

PRESS RELEASE

Aareal Bank fully on course in the first half of the year

- The Bank's H1 operating profit rises by 31 per cent to €181 million year-on-year; Q2 almost doubles year-on-year, to €90 million
- Total risk provisions in H1 of €176 million down by 10 per cent from €196 million, including €43 million management overlay
- Aareon to be reported as a discontinued operation henceforth due to sales agreement
- Consolidated net income 2024 expected at approx. €2.2 billion incl. gain from Aareon sale; profit after taxes impacted by transaction costs booked in Q2
- CEO Dr Christian Ricken: "Aareal Bank is performing well in its operating business and is financially robust. It enjoys a strong position in its markets, seizing opportunities and actively managing its risks. These are qualities that we can build upon in the next phase of the Bank's development."

Wiesbaden, 8 August 2024 – During the second quarter, Aareal Bank maintained the positive performance shown in the first quarter. Due to the agreement announced in June regarding the sale of Aareon, Aareal Bank Group will henceforth report its business results separately: Aareon will be reported as a discontinued operation until closing. The banking business will be presented as a continuing operation and will be the sole focus of reporting after closing. The previous year's figures have been adjusted accordingly.

Operating profit in the banking business rose by 31 per cent in the first half of the year to €181 million (H1 2023: €138 million), thanks to strong income growth. €90 million was generated in the second quarter alone, more than doubling year-on-year (Q2 2023: €42 million). Aareal Bank is thus fully on track to achieve its target operating profit of €250 million to €300 million for the banking business in the 2024 financial year. A key factor contributing to the strong operating profit was higher net interest income that more than offset total risk provisions, which at €90 million remained at elevated levels in the second quarter.

CEO Dr Christian Ricken, who took up his position on the 1st of August, stated: "Aareal Bank is performing well in its operating business and is financially robust. It enjoys a strong position in its markets, seizing opportunities and actively managing its risks. These are qualities that we can build upon in the next phase of the Bank's development."

The **result from discontinued operations** which comprises Aareon was minus €136 million in the first half of the year (H1 2023: €-32 million). The figure for the second quarter was minus €142 million (Q2 2023: €-2 million). This was due to the fact that most of the approximately €150 million in transaction-related costs associated with the Aareon sale already had to be recognised in the second quarter. In contrast, the gain on sale of around €2 billion after transaction-related costs will be posted upon closing, which is expected for the second half of 2024. At Group level, this is expected to generate consolidated net income of approximately €2.2 billion for the 2024 financial year.

Net interest income rose by 11 per cent in the first half of the year, to €530 million (H1 2023: €476 million). The year-on-year increase in the credit portfolio, good margins on new business as well as the stable deposit-taking business, were all positive factors here. Given that interest rate levels have normalised, Aareal Bank believes that net interest income has passed the peak in the fourth quarter of 2023. Net interest income in the second quarter totalled €262 million (Q2 2023: €248 million). The Bank expects full-year net interest income in line with the previous year's level.

Net commission income in the banking business was minus €2 million in the first six months (H1 2023: €17 million) and €0 million in the second quarter (Q2 2023: €9 million). The net figure was burdened by regular commission payments to First Financial Software GmbH, the joint venture with Aareon, for intermediation of deposits and payments business. These fees, which have been payable since the beginning of the current financial year, totalled €20 million in the first half of the year. The joint venture bundles specialist expertise around payments software solutions for the property sector and related industries. It will continue to ensure the smooth collaboration between Aareon and Aareal Bank, irrespective of the Aareon sale.

Risk provisions of €163 million for the first half of the year (H1 2023: €160 million) remained within the scope of full-year guidance; it was largely required for loan defaults involving US office properties. In the second quarter, risk provisions totalled €80 million and was therefore lower than in the previous year (Q2 2023: €128 million). In addition, risk provisions of €13 million was reported in net gain or loss from financial instruments (fvpl) in the first half of the year (H1 2023: €36 million), due to measurement adjustments for US office properties in particular. The figure for the second quarter amounts to €10 million. Risk provisions recognised already incorporates the planned reduction of NPLs of around €300 million in the third quarter.

The NPL inventory stood at €1.4 billion at the end of June (31 Dec 2023: €1.6 billion). Again, this largely relates to financings of US office properties. The Bank has not incurred any new non-performing loans in the European office property segment since 2022.

At €180 million, **administrative expenses** excluding transaction-related costs remained stable in the first half of the year (H1 2023: €172 million). At 34 per cent, the Bank's cost/income ratio was at a very good level during the first six months, even in an international comparison. Administrative expenses for the second quarter amounted to €96 million (Q2 2023: €66 million); the increase being due, in particular, to non-recurring effects such as the reversal of provisions in the previous year's quarter. In addition, this item includes transaction-related costs of around €10 million from the Aareon sale.

Considering taxes of €53 million, **the Bank's consolidated net income** was €128 million in the first half of the year (H1 2023: €90 million), of which €61 million was generated in the second quarter (Q2 2023: €18 million). Despite the charges in the result from discontinued operations mentioned above, **consolidated net income attributable to shareholders of Aareal Bank** amounted to €22 million in the first half of the year (H1 2023: €67 million). The figure for the second quarter was minus €49 million (Q2 2023: €16 million).

Aareal Bank continues to enjoy a **very solid capital base**. Despite the portfolio growth, the Bank's **Common Equity Tier 1 ratio** (CET1 ratio, Basel IV phase-in) was 20.1 per cent (pro-forma CET1 ratio, continuing operation in accordance with IFRS 5) at the end of the second quarter (31 Mar 2024 reported: 19.7 per cent; 31 Dec 2023 reported: 19.4 per cent). The corresponding Total Capital Ratio stood at 24.0 per cent (31 Mar 2024 reported: 23.7 per cent; 31 Dec 2023 reported: 23.5 per cent). The Basel IV CET1 ratio (fully phased) also increased to 15.0 per cent from 13.4 per cent at the end of the last year.

Funding activities progressed as planned in the first half of the year: Aareal Bank issued its first green senior non-preferred bond. The €500 million issue was more than three times oversubscribed. At the beginning of July, Aareal Bank very successfully placed a €500 million, five-year Pfandbrief that was also oversubscribed to a similar extent. Fixed-interest retail deposits sourced through platforms also developed favourably: volumes rose to around €3.5 billion at the end of June (31 Dec 2023: €2.6 billion), reaching the target level.

CFO Marc Hess said: "Our deposits from the housing industry remain stable, at around €14 billion. Furthermore, we have achieved our current target volume of retail deposits, at approximately €3.5 billion. Combined with our highly successful issuance, this affirms the successful diversification of our funding sources and underscores the Bank's very solid liquidity position."

Developments by business segment

Portfolio volume in the **Structured Property Financing segment** rose from the previous quarter, reaching €32.6 billion (31 Mar 2024: €32.1 billion). Average loan-to-value (LTV) ratios in the existing portfolio remained at a healthy 56 per cent. Likewise, yield on debt (which indicates the debt servicing capacity of loans extended) also developed favourably, rising to a high level of 10.1 per cent (31 Mar 2024: 9.8 per cent). These indicators are evidence of a healthy risk profile since they point towards rising rental income and favourable performance of the financed properties.

Aareal Bank maintained its selective stance in originating new business, given high market volatility and low transaction volumes securing very good risk/reward ratios. The volume of new business including renewals totalled €3.1 billion as at the end of June (30 Jun 2023: €4.1 billion). Newly-originated loans of €1.8 billion were slightly lower compared to the previous year (30 Jun 2023: €2.4 billion); average gross margins remained high at 267 basis points, with very conservative LTV ratios of 46 per cent on average.

Financings extended by Aareal Bank in the second quarter included a portfolio of six shopping centres for Star Capital Finance in Poland. The financing, with an aggregate volume of €285 million, is one of 2024's largest transactions in Central and Eastern Europe to date.

The Bank's portfolio of green financings rose to €5.9 billion as at the end of June (31 Dec 2023: €4.8 billion), bringing the aggregate lending volume classified as 'green' to €9.9 billion (31 Dec 2023: €9.0 billion) or 31 per cent of Aareal Bank's entire commercial property financing portfolio.

In the **Banking & Digital Solutions segment**, the volume of client deposits from the housing and energy industries averaged €13.8 billion in the second quarter, remaining unchanged on a stable and high level. The new joint venture has already had favourable effects on attracting new clients.

The segment's net interest income rose to €135 million in the first six months (H1 2023: €111 million), of which €70 million was generated in the second quarter (Q2 2023: €59 million). The year-on-year increase reflects the high level of client deposits in conjunction with normalised interest rate levels.

Outlook

The Bank's operating profit target for the 2024 financial year remains unchanged, at between €250 million and €300 million. Given the gain to be recognised upon closing of the Aareon sale, consolidated net income for the 2024 financial year is now expected at around €2.2 billion.

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About Aareal Bank Group

Aareal Bank Group, headquartered in Wiesbaden, is a leading international property specialist. The Bank uses its expertise to identify trends, challenges and opportunities at an early stage, and to exploit them for the benefit of its stakeholders. Aareal Bank Group 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 the Asia/Pacific region. Aareal Bank Group's business strategy focuses on sustainable business success, with environmental, social and governance (ESG) aspects as an integral part of this strategy.

Aareal Bank AG comprises the 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, Europe's trusted provider of SaaS solutions for the property industry, represents the third business segment. Committed to connecting people, processes, and property, Aareon brings the ecosystem closer together. Aareon's Property Management System promotes efficient property management and maintenance, enabling superior digital experiences for everyone involved. On 24 June 2024, Advent and Aareal announced that they have entered into an agreement with TPG and CDPQ for them to acquire Aareon. Closing is expected to take place in the second half of 2024, subject to customary closing conditions and approvals.

Aareal Bank Group – Key Indicators

	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023
Results		
Operating profit from continuing operations (€ mn)	181	138
Net income from continuing operations (€ mn)	128	90
Consolidated net income (€ mn)	-8	58
Consolidated net income allocated to ordinary shareholders (€ mn) ¹⁾	6	58
Cost/income ratio (%) ²⁾	33.8	32.3
Earnings per ordinary share from continuing operations (€) ¹⁾	2.38	1.51
	30 Jun 2024	31 Dec 2023
Statement of Financial Position		
Property finance (€ mn)	32,568	32,876
Equity (€ mn)	3,281	3,300
Total assets (€ mn)	46,289	46,833
Regulatory Indicators from continuing operations³⁾		
Basel IV (phase-in)		
Risk-weighted assets (€ bn)	13.7	13.7
Common Equity Tier 1 ratio (CET1 ratio) (%)	20.1	19.4
Tier 1 ratio (T1 ratio) (%)	22.3	21.6
Total capital ratio (TC ratio) (%)	24.0	23.5
Employees	3,462	3,463

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⁾ Structured Property Financing and Banking & Digital Solutions segments: in line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included.

³⁾ 31 December 2023: including profits for 2023 and pro rata temporis accrual of interest on the AT1 bond, since there are no plans to pay out any profits for 2023 in 2024. Regulatory indicators as at 31 December 2023 refer to the entire Group including Aareon.
30 June 2024 (preliminary): including interim results for 2024 less a proposed dividend and including pro rata temporis accrual of net interest on the AT1 bond. The CET1 ratio, determined as the higher of the amounts under Basel III and Basel IV (phase-in), as shown in Aareal Bank's regulatory report as at 30 June, is expected to be 19.3%. The SREP recommendations concerning the NPL inventory were taken into account, as well as the ECB's NPL guidelines for the regulatory capital of new NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests. Adjusted total risk exposure amount (in accordance with Article 3 CRR – RWAs), in accordance with currently applicable law (CRR II) and applying the partial regulation for the "output floor" in connection with commercial property lending and equity exposures, based on the European Commission's final version for implementation of Basel IV (CRR III) pursuant to the Regulation 2024/1623 of 31 May 2024. The adjusted risk-weighted exposure amount for commercial property lending and equity exposures is determined using the higher of (i) total RWAs calculated in accordance with CRR II currently in force, and (ii) the figure calculated in accordance with the revised CRSA (pursuant to CRR III), applying the transitional provisions for 2025 (50% output floor).

**Consolidated Income Statement¹⁾ of Aareal Bank Group
for the first half of 2024 (in accordance with IFRSs)**

	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023	Change
	€ mn	€ mn	%
Net income from continuing operations			
Net interest income	530	476	11
Loss allowance	163	160	2
Net commission income	-2	17	-112
Net derecognition gain or loss	9	12	-25
Net gain or loss from financial instruments (fvpl)	-29	-41	-29
Net gain or loss from hedge accounting	8	0	
Net gain or loss from investments accounted for using the equity method	-	-	
Administrative expenses	180	172	5
Net other operating income/expenses	8	6	33
Operating profit from continuing operations	181	138	31
Income taxes	53	48	10
Net income from continuing operations (€ mn)	128	90	42
Net income from discontinued operations	-136	-32	325
Consolidated net income	-8	58	
Consolidated net income attributable to non-controlling interests	-30	-9	233
Consolidated net income attributable to shareholders of Aareal Bank AG	22	67	-67

¹⁾ In accordance with IFRS 5, net income from discontinued operations is reported separately; the previous year's figures have been adjusted.

**Consolidated Income Statement¹⁾ of Aareal Bank Group
for the second quarter of 2024 (in accordance with IFRSs)**

	Q2 2024	Q2 2023	Change
	€ mn	€ mn	%
Net income from continuing operations			
Net interest income	262	248	6
Loss allowance	80	128	-38
Net commission income	0	9	
Net derecognition gain or loss	6	12	-50
Net gain or loss from financial instruments (fvpl)	-11	-35	-69
Net gain or loss from hedge accounting	0	-4	
Net gain or loss from investments accounted for using the equity method	-	-	
Administrative expenses	96	66	45
Net other operating income/expenses	9	6	50
Operating profit from continuing operations	90	42	114
Income taxes	29	24	21
Net income from continuing operations (€ mn)	61	18	239
Net income from discontinued operations	-142	-2	
Consolidated net income	-81	16	
Consolidated net income attributable to non-controlling interests	-32	0	
Consolidated net income attributable to shareholders of Aareal Bank AG	-49	16	

1) In accordance with IFRS 5, net income from discontinued operations is reported separately; the previous year's figures have been adjusted.

**Segment Results¹⁾ of Aareal Bank Group
for the first half of 2024 (in accordance with IFRSs)**

	Structured Property Financing		Banking & Digital Solutions		Consolidation / Reconciliation		Aareal Bank Group	
	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023
€ mn								
Net interest income	395	365	135	111	0	0	530	476
Loss allowance	163	160	0	0	0		163	160
Net commission income	1	1	-3	16	0	0	-2	17
Net derecognition gain or loss	9	12					9	12
Net gain or loss from financial instruments (fvpl)	-28	-41	-1	0			-29	-41
Net gain or loss from hedge accounting	8	0					8	0
Net gain or loss from investments accounted for using the equity method								
Administrative expenses	132	120	48	52	0	0	180	172
Net other operating income/expenses	9	7	-1	-1	0	0	8	6
Operating profit from continuing operations	99	64	82	74	0	0	181	138
Income taxes	27	25	26	23			53	48
Net income from continuing operations	72	39	56	51	0	0	128	90
Net income from discontinued operations					-136	-32	-136	-32
Consolidated net income	72	39	56	51	-136	-32	-8	58
Consolidated net income/loss attributable to non-controlling interests	0	0	0	0	-30	-9	-30	-9
Consolidated net income attributable to shareholders of Aareal Bank AG	72	39	56	51	-106	-23	22	67
Allocated equity ²⁾	1,632	1,508	415	405	830	985	2,877	2,898

¹⁾ Presentation in line with the structure prescribed by IFRS 5.

²⁾ For management purposes, the allocated equity is calculated for all segments on the basis of a standardised capital requirement pursuant to Basel IV (phase-in) of 15%.

**Segment Results¹⁾ of Aareal Bank Group
for the second quarter of 2024 (in accordance with IFRSs)**

	Structured Property Financing		Banking & Digital Solutions		Consolidation / Reconciliation		Aareal Bank Group	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
€ mn								
Net interest income	192	189	70	59	0	0	262	248
Loss allowance	80	128	0	0	0		80	128
Net commission income	2	1	-2	8	0	0	0	9
Net derecognition gain or loss	6	12					6	12
Net gain or loss from financial instruments (fvpl)	-11	-35	0	0			-11	-35
Net gain or loss from hedge accounting	0	-4					0	-4
Net gain or loss from investments accounted for using the equity method								
Administrative expenses	72	46	24	20	0		96	66
Net other operating income/expenses	9	7	0	-1	0	0	9	6
Operating profit from continuing operations	46	-4	44	46	0	0	90	42
Income taxes	15	10	14	14			29	24
Net income from continuing operations	31	-14	30	32	0	0	61	18
Net income from discontinued operations					-142	-2	-142	16
Consolidated net income	31	-14	30	32	-142	-2	-81	16
Consolidated net income/loss attributable to non-controlling interests	0	0	0	0	-32	0	-32	0
Consolidated net income attributable to shareholders of Aareal Bank AG	31	-14	30	32	-110	-2	-49	16

¹⁾ Presentation in line with the structure prescribed by IFRS 5.