

# **Aareal Bank Group – Interim Financial Information**

1 January to  
30 September 2024

# Key Indicators

	1 Jan – 30 Sep 2024	1 Jan – 30 Sep 2023		30 Sep 2024	31 Dec 2023
<b>Results</b>			<b>Moody's</b>		
Operating profit from continuing operations (€ mn)	261	220	Issuer rating	Baa1	A3
Consolidated net income from continuing operations (€ mn)	185	154	Senior Preferred	Baa1	A3
Consolidated net income (€ mn)	24	104	Senior Non-Preferred	Baa3	Baa2
Consolidated net income allocated to ordinary shareholders (€ mn) <sup>1)</sup>	37	96	Bank deposit rating	Baa1	A3
Cost/income ratio (%) <sup>2)</sup>	32.1	30.9	Outlook	stable	negative
Earnings per ordinary share from continuing operations (€) <sup>1)3)</sup>	2.68	2.21	Mortgage Pfandbrief Rating	Aaa	Aaa
RoE before taxes from continuing operations (%) <sup>1)4)</sup>	10.9	9.1	<b>Fitch Ratings<sup>7)</sup></b>		
RoE after taxes from continuing operations (%) <sup>1)4)</sup>	7.4	6.0	Issuer default rating	BBB	BBB
			Senior Preferred	BBB+	BBB+
			Senior Non-Preferred	BBB	BBB
			Deposit ratings	BBB+	BBB+
			Outlook	stable	stable
			<b>ESG Ratings<sup>8)</sup></b>		
			MSCI	AA	AA
			ISS-ESG	prime (C)	prime (C)
			CDP	Management Level B	Management Level 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 profits for 2023 are to be paid out 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, by way of 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

<sup>7)</sup> The ratings as at 31 December 2023 incorporate the most recent rating action on 14 February 2024.

<sup>8)</sup> Please refer to our website (<https://www.aareal-bank.com/en/responsibility/reporting-on-our-progress/>) for more details.

This report contains rounded numbers, which may result in slight differences when aggregating figures and calculating percentages.

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## Business Development

### Key Events and Transactions

Aareal Bank Group maintained its strong earnings performance in the third quarter of the 2024 financial year. The Group is in a strong position for achieving the target range of between € 250 million and € 300 million that it set for operating profit from continuing operations. Given the headwinds on the US property market, loss allowance is set to remain at an elevated level. Following the successful sale of Aareon (which was closed on 1 October 2024), the Group expects consolidated net income of approximately € 2.2 billion. We refer to our comments in the Report on Changed Forecasts.

The environment remains challenging, especially in the US office property market, and the impact of geopolitical crises and macro-economic uncertainty remains difficult to gauge.

Our business has performed well in both of our segments.

In the face of volatile markets and low transaction volumes, the Bank adopted a selective stance towards new business in the Structured Property Financing segment during the third quarter of 2024. Nonetheless, we are maintaining our year-end targets for portfolio size and expect new business volume of € 9 billion to € 10 billion on this basis (original range: € 8 to € 9 billion). Successful funding activities and a high average deposit volume of € 13.7 billion in the Banking & Digital Solutions segment provide support.

### Report on the Economic Position

#### Financial Performance

##### Consolidated net income of Aareal Bank Group

€ mn	1 Jan - 30 Sep 2024	1 Jan - 30 Sep 2023
<b>Net income from continuing operations</b>		
Net interest income	792	734
Loss allowance	257	262
Net commission income	-1	30
Net derecognition gain or loss	19	18
Net gain or loss from financial instruments (fvpl)	-51	-58
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
Net other operating income/expenses	10	6
<b>Operating profit from continuing operations</b>	<b>261</b>	<b>220</b>
Income taxes	76	66
<b>Consolidated net income from continuing operations</b>	<b>185</b>	<b>154</b>
Net income from discontinued operations	-161	-50
<b>Consolidated net income</b>	<b>24</b>	<b>104</b>
Consolidated net income attributable to non-controlling interests	-37	-13
Consolidated net income attributable to shareholders of Aareal Bank AG	61	117

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Following the agreement (announced in June 2024) to sell the Aareon software subsidiary, Aareal Bank Group continues to report business results separately. Aareon is reported as a discontinued operation until the closing date on 1 October 2024. The banking business (Structured Property Finance and Banking & Digital Solutions) is 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 from continuing operations for the first nine months of the 2024 financial year was € 261 million. This clearly exceeds the previous year's figure and can be attributed to strong income.

Net interest income of € 792 million was well above the previous year's figure of € 734 million. This reflected the year-to-date increase in the average credit portfolio size together with solid margins and normalised interest rate levels, and also the continued high volume of deposits from the housing industry.

Loss allowance of € 257 million (9m 2023: € 262 million) was largely attributable to individual new loan defaults of US office properties plus expenses of € 35 million for additions to the management overlay that was established in the previous year.

Commission income in the Banking & Digital Solutions segment remained largely stable. However, this was offset by both new and increased commission expenses incurred in connection with the strategic partnership with Aareon and First Financial Software GmbH since 1 January 2024. This reduced net commission income to € -1 million (9m 2023: € 30 million).

Net derecognition gain of € 19 million (9m 2023: € 18 million) was largely attributable to positive market-induced effects from early loan repayments. The prior-year figure was also influenced by effects from early loan repayments, and by income from the Treasury portfolio.

The net gain or loss from financial instruments (fvpl) and from hedge accounting totalled € -49 million (9m 2023: € -60 million). This was due to negative valuation effects from credit risk-induced valuation losses on property loans, especially in the US. Due to strong market dynamics, negative valuation effects from market developments for currency and interest rate hedging derivatives also played a role. Negative valuation effects from credit risk-induced valuation losses on property loans had been the only material factor impacting the previous year's figure.

Administrative expenses were largely stable at € 253 million (9m 2023: € 248 million). The cost/income ratio in the banking business for the first nine months of the year was 32.1 %, an encouragingly low level even by international standards. As is customary in the banking sector, the ratio excludes the bank levy and contributions to the deposit guarantee scheme.

Net other operating income/expenses rose to € 10 million (9m 2023: € 6 million) thanks to higher income from properties in the Group's portfolio. As in the previous year, the net figure includes reversals of provisions.

Overall, operating profit from continuing operations amounted to € 261 million (9m 2023: € 220 million). Taxes totalled € 76 million (9m 2023: € 66 million).

Net income from discontinued operations after taxes of € -161 million (9m 2023: € -50 million) includes Aareon's profit as well as transaction-related expenses totalling around € 175 million from the Aareon sale. The disposal gain after transaction-related expenses will be approximately € 2 billion and will be recognised in the fourth quarter.

Consolidated net income for the first nine months of the 2024 financial year amounts to € 24 million (9m 2023: € 104 million). Factoring in non-controlling interest income of € -37 million (9m 2023: € -13 million), consolidated net income attributable to shareholders of Aareal Bank AG amounted to € 61 million (9m 2023: € 117 million). RoE after taxes from continuing operations was 7.4 % (9m 2023: 6.0 %).

## Financial Position – Assets

€ mn	30 Sep 2024	31 Dec 2023
<b>Assets</b>		
<b>Financial assets (ac)</b>	<b>38,228</b>	<b>39,181</b>
Cash funds (ac)	2,351	977
Loan receivables (ac)	31,132	32,219
Money market and capital market receivables (ac)	4,663	5,868
Receivables from other transactions (ac)	82	117
Loss allowance (ac)	-390	-428
<b>Financial assets (fvoci)</b>	<b>4,857</b>	<b>4,403</b>
Money market and capital market receivables (fvoci)	4,855	4,401
Equity instruments (fvoci)	2	2
<b>Financial assets (fvpl)</b>	<b>1,710</b>	<b>1,799</b>
Loan receivables (fvpl)	405	255
Money market and capital market receivables (fvpl)	5	6
Positive market value of designated hedging derivatives (fvpl)	729	831
Positive market value of other derivatives (fvpl)	571	707
Non-current assets held for sale	1,254	215
Investments accounted for using the equity method	9	8
Intangible assets	44	720
Property and equipment	78	119
Income tax assets	33	52
Deferred tax assets	226	222
Other assets	578	542
<b>Total</b>	<b>46,627</b>	<b>46,833</b>

At € 46.6 billion, Aareal Bank Group's consolidated total assets were virtually unchanged compared with the previous year-end. The volume of the Group's property financing portfolio declined slightly to € 31.9 billion (31 December 2023: € 32.9 billion). In the face of volatile markets and lower transaction volumes, the Bank maintained a selective stance in originating new business. This totalled € 6.6 billion during the period under review (9m 2023: € 6.5 billion), including around € 1.6 billion in green financings<sup>1)</sup>. The portfolio of green financings rose by € 1.2 billion to around € 6.0 billion (31 December 2023: € 4.8 billion). It should be noted that changes to the portfolio volume can also result from existing clients issuing the required undertaking and related certificates for the first time, or from other financings losing their status as green instruments.

Non-current assets held for sale as at 30 September 2024 are largely attributable to the discontinued operation Aareon and also to our hotel operations in Italy.

<sup>1)</sup> Green financings meet the high energy efficiency requirements of the Aareal Green Finance Framework and the client undertakes to meet these requirements throughout the term of the loan.

## Financial Position – Equity and Liabilities

€ mn	30 Sep 2024	31 Dec 2023
<b>Equity and liabilities</b>		
<b>Financial liabilities (ac)</b>	<b>39,686</b>	<b>40,350</b>
Money market and capital market liabilities (ac)	26,421	26,675
Deposits from the housing industry (ac)	12,530	12,669
Liabilities from other transactions (ac)	61	649
Subordinated liabilities (ac)	674	357
<b>Financial liabilities (fvpl)</b>	<b>2,253</b>	<b>2,683</b>
Negative market value of designated hedging derivatives (fvpl)	1,083	1,321
Negative market value of other derivatives (fvpl)	1,170	1,362
Non-current assets held for sale	1,110	7
Provisions	146	215
Income tax liabilities	81	126
Deferred tax liabilities	10	46
Other liabilities	39	106
<b>Equity</b>	<b>3,302</b>	<b>3,300</b>
Subscribed capital	180	180
Capital reserves	721	721
Retained earnings	2,151	2,128
AT1 bond	300	300
Other reserves	-119	-134
Non-controlling interests	69	105
<b>Total</b>	<b>46,627</b>	<b>46,833</b>

At € 46.6 billion, Aareal Bank Group's consolidated total equity and liabilities were virtually unchanged compared with the previous year-end. Deposit volumes from the housing industry remained high, averaging € 13.7 billion in the first nine months of 2024 (9m 2023: € 13.5 billion).

Aareal Bank Group successfully raised € 2.3 billion on the capital markets during the first nine months of 2024. Specifically, this included two benchmark Pfandbrief issues of € 500 million each, a € 125 million increase in an outstanding benchmark Pfandbrief, a € 400 million benchmark Tier 2 issue plus Aareal Bank's € 500 million debut senior non-preferred benchmark issue, which was issued in green format. An additional € 200 million was issued via private placements.

## Report on Changed Forecasts

Thanks to the strong results posted for the first nine months of the 2024 financial year, Aareal Bank Group is very well on track to meet the targets for operating profit from continuing operations it communicated to be in a range between € 250 million and € 300 million (2023: € 221 million) for the Bank and for RoE after taxes from continuing operations.

Consolidated net income is expected to rise significantly to around € 2.2 billion as a result of the Aareon sale. This includes a gain from the disposal that is likely to be in the region of € 2 billion after transaction-related expenses.

We expect the environment in the US property market to remain challenging throughout 2024, meaning that loss allowance levels are likely to remain elevated in the current financial year. The effects of geopolitical and macro-economic uncertainty remain difficult to gauge.

In the Structured Property Financing segment, Aareal Bank plans to achieve a portfolio size of between around € 33 billion and € 34 billion by the end of the year, subject to market conditions and any exchange rate fluctuations. Aareal Bank projects new business volume of now € 9 billion to € 10 billion (original range: € 8 billion to € 9 billion) on this basis.

For the Banking & Digital Solutions segment, Aareal Bank is assuming that the average volume of deposits from the housing industry will remain above € 13 billion.

## Segment Results <sup>1)</sup>

	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/loss 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 both 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.



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## Events after the Reporting Date

Aareon was sold on 1 October 2024 following the required supervisory approval. The proceeds from the disposal will generate significant income at Group level in the fourth quarter.

Aareal Bank plans an efficiency enhancement programme involving expenses, which will be recognised in the fourth quarter of 2024.

The squeeze-out under company law that was put to a vote and agreed to at the ordinary Annual General Meeting in early May 2024 was completed. Atlantic BidCo GmbH has therefore been the sole majority shareholder of Aareal Bank AG since 25 October 2024, holding a stake of 100%.

There were no other material events after the reporting period which would have to be reported here.

# Financial Calendar

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6 March 2025	Results for the 2024 financial year
27 March 2025	Publication of annual report as at 31 December 2024
15 May 2025	Publication of results as at 31 March 2025
7 August 2025	Publication of results as at 30 June 2025
13 November 2025	Publication of results as at 30 September 2025

## Imprint

**Contents:**

Aareal Bank AG, Group Communications

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This report is also available in German language.  
The German version shall be authoritative.



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