  - ~ 60% of total portfolio in Greater London area, emphasising on hotels
  - € 155 mn with LTV > 60%
  - LtV on average CREF-portfolio
  - Significant drop in YoD due to high hotel share of portfolio strongly effected by Covid-19
- Defaulted exposure: € 165 mn (€ 182 mn)

1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

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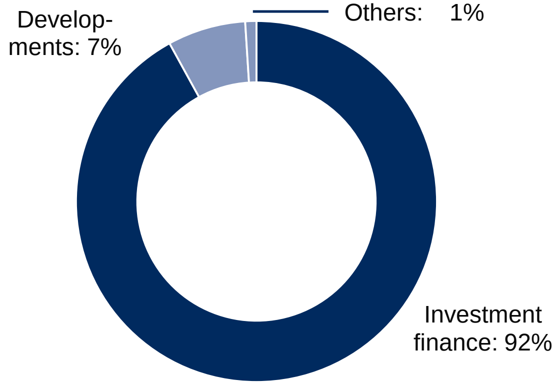
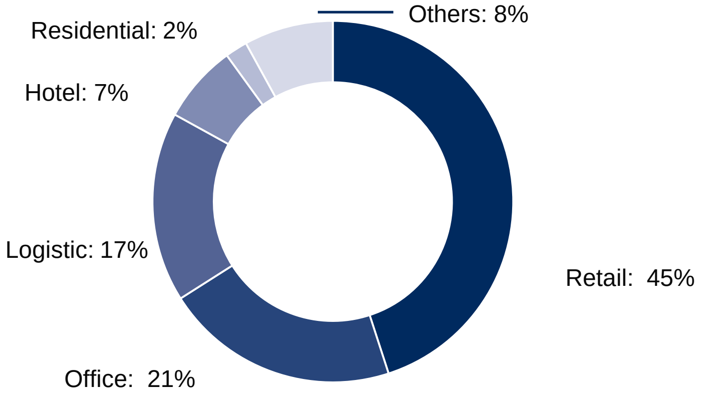
Southern Europe CREF portfolio

Total volume outstanding as at 30.06.2020: € 3.2 bn

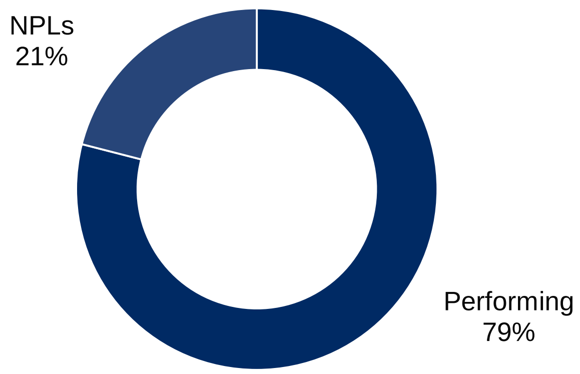
by product type



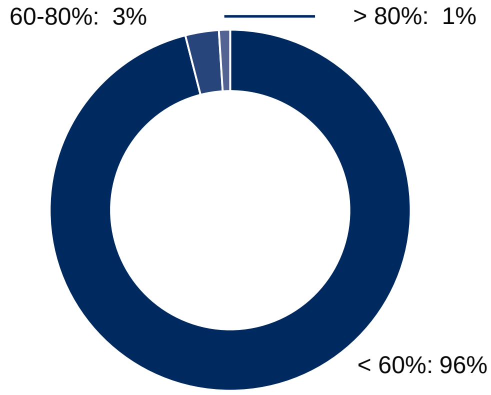
by property type



by performance



by LTV ranges[1)]



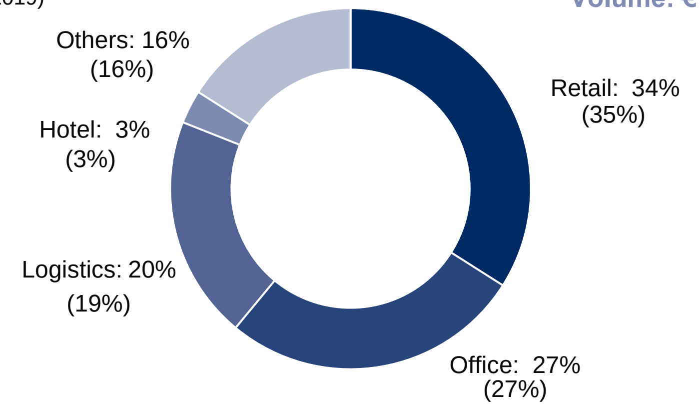
1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

Spotlight: Italian CREF portfolio (€ 1.9 bn)

Successful de-risking led to further significant NPL reduction

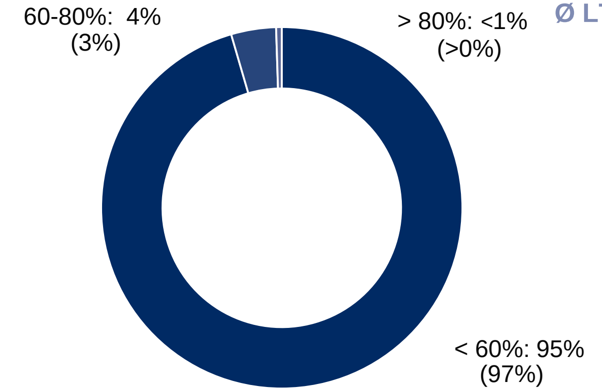
Italian Portfolio by property type

(vs. 12/2019) **Volume: € 1.9 bn**

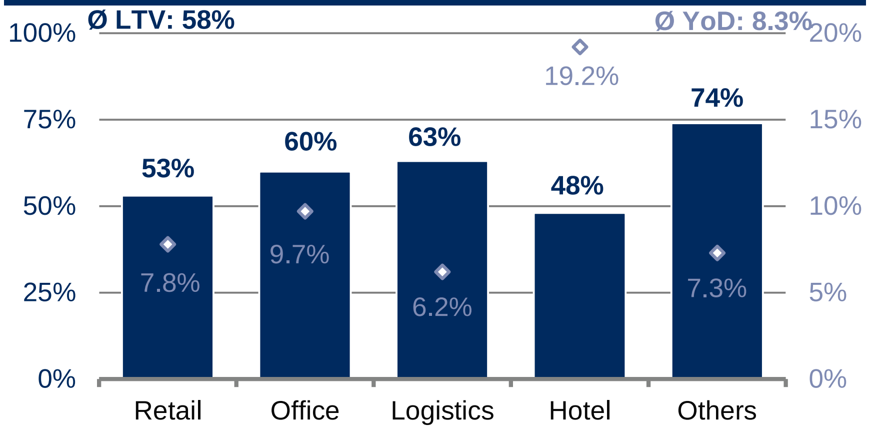


Italian Portfolio by LTV ranges[1)]

(vs. 12/2019) **Ø LTV: 58%**



Average LTV / YoD by property type[1)]



Comments

- Stable portfolio size with marginal LTV increase
- LTV: € 10 mn > 70% / € 3 mn > 80% / no exposure > 90%
- Defaulted exposure: € 635 mn as at 30.06.2020
- Further de-risking in 07/2020 led to an additional significant reduction of the Italian NPL portfolio below € 500 mn

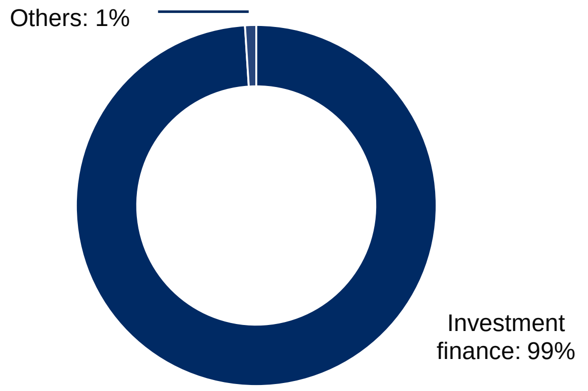
1) Performing CREF-portfolio only, LTV pre Covid-19, YoD partly reflects Covid-19 effects, exposure as at 30.06.2020

Aareal

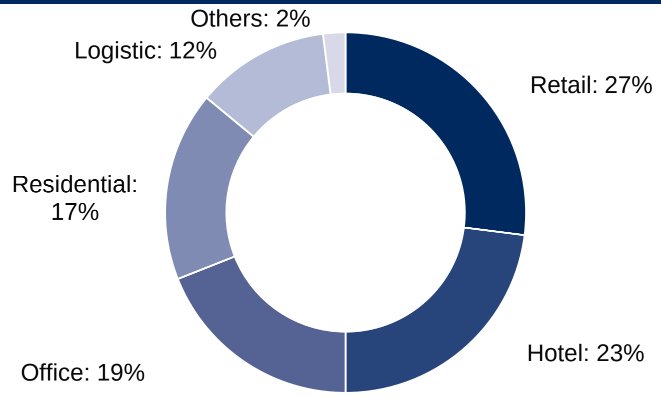
German CREF portfolio

Total volume outstanding as at 30.06.2020: € 3.0 bn

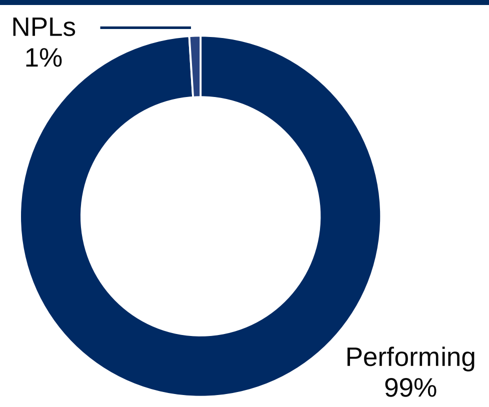
by product type



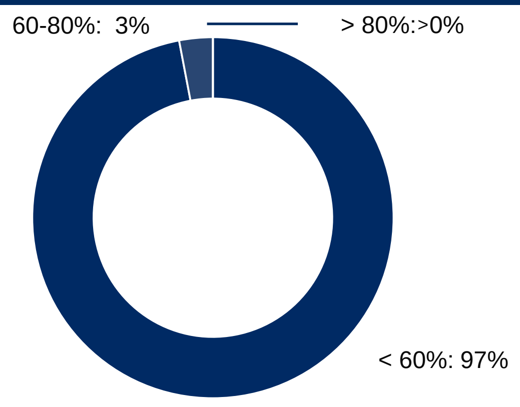
by property type



by performance



by LTV ranges[1)]

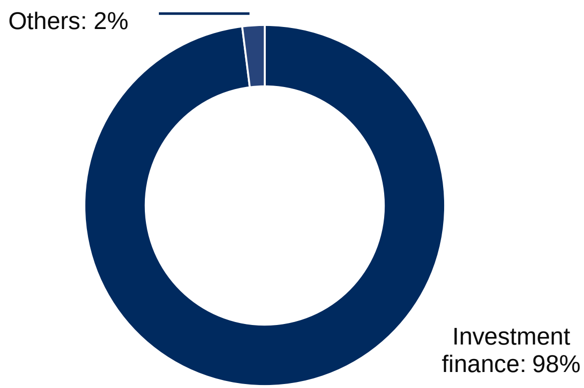


1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

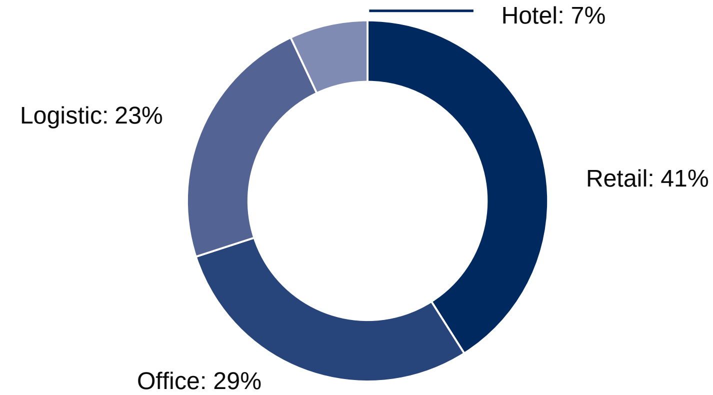
Northern Europe CREF portfolio

Total volume outstanding as at 30.06.2020: € 1.3 bn

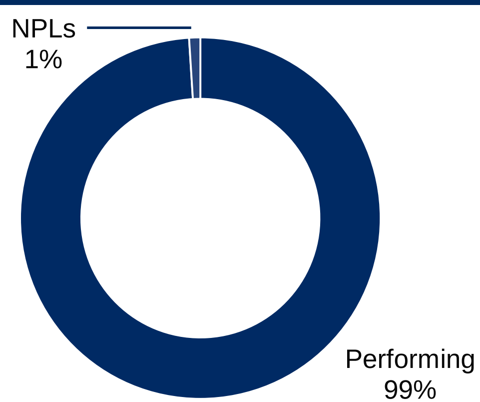
by product type



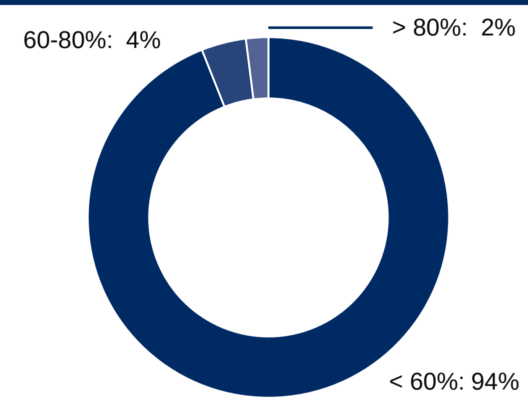
by property type



by performance



by LTV ranges[1)]



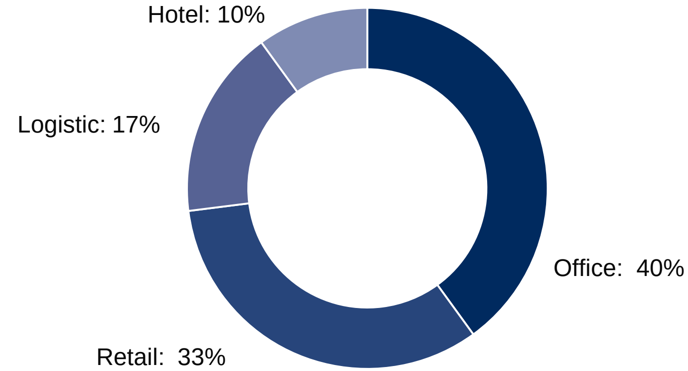
1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

Eastern Europe CREF portfolio

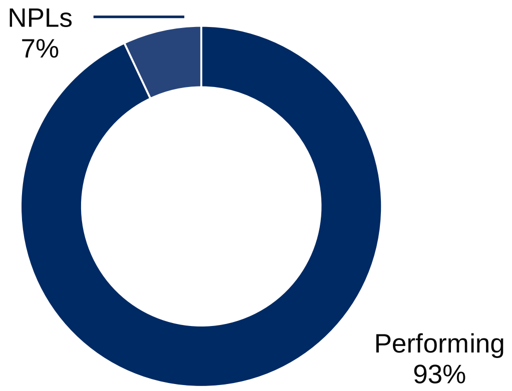
Total volume outstanding as at 30.06.2020: € 0.9 bn

by product type

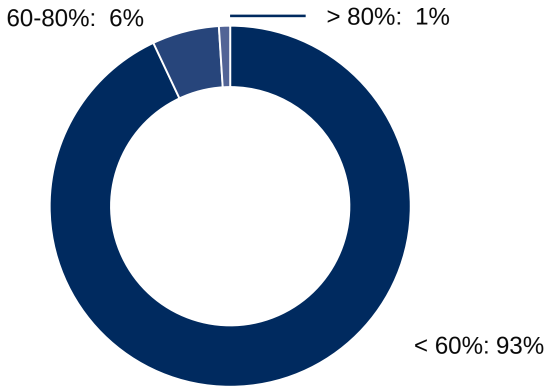
by property type



by performance



by LTV ranges[1)]

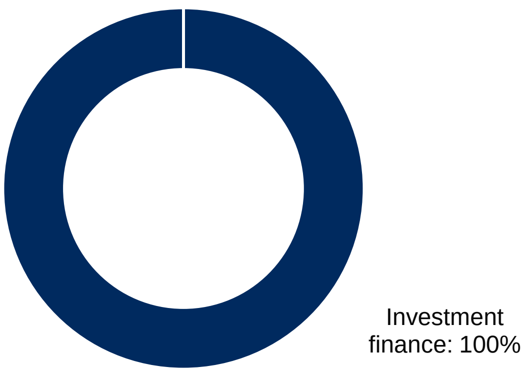


1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

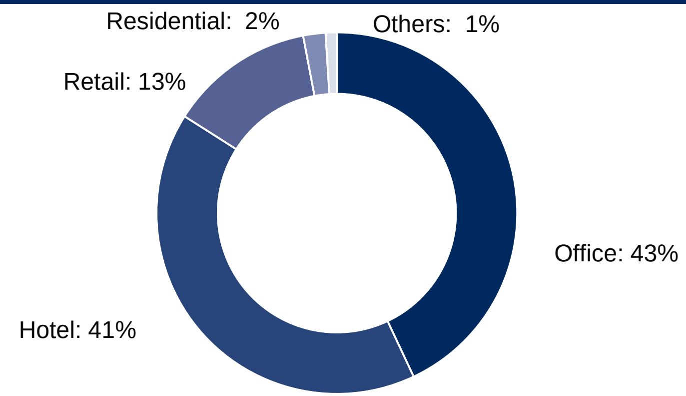
North America CREF portfolio

Total volume outstanding as at 30.06.2020: € 8.1 bn

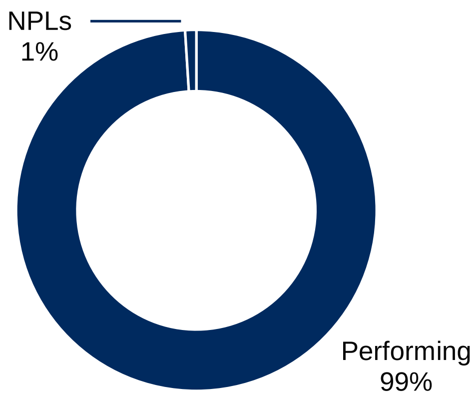
by product type



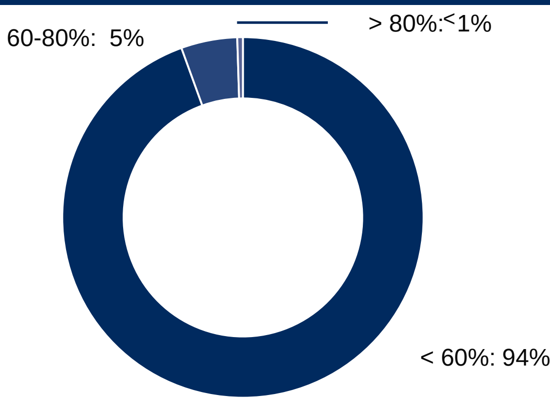
by property type



by performance



by LTV ranges[1)]

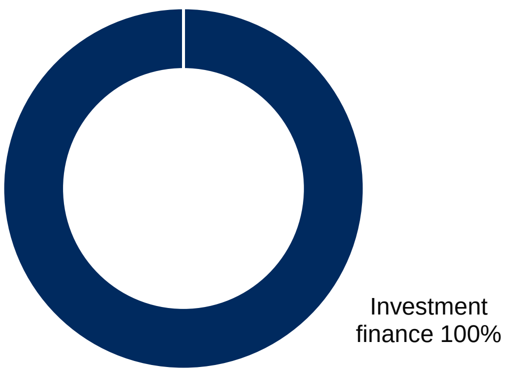


1) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

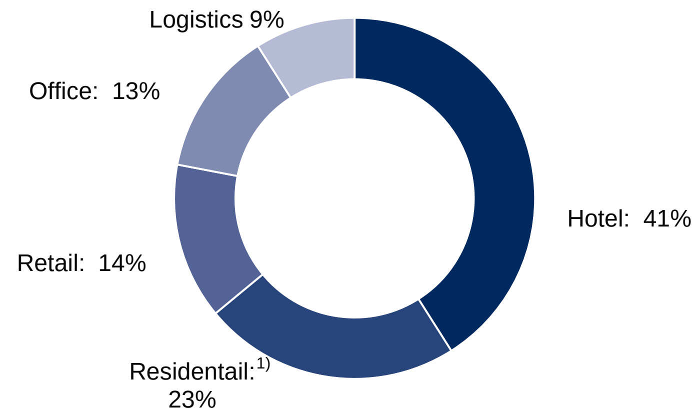
Asia / Pacific CREF portfolio

Total volume outstanding as at 30.06.2020: € 0.7 bn

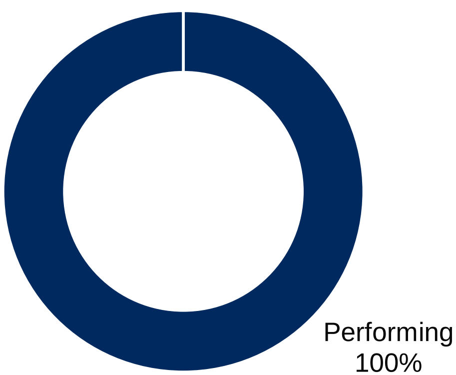
by product type



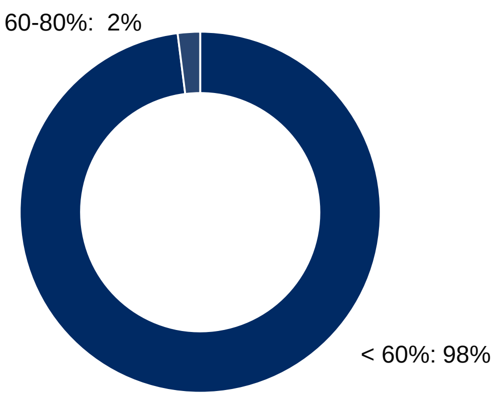
by property type



by performance



by LTV ranges[2)]



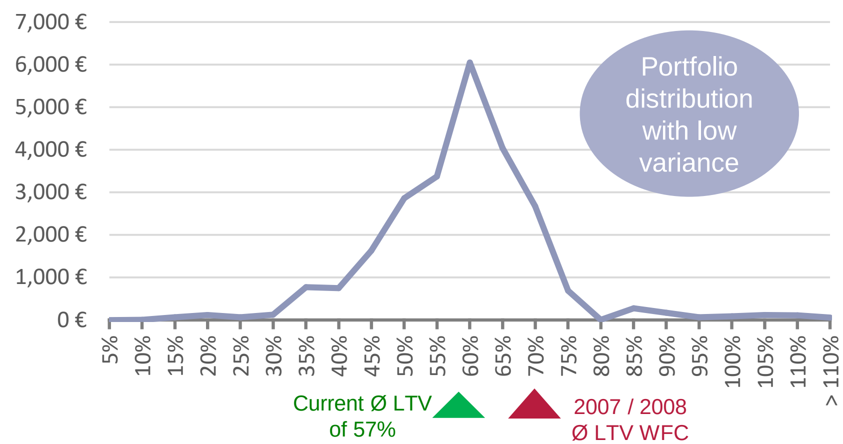
1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV pre Covid-19, exposure as at 30.06.2020

Published May 2020

Commercial real estate finance portfolio[1)] (CREF)

Conservative risk parameters

Total CREF exposure by LTV[1)]



Portfolio risk matrix

Exposure		LTV						
		70% bis 75%	75% bis 80%	80% bis 85%	85% bis 90%	90% bis 95%	95% bis 100%	über 100%
Probability	100%	250		132		71		
	95%							
	90%							
	85%							
	80%							
	75%							
	70%							
	60%							
	40%							
	20%							

Density

Current average LTV of 57%

Layered LTVs:

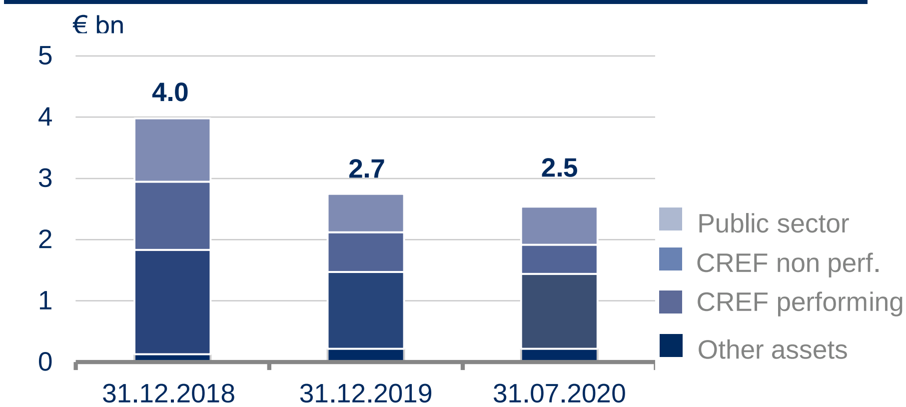
- > 70% LTV exposure: € 250 mn
- > 80% LTV exposure: € 132 mn
- > 90% LTV exposure: € 71 mn

- **High portfolio concentration at 57% LTV**
- **Fairly small tail risk**

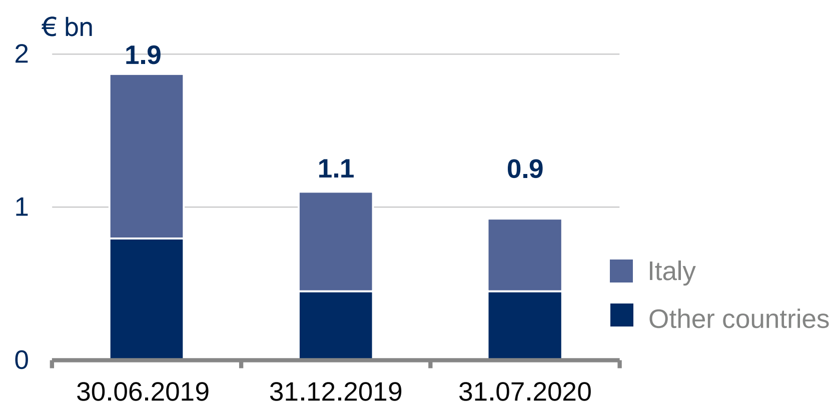
1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure (excl. commitments) as at 31.03.2020

Accelerated de-risking

Italian exposure, FY2018-2020



Non performing loans, H1 2019 – H1 2020



Accelerated de-risking

- Program with focus on Italian portfolio, continued in Q4 with Italian credit risk further down by approx. € 0.6 bn (thereof € 0.3 bn NPL, € 0.3 bn single borrower risk)
- Total effect from accelerated de-risking of approx. € 1.2 bn[1)] Italian credit risk in 2019
- P&L burden 2019 of approx. € 50 mn (€ ~15 mn in Q4)

NPL reduction

- In H2 2019 total NPL volume down by approx. 40%
- Italian NPL also down by approx. 40% in 2019 (incl. a foreclosed Italian asset of approx. € 90 mn taken on own book for future development, not part of acc. de-risking)

1) thereof € 350 mn NPL (in FY 2019, of which € 310 mn in H2 2019), € 350 mn single borrower risk, € 410 mn BTPs, € 80 mn NPL provisioned for future reduction

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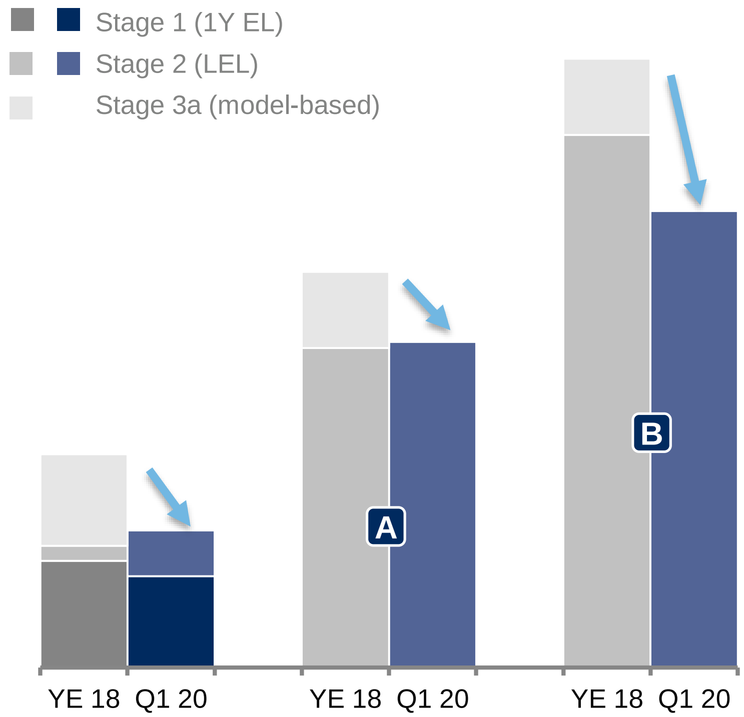
Commercial real estate finance portfolio (CREF)

Dimension of (theoretical) Stage migration effects have benefit from successful de-risking executed in 2019 and Covid-19 related provisions already considered in Q1/20 LLP

Published May 2020



What: IFRS 9 Stage 2 maximum shift, LLP dimension depending on rating development

How:
- **A** Modelling an (unrealistic) theoretical case of 100% loan volume migrating from Stage 1 to Stage 2
- **B** Additional shift of 1-2 rating classes

Impact: Recognition in P/L

Dimension: Q1 2020: ~ € 100 mn additional Stage 2 LLPs
YE 2018: ~ € 150 mn additional Stage 2/3a LLPs

➔ Dimension of (theoretical) Stage migration effects have benefit from successful de-risking executed in 2019 and Covid-19 related provisions already considered in Q1/2020 LLP

Sustainability Performance

Appendix

Aareal Bank Group

Stands for solidity, reliability and predictability

Doing business sustainably

Development of Return on Equity[1)] demonstrates financial strength

19.8% Common Equity Tier 1 ratio[2)], significantly exceeding the statutory requirements

€ 26.3 bn Valuable Real Estate Finance Portfolio[3)]

Digital solutions boost our client's sustainability records

Above average results in sustainability ratings

MSCI · SUSTAINALYTICS · CDP DISCLOSURE INSIGHT ACTION · ISS ESG

Covered Bonds[4)] with best possible ratings – also attractive from an ESG point of view[5)]

MOODY'S INVESTORS SERVICE · imug · imug

Aareal Bank awarded as top employer for the 13th time in succession

top EMPLOYER DEUTSCHLAND GERMANY 2020 · CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

Preparations for future disclosure requirements (EU Action Plan)

1) Pre-tax RoE of 8.7% as at 31.12.2019
2) Basel 3, as at 30.06.2020
3) REF-portfolio includes private client business (€ 0.4 bn) and WIB's public sector loans (€ 0.3 bn)
4) Mortgage Pfandbriefe rated Aaa by Moody's
5) imug classified mortgage Pfandbriefe as recommendable investments with regard to ESG aspects (BBB), without DHB

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Doing business sustainably

Above average ESG-Ratings confirm the company's performance

	Environment	Social	Governance
Within core business	▪ **Environmental financing criteria within property valuation** (e.g. asbestos, energy efficiency, etc.) ▪ **Transparency initiatives on portfolio level** (e.g. Climate VaR for new business 2018 & 2019 reg extreme weather events, future policy risk costs and 2°C-compatibility; additional CMS-fields for energy efficiency, green building labels) ▪ **Set-up of ESG-opportunity & risk management** (e.g. we currently work on an Aareal-Green Lending Definition and climate reporting (TCFD[1])	▪ **Strong economic performance** (e.g. contribution to the stability of the property banking sector/financial markets and to restoring trust in the banking industry) ▪ **Contribution to affordable housing** (e.g. with our software solution clients benefit from time, cost and efficiency savings) ▪ **Failsafe information security** (e.g. we undergo voluntary external audits and certification processes)	▪ **Transparent reporting on remuneration model/details** ▪ **High quality ESG-disclosure** (e.g. based on Global Reporting Initiative (GRI), assured by PwC, anticipating regulatory developments (ICAAP), ESG-facts incorporated in analyst presentation) ▪ **Structure, composition and diversity of governing bodies** (Supervisory Board established five committees in order to perform its supervisory duties in an efficient manner) ▪ **Governance Roadshow**
On corporate level	▪ **Environmental disclosure** (e.g. Aareal's ecological footprint, environmental KPIs (datasheet on website), CDP reporting, etc.) ▪ **Expansion of green electricity** (92% of total electricity consumption as of 12/2019) ▪ **CO_2 compensation** (parts of business travel, print materials)	▪ **Fair, performance-oriented remuneration schemes** ▪ **Employee surveys** ▪ **Management of social matters** (e.g. Code of Conduct for employees, Code of Conduct for business partners, Human Rights policy, Diversity Charta, etc.)	▪ **CEO-responsibility for ESG matters ("tone from the top")** ▪ **ESG-targets for Management Board** ▪ **Sustainability matters regularly discussed in Board Meetings** ▪ **Groupwide Sustainability Committee established in 2012**

1) TCFD: Taskforce on Climate-related Financial Dislosures

Sustainability data

Extends the financial depiction of the Group

Key takeaways at a glance

Transparent Reporting – facilitating informed investment decisions		▪ "Separate Combined Non-financial Report 2019 for Aareal Bank AG" has been published on March 26, 2020 ▪ PwC issued an unqualified limited assurance opinion
Sustainability Ratings – confirming the company's sustainability performance	**MSCI**	Aareal Bank Group with "AA Rating" in highest scoring range for all companies assessed relative to global peers reg. Corporate Governance practices (as per 06/2019)
	ISS-ESG	Aareal Bank Group holds "prime status" and ranks with a C+ rating among the top 15% within the 'Financials/Mortgage & Public Sector Finance' category (since 2012, re-confirmed 08/2019)
	Sustainalytics	Aareal Bank AG is with a score of 22.9 at medium risk of experiencing material financial impacts from ESG factors, rank 116 out of 934 rated banks (13th Percentile). (as per 12/2019)
	CDP	Aareal Bank AG received a C which is in the Awareness band[1]. This is same as the Europe-regional average of C, and same as the Financial services sector average of C. (Report 2019)
	imug	Aareal Bank was rated "positive B" in the category "Issuer Performance"; rank 6 out of 43 rated banks (as per 07/2019)

1) Downgrade due to average consideration of ESG aspects in governance and corporate processes.

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ESG initiatives

Investing in the transition to a low-carbon economy

ESG supportive regulation – facilitating energy-efficient modernisation / renovation loans

Aareal supports an ESG-based regulation of refurbishments

"I believe that fundamental renovations aimed at improving the life cycle assessment of a building should be supported by the regulatory authorities and not penalized. Of course, one can subsume renovations under "risky" property development and then attach correspondingly high capital requirements to them. On the other hand, if you don't completely renovate a building you will hardly be able to immediately meet the next climate standard. …

I am not talking about reducing capital adequacy requirements at all. But we would have gained a lot if refurbishment didn't necessarily trigger an increase. …"

Hermann J. Merkens, BÖZ, 19. Juni 2020


4 Börsen-Zeitung Nr. 115 BANKEN UND FINANZEN Freitag, 19. Juni 2020

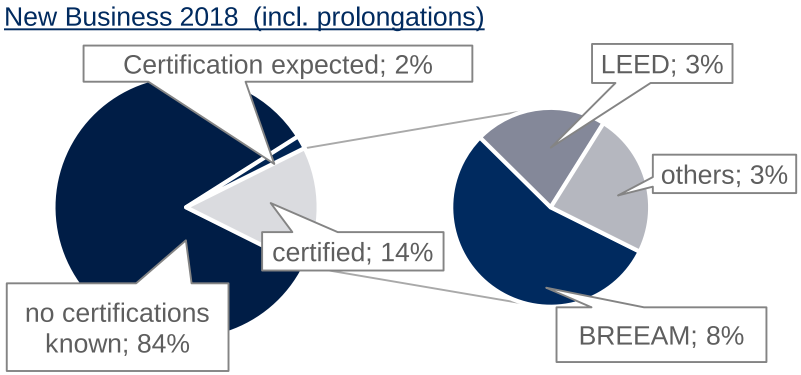
IM INTERVIEW: HERMANN MERKENS

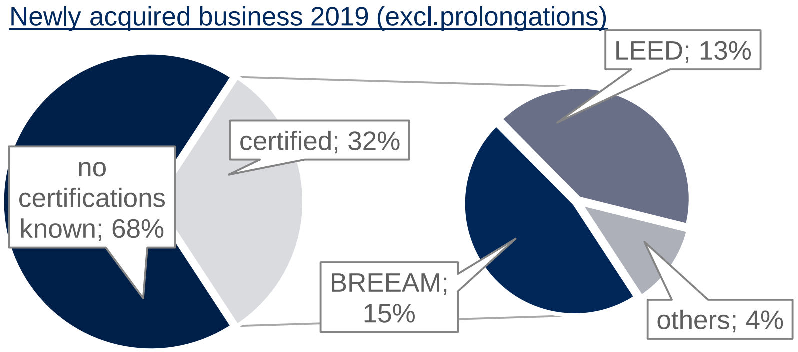
„Unser Portfolio macht uns Arbeit, aber keine Sorgen"

Der Aareal-Bank-Chef über die Lage des Gewerbeimmobilienfinanzierers in der Coronakrise und den Verkauf einer Minderheit an der Software-Tochter Aareon

ESG disclosure – improving transparency at property and portfolio level

Proportion of new business that was accounted for by properties with green building certificates[1] based on market value (USD)





1) Other certificates such as HQE, DGNB, Energy Star

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Aareal Next Level

Appendix

Aareal Bank Group

The new lineup - THREE segments

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YOUR COMPETITIVE ADVANTAGE.

Structure Property Financing (SPF)	Consulting / Services (C/S) Bank	Aareon
Commercial Real Estate Financing solutions on three continents: Europe, North America, Asia/Pacific **Diverse property types** (hotel, logistic, office, retail, residential, student housing); additional **industry experts** in hotels, logistics and retail properties **Investment finance** (Single asset, Portfolio, Value add)	**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	**European leader for real estate software,** 60+ years in the market serving c.3.000 customers and 10m+ units with 40 locations in DACH, Netherlands, France, Nordics and UK **Mission-critical ERP** and a 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 (with 675+ Software engineers)

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Aareal Next Level

Three strategic pillars, as presented in January 2020

Published Feb 2020

Summary: What our plans beyond Aareal 2020 are

1 Keep Structured Property Financing on track

Structured Property Financing – ACTIVATE!

- Leverage on expanded origination, structuring and exit opportunities – flexibly „play the matrix" (countries, asset classes, structures)
- Expand servicing and digitisation opportunities
- Protect the group's backbone and retain "best-in-class-position"

2 Leverage and grow our Housing and adjacent industries business

Housing and adjacent industries – ELEVATE!

- Elevate product range by utilising deep understanding of customer processes and infrastructure…
- …by further expanding product suite with a focus on fee income
- Take opportunities of joint business model developments with customers and other market players

3 As an integral part of our strategy strengthen Aareon's position as the leading software company for the European real estate industry over time and become a company with a strong independent value proposition

Aareon – ACCELERATE!

- Continue execution of already announced organic growth strategy to double EBITDA in the mid-term…
- …particularly by expanding our digital solutions portfolio organically
- On top: Accelerate through additional M&A activities - if and when opportunities arise

By doing so create sustainable value for Aareal and hence our shareholders…

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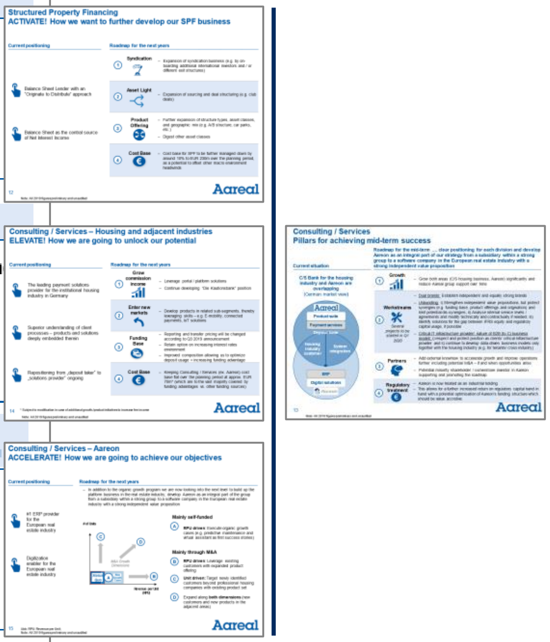
Note: All 2019 figures preliminary and unaudited



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Published Feb 2020

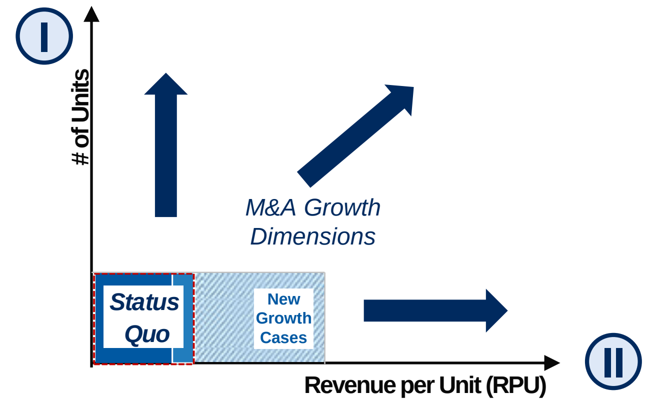
Aareal Next Level

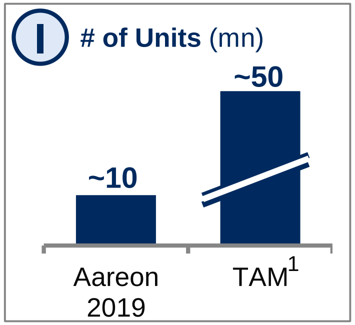
Aareon: Our value creation levers

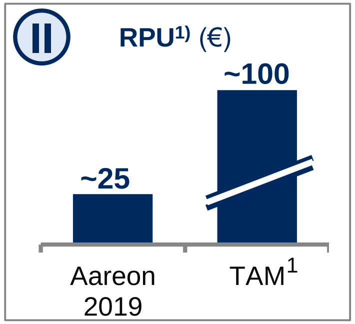
Value creation levers…

	RPU	Units	Recurring revenue
Strengthen our leading European position	✓	✓	✓
Grow digital product business on installed customer base significantly	✓		✓
Drive RPU based on installed customer base and new markets	✓	✓	
Leverage Aareon products along vertical industry expansion	✓	✓	
Develop software as a service business and manage cloud strategy beyond Germany	✓		✓

…and their potential impact







- **Aareon organic growth plan as presented in May 2019 well on track**
- **New classification of Aareon as industrial holding allows additional M&A activities – on our own and / or including partner(s)**

1) TAM and RPU figures rough company estimations, describing the expected entire future market potential

Aareal Next Level

Our KPIs and targets

Published Feb 2020

	2019	Stabilisation and investment phase (2020 - 2022)	Reaping the rewards phase (Mid-term)
Revenues Group[1]	**€ 762 mn**	**Low single digit growth (CAGR)**	⇗
▪ o/w Aareon	**7 - 9% CAGR revenues // 22 - 25% CAGR digital revenues**		
Adj. EBITDA Aareon[2]	**€ 64 mn**	⇗	**€ >110 mn**
		EBITDA from M&A on top	
Capitalisation		**~12.5% B4 CET1 ratio**	
Pre tax RoE	**8.7%**	**Stable** (through investment phase)	**12%** (more supportive environment)
Dividend policy	**50% base dividend plus 20-30% supplementary dividend**		

- **Further development and investments into three strong business propositions**
- **Shift in earnings and value contribution towards capital light and digital business**

1) Revenues Group = NII + NCI
2) 2019 + stabilisation and investment phase excl. strategic investments; Reaping the rewards phase incl. strategic investments

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Aareal Next Level

Three main contributors to achieve a 12% pre tax RoE (mid-term)

Published Feb 2020

Strategic initiatives			Reaping the rewards	③ External environment
① Bank	„Activate“	▪ Increase syndication ▪ Further expand asset light ▪ Enhance product offering ▪ Optimise cost base	Impact → **12%** ← Impact	Interest rate environment
① Bank	„Elevate“	▪ Grow commission income ▪ Enter new markets ▪ Optimise funding and cost base		CRE (lending) markets
② Aareon	„Accelerate“	▪ Self-funded organic growth ▪ M&A opportunities		Regulation
Further options		▪ Growing balance sheet, if and when opportunities arise ▪ Adjust deposit beta ▪ …		Technology

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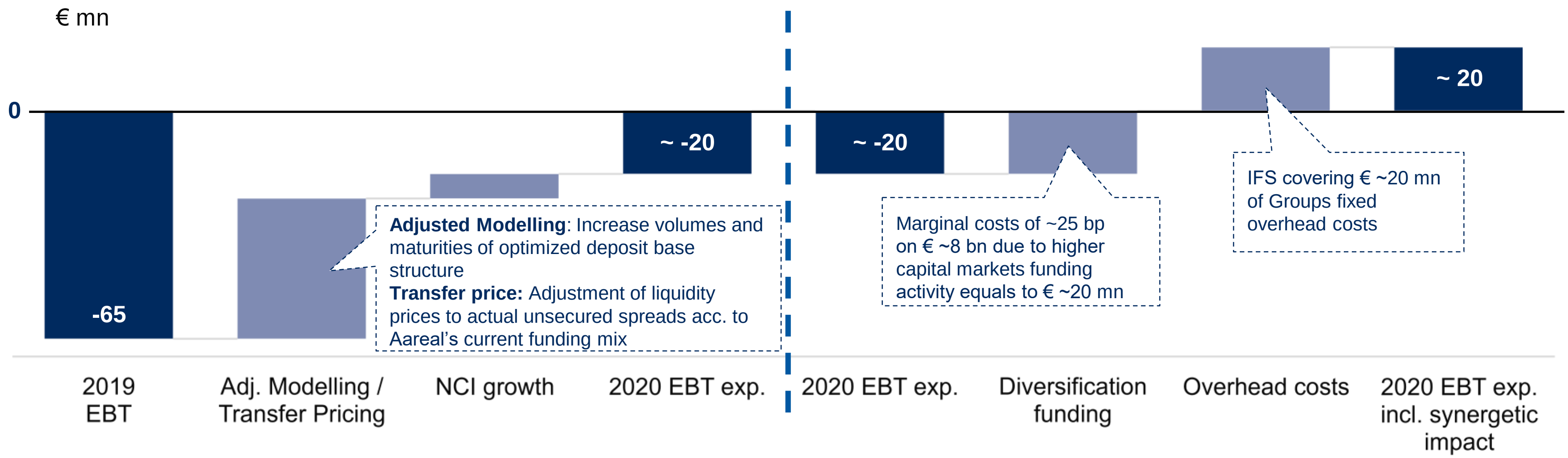
Aareal Next Level

Consulting / Services (Bank) - More transparency and additional opportunities

Published Feb 2020

Reported Results of Consulting / Services (Bank)[1]… + …and additional synergetic impact on Aareal



Additional opportunities…

- … sustained growth of NCI: +13% CAGR planned from 2019 to 2022
- … option on increasing NII if rates rise >0%
- … diversification of funding mix, well recognized by rating agencies
- … cross selling between Aareal and Aareon

1) Pro forma: current division C/S ex. Aareon

Published Feb 2020

Summary Aareal Next Level

Highlights

- We have clear visions of how to develop further our individual business activities in order to strengthen their respective independent profiles

- Regardless of the continuous adverse environment and due to our confidence in the consistency of our strategic measures, we feel comfortable with confirming our highly attractive dividend policy with a payout ratio of 50% base plus 20-30% supplementary dividend

- By investing in our businesses, we will significantly increase profitability and further enhance strategic optionalities. In a more supportive environment we aim a 12% pre tax RoE

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Aareon

Appendix

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Aareon segment – new products / inorganic initiatives

Progress on strategic initiatives and the development of products, markets and M&A	
Organic initiatives New products, new markets	▪ Aareon Smart Platform: Further roll-out ▪ Neela AI based Virtual Assistant announcement ▪ New growth cases: Ongoing check for potential development partners ▪ First venture OFI Group with platform Ophigo: First end-to-end-transaction successfully realised; pipeline targets achieved
Inorganic initiatives, M&A activities, other cooperations	▪ CalCon Integration is up and running – product integration in Aareon Smart World is ongoing and sales synchronized as well as internal processes started to be set up ▪ M&A activity to grow inorganically: ▫ Institutionalised process of performing extensive market screening and systematically identifying numerous potential targets in accordance with Aareon's sustainable growth strategy ▪ Foresight initiative: Syndicate partner in high level project to create platform for smart living services supported by Federal Ministry of Economics and Energy.

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P&L Aareon segment

Quarterly split

P&L Aareon segment - Industry format[2]	Q1 19	Q2 19	*H1 19*	Q3 19	Q4 19	*H2 19*	FY 19	Q1 20	Q2 20	H1 20	Δ Q2 20/19	Δ H1 20/19
€ mn												
Sales revenues	59	63	*122*	60	70	*130*	252	64	61	*126*	-3%	3%
thereof ERP revenue	*47*	*51*	*99*	*48*	*55*	*102*	*201*	*49*	*47*	*96*	*-9%*	*-3%*
thereof Digital revenue	*12*	*12*	*23*	*12*	*16*	*28*	*51*	*15*	*15*	*30*	*24%*	*27%*
Costs[1]	-45	-48	*-94*	-47	-50	*-97*	-191	-50	-51	*-102*	6%	9%
thereof material costs	-10	-11	*-21*	-11	-12	*-23*	-44	-11	-12	*-23*	10%	11%
EBITDA	**14**	**15**	***28***	**13**	**20**	***33***	**61**	**14**	**10**	***24***	**-32%**	**-17%**
New Products / Inorganic[3]	*0*	*0*	*0*	*-1*	*-2*	*-2*	*-2*	*-1*	*-2*	*-3*	>100%	>100%
One-offs	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*		
Adj. EBITDA	***14***	***15***	***29***	***14***	***22***	***35***	***64***	***15***	***12***	***26***	***-22%***	***-8%***

P&L Aareon segment - Industry format[2]	Q1 19	Q2 19	*H1 19*	Q3 19	Q4 19	*H2 19*	FY 19	Q1 20	Q2 20	H1 20	Δ Q2 20/19	Δ H1 20/19
€ mn												
EBITDA	**14**	**15**	***28***	**13**	**20**	***33***	**61**	**14**	**10**	***24***	**-32%**	**-17%**
D&A / Financial result	-6	-6	*-12*	-6	-6	*-12*	-24	-7	-7	*-13*	13%	14%
EBT / operating profit	**8**	**9**	***17***	**7**	**13**	***20***	**37**	**7**	**3**	***10***	**-62%**	**-38%**

1) Incl. capitalised software and other income
2) Calculation refers to unrounded numbers
3) Incl. strategic investments, venture and M&A activities

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Dividend Policy

Appendix

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Aareal Next Level

Our Dividend Policy – Confirmed despite significant regulatory burdens

Published Feb 2020

Payout ratio of up to 80% confirmed

Base Dividend

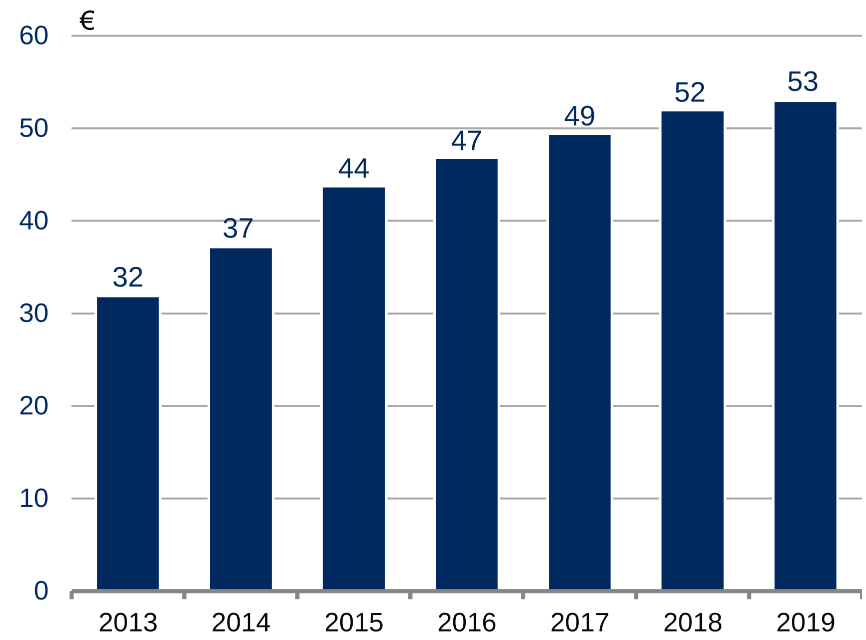
- We intend to distribute approx. 50% of the earnings per ordinary share (EpS) as base dividend

+

Supplementary Dividend

- In addition, we plan to distribute supplementary dividends of up to 20-30% of the EpS under the following prerequisites:
  - No material deterioration of the environment (with longer-term and sustainably negative effects)
  - Nor attractive investment opportunities neither positive growth environment

Significant book value per share growth incl. dividend



- **Attractive dividend policy and significant book value growth creating sustainable value for Aareal and hence our shareholders**

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Regulation

Appendix

Economic ICAAP the next focus on the regulatory agenda – our reading and take away

House of ICAAP
according to ECB ICAAP Guidelines

Maintaining capital adequacy on an ongoing basis over the medium term from 2 complementary internal perspectives

Regulatory capital ratios	Economic ICAAP
Normative internal perspective ▪ Ongoing fulfilment of all relevant regulatory requirements and external constraints ▪ Medium-term projections for at least three years: ▫ Ensure the ongoing fulfillment of OCR plus P2G in the baseline, and TSCR in adverse scenarios ▫ Takes into account all material risks (not limited to Pillar 1 risks) ▫ Considers upcoming changes in the legal / regulatory / accounting framework ▪ Adequate and consistent internal methods to quantifying impacts on Pillar 1 ratios ▪ Additional management buffers determined by the institutions	**Economic internal perspective** ▪ Risks that may cause economic losses are covered by internal capital[1)] ▪ Capital adequacy concept based on economic value considerations (e.g. net present value approach) ▪ Internal definition of capital ▪ Point-in-time risk qualification of the current situation feeding into medium-term assessment covering future developments ▪ Adequate and consistent internal risk quantification methods ▪ Internal indicators, thresholds and management buffers.

1 Economic ICAAP on SSM priority list 2020

- Ongoing discussions regarding interpretation of requirements
- Different methods currently used throughout Europe to estimate future volatility (scenario based vs. VAR models)
- ICAAP Guidelines published end of 2018 are very conservative regarding holding period and confidential interval
- ECB aims for future harmonization (equal to TRIM?) and potential tightening

2 AT1 with normative triggers will no longer be eligible under Economic ICAAP:

Regulatory capital ratios: Future treatment appears to be more generous, although decisions will be taken on a case by case basis

- P2R could be partly covered by AT1 (and/or T2)

Economic ICAAP: Future requirements will be tightened

- AT1 with normative triggers not accountable any more (see ECB feedback statement; question 208)
- Interim grandfathering of existing AT1 (issued, cut off date?) not decided yet, but unlikely from our point of view

- **AT1 in the economic ICAAP, currently and presumably in future no alternative instruments (beside CET1) available to fulfil ECB requirements (economic triggers instead of normative)**
- **Economic ICAAP to become the new capital constraint for European banks?**

1) Different risk categories regarding regulatory capital ratios and economic ICAAP

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AT1: ADI of Aareal Bank AG

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Interest payments and ADI of Aareal Bank AG

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

€ mn	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019
Net Retained Profit	99	122	147	126	120
▪ *Net income*	*99*	*122*	*147*	*126*	*120*
▪ *Profit carried forward from previous year*	-	-	-	-	-
▪ *Net income attribution to revenue reserves*	-	-	-	-	-
+ Other revenue reserves after net income attribution	720	720	720	720	720
= Total dividend potential before amount blocked[1)]	819	842	870	846	840
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	287	235	283	268	314
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	-	28	35	42	40
= Available Distributable Items[1)]	532	579	552	536	486
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments[1)]	46	46	32	24	23
= 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)]	578	625	584	560	509

1) Unaudited figures for information purposes only

Definitions and contacts

Definitions

New Business =	Newly acquired business + renewals
Common Equity Tier 1 ratio =	$\frac{\text{CET 1}}{\text{Risk weighted assets}}$
Pre tax RoE =	$\frac{\text{Operating profit/income ./. loss attributable to non-controlling interests ./. AT1 cupon}}{\text{Average IFRS equity excl. non-controlling interests, AT1 and dividends}}$
CIR =	$\frac{\text{Admin expenses}}{\text{Net income}}$
Net income =	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
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 =	$\frac{\text{operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. net AT1 cupon}}{\text{Number of ordinary shares}}$
Yield on Debt =	$\frac{\text{NOI x 100 (Net operating income, based on 12-months forward looking estimate)}}{\text{Outstanding incl. prior/pari-passu loans (without developments)}}$
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

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