



Conference Call

Preliminary Results 2023

29 February 2024

Jochen Klösger (CEO)
Marc Hess (CFO)

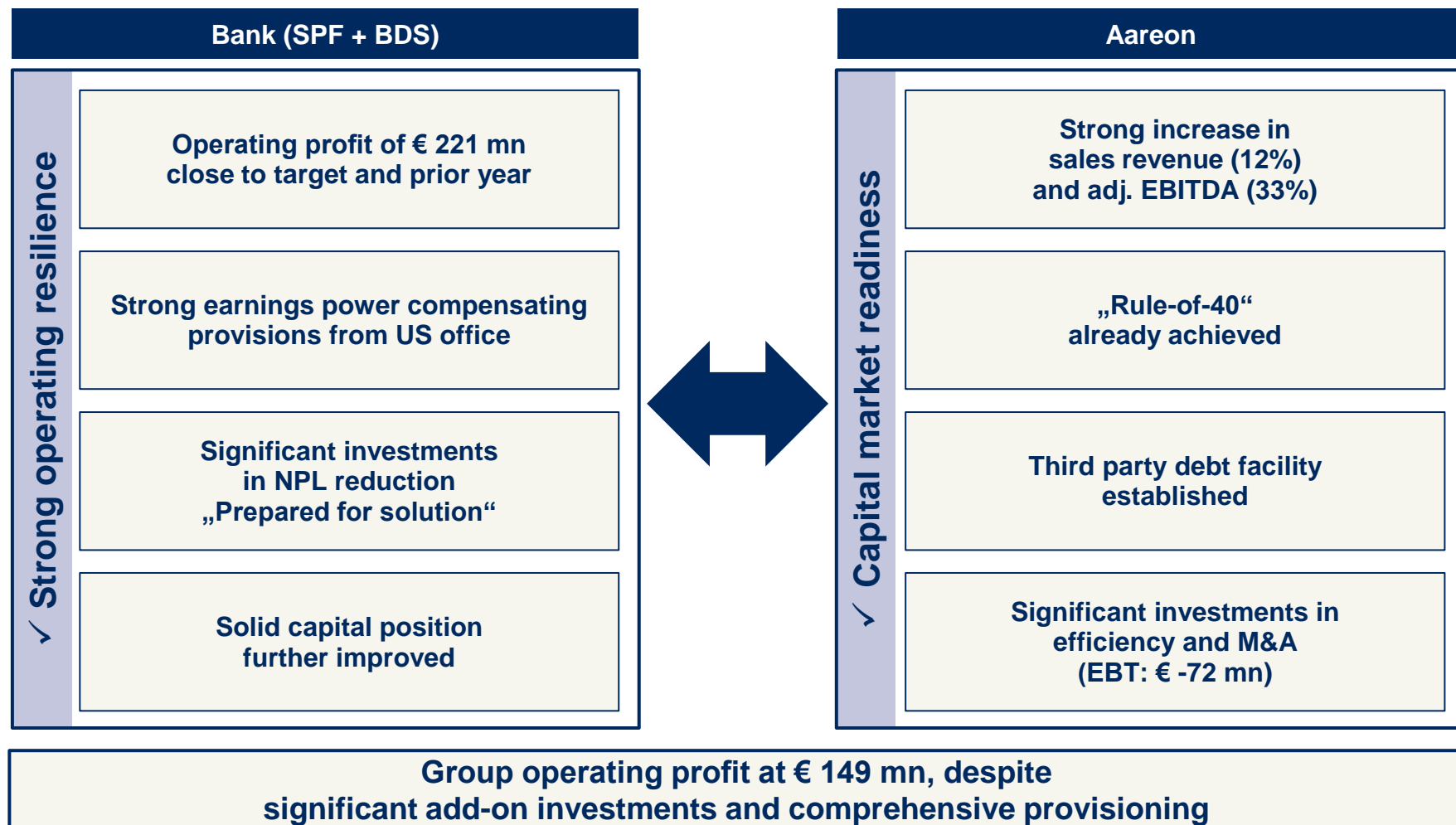
Aareal
YOUR COMPETITIVE ADVANTAGE.

Agenda

- **Strategic Achievements in 2023**
- Financial Performance
- Business Development
- Funding, Liquidity & Capital
- Outlook
- Appendix

Strategic Achievements 2023

Strong underlying performance at both the Bank and Aareon



Strategic Achievements 2023

Long standing partnership strengthened to (i) deepen and expand Aareal's deposit franchise and (ii) build up "Aareon Pay" business

Key benefits



- Deepen deposit franchise by tapping additional growth potential in Aareon's German client base
- Explore opportunities to expand deposit franchise in Aareon's European client base



- Establish an integrated software and payments house – Continue expanding the "Aareon Pay" proposition
- Accelerated R&D and innovation in residential payment solutions
- Continue to cross-sell software products into Aareal Bank's client base



- Strengthened and focused one-stop shop for banking, payments and software solutions with clear accountability
- Aareal Bank remains dedicated long-term banking partner to the institutional housing industry



Aareal and Aareon strengthen long term partnership with Aareon becoming majority shareholder in First Financial

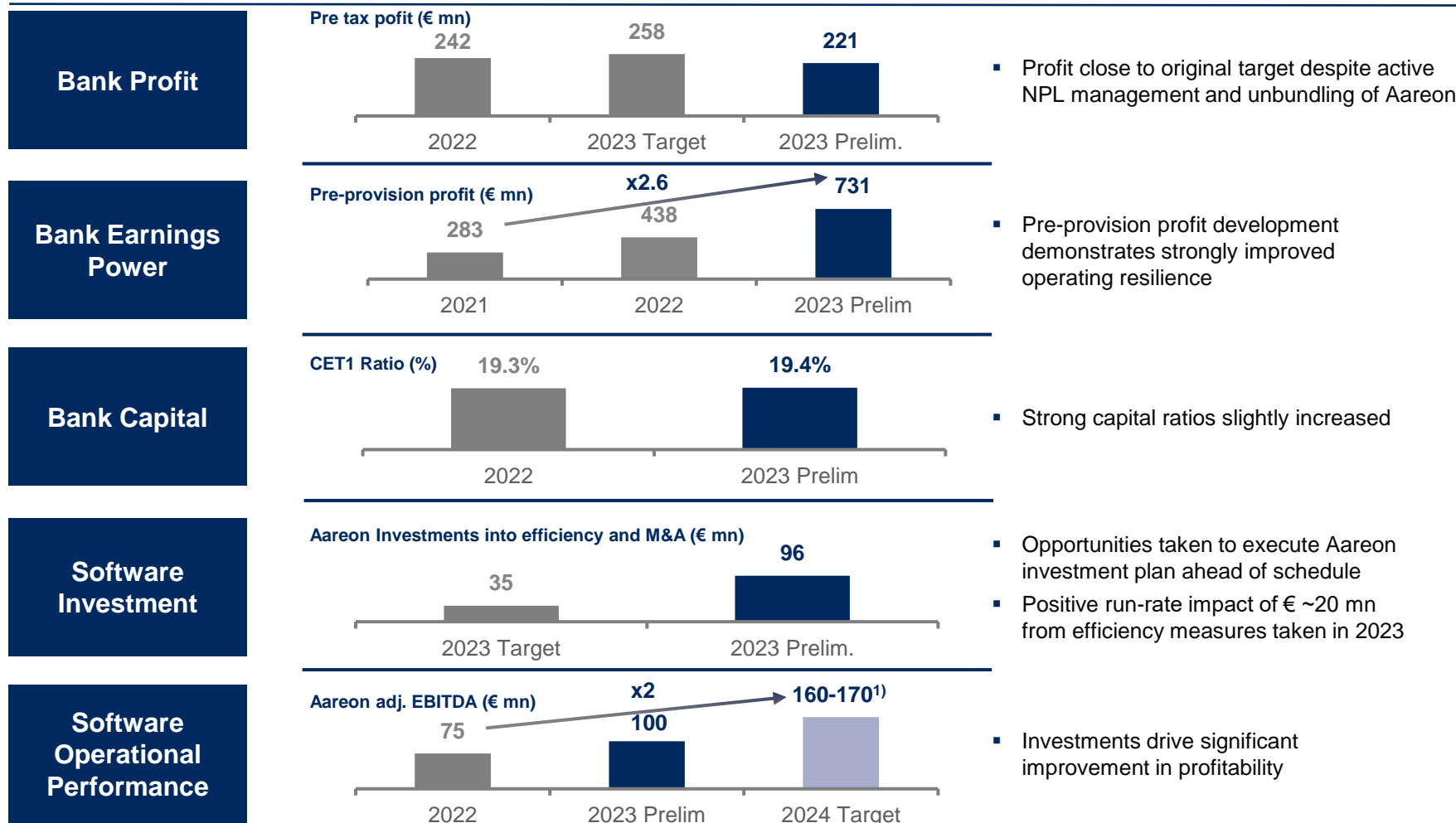
**Target:
Increase combined business in banking service and software products**

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Financial Performance

Strong underlying performance at both Bank and Aareon



- Profit close to original target despite active NPL management and unbundling of Aareon

- Pre-provision profit development demonstrates strongly improved operating resilience

- Strong capital ratios slightly increased

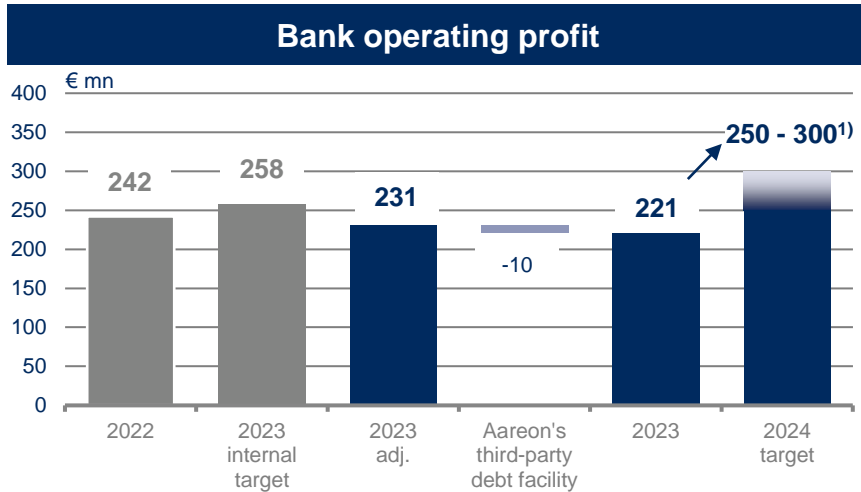
- Opportunities taken to execute Aareon investment plan ahead of schedule
- Positive run-rate impact of € ~20 mn from efficiency measures taken in 2023

- Investments drive significant improvement in profitability

1) Incl. positive contribution from long-term partnership agreement with Bank

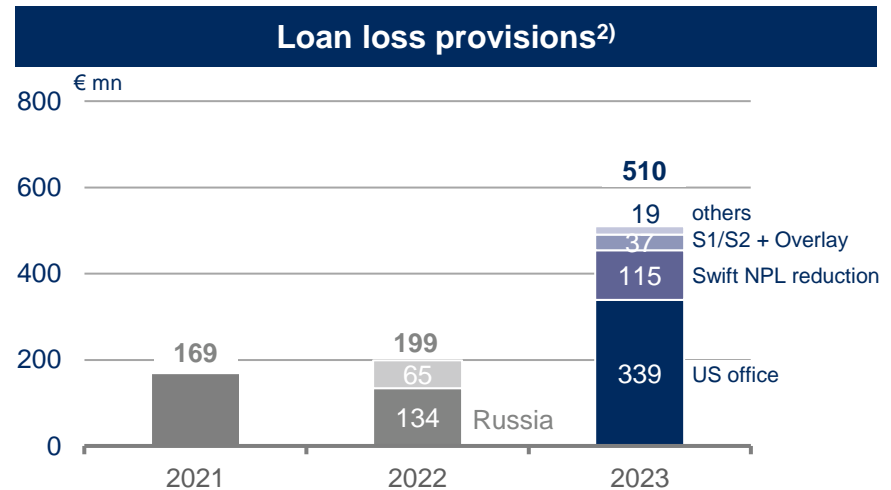
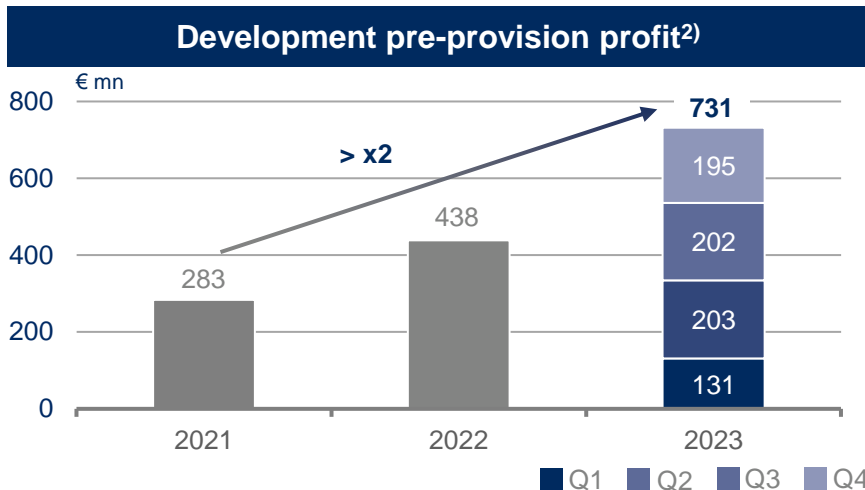
Financial Performance - Bank

Profit close to prior year despite active NPL management



- Strong operating performance, increasing operating resilience further demonstrated with pre-provision profit > x2 vs. 2021
- Strong income development
 - Compensates substantial US office LLPs
 - Active NPL management:
 - Significant reduction of € ~500 mn legacy NPLs in 2023
 - € ~500 mn US office loans prepared for solution in 2023 with execution Q1 2024

➤ **Outlook 2024:**
Operating profit target for the bank of € 250 - 300 mn



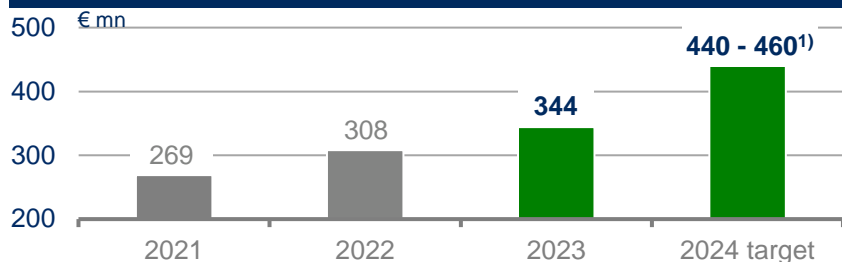
1) Incl. impact from long-term partnership agreement with Aareon

2) Provision incl. LLP and LLP (FVPL)

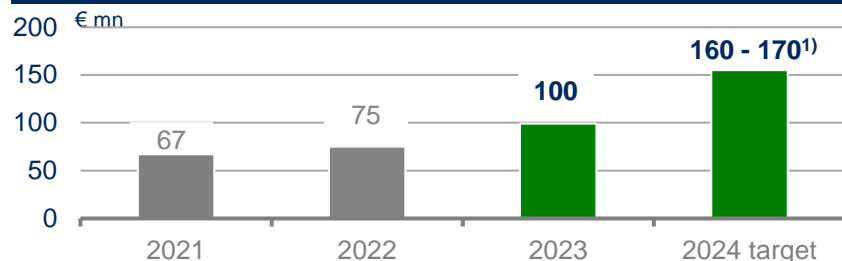
Financial Performance - Aareon

Further investments drive significant improvement in profitability

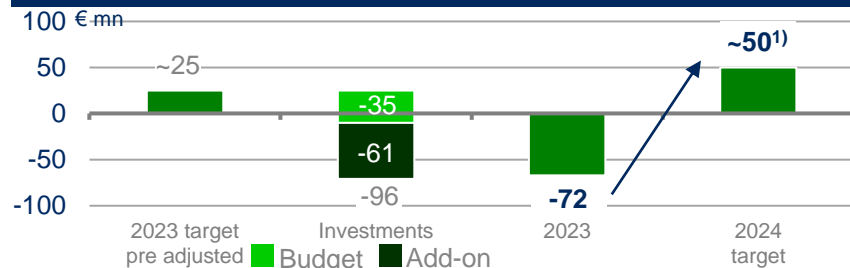
Sales revenue



Adj. EBITDA



EBT



1) Incl. positive contribution from long-term partnership agreement with Bank

With an adj. EBITDA of € 100 mn and sales revenue of € 344 mn 2023 targets achieved

- 2023 characterized by M&A activities and significant investments into operational efficiency
- On top of the originally announced investments of € 35 mn an additional € 61 mn was invested into efficiency measures and M&A incl. refinancing
 - Foundation for strong profit performance in 2024
- Based on current run rate, high visibility towards adj. EBITDA in a range of € 160 - 170 mn in 2024, translates into an increase in EBT of € ~120 mn to ~50 mn (adj. EBITDAC to increase from € 75 mn to € 140 - 150 mn in 2024)

Financial Performance - Group Profit & Loss

Strong underlying performance thanks to diversified business model

	Q4 '22	Q4 '23	FY '22	FY '23	Δ FY '23/'22
Profit & loss (€ mn)					
Net interest income (NII)	188	268	702	978	39%
Net commission income (NCI)	78	82	277	307	11%
Loan loss provision (LLP)	22	179	192	441	130%
Admin expenses	148	159	571	645	13%
Other op. income / expenses ¹⁾	-14	-18	23	-50	n/a
Operating profit (EBT)	82	-6	239	149	-38%
Profit after tax	53	-52	153	48	-66%

- NII up by 39% supported diversified business model with market leading deposit franchise and loan margins above plan
- Aareon and BDS continued to grow NCI successfully
- Substantial LLP of € 510 mn (incl. € 69 mn FVPL) due to headwinds from US office markets and comprehensive LLP strategy (incl. preparing for solution)
- Increase in admin expenses dominated by significant investments into Aareon of € 96 mn while bank remained on a stable level (CIR Bank²⁾: 32%)
- Strong operating performance allowed an increase in investments spent vs. budget by € 126 mn:

€ mn	Plan	Add-on	Spent
Aareon	35	61	96
Swift NPL reduction	60	55	115
Third-party debt facility Aareon	0	10	10
Total	95	126	221

- Depreciation of DTA in connection with takeover by Atlantic BidCo

1) Includes Net derecognition gain or loss, Net gain or loss from financial instruments (fvpl), Net gain or loss from hedge accounting, Net gain or loss from investments accounted for using the equity method, Net other operating income/expenses
 2) Segment SPF & BDS, excl. bank levy / deposit guaranty scheme

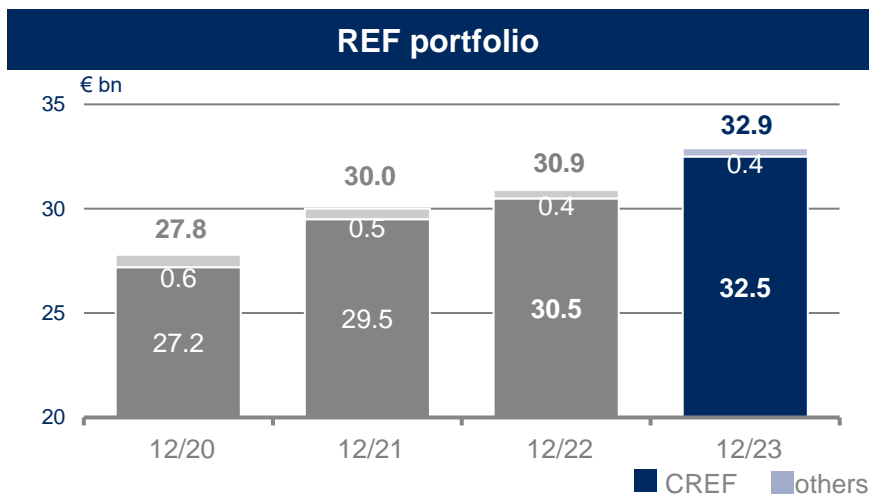
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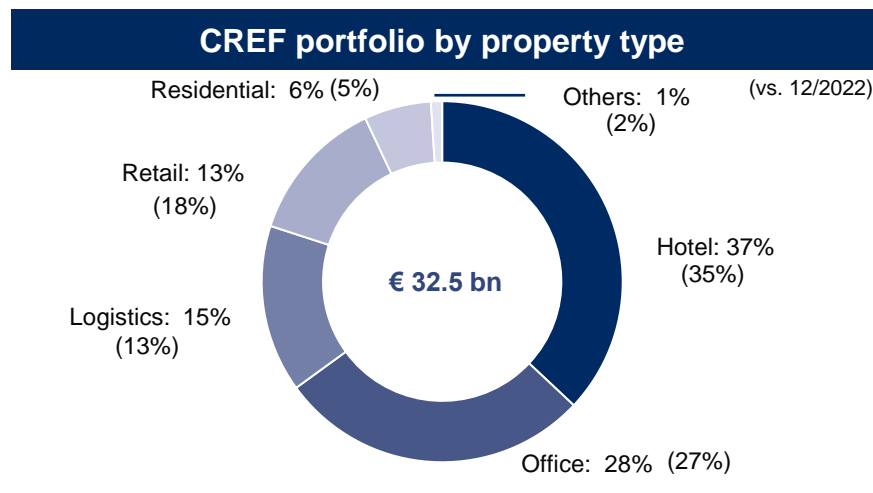
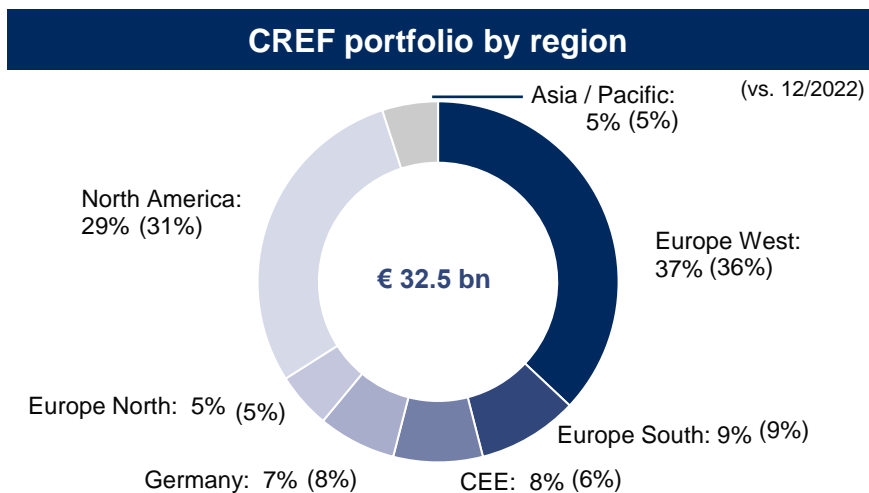
- Appendix

Segment SPF

Well diversified portfolio: Target of € 32-33 bn achieved...



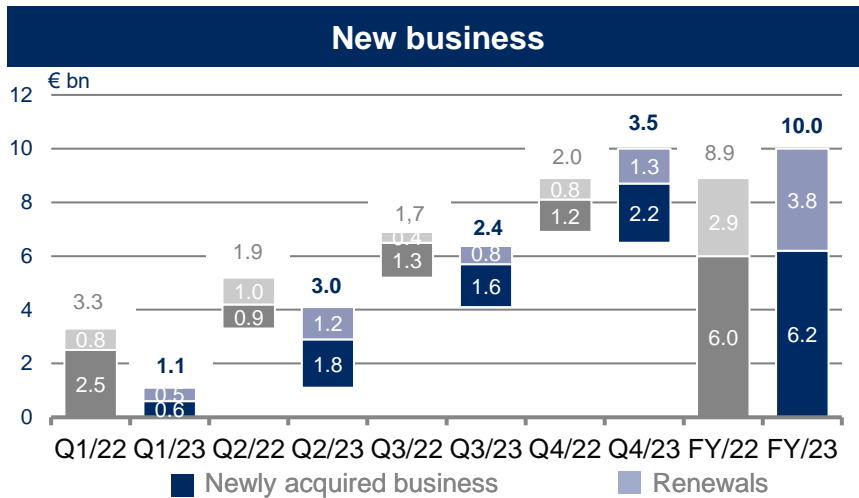
- Portfolio highly diversified by region and property type, RE primarily in major global metropolitan areas
- Portfolio-LTV¹⁾ at 56% (12/22: 55%)
- Portfolio-YoD¹⁾ at 9.6% (12/22: 8.5%)
- China and Russia exited, no Signa exposure
- Virtually no financing of developments (< 1%)
- Financing of refurbishments to foster green transition
- Green loan volume at € 4.8 bn (12/22: € 2.2 bn)
- Green property financing portfolio at € 9.0 bn or 28% of total CREF portfolio



1) Performing CREF-portfolio only (exposure)

Segment SPF

...with selective new business generation

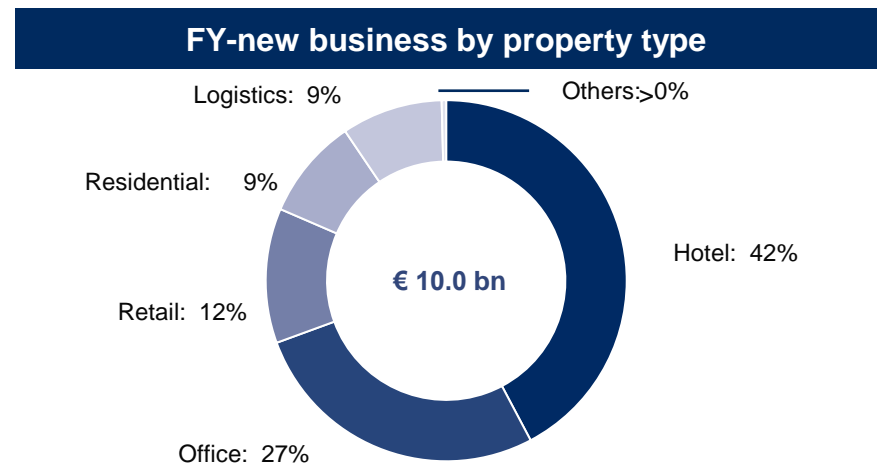
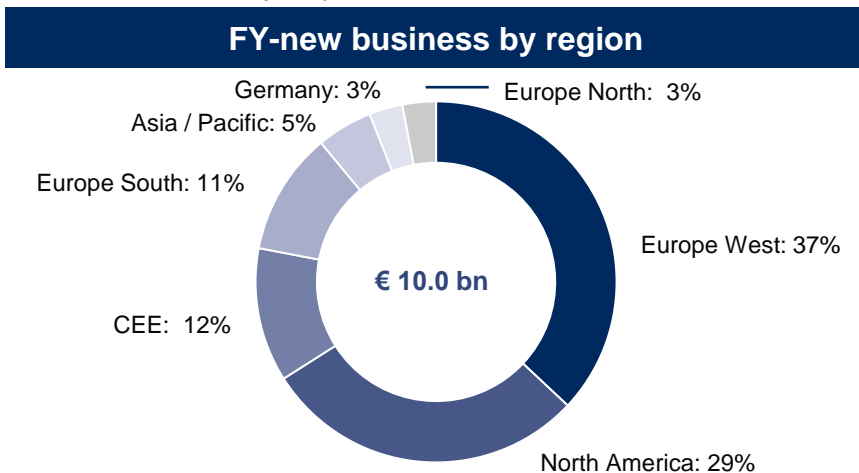


Newly acquired business

- Conservative avg. LTV of 54% (12/22: 55%)
- Avg. margin of 291 bps (12/22: 240 bps) (FY plan 2023: 240-250 bps)
- Alternative living team established
- Market entry New Zealand started

Additional € 3.0 bn Green loans¹⁾

- € 2.5 bn newly acquired business, thereof € 1.3 bn office
- € 0.5 bn renewals, thereof € 0.1 bn office
- Additional € 500 mn conversions



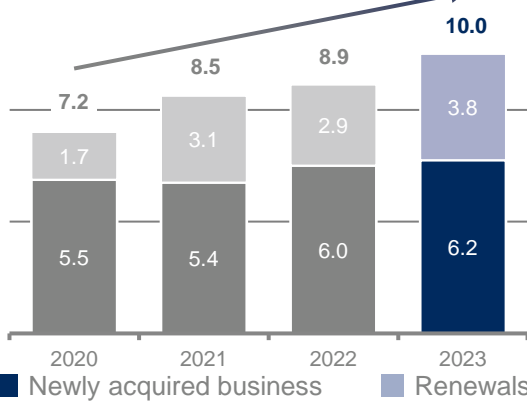
1) Governed by "Green Finance Framework"

Segment SPF

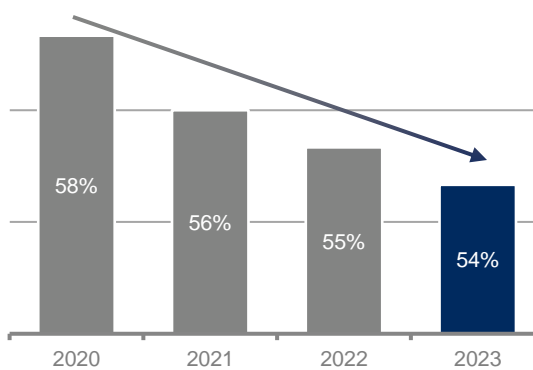
Business generation with stringent low-risk focus leading to improvements in overall asset quality metrics

New business KPIs

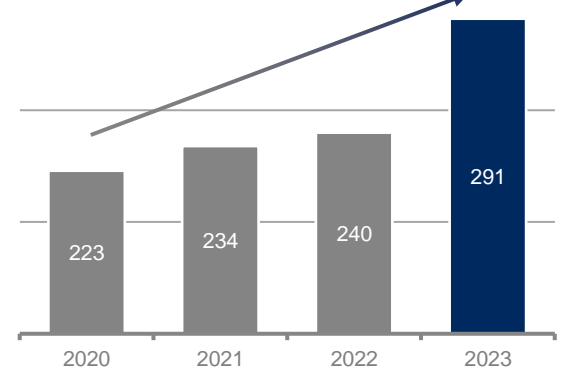
New business (€ bn)



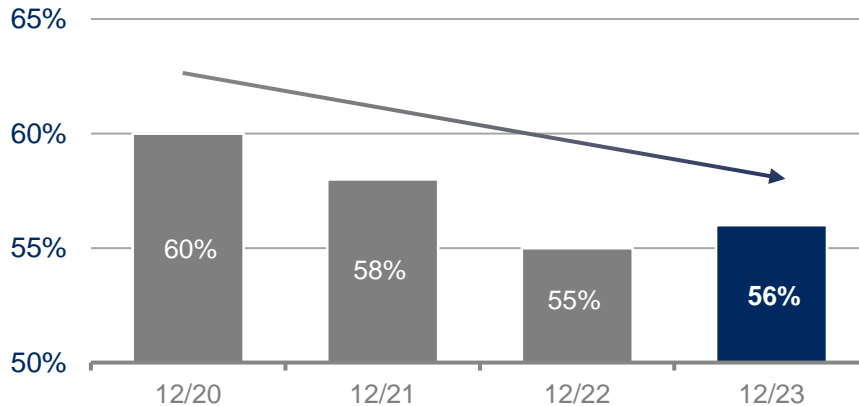
LTV newly acquired business



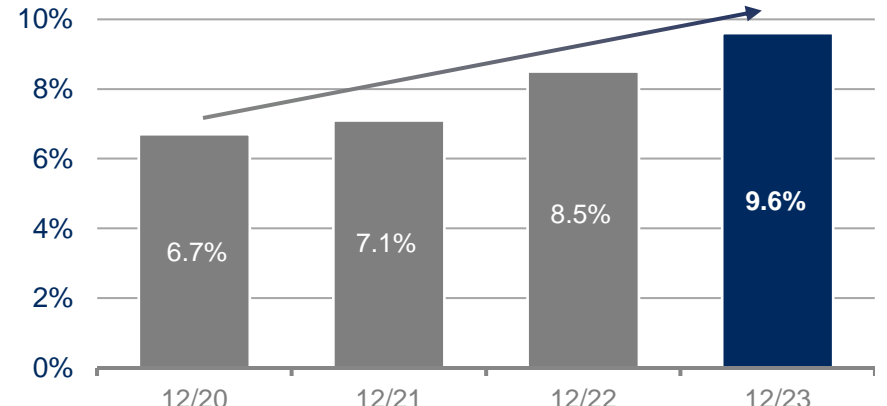
Margins newly acquired business (bps)



Portfolio-LTV¹⁾



Portfolio-YoD¹⁾

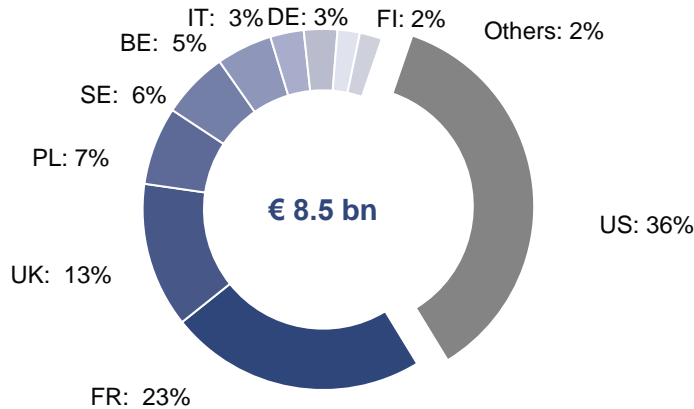


1) Performing CREF-portfolio only (exposure)

Segment SPF

Office markets: European office portfolio has significantly lower LTV than US portfolio with only 3% exceeding LTV of 60%

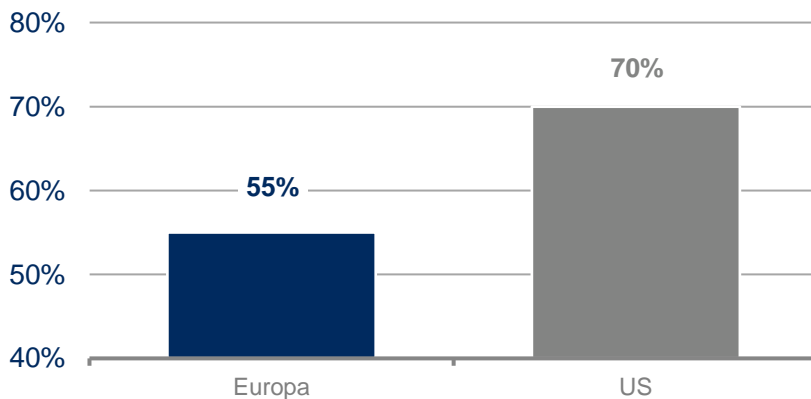
Performing office portfolio by countries



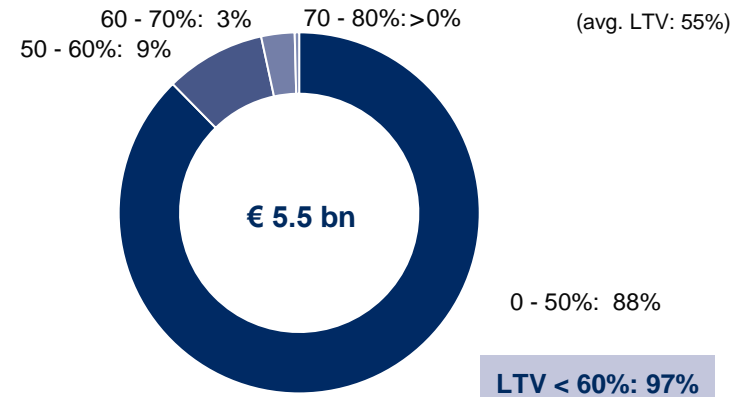
General structural differences between Europe and US

- Interest rate environment
- Lower vacancy rates in European markets
- Ownership structures in Europe leading to longer investment horizons: willing to downpay debt via new equity injections to preserve their equity positions
- Europe with tighter interest rate hedges
- CRE in Europe generally not financed by different layers of debt leading to lower total LTVs and very limited market for junior and mezz tranches
- Longer commuting time and larger homes in the US, European cities offer more larger mix of attractive areas to live and work

Office LTV¹⁾ by region



European Office portfolio by (layered) LTVs¹⁾



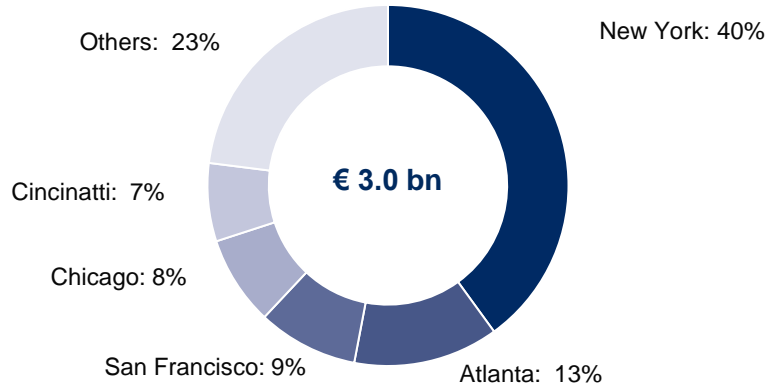
Note: others incl. countries with a portfolio below € 100 mn

1) Performing CREF-portfolio only (exposure)

Segment SPF

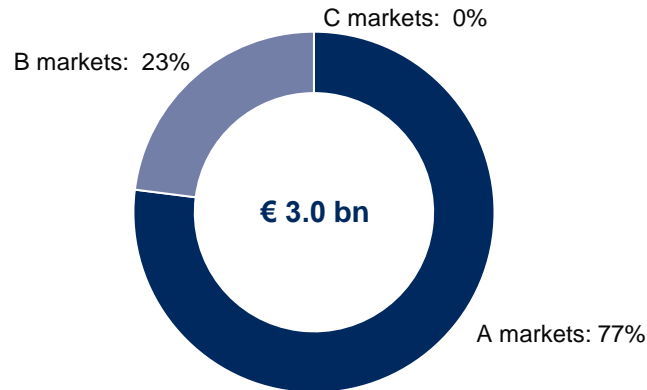
US office portfolio concentrated on A markets and class A buildings

Performing portfolio by top 5 cities

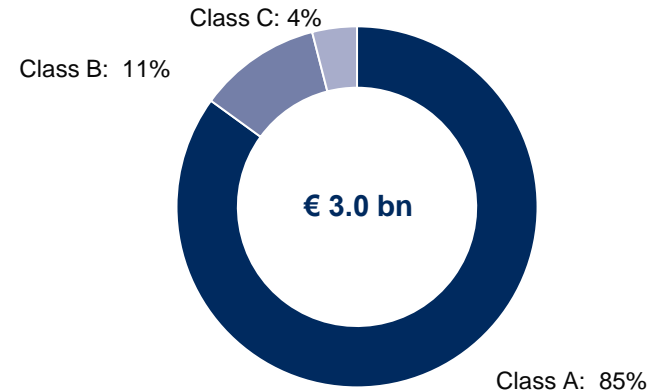


- Large part of the US office portfolio located in New York
- Rest largely spread throughout major US cities
- Portfolio concentrating on high quality class A properties in A markets
- Only € ~240 mn performing US office loans due in 2024
- All values reviewed in 2023, thereof 79% externally
 - 56% of the market values decreased up to 20%
 - 44% of the market values decreased between 20% and a maximum of 55%
- Market value decreases are reflected in an average LTV increase from 62% to 70% (incl. new business with an LTV of 50% and “outflow into” NPLs)

Performing portfolio by market¹⁾



Performing portfolio by building classification²⁾



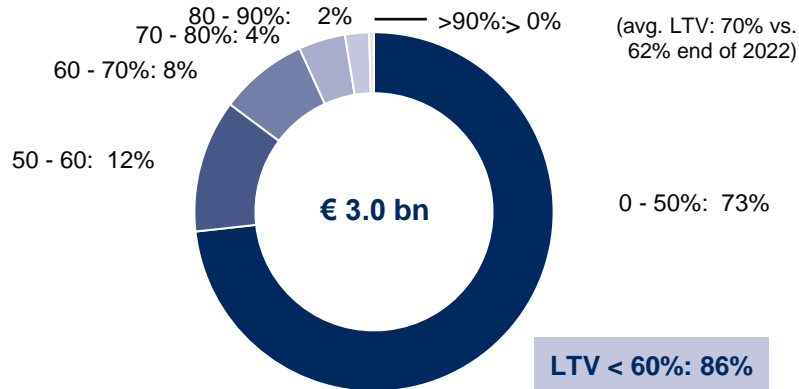
1) Acc. to Green Street

2) Acc. to Co-Star

Segment SPF

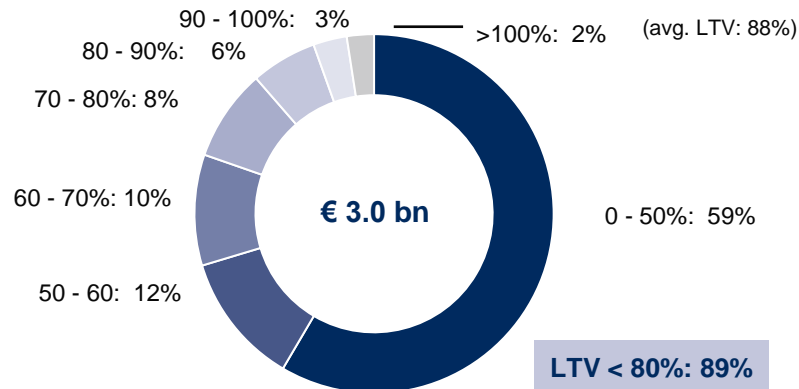
After considerable decline in market values and after additional stress scenarios still showing adequate headroom

Performing US office portfolio by (layered) LTVs¹⁾



- Focus on high quality class buildings in A locations will benefit first from market recovery
- Loans are being monitored closely on a regular basis incl. early interaction with borrowers
- Expected interest rate development in 2024 should take pressure out of the market and stabilise values

Simulated stress: Market values¹⁾ down by add. 20%



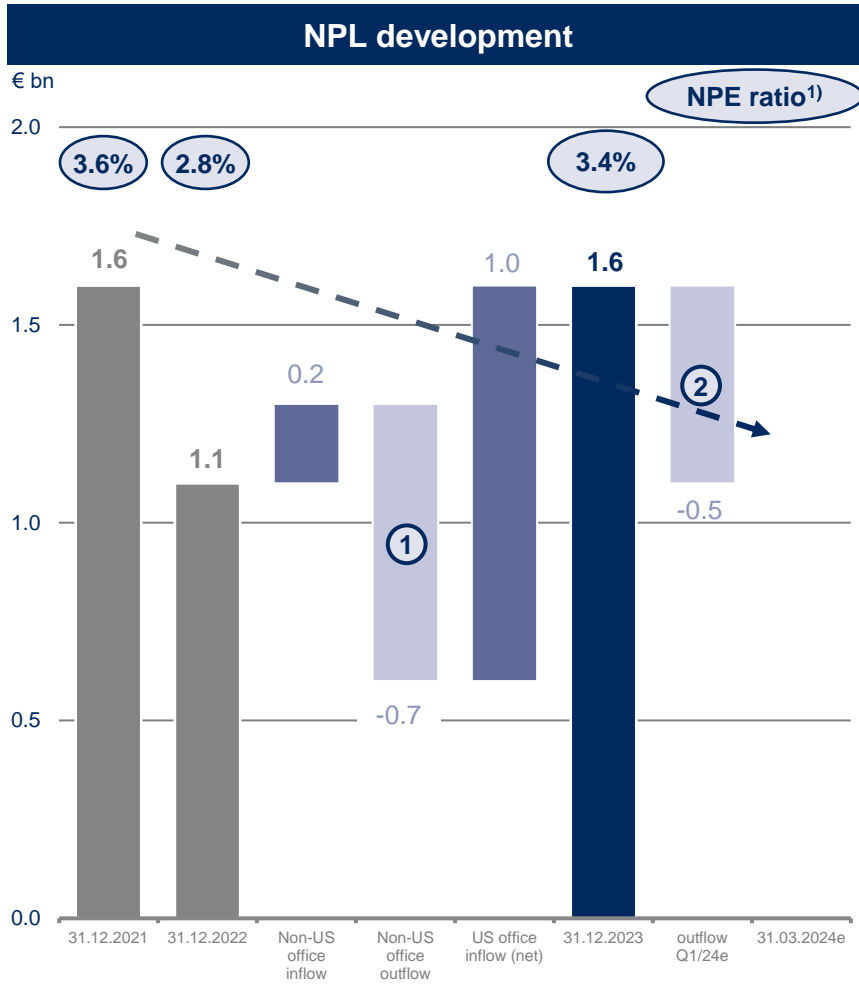
Performing portfolio as at end of 2023 stressed with additional 20% market value decline

- Average LTV up to 88% (from 70% as at 31.12.2023)
- (Layered) LTV above 100%: 2% (€ ~75 mn)
- (Layered) LTV 80%-100%: 9% (€ ~260 mn)

1) Performing CREF-portfolio only (exposure)

Segment SPF

€ ~0.5 bn NPLs prepared for solution in Q1/24 keeping NPL portfolio stable as at 31.03.2024 vs. 2022, significantly below 2021



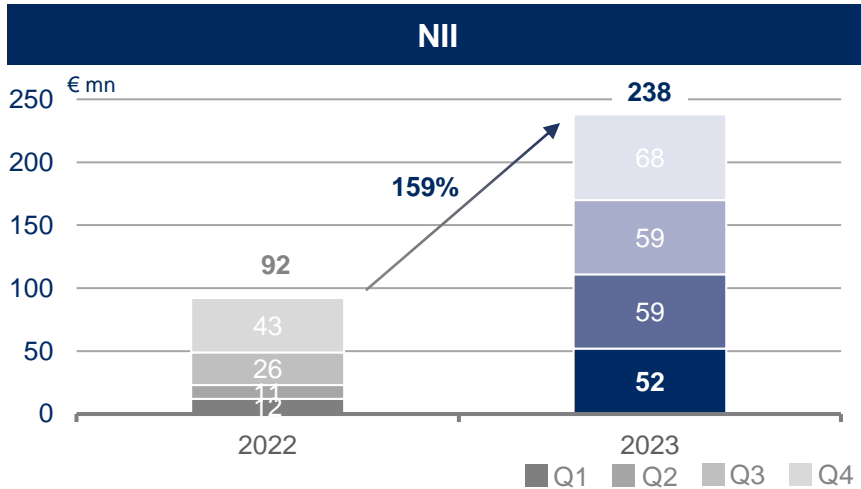
1) NPE ratio according to EBA Risk Dashboard definition

- In 2023 € 1 bn NPL inflow (net) from US Office
- All other regions / asset classes performing well
 - Only € 0.2 bn NPL formation outside US office in 2023
 - No Signa loan exposure, virtually no developments
 - Limited exposure in Germany (~7% of CREF portfolio)
- NPL coverage ratio of 24% (US Office NPLs 26%)
- Active NPL management (Preparation for solution)
 - ① € 0.7 bn NPL outflow in 2023 mainly driven by swift NPL reduction (€ 0.5 bn)
 - ② € ~0.5 bn NPLs (mainly US Office) prepared for solution in Q1/24, LLP already booked in Q4/23
 - Hired two US industry experts to support our local team



Segment BDS

Diversified business model and normalised interest rate environment supporting increase in NII

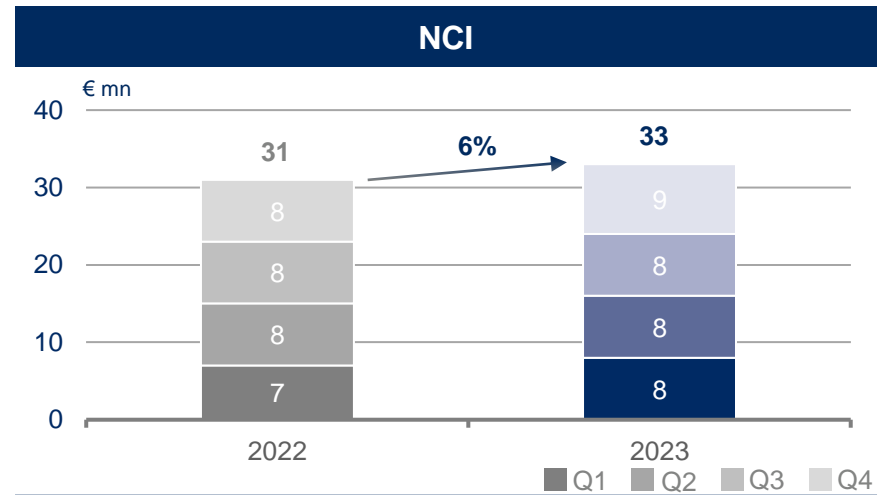
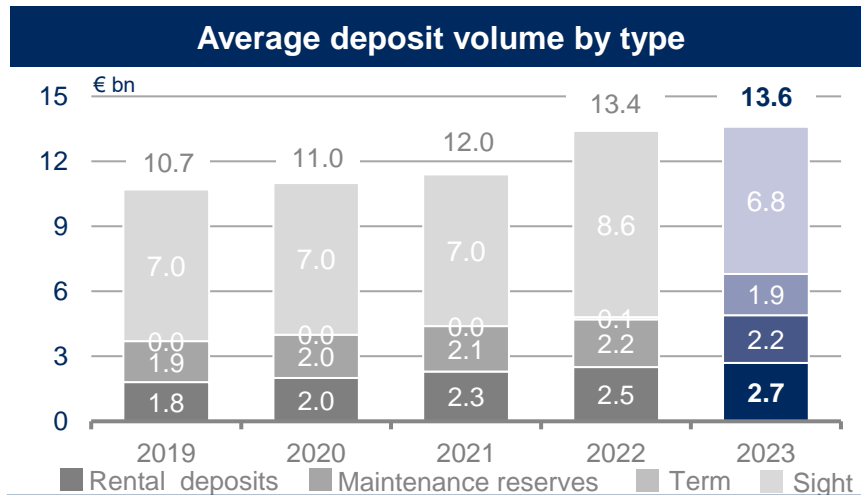


NII increase driven by normalised rate environment

- Deposit volume above target level of € ~13 bn
- Granular and sticky deposit structure from ~4,000 clients managing more than 9 mn rental units
- Ongoing shift from sight into term deposits
- Competitive market environment

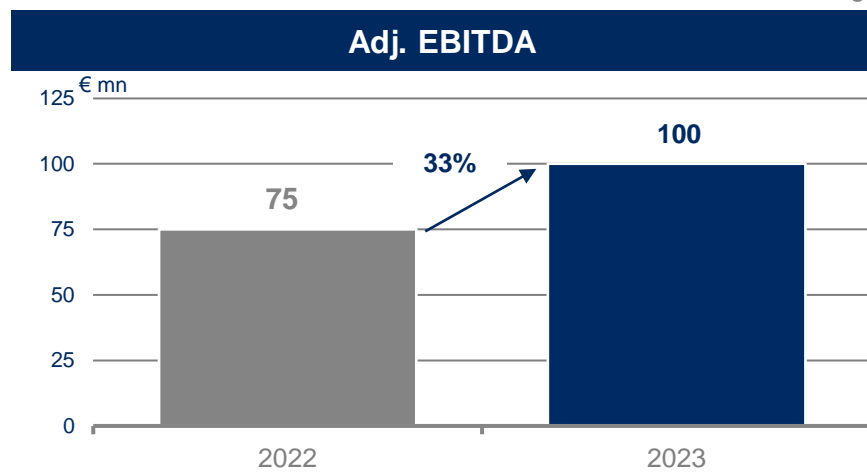
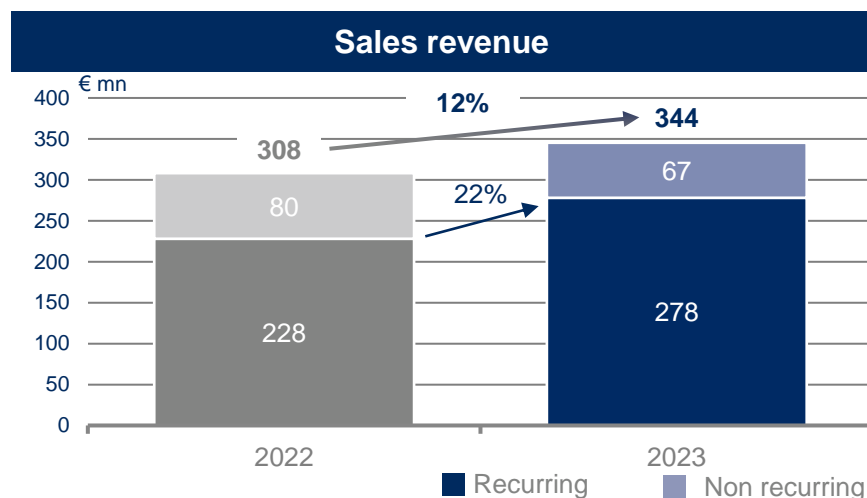
NCI further increased

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



Segment Aareon

Strong revenue and EBITDA growth; Rule-of-40 achieved



- Sales revenue increased by € 36 mn (+12%)
 - Recurring revenue (LTM¹⁾) represents 81% of total revenues (2022: 74%)
- Adj. EBITDA increased by € 25 mn to € 100 mn (+33%), adj. EBITDA margin increased to 29% (2022: 25%), operating cash flow further improved (adj. EBITDAC)
- Rule-of-40 already achieved
- Investments of € 96 mn into efficiency measures and M&A incl. refinancing
- Major activities:
 - Entry into Spanish market with acquisition of IESA
 - Aareal Bank and Aareon combine their expertise in software development for payments in First Financial
 - Acquisitions of Embrace (CRM) and UTS (shared-ownership property management)
 - Replacement of M&A credit line formerly provided by Aareal with flexible long-term unitranche facility. Group NII impact of low double-digit million per year
 - Positive run-rate impact of € ~20 mn from efficiency measures taken in 2023

Note: Numbers not adding up refer to rounding

1) Last Twelve Months

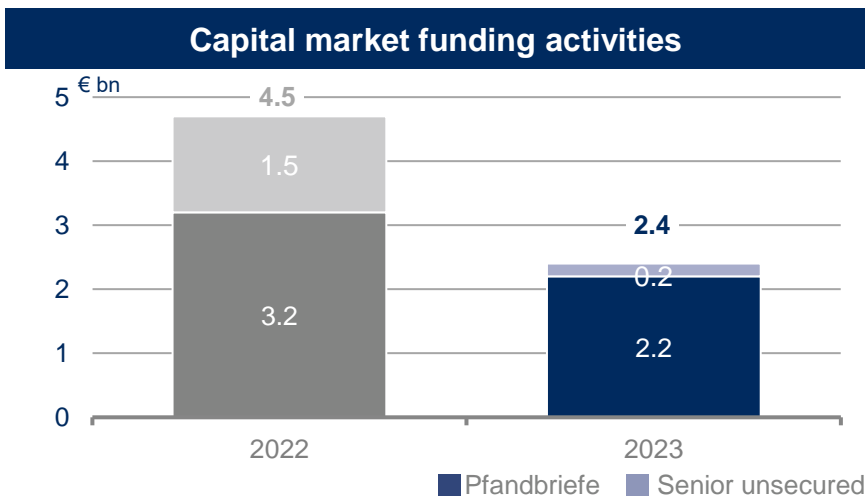
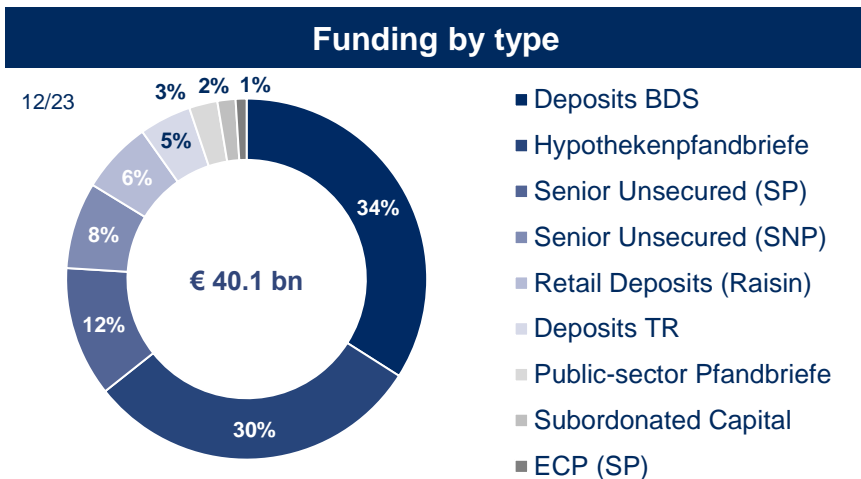
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Funding & Liquidity

Well diversified funding mix – successful funding activities

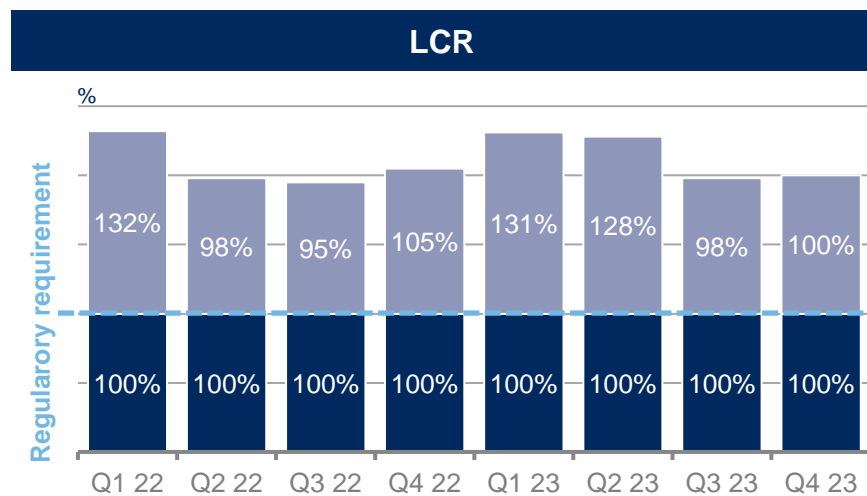
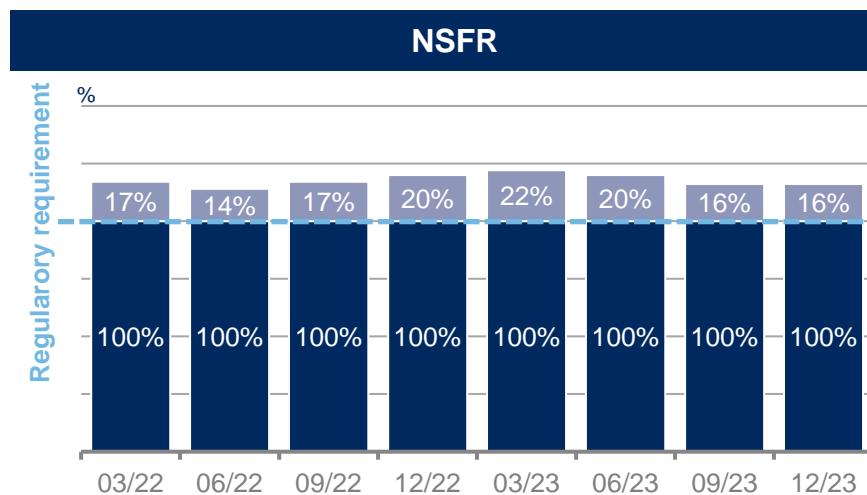


- Deposits from housing industry at avg. of € 13.6 bn above targeted level of € ~13 bn, granular and sticky deposit structure from ~4,000 clients managing more than 9 mn rental units
- Issued Pfandbrief and Senior totaling € 2.4 bn in 2023 incl. 3 Pfandbriefe in Benchmark format (€ 1.5 bn)
- Retail term deposits by cooperating with Raisin significantly increased to € 2.6 bn (12/22: € 0.6 bn)
 - ~90% with a contractual maturity >2 years
 - Based on the success in the German market expansion into European countries planned in 2024
- No senior preferred capital market funding needs 2023 to 2025 due to further diversified and optimised funding mix
- Senior non-preferred benchmarks as add. instrument to support credit ratings (e.g. Moody's via LGF)
- As at 14.2.24 Fitch removed 3 years existing negative outlook, SP Rating now at BBB+ (Stable):

“The Stable Outlook reflects Fitch's expectation that Aareal's pre-impairment operating profit will continue to provide a sufficient buffer for higher loan impairment charges in the coming quarters. It also incorporates Fitch's view that Aareal's funding and liquidity...remains sound”

Funding & Liquidity

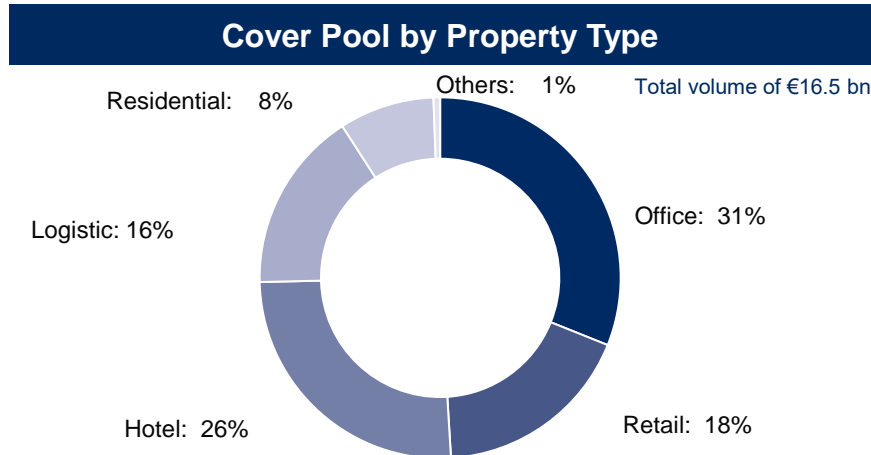
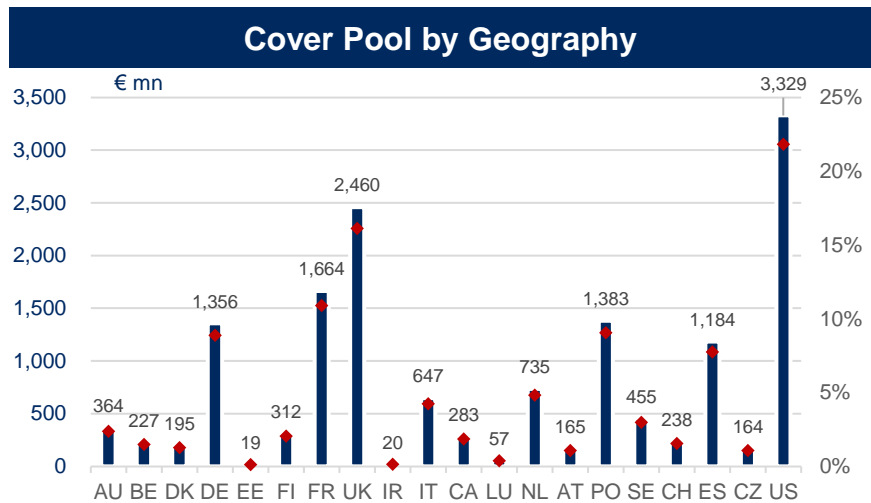
Liquidity ratios significantly above regulatory requirements



- Substantial buffer in regulatory liquidity ratios (LCR / NSFR) despite strong growth in portfolio and difficult economic and capital markets environment
- On average long-term funds have longer maturities than CRE finance portfolio (~4 years vs ~3 years)
- HQLA: comfortably above € 6 bn

Funding & Liquidity

Strong Mortgage Cover Pool and Aaa Rating for Pfandbriefe



Pfandbriefe funding cornerstone of wholesale issuance

- Cover pool of € 16.5 bn incl. € 1.2 bn substitute assets diversified over 20 countries
- High quality assets: first-class mortgage loans (mortgage-lending-value 55.7%)
- Mortgage-lending-value with high discount from market-value
- Avg. LTV of the mortgage cover pool 33.5%
- Moody's has calculated 'Aaa' supporting over-collateralisation ratio of 16.5% on a PV basis
- Aareal's over-collateralisation on a PV basis as of 12/23: 19.6%
- High diversification within property types

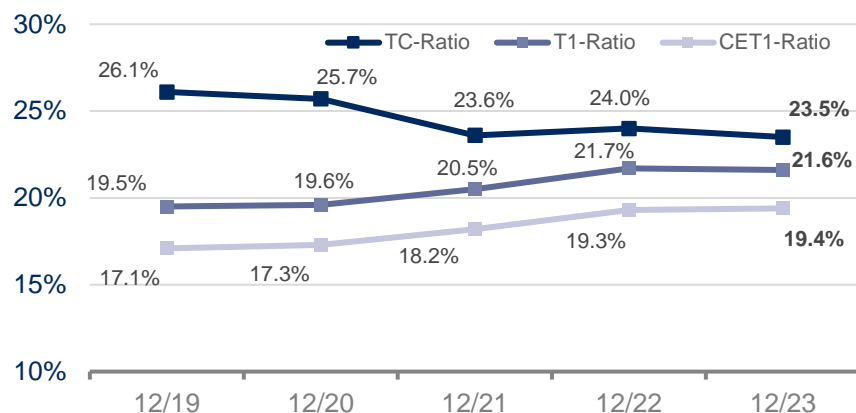


As at 31.12.2023

Capital

Strong capital ratios slightly increased despite portfolio growth

B4 (phase in) capital ratios



- B4 CET1 phase-in ratio at 19.4%, based on RWA calculation taking the higher-of from Advanced Internal Rating Based Approach (A-IRBA) and B4 Revised Credit Risk Standard Approach (CRSA@50% output floor)
- CET1 ratio increased despite portfolio growth
- B4 CET1 fully phased ratio at 13.4% (12/22: 13.3%)
- T1-Leverage ratio at 6.6% (12/22: 6.0%)

B4 (phase in) RWA¹⁾



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

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Outlook 2024

		METRIC	2023	OUTLOOK 2024
Bank	Structured Property Financing	<ul style="list-style-type: none"> REF Portfolio New business 	€ 32.9 bn € 10.0 bn	€ 33 - 34 bn ¹⁾ € 8 - 9 bn
	Banking & Digital Solutions	<ul style="list-style-type: none"> Deposit volume 	€ ~13.6 bn	€ ~13 bn
	Operating profit (EBT)		€ 221 mn	€ 250-300 mn
Aareon	Aareon	<ul style="list-style-type: none"> Revenues Adj. EBITDA 	€ 344 mn € 100 mn	€ 440 - 460 mn € 160 - 170 mn
	Operating profit (EBT)		€ -72 mn	€ ~50 mn
	Operating profit (EBT)		€ 149 mn	€ 300-350 mn

1) Subject to FX development

Key takeaways

Well positioned in the current challenging environment



Diversified banking business delivers strong operating performance and allows for proactive risk management



**Sustainably strengthened substance
Foundation laid for profitable growth**

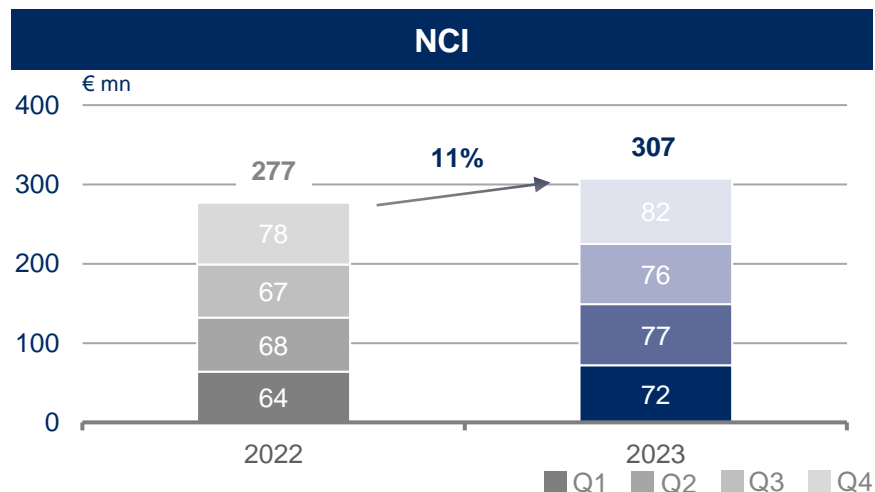
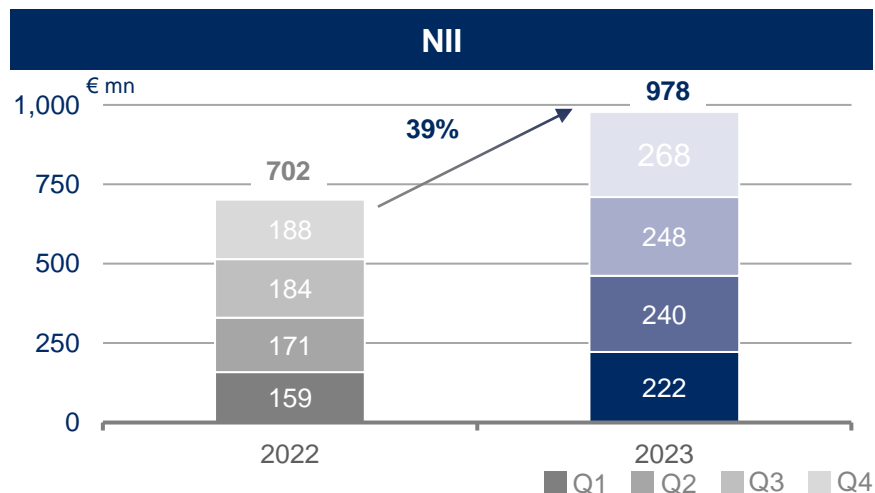


Confident to more than double group operating profit in 2024

Appendix
Financial Performance

Recent Financial Performance – NII & NCI

Strong income development



1) LTM = Last Twelve Months

Both segments contributed to increase

- **SPF**
 - NII increased to € 776 mn (2022: € 627 mn) supported by portfolio growth, good margins and diversified funding mix
 - ~80% of TLTRO repaid in Q4/22
- **BDS**
 - NII increased to € 238 mn (2022: € 92 mn)
 - Positive effects from normalised interest rate environment
 - Deposits from housing industry above targeted level

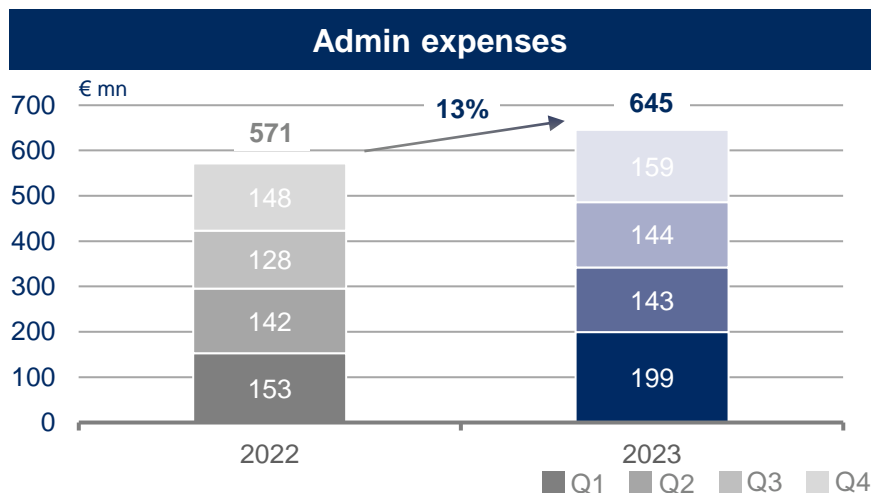
Aareon and BDS continue to grow successfully

- **Aareon**
 - NCI increased to € 284 mn (2022: € 252 mn) based on strong growth, incl. SaaS, in recurring revenues
 - Recurring revenue now represents 81%¹⁾ of total revenues (2022: 74%¹⁾)
- **BDS**
 - NCI further increased to € 33 mn (2022: € 31 mn)

Recent Financial Performance - Admin expenses / LLP

Admin: increase reflects strategic investments into Aareon

LLP: elevated due to headwinds from US office market

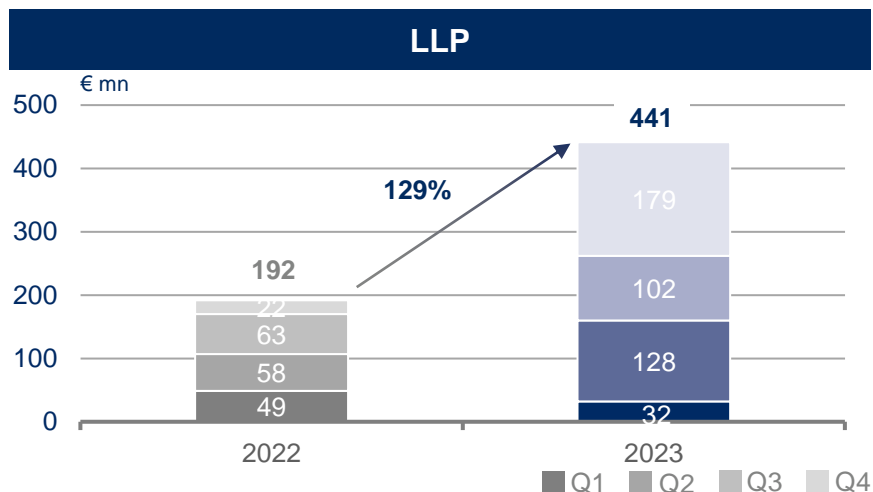


Dominated by significant investments into Aareon Bank¹⁾

- Stable at € 341 mn (2022: € 339 mn, incl. PTO related one-off € 12 mn)
- CIR²⁾ Bank at 32% (2022: 40%)

Aareon

- Expenses increased to € 320 mn (2022: € 244 mn) e.g. due to investments into efficiency measures and M&A
- Positive effects from efficiency measures of € ~20 mn annually



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

- € 441 mn (2022: € 192 mn)
Total LLP of € 510 mn incl. € 69 mn FVPL
- Provisions for a swift NPL reduction increased to € 115 mn, thereof € 36 mn for sale of Russian exposure

1) Segment SPF & BDS

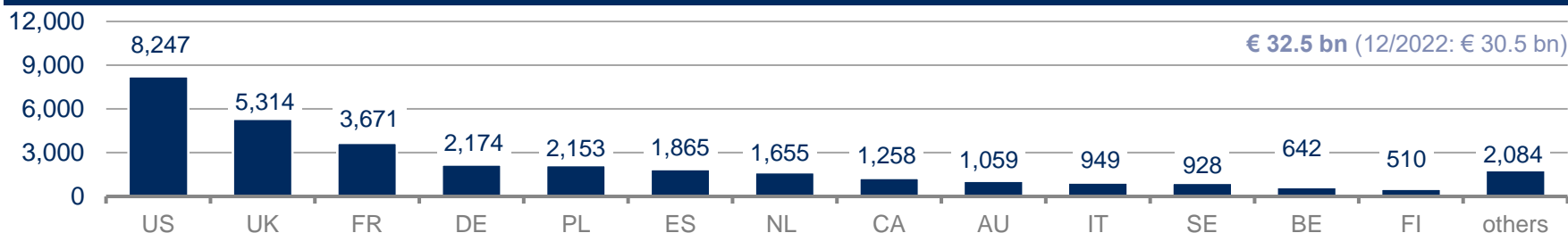
2) Excl. bank levy/deposit guarantee scheme

Appendix
Business Development

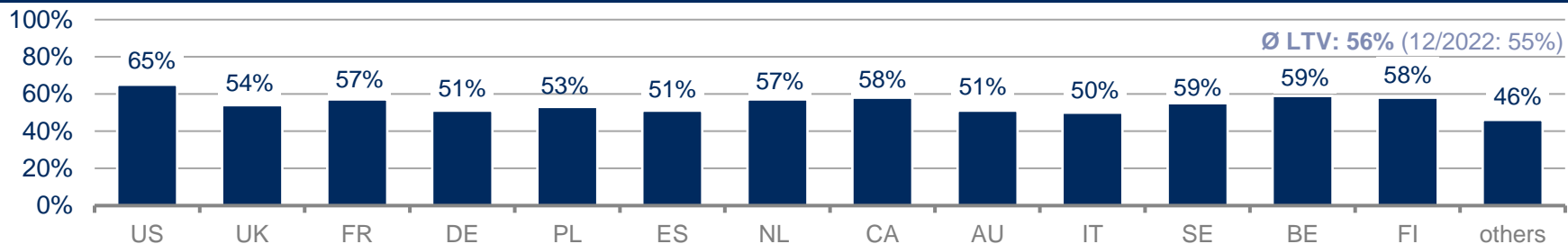
Segment SPF: CREF portfolio by country

€ 32.5 bn well diversified

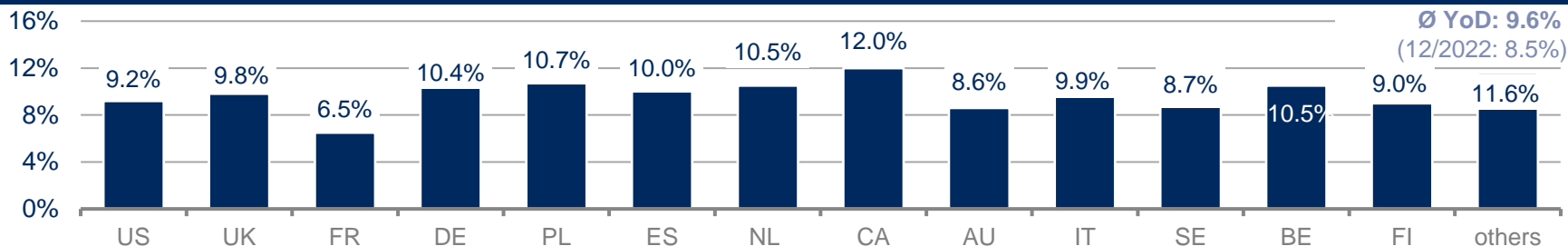
CREF portfolio (€ mn)



LTV¹⁾



YoD¹⁾

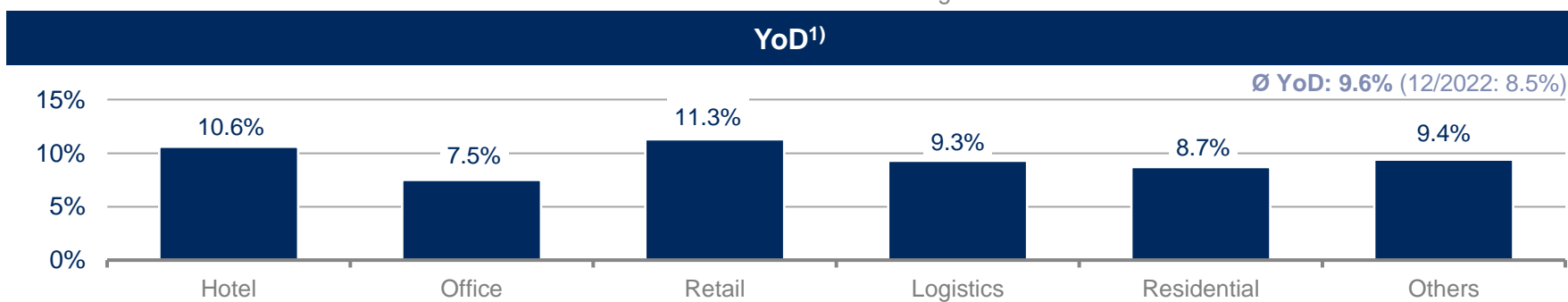
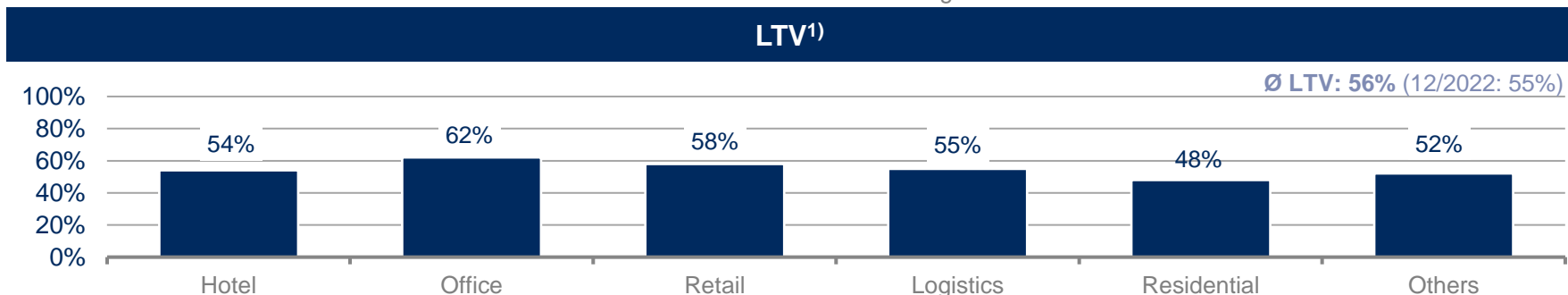
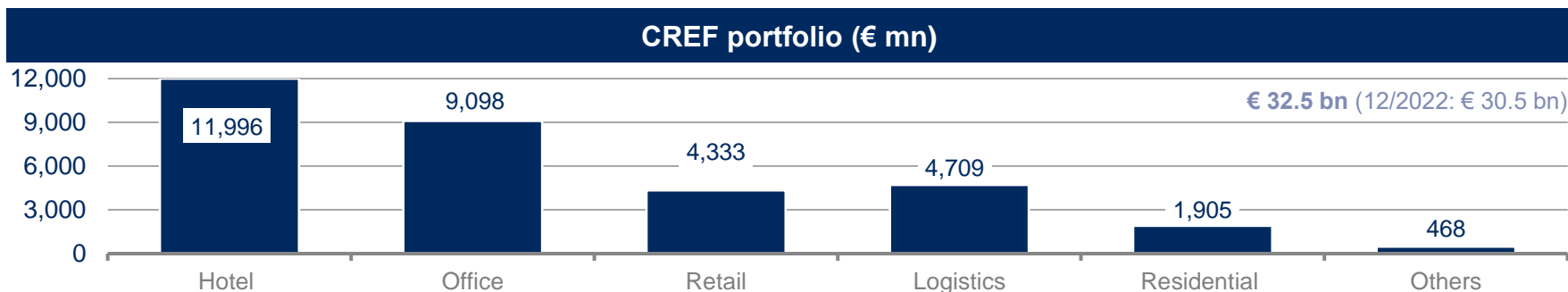


Note: others incl. countries with a portfolio below € 500 mn

1) Performing CREF-portfolio only (exposure)

Segment SPF: CREF portfolio by property types

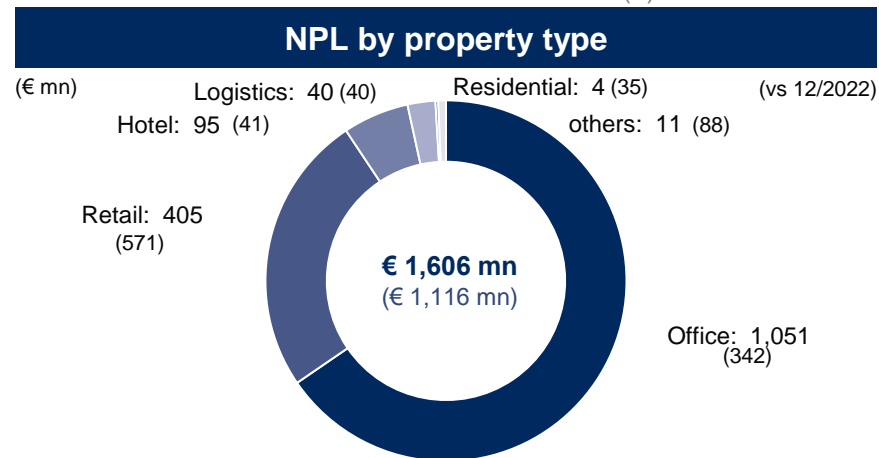
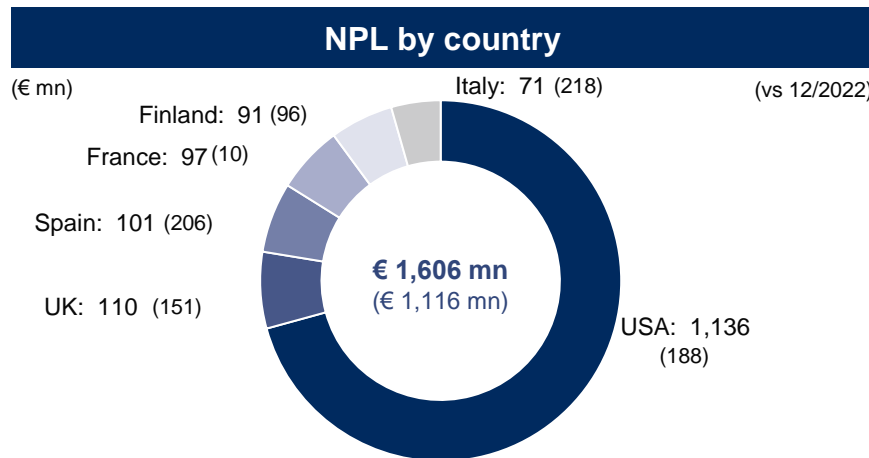
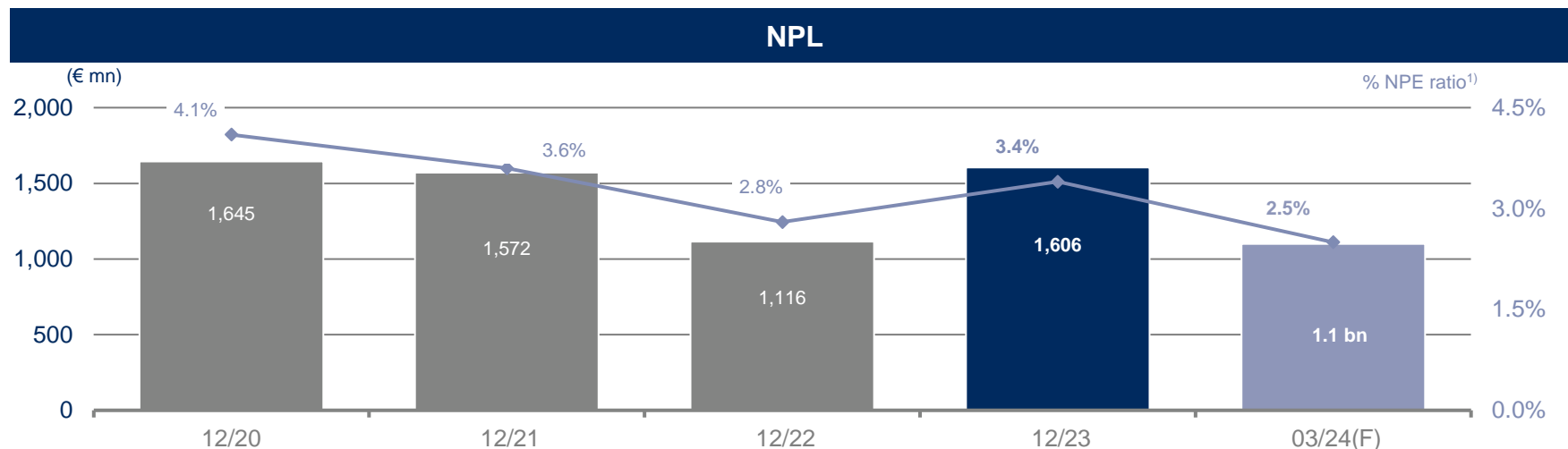
€ 32.5 bn well diversified



1) Performing CREF-portfolio only (exposure)

Segment SPF

NPL



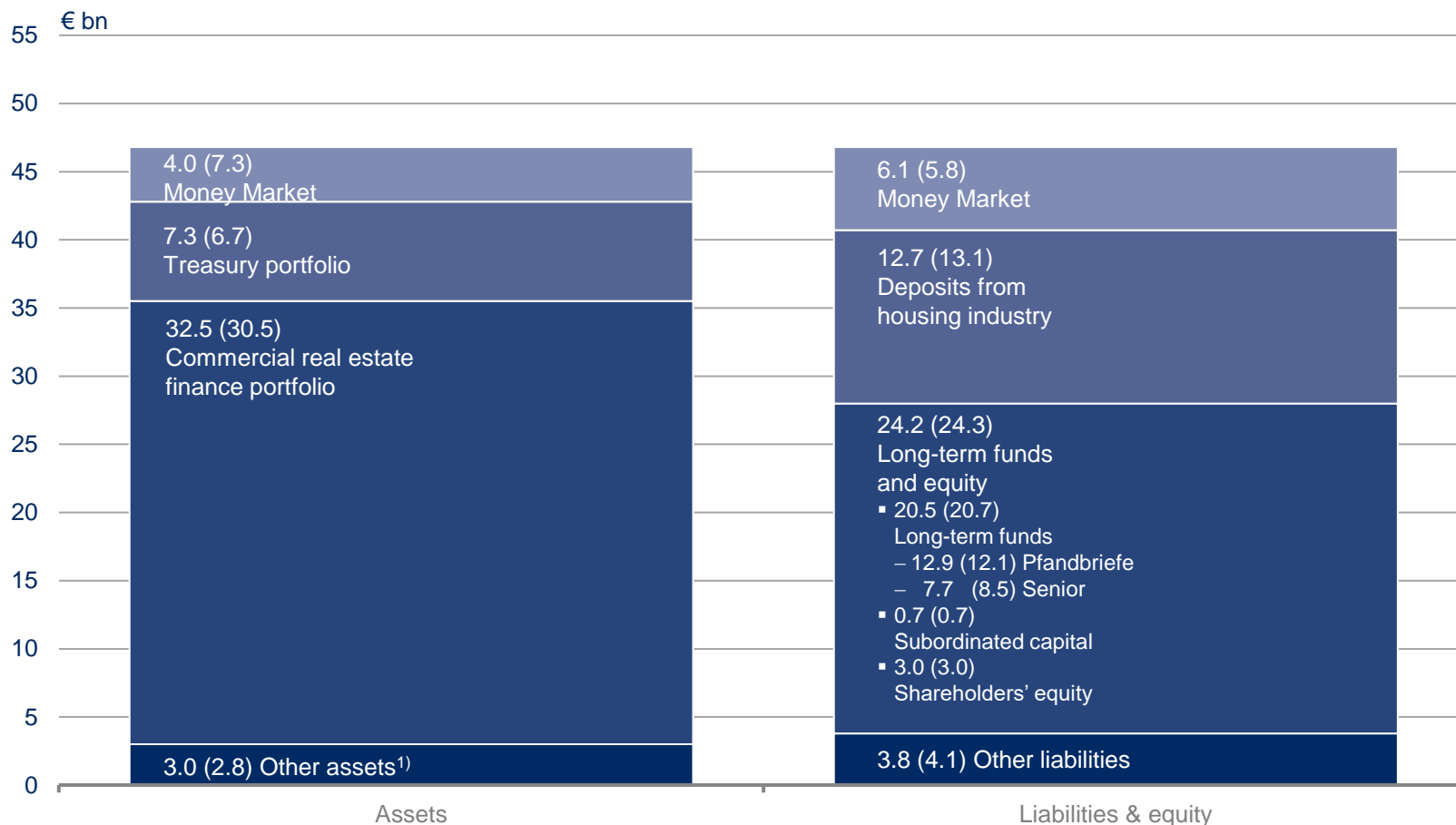
1) NPE ratio according to EBA Risk Dashboard

Appendix
Funding, Liquidity & Capital

Funding & Liquidity

Comfortable liquidity position

Balance sheet as at 31.12.2023: € 46.8 bn (31.12.2022: € 47.3 bn)

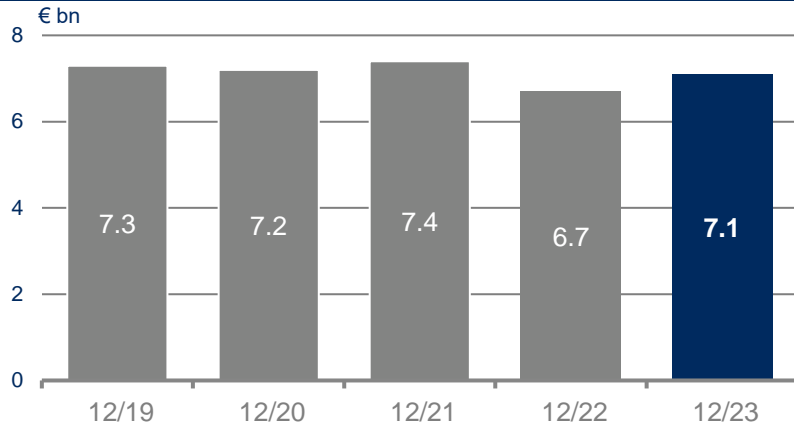


1) Other assets includes € 0.2 bn private client portfolio and WIB's € 0.2 bn public sector loans

Funding & Liquidity

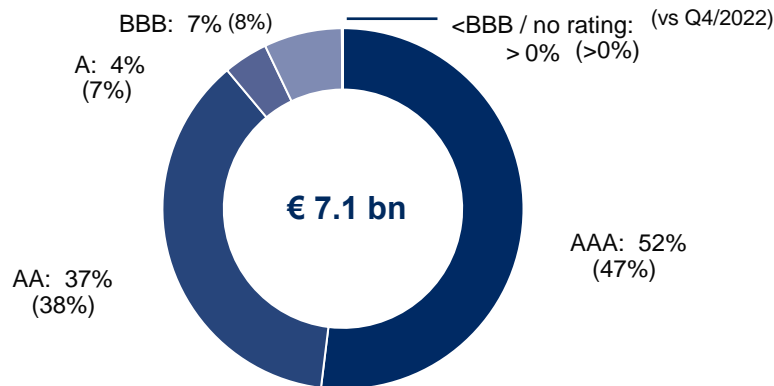
Treasury portfolio of € 7.1 bn ensures comfortable liquidity buffer

TR portfolio development

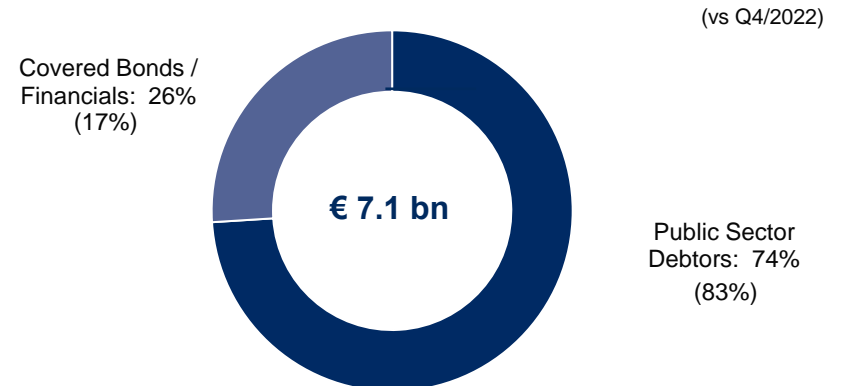


- Strong liquidity profile due to high-rated SSA and Covered Bond focus
- Asset-swap purchases ensure low interest-rate risk exposure
- Well-balanced maturity profile

TR portfolio by rating¹⁾



TR portfolio by asset class

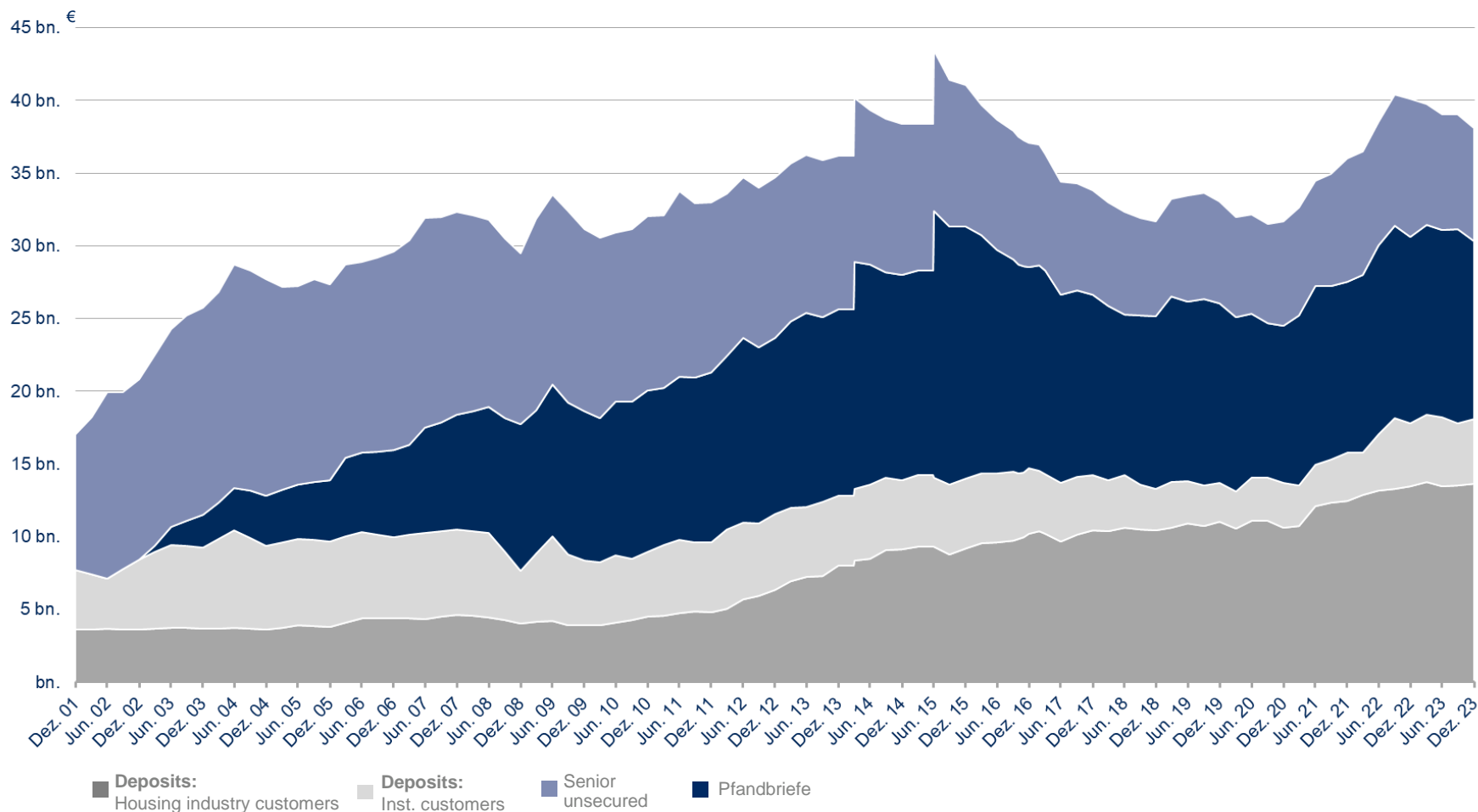


As of 31.12.2023 – all numbers refer to nominal amounts

1) Composite Rating

Funding & Liquidity

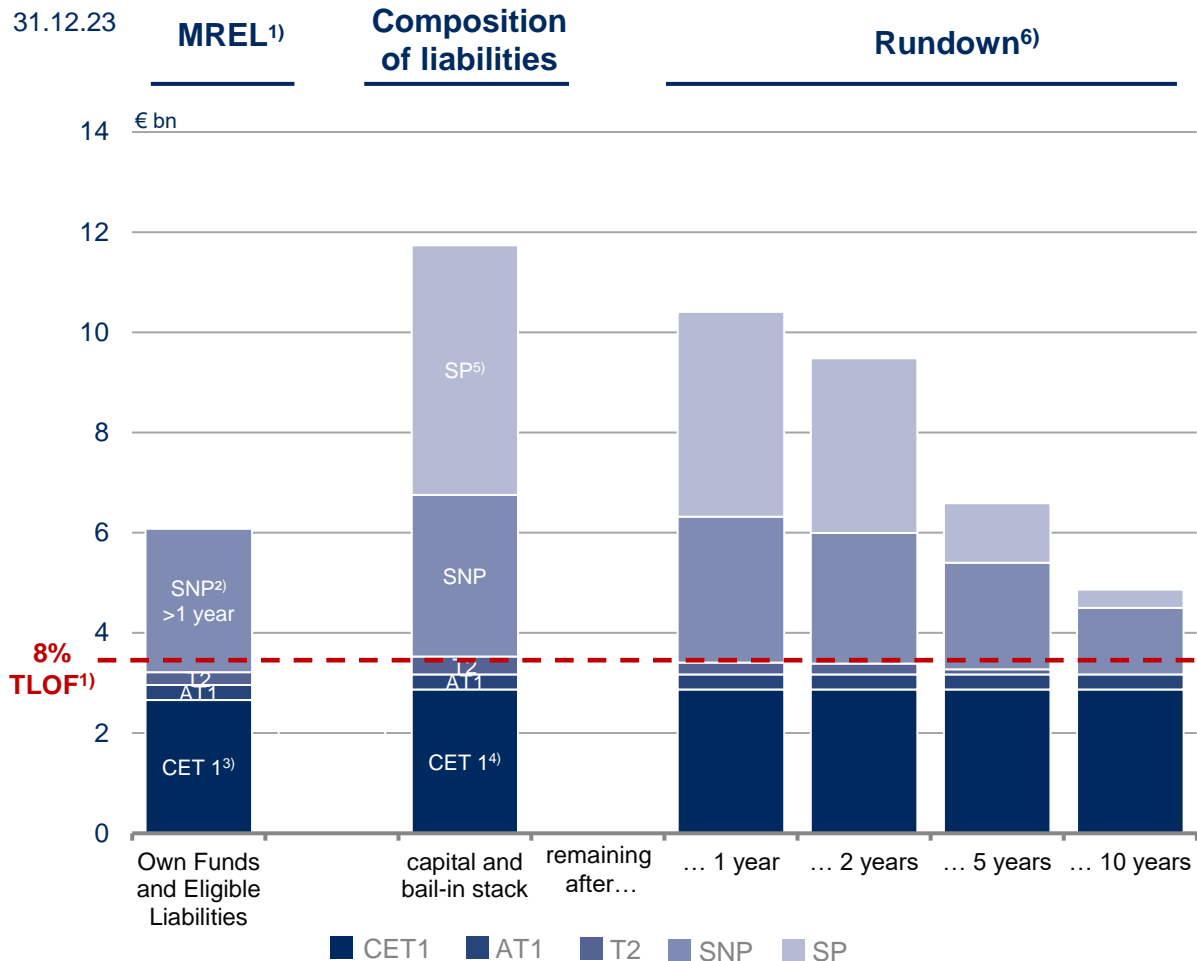
Diversified funding sources and distribution channels



Funding & Liquidity

MREL ratios well above regulatory requirements

31.12.23



Senior Preferred have significant protection from subordinated liabilities and own funds

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

1) 8% TLOF with 100% subordinated debt (i.e. Own Funds and SNP). MREL requirements are only updated once a year
 2) MREL-eligible Senior Non-Preferred Debt >1Y acc. to contractual maturities
 3) Considering regulatory adjustments

4) CET1 assumed to be constant over time
 5) Senior Preferred, excluding structured unsecured issuances
 6) Based on nominal amounts

Note: All 2023 figures preliminary and unaudited

Funding & Liquidity

Rating profile

Financial Ratings

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

ESG-Ratings

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

Financial Ratings

- Ratings reflect strong credit profile based on solid capital and liquidity position

ESG-Ratings

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

- MSCI:
Areal is in the best 34% of 61 diversified financials
- ISS ESG:
Prime Status confirms ESG performance above sector-specific Prime threshold
- Sustainalytics:
Still "Low" risk classification, Rank 211 of 1031 in Sector Banks, 18 of 102 in Thrifts and Mortgages
- MOODY's ESG Solutions:
Above sector average results in Environment, Social and Governance

Note: ESG-Ratings and Benchmarks as of 22/01/2024

Note: All 2023 figures preliminary and unaudited

Funding & Liquidity

Aareal Bank`s outstanding Benchmark Transactions

Pfandbriefe, Senior Unsecured and AT1

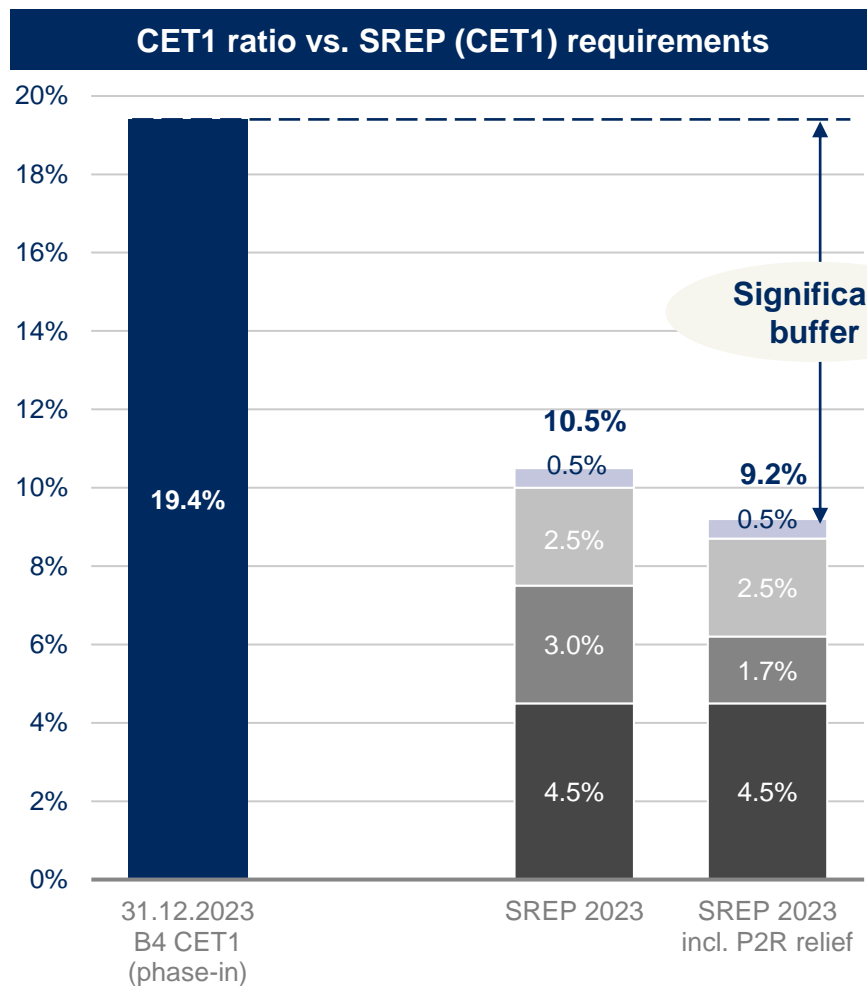
Product	Ratings ²⁾	Currency	Volume	Maturity ↓	Coupon	ISIN
Pfandbriefe	Aaa	USD	750,000,000	02/14/25	0.625%	XS2297684842
Pfandbriefe	Aaa	GBP	500,000,000	04/29/25	SONIA + 100bps	XS2337339977
Pfandbriefe	Aaa	EUR	750,000,000	02/01/24	0.125%	DE000AAR0249
Pfandbriefe	Aaa	EUR	500,000,000	07/30/24	0.375%	DE000AAR0207
Pfandbriefe	Aaa	EUR	500,000,000	07/15/25	0.375%	DE000AAR0215
Pfandbriefe	Aaa	EUR	750,000,000	02/13/26	3,125%	DE000AAR0389
Pfandbriefe	Aaa	EUR	500,000,000	05/18/26	3,875%	DE000AAR0397
Pfandbriefe	Aaa	EUR	500,000,000	08/03/26	0.010%	DE000AAR0272
Pfandbriefe	Aaa	EUR	500,000,000	02/01/27	2.250%	DE000AAR0348
Pfandbriefe	Aaa	EUR	500,000,000	07/08/27	0.010%	DE000AAR0256
Pfandbriefe	Aaa	EUR	750,000,000	10/11/27	3.000%	DE000AAR0371
Pfandbriefe	Aaa	EUR	500,000,000	02/01/28	0.010%	DE000AAR0280
Pfandbriefe ²⁾	Aaa	EUR	500,000,000	05/10/28	2.875%	DE000AAR0405
Pfandbriefe	Aaa	EUR	500,000,000	09/15/28	0.010%	DE000AAR0306
Pfandbriefe	Aaa	EUR	750,000,000	02/01/29	1.375%	DE000AAR0330
Pfandbriefe	Aaa	EUR	625,000,000	09/14/29	2.375	DE000AAR0363
Pfandbriefe	Aaa	EUR	750,000,000	02/01/30	0.125%	DE000AAR0314
Senior Preferred	A- / A3	EUR	500,000,000	04/10/24	0.375%	DE000A2E4CQ2
Senior Preferred green	A- / A3	EUR	500,000,000	07/25/25	4.500%	DE000AAR0355
Senior Preferred	A- / A3	EUR	500,000,000	09/02/26	0.050%	DE000AAR0298
Senior Preferred	A- / A3	EUR	500,000,000	04/07/27	0.050%	DE000AAR0264
Senior Preferred	A- / A3	EUR	750,000,000	11/23/27	0.250%	DE000A289LU4
Senior Preferred green	A- / A3	EUR	500,000,000	04/18/28	0.750%	DE000AAR0322
Additional Tier 1	BB	EUR	300,000,000	PERP_NC_5-1	10.897%	DE000A1TNDK2

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

2) Issued in 2024

Capital

SREP (CET 1) requirements



- Capital ratios significantly above SREP requirements
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement (Overall Capital Requirement (OCR)) amounts to 14.0% compared to 23.5% total capital ratio

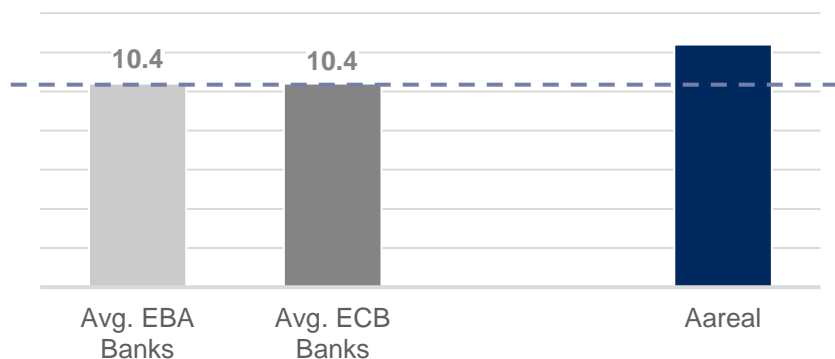
Capital

Good stress test results demonstrating healthy risk profile and operating resilience

Published
August 2023

Stressed CET1 ratios (adverse scenario)

(in %)



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

Risk driver stress test 2023

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

Aareal Bank's Results

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

Appendix
ESG

ESG in our daily business

Putting sustainability at the core of our decisions since Q2 2021



ESG in our lending business

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

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

ESG in our funding activity

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

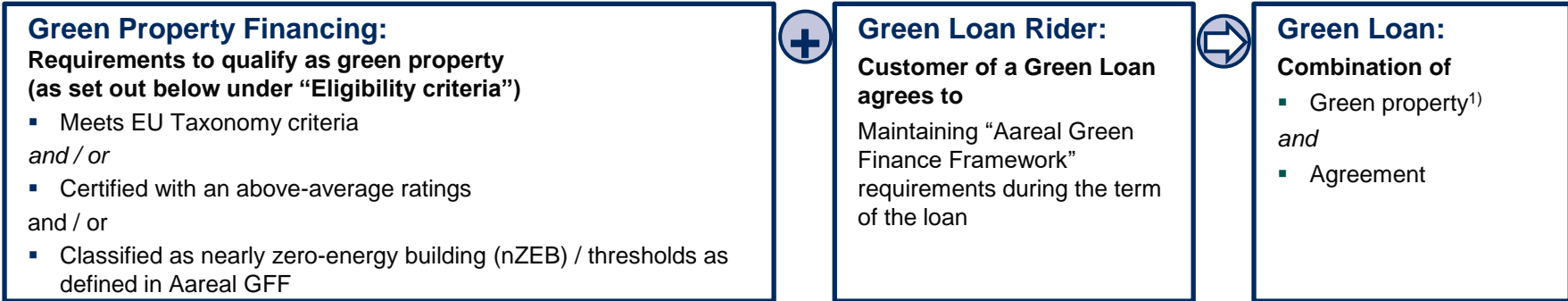
- In addition to the lending framework, Aareal Bank has implemented an accompanying and regularly updated liability-side / use-of-proceeds framework - confirmed through SPO by Sustainalytics - that allows issuance of green financing instruments
- “Green Finance Framework – Liabilities” is intended to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

Continue to enlarge climate transparency in the portfolio

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

Aareal's 'credible and impactful' Green Finance Framework

Aareal Green Finance Framework (GFF) in place

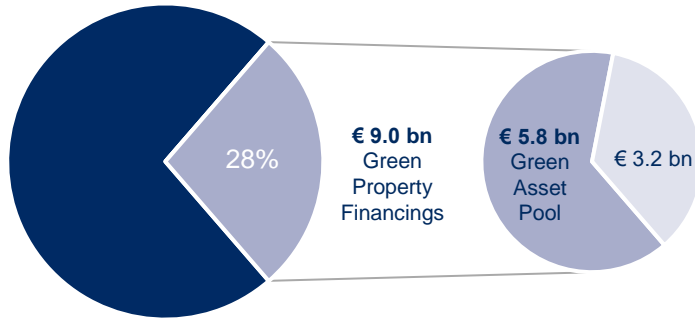


Eligibility category	Eligibility criteria (alternatives)								
Green Buildings	1. EU taxonomy compliant: Buildings meet the EU Taxonomy criteria according to the EU Commission Delegated Regulation, Chapter 7.7 "Acquisition and ownership of existing buildings"	2. Green building certification: <ul style="list-style-type: none"> BREEAM: "Very Good" and above LEED: "Gold" and above DGNB: "Gold" and above Green Star: "5 Stars" and above NABERS: "4.5 Stars" and above HQE: "Excellent" and above Energy Star. "80" or above 	3. Energy efficiency: Classified as a nearly zero-energy building (nZEB) and / or property falls below the maximum energy reference values <table border="1" data-bbox="1381 956 1825 1085"> <tr> <td>75 kWh/m² p.a.</td> <td>Residential</td> </tr> <tr> <td>140 kWh/m² p.a.</td> <td>Office, Hotel, Retail</td> </tr> <tr> <td>65 kWh/m² p.a.</td> <td>Logistics</td> </tr> </table>	75 kWh/m ² p.a.	Residential	140 kWh/m ² p.a.	Office, Hotel, Retail	65 kWh/m ² p.a.	Logistics
75 kWh/m ² p.a.	Residential								
140 kWh/m ² p.a.	Office, Hotel, Retail								
65 kWh/m ² p.a.	Logistics								
Energy efficiency upgrades	1. EU taxonomy compliant: Modernisation measures meet the EU Taxonomy criteria acc. EU Commission Delegated Regulation ³⁾	2. Upgrade to Green Building: Completion of the measure brings the property up to the green building standard defined above.	3. Energy efficiency improvement: Completion of the measure results in an energy efficiency improvement of at least 30%.						

1) All buildings within a financing have to qualify as green buildings according to Aareal GFF
 2) Partnership for Carbon Accounting Financials
 3) Chapter 7.2 "Renovation of existing buildings"

28% of CREF portfolio classified as Green Property Financings

CREF¹⁾ portfolio

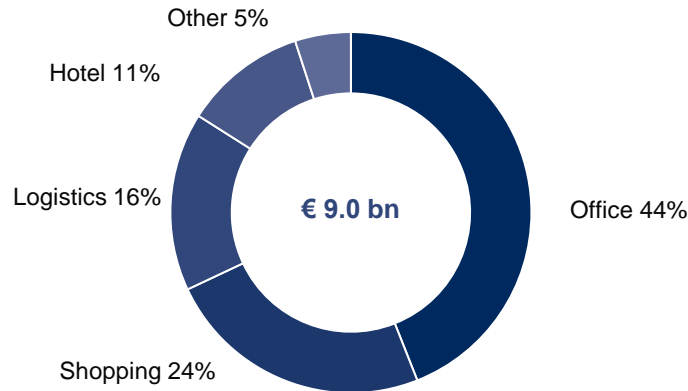


■ CREF portfolio ■ Included in green asset pool ■ Not (yet) included

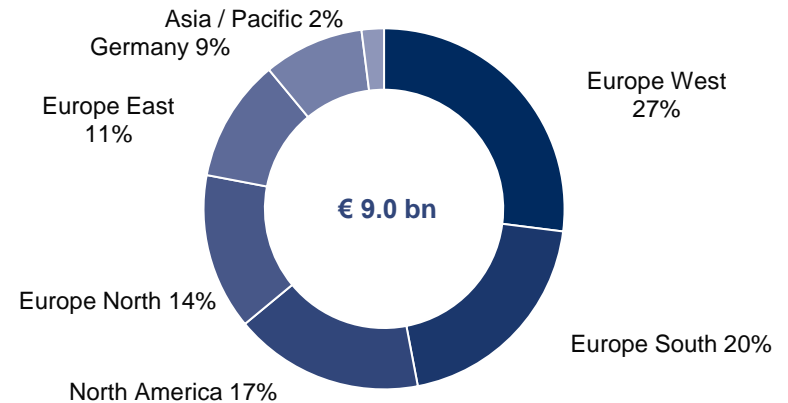
€ 9.0 bn¹⁾ (28%) of total CREF portfolio fulfilling Aareal's Green Finance Framework and are classified as "Green Property Financings", thereof

- € 5.8 bn included in green asset pool for underlying of Green bond issues
- € 3.2 bn green property financings not (yet) included

Green Property Financings²⁾ by property type



Green Property Financings²⁾ by region





1) CREF excl. business not directly collateralized by properties
Portfolio data as at 31.12.2023 – ESG Data as at 31.12.2023

2) Valid certificate is documented

ESG@Aareal target setting

On the „Road to Paris“ we are supporting our clients and enhancing our own ambition

	Successes in 2023	Short-term ambition 2024	Mid-term ambition
Clients	 <p>Green Loan volume € 4.8 bn <i>(as per 31.12.2023)</i></p>	<p>Expansion of Green Financing: + € 1,5 bn additional Green Loans¹⁾</p>	<p>€ ~6-7 bn total Green Loan volume¹⁾ by 2026</p>
	 <p>Green Funding volume € 1,0 bn green bonds + € 0,4 bn green CPs <i>(as per 31.12.2023)</i></p>	<p>+ € 0,5 bn green long-term funding in 2024</p>	<p>Continuously leverage our Green Asset Pool for long-term funding</p>
	Publish PCAF report on financed emissions in `24 / Provide further transparency for CREF portfolio		
	Further develop ESG products		
Internal	<p>Deep ESG integration in business, credit, investment, risk and refinancing strategies and decision making process</p> <p>ESG continues to be part of our Management Board's variable remuneration + additionally workforce's variable remuneration is partly linked to ESG since 2023</p>		
	<p>Limiting our own Greenhouse Gas emissions</p> <p>Carbon-neutrality through compensation of our business operations worldwide</p>		

1) Assuming current Green Finance Framework (vintage 2023)

Consistently positive rating results

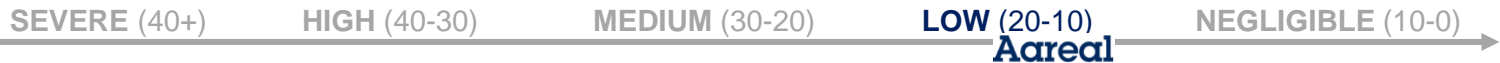
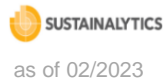
Rewarding Aareal's ESG performance



- With continuous AA status in ESG Rating, Aareal at the best 34 percent among 61 diversified financials
- Outstanding Score in Governance (7.7 of 10) compared to industry average (5.5)



- Prime Status confirms ESG performance above sector-specific Prime threshold, which means Aareal fulfils ambitious absolute performance requirements
- Range of 127 rated companies in the Mortgage & Public Sector Finance sector between D and B, Aareal on Decile Rank 2



- Aareal is at low risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues (negligible or low risk rating in five out of six material ESG issues)
- Still "Low" risk classification (18.7), Rank 211 of 1031 in Sector Banks, 18 of 102 in Thrifts and Mortgages



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



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

Note: Results and Benchmarks as of 22/01/2024

Appendix
ADI of Aareal Bank

Interest payments and ADI of Aareal Bank AG

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

	31.12. 2020	31.12. 2021	31.12. 2022	31.12. 2023
€ mn				
Net Retained Profit	90	96	61	391
▪ <i>Net income</i>	90	30	61	391
▪ <i>Profit carried forward from previous year</i>	-	66	-	61
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-
+ Other revenue reserves after net income attribution	840	840	936	936
= Total dividend potential before amount blocked ¹⁾	930	936	997	1.388
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	320	386	466	487
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	43	36	24	6
= Available Distributable Items ¹⁾	566	515	507	895
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	21	20	21	29
= 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⁾	588	535	529	924

Note: Calculation refers to unrounded numbers

1) Unaudited figures for information purposes only

Appendix
Group Results

Aareal Bank Group

Results FY 2023 by segments

	Bank ¹⁾ (SPF & BDS)		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022
	€ mn							
Net interest income	1,014	719	-36	-17	0	0	978	702
Loss allowance	441	192	0	0			441	192
Net commission income ¹⁾	39	37	284	252	-16	-12	308	277
Net derecognition gain or loss	23	2					23	1
Net gain or loss from financial instruments (fvpl)	-71	26	0	0			-71	26
Net gain or loss on hedge accounting	1	-2					1	-2
Net gain or loss from investments accounted for using the equity method	3	-1		-1			3	-2
Administrative expenses ¹⁾	341	339	320	244	-16	-12	645	571
Net other operating income / expenses	-6	-7	0	7	0	0	-6	0
Operating profit	221	242	-72	-3	0	0	149	239
Income taxes	94	84	7	2			101	86
Consolidated net income	127	158	-79	-5	0	0	49	153
Allocation of results								
Cons. net income attributable to non-controlling interests	-1	0	-22	0			-23	0
Cons. net income attributable to shareholders of Aareal Bank AG	128	158	-57	-5	0	0	71	153

1) Excl. consolidation between SPF and BDS business

Aareal Bank Group

Results FY 2023

	01.01.- 31.12.2023	01.01.- 31.12.2022	Change
	€ mn	€ mn	
Profit and loss account			
Net interest income	978	702	39%
Loss allowance	441	192	130%
Net commission income	307	277	11%
Net derecognition gain or loss	23	1	2200%
Net gain or loss from financial instruments (fvpl)	-71	26	
Net gain or loss on hedge accounting	1	-2	
Net gain or loss from investments accounted for using the equity method	3	-2	
Administrative expenses	645	571	13%
Net other operating income / expenses	-6	0	
Operating Profit	149	239	-38%
Income taxes	101	86	17%
Consolidated net income	48	153	-69%
Consolidated net income attributable to non-controlling interests	-23	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	71	153	-54%
Earnings per share (Eps)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	71	153	-54%
of which: allocated to ordinary shareholders	42	138	-70%
of which: allocated to AT1 investors	29	15	93%
Earnings per ordinary share (in €) ²⁾	0.69	2.32	-70%
Earnings per ordinary AT1 unit (in €) ³⁾	0.29	0.15	93%

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 2023 figures preliminary and unaudited

Aareal Bank Group

Results FY 2023 by segments

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022	01.01.- 31.12. 2023	01.01.- 31.12. 2022
€ mn										
Net interest income	776	627	238	92	-36	-17	0	0	978	702
Loss allowance	441	192	0	0	0	0			441	192
Net commission income	6	6	33	31	284	252	-16	-12	307	277
Net derecognition gain or loss	23	1							23	1
Net gain or loss from financial instruments (fvpl)	-71	26	0	0	0	0			-71	26
Net gain or loss on hedge accounting	1	-2							1	-2
Net gain or loss from investments accounted for using the equity method	1	0	2	-1		-1			3	-2
Administrative expenses	231	260	110	79	320	244	-16	-12	645	571
Net other operating income / expenses	-4	-6	-2	-1	0	7	0	0	-6	0
Operating profit	60	200	161	42	-72	-3	0	0	149	239
Income taxes	44	70	50	14	7	2			101	86
Consolidated net income	16	130	111	28	-79	-5	0	0	48	153
Allocation of results										
Cons. net income attributable to non-controlling interests	-1	0	0	0	-22	0			-23	0
Cons. net income attributable to shareholders of Aareal Bank AG	17	130	111	28	-57	-5	0	0	71	153

Aareal Bank Group

Preliminary results – quarter by quarter

	Structured Property Financing					Banking & Digital Solutions					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q4	Q3	Q2	Q1	Q4	Q4	Q3	Q2	Q1	Q4	Q4	Q3	Q2	Q1	Q4	Q4	Q3	Q2	Q1	Q4	Q4	Q3	Q2	Q1	Q4
	2023					2023					2023					2023					2023				
€ mn																									
Net interest income	212	199	189	176	152	68	59	59	52	43	-12	-10	-8	-6	-7	0	0	0	0	0	268	248	240	222	188
Loss allowance	179	102	128	32	22	0	0	0	0	0	0	0	0	0	0						179	102	128	32	22
Net commission income	0	5	1	0	1	9	8	8	8	8	77	70	70	67	72	-4	-7	-2	-3	-3	82	76	77	72	78
Net derecognition gain or loss	5	6	12	0	-23																5	6	12	0	-23
Net gain / loss from fin. instruments (fvpl)	-13	-17	-35	-6	4	0	0	0	0	0	0	0	0	0	0						-13	-17	-35	-6	4
Net gain or loss on hedge accounting	3	-2	-4	4	4																3	-2	-4	4	4
Net gain / loss from investments acc. for using the equity method	1				0		2								0						1	2			0
Administrative expenses	58	53	46	74	60	35	23	20	32	25	70	75	79	96	66	-4	-7	-2	-3	-3	159	144	143	199	148
Net other operating income / expenses	-11	0	7	0	-2	-1	0	-1	0	0	-2	1	0	1	3	0	0	0	0	0	-14	1	6	1	1
Operating profit	-40	36	-4	68	54	41	46	46	28	26	-7	-14	-17	-34	2	0	0	0	0	0	-6	68	25	62	82
Income taxes	16	3	10	15	18	12	15	14	9	8	22	4	-15	-4	3						50	22	9	20	29
Consolidated net income	-56	33	-14	53	36	29	31	32	19	18	-29	-18	-2	-30	-1	0	0	0	0	0	-56	46	16	42	53
Cons. net income attributable to non-controlling interests	-1	0	0	0	0	0	0	0	0	0	-9	-4	0	-9	0						-10	-4	0	-9	0
Cons. net income attributable to ARL shareholders	-55	33	-14	53	36	29	31	32	19	18	-20	-14	-2	-21	-1	0	0	0	0	0	-46	50	16	51	53

Appendix

Definitions and contacts

Definitions

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

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