Analyst Conference

Preliminary 2020 results

February 24, 2021

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Aareal
YOUR COMPETITIVE ADVANTAGE.

Agenda

- Business development in times of Covid-19
- Asset Quality
- Business Segment Reporting
- Capital, B/S & Funding/Liquidity
- Outlook 2021
- Aareal Next Level – 360º-review
- Key Takeaways

- Appendix

Note: All 2020 figures preliminary and unaudited

Business development in times of Covid-19

01

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Business development in times of Covid-19

Managing Covid-19 challenges and pursue strategic initiatives consistently

Robust and resilient	▪ Well-diversified business ▪ Conservative risk profile ▪ Strong capital base ▪ Solid liquidity position
Staying on course	▪ As a reliable partner we are in close contact with our clients to find solutions and to support where necessary ▪ Comprehensive risk provisioning and value adjustments ▪ Pursue strategic initiatives consistently ▪ De-risking paid off

Worsened environment in Q4 2020

- Worsening is based on further tightened global lockdown measures
  - Hotels closed for pleasure trips across Europe, business travel very limited
  - Shopping malls are closed in most countries
  - Exit locks starting in the evening hours or throughout the whole day are in place
- The impact of Covid-19 mutations on the expected speed of GDP recovery is unknown

Note: All 2020 figures preliminary and unaudited

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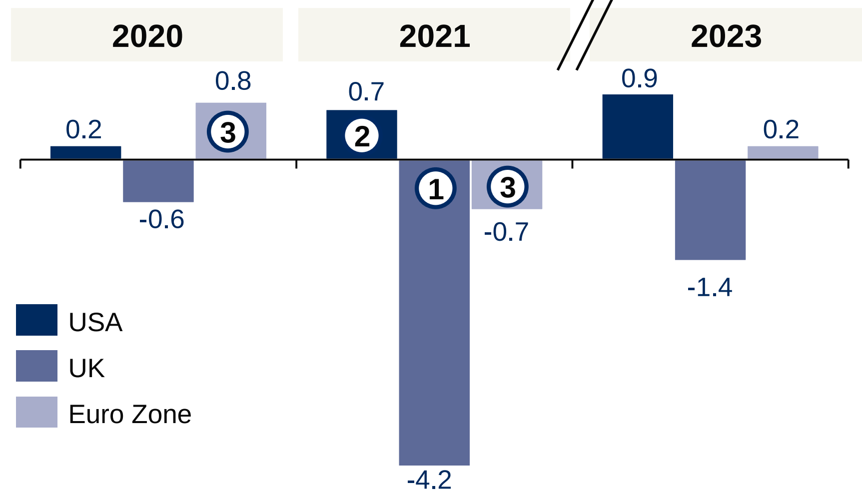
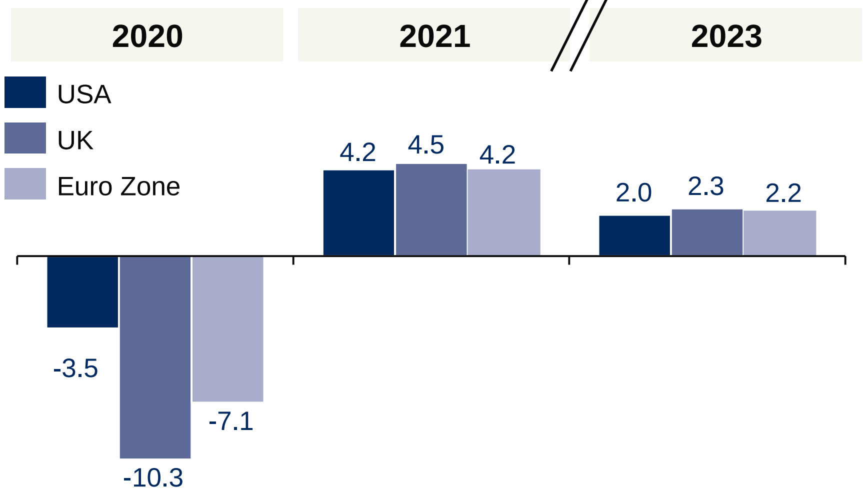
Worsened economic outlook but strong signals for intact swoosh recovery

Change in GDP forecast[1] in %-points (Jan. 21 vs. Sept. 20)



GDP forecast[1] growth yoy in % (Jan. 2021)



- Comparing January 2021 vs. September 2020's GDP expectations a significant short term worsening is visible, but start of vaccination campaigns is expected to strongly support positive GDP developments by mid 2021

1 UK expectations 2021 significantly down due to Brexit and Covid-19 mutations

2 Recovery of US economic 2021 better than expected

3 EU economy 2020/2021 largely unchanged

After recognising extensive LLP in 2020, ARL will have scope to consistently pursue opportunities arising in a changed environment

1) Source: Oxford Economics

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Note: All 2020 figures preliminary and unaudited

Apart from Covid-19 related comprehensive risk provisioning strong operating performance

Aareal Bank Group	**Group Financials**	▪ 2020's operating profit of € -75 mn influenced by Covid-19 related comprehensive risk provisioning ▪ Capital gain of ~ € 180 mn from Aareon minority sale ▪ Based on a strong capital, funding and liquidity position a total dividend payout[1)] of € 1.50 per share in 2021 for the financial year 2020 intended
	Resilient Segment Performance	▪ SPF: - Strong new business with low LTVs and margins significantly above plan - Portfolio growth to upper end of guided range - NII increased throughout 2020 ▪ C/S Bank: - As expected, housing industry deposits proven stable - NCI increased vs. 2019 ▪ Aareon: - Strong growth in digital solutions continued - NCI increased vs. 2019 - Covid-19 related burden lower than expected - Sale of minority stake in Aareon to Advent successfully closed
	Aareal Next Level	▪ Strategic review: Envisages consolidated operating profit in the range of € 300 mn, to be achieved already in 2023 – excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then

Note: All 2020 figures preliminary and unaudited

1) The dividend payment of € 1.50 per share in 2021 for the financial year 2020 would need to be made in two steps. In compliance with the requirements published by the European Central Bank (ECB) on 15 December 2020, the current status of preparation of the financial statements indicates a distributable amount of € 0.40 per share. Subject to the preparation and audit of the financial statements, the Management Board plans to submit a corresponding proposal for the appropriation of profits to the ordinary Annual General Meeting in May 2021. Depending on the economic developments, the regulatory requirements, the capital position and the risk situation of the bank, an extraordinary Annual General Meeting, which could possibly take place in the fourth quarter, could then decide on the intended remaining payout of € 1.10 per share.

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Preliminary results 2020

Promising income development and cost control – Covid-19 related comprehensive risk provisioning

€ mn	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	FY '19	FY '20	2020-Comments
Net interest income	130	123	122	128	139	533	512	Positive development throughout 2020 driven by grown portfolio, good margins and TLTRO participation
Derecognition result	22	7	9	3	9	64	28	In expected range, 2019 with positive one-offs
Loss allowance	35	58	48	61	177	90	344	Covid-19 related comprehensive risk provisioning
Net commission income	65	57	54	57	66	229	234	Despite Covid-19 burdens above last years' level
FV- / hedge-result	-4	11	-16	-2	-19	-3	-26	Including Covid-19 related comprehensive risk provisioning
Admin expenses	118	129	109	114	117	488	469	Significantly below 2019 level despite Aareon growth due to Covid-19 related underspend
Others	*2*	*0*	*-10*	*0*	*-1*	*3*	*-11*	Incl. Covid-19 triggered value adjustments of own assets
Operating profit (EBT)	**62**	**11**	**2**	**11**	**-99**	**248**	**-75**	Promising income development and cost control - Covid-19 related comprehensive risk provisioning
Income taxes	20	4	-7	10	-13	85	-6	FY tax ratio affected by expenses non effective for tax purposes
Minorities / AT1	4	5	4	5	7	18	21	
Consolidated net income allocated to ord. shareholders	**38**	**2**	**5**	**-4**	**-93**	**145**	**-90**	
Earnings per share (€)	0.62	0.04	0.07	-0.05	-1,56	2.42	-1,50	

Note: All 2020 figures preliminary and unaudited

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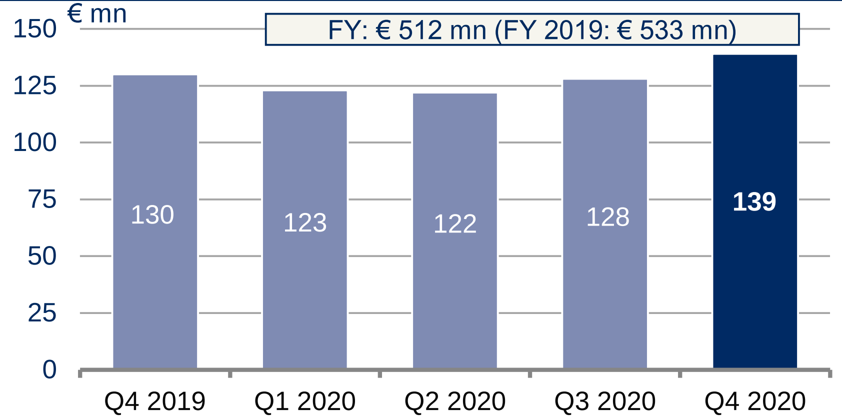
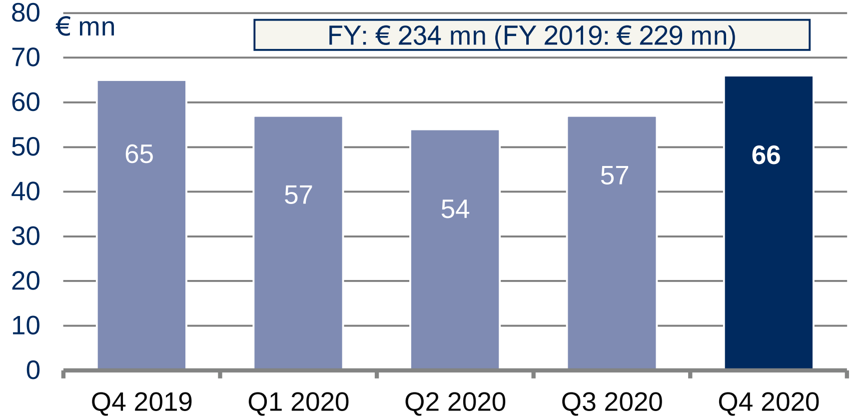
Preliminary results 2020

NII & NCI with positive development in 2020; Admin below expectations due to Covid-19 related effects

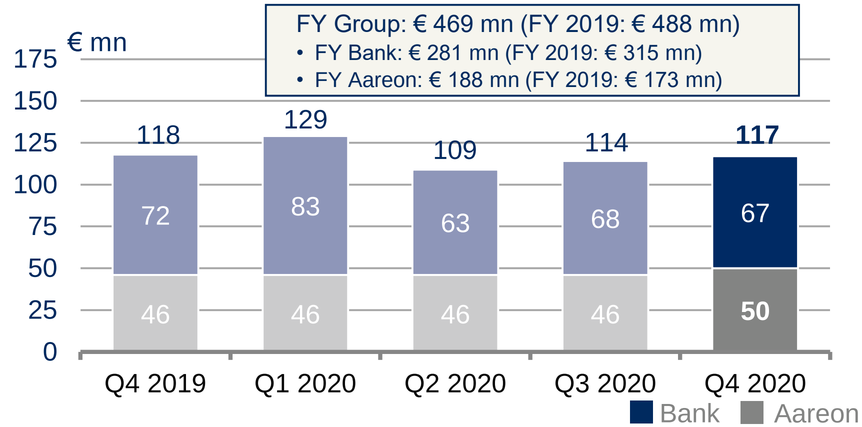
NII



NCI



Admin



- FY 2020 admin expenses significantly below planning due to Covid-19 effects
  - Covid-19 related underspend in 2020 (e.g. travel expenses, significantly lower variable compensation vs. 2019) - underspending effects expected not to be sustainable
  - Decreasing provisions from deferred stock based remuneration, aligning shareholder's interest and management remuneration
- Aareon with increasing admin expensed reflecting it's growth program (€ 188 mn in 2020 vs. € 173 mn in 2019)
  - ➢ Continuation expected for 2021

Note: All 2020 figures preliminary and unaudited

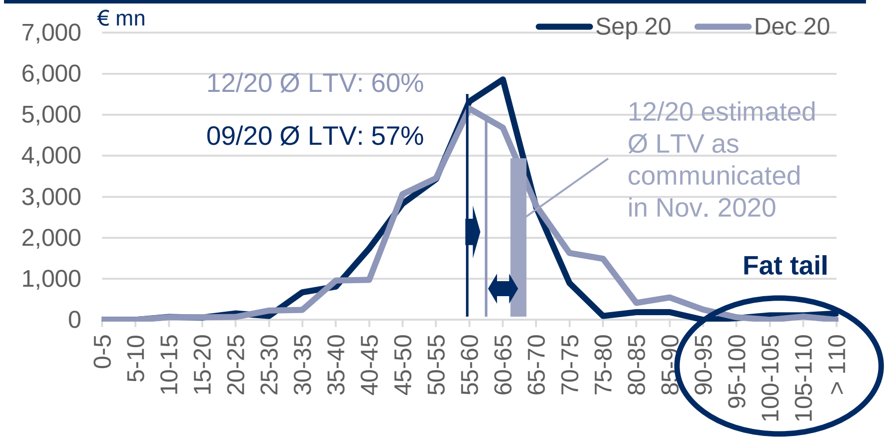
Asset Quality

02

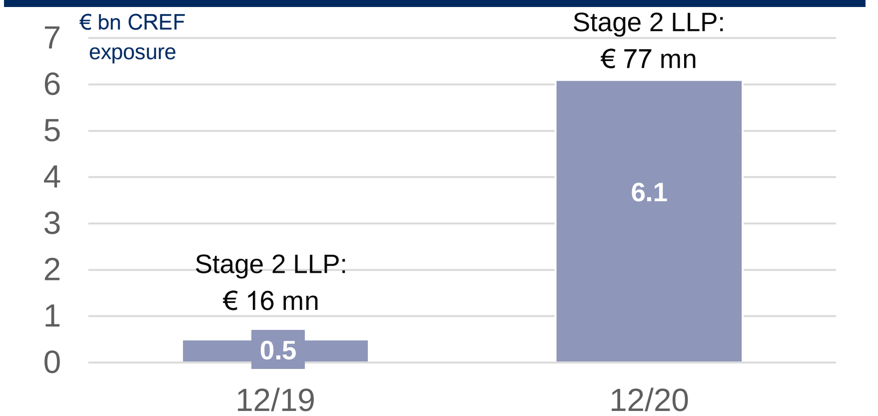
Asset Quality

Overall LTV development better than anticipated in Q3

LTV development 09/20 and 12/20 vs. expectations[1)]



Stage 2 exposure significantly increased (€ bn)



- Overall average LTV increase to 60% in Q4 2020 (vs. 57% in Q3) less pronounced than expected; however, few but significant outliers
- The scope of current independent value appraisals within the Covid-19 affected portfolio (Hotel, Retail, Student Housing) covers this portfolio by targeted ~85%
- Fat tail: Generally, all loans with LtV >100% now classified as stage 3. Additionally, stage 3 LLP was recognised for existing NPLs along with external appraisal values
- Liquidity demand remains moderate (Q2 2020: € 160 mn, Q3 2020: € 27 mn, Q4 2020: € 79 mn) – infected volume virtually stable in Q4 at € ~7 bn
  - Based on the extended and further tightened global lockdown measures, we have generally classified all loans for which liquidity support measures (payment deferrals and liquidity facilities) were classified as stage 2 (with 80% related to hotels) – thus recognising forward looking loss allowance for increased default risks, but which have not materialised
  - Stage 2 LLP up by net € 65 mn (Q4: € 31 mn) – excl. outflow from stage migration e.g. from stage 2 to 3

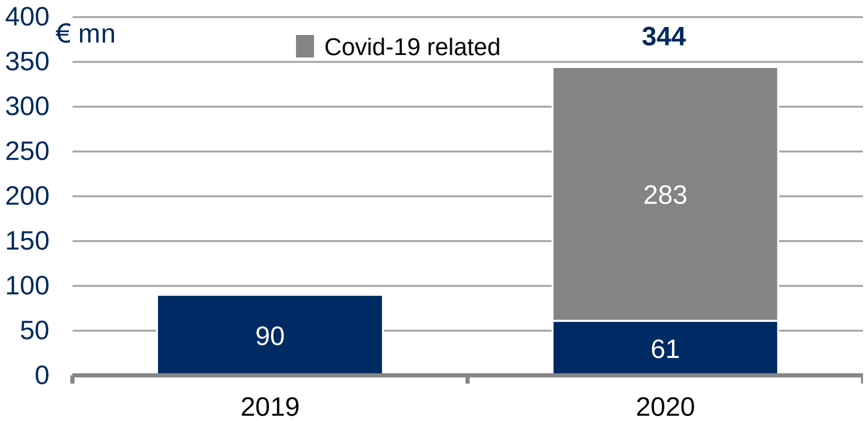
1) Performing CREF-portfolio only (exposure)

Note: All 2020 figures preliminary and unaudited

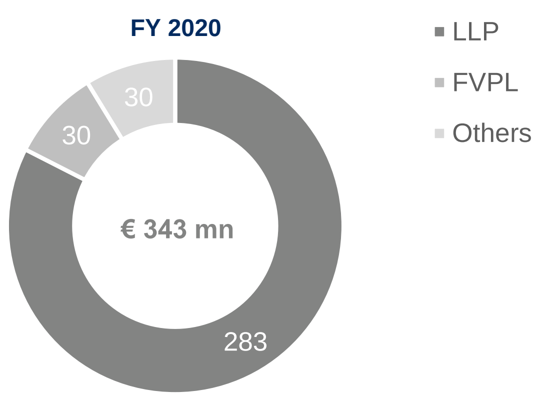
Loss allowance (LLP) / Others

Covid-19 related comprehensive risk provisioning

LLP



Covid-19 related P/L effects with respect to asset valuation



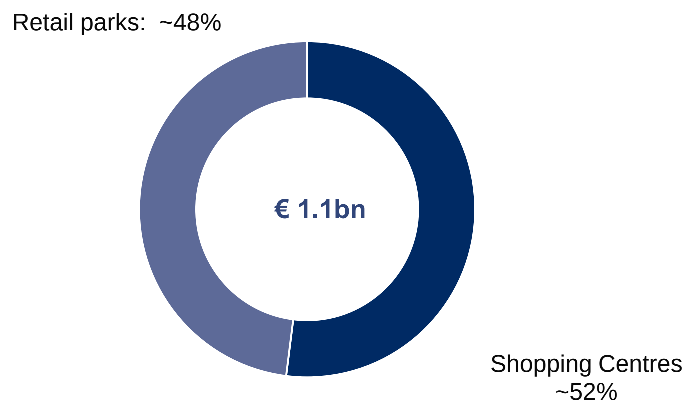
- Q4 stage 3 LLP: € 168 mn (incl. € 15 mn FVPL)
  - € 110 mn apply to retail NPLs in UK, thereof € 70 mn to three new retail NPLs
    - Classification as NPL was triggered by value decrease showing in new appraisals
  - € 58 mn apply to other NPLs representing a challenging Q4 (avg. Q4 LLP 2012-2019: € ~40 mn)
- Overall, having recognised forward-looking additional loss allowance to a significant extent, the Bank is therefore comprehensively taking account of the December/January intensification of the pandemic

Note: All 2020 figures preliminary and unaudited

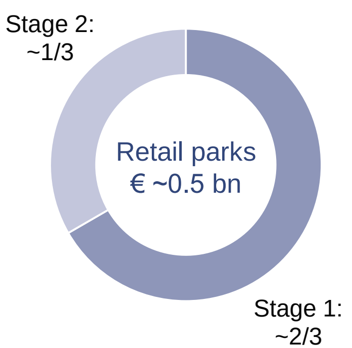
Asset Quality

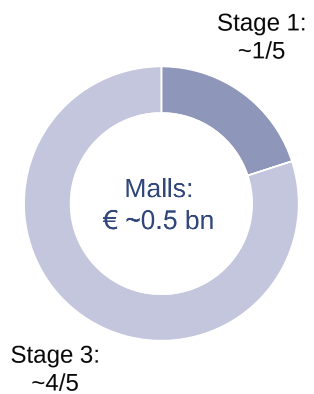
UK Shopping Centres particularly hit by worse than expected UK macro development

UK retail portfolio



UK retail





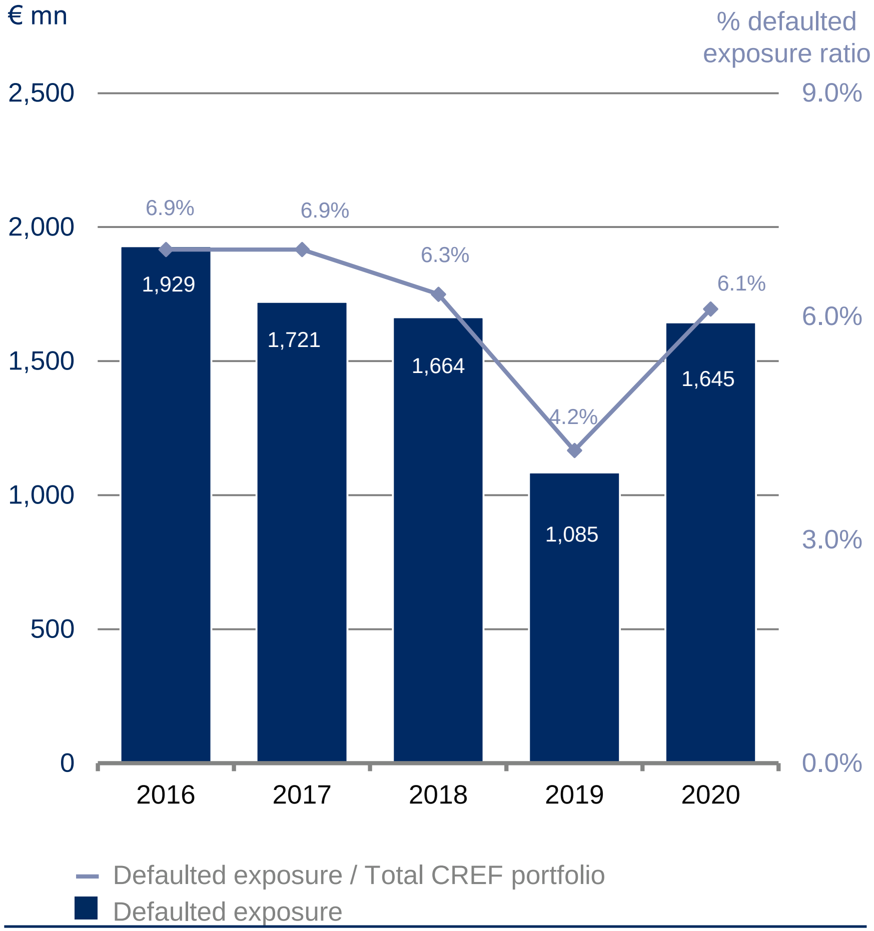
- Acceleration of structural change in UK retail sector particularly impacting Shopping Centres
- Significant value deterioration in particular certain shopping centres
- UK retail Portfolio total of 14 loans comprising
  - 6 loans (~30 retail parks) proven to be more resilient
  - 8 shopping centres loans
    - Volume-weighted decline of values > 40% vs. 12/18 (of which > 30%-points in 2020)
    - 2 malls (€ ~110 mn) performing with a current LTVs of max. 70%
    - 6 malls (€ ~440 mn) in NPL (stage 3 / FVPL), coverage ratio ex FVPL ~45%

Note: All 2020 figures preliminary and unaudited

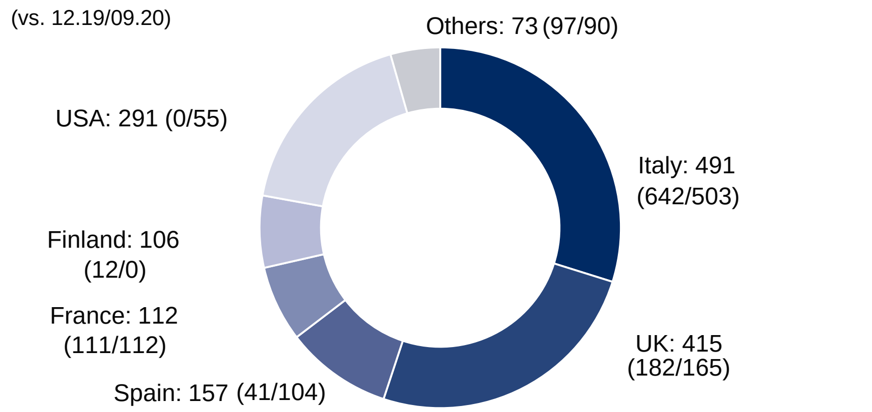
Defaulted exposure

NPL portfolio burdened by Covid-19 linked economic downturn

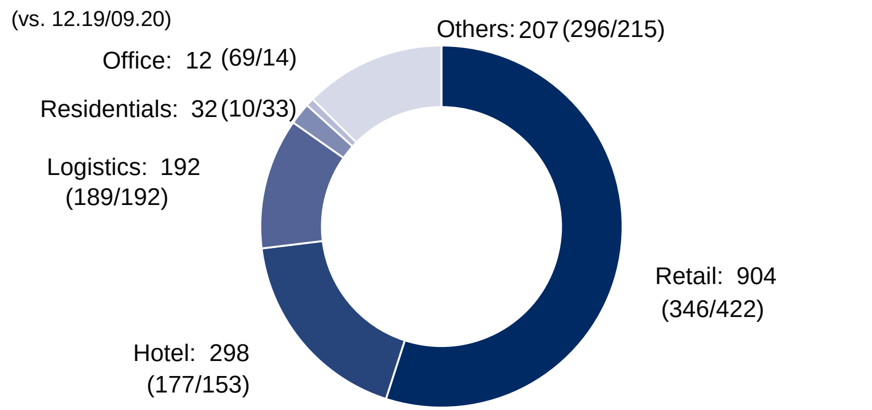
Development of defaulted exposure



Defaulted exposure by country (€ mn)



Defaulted exposure by asset classes (€ mn)



Note: All 2020 figures preliminary and unaudited

Asset Quality

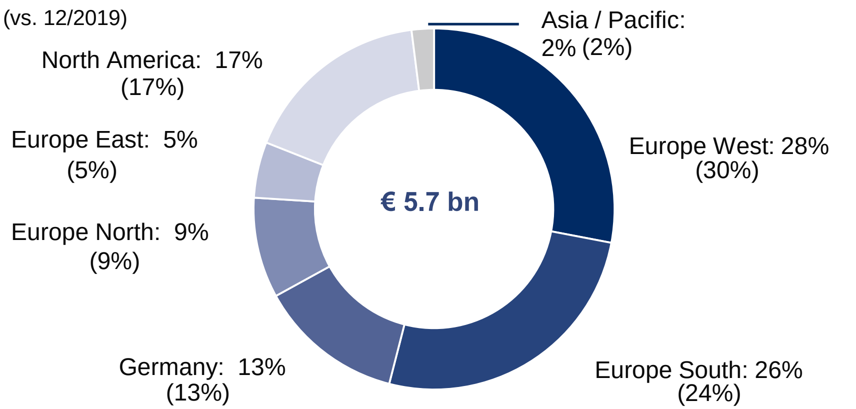
Update Real Estate Environment

- Our clients continue to support their assets
- Real Estate remains one of the most thought after asset classes to invest in
- Asia Pacific is recuperating well and is approaching pre-Covid-19 levels
- Recovery in the US is gaining momentum
- Europe/UK still affected by further lock-downs and heterogeneous approaches to the pandemic
- Vaccination numbers are increasing steadily across the globe, though some countries are more efficient than others
- Still no significant NPL or Forced-Sales Volumes
- Construction activities below historical average
- Interest rates remain low for the short to medium term

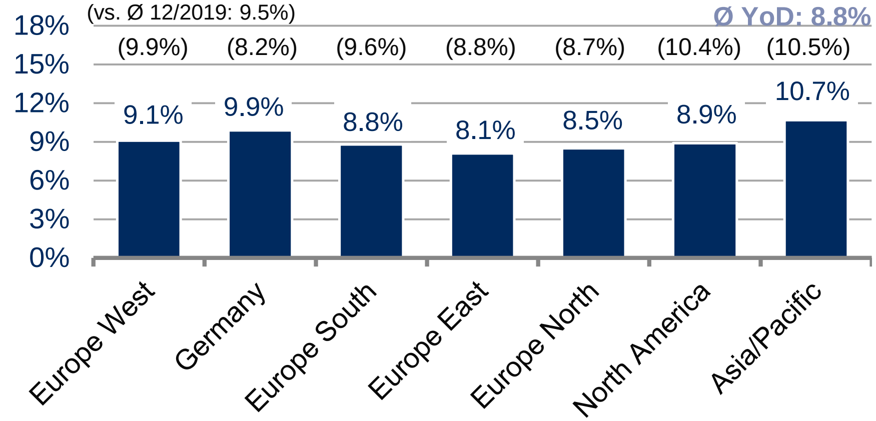
Note: All 2020 figures preliminary and unaudited

Asset Quality
Update Retail Portfolio

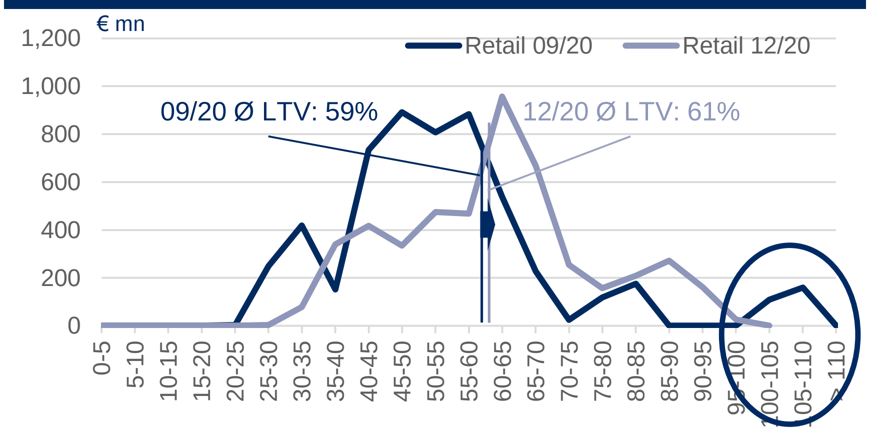
Retail Portfolio by region



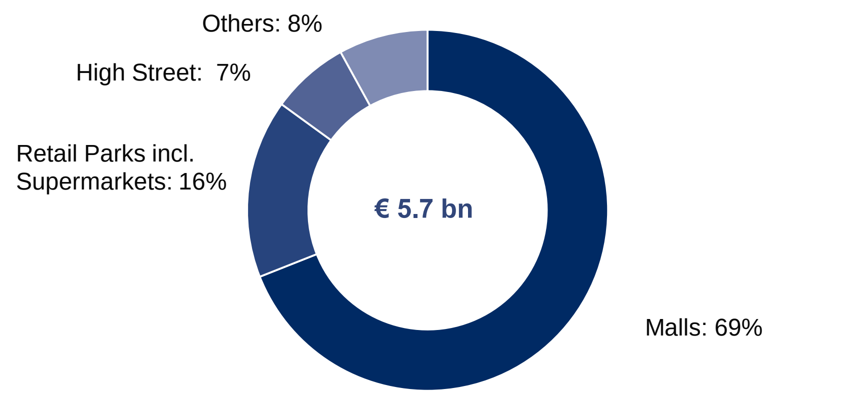
Yield on debt[1)]



LTV development 09/20 and 12/20[1)]



Retail by category



1) Performing CREF-portfolio only (exposure)

Note: All 2020 figures preliminary and unaudited

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Asset Quality
Update Retail Environment

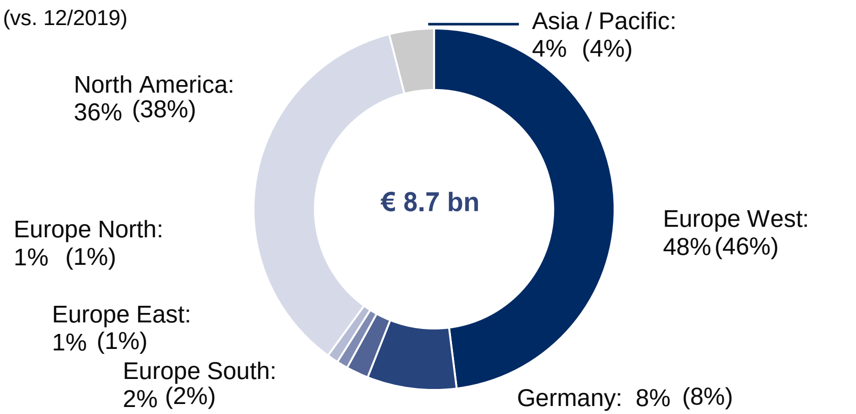
- Aareal revalued 94% of its entire retail portfolio in 2020,
  thereof nearly 100% of the Covid-19 affected engagements
- First investors started to look at transactions with signs of liquidity coming back
- To remember: Brick&Mortar are the backbone of an omni-channel system
- On-line retail likely to somewhat reduce, once physical stores open again
- EU savings per end 2020 reported to be € 600 bn and UK £ 125 bn higher than pre-Covid-19 levels
- Brexit in place
- Only 4% of all CVA’s in the UK to-date actually resulted in insolvency, indicating a higher than expected retailer recovery in the UK going forward

Note: All 2020 figures preliminary and unaudited

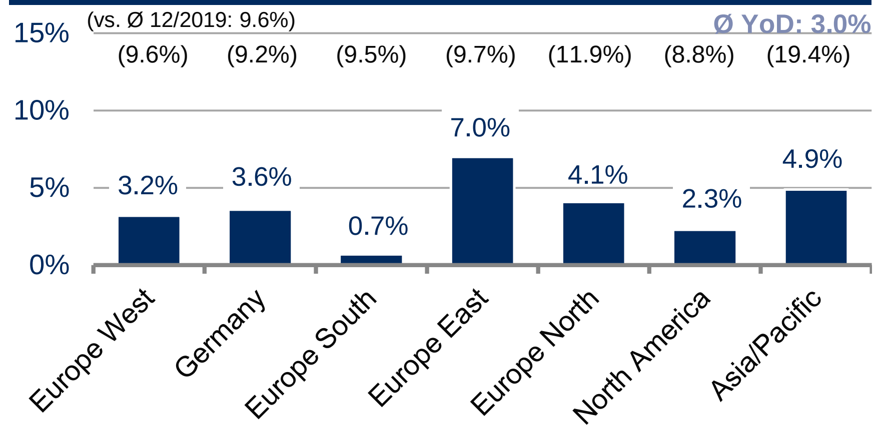
Asset Quality: Hotel Portfolio

Hotel portfolio well positioned to master Covid-19 crisis

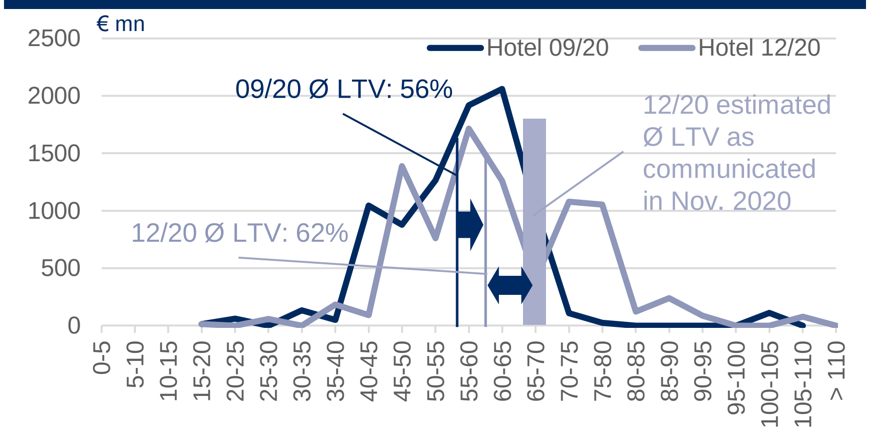
Hotel Portfolio by region



Yield on debt[1)]



LTV development 09/20 and 12/20 vs. expectations[1)]



- Total portfolio revaluation close to 93%, thereof 100% of (Covid-19) affected portfolio
- Overall LTV increase in the portfolio to 62% is lower than the range of 66-69% expected in Q3
- Of the top 15 loans (all > € 150 mn) only 5 received liquidity lines
- In 2020, only 34% of the total portfolio got liquidity lines for a total amount of € 129 mn (Q4: € 5.3 mn) and amortisation postponements of € 55 mn (Q4: € 6.5 mn)
- Additional NPL volume of € 145 mn with LtV <100% and therefore very low LLP needs demonstrates solid portfolio quality
- Stage 2 provisioning undertaken, reflecting corona measures affected portfolio (liquidity, waivers, etc., ~80% of total stage 2 provisions).

1) Performing CREF-portfolio only (exposure)

Note: All 2020 figures preliminary and unaudited

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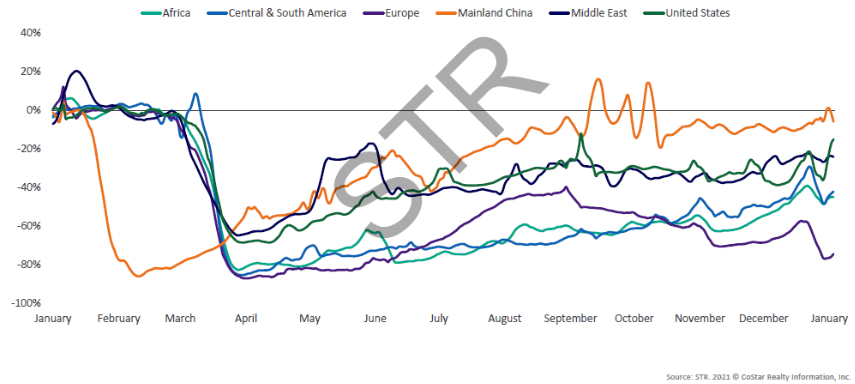
Asset Quality

Recovery of the international hotel market already started

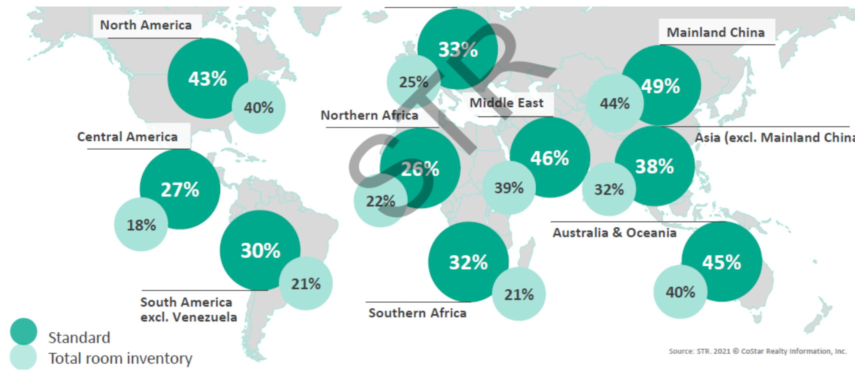
China almost back to pre-Covid levels

Rolling 7 days Occ% change, January 1st 2020 to 3rd January 2021



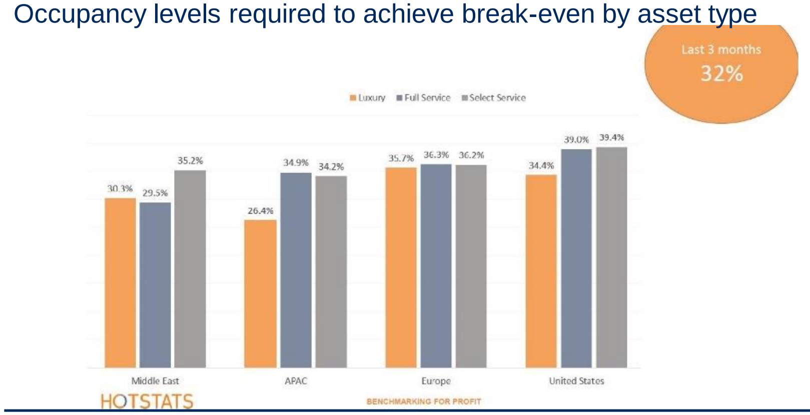
Full year TRI by region range from 18% to 44%

Occupancy actuals, open hotels & total room inventory (TRI), FY 2020



Breaking even

Occupancy levels required to achieve break-even by asset type



Maldives demand market rebounding strongly

Maldives, Rolling 7 days occupancy , Jan. 2020 – Jan. 2021

Note: All 2020 figures preliminary and unaudited

Asset Quality

Hotels, what to expect going forward?

- Trading performance expected to recover, as evidenced by countries that have largely reduced their Covid-19 related measures
- Larger conventions are starting to induce booking pace
- Hotels are benefitting of markedly reduced base- and volume costs of doing business
- Little transaction volume is causing bid and ask pricing to narrow, putting upward pressure on asset pricing
- After amortising existing relationships during Covid-19 restrictions, people will need to meet people again to renew and establish new relationships
- Tourism already expected to be strong towards summer, evidenced by solid booking performances with increased overall prices in anticipation of travel restrictions easing

Note: All 2020 figures preliminary and unaudited

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Asset Quality: Looking ahead

Where do we go from here?

Transparency

- Retail overall with manageable risk and provisioning done, where appropriate. UK is one exception, not the rule
- Hotel portfolio in line with expectations and marketable recovery expected going forward
- Office portfolio without meaningful risk increase and performing well
- Logistics most sought after asset class with good performance and a stellar development expected

Therefore, and as detailed within our 360^{0}-review

- We will continue to support our clients with their existing engagements
- We see good opportunities with attractive risk/return profiles to expand and support our client relationships by using our differentiating USPs
- We will be able to grow our market share and interest income, laying the foundation for the future

Note: All 2020 figures preliminary and unaudited

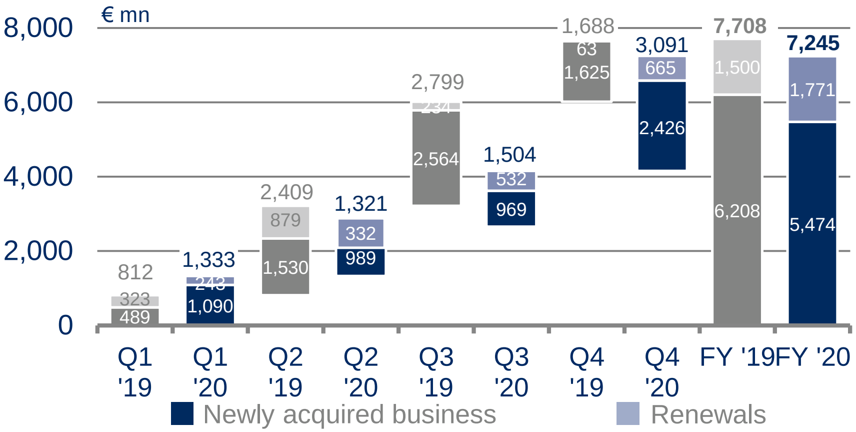
Business Segment Reporting

03

Segment: Structure Property Financing

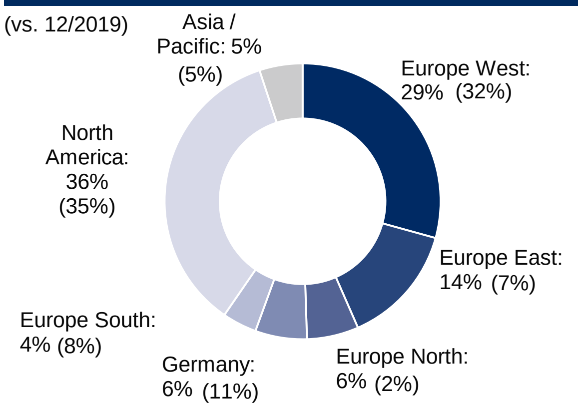
New business with low LTVs and margins significantly above plan

New business by quarter

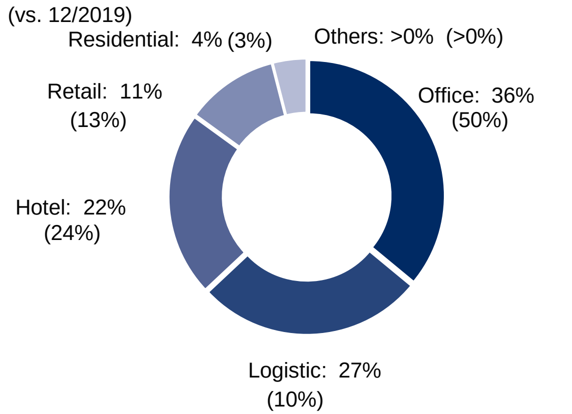


- Newly acquired business:
  - FY-margins of ~220 bp above plan (180-190 bps)
  - Strong Ø FY-LTV of 58% (Q4: 56%)
  - Logistics significantly increased to 34%
- Portfolio size increased towards upper end of guided range despite FX from € 26.3 bn to € 27.8 bn in H2 2020
- Further portfolio increase towards € ~30 bn by YE 2022 targeted; TLTRO-bonus collection therewith likely
- Using market opportunities through the cycle by applying expertise and USPs

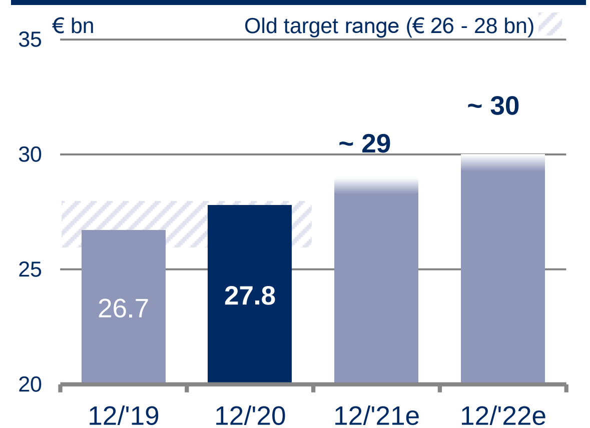
FY-new business by region



FY-new business by property type



REF portfolio development



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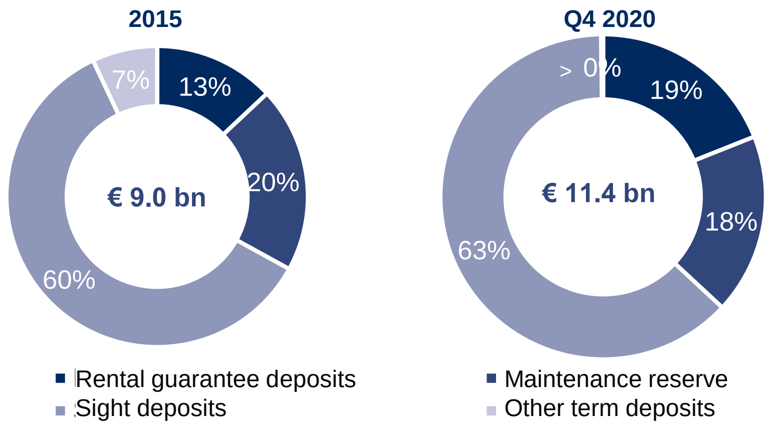
Segment: Consulting/Services Bank

Housing industry deposits stress resilient, NCI further increased

Split of deposits by type



€ mn	FY '19	FY '20
Net interest income	-15	39
Net commission income	23	26
Admin expenses	73	68
Net other operating income	0	0
Operating profit	**-65**	**-3**

- Stable deposit volume on a high level
- Deposit taking business not affected by spread widening in senior lending
- Overall deposit structure further improved, rental guarantee deposits grown above € 2 bn
- NII significantly improved despite Covid-19 - mainly due to adjusted modelling and transfer pricing, reflecting value of housing industry deposits as stable funding source
- Due to higher short term interest rates and Covid-19 related underspend segment operating profit better than revised guidance of ~ € -10 mn (original guidance ~ € -20 mn)
- Unlocking further business opportunities successfully initiated, e.g. joint-venture with ista ("objego")
- Additionally, launch of several new digital products:
  - Aareal Meter
  - Aareal Aval
  - Aareal Exchange and Payment Platform
  - Aareal Connected Payments

Note: All 2020 figures preliminary and unaudited

Segment: Aareon

Growth proposition confirmed despite Covid 19
Adj. EBITDA better than expected

P&L Aareon segment - Industry format[1)] € mn	**FY'19**	**FY'20**	**Δ FY '20/'19**
Sales revenue	252	258	2%
▪ *Thereof ERP*	*201*	*197*	*-2%*
▪ *Thereof Digital*	*51*	*61*	*19%*
Costs[2)]	-191	-205	7%
▪ *Thereof material*	*-44*	*-45*	*3%*
EBITDA	**61**	**53**	**-13%**
New products / Inorganic[3)]	-2	-8	>100%
One offs	0	-1	>100%
Adj. EBITDA	**64**	**62**	**-3%**
EBITDA	**61**	**53**	**-13%**
D&A / Financial result	-24	-26	8%
EBT / Operating profit	**37**	**27**	**-27%**

- Total sales revenue increased by 2% yoy, mainly driven by growth in Digital and challenges in providing Consulting services due to Covid-19 (-6% yoy)
- Digital grew by 19% yoy, based on higher penetration with existing digital products incl. CalCon
- ERP decreased by 2% yoy (ERP growth ex_Consulting +3% yoy because of strong-year end race, e.g. Wodis Yuneo, in licence revenues)
- Consulting utilisation rate: ~63% (py benchmark: 70%) still relatively high thanks to green (digitalised) consulting facilitated during lock-down and well-received by clients
- Steadfast on investments supporting Aareon's growth strategy in line with back-end loaded industry characteristic – driven by increasing FTEs and additional investments
- Adj. EBITDA FY20 was higher than expected and kept virtually stable: the negative impact of Covid-19 amounted to € -7 mn (expectation: € -10 mn)
- Due to recent lock-down decisions, Aareon expects Covid-19 business impediments in 2021 as well, yet less pronounced than in 2020
- The recurring revenue share of 67% (last year 64%) is at high level and has steadily been growing throughout the quarters

1) Calculation refers to unrounded numbers
2) Incl. capitalised software and other income
3) New Products consist of e.g. Virtual Assistant, Aareon Smart Platform, etc., Inorganic bundles Venture (e.g. Ophigo) and M&A activities, include investments in new product developments

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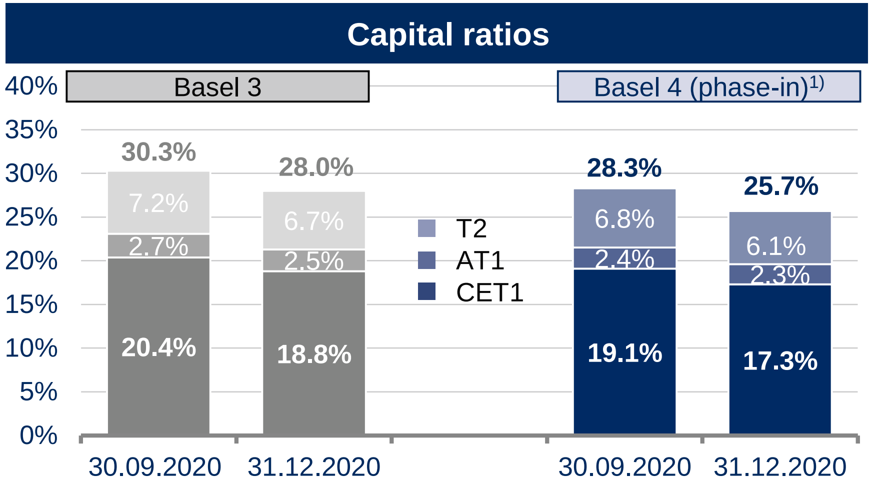
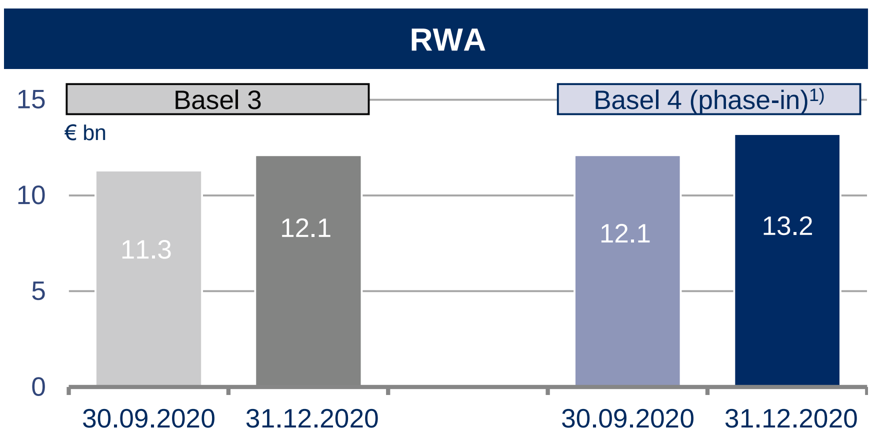
Capital, B/S & Funding/Liquidity

04

Capital

Solid capital ratios





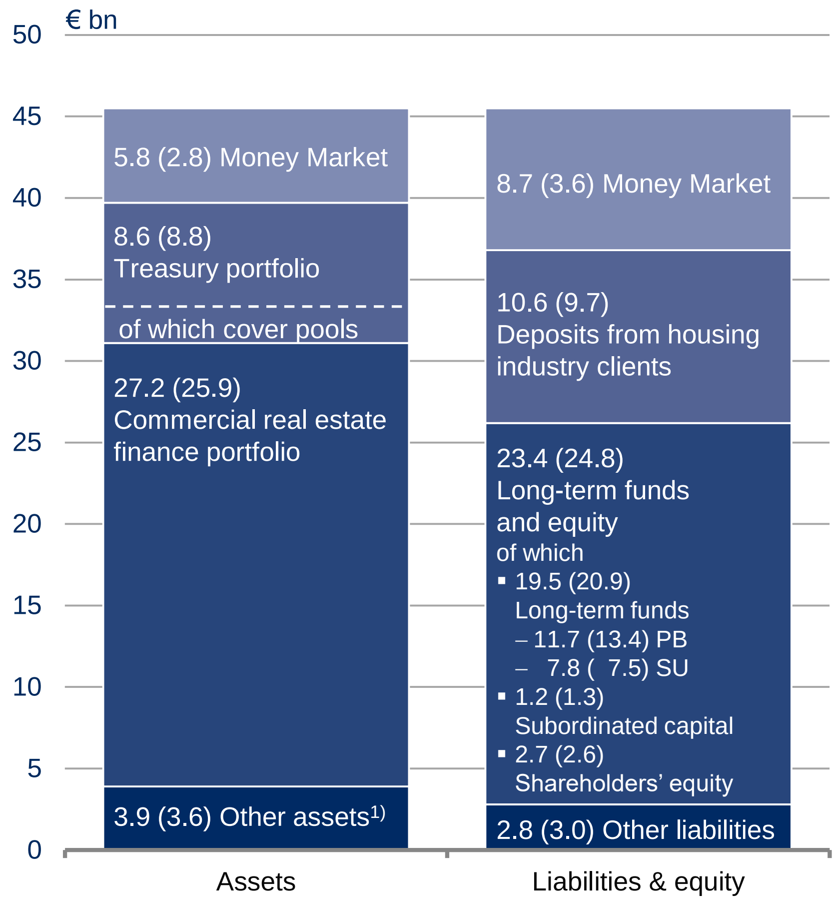
- Capital ratios in Q4/20 decreased as anticipated due to RWA increase
- RWA increase in Q4/20 (B3 and B4) reflecting strong portfolio growth by € 1.1 bn and full recognition of Covid-19 effects
- CET1 in Q4 virtually stable (€ 2.3 bn). Capital gain (€ ~180 mn) from sale of Aareon minority share considered. Intended dividend payout of a total of € 1.50 per share in 2021 for 2020 already deducted[2)]
- B4 CET1 ratio (fully phased) 12/20: 13.1% (09/20: 13.9%)[1)]
- Significant CET1, AT1 and T2 buffers; optimisation potential in review; permission to redeem € 300 mn Tier 2 Notes received by ECB: positive effect on future funding costs
- T1-Leverage ratio at 5.9% despite TLTRO participation
- Remaining regulatory uncertainties (models, ICAAP, ILAAP, B4 etc.)

Note: All 2020 figures preliminary and unaudited

1) Underlying B4 RWA estimate 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) The dividend payment of € 1.50 per share in 2021 for the financial year 2020 would need to be made in two steps. In compliance with the requirements published by the European Central Bank (ECB) on 15 December 2020, the current status of preparation of the financial statements indicates a distributable amount of € 0.40 per share. Subject to the preparation and audit of the financial statements, the Management Board plans to submit a corresponding proposal for the appropriation of profits to the ordinary Annual General Meeting in May 2021. Depending on the economic developments, the regulatory requirements, the capital position and the risk situation of the bank, an extraordinary Annual General Meeting, which could possibly take place in the fourth quarter, could then decide on the intended remaining payout of € 1.10 per share.

B/S structure according to IFRS

As at 31.12.2020: € 45.5 bn (31.12.2019: € 41.1 bn)



- Well balanced B/S structure
- Increase of total assets (yoy) due to participation in ECB's TLTRO (> € 4 bn) in money market positions reflected
- More efficient use of housing deposits

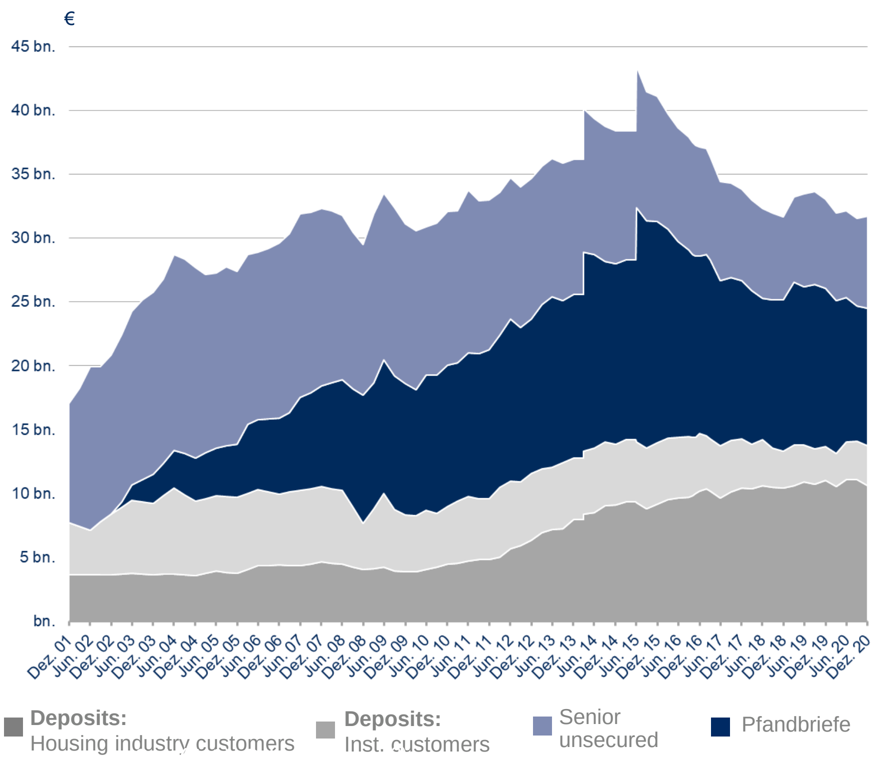
1) Other assets includes € 0.3 bn private client portfolio and WIB's € 0.3 bn public sector loans

Note: All 2020 figures preliminary and unaudited

Aareal

Funding / Liquidity

Diversified funding sources and distribution channels



- Sustainable and strong housing industry deposit base being part of well diversified funding mix
- Several successful capital market transactions
  - More than 50 senior unsecured private placements with a volume of > € 1bn
  - € 500 mn senior preferred benchmark (6.5Y, MS +95bps)
  - € 500 mn Pfandbrief benchmark (6Y, MS+1bp)
  - January 2021:
    First Pfandbrief Benchmark in 2021 (€ 500 mn) very successfully placed (7Y, MS+1bp)
  - February 2021:
    $ 750 mn Pfandbrief Benchmark with a 4 years maturity supported the strong focus of diversifying the international investor bases (more than 70% was placed outside Germany)
- Liquidity ratios significantly over fulfilled:
  - NSFR > 100%
  - LCR >> 100%

Note: All 2020 figures preliminary and unaudited

Aareal

Outlook 2021

05

Outlook 2021

Leaving firmly behind pandemic 2020 – looking ahead with confidence

Group

METRIC	2020	OUTLOOK 2021[1)]
Net interest income	€ 512 mn	€ 550 - 580 mn
Net commission income	€ 234 mn	€ 250 - 270 mn
LLP	€ 344 mn	€ 125 - 200 mn
Admin expenses	€ 469 mn	€ 520 - 540 mn
Operating profit	**€ -75 mn**	**€ 100 - 175 mn**
Earnings per share (EPS)	**€ -1.50**	**€ 0.70 - 1.50**

Segments

Aareal Next Level		METRIC	2020	OUTLOOK 2021[1)]
„Activate“	Structured Property Financing	REF Portfolio	€ 27.8 bn	€ ~29 bn[2)]
		New business	€ 7.2 bn	€ 7 bn - € 8 bn
„Elevate“	Banking & Digital Solutions[3)]	Deposit volume	€ 11.0 bn	€ ~11 bn
		NCI	€ 26 mn	€ ~28 mn
„Accelerate“	Aareon	Revenues	€ 258 mn	€ 276 mn - € 280 mn
		Adj. EBITDA	€ 62 mn	€ 63 mn - € 65 mn

1) Based on “Swoosh” scenario. In the current environment, this forecast is subject to significant uncertainty, especially with regard to the assumed duration and intensity of the crisis, the pace of recovery and the associated effects on our clients, as well as prevailing unclear regulatory and accounting provisions, and the possibility that individual loan defaults cannot be reliably predicted.
2) Subject to FX development
3) Formerly known as Consulting / Services Bank: segment has been renamed effective from Jan. 2021
Note: All 2020 figures preliminary and unaudited

Aareal

Aareal Next Level – 360°-review

06

Aareal

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

Operating profit target of € ~300 mn to be achieved already in 2023[1)]

January 2020	▪ We introduced our strategy 'Aareal Next Level' with three strategic pillars ACTIVATE!, ELEVATE! and ACCELERATE!
Q4 2020	▪ Management initiated a 360° review of 'Aareal Next Level' in the context of Covid-19 and its mid term structural implications supported by McKinsey ▪ Key focus of 360° review: i) create sustainable shareholder value in a new normal after Covid-19 with the aim of earning our CoE mid-term[1)] and ii) resume our track record as reliable dividend payer[2)]
Early 2021	▪ 360° review confirms 'Aareal Next Level' remaining a successful and attractive strategy even in a post Covid-19 environment. Thus, we will enter into first stage evolution of 'Aareal Next Level' ▪ We identified 1 2 3 4 5 additional levers within the 'Aareal Next Level' strategic framework to significantly improve our successful performance in the future ▪ We envisage to achieve an operating profit target of € ~300 mn already in 2023[3)] which translates into a return on equity after taxes of ~8%[1)] on Group as well as on Bank level ▪ Free capital retained for either M&A and/or capital management

1) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then
2) Subject to ECB approval
3) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then
Note: All 2020 figures preliminary and unaudited

Aareal

’Aareal Next Level’ strategy confirmed as successful and attractive

Operating profit target of € ~300 mn to be achieved already in 2023[1)]

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

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

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

Transformation, innovation and investment budgets

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

1) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then
2) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then
3) Formerly known as Consulting / Services Bank: has been renamed effective from Jan. 2021
4) Excluding costs for Aareon M&A and M&A financing

Note: All 2020 figures preliminary and unaudited

Aareal

ACTIVATE! Structured Property Financing

Take advantage of market opportunities, grow book and optimize funding

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

Lever	First stage evolution of 'Aareal Next Level'	Targets
1	**Continue to pursue risk-conscious and ESG conform, organic expansion of financing business based on attractive margins to increase our on-balance credit portfolio** ▪ As done in Q4, utilizing market opportunities in the Covid-19 environment with attractive risk / return profiles building on our USPs ▪ Increase our NII, leverage our platform and enhance profitability through RoE accretive business, syndication capability is continuously used to improve structure of new business and profitability / return ▪ We will continue to further develop our asset light strategy	**REF portfolio:** **YE 21: € ~29 bn** **YE 22: € ~30 bn**
2	**Optimisation of funding mix and capital structure to enhance profitability and return** ▪ Review and fine-tune our liquidity and ALM strategy, but maintain prudent liquidity ratios ▪ Enhance our funding mix regarding new products e.g. establishing a CP programme and optimize funding costs, by speeding up our cover pool process ▪ Optimize our regulatory capital structure	**Q1 21:** **Termination of T2 € 300 mn** **YE 22:** **Executed ALM / liquidity strategy**

Note: All 2020 figures preliminary and unaudited

Aareal

ACTIVATE! We continue to strive towards greater ESG-transparency

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

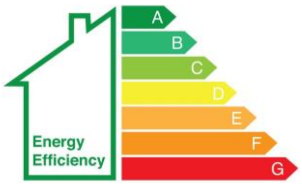
Transparency

Improvement of ESG-Transparency

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

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

External recognition



Note: All 2020 figures preliminary and unaudited

ELEVATE! Banking & Digital Solutions[1)]

Leverage on our deeply embedded customer integration and increase NCI

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

Lever	First stage evolution of 'Aareal Next Level'	Targets
3	**Increase our opportunities for a further expansion with a particular focus on our net commission income in our Digital Solutions business** ▪ Sharpening our strategic profile and enhance our development capabilities ▪ Continue to leverage and grow our housing and adjacent industries business through cross selling with an increasing contribution of our innovation portfolio ➢ grow NCI with a CAGR of 13% until 2023 ▪ On top: Innovation budget for growth initiatives of on average € ~2 mn p.a. between 2021 and 2023 together with pursuing selected M&A opportunities with the ambition to double NCI until 2025	**Ø 23: Deposit volume of € >11 bn** **Grow NCI with a CAGR of 13% until 2023** **Ambition to double NCI until 2025**
	We reconfirm the attractiveness of our deposit base in our Banking business which is deeply imbedded in our clients' processes ▪ Sticky deposit base at attractive terms and costs from group perspective, further upside in a rising rate environment and the opportunity of additional cross selling	

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

Note: All 2020 figures preliminary and unaudited

ACCELERATE! Aareon

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

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

Lever	First stage evolution of 'Aareal Next Level'	Targets
4	**VCP, developed with Advent, Aareon and Aareal, to increase mid-term adj. EBITDA target from € >110 mn to € 135 mn and M&A on top** ▪ Accelerate investment in developing new digital products and offerings to add to Aareon's growing portfolio of Digital Solutions ▪ Go to market excellence and accelerate "new logo" wins ▪ Leveraging Aareon's core ERP installed base to upsell / cross sell new modules and digital solutions from Aareon's Smart World ▪ Additional investment budget[1)] for Aareon with growth costs in context of VCP implementation (2021: € ~8 mn) leading to a temporary dilution of EBT	**YE 23: VCP with add. positive EBT impact (organic)** **YE 25: Increase adj. EBITDA from € >110 mn to € ~135 mn; achieve Rule of 40[2)]**
M&A	**Implementing Aareon's strategic M&A roadmap** ▪ Execution of strategic M&A roadmap and EBITDA contribution from M&A activities on top ▪ Initially up to € 250 mn debt funding of M&A roadmap negotiated ▪ Recent acquisition of SaaS company Arthur being the first evidence of the successful partnership with Advent	**EBITDA from M&A on top**

1) Excluding costs for Aareon M&A and M&A financing
2) Rule of 40: Sum of Aareon's annual revenue growth and adj. EBITDA margin will at least reach 40%

Note: All 2020 figures preliminary and unaudited

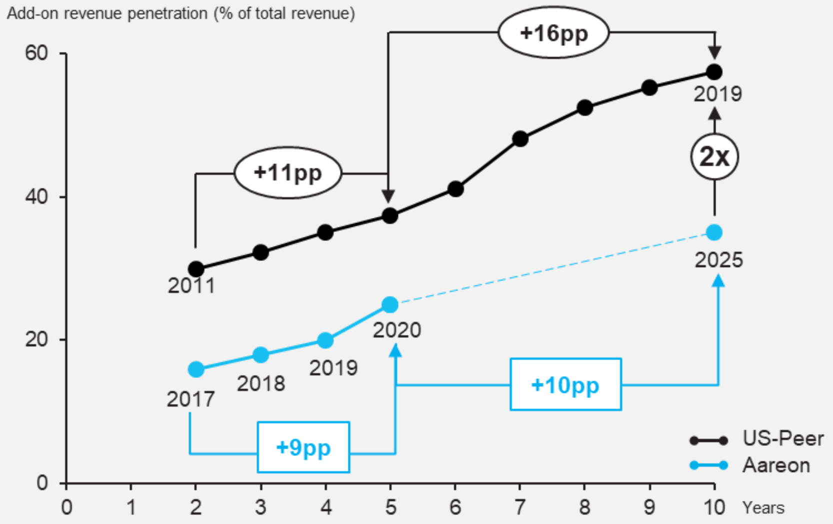
Aareal

Aareon unmatched growth opportunity

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

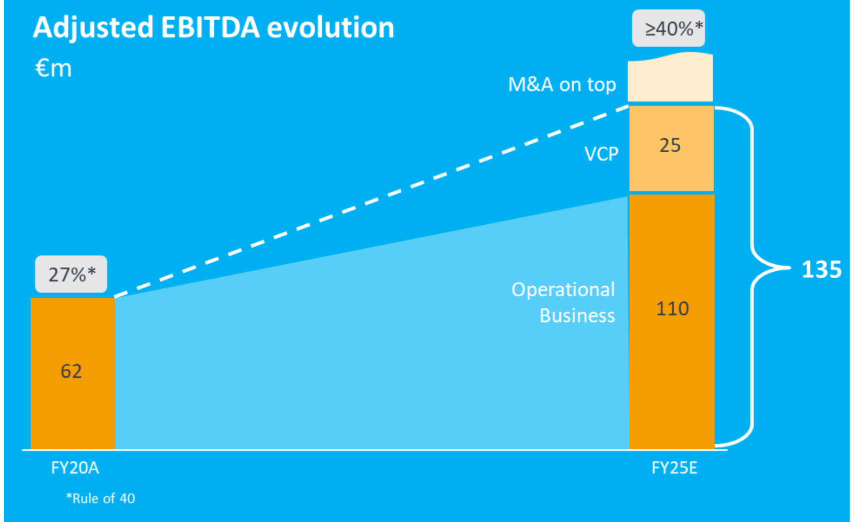
- Highly integrated digital ecosystem Aareon Smart World
- End-to-end product suite and roadmaps, from ERP to Digital Solutions
- Strong pan-European M&A roll-up platform

Increase RPU – Following the US Market experience



Note: All 2020 figures preliminary and unaudited

Aareon elevated to a "Rule of 40 company"



Operational business (as presented at Investor Day)
- ERP 2025: Ambitious continuation of implementation of new ERP product generations
- Offer Digital Solutions, continued investment in developing innovative and competitive digital products
- Employee Engagement Program: Empower people for success

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

Value Creation Program
- Go-To-Market: Improve GTM excellence with focus on targeting new logos and driving up-/cross-sell. Opportunity to extend value based packages to customers while driving digitalisation of industry
- SaaS Acceleration: Drive SaaS to realise higher share of recurring revenues
- Software Implementation Efficiency: Accelerate growth from recurring software through highly efficient software implementations
- Operations Excellence: Leverage potential organisational value creation levers that could support growth
- 36One: Provide a data lake for reporting excellence. Improve back office performance and automation

Note: All 2020 figures preliminary and unaudited

Aareon further increased strong financial outlook

Despite Covid-19 pandemic KPIs remained rather solid in 2020

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

**short-term up to 25%

*CAGR 20/25

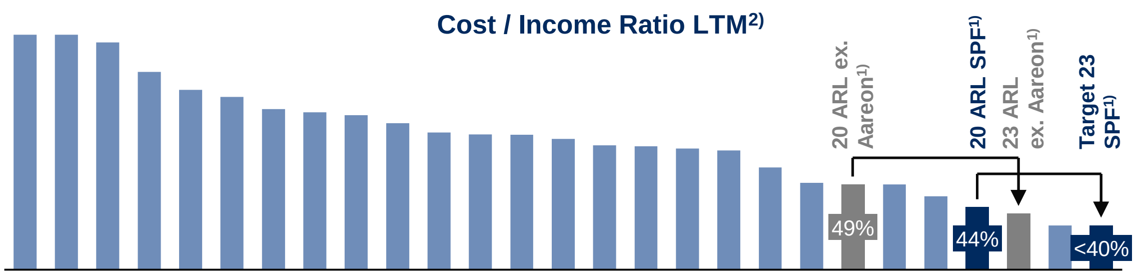
Aareon

Note: All 2020 figures preliminary and unaudited

Organisation: Implementation of group wide efficiency measures

Maintaining strict cost discipline and implement further efficiency measures

Lever	First stage evolution of ’Aareal Next Level’	Targets
5	**Objective of further efficiency measures in organisation, processes & infrastructure** ▪ IT Next Level: Further reduction of specific internal developments and implementation of standardized applications in our S4 Hana environment will i) further reduce complexity of Aareal's IT platforms and ii) enable cloud-based business and IT operating models. Thus, leading to lower running and change costs ▪ Efficiency measures optimising marginal costs of portfolio expansion, i.e. automatisation of the credit and adjacent processes as well as reporting procedures ▪ Campus: i) recalibrate workfloor concepts to address new way of working, ii) optimise self-owned real estate incl. residential development realising a related capital gain of € ~10 mn and iii) create an attractive source of income for our CTA (pensions) ▪ Implementation of young talent programme already started in 2020; first positive effects already achieved ▪ Cost reduction through streamlining of management structure: number of members of first management level (Managing Director) to be reduced by 15 percent; Supervisory Board to consider size and composition of Executive Board	**YE 23: SPF CIR of <40%1)** **Transformation budget financed by related one off effects**



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

1) Excluding bank levy; 2020 ARL ex Aareon incl. bank levy 54% / 2020 ARL SPF incl. bank levy 48%
2) Euro StoxxBanks plus Deutsche Pfandbriefbank as of 15.02.2021, total non-interest expense LTM divided by revenue before loan losses LTM (excluding unusual Items like goodwill impairments, restructuring costs etc.); Source: S&P Capital IQ

Note: All 2020 figures preliminary and unaudited

’Aareal Next Level’: Our KPIs and targets

Operating profit target of € ~300 mn to be achieved already in 2023[1)]

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

1) Excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then
2) Net interest income and net commission income
3) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid-19 crisis being fully overcome by then
4) Subject to ECB approval
5) Excluding bank levy

Note: All 2020 figures preliminary and unaudited

Key Takeaways

07

Aareal

Key takeaways

Review 2020: Pandemic-related high adverse impacts and robust operating development

- Comprehensive provisioning for all currently visible Covid-19 risks
- Growth potential exploited in all three segments and market position strengthened
- Intention to reinstate dividend payment[1)] of € 1.50 in two steps

Outlook 2021: Declining risk provisioning and return to profitability

- Economic growth strengthens in course of the year
- Focus on capturing growth opportunities
- Triple digit million Group operating profit expected

Strategy Update: Exploit growth opportunities and increase profitability

- Developed focused growth strategies for all three segments
- Accompanied by efficiency increase measures and optimization of capital and funding
- Targeting increase in Group operating profit to approx. € 300 mn until 2023

1) The dividend payment of € 1.50 per share in 2021 for the financial year 2020 would need to be made in two steps. In compliance with the requirements published by the European Central Bank (ECB) on 15 December 2020, the current status of preparation of the financial statements indicates a distributable amount of € 0.40 per share. Subject to the preparation and audit of the financial statements, the Management Board plans to submit a corresponding proposal for the appropriation of profits to the ordinary Annual General Meeting in May 2021. Depending on the economic developments, the regulatory requirements, the capital position and the risk situation of the bank, an extraordinary Annual General Meeting, which could possibly take place in the fourth quarter, could then decide on the intended remaining payout of € 1.10 per share.

Group results 2020

Appendix

Aareal

Aareal Bank Group
Results 2020

	01.01.-31.12.2020 € mn	01.01.-31.12.2019 € mn	Change
Profit and loss account			
Net interest income	512	533	-4%
Loss allowance	344	90	282%
Net commission income	234	229	2%
Net derecognition gain or loss	28	64	-56%
Net gain or loss from financial instruments (fvpl)	-32	1	
Net gain or loss on hedge accounting	6	-4	-250%
Net gain or loss from investments accounted for using the equity method	1	1	0%
Administrative expenses	469	488	-4%
Net other operating income / expenses	-11	2	
Operating Profit	**-75**	**248**	**-130%**
Income taxes	-6	85	-107%
Consolidated net income	**-69**	**163**	**-142%**
Consolidated net income attributable to non-controlling interests	5	2	150%
Consolidated net income attributable to shareholders of Aareal Bank AG	-74	161	-146%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	-74	161	-146%
of which: allocated to ordinary shareholders	-90	145	-162%
of which: allocated to AT1 investors	16	16	
Earnings per ordinary share (in €)[2)]	-1.50	2.42	-162%
Earnings per ordinary AT1 unit (in €)[3)]	0.16	0.16	

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.

Note: All 2020 figures preliminary and unaudited

Aareal

Aareal Bank Group
Results 2020 by segments

€ mn	Structured Property Financing 01.01.-31.12.2020	Structured Property Financing 01.01-31.12.2019	Consulting / Services Bank 01.01.-31.12.2020	Consulting / Services Bank 01.01-31.12.2019	Aareon 01.01.-31.12.2020	Aareon 01.01-31.12.2019	Consolidation/ Reconciliation 01.01.-31.12.2020	Consolidation/ Reconciliation 01.01-31.12.2019	Aareal Bank Group 01.01.-31.12.2020	Aareal Bank Group 01.01-31.12.2019
Net interest income	474	549	39	-15	-1	-1	0	0	512	533
Loss allowance	344	90	0	0	0	0			344	90
Net commission income	8	10	26	23	213	208	-13	-12	234	229
Net derecognition gain or loss	28	64							28	54
Net gain or loss from financial instruments (fvpl)	-32	1	0		0	0			-32	1
Net gain or loss on hedge accounting	6	-4							6	-4
Net gain or loss from investments accounted for using the equity method	2	1			-1	0			1	1
Administrative expenses	227	254	68	73	188	173	-14	-12	469	488
Net other operating income / expenses	-14	-1	0		4	3	-1	0	-11	2
Operating profit	**-99**	**276**	**-3**	**-65**	**27**	**37**	**0**	**0**	**-75**	**248**
Income taxes	-14	95	-1	-21	9	11			-6	85
Consolidated net income	**-85**	**181**	**-2**	**-44**	**18**	**26**	**0**	**0**	**-69**	**163**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	5	2			5	2
Cons. net income attributable to shareholders of Aareal Bank AG	-85	181	-2	-44	13	24	0	0	-74	161

Note: All 2020 figures preliminary and unaudited

Aareal Bank Group

Results – quarter by quarter

€ mn	Structured Property Financing					Consulting / Services Bank					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	129	119	113	113	135	10	9	10	10	-5	0	0	-1	0	0	0	0	0	0	0	139	128	122	123	130
Loss allowance	177	61	48	58	35	0				0	0	0	0	0	0						177	61	48	58	35
Net commission income	4	1	1	2	4	8	6	7	5	6	58	53	49	53	58	-4	-3	-3	-3	-3	66	57	54	57	65
Net derecognition gain or loss	9	3	9	7	22																9	3	9	7	22
Net gain / loss from fin. instruments (fvpl)	-21	-4	-17	10	-4			0			0	0	0	0	0						-21	-4	-17	10	-4
Net gain or loss on hedge accounting	2	2	1	1	0																2	2	1	1	0
Net gain / loss from investments acc. for using the equity method	2				1						-1	0	0	0	0						1	0	0	0	1
Administrative expenses	54	56	49	68	59	18	15	17	18	16	50	46	46	46	46	-5	-3	-3	-3	-3	117	114	109	129	118
Net other operating income / expenses	-3	0	-11	0	-1	0	0	0	0	1	3	0	1	0	1	-1	0	0	0	0	-1	0	-10	0	1
Operating profit	**-109**	**4**	**-1**	**7**	**63**	**0**	**0**	**0**	**-3**	**-14**	**10**	**7**	**3**	**7**	**13**	**0**	**0**	**0**	**0**	**0**	**-99**	**11**	**2**	**11**	**62**
Income taxes	-18	9	-8	3	21	1	-1	0	-1	-4	4	2	1	2	3						-13	10	-7	4	20
Consolidated net income	**-91**	**-5**	**7**	**4**	**42**	**-1**	**1**	**0**	**-2**	**-10**	**6**	**5**	**2**	**5**	**10**	**0**	**0**	**0**	**0**	**0**	**-86**	**1**	**9**	**7**	**42**
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	0	3	1	0	1	0						3	1	0	1	0
Cons. net income attributable to ARL shareholders	-91	-5	7	4	42	-1	1	0	-2	-10	3	4	2	4	10	0	0	0	0	0	-89	0	9	6	42

Note: All 2020 figures preliminary and unaudited

Aareal

Aareal Bank Group

Results Q4 2020

	01.10.-31.12.2020 € mn	01.10.-31.12.2019 € mn	Change
Profit and loss account			
Net interest income	139	130	7%
Loss allowance	177	35	406%
Net commission income	66	65	2%
Net derecognition gain or loss	9	22	-59%
Net gain or loss from financial instruments (fvpl)	-21	-4	425%
Net gain or loss on hedge accounting	2	0	
Net gain or loss from investments accounted for using the equity method	1	1	0%
Administrative expenses	117	118	-1%
Net other operating income / expenses	-1	1	0%
Operating Profit	**-99**	**62**	**-260%**
Income taxes	-13	20	-165%
Consolidated net income	**-86**	**42**	**-305%**
Consolidated net income attributable to non-controlling interests	3	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	-89	42	-312%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	-89	42	-312%
of which: allocated to ordinary shareholders	-93	38	-345%
of which: allocated to AT1 investors	4	4	
Earnings per ordinary share (in €)[2)]	-1.56	0.62	-352%
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.

Note: All 2020 figures preliminary and unaudited

Aareal

Aareal Bank Group
Results Q4 2020 by segments

€ mn	Structured Property Financing		Consulting / Services Bank		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.10.-31.12.2020	01.10.-31.12.2019	01.10.-31.12.2020	01.10.-31.12.2019	01.10.-31.12.2020	01.10.-31.12.2019	01.10.-31.12.2020	01.10.-31.12.2019	01.10.-31.12.2020	01.10.-31.12.2019
Net interest income	129	135	10	-5	0	0	0	0	139	130
Loss allowance	177	35	0	0	0	0			177	35
Net commission income	4	4	8	6	58	58	-4	-3	66	65
Net derecognition gain or loss	9	22							9	22
Net gain or loss from financial instruments (fvpl)	-21	-4			0	0			-21	-4
Net gain or loss on hedge accounting	2	0							2	0
Net gain or loss from investments accounted for using the equity method	2	1			-1	0			1	1
Administrative expenses	54	59	18	16	50	46	-5	-3	117	118
Net other operating income / expenses	-3	-1	0	1	3	1	-1	0	-1	1
Operating profit	**-109**	**63**	**0**	**-14**	**10**	**13**	**0**	**0**	**-99**	**62**
Income taxes	-18	21	1	-4	4	3			-13	20
Consolidated net income	**-91**	**42**	**-1**	**-10**	**6**	**10**	**0**	**0**	**-86**	**42**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	3	3	0			3	0
Cons. net income attributable to shareholders of Aareal Bank AG	-91	42	-1	-10	3	10	0	0	-89	42

Note: All 2020 figures preliminary and unaudited

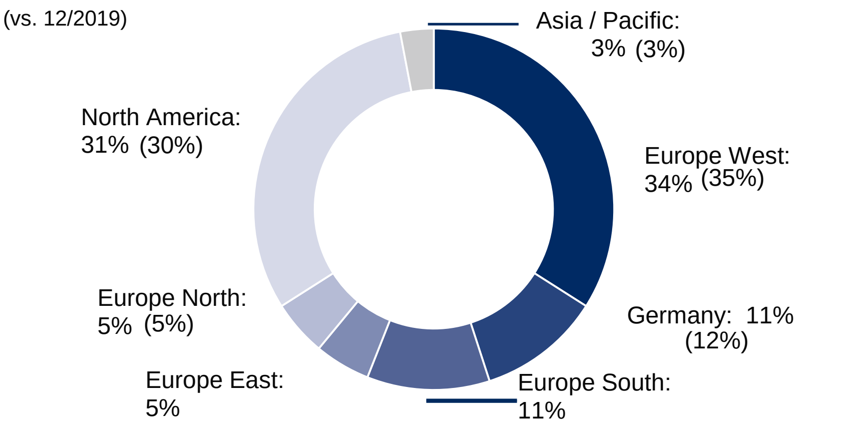
Asset quality

Appendix

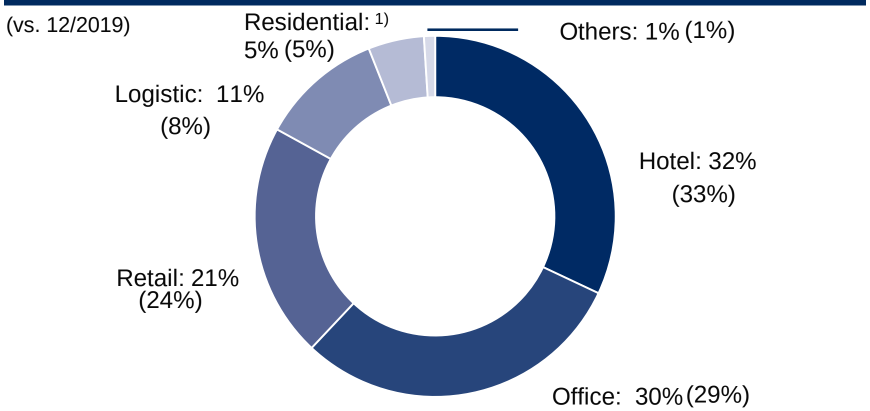
Commercial real estate finance portfolio (CREF)

€ 27.2 bn highly diversified

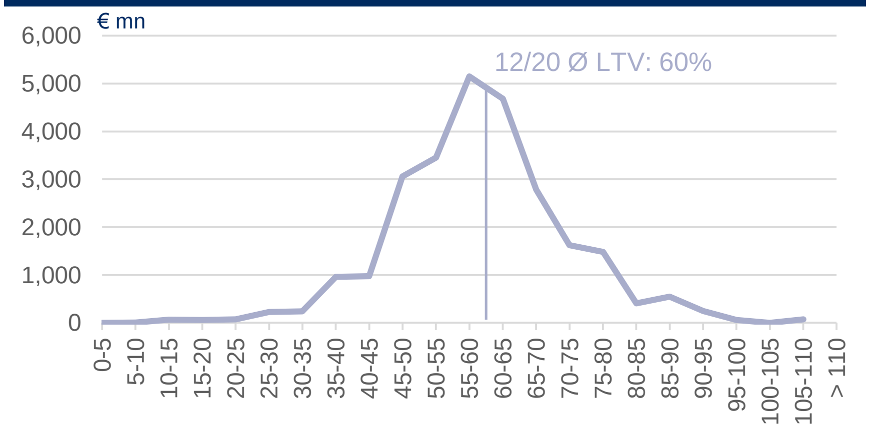
Portfolio by region



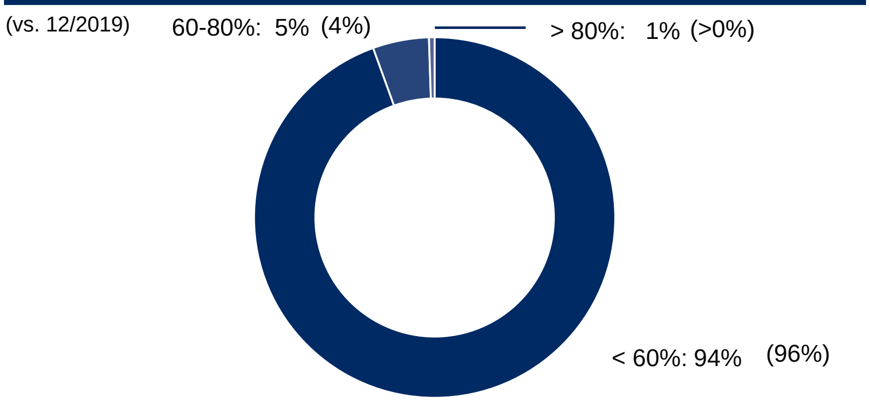
Portfolio by property type



LTV as of 12/20[2)]



Portfolio by LTV ranges[2)]



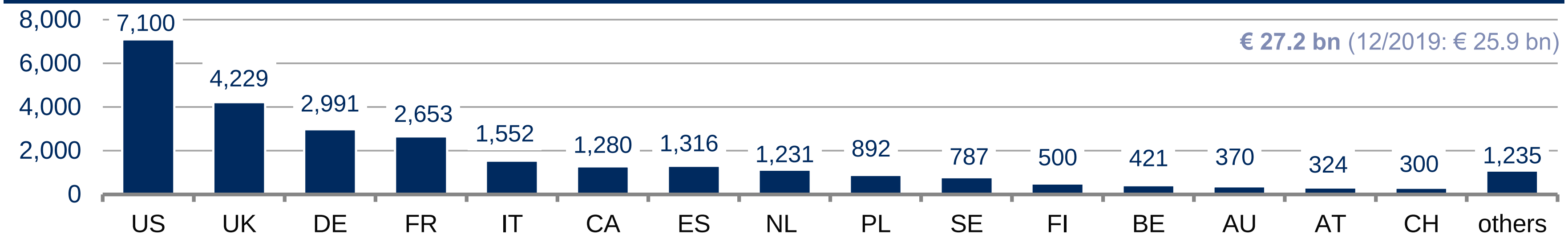
1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

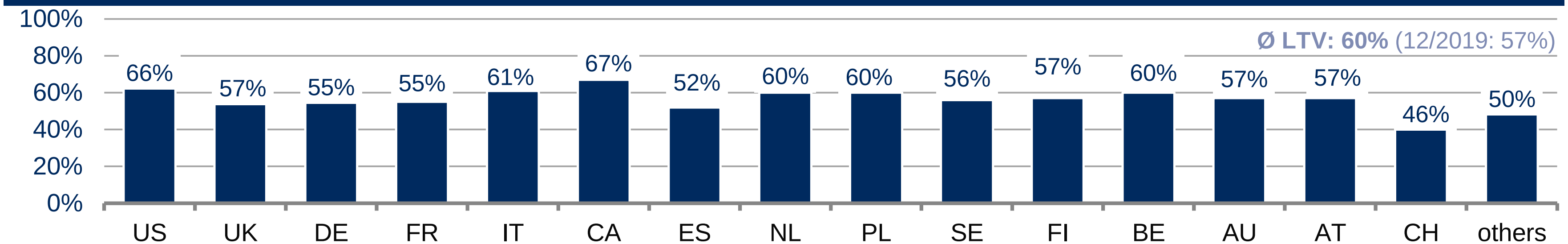
Commercial real estate finance portfolio (CREF) by country

€ 27.2 bn highly diversified

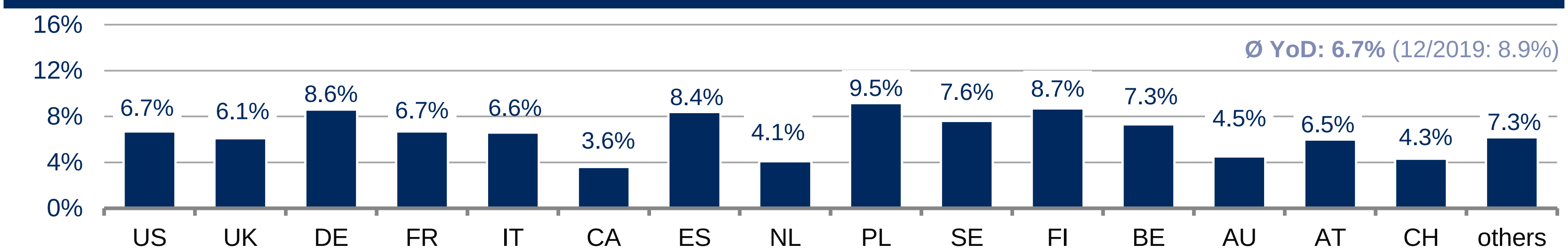
CREF portfolio (€ mn)



LTV[1)]



YoD[2)]



1) Performing CREF-portfolio only (exposure).
2) Performing CREF-portfolio only, based on 12-months forward looking estimate (see also page 84 definitions)

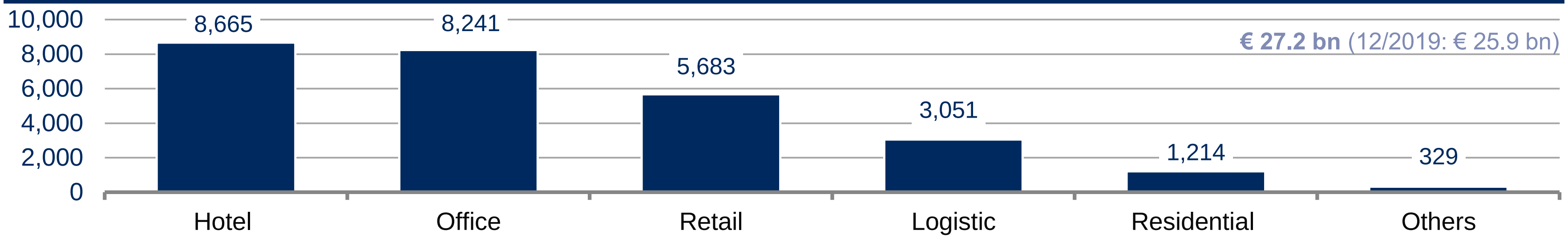
Aareal

Note: All 2020 figures preliminary and unaudited

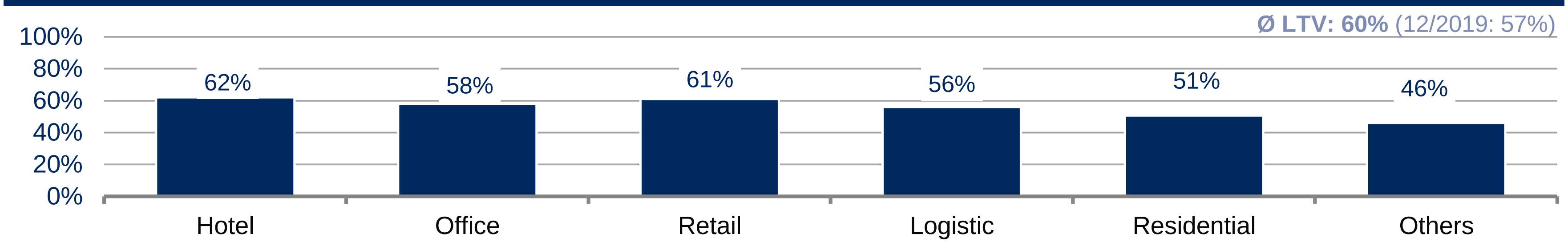
Commercial real estate finance portfolio (CREF) by property types

€ 27.2 bn highly diversified

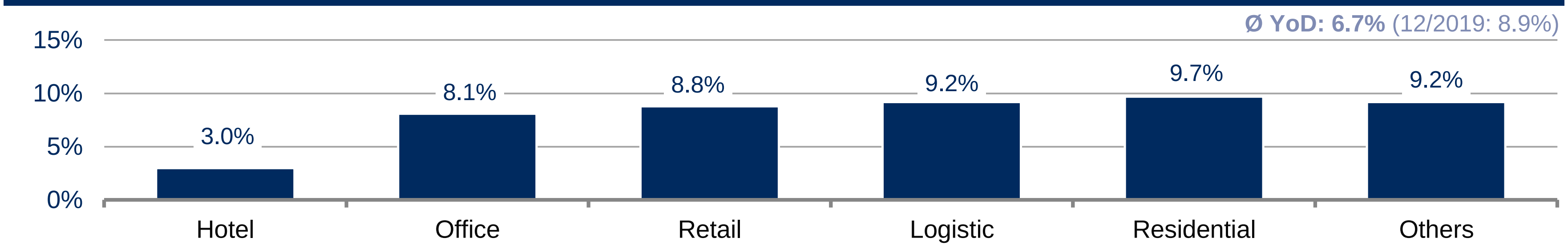
CREF portfolio (€ mn)



LTV[1)]



YoD[2)]

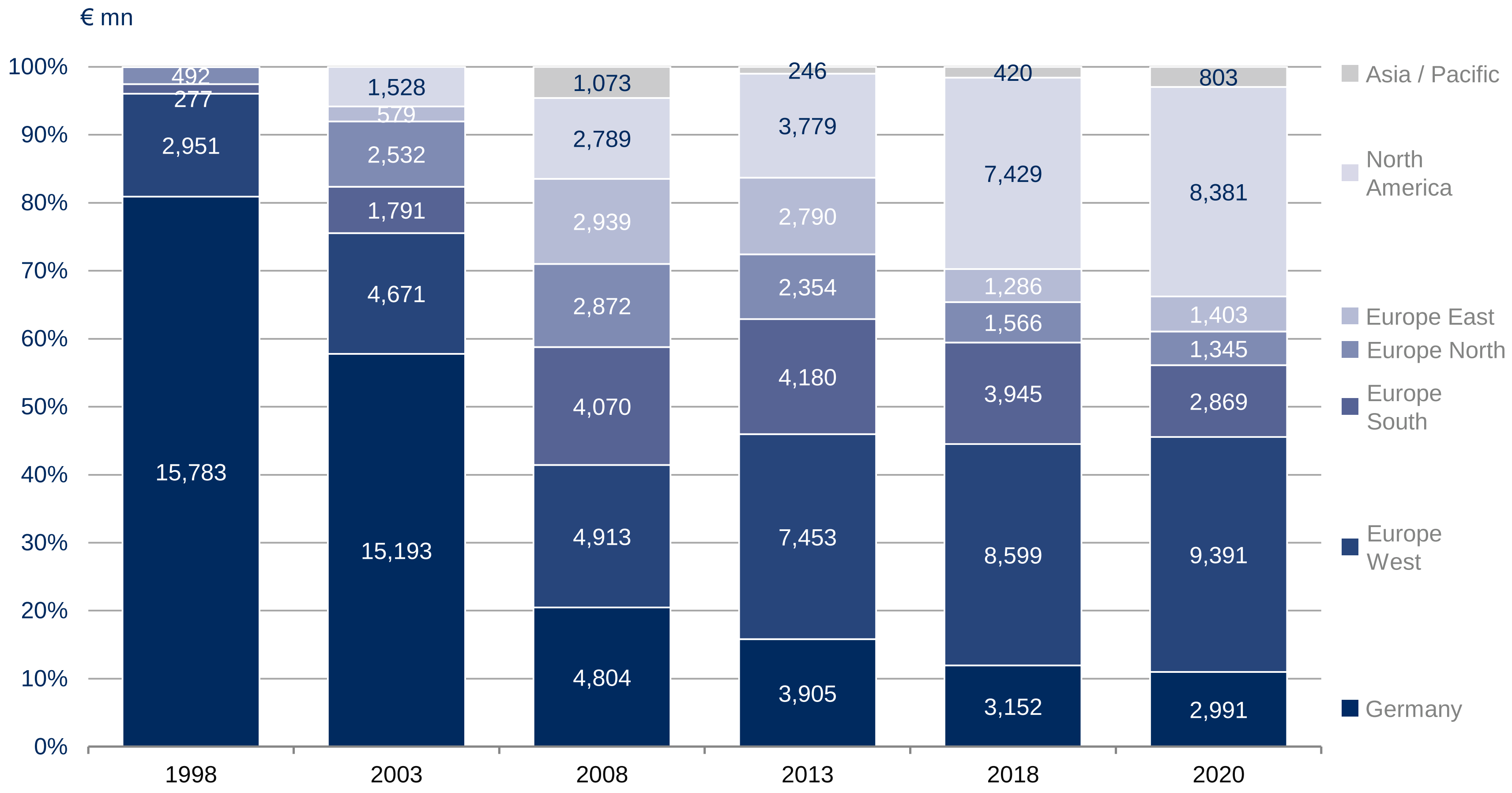


1) Performing CREF-portfolio only (exposure).
2) Performing CREF-portfolio only, based on 12-months forward looking estimate (see also page 84 definitions)

Note: All 2020 figures preliminary and unaudited

Development commercial real estate finance portfolio

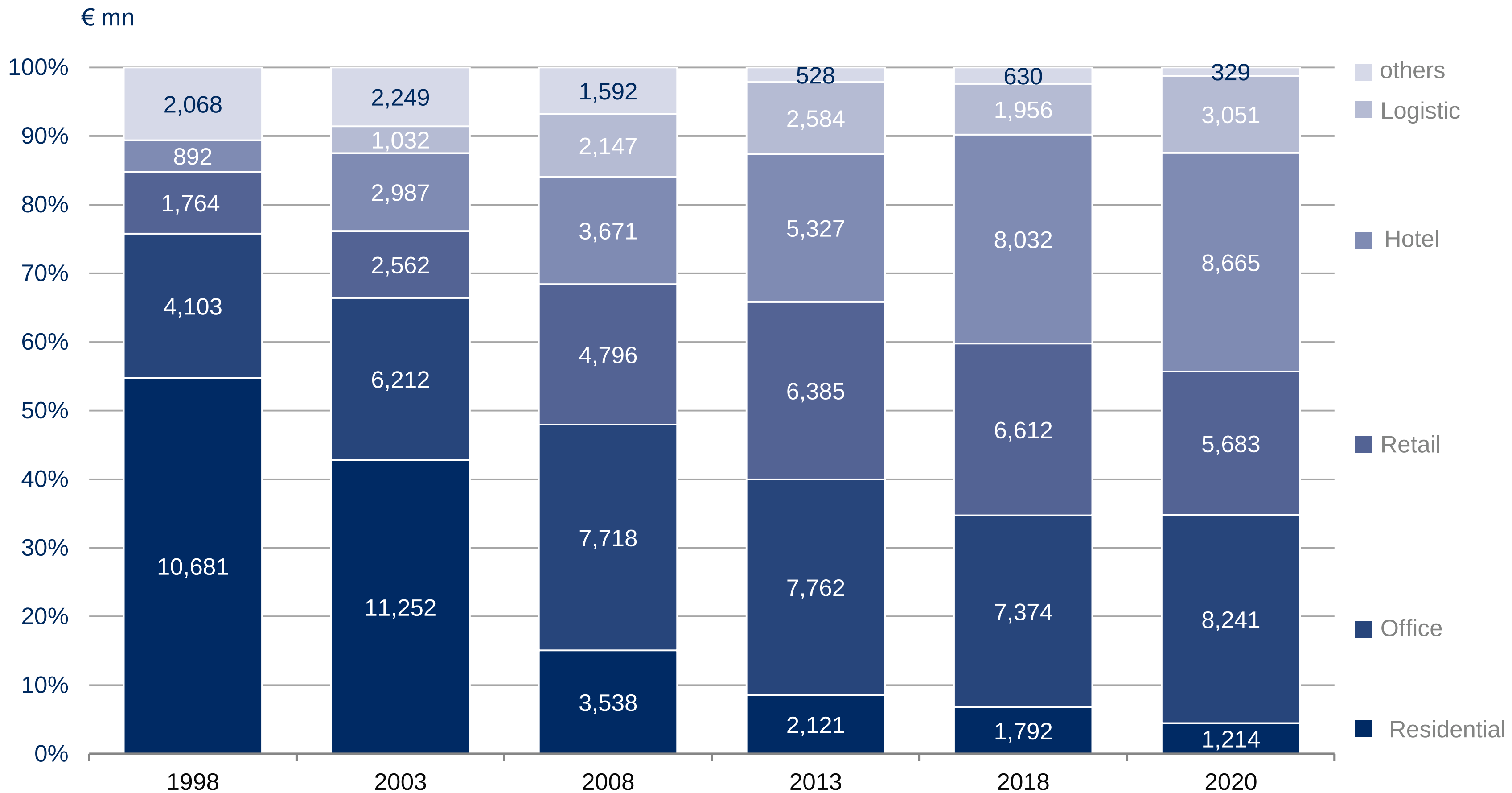
By region



Note: All 2020 figures preliminary and unaudited

Development commercial real estate finance portfolio

By property type

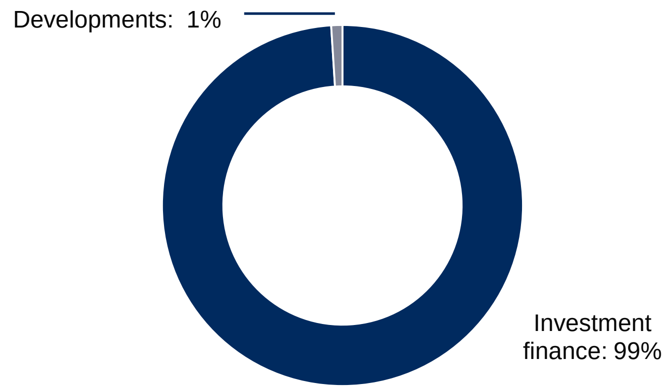


Note: All 2020 figures preliminary and unaudited

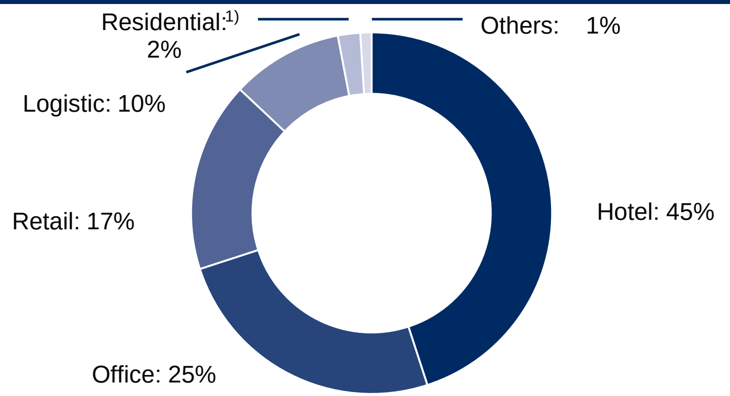
Western Europe (ex Germany) CREF portfolio

Total volume outstanding as at 31.12.2020: € 9.4 bn

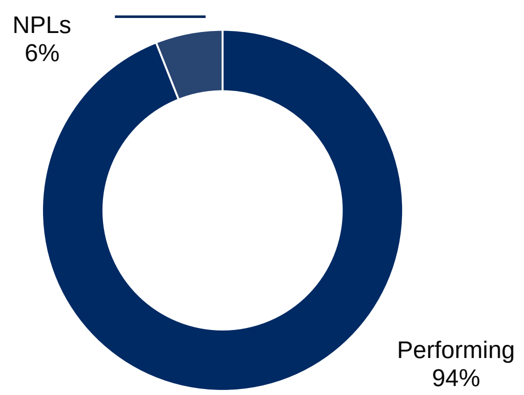
by product type



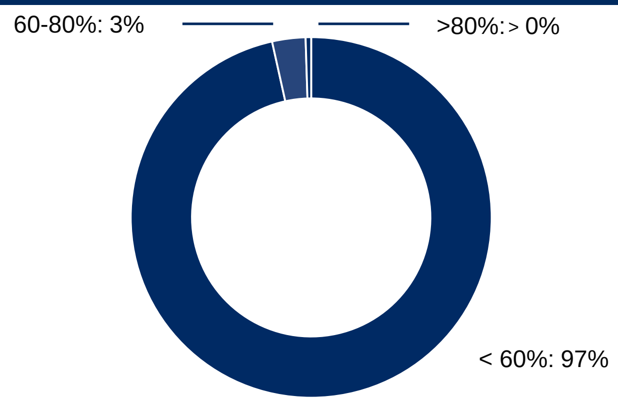
by property type



by performance



by LTV ranges[2]



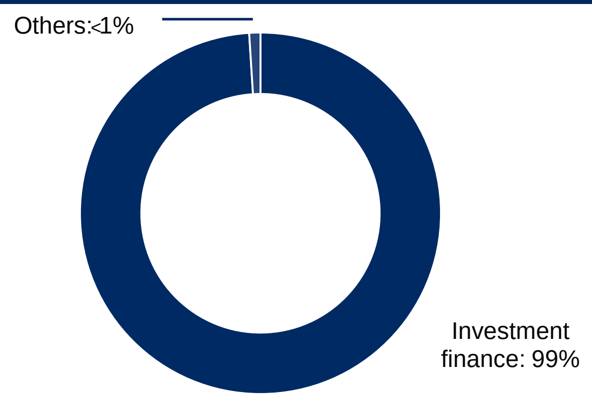
1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

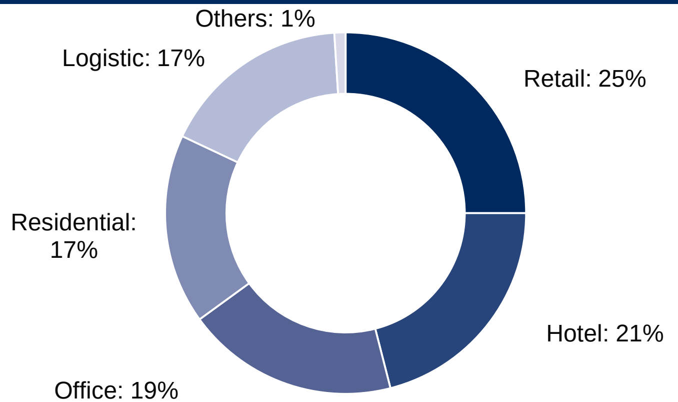
German CREF portfolio

Total volume outstanding as at 31.12.2020: € 3.0 bn

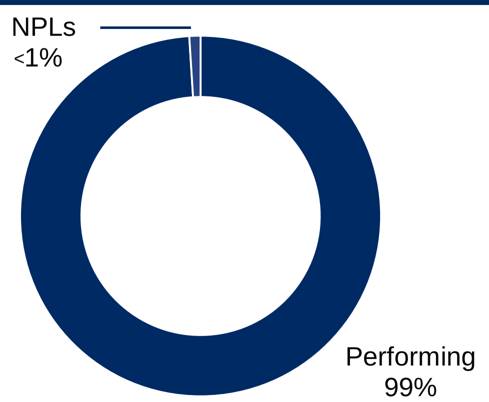
by product type



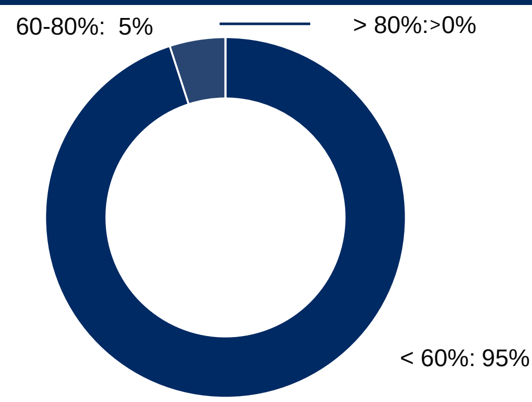
by property type



by performance



by LTV ranges[1)]



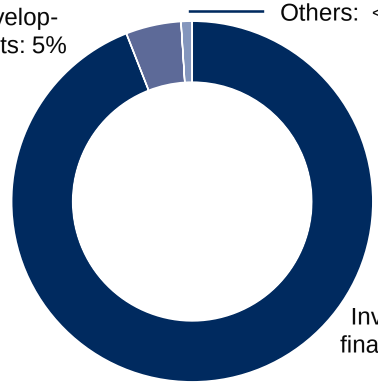
1) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

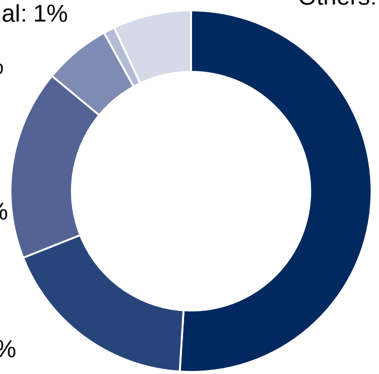
Southern Europe CREF portfolio

Total volume outstanding as at 31.12.2020: € 2.9 bn

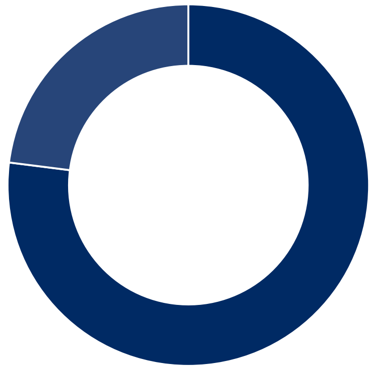
by product type



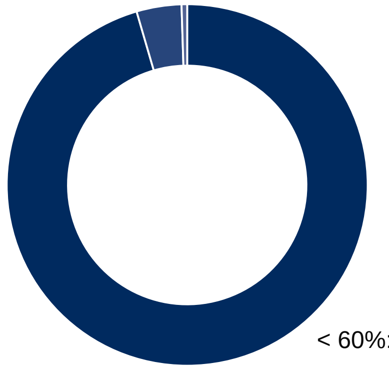
by property type



by performance



by LTV ranges[1)]

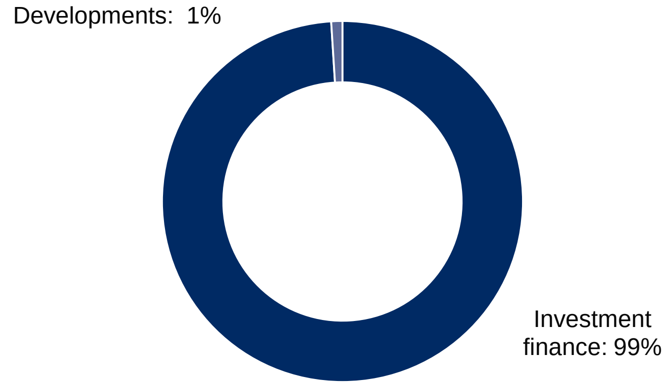


1) Performing CREF-portfolio only (exposure).

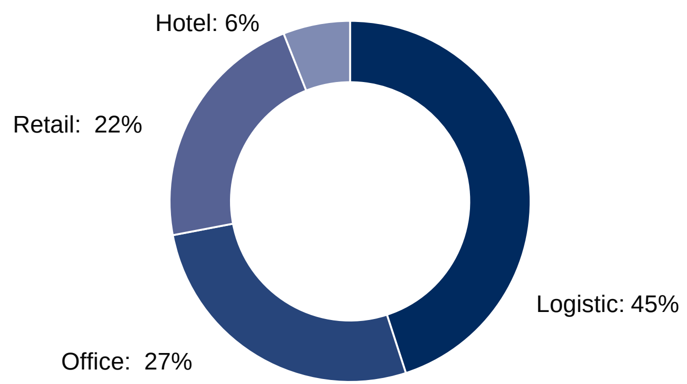
Note: All 2020 figures preliminary and unaudited

Eastern Europe CREF portfolio
Total volume outstanding as at 31.12.2020: € 1.4 bn

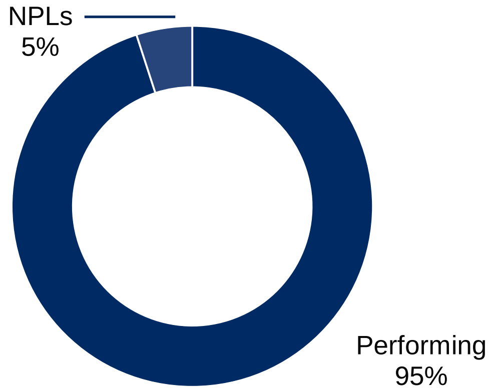
by product type



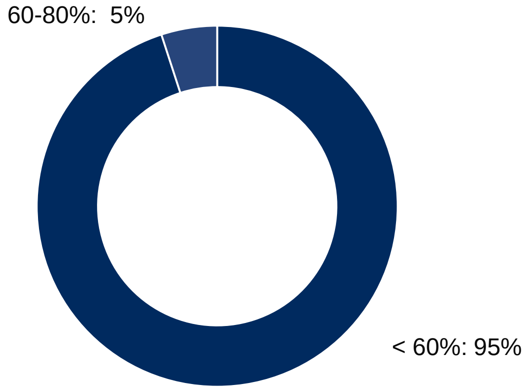
by property type



by performance



by LTV ranges[1)]



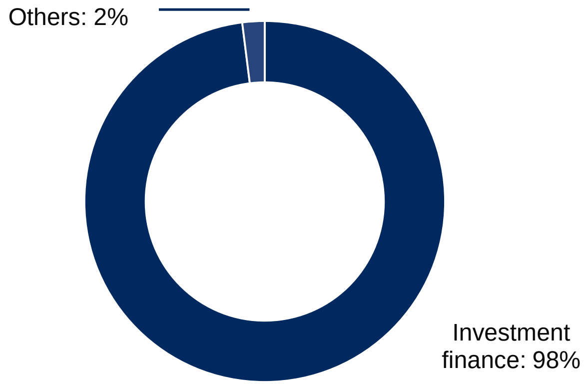
1) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

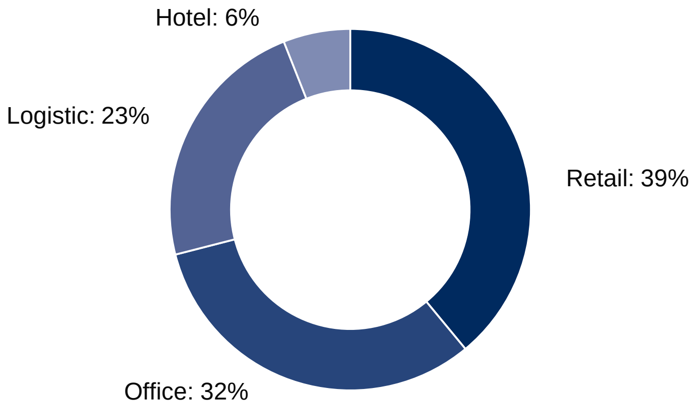
Northern Europe CREF portfolio

Total volume outstanding as at 31.12.2020: € 1.3 bn

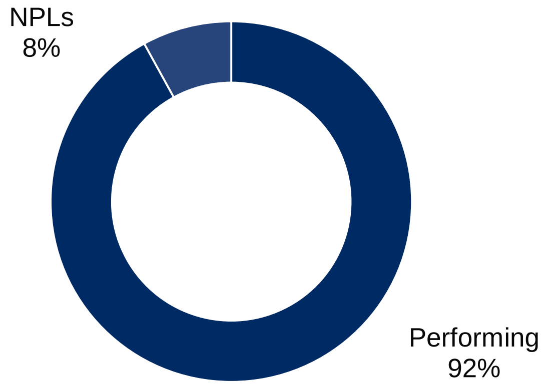
by product type



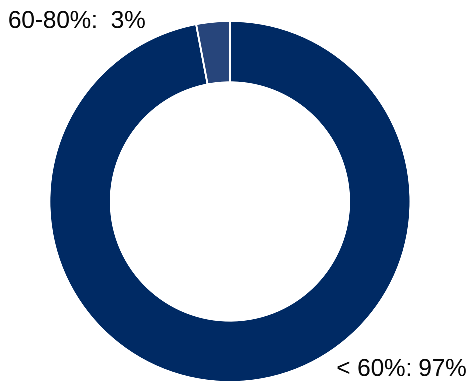
by property type



by performance



by LTV ranges[1)]



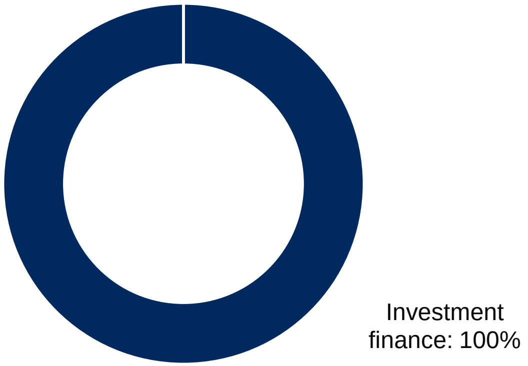
1) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

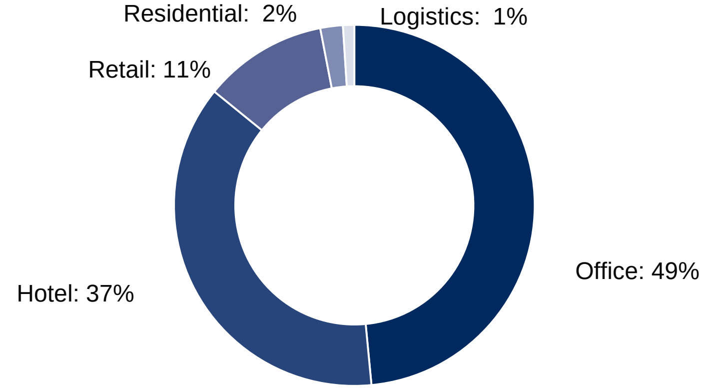
North America CREF portfolio

Total volume outstanding as at 31.12.2020: € 8.4 bn

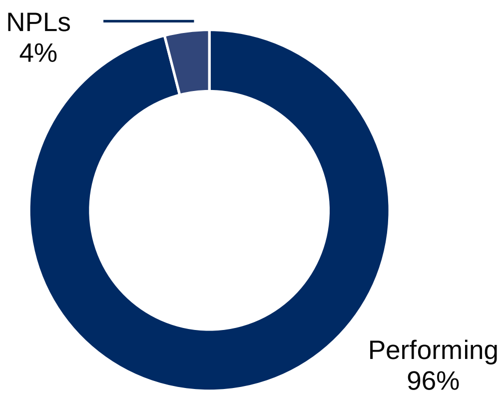
by product type



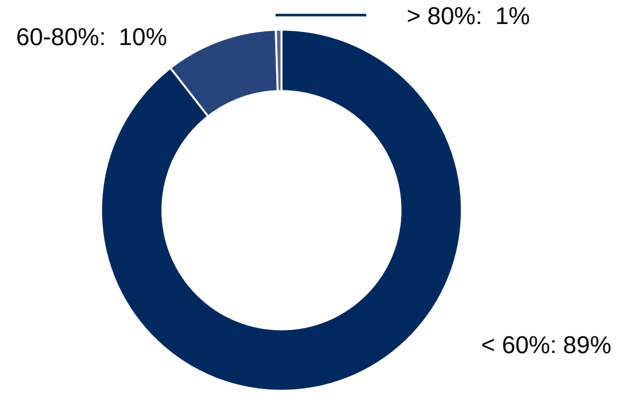
by property type



by performance



by LTV ranges[1)]



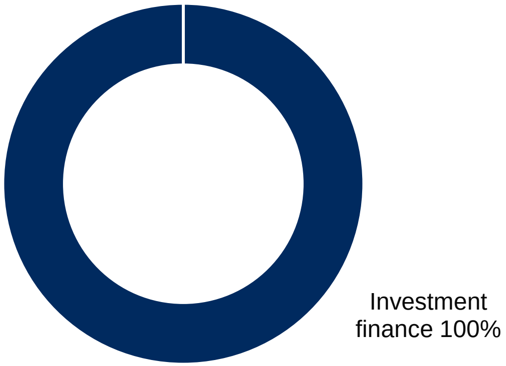
1) Performing CREF-portfolio only (exposure).

Aareal

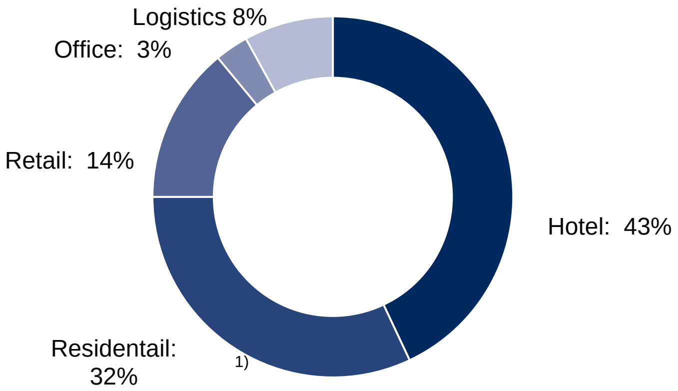
Note: All 2020 figures preliminary and unaudited

Asia / Pacific CREF portfolio
Total volume outstanding as at 31.12.2020: € 0.8 bn

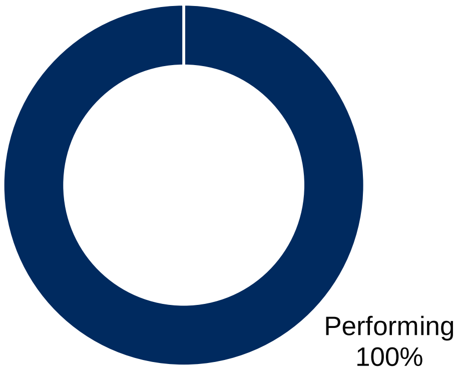
by product type



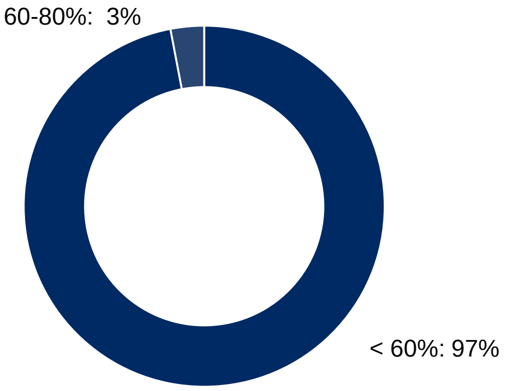
by property type



by performance



by LTV ranges[2)]



1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only (exposure).

Note: All 2020 figures preliminary and unaudited

Spotlight: Hotel Portfolio

Published Nov. 2020

Appendix

Aareal

Our Hotel financing business

Key facts

Published Nov. 2020

Total portfolio exposure	EUR 8.6 bn
▪ Portfolio deals	45%
▪ Single asset deals	55%
Number of countries	19
Number of hotels	236 hotels
Average exposure per hotel	EUR 36 mn
Number of loans	94
Average exposure per loan	EUR 90 mn
Total number of hotel rooms	58,241 rooms
Exposure per hotel room	EUR 150,000

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Note: All 2020 figures preliminary and unaudited

Our Hotel financing business
Key findings

Published Nov. 2020

The Aareal hotel portfolio is:

- Well diversified by 236 hotels in 19 countries
- Well balanced in terms of brand and hotel category
- Well backed by i.a. sound public companies, sovereign wealth funds and HNWI who have shown their financial commitment to the assets throughout this crisis
- Conservatively leveraged with sufficient buffer for value decreases caused by the current crisis

- Of the top 15 loans (all are loans above € 150 mn, of which 12 are portfolio financings), only 6 were provided with additional liquidity since March. Overall, 35% (~ € 3 bn) of our hotel exposure has received liquidity support since the beginning of the year.
- The sum of all hotel loan support financed so far represents approximately 1.4% of the total hotel portfolio size.
- 45% portfolio deals vs. 55% single assets deals (portfolio deals are all cross collateralised to the extend legally permissible)

Note: All 2020 figures preliminary and unaudited

Our Hotel financing business

Market developments

Published Nov. 2020

Markets

- “Travel” industry is one of the largest industries / employers globally
- 10 years of booming economies allowed hotel owners to build up substantial reserves and buffers, which they are willing to re-invest
- Cost of carry is significantly lower than in 2008, where the average 3M Euribor was approximately ~ 4.5%, compared to the 2020 YtD avg. 3M Euribor of ~ -0.4%
- Limited transaction volumes in markets for hotel assets, indicating
  - No overwhelming distress of owners / banks
  - No markable increase in NPL transactions to date
  - Current loan parameters are on a more conservative level than at the onset of the GFC
  - Borrowers for the largest part are looking through the cycle and are seeing positive equity value in their assets
  - Measures taken by governments globally further increase market liquidity
  - No foreseeable increase of interest rates (quite the contrary: Central Banks signaled willingness to further lower interest rates, if needed)

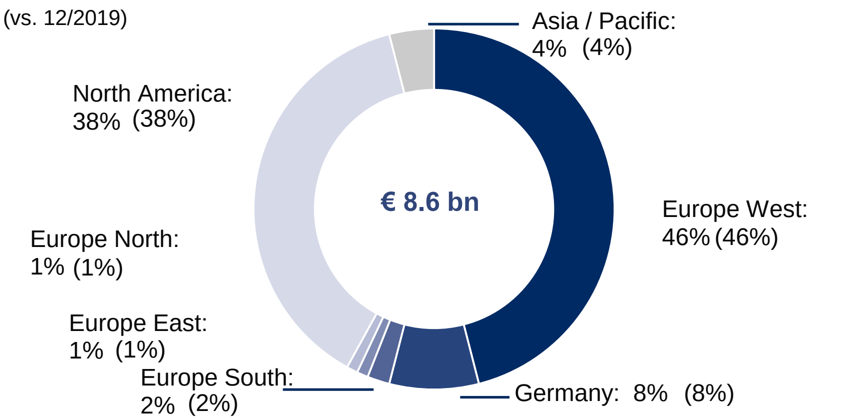
Note: All 2020 figures preliminary and unaudited

Published Nov. 2020

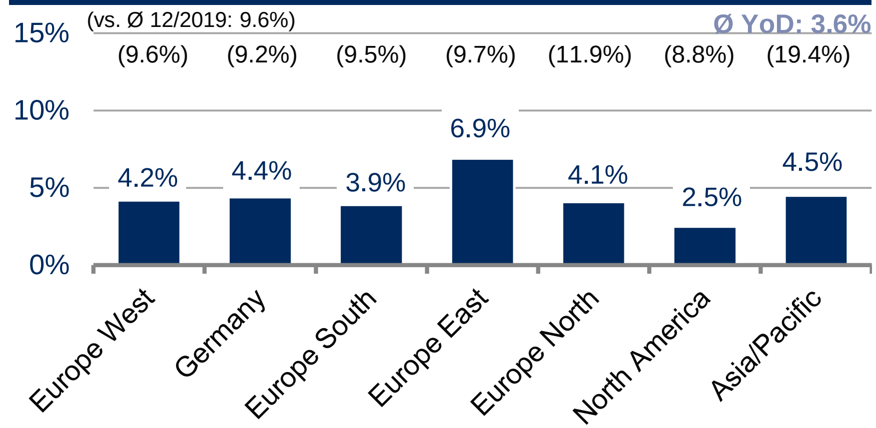
Asset quality: Hotel Portfolio

Hotel portfolio well positioned to master Covid-19 crisis

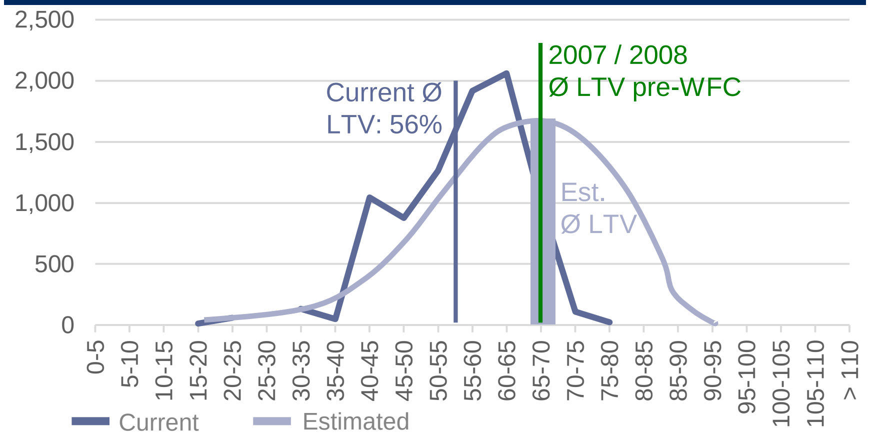
Hotel Portfolio by region



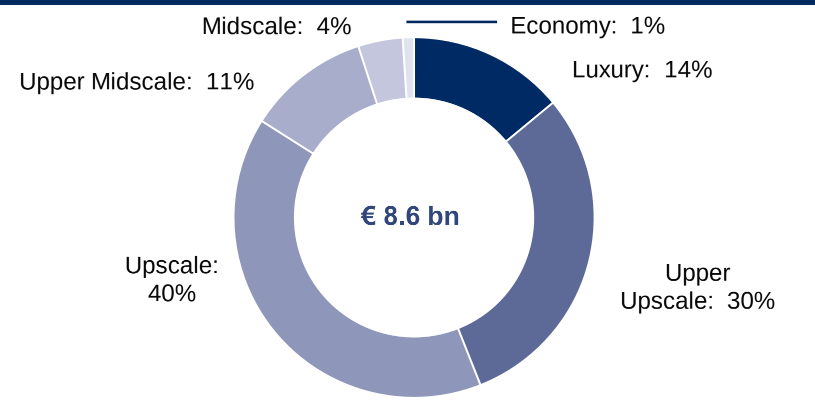
Yield on debt



Estimated LTV by YE 2020[1,2]



Hotel by category[3)]



1) Performing CREF-portfolio only (exposure). Due to lockdown in H1 2020 only limited number of external appraisals available as at 30.09.2020
2) Acc. to our market value development expectations
3) Acc. to STR classification

Note: All 2020 figures preliminary and unaudited

Aareal

Our Hotel financing business

Expectations and examples

Published Nov. 2020

Expectations

- Catch up effect for business related travel expected to be significant, as is pent up demand for personal travel
- In the interim, people will learn to live and travel with Covid-19 and not against it
- Final resolution with accepted treatment / vaccine
- Currently, Resort Hotels and drive-to-destinations far better, while China is a possible projection on how hotels will fare, as Covid-19 is under control
- With our profound know-how and well-established network in hospitality industry, we are expecting to apply our expertise and USPs to generate attractive risk / return through the cycle

A picture is worth a thousand words…

For the refinancing of senior debt on the

Beverly Hilton Hotel and Waldorf Astoria Beverly Hills, California

USA

For the refinancing of the

Four Seasons Hotel Des Bergues, Geneva

Switzerland

For the financing of the

Cumberland Hotel & Retail in London,

United Kingdom

For the financing of

10 Hotels

across Canada (including Victoria, Toronto, Calgary, Montreal)

For the refinancing of the

Project Mountain Portfoliowith 14 hotels

in Austria, Belgium, Germany and The Netherlands

For the financing of the

Marriott Hotel

in Munich, Germany

Note: All 2020 figures preliminary and unaudited

Segments

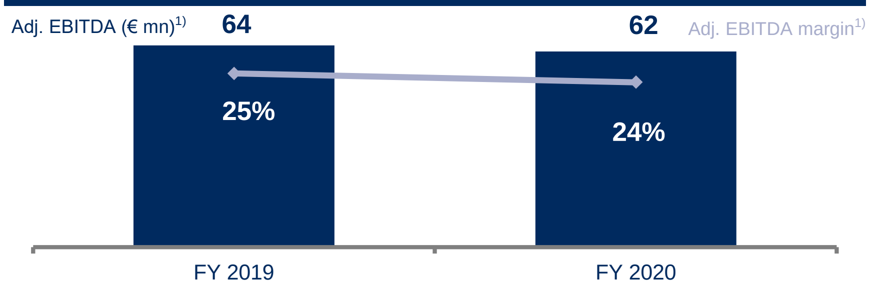
Appendix

Aareal

Segment: Aareon KPIs

Aareon anticipates pick up in digital solutions, steadfast on R&D spend

Adj. EBITDA / Adj. EBITDA margin development



Impact from new products / inorganic on EBITDA (€ mn)

	FY 2019	FY 2020
Impact from new products / inorganic on EBITDA (€ mn)	-2	-8
Impact from one-offs on EBITDA (€ mn)	0	-1

R&D, RPU and operating cashflow

Revenue per unit (RPU) – LTM (€)	**24**
R&D spend as % of software revenue – YTD	**22**
Capitalization ratio (%)	***31***
Operating Cash Flow (€ mn)	***55***

1) Adj. EBITDA excl. New Products/Inorganic and One-offs

- Adj. EBITDA virtually stable at € 62 mn (€ 64 mn py) – growing digital business compensated lower Consulting revenues due to Covid-19 and higher costs via increasing R&D investments
- Adj. EBITDA margin virtually stable at previous year level at 24% (25% py) – business growth balanced the Covid-19 impact and high R&D investments keeping the margin at last year's level
- Overall, Aareon expects an acceleration of digitization on the backdrop of Covid-19. In the wake of recent developments however, Aareon foresees restrictions to the Consulting business in 2021, yet less pronounced than in 2020

- Over the last 12 months, Aareon's RPU amounted to ~ € 24, due to lower Consulting revenues and higher units through customer wins
- Aareon spent ~22% of total software revenues for research and development (R&D) purposes, picking up in line with communicated temporary increase
- FY 20 operating cash flow at € 55 mn (FY 2019: € 44 mn); higher realisation of receivables and higher recurring revenue invoicing end of year

Note: All 2020 figures preliminary and unaudited

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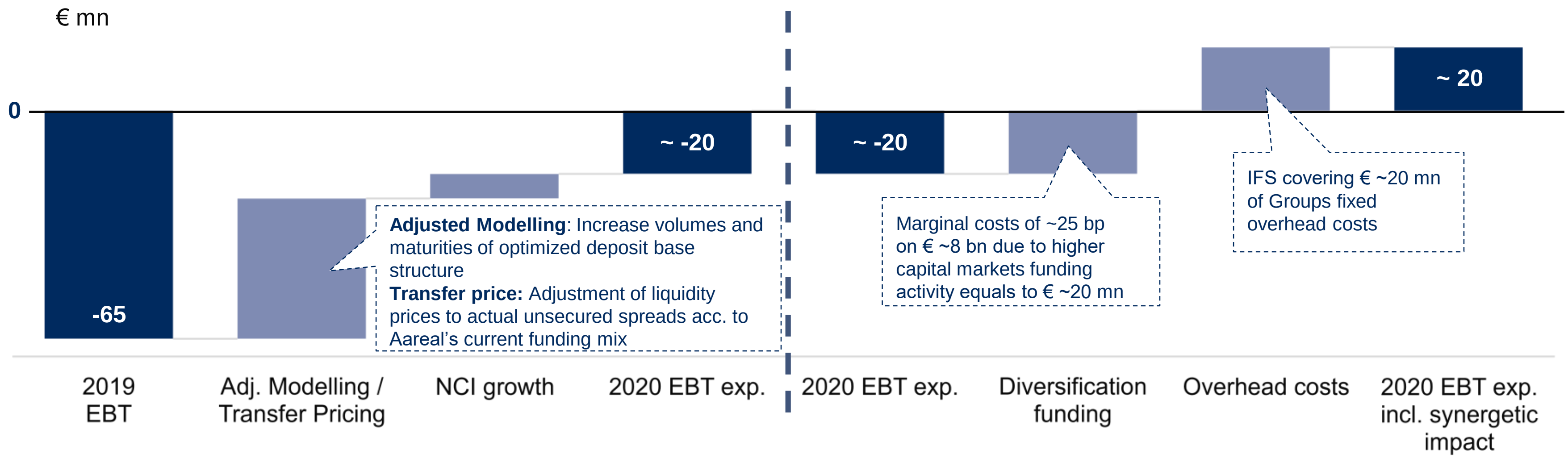
Segment: Consulting / Services Bank

More transparency and additional opportunities

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

Capital, B/S, Funding/Liquidity & Treasury Portfolio

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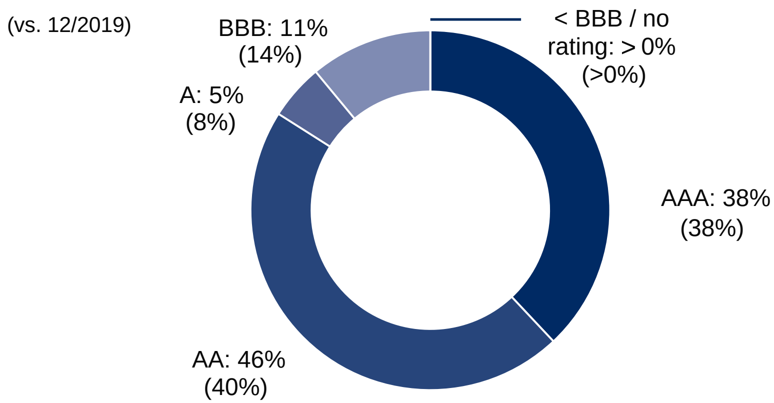
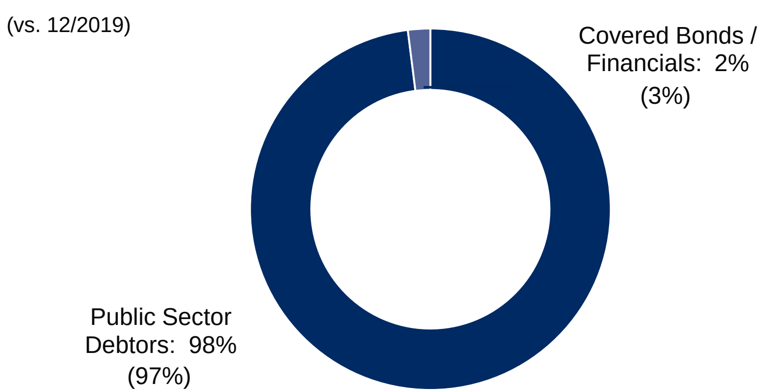
Treasury portfolio

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

by rating[1)]



by asset class



As at 31.12.2020 – all figures are nominal amounts
1) Composite Rating

Note: All 2020 figures preliminary and unaudited

Aareal Next Level – 360º-review

Appendix

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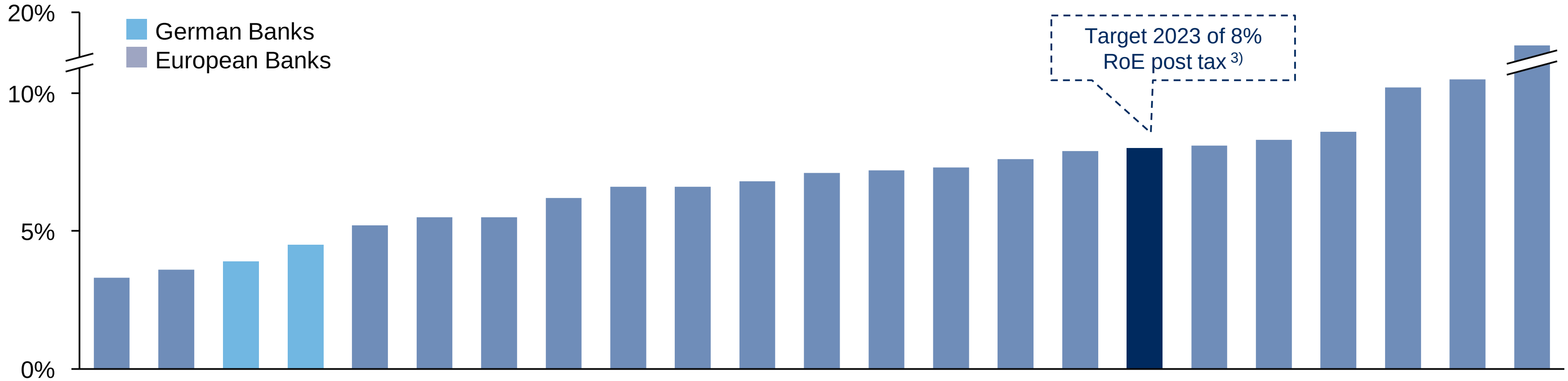
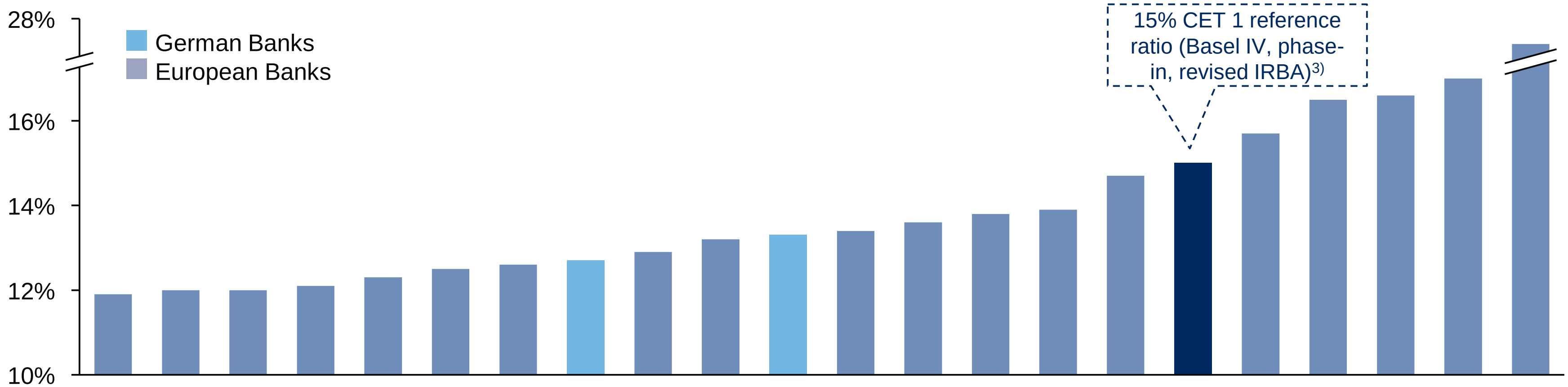
2023 Target RoE post tax above peers…

…despite higher CET1 Ratio

2023 RoE post tax – Broker estimates[1)]



2023 CET1 Ratio – Broker estimates[2)]



1) Euro Stoxx Banks as of 18.02.2021, Average FactSet Consensus, where available: EPS divided by average book value per share (Source: Factset)
2) Euro Stoxx Banks as of 18.02.2021, Average FactSet Consensus, where available: (Source: Factset)
3) 15% CET 1 reference ratio (Basel IV, phase-in, revised IRBA) exceeding the market average as a reference; excluding any potential acquisitions; subject to the Covid 19 crisis being fully overcome by then

Note: All 2020 figures preliminary and unaudited

Next Steps in our ESG Journey

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

Action Area	by 2021	and beyond
Strategy Development & Implementation	▪ **ESG targets for long-term compensation schemes in place**	**Quantitative measures[1)]**

Selected Examples (Action Areas + Measures + KPIs)

Action Area	by 2021	and beyond
Attractive Employer	▪ **Feedback Culture: Frequent employee surveys and disclosure** ▪ **Young Talent Management** ▪ **Lifelong learning: Learning@Aareal**	**External recognition[1)]** Top-Employer, Fair Pay, Gender Equality
Green Offering	▪ **ESG product offering (lending, funding)** **Establish**	**Expand** — **No. of products[1)]**

Action Area	by 2022	and beyond
Transparency	▪ **Continued improvement of extent, level of detail and quality of ESG-data for our CREF portfolio together with our clients**	**Full ESG transparency[1)]**

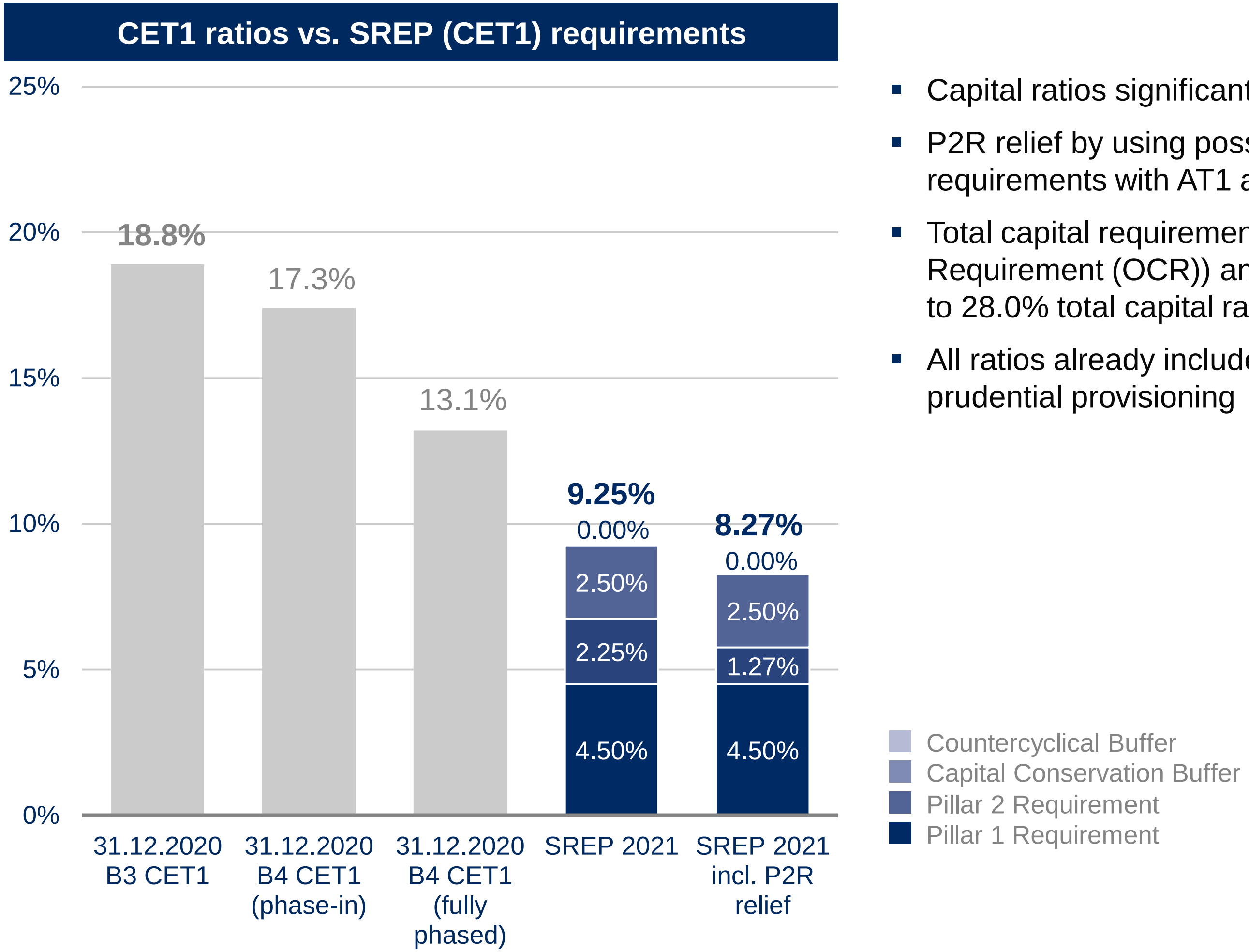
1) e.g. Building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates based on an ongoing dialogue with our clients as well as research in external databases

Regulation

Appendix

SREP (CET 1) requirements

Demonstrating conservative and sustainable business model



- Capital ratios significant above SREP requirements
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement 2021 (Overall Capital Requirement (OCR)) amounts to 12.8% compared to 28.0% total capital ratio
- All ratios already include TRIM effects as well as prudential provisioning

Note: All 2020 figures preliminary and unaudited

Dividend Policy

Appendix

Aareal Next Level

Our Dividend Policy temporarily suspended

Payout ratio of up to 80%[1)]

Base Dividend

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

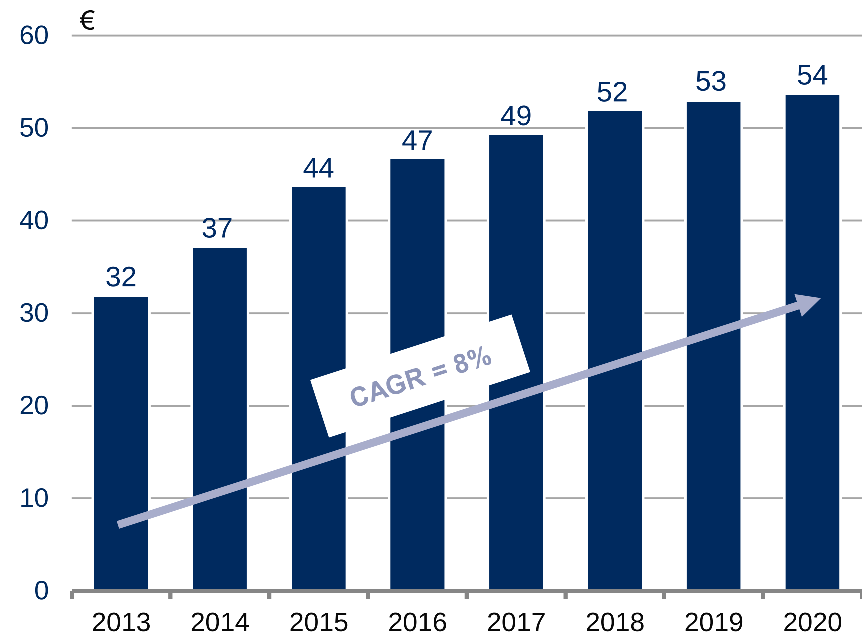
+

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

Suspended acc. to ECB's recommendation

Significant book value per share growth incl. dividend



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

1) ECB approval required

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Note: All 2020 figures preliminary and unaudited

AT1: ADI of Aareal Bank AG

Appendix

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

1) Unaudited figures for information purposes only

Note: All 2020 figures preliminary and unaudited

Definitions and contacts

Definitions

Term	Definition
New Business	Newly acquired business + renewals
Common Equity Tier 1 ratio	CET 1 / Risk weighted assets
Pre tax RoE	Operating profit/income ./. loss attributable to non-controlling interests ./. AT1 coupon / Average IFRS equity excl. non-controlling interests, AT1 and dividends
CIR	Admin expenses (excl. bank levy) / 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	Available stable funding / Required stable funding
Liquidity coverage ratio	Total stock of high quality liquid assets / Net cash outflows under stress
Earnings per share	operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. net AT1 coupon / Number of ordinary shares
Yield on Debt	NOI x 100 (Net operating income, based on 12-months forward looking estimate) / 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
NPL-ratio	Defaulted exposure acc. CRR (excl. exposure in cure period) / Total CREF Portfolio

Note: All 2020 figures preliminary and unaudited

Aareal

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