

## PRESS RELEASE

### **Aareal Bank continues its strong operating performance – nine-month operating profit up significantly year-on-year**

- **The Bank's operating profit rose by 19 per cent to €261 million in the first nine months of the year**
- **Both business segments made a strong contribution: net interest income up 8 per cent to €792 million**
- **Marked increase in new property finance business in the third quarter**
- **Total risk provisions down 9 per cent year-on-year but as expected still at an elevated level due to ongoing challenges in the US office market**
- **NPL volume further reduced by active NPL management**
- **Solid capital base and successful funding activities, 2024 funding plan already fulfilled**
- **Confirming operating profit target range for the Bank of €250-300 million, after expected one-off charges for efficiency enhancement measures in the fourth quarter**
- **Aareon sale completed, consolidated net income 2024 expected at approximately €2.2 billion including gain from sale**

Wiesbaden, 7 November 2024 – Aareal Bank maintained its positive business development and achieved a strong increase in results for the first nine months of the current financial year. The Bank's operating profit rose by 19 per cent year-on-year to €261 million (9m 2023: €220 million). Both business segments Structured Property Financing (SPF) and Banking & Digital Solutions (BDS) contributed almost equally to this good result. SPF contributed €136 million and BDS €125 million. Higher income with stable costs offset risk provisioning that, as expected, was still at an elevated level due to ongoing challenges in the US office market. Net interest income rose significantly to €792 million while total risk provisions of €288 million were down year-on-year. The Bank generated operating profit of €80 million in the third quarter (Q3 2023: €82 million).

**CEO Dr Christian Ricken** stated: "Aareal Bank has once again demonstrated the strength of its operating business, generating very good results in a challenging environment, with both of our business segments, Structured Property Financing and Banking & Digital Solutions, contributing to this. We are looking to capitalise on our strong earnings power to invest in positioning ourselves even more efficiently and with a sharper focus on the future."

As in the first half of the year, Aareal Bank Group reports its results for the first nine months separately, software subsidiary Aareon as a "discontinued operation" and the banking businesses as a "continuing operation". The previous year's figures have been adjusted accordingly.

The **sale of Aareon**, announced in June, was closed on 1 October 2024. The net gain on sale amounts to approximately €2 billion. Therefore, as already communicated, the Group anticipates consolidated net income of around €2.2 billion for the 2024 financial year.

Aareal Bank increased **net interest income** from its banking business by 8 per cent to €792 million (9m 2023: €734 million). The increase was due in particular to good margins on new business, lower funding costs thanks to a more diversified funding mix, and to the payment business of BDS. Net interest income in the third quarter remained strong, at €262 million (Q3 2023: €258 million).

Since the start of the year commission payments have been made to First Financial Software GmbH, the joint venture with Aareon, resulting in **net commission income** of minus €1 million (9M 2023: €30 million) and €1 million in the third quarter (Q3 2023: €6 million). The joint venture bundles specialist expertise around payments software solutions for the property sector and related industries; it continues to ensure a smooth collaboration between Aareon and Aareal Bank following the Aareon sale.

**Risk provisions** including valuation adjustments in the net result from financial instruments (fvpl) totalled €288 million for the first nine months of the year which was down 9 per cent compared with the same period of the previous year (9m 2023: €316 million). Provisions were still at an elevated level due to the ongoing challenges in the US office market and included costs for active NPL management. The existing management overlay was also increased in the first nine months from €25 million at the end of the previous year to €60 million. Including valuation adjustments (fvpl), total risk provisions of €112 million were recognised in the third quarter (Q3 2023: €120 million).

The **NPL inventory** stood at €1.3 billion at the end of September (31 Dec 2023: €1.6 billion) and was largely attributable to financing of US office properties. In contrast, no new non-performing loans have arisen in the European office property segment since 2022. As previously announced NPLs were reduced by around €300 million through active NPL-management. The Bank continues to actively manage its NPL exposures and has identified a further €500 million for resolution, consistent with its target of keeping the Non Performing Exposure ratio below 3 per cent.

**Administrative expenses** were stable in the nine-month period, amounting to €253 million (9m 2023: €248 million). At 32.1 per cent, the Bank's cost/income ratio was very healthy even by international standards. Expenses also remained stable on a quarterly basis, with €73 million incurred in the third quarter (Q3 2023: €76 million). Aareal Bank will continue to focus on keeping its costs under control. Starting in the fourth quarter, efficiency-enhancing measures will be implemented in order to digitalise processes and improve collaboration. This will require one-off charges in the fourth quarter.

After factoring in taxes of €76 million, **the Bank's consolidated net income** was €185 million in the first nine months of the year (9m 2023: €154 million), up 20 per cent, with €57 million generated in the third quarter (Q3 2023: €64 million).

Aareal Bank **continues** to enjoy a **very solid capital base**. The Bank's **Common Equity Tier 1 ratio** (Basel IV phase-in ratio; pro-forma ratio for continuing operations in accordance with IFRS 5) stood at 19.3 per cent at the end of the third quarter (31 Dec 2023 reported: 19.4 per cent). The fully-phased Basel IV CET1 ratio increased to 15.2 per cent, up from 13.4 per cent at the end of last year. The increase is mainly resulting from first-time adoption of the Small & Medium-sized Enterprises factor. The Total Capital Ratio was 25.9 per cent (31 Dec 2023 reported: 23.5 per cent).

Aareal Bank's **funding activities** proved very successful. The Bank placed bonds totalling €2.3 billion on the capital markets during the first nine months of the year, including its first green senior non-preferred issue and two benchmark Pfandbriefe, as well as a subordinated Tier 2 bond, which attracted great investor interest and was oversubscribed several times. With another Pfandbrief issued in October, Aareal Bank has already fulfilled its 2024 full-year funding plan.

Fixed-interest retail deposits sourced through platforms also performed well. At the end of September, the volume rose to around €3.6 billion (31 Dec 2023: €2.6 billion) and is now slightly above the current target level.

### **Developments by business segment**

In the **Structured Property Financing segment**, Aareal Bank maintained its selective stance regarding new business, originating transactions with very good risk-return profiles. The volume of new business (including renewals) totalled €6.6 billion at the end of September (30 Sep 2023: €6.5 billion). Newly originated loans accounted for €3.3 billion, with average gross margins remaining high at 280 basis points and conservative LTV ratios averaging 50 per cent. New business volume totalled €3.5 billion in the third quarter, a significant increase compared with the previous quarters.

The commercial property finance portfolio stood at €31.6 billion at the end of the third quarter (31 Dec 2023: €32.5 billion). The Bank affirms its full-year target for the total property financing portfolio of €33 to 34 billion.

Average loan-to-value ratios in the existing portfolio remained stable at 56 per cent. Average yield on debt (which indicates the debt-servicing capacity of the property financed) rose to 9.9 per cent (31 Dec 2023: 9.6 per cent), thus remaining at a solid level.

The Bank's portfolio of green financings rose to €6.0 billion as at the end of September (31 Dec 2023: €4.8 billion).

In the **Banking & Digital Solutions** segment, the volume of client deposits from the housing and energy industries averaged €13.7 billion in the first nine months of the year, remaining above the originally expected level. The joint venture with Aareon got off to an encouraging start and continued to have a positive impact on client acquisition.

Net interest income in the segment rose by 19 per cent to €203 million in the first nine months (9m 2023: €170 million), of which €68 million was generated in the third quarter (Q3 2023: €59 million). The year-on-year increase reflects the strong volume of client deposits in conjunction with normalised interest rate levels.

## **Outlook**

Based on its strong operating performance, Aareal Bank confirms its operating profit target range for the Bank of between €250 million and €300 million for the 2024 financial year, after expected one-off charges for efficiency enhancement measures in the fourth quarter. Given the gain that is to be recognised following the closing of the Aareon sale, consolidated net income for the 2024 financial year is expected to be 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 financings, banking services and payments 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 and Banking & Digital Solutions. 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.

## Aareal Bank Group – Key Indicators

|   | 1 Jan – 30 Sep 2024 | 1 Jan – 30 Sep 2023 |
|---|---------------------|---------------------|
| <b>Results</b>  |                     |                     |
| Operating profit from continuing operations (€ mn)                              | 261                 | 220                 |
| Consolidated net income from continuing operations (€ mn)                       | 185                 | 154                 |
| Consolidated net income (€ mn)  | 24                  | 104                 |
| Consolidated net income allocated to ordinary shareholders (€ mn) <sup>1)</sup> | 37                  | 96                  |
| Cost/income ratio (%) <sup>2)</sup>   | 32.1                | 30.9                |
| Earnings per ordinary share from continuing operations (€) <sup>1)3)</sup>      | 2.68                | 2.21                |
| RoE before taxes from continuing operations (%) <sup>1) 4)</sup>                | 10.9                | 9.1                 |
| RoE after taxes from continuing operations (%) <sup>1) 4)</sup>                 | 7.4                 | 6.0                 |
|   |                     |                     |
|   | <b>30 Sep 2024</b>  | <b>31 Dec 2023</b>  |
| <b>Statement of Financial Position</b>  |                     |                     |
| Property finance (€ mn)   | 31,901              | 32,876              |
| Equity (€ mn)   | 3,302               | 3,300               |
| Total assets (€ mn)   | 46,627              | 46,833              |
|   |                     |                     |
| <b>Regulatory Indicators from continuing operations<sup>5)</sup></b>            |                     |                     |
| Basel IV (phase-in)   |                     |                     |
| Risk-weighted assets (€ bn)   | 14.2                | 13.7                |
| Common Equity Tier 1 ratio (CET1 ratio) (%)                                     | 19.3                | 19.4                |
| Tier 1 ratio (T1 ratio) (%)   | 21.4                | 21.6                |
| Total capital ratio (TC ratio) (%)  | 25.9                | 23.5                |
|   |                     |                     |
| <b>Employees<sup>6)</sup></b>   | 1,203               | 1,201               |

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

<sup>2)</sup> 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.

<sup>3)</sup> Without taking into account income of non-controlling interests

<sup>4)</sup> On an annualised basis

<sup>5)</sup> 31 December 2023: including profits for 2023 and pro rata temporis accrual of interest on the AT1 bond, since no payout of profits for 2023 will be made in 2024. Regulatory indicators as at 31 December 2023 refer to the entire Group including Aareon.

30 September 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 September 2024, is expected to be 16.9%.

The SREP recommendations concerning the NPL inventory were taken into account, as well as the ECB's NPL guidelines for regulatory capital requirements for 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), pursuant to 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 implementation of Basel IV, pursuant to Regulation (EU) 2024/1623 dated 31 May 2024 (CRR III). 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).

<sup>6)</sup> Excluding Aareon Group

**Consolidated Income Statement<sup>1)</sup> of Aareal Bank Group  
for the first nine months of 2024 (in accordance with IFRSs)**

|   | 1 Jan – 30 Sep 2024 | 1 Jan – 30 Sep 2023 | Change     |
|---|---------------------|---------------------|------------|
|   | € mn                | € mn                | %          |
| <b>Net income from continuing operations</b>                            |                     |                     |            |
| Net interest income   | 792                 | 734                 | 8          |
| Loss allowance  | 257                 | 262                 | -2         |
| Net commission income   | -1                  | 30                  |            |
| Net derecognition gain or loss  | 19                  | 18                  | 6          |
| Net gain or loss from financial instruments (fvpl)                      | -51                 | -58                 | -12        |
| Net gain or loss from hedge accounting                                  | 2                   | -2                  |            |
| Net gain or loss from investments accounted for using the equity method | -                   | 2                   |            |
| Administrative expenses   | 253                 | 248                 | 2          |
| Net other operating income/expenses                                     | 10                  | 6                   | 67         |
| <b>Operating profit from continuing operations</b>                      | <b>261</b>          | <b>220</b>          | <b>19</b>  |
| Income taxes  | 76                  | 66                  | 15         |
| <b>Consolidated net income from continuing operations</b>               | <b>185</b>          | <b>154</b>          | <b>20</b>  |
| Net income from discontinued operations                                 | -161                | -50                 | 222        |
| <b>Consolidated net income</b>  | <b>24</b>           | <b>104</b>          | <b>-77</b> |
| Consolidated net income attributable to non-controlling interests       | -37                 | -13                 | 185        |
| Consolidated net income attributable to shareholders of Aareal Bank AG  | 61                  | 117                 | -48        |

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

**Consolidated Income Statement<sup>1)</sup> of Aareal Bank Group  
for the third quarter of 2024 (in accordance with IFRSs)**

|   | Q3 2024   | Q3 2023   | Change     |
|---|-----------|-----------|------------|
|   | € mn      | € mn      | %          |
| <b>Net income from continuing operations</b>                            |           |           |            |
| Net interest income   | 262       | 258       | 2          |
| Loss allowance  | 94        | 102       | -8         |
| Net commission income   | 1         | 13        | -92        |
| Net derecognition gain or loss  | 10        | 6         | 67         |
| Net gain or loss from financial instruments (fvpl)                      | -22       | -17       | 29         |
| Net gain or loss from hedge accounting                                  | -6        | -2        | 200        |
| Net gain or loss from investments accounted for using the equity method | -         | 2         |            |
| Administrative expenses   | 73        | 76        | -4         |
| Net other operating income/expenses                                     | 2         | 0         |            |
| <b>Operating profit from continuing operations</b>                      | <b>80</b> | <b>82</b> | <b>-2</b>  |
| Income taxes  | 23        | 18        | 28         |
| <b>Consolidated net income from continuing operations</b>               | <b>57</b> | <b>64</b> | <b>-11</b> |
| Net income from discontinued operations                                 | -25       | -18       | 39         |
| <b>Consolidated net income</b>  | <b>32</b> | <b>46</b> | <b>-30</b> |
| Consolidated net income attributable to non-controlling interests       | -7        | -4        | 75         |
| Consolidated net income attributable to shareholders of Aareal Bank AG  | 39        | 50        | -22        |

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

**Segment Results<sup>1)</sup> of Aareal Bank Group  
for the first nine months of 2024 (in accordance with IFRSs)**

|   | Structured Property Financing |                     | Banking & Digital Solutions |                     | Consolidation / Reconciliation |                     | Aareal Bank Group   |                     |
|---|-------------------------------|---------------------|-----------------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|
|   | 1 Jan - 30 Sep 2024           | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2024         | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2024            | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2024 | 1 Jan - 30 Sep 2023 |
| € mn  |                               |                     |                             |                     |                                |                     |                     |                     |
| Net interest income   | 589                           | 564                 | 203                         | 170                 | 0                              | 0                   | 792                 | 734                 |
| Loss allowance  | 257                           | 262                 | 0                           | 0                   |                                |                     | 257                 | 262                 |
| Net commission income   | 2                             | 6                   | -3                          | 24                  | 0                              | 0                   | -1                  | 30                  |
| Net derecognition gain or loss  | 19                            | 18                  |                             |                     |                                |                     | 19                  | 18                  |
| Net gain or loss from financial instruments (fvpl)                      | -50                           | -58                 | -1                          | 0                   |                                |                     | -51                 | -58                 |
| Net gain or loss from hedge accounting                                  | 2                             | -2                  |                             |                     |                                |                     | 2                   | -2                  |
| Net gain or loss from investments accounted for using the equity method |                               |                     |                             | 2                   |                                |                     |                     | 2                   |
| Administrative expenses   | 180                           | 173                 | 73                          | 75                  |                                |                     | 253                 | 248                 |
| Net other operating income/expenses                                     | 11                            | 7                   | -1                          | -1                  | 0                              | 0                   | 10                  | 6                   |
| <b>Operating profit from continuing operations</b>                      | <b>136</b>                    | <b>100</b>          | <b>125</b>                  | <b>120</b>          | <b>0</b>                       | <b>0</b>            | <b>261</b>          | <b>220</b>          |
| Income taxes  | 36                            | 28                  | 40                          | 38                  |                                |                     | 76                  | 66                  |
| <b>Consolidated net income from continuing operations</b>               | <b>100</b>                    | <b>72</b>           | <b>85</b>                   | <b>82</b>           | <b>0</b>                       | <b>0</b>            | <b>185</b>          | <b>154</b>          |
| Net income from discontinued operations                                 |                               |                     |                             |                     | -161                           | -50                 | -161                | -50                 |
| <b>Consolidated net income</b>  | <b>100</b>                    | <b>72</b>           | <b>85</b>                   | <b>82</b>           | <b>-161</b>                    | <b>-50</b>          | <b>24</b>           | <b>104</b>          |
| Consolidated net income attributable to non-controlling interests       | 0                             | 0                   | 0                           | 0                   | -37                            | -13                 | -37                 | -13                 |
| Consolidated net income attributable to shareholders of Aareal Bank AG  | 100                           | 72                  | 85                          | 82                  | -124                           | -37                 | 61                  | 117                 |
| Allocated equity <sup>2)</sup>  | 1,668                         | 1,532               | 412                         | 406                 | 807                            | 981                 | 2,887               | 2,919               |
| RoE after taxes from continuing operations (%) <sup>3) 4)</sup>         | 6.0                           | 4.4                 | 27.6                        | 26.9                |                                |                     | 7.4                 | 6.0                 |

<sup>1)</sup> Presentation in line with the structure prescribed by IFRS 5.

<sup>2)</sup> 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%.

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

<sup>4)</sup> The allocation of earnings is based on the assumption that interest payable on the AT1 bond is recognised on an accrual basis.



**Segment Results<sup>1)</sup> of Aareal Bank Group  
for the third quarter of 2024 (in accordance with IFRSs)**

|   | Structured Property Financing |           | Banking & Digital Solutions |           | Consolidation / Reconciliation |            | Aareal Bank Group |           |
|---|-------------------------------|-----------|-----------------------------|-----------|--------------------------------|------------|-------------------|-----------|
|   | Q3 2024                       | Q3 2023   | Q3 2024                     | Q3 2023   | Q3 2024                        | Q3 2023    | Q3 2024           | Q3 2023   |
| € mn  |                               |           |                             |           |                                |            |                   |           |
| Net interest income   | 194                           | 199       | 68                          | 59        | 0                              | 0          | 262               | 258       |
| Loss allowance  | 94                            | 102       | 0                           | 0         | 0                              |            | 94                | 102       |
| Net commission income   | 1                             | 5         | 0                           | 8         | 0                              | 0          | 1                 | 13        |
| Net derecognition gain or loss  | 10                            | 6         |                             |           |                                |            | 10                | 6         |
| Net gain or loss from financial instruments (fvpl)                      | -22                           | -17       | 0                           | 0         |                                |            | -22               | -17       |
| Net gain or loss from hedge accounting                                  | -6                            | -2        |                             |           |                                |            | -6                | -2        |
| Net gain or loss from investments accounted for using the equity method |                               |           |                             | 2         |                                |            |                   | 2         |
| Administrative expenses   | 48                            | 53        | 25                          | 23        | 0                              |            | 73                | 76        |
| Net other operating income/expenses                                     | 2                             | 0         | 0                           | 0         | 0                              | 0          | 2                 | 0         |
| <b>Operating profit from continuing operations</b>                      | <b>37</b>                     | <b>36</b> | <b>43</b>                   | <b>46</b> | <b>0</b>                       | <b>0</b>   | <b>80</b>         | <b>82</b> |
| Income taxes  | 9                             | 3         | 14                          | 15        |                                |            | 23                | 18        |
| <b>Consolidated net income from continuing operations</b>               | <b>28</b>                     | <b>33</b> | <b>29</b>                   | <b>31</b> | <b>0</b>                       | <b>0</b>   | <b>57</b>         | <b>64</b> |
| Net income from discontinued operations                                 |                               |           |                             |           | -25                            | -18        | -25               | -18       |
| <b>Consolidated net income</b>  | <b>28</b>                     | <b>33</b> | <b>29</b>                   | <b>31</b> | <b>-25</b>                     | <b>-18</b> | <b>32</b>         | <b>46</b> |
| Consolidated net income attributable to non-controlling interests       | 0                             | 0         | 0                           | 0         | -7                             | -4         | -7                | -4        |
| Consolidated net income attributable to shareholders of Aareal Bank AG  | 28                            | 33        | 29                          | 31        | -18                            | -14        | 39                | 50        |

<sup>1)</sup> Presentation in line with the structure prescribed by IFRS 5.