

PRESS RELEASE

Aareal Bank reports good second-quarter results, despite challenging market environment

- Consolidated operating profit increased by approximately 50 per cent to € 61 million in the second quarter (Q2 2021: € 41 million)
- Net interest income amounted to € 171 million in the second quarter, the highest level since the end of 2016; net commission income increased to € 68 million, and acquisitions are paying off
- Growth across all three segments: loan portfolio and deposit volumes have risen further, Aareon generates another revenue increase
- Higher loss allowance (Q2 2022: € 58 million; Q2 2021: € 33 million) due to the changed macro-economic parameters – volume of non-performing loans down
- Common Equity Tier 1 ratio rises to 19.8 per cent, following retention of dividends
- Chief Executive Officer Jochen Klösges: “Despite high volatility and macro-economic turbulences, we have posted good results for the second quarter. Our earnings power and financial strength are the best possible basis for the uncertain times ahead. However, we keep monitoring the situation closely whilst adhering to our high risk sensitivity.”

Wiesbaden, 10 August 2022 – Aareal Bank Group achieved good results for the second quarter of 2022, despite a challenging market environment. Based on preliminary figures, **consolidated operating profit** in the second quarter amounted to € 61 million, up by approximately 50 per cent compared to the previous year’s figure (Q2 2021: € 41 million). This positive development was driven by the aggregate of net interest income and net commission income, both of which increased once again. On the one hand, this was due to continued controlled growth of the loan portfolio. On the other hand, successful acquisitions made by Aareon, which are reflected in higher commission income, have paid off. As communicated, the half-yearly financial report will be released on 11 August 2022.

Jochen Klösges, Chief Executive Officer, explained: “Despite high volatility and macro-economic turbulences, we have posted good results for the second quarter. Our earnings power and financial strength are the best possible basis for the uncertain times ahead. However, we keep monitoring the situation closely whilst adhering to our high risk sensitivity.”

Net interest income increased by 20 per cent, to € 171 million (Q2 2021: € 142 million), the highest level reached since the end of 2016. This reflects the continued controlled growth of the loan portfolio – whilst maintaining high risk standards – and the good margins in new business originated over recent quarters. In the first half of the year, net interest income amounted to € 330 million, thus also significantly exceeding the previous year’s figure of € 280 million.

Net commission income also increased, by 15 per cent compared to the previous year's quarter, to € 68 million (Q2 2021: € 59 million). This was attributable to strong revenue development at software subsidiary Aareon, also driven by acquisitions. Moreover, Aareon's transformation to a business model based on software as a service (SaaS) and on subscriptions is continuing. In the first six months, net commission income increased to a total of € 132 million (H1 2021: € 118 million).

Loss allowance in the second quarter amounted to € 58 million (Q2 2021: € 33 million). This figure includes changed risk parameters as well as deteriorating macro-economic forecasts. At the same time, the volume of non-performing loans (NPLs) further decreased to € 1.4 billion, down by around € 180 million compared to the previous quarter. For the first half of the year, loss allowance therefore amounted to a total of € 107 million (H1 2021: € 40 million). This also includes loss allowance recognised in the first quarter of around € 60 million for the Bank's remaining exposure to Russia (around € 200 million), which was raised to around € 83 million in the second quarter, reflecting adjusted parameters.

Higher market volatility also led to positive effects in **net derecognition gain and in net gain or loss from financial instruments (fvpl)**, which at least partially compensated for the additional burden on loss allowance. The net derecognition gain of € 13 million (Q2 2021: € 8 million) was attributable to income from the securities portfolio, and to market-driven effects from early loan repayments. Net gain or loss from financial assets (fvpl) and on hedge accounting in the aggregate amount of € 9 million (Q2 2021: € -2 million) benefited from positive valuation effects resulting from currency and interest rate hedging derivatives.

At € 142 million, **administrative expenses** increased as against the same quarter of the previous year (Q2 2021: € 118 million). This was attributable, amongst other factors, to growth-related cost increases at Aareon as well as to transaction costs from the takeover offer by Atlantic BidCo GmbH of approximately € 12 million. Administrative expenses for the first half of the year amounted to € 295 million (H1 2021: € 268 million).

Taking taxes of € 22 million into account, **consolidated net income** was € 39 million (Q2 2021: € 12 million). After net interest payable on the AT1 bond and non-controlling interest income, **consolidated net income allocated to ordinary shareholders** amounted to € 35 million (Q2 2021: € 8 million). **Earnings per share** came to € 0.59 (Q2 2021: € 0.13).

Despite ongoing portfolio growth, Aareal Bank continues to be very solidly financed. As at 30 June 2022, the Bank's **Common Equity Tier 1 (CET1) ratio** (Basel IV phase-in ratio) was 19.8 per cent, which is very comfortable even on an international level. The **total capital ratio** stood at 24.7 per cent. The ratios comprise a positive effect from retention of the originally planned dividend.

Moreover, Aareal Bank has further diversified its funding mix, for example by concluding a cooperation with Raisin and Deutsche Bank to gain efficient market access to deposits from private clients. Going forward, Aareal Bank will also have the option of an issue rating (A3) by Moody's for its unsecured bonds (senior preferred), in addition to being rated by Fitch Ratings. The Bank was able to raise € 3.2 billion on the capital markets during the first half of 2022. This included **four benchmark transactions**: two € 750 million Pfandbrief issues, one

€ 500 million Pfandbrief issue and the first 'green' senior preferred bond in the amount of € 500 million. The placements support planned growth in the lending business.

“The second strong issue rating of A3 for our unsecured bonds will provide support to our funding activities for our current growth path. Moreover, our very comfortable capital ratios underscore our high credit quality. The Moody’s rating alongside cooperation with Raisin and Deutsche Bank will help to further significantly widen our product offering and investor base,” explained Aareal Bank’s CFO Marc Hess.

Developments by business segment

The property financing portfolio in the **Structured Property Financing segment** further rose to € 31.3 billion at the end of June (31 March 2022: € 30.8 billion). The full-year target of € 31 billion has therefore already been achieved halfway through the year. New business originated during the second quarter totalled € 1.9 billion (Q2 2021: € 2.2 billion). After very dynamic new business origination already in the first quarter, the total for the first half of the year amounted to € 5.2 billion, and was therefore markedly above the previous year’s figure (H1 2021: € 3.3 billion). A € 140 million financing agreement was closed with new client Vertiq Capital for two high-end hotels in Paris and London. Aareal Capital Corporation arranged a USD 370 million financing for the well-known 100 Church Street office building in New York City. A significant part of this loan (approximately USD 290 million) was syndicated to renowned partners. Syndications are a key instrument for Aareal Bank to flexibly manage its credit portfolio. In line with the strategy, logistics properties accounted for 28 per cent, retail properties for 20 per cent, and hotels and office properties for 17 per cent each of newly-originated loans in the first half of the year. As expected, commercial property markets recovered from pandemic pressures, led by hotel markets and retail properties in prime locations, but also high-quality offices – with the logistics sector still considered attractive. Based on the Aareal Green Finance Framework certified by a third-party, “green” financings of around € 350 million were extended from January to the end of June.

In the **Banking & Digital Solutions** segment, the average volume of deposits rose to € 13.4 billion in the second quarter, thus exceeding the previous target level of around € 12 billion. In the same quarter of the previous year, the volume, which consists of deposits from the housing industry and constitutes an attractive additional source of funding, still amounted to € 12.2 billion. The segment’s net commission income increased to € 8 million in the second quarter (Q2 2021: € 6 million). As per the end of March, Aareal Bank strengthened its product offering by acquiring CollectAI, a provider of AI-based solutions for interactive invoicing and intelligent dunning solutions. Integration of the acquisition made progress during the second quarter. The segment’s aim is, in particular, to open up new market and client groups, to grow further through cross-selling with existing clients, and to focus more strongly on profitable core activities.

IT subsidiary **Aareon** continued on its growth path and increased its sales revenues by 11 per cent, to € 75 million (Q2 2021: € 67 million). The transformation towards platform-based solutions continues to progress, with Software as a Service (SaaS) products achieving an increase in sales revenues by approximately 20 per cent in the first half of the year. Aareon’s

adjusted EBITDA rose to € 16 million in the second quarter (Q2 2021: € 14 million). During the period under review, Aareon also significantly expanded its market position in Scandinavia with the acquisition of Momentum Software Group AB. The Swedish company develops, sells and implements software as a service (SaaS) for property management and energy monitoring. Aareon acquired 95 per cent of the share capital (effective 30 June 2022) for a purchase price of around € 160 million, thereby strengthening its market-leading position in the Nordic property sector. In addition, it benefits from cross-selling opportunities and synergies.

Moreover, Aareon's Chief Executive Officer Harry Thomsen has strengthened and repositioned Aareon's Management Board team: Romyana Trencheva and Dr Ernesto Marinelli were appointed to the Management Board on 1 July 2022. Ernesto Marinelli has assumed the newly created Management Board function of Chief People Officer (CPO), thus reinforcing the fields of personnel recruiting and employee development. Romyana Trencheva was appointed Chief Market Officer (CMO). With her international sales experience, she will contribute in particular to driving further growth at Aareon.

Changes to the Management Board of Aareal Bank

Nina Babic was appointed to the Management Board of Aareal Bank as Chief Risk Officer, effective 1 July 2022. She succeeds **Christiane Kunisch-Wolff**, who had asked the Supervisory Board to terminate her contract early, citing personal reasons and her desire to dedicate herself to new tasks. In her role as Senior General Manager, Babic had already assumed the responsibilities of a Chief Lending Officer, and - as a qualified and formerly practising auditor - she has broad experience in assessing banks' risk management systems.

Atlantic BidCo GmbH takeover offer

On 16 June 2022, Atlantic BidCo GmbH (the "Bidder") announced that it has secured a total of 83.8 per cent of Aareal Bank shares after the end of the statutory additional acceptance period. Its voluntary public takeover offer was thus successful. The Bidder is indirectly held by funds managed and advised by Advent International Corporation and Centerbridge Partners as well as CPP Investment Board Europe S.à.r.l., a wholly-owned subsidiary of Canada Pension Plan Investment Board ("CPP Investments") and further minority shareholders. Closing of the takeover offer, which is subject to regulatory approvals, continues to be expected to take place in the fourth quarter of 2022 or in the first quarter of 2023.

Outlook

For the 2022 financial year, Aareal Bank continues to expect consolidated operating profit at the lower end of the € 210 million to € 250 million range communicated. The potential impact of the war in Ukraine – both in terms of the Bank's limited exposure to Russia and the economic consequences of sanctions imposed and the escalated geopolitical tensions – remains, however, very difficult to estimate at this point in time.

Contacts for the media:

Margarita Thiel
Phone: +49 611 348 2306
Mobile: +49 171 206 9740
margarita.thiel@aareal-bank.com

Christian Feldbrügge
Phone: +49 611 348 2280
Mobile: +49 171 866 7919
christian.feldbruegge@aareal-bank.com

Contacts for investors:

Aareal Bank AG – Investor Relations
Phone: +49 611 348 3009
ir@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 Group's business strategy focuses on sustainable business success, with environmental, social and governance aspects as an integral part of this strategy. 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. Its subsidiary Aareon, the leading supplier of ERP software and digital solutions for the European property sector and their partners, represents 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.

Consolidated Income Statement of Aareal Bank Group
Preliminary results for the first half of 2022
(unaudited, in accordance with IFRSs)

	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021	Change
	€ mn	€ mn	%
Net interest income	330	280	18
Loss allowance	107	40	168
Net commission income	132	118	12
Net derecognition gain or loss	22	8	175
Net gain or loss from financial instruments (fvpl)	18	-4	-550
Net gain or loss from hedge accounting	-7	-2	250
Net gain or loss from investments accounted for using the equity method	-2	-1	100
Administrative expenses	295	268	10
Net other operating income/expenses	0	-18	-100
Operating profit	91	73	25
Income taxes	33	40	-18
Consolidated net income	58	33	76
Consolidated net income attributable to non-controlling interests	1	2	-50
Consolidated net income attributable to shareholders of Aareal Bank AG	57	31	84
Earnings per share (Eps)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	57	31	84
of which: allocated to ordinary shareholders	50	24	108
of which: allocated to AT1 investors	7	7	0
Earnings per ordinary share (€) ²⁾	0.84	0.40	110
Earnings per AT1 unit (€) ³⁾	0.07	0.07	0

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 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 of Aareal Bank Group
Preliminary results for the second quarter of 2022
(unaudited, in accordance with IFRSs)

	Q2 2022	Q2 2021	Change
	€ mn	€ mn	%
Net interest income	171	142	20
Loss allowance	58	33	76
Net commission income	68	59	15
Net derecognition gain or loss	13	8	63
Net gain or loss from financial instruments (fvpl)	12	-3	-500
Net gain or loss from hedge accounting	-3	1	-400
Net gain or loss from investments accounted for using the equity method	-2	-1	100
Administrative expenses	142	118	20
Net other operating income/expenses	2	-14	-114
Operating profit	61	41	49
Income taxes	22	29	-24
Consolidated net income	39	12	225
Consolidated net income attributable to non-controlling interests	0	1	-100
Consolidated net income attributable to shareholders of Aareal Bank AG	39	11	255
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	39	11	255
of which: allocated to ordinary shareholders	35	8	338
of which: allocated to AT1 investors	4	3	33
Earnings per ordinary share (€) ²⁾	0.59	0.13	354
Earnings per AT1 unit (€) ³⁾	0.04	0.03	33

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 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 of Aareal Bank Group
Preliminary results for the first half of 2022
(unaudited, in accordance with IFRSs)

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation / Reconciliation		Aareal Bank Group	
	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021	1 Jan-30 Jun 2022	1 Jan-30 Jun 2021
€ mn										
Net interest income	313	260	23	22	-6	-2	0	0	330	280
Loss allowance	107	40	0		0	0			107	40
Net commission income	4	4	15	13	119	107	-6	-6	132	118
Net derecognition gain or loss	22	8							22	8
Net gain or loss from financial instruments (fvpl)	18	-4	0		0				18	-4
Net gain or loss from hedge accounting	-7	-2							-7	-2
Net gain or loss from investments accounted for using the equity method			-1	-1	-1	0			-2	-1
Administrative expenses	146	134	37	36	118	104	-6	-6	295	268
Net other operating income/expenses	-2	-20	-1	0	3	2	0	0	0	-18
Operating profit	95	72	-1	-2	-3	3	0	0	91	73
Income taxes	34	40	0	-1	-1	1			33	40
Consolidated net income	61	32	-1	-1	-2	2	0	0	58	33
Consolidated net income attributable to non-controlling interests	0	0	0	0	1	2			1	2
Consolidated net income attributable to shareholders of Aareal Bank AG	61	32	-1	-1	-3	0	0	0	57	31
Allocated equity ¹⁾	1,616	1,686	287	258	39	38	815	533	2,757	2,515
RoE after taxes (%) ^{2) 3)}	6.7	3.0	-0.8	-1.1	-12.5	-0.2			3.7	1.9

¹⁾ Allocated equity is calculated for all segments on the basis of standardised capital requirements pursuant to Basel IV (phase-in) of 15%. 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 €142 million (31 December 2021: €143 million).

²⁾ On an annualised basis

³⁾ 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 of Aareal Bank Group
Preliminary results for the second quarter of 2022
(unaudited, in accordance with IFRSs)

	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation / Reconciliation		Aareal Bank Group	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021
€ mn										
Net interest income	163	133	11	11	-3	-2	0	0	171	142
Loss allowance	58	33			0	0			58	33
Net commission income	2	2	8	6	61	54	-3	-3	68	59
Net derecognition gain or loss	13	8							13	8
Net gain or loss from financial instruments (fvpl)	12	-3	0		0				12	-3
Net gain or loss from hedge accounting	-3	1							-3	1
Net gain or loss from investments accounted for using the equity method			-1	-1	-1	0			-2	-1
Administrative expenses	61	50	19	17	65	54	-3	-3	142	118
Net other operating income/expenses	1	-15	-1	0	2	1	0	0	2	-14
Operating profit	69	43	-2	-1	-6	-1	0	0	61	41
Income taxes	24	30	0	-1	-2	0			22	29
Consolidated net income	45	13	-2	0	-4	-1	0	0	39	12
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	45	13	-2	0	-4	-2	0	0	39	11