

PRESS RELEASE

Aareal Bank leaves the pandemic year 2020 firmly behind with extensive loss allowance and looks ahead with confidence

- **Loss allowance related to Covid-19 increased – Aareal Bank expects consolidated operating loss in a double-digit million euro amount for the 2020 financial year**
- **Intention to resume dividend payments: Aareal Bank targets total payout of € 1.50 per share in the current year for the financial year 2020**
- **Initial results of the strategic review: Aareal Bank envisages achieving consolidated operating profit in an amount of approximately € 300 million in 2023**
- **CFO Marc Hess: “By recognising extensive loss allowance in the 2020 financial statements, we now have scope to consistently pursue the opportunities arising in a changed environment.”**

Wiesbaden, 17 January 2021 – Based on current insights, Aareal Bank Group will post a consolidated operating loss in a double-digit million euro amount for the 2020 financial year. This is due to an increase in loss allowance, compared to original expectations. Based on the extended and further tightened global lockdown measures, the Bank has generally classified all loans for which liquidity support measures (payment deferrals and liquidity facilities) were granted as stage 2 – thus recognising loss allowance for default risks which are possible, but which have not yet materialised. In addition, stage 3 allowance, which is recognised for exposures already deemed to be at risk of default, has been raised in individual cases. Overall, having recognised forward-looking additional loss allowance to a significant extent, the Bank is therefore comprehensively taking account of the recent intensification of the pandemic.

In the context of today’s statement regarding consolidated operating loss for 2020, it must be taken into consideration that the net gain of approximately € 180 million from the sale of the minority stake in Aareon has not been recognised in income but directly in equity. Aareal Bank will publish full preliminary figures for the 2020 financial year on 24 February 2021, as announced. The Bank continues to anticipate a marked economic recovery to occur in the current year, as soon as global vaccination campaigns start to take effect: on this basis, Aareal Bank anticipates a clearly positive operating profit for 2021.

Based on its strong capitalisation, Aareal Bank plans to offer its shareholders the prospect of a total dividend payout of € 1.50 per share in 2021 for the financial year 2020. This is of course subject to the relevant supervisory and regulatory requirements. The payout 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 between approximately € 0.35 and € 0.40 per share. Subject to the preparation and audit of the financial statements and the regulatory authority’s approval for inclusion of profits, the Management Board plans to submit a corresponding proposal for the appropriation of profits to the ordinary Annual General Meeting in May 2021. The Bank will be able to pay out the remaining amount of between approximately € 1.10 and € 1.15 per share in the fourth quarter of 2021, provided that regulatory

requirements concerning uncertainty surrounding the Covid-19 crisis will have been fulfilled at that time.

Aareal Bank will take the intended payout totalling approximately € 90 million into account as a deduction from regulatory capital as at 31 December 2020.

Chief Financial Officer Marc Hess commented: “We are leaving the pandemic year 2020 firmly behind with comprehensive allowance for risks related to Covid-19. Moreover, our strong capital base allows us to resume dividend payments. We now also have scope to consistently pursue the opportunities arising in a changed environment.”

Strategic review: significant increase in results envisaged by 2023

The Bank's fundamentally optimistic stance is also supported by the ongoing 360-degree review – launched in the autumn of 2020 – of the “Aareal Next Level” strategy presented in January 2020. Whilst the full results of the review will also be communicated on 24 February 2021, key findings are already available. Aareal Bank Group's business model remains viable in a normalised environment, once the pandemic has been overcome. However, adjustments will be made within the “Aareal Next Level” strategic framework in order to be able to fully exploit the opportunities arising from changes induced by Covid-19, and to retain the Bank's successful performance in the future.

Specifically, Aareal Bank Group envisages consolidated operating profit in the range of € 300 million, to be achieved already in 2023 – excluding any potential acquisitions, and subject to the Covid-19 crisis being fully overcome by then. In the recent past, the Bank was only able to achieve such results in exceptional years with strong non-recurring contributions from acquisitions.

Assuming a CET1 ratio of around 15 per cent (Basel IV, phased-in, revised IRBA) which would exceed the market average, this translates into a return on equity (RoE) after taxes of approximately 8 per cent, in line with the cost of capital; this applies to Aareal Bank Group as well as to Aareal Bank itself (excluding Aareon).

Key levers for the targeted significant increase in results to approximately € 300 million are: Firstly, the Bank will continue to pursue the risk-conscious, organic expansion of the financing business in its Structured Property Financing (SPF) segment, as already expedited in the fourth quarter of 2020, with a target credit portfolio volume of around € 30 billion by the end of 2022. Secondly, the inherent profitability in this business is set to be further enhanced, including through the optimisation of the funding mix and capital structure. Thirdly, in its Consulting/Services Bank segment, the Company will use the opportunities – which will increase with the conclusion of the unbundling exercise – for expanding its product range, and for entering into further partnerships, with a particular focus on strengthening commission-based business. Fourthly, Aareal Bank envisages even stronger profit momentum through the implementation of the Value Creation Plan for Aareon, which is currently being prepared together with partner Advent. As the fifth lever, further measures to enhance the efficiency of the organisation, of processes and infrastructure, will be implemented, with one of the objectives being a target cost/income ratio of around 40 per cent in the core SPF segment.

CFO Marc Hess stated: “Whilst we have not yet concluded the review of our strategy, we are already sufficiently confident that our strategy will generally remain viable once the pandemic has been overcome. However, we will fine-tune various aspects in order to remain sustainably successful in the changed environment. In this way, we will succeed in achieving a result that even exceeds pre-crisis levels.”

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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 MDAX index, is the Group's parent entity. It manages the various entities organised in the Group's three business segments: Structured Property Financing, Consulting/Services Bank, 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 Consulting/Services Bank 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 consultancy and IT systems house for the European property industry and its partners in the digital age, forms the third business segment. Aareon offers reliable, pioneering solutions in the fields of consulting, software and services to optimise IT-supported business processes, and to extend business models. The Aareon Smart World digital platform links businesses from the housing industry and related sectors with customers, staff and business partners, as well as connecting technical devices in apartments and buildings.