

## PRESS RELEASE

### Aareal Bank Group continues its positive development with a good third quarter

- **Consolidated operating profit rises to € 50 million in the third quarter (Q3 2020: € 11 million), and to € 123 million for the first nine months (9m 2020: € 24 million)**
- **Net interest income rose significantly, despite the low interest rate environment – up 21 per cent compared to the same quarter of the previous year, up 9 per cent against the previous quarter**
- **Strong new business in commercial property financing – full-year target for portfolio volume now at approximately € 30 billion**
- **Chief Executive Officer Jochen Klösges: “The encouraging results for the first nine months show that Aareal Bank Group is on the right path, and that the growth initiatives taken are making an impact. With regard to the further development of the pandemic during the current winter quarter, we will nonetheless remain vigilant.”**
- **Chief Financial Officer Marc Hess: “Aareal Bank is consistently implementing its strategy. Thanks to the increased portfolio volume and good margins, the Bank has posted the highest net interest income in four years. At the same time, loan-to-value ratios in newly acquired business have remained at a comfortable level, with sound risk profiles.”**

Wiesbaden, 11 November 2021 – Aareal Bank Group has continued its growth path and increased its consolidated operating profit for the third quarter to € 50 million. Despite the low interest rate environment, net interest income increased by 21 per cent compared to the same quarter of the previous year, owing to the successful portfolio growth and the exploitation of market opportunities that have arisen – and Aareal Bank is still on course for further controlled, risk-aware growth. Loss allowance was down year-on-year, yet remained above the average pre-crisis levels on account of the pandemic.

Jochen Klösges, Chief Executive Officer of Aareal Bank since 15 September 2021, commented: “The encouraging results for the first nine months show that Aareal Bank Group is on the right path, and that the growth initiatives taken are making an impact. With regard to the further development of the pandemic during the current winter quarter, we will nonetheless remain vigilant.”

Chief Financial Officer Marc Hess commented: “Aareal Bank is consistently implementing its strategy. Thanks to the increased portfolio volume and good margins, the Bank has posted the highest net interest income in four years. At the same time, loan-to-value ratios in newly acquired business have remained at a comfortable level, with sound risk profiles.”

**Consolidated operating profit** rose to € 50 million in the third quarter (Q3 2020: € 11 million, Q2 2021: € 41 million), and to € 123 million for the first nine months of the current financial year (9m 2020: € 24 million). Major revenue components developed positively:

**Net interest income** for the third quarter rose significantly – by 21 per cent year-on-year – to € 155 million (Q3 2020: € 128 million, Q2 2021: € 142 million), thus reaching another new

peak for the last four years. The increase was driven by the expansion of the portfolio volume – in line with the strategy – and hence, of the interest-bearing business, as well as by the healthy margins for new business originated during the past quarters. The TLTRO interest rate benefit remained unchanged from the previous quarter, at approximately € 7 million.

**Net commission income** amounted to € 56 million and was thus stable (Q3 2020: € 57 million). In the first nine months of the financial year, it rose to € 174 million (9m 2020: € 168 million), thanks to revenue growth at IT subsidiary Aareon and in the Banking & Digital Solutions segment.

At € 39 million, **loss allowance** during the third quarter again remained significantly lower than in the same period of the previous year (Q3 2020: € 61 million), totalling € 79 million for the first nine months of the year (9m 2020: € 167 million). Nevertheless, Aareal Bank remains cautious with regard to the further development of the Covid-19 pandemic during the current winter quarter, with case numbers recently on the rise again in many countries. The Bank therefore maintains the previously projected and communicated loss allowance range of between € 125 million and € 200 million for the full year (including the net result from financial instruments (fvpl)).

**Administrative expenses** rose slightly to € 125 million compared to the same quarter of the previous year (€ 114 million), totalling € 393 million for the first nine months of the year (9m 2020: € 352 million). The increase was driven, in particular, by growth-related costs and investments at Aareon. The lower figure for the previous year was also due to reduced costs on the back of the pandemic.

Taking into consideration tax expenses of € 27 million, **consolidated net income** attributable to shareholders of Aareal Bank AG amounted to € 23 million (Q3 2020: € 0 million). Assuming the pro rata temporis accrual of net interest payments on the AT1 bond (€ 3 million), **consolidated net income allocated to ordinary shareholders** stood at € 20 million (Q3 2020: € -4 million).

Aareal Bank continues to enjoy a very solid capital base. As at 30 September 2021, the Bank's **Common Equity Tier 1 (CET1) ratio** was 21.5 per cent, which is very comfortable even on an international level. The total capital ratio stood at 28.1 per cent. The CET1 ratio determined on the basis of the Basel Committee's final framework – the so-called **Basel IV ratio (phase-in)**, which is relevant for capital planning – was 17.8 per cent.

On 2 November 2021, Aareal Bank convened an Extraordinary General Meeting to be held on 9 December 2021, to allow Aareal Bank's shareholders to vote on the second dividend tranche – proposed at € 1.10 per share – for the 2020 financial year, as announced in February 2021. However, discussions with potential investors Centerbridge and Advent, which Aareal Bank made public on 7 October, are still ongoing. In the event of an offer being announced, depending on the content of the offer, the dividend proposal to be submitted to the Extraordinary General Meeting might be reassessed.

## Developments by business segment

New business in the **Structured Property Financing** segment remained at a high level. Compared to the same quarter of the previous year, it almost doubled to € 2.8 billion (Q3 2020: € 1.5 billion). New business in the first nine months thus totalled € 6.1 billion, up more than 46 per cent on the previous year (9m 2020: € 4.2 billion). For the year as a whole, Aareal Bank still expects new business of € 7 billion to € 8 billion – from today's perspective, it anticipates reaching the upper end of this range. Reflecting the high volume of new business, the portfolio volume rose to € 29.6 billion as at 30 September – an increase of 10.7 per cent compared to the same quarter of the previous year. The year-end target has therefore already been exceeded: the Bank now already looks to reach its 2022 target of around € 30 billion by the end of 2021. Aareal Bank continued to maintain its conservative lending policy with a good risk-return profile. At around 225 basis points, average gross margins on newly acquired business in the first nine months were at a very strong level, with comfortable average loan-to-value ratios (LTVs) of 57 per cent.

Aareal Bank continued to successfully pursue its ESG activities in the property financing business in the quarter under review. Under its Green Finance Framework, Aareal Bank concluded its first 'green' financings, including a mortgage loan for the Australian Pro-invest Group and for Cerberus Capital Management and Highgate in the UK. Overall, the Bank has extended green financing in the amount of € 275 million since June 2021.

The **Banking & Digital Solutions** segment, which bundles the Bank's equity-light business, generated net commission income of € 7 million (Q3 2020: € 6 million). Persistent demand for digital products such as Aareal Meter and Aareal Aval is increasingly contributing to the business segment's positive development. In addition, the Aareal Exchange & Payment Platform was expanded to provide applications for the energy sector, and plusForta, the Group's specialist for tenant deposit guarantees, launched "heysafe", a completely digital deposit guarantee solution.

Sales revenue at IT subsidiary **Aareon** rose to € 195 million in the first nine months of the current financial year, compared to € 188 million for the same period of the previous year. The momentum for digital products remained intact. The increase was due, on the one hand, to the initiatives taken within the framework of the Value Creation Programme (VCP), as well as to the acquisitions executed (Arthur, Twinq, Fixflo, Tilt, wohnungshelden, and GAP Group) on the other hand. Aareon's most recent takeover of GAP Group, a major provider of ERP software for the housing industry in the German market, has brought the total year-to-date number of acquisitions to six. Despite the ongoing Covid-19 burdens, adjusted EBITDA of € 13 million was roughly in line with the previous year's level in the third quarter and at € 42 million for the first nine months, slightly above the previous year's level.

## Outlook: Guidance for consolidated operating profit affirmed for the full year 2021

Aareal Bank Group continues to anticipate a "swoosh"-shaped economic trend. However, Covid-19 case numbers have recently risen again in many countries, thus increasing uncertainty regarding the further development of the pandemic during the current winter quarter. Based on these assumptions and current insights, Aareal Bank Group continues to

expect a clearly positive consolidated operating profit in a range of between € 100 million and € 175 million for 2021 as a whole, whilst guidance for loss allowance remains unchanged.

### Contact

Margarita Thiel

Phone: +49 611 348 2306

Mobile: +49 171 206 9740

[margarita.thiel@aareal-bank.com](mailto:margarita.thiel@aareal-bank.com)

Christian Feldbrügge

Phone: +49 611 348 2280

Mobile: +49 171 866 7919

[christian.feldbruegge@aareal-bank.com](mailto:christian.feldbruegge@aareal-bank.com)

### About Aareal Bank Group:

Aareal Bank Group, headquartered in Wiesbaden, is a leading international property specialist. It provides smart financings, software products, and digital solutions for the property sector and related industries, and is present across three continents: Europe, North America and Asia/Pacific. Aareal Bank AG, whose shares are included in Deutsche Börse's SDAX index, is the Group's parent entity. It manages the various entities organised in the Group's business segments: Structured Property Financing, Banking & Digital Solutions, and Aareon. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. Here, the Bank supports its clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. In the Banking & Digital Solutions segment, Aareal Bank Group supports businesses from the housing, property management and energy industries as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. Subsidiary Aareon, a leading provider of ERP software and digital solutions for the European property industry and its partners, forms the third business segment. Aareon is digitalising the property industry by offering user-oriented software solutions that simplify and automate processes, support sustainable and energy-efficient operations and interconnect all process participants.

## Aareal Bank Group – Key Indicators

	1 Jan - 30 Sep 2021	1 Jan - 30 Sep 2020
<b>Results</b>		
Operating profit (€ mn)	123	24
Consolidated net income (€ mn)	56	17
Consolidated net income allocated to ordinary shareholders (€ mn) <sup>1)</sup>	44	3
Cost/income ratio (%) <sup>2)</sup>	43.4	44.0
Earnings per ordinary share (€) <sup>1)</sup>	0.73	0.06
RoE before taxes (%) <sup>1) 3)</sup>	5.6	0.3
RoE after taxes (%) <sup>1) 3)</sup>	2.3	0.2

	30 September 2021	31 December 2020
<b>Statement of Financial Position</b>		
Property finance (€ mn) <sup>4)</sup>	29,046	27,181
Equity (€ mn)	3,038	2,967
Total assets (€ mn)	46,751	45,478
<b>Regulatory Indicators<sup>5)</sup></b>		
Risk-weighted assets (€ mn)	10,803	12,138
Common Equity Tier 1 ratio (CET1 ratio) (%)	21.5	18.8
Tier 1 ratio (T1 ratio) (%)	24.2	21.3
Total capital ratio (TC ratio) (%)	28.1	28.0
Common Equity Tier 1 ratio (CET1 ratio) (%) – Basel IV (phase-in) – <sup>6)</sup>	17.8	17.3
<b>Employees</b>	3,115	2,982

<sup>1)</sup> The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

<sup>2)</sup> Structured Property Financing segment only; In line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included; the previous year's figure was adjusted accordingly.

<sup>3)</sup> On an annualised basis

<sup>4)</sup> Excluding €0.3 billion in private client business (31 December 2020: € 0.3 billion) and € 0.3 billion in local authority lending business by the former Westdeutsche ImmobilienBank AG (WestImmo) (31 December 2020: € 0.3 billion)

<sup>5)</sup> 31 December 2020: less a proposed dividend payout of € 1.50 per share in 2021 and incorporating the pro-rata accrual of net interest payable on the AT1 bond. The 2021 dividend payment of € 1.50 for 2020 will have to be made in two steps. In compliance with the requirements published by the European Central Bank (ECB) on 15 December 2020, the distributable amount was calculated at € 0.40 per share. A proposal on the allocation of profits was approved at the ordinary Annual General Meeting in May 2021. On 2 November 2021, an Extraordinary General Meeting was convened for 9 December 2021, to decide on the intended remaining payout of € 1.10 per share, amending as planned the resolution of the Annual General Meeting of 18 May 2021 on the appropriation of profits.

30 September 2021: less the remaining proposed dividend distribution of € 1.10 per share in 2021 and inclusive of the interim profits for 2021 less any pro rata dividends in accordance with the dividend policy and pro rata accrual of the net interest on the AT1 bond. The SREP recommendations concerning the NPL inventory and the ECB's NPL guidelines for exposures newly classified as NPLs were taken into account. The CET1 ratio, as shown in the regulatory report as at 30 September 2021, was 20.6 %, reflecting the fact that as at that date Aareal Bank had not submitted an application for inclusion of profits to the ECB.

<sup>6)</sup> Underlying RWA estimate, incorporating the higher figure determined using the revised AIRBA or the revised CRSA (phased-in), based on the draft version dated 27 October 2021 of the European implementation of Basel IV by the European Commission. The conservative calculation of the material impact upon Aareal Bank is subject to the final EU implementation as well as the implementation of additional regulatory requirements, such as the EBA requirements.

**Consolidated income statement for the first nine months of 2021  
(in accordance with IFRSs)**

	1 Jan - 30 Sep 2021	1 Jan - 30 Sep 2020	Change
	€ mn	€ mn	%
Net interest income	435	373	17
Loss allowance	79	167	-53
Net fee and commission income	174	168	4
Net derecognition gain or loss	15	19	-21
Net gain or loss from financial instruments (fvpl)	-7	-11	-36
Net gain or loss from hedge accounting	-4	4	-200
Net gain or loss from investments accounted for using the equity method	-1	0	
Administrative expenses	393	352	12
Net other operating income/expenses	-17	-10	70
<b>Operating profit</b>	<b>123</b>	<b>24</b>	<b>413</b>
Income taxes	67	7	857
<b>Consolidated net income</b>	<b>56</b>	<b>17</b>	<b>229</b>
Consolidated net income attributable to non-controlling interests	2	2	0
Consolidated net income attributable to shareholders of Aareal Bank AG	54	15	260
<b>Earnings per share (EpS)</b>			
Consolidated net income attributable to shareholders of Aareal Bank AG <sup>1)</sup>	54	15	260
of which: allocated to ordinary shareholders	44	3	
of which: allocated to AT1 investors	10	12	-17
Earnings per ordinary share (€) <sup>2)</sup>	0.73	0.06	
Earnings per AT1 unit (€) <sup>3)</sup>	0.10	0.12	-17

<sup>1)</sup> The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

<sup>2)</sup> 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.

<sup>3)</sup> Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of € 3 each) are determined by dividing the earnings attributable 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.

**Consolidated income statement for the third quarter of 2021  
(in accordance with IFRSs)**

	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>Change</b>
	€ mn	€ mn	%
Net interest income	155	128	21
Loss allowance	39	61	-36
Net fee and commission income	56	57	-2
Net derecognition gain or loss	7	3	133
Net gain or loss from financial instruments (fvpl)	-3	-4	-25
Net gain or loss from hedge accounting	-2	2	-200
Net gain or loss from investments accounted for using the equity method	0	0	0
Administrative expenses	125	114	10
Net other operating income/expenses	1	0	
<b>Operating profit</b>	<b>50</b>	<b>11</b>	<b>355</b>
Income taxes	27	10	170
<b>Consolidated net income</b>	<b>23</b>	<b>1</b>	
Consolidated net income attributable to non-controlling interests	0	1	-100
Consolidated net income attributable to shareholders of Aareal Bank AG	23	0	
<b>Earnings per share (EpS)</b>			
Consolidated net income attributable to shareholders of Aareal Bank AG <sup>1)</sup>	23	0	
of which: allocated to ordinary shareholders	20	-4	-600
of which: allocated to AT1 investors	3	4	-25
Earnings per ordinary share (€) <sup>2)</sup>	0.33	-0.05	-760
Earnings per AT1 unit (€) <sup>3)</sup>	0.03	0.04	-25

<sup>1)</sup> The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

<sup>2)</sup> 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.

<sup>3)</sup> Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of € 3 each) are determined by dividing the earnings attributable 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.

## Segment results for the first nine months of 2021 (in accordance with IFRSs)

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation / Reconciliation		Aareal Bank Group	
	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020
€ mn										
Net interest income	406	345	33	29	-4	-1	0	0	435	373
Loss allowance	79	167			0	0			79	167
Net fee and commission income	6	4	20	18	157	155	-9	-9	174	168
Net derecognition gain or loss	15	19							15	19
Net gain or loss from financial instruments (fvpl)	-7	-11		0		0			-7	-11
Net gain or loss from hedge accounting	-4	4							-4	4
Net gain or loss from investments accounted for using the equity method			-1		0	0			-1	0
Administrative expenses	193	173	53	50	156	138	-9	-9	393	352
Net other operating income/expenses	-21	-11	0	0	4	1	0	0	-17	-10
<b>Operating profit</b>	<b>123</b>	<b>10</b>	<b>-1</b>	<b>-3</b>	<b>1</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>123</b>	<b>24</b>
Income taxes	68	4	-1	-2	0	5			67	7
<b>Consolidated net income</b>	<b>55</b>	<b>6</b>	<b>0</b>	<b>-1</b>	<b>1</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>17</b>
Consolidated net income attributable to non-controlling interests	0	0	0	0	2	2			2	2
Consolidated net income attributable to shareholders of Aareal Bank AG	55	6	0	-1	-1	10	0	0	54	15
Allocated equity <sup>1)</sup>	1,677	1,817	260	194	38	42	562	450	2,537	2,503
RoE after taxes (%) <sup>2) 3)</sup>	3.6	-0.4	-0.1	-0.5	-3.1	30.2			2.3	0.2

<sup>1)</sup> For management purposes, the allocated equity is calculated for all segments on the basis of capital requirements pursuant to Basel IV (phase-in). Reported equity on the statement of financial position differs from this. Aareon's total equity as disclosed in the statement of financial position amounts to € 141 million.

<sup>2)</sup> On an annualised basis

<sup>3)</sup> The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.



## Segment results for the third quarter of 2021 (in accordance with IFRSs)

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation / Reconciliation		Aareal Bank Group	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
€ mn										
Net interest income	146	119	11	9	-2	0	0	0	155	128
Loss allowance	39	61			0	0			39	61
Net fee and commission income	2	1	7	6	50	53	-3	-3	56	57
Net derecognition gain or loss	7	3							7	3
Net gain or loss from financial instruments (fvpl)	-3	-4				0			-3	-4
Net gain or loss from hedge accounting	-2	2							-2	2
Net gain or loss from investments accounted for using the equity method					0	0			0	0
Administrative expenses	59	56	17	15	52	46	-3	-3	125	114
Net other operating income/expenses	-1	0	0	0	2	0	0	0	1	0
<b>Operating profit</b>	<b>51</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>-2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>11</b>
Income taxes	28	9	0	-1	-1	2			27	10
<b>Consolidated net income</b>	<b>23</b>	<b>-5</b>	<b>1</b>	<b>1</b>	<b>-1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>1</b>
Consolidated net income attributable to non-controlling interests	0	0	0	0	0	1			0	1
Consolidated net income attributable to shareholders of Aareal Bank AG	23	-5	1	1	-1	4	0	0	23	0