



Press Call

9M 2024 results

November 07, 2024

Dr Christian Ricken (CEO)
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Aareal
YOUR COMPETITIVE ADVANTAGE.

Highlights

Maintaining strong performance, 9M operating profit up significantly

19% increase in nine month cumulative operating profit to € 261 mn

Strong contributions from both business segments

Increase in new business - particularly renewals - with good margins

Non-performing loans actively managed down

Loan loss charges excluding US offices at normal level

Strong capital and liquidity and 2024 funding already complete

Full year profit outlook confirmed even after absorbing likely efficiency charges

Aareon gain on sale to be booked in the fourth quarter

Full year net income likely to be around € 2.2 bn

Group structure

Two strong segments

Diversified business model - strong operating resilience

Structured Property Financing (SPF)

- Supporting our clients with large-sized commercial property investments
- Focus on hotel, logistics, shopping centres / retail, alternative residential properties and office buildings



Banking & Digital Solutions (BDS)

- Leading provider of payment transaction services to the German housing industry
- Process optimisation of payment and business transactions
- Rental deposit and guarantee management

Financial Performance - Group Profit & Loss

9M operating profit up 19%

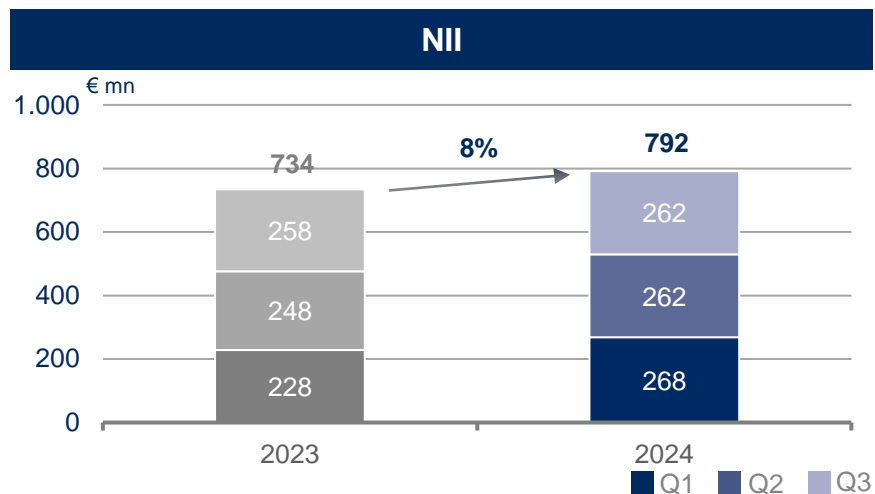
	9M '23	9M '24	Δ 9M '24/'23
Profit & loss (€ mn)			
Net interest income (NII)	734	792	8%
Net commission income (NCI)	30	-1	-
Admin expenses	-248	-253	2%
<i>Others</i>	20	11	-45%
Loan loss provision incl. FVPL	-316	-288	-9%
Operating profit	220	261	19%
Income taxes	-66	-76	15%
Consolidated net income from continuing operations	154	185	20%
Return on equity (RoE) ¹⁾	6.0	7.4	
Consolidated net income from discontinued operations	-50	-161	
Consolidated net income	104	24	
Net income attributable to ordinary shareholders of Aareal Bank AG	96	37	

1) After tax, annualized

- NII up 8%
 - Increased average loan portfolio
 - Good margins on lending business
 - Diversified funding mix at improved spreads
 - Payment business of BDS
- Positive NCI offset by fees paid to payment-transaction-JV (“First Financial Software”), established with Aareon
- Admin expenses largely stable
- LLP down 9%, but, as expected, still at elevated level from ongoing challenges in the US office market
- Operating profit (€ 261 mn) up 19%, both segments contributing similarly
 - SPF: € 136 mn (9M/23: € 100 mn)
 - BDS: € 125 mn (9M/23: € 120 mn)
- Consolidated net income from discontinued operations includes costs relating to the sale of Aareon
- Gain on sale will be recognised in Q4

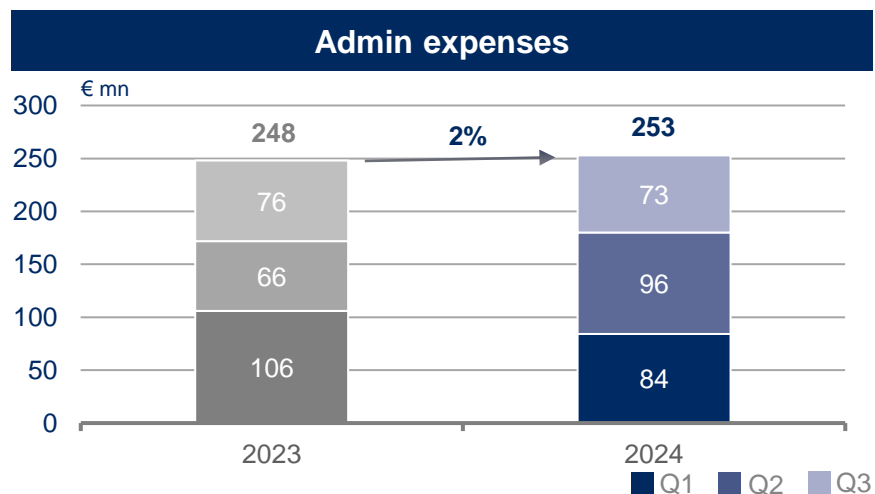
Financial Performance

Leveraging business model on stable cost base



Up 8%

- Increase based on
 - Increased average loan portfolio
 - Good new business margins
 - Diversified funding mix at improved spreads
 - Positive interest rate effects on BDS deposits
- FY NII above last years' level expected



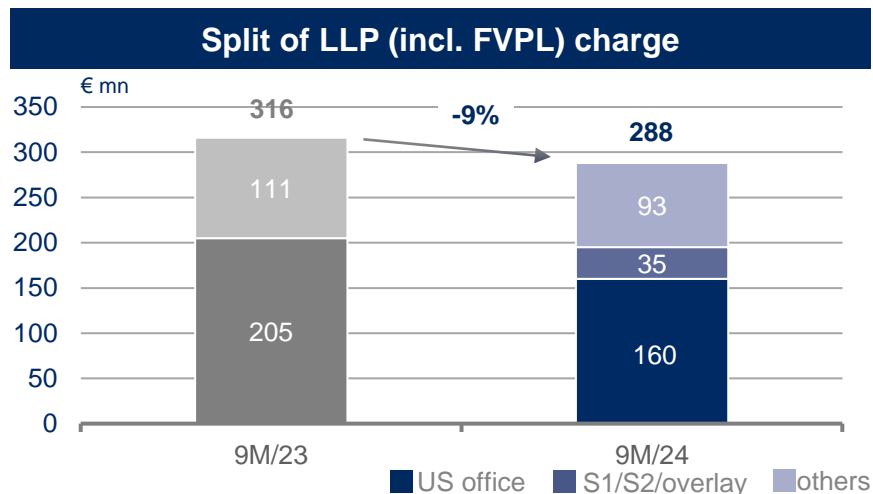
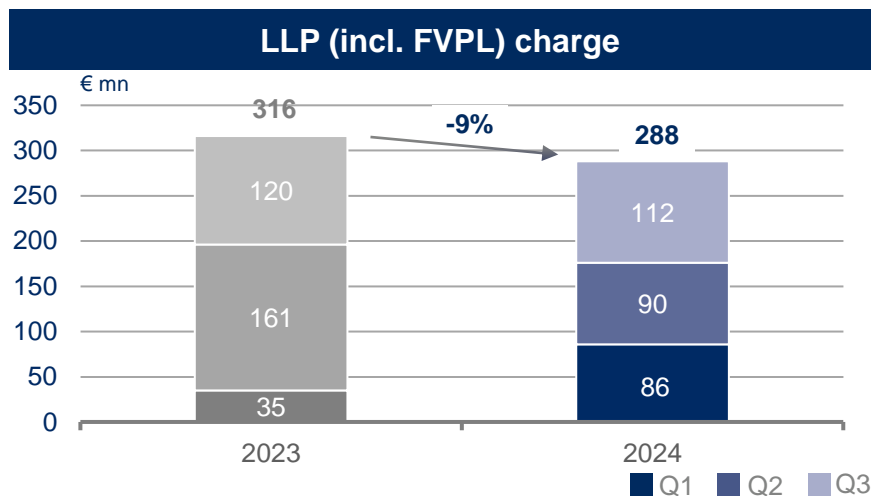
Largely stable

- Decrease in Q1 due to reduced bank levies offset by one-off effects in Q2
- Cost/income ratio (CIR)¹⁾ of 32% (9M/23: 31%) at benchmark leading level
- One-off charges for efficiency enhancement measures in Q4

1) Segment SPF & BDS excluding bank levy/deposit guarantee scheme

Financial Performance

LLP (incl. FVPL) charge down 9%



1) Excluding management overlay

LLP already down on last year but still at an elevated level

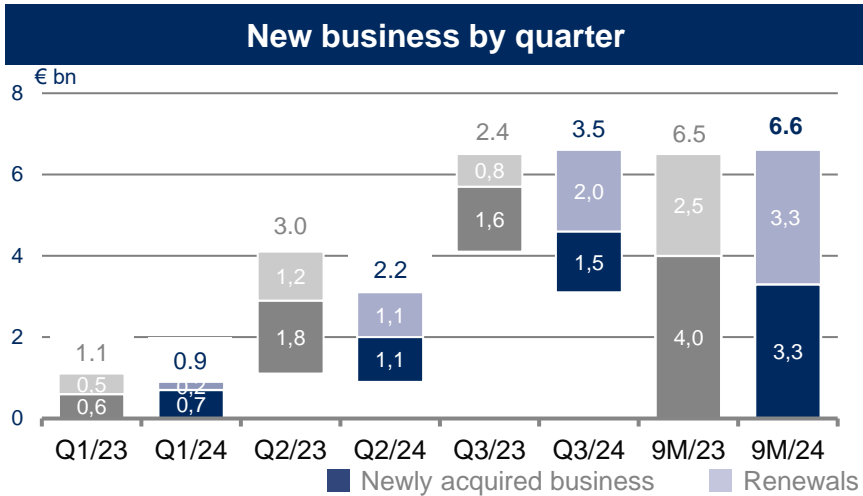
- Total LLP of € 288 mn (9M/23: € 316 mn) includes € 31 mn FVPL (9M/23: € 54 mn)
- 9M LLP reflects
 - Costs of active NPL management
 - € 35 mn net additions to management overlays (aggregated management overlays at € 60 mn)

Ongoing challenges in the US office market

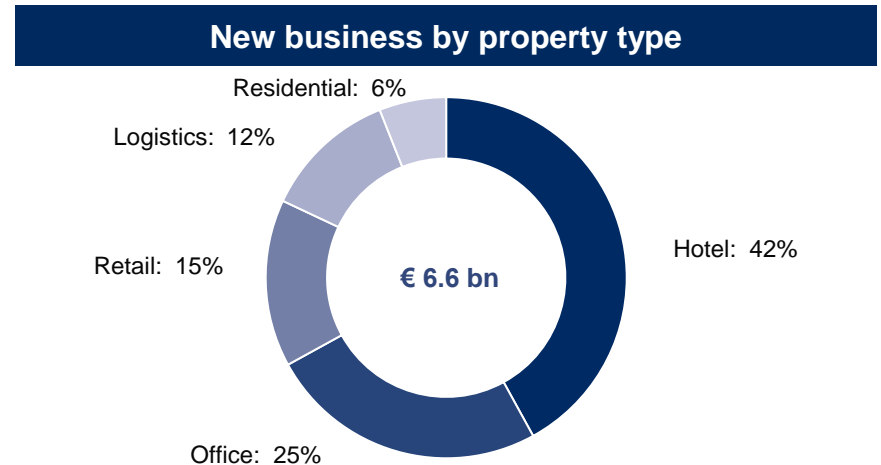
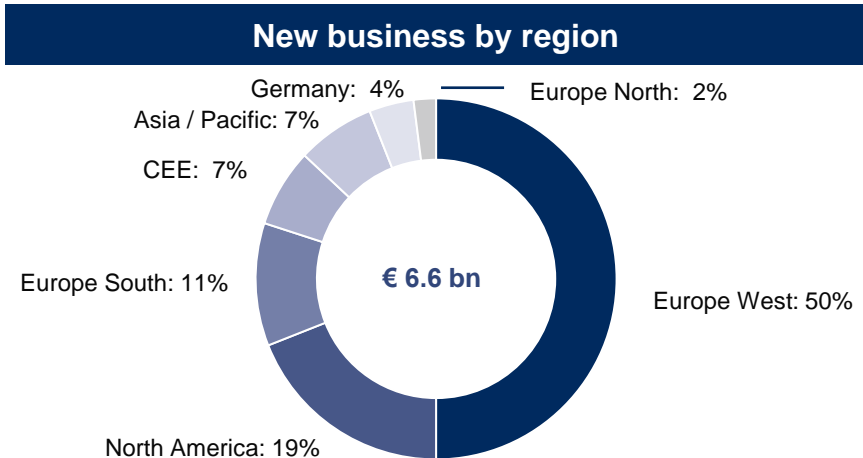
- US office charge represents 60% of total ytd charge (incl. management overlay)
- Rest of portfolio on normal level with risk costs of ~45 bps¹⁾

Structured Property Financing

Strong Q3 new business mainly driven by renewals



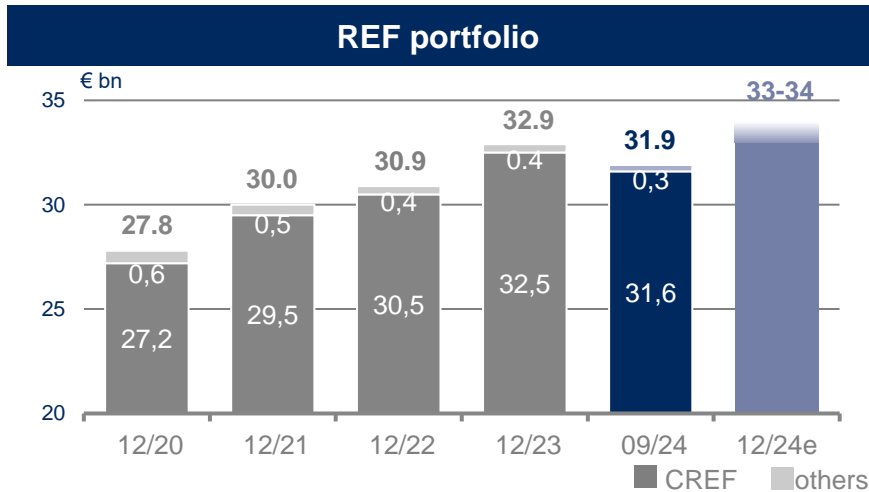
- Strong new business generation in Q3. Continuing low market transaction volume but existing clients renewing
- Mix has changed towards renewals
- Raising FY target to € 9-10 bn (from € 8-9 bn)
- Newly acquired business
 - Very conservative avg. LTV of 50% (2023: 54%)
 - Avg. margin of 280 bps (2023: 291 bps) above plan
 - Newly acquired office loans in Europe on average LTV of only 48%
 - Incl. € 1.6 bn green loans¹⁾, additional € 0.4 bn conversions



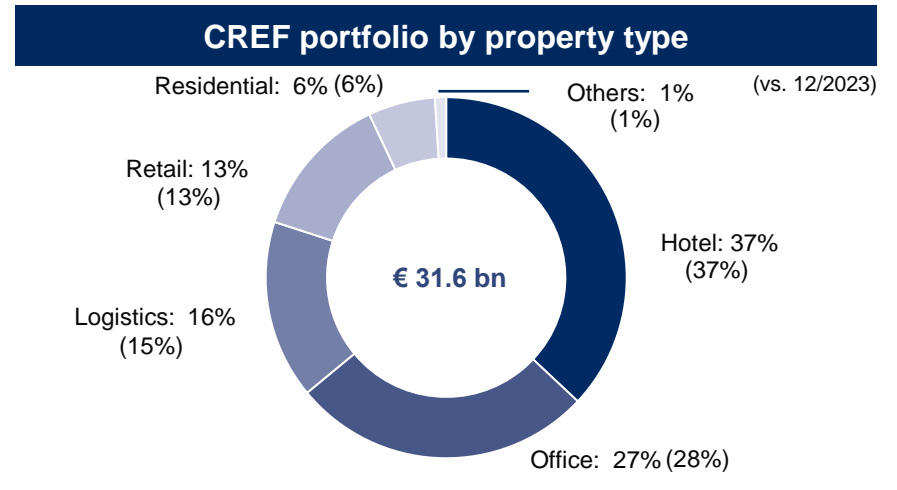
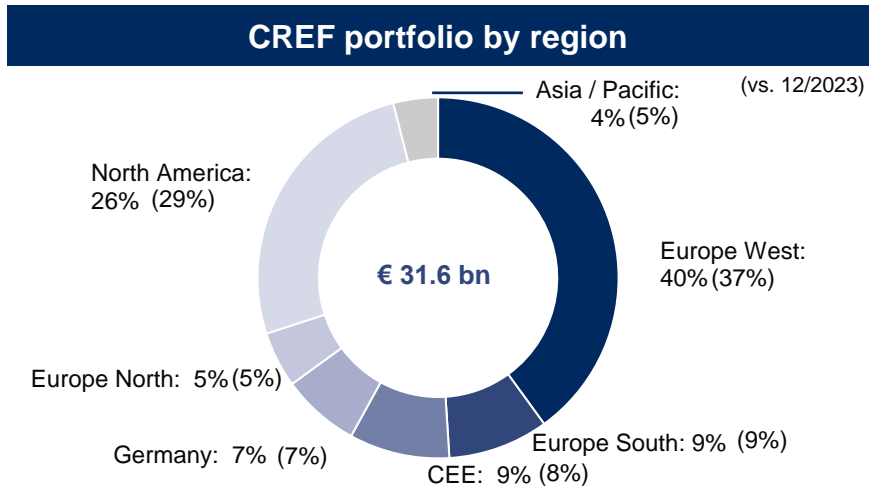
1) Governed by "Green Finance Framework"

Structured Property Financing

Confirming YE portfolio target of € 33-34 bn



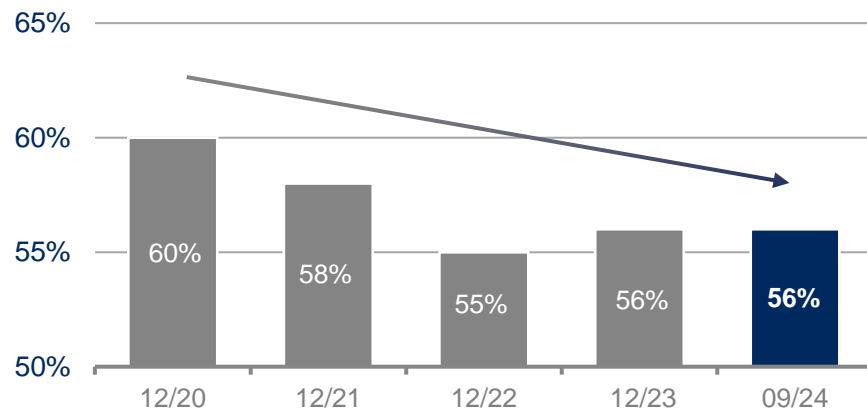
- Portfolio highly diversified by region and property type, primarily in major global metropolitan areas
 - No Signa loan exposure
 - Virtually no developments
 - Limited exposure in Germany (~7% of CREF portfolio)
 - No exposure to Russia, China, Middle East
- Financing of refurbishments to foster green transition
- Green loan volume of € 6.0 bn (12/23: € 4.8 bn)



Structured Property Financing

Asset quality improved by strict low-risk focus on new business

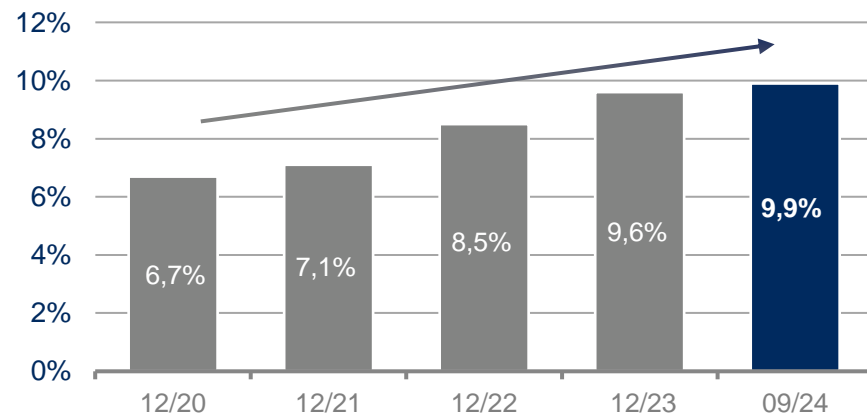
Performing portfolio loan-to-value (LTV)



Loan-to-value (LTV)¹⁾ by property type

%	12 '20	12 '21	12 '22	12 '23	09 '24
Hotel	62	60	56	54	53
Logistics	56	55	52	55	56
Office	58	58	57	62	63
Retail	61	59	56	58	56

Performing portfolio yield-on-debt (YoD)



Yield-on-debt (YoD)¹⁾ by property type

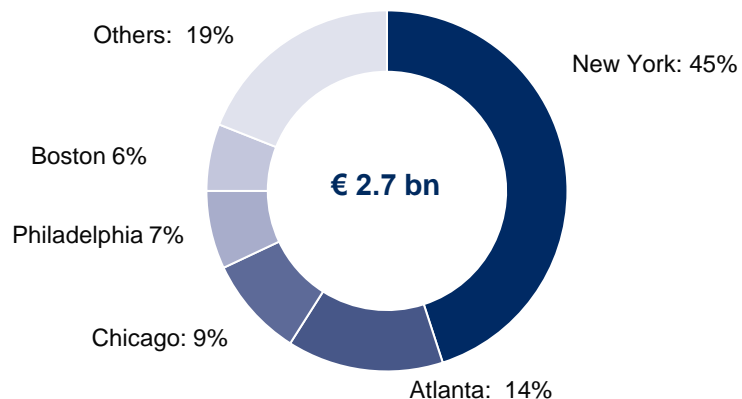
%	12 '20	12 '21	12 '22	12 '23	09 '24
Hotel	3.0	5.0	9.0	10.6	10.8
Logistics	9.2	8.7	9.0	9.3	10.0
Office	8.1	7.6	6.9	7.5	7.6
Retail	8.8	9.1	9.8	11.3	12.2

1) Including undrawn commitments, performing only

Structured Property Financing

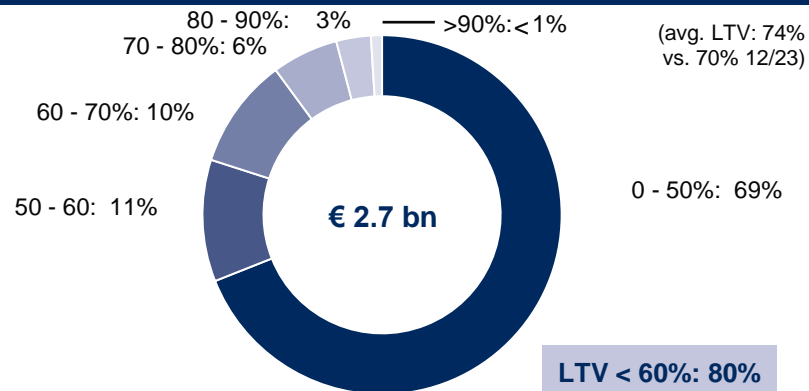
US office: Still challenging

Performing US office portfolio by top 5 cities



- No newly acquired business in 2024
- Concentrating on high quality class A properties in A markets
- New York represents ~45% of the US office portfolio, rest largely spread throughout major US cities

Performing US office portfolio by (layered) LTVs

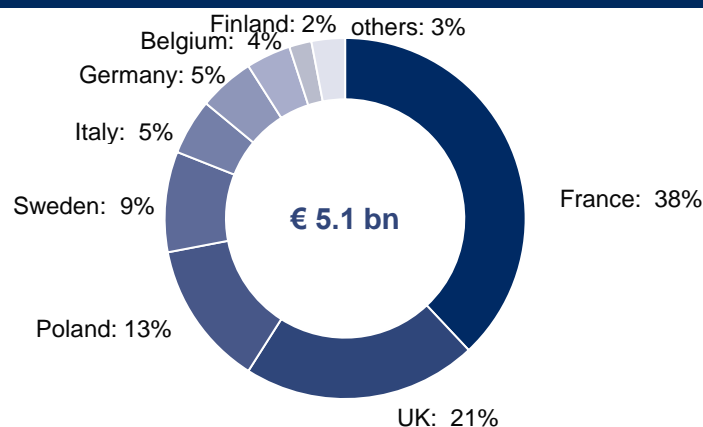


- Loans are being monitored closely on a regular basis
- 80% of portfolio has a (layered) LTV < 60%
 - (Layered) LTV 80 - 100%: 4% (€ ~100 mn)
 - (Layered) LTV above 100%: none

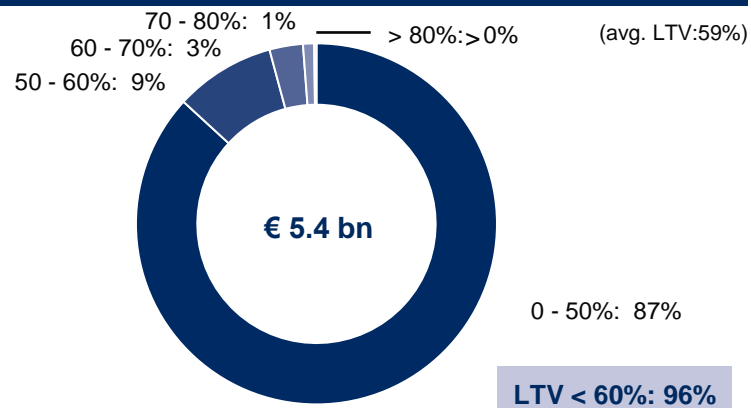
Structured Property Financing

European office portfolio performing well

European office portfolio¹⁾ by region



European office portfolio by (layered) LTVs²⁾



- No new office NPLs in Europe since 2022
- French office portfolio mainly in Paris
 - High share of planned refurbishments into green assets (~1/3 of total French office portfolio)
- UK portfolio mainly in London city centre, no Canary Wharf
- Structural differences European vs US office markets
 - Different interest rate environment
 - Lower vacancy rates in European markets
 - Longer investment horizons in Europe
 - Tighter interest rate hedges in Europe
 - Higher equity share / limited subordinated debt structures in Europe resulting in lower LTVs
 - Longer commuting time and larger homes in the US, European cities offer larger mix of attractive areas to live and work
 - Subleasing not common in Europe

Note: others including countries with a portfolio below € 100 mn

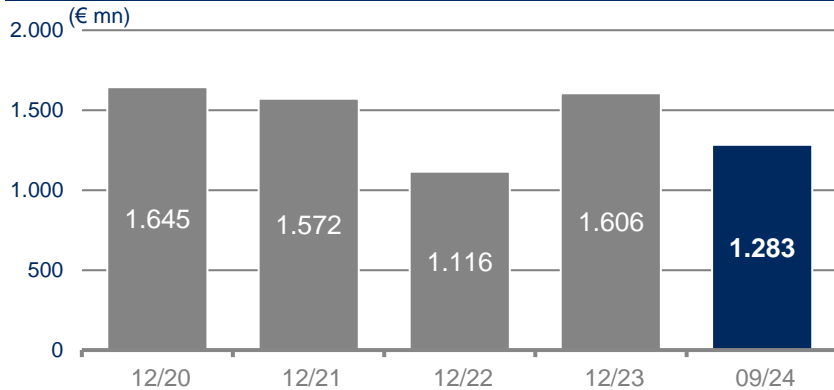
1) Excluding undrawn commitments

2) Including undrawn commitments

Structured Property Financing

NPLs further reduced by ongoing active management

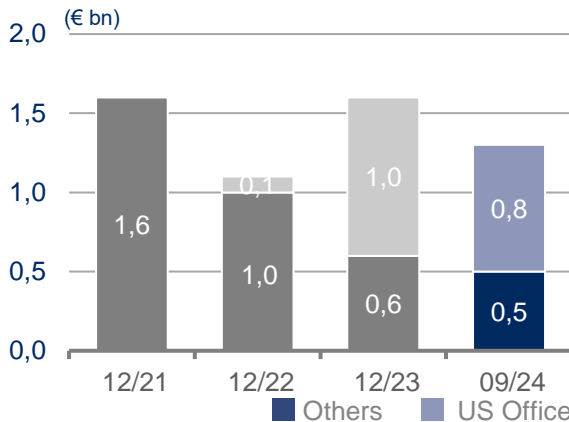
NPL development



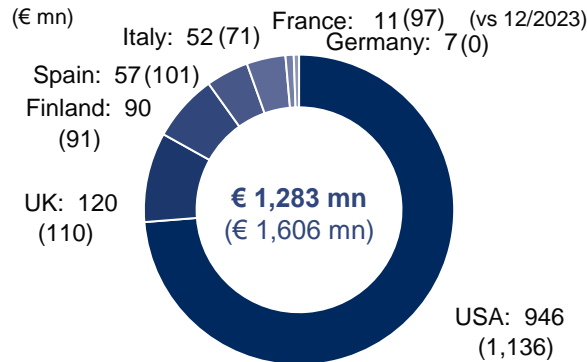
Ongoing active NPL management

- Resolution of already announced € ~300 mn without further P/L charge
- Up to € ~500 mn NPLs prepared for resolution
- Two exposures moved into NPL in Q3
- NPL-portfolio, outside US office, significantly reduced from € 1.6 bn in 12/21 to € 0.5 bn 09/24
- NPE ratio as of 09/24 acc. to EBA methodology¹⁾: 3.0% (12/23: 3.4%)
- Coverage ratio (incl. FVPL) of 30% (12/23: 24%)

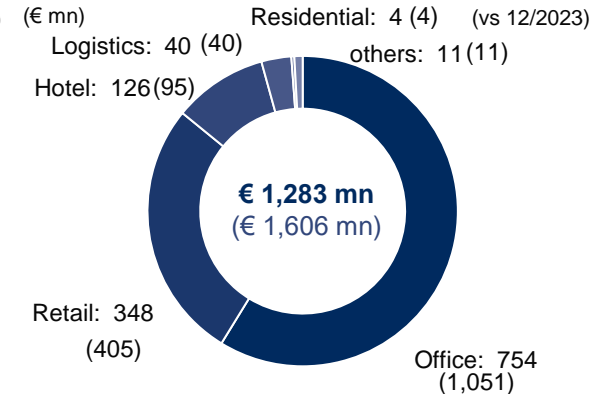
NPL split: US office vs others



NPLs by country



NPLs by property type

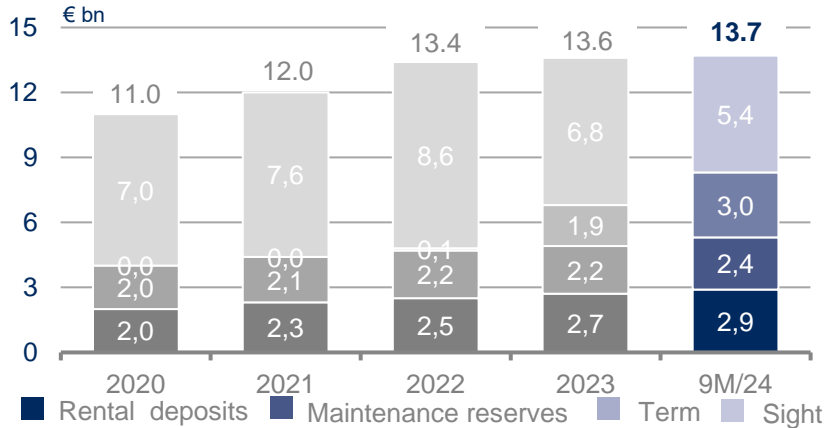


1) NPE ratio according to EBA Risk Dashboard definition

Banking & Digital Solutions

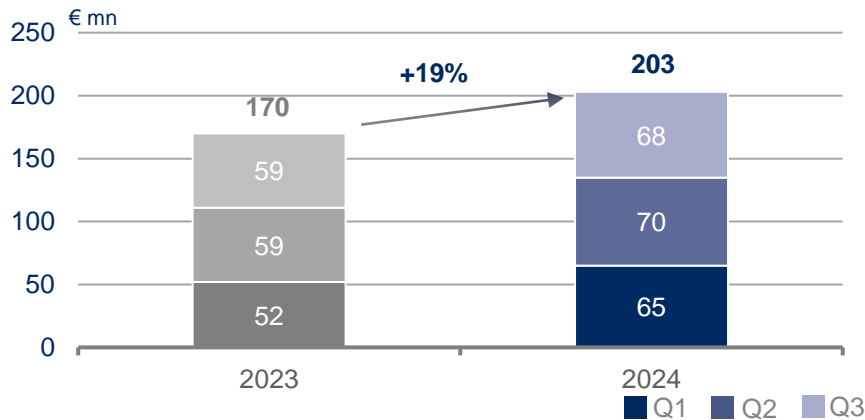
High deposit base stable

Average Housing Industry (BDS) deposits by type¹⁾

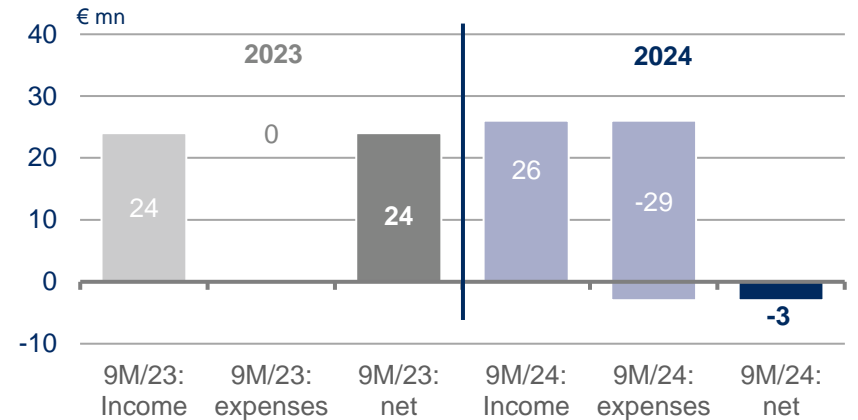


- Segment NII increased vs. 9M/23
 - Deposit volume above earlier expectations of € ~13 bn
 - Normalised interest rate environment
- Segment NCI decreased vs. 9M/23
 - Commission income (CI) increase offset by fees paid to First Financial Software (9M/24: € 29 mn)
 - First Financial Software already attracting new clients to secure and enhance deposits for the Bank

NII



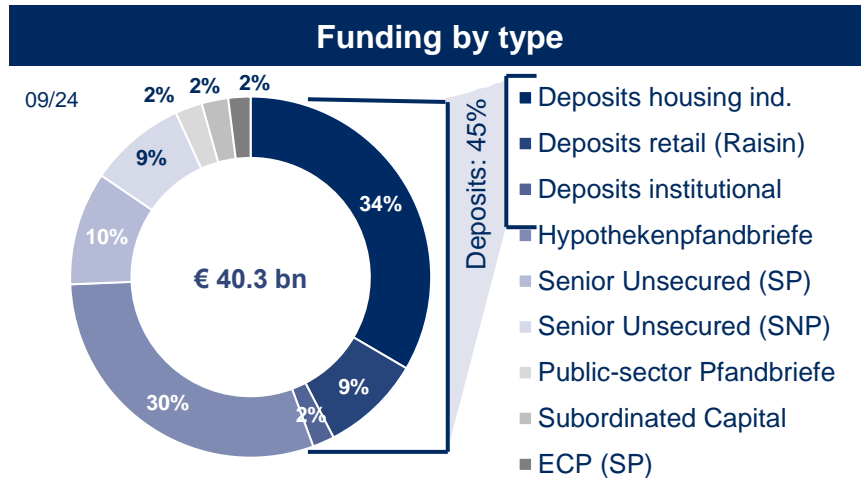
NCI



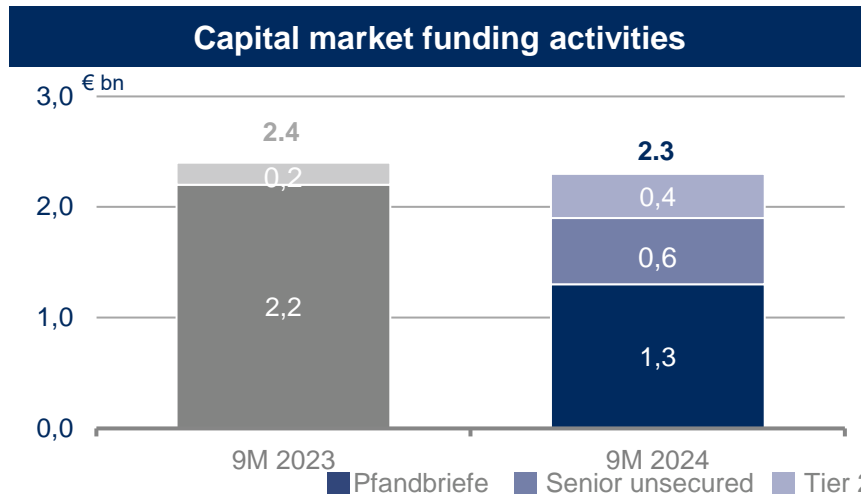
1) Average on annual / YtD-basis

Funding & Liquidity

Successfully diversified funding activities / 2024 funding plan fulfilled



- Solid liquidity ratios:
 - NSFR 122%¹⁾
 - LCR 250%²⁾
- Deposits from housing industry stable at € 13.7 bn³⁾
- € 3.6 bn retail term deposits through cooperation with Raisin, slightly above the target volume of € 3.5 bn (12/23: € 2.6 bn), ~97% with a maturity ≥ 2 years



- 2024 funding plan fulfilled
 - Tier 2 benchmark after absence from market in over a decade successfully placed
 - Inaugural green senior non-preferred benchmark, with strong performance in the secondary market
 - Three benchmark Pfandbriefe, thereof one in 10/24
- 2025 focus on
 - Pfandbrief benchmark issuance
 - Further deposit optimisation; no significant Senior unsecured needs
 - Additional funding and capital management activities depending on market conditions

1) As at 30.09.2024

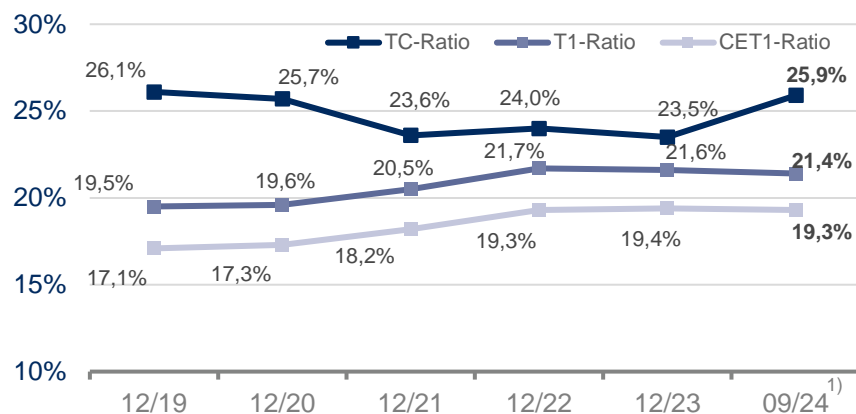
2) Q3 average

3) 9M average

Capital

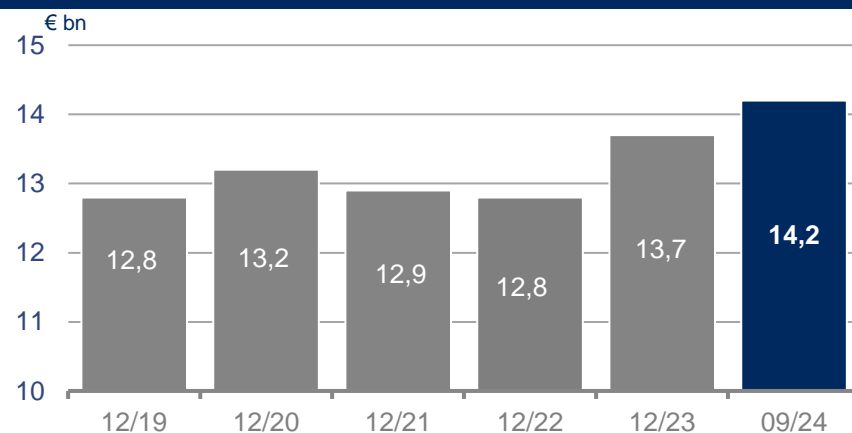
Solid capital ratios

B4 (phase in) capital ratios



- B4 CET1 (phase-in) remaining resilient at 19.3%
- B4 CET1 (fully phased) ratio at 15.2%¹⁾ (12/23: 13.4%). Strong increase in 9M/24 mainly resulting from first-time adoption of the SME factor within the B4 CRSA
- T1-Leverage ratio at 6.8%¹⁾ (12/23: 6.6%)

B4 (phase in) RWA²⁾³⁾



1) (Proforma) Ratios solely based on continuing operations according to IFRS 5. Capital ratios (phase-in) as at 30.9.24 acc. COREP stood at 16.9% (CET1), 18.9% (T1), 23.2% (TC)

2) Based on the European Commission's final version for implementation of Basel IV (CRR III) on the Regulation 2024/1623 of 31 May 2024

3) B4 (phase-in) capital ratios are based on RWA calculation taking the higher-of RWAs from Advanced Internal Rating Based Approach (A-IRBA) and B4 Revised Credit Risk Standard Approach (CRSA@50% output floor)

Outlook 2024

Confirming operating profit target range

	METRIC	2023	OUTLOOK 2024	
Bank	Structured Property Financing	<ul style="list-style-type: none"> REF Portfolio New business 	€ 32.9 bn € 10.0 bn	€ 33 - 34 bn ¹⁾ € 9-10 bn
	Banking & Digital Solutions	<ul style="list-style-type: none"> Deposit volume 	€ ~13.6 bn	€ >13 bn
	Operating profit (EBT)		€ 221 mn	€ 250-300 mn

Aareon	Net capital gain from sale of approx. € ~2 bn
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	OUTLOOK 2024
Group net income	€ ~2.2 bn



Confirming operating profit target range based on a strong operating performance after expected one-off charges for efficiency enhancement measures in Q4

1) Subject to FX development

Key takeaways



Aareal Bank has a strong balance sheet and industry leading capital ratios



Diversified business model with two high-performance segments – high-yielding and resilient



Good progress in resolving problematic US office loans; others performing normally



Investing in efficiency and future viability



Well positioned to generate further profitable growth

Appendix

Aareal Bank Group

Results 9M 2024¹⁾

€ mn	01.01.- 30.09.2024	01.01.- 30.09.2023	Change
Net income from continuing operations			
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%
Operating profit from continuing operations	261	220	19%
Income taxes	76	66	15%
Consolidated net income from continuing operations	185	154	20%
Net income from discontinued operations	-161	-50	222%
Consolidated net income	24	104	-77%
Consolidated net income attributable to non-controlling interests	-37	-13	185%
Consolidated net income attributable to shareholders of Aareal Bank AG	61	117	-48%

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

Aareal Bank Group

Results 9M 2024 by segments¹⁾

	Structured Property Financing		Banking & Digital Solutions		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-	01.01.-
	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.	30.09.
	2024	2023	2024	2023	2024	2023	2024	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
Operating profit from continuing operations	136	100	125	120	0	0	261	220
Income taxes	36	28	40	38			76	66
Consolidated net income from continuing operations	100	72	85	82	0	0	185	154
Net income from discontinued operations					-161	-50	-161	-50
Consolidated net income	100	72	85	82	-161	-50	24	104
Allocation of results								
Cons. net income attributable to non-controlling interests	0	0	0	0	-37	-13	-37	-13
Cons. net income attributable to shareholders of Aareal Bank AG	100	72	85	82	-124	-37	61	117

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

Aareal Bank Group

Results¹⁾ - quarter by quarter

	Structured Property Financing					Banking & Digital Solutions					Consolidation / Reconciliation					Aareal Bank Group				
	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3	Q3	Q2	Q1	Q4	Q3
	2024		2023			2024		2023			2024		2023			2024		2023		
€ mn																				
Net interest income	194	192	203	212	199	68	70	65	68	59	0	0	0	0	0	262	262	268	280	258
Loss allowance	94	80	83	179	102	0	0	0	0	0	0	0				94	80	83	179	102
Net commission income	1	2	-1	0	5	0	-2	-1	9	8	0	0	0	0	0	1	0	-2	9	6
Net derecognition gain or loss	10	6	3	5	6											10	6	3	5	6
Net gain / loss from fin. instruments (fvpl)	-22	-11	-17	-13	-17	0	0	-1	0	0						-22	-11	-18	-13	-17
Net gain or loss from hedge accounting	-6	0	8	3	-2											-6	0	8	3	-2
Net gain / loss from investments acc. for using the equity method				1						2									1	2
Administrative expenses	48	72	60	58	53	25	24	24	35	23	0	0				73	96	84	89	76
Net other operating income / expenses	2	9	0	-11	0	0	0	-1	-1	0	0	0	0	0	0	2	9	-1	-12	0
Operating profit from continuing operations	37	46	53	-40	36	43	44	38	41	46	0	0	0	0	0	80	90	91	1	82
Income taxes	9	15	12	16	0	14	14	12	12	15						23	29	24	28	18
Consolidated net income from continuing operations	28	31	41	-56	33	29	30	26	29	31	0	0	0	0	0	57	61	67	-27	64
Net income from discontinued operations											-25	-142	6	-29	-18	-25	-142	6	-29	-18
Consolidated net income	28	31	41	-56	33	29	30	26	29	31	-25	-142	6	-29	-18	32	-81	73	-56	46
Cons. net income attributable to non-controlling interests	0	0	0	-1	0	0	0	0	0	0	-7	-32	2	-9	-4	-7	-32	2	-10	-4
Cons. net income attributable to ARL shareholders	28	31	41	-55	33	29	30	26	29	31	-18	-110	4	-20	-14	39	-49	71	-46	50

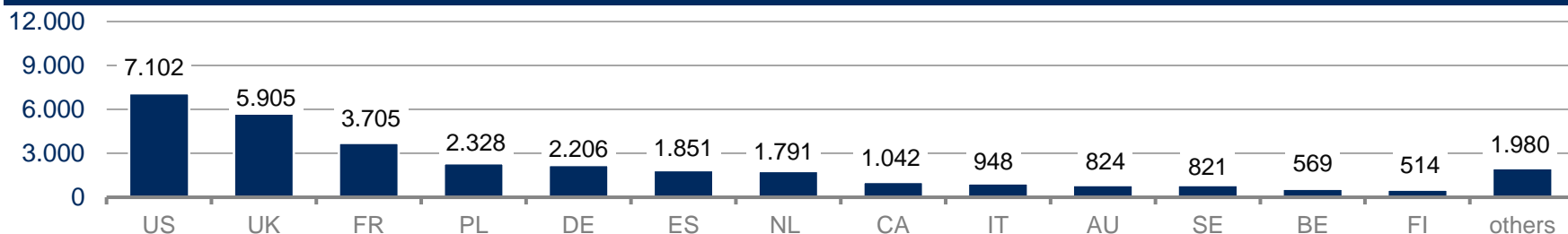
1) Presentation in line with the structure prescribed by IFRS 5

Segment SPF: CREF portfolio by country

€ 31.6 bn well diversified

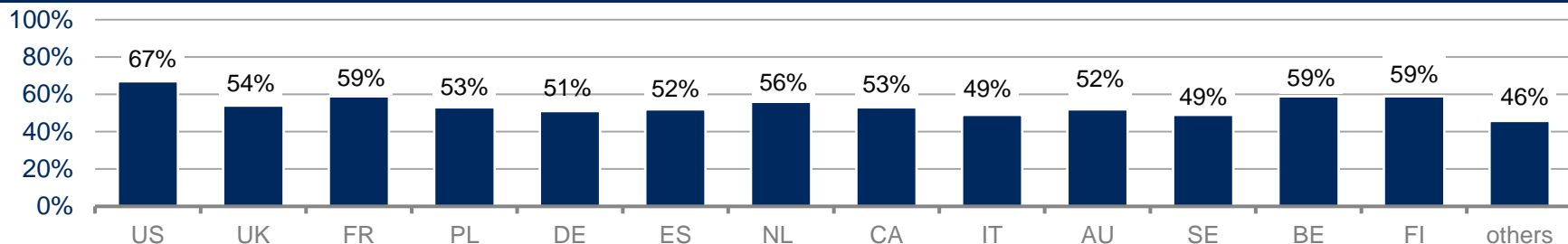
CREF portfolio (€ mn)

€ 31.6 bn (12/2023: € 32.5 bn)



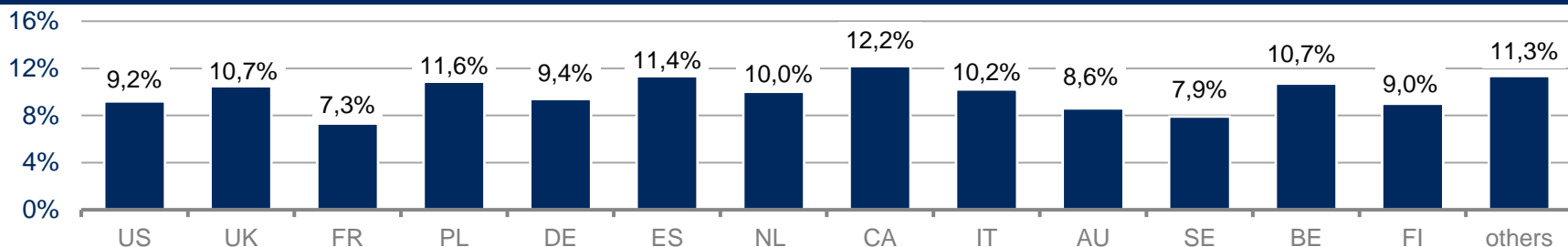
LTV¹⁾

Ø LTV: 56% (12/2023: 56%)



YoD¹⁾

Ø YoD: 9.9% (12/2023: 9.6%)

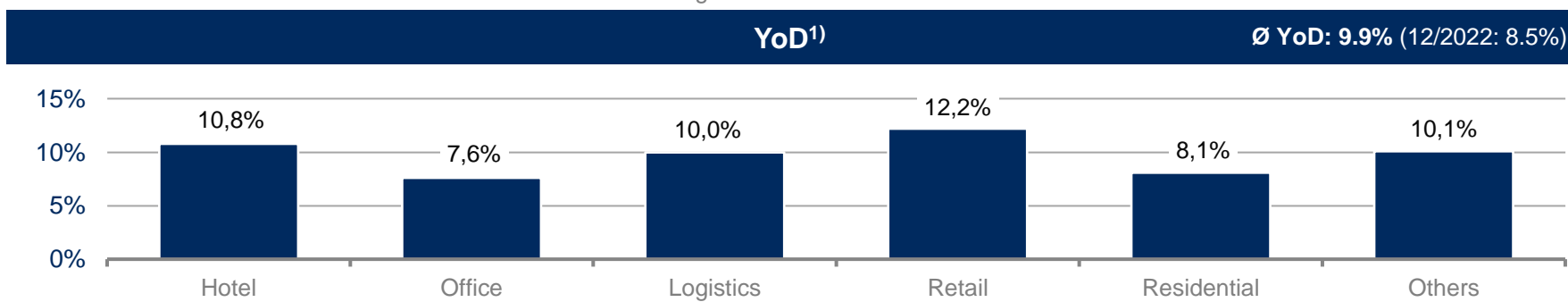
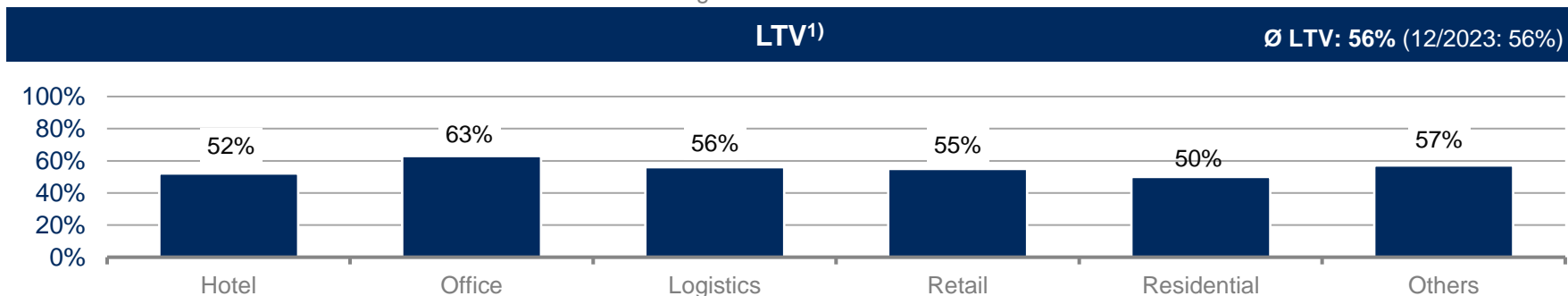
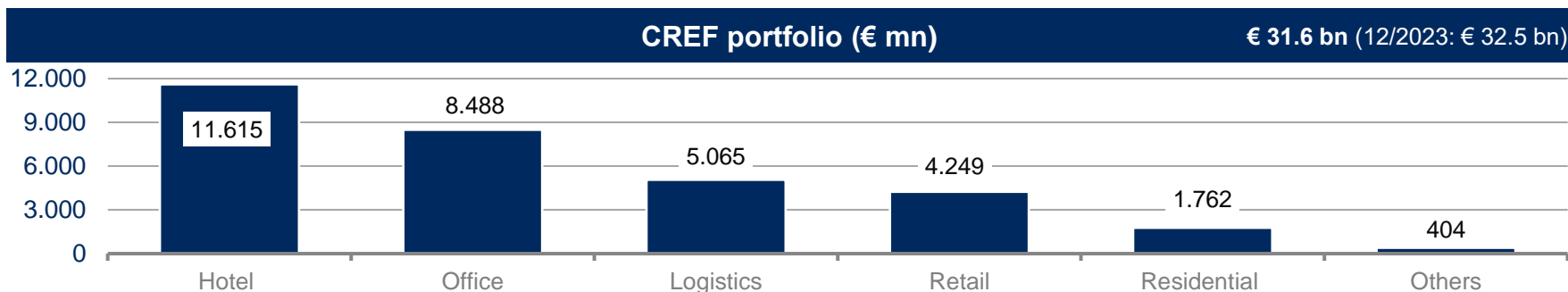


Note: others, including countries with a portfolio below € 500 mn

1) Including undrawn commitments, performing only

Segment SPF: CREF portfolio by property types

€ 31.6 bn well diversified



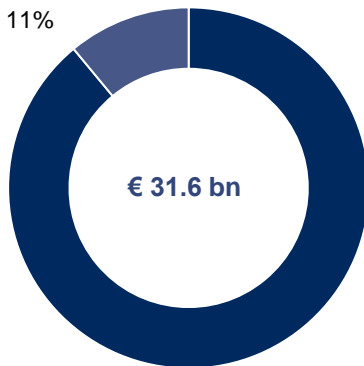
1) Including undrawn commitments, performing only

Structured Property Financing

Ongoing challenges in the US market, rest of the portfolio performing well

CREF portfolio

US office: 11%

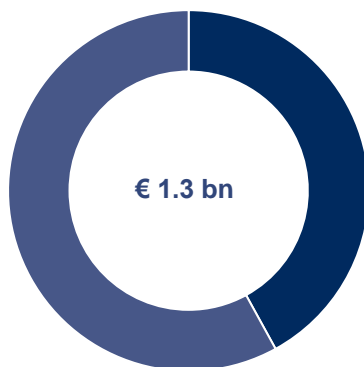


others: 89%

- US office portfolio (€ 3.4 bn)
 - 11% of total CREF portfolio
 - € ~2.7 bn performing
 - € ~750 mn are non performing
- Rest of portfolio (€ 28.2 bn)
 - 89% of total CREF portfolio
 - € 27.7 bn performing
 - € ~0.5 bn non performing, NPL ratio below 2%
 - Risk costs at normal level of ~45 bps¹⁾

NPLs as of 30.9.24

US office: 58%



others: 42%

9M/24 LLP charges (incl. FVPL)

US office: 60%

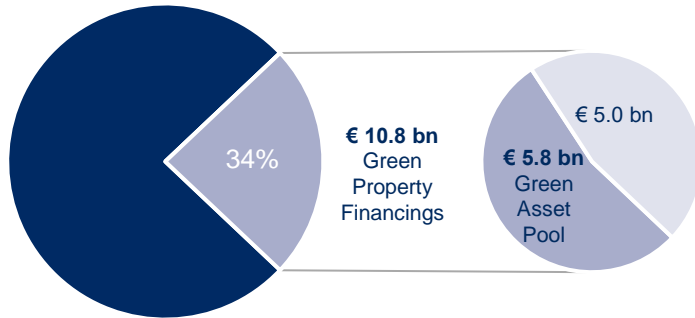


others: 40%

1) Excluding management overlay

34% of CREF portfolio classified as Green Property Financings

CREF¹⁾ portfolio

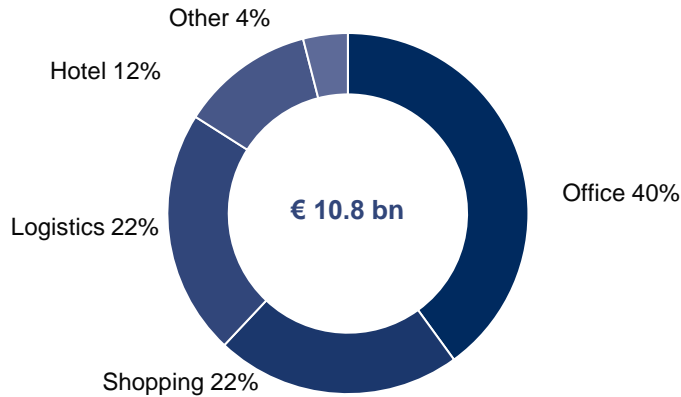


■ CREF portfolio ■ Included in green asset pool ■ Not (yet) included

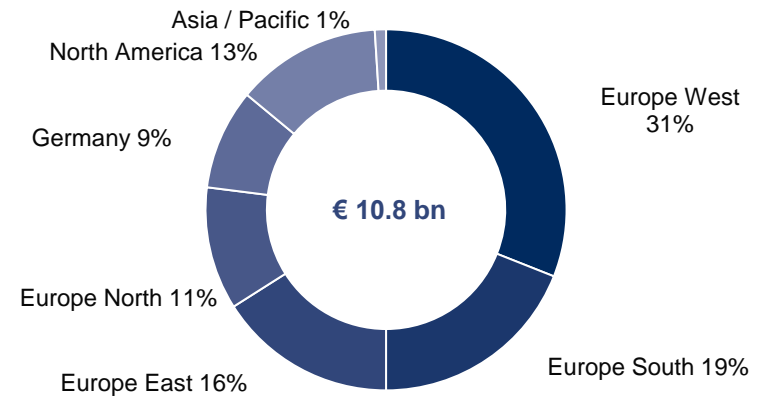
€ 10.8 bn¹⁾ or 34% of total CREF portfolio fulfilling Aareal's Green Finance Framework and are classified as "Green Property Financings", thereof

- € 5.8 bn included in green asset pool for underlying of Green bond issues
- € 5.0 bn green property financings not (yet) included

Green Property Financings²⁾ by property type



Green Property Financings²⁾ by region



1) CREF excluding business not directly collateralized by properties
Portfolio data as at 30.09.2024 – ESG Data as at 30.09.2024

2) Valid certificate is documented

Definitions

New Business	$\text{New business} = \text{Newly acquired business} + \text{renewals}$
Common Equity Tier 1 ratio	$\frac{\text{CET 1}}{\text{Risk weighted assets}}$
CIR	$\frac{\text{Admin expenses (excl. bank levy, et al.)}}{\text{Net income}}$
Net income	$\text{Net interest income} + \text{Net commission income} + \text{Net derecognition gain or loss} + \text{Net gain or loss from financial instruments (fvpl)} + \text{Net gain or loss on hedge accounting} + \text{Net gain or loss from investments accounted for using the equity method} + \text{Net other operating income / expense}$
Net stable funding ratio	$\frac{\text{Available stable funding}}{\text{Required stable funding}}$
Liquidity coverage ratio	$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$
Earnings per share	$\frac{\text{operating profit} \cdot / \cdot \text{income taxes} \cdot / \cdot \text{income/loss attributable to non controlling interests} \cdot / \cdot \text{AT1 coupon}}{\text{Number of ordinary shares}}$
Yield on Debt	$\frac{\text{NOI} \times 100 \text{ (Net operating income, 12-months forward looking)}}{\text{Outstanding incl. prior/pari-passu loans (without developments)}}$
CREF-portfolio	Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
REF-portfolio	Real estate finance portfolio incl. private client business and WIB's public sector loans
Exposure (performing)	Maximum [actual commitment (performing) or Outstanding (performing)]

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