



Press Call

H1 2024 results

August 08, 2024

Dr Christian Ricken (CEO)
Marc Hess (CFO)
Christof Winkelmann (CMO)

Aareal
YOUR COMPETITIVE ADVANTAGE.

Sale of Aareon

Key facts

Aareal Bank and Advent International have entered into an agreement to sell Aareon to TPG and CDPQ. Closing expected in H2 2024, subject to customary closing conditions and approvals

Financial terms of the sale based on an enterprise value for Aareon of € ~3.9 bn, value Aareal Bank's equity position in Aareon at € ~2.1 bn

Aareal Bank Group's overall gain on sale, net of transaction related costs, amounts to € ~2 bn. Most transaction related costs of € ~150 mn have already been booked in Q2 and the balance will be booked on closing in H2

Until closing, commencing with Q2, Aareon is reported as discontinued operations, in accordance with IFRS 5

Financial Performance - Highlights

FY guidance for Bank operating profit confirmed; Group earnings now expected at € ~2.2 bn due to gain on Aareon sale

Bank (SPF + BDS) - continuing operations		Aareon – discontinued operations	
✓ Strong operating resilience	Operating profit of € 181 mn (H1/23: € 138 mn) in line with full year target of € 250-300 mn	✓ Capital market readiness	Profitability significantly increased, adj. EBITDA up by >100% to € 80 mn (H1/23: € 39 mn)
	Strong income, LLPs in line with expectations		Strong growth in recurring revenues (+43%), Share of recurring revenues 85%
	Ongoing active NPL management: € ~300 mn NPLs prepared for resolution in Q3, already fully provisioned		Payment-transaction-JV already attracting new clients to secure and enhance deposits in the Bank
	Capital and liquidity positions remain solid		Reported as “discontinued operations” until closing (IFRS 5)

Financial Performance - Group Profit & Loss

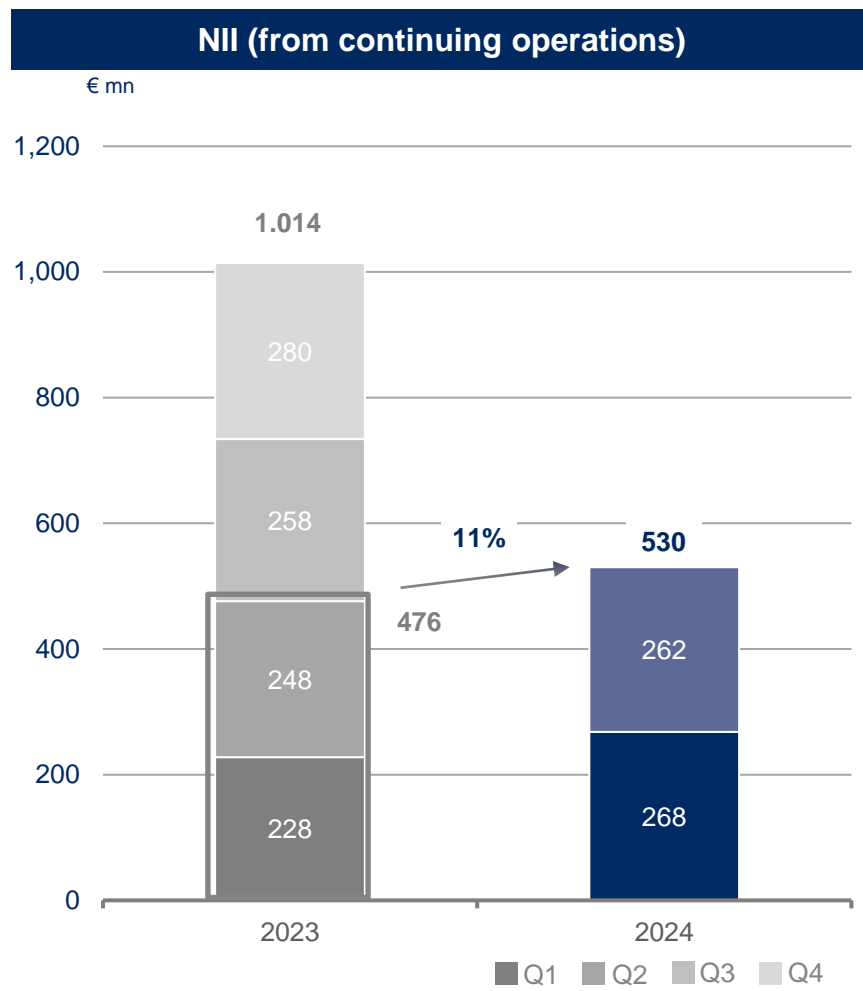
Bank operating profit up by more than 30%

		H1 '23	H1 '24	Δ H1 '24/'23
Profit & loss (€ mn)				
Results from continuing operations	Net interest income (NII)	476	530	11%
	Net commission income (NCI)	17	-2	-
	Admin expenses	172	180	5%
	<i>Others</i>	13	9	-
	Loan loss provision incl. FVPL	196	176	-10%
	Operating profit	138	181	31%
	Income taxes	48	53	10%
	Consolidated net income from continuing operations	90	128	42%
Consolidated net income from discontinued operations	-32	-136	-325%	
Consolidated net income	58	-8	-	
Net income attributable to ordinary shareholders of Aareal Bank AG	58	6	-90%	

- NII significantly above H1/23 due to an increased portfolio with good margins and a strong deposit base
- Positive NCI diluted by fees paid to payment-transaction-JV, established with Aareon
- Admin expenses stable, excl. transaction related costs
- Ongoing high operating resilience
- As expected, LLP still on an elevated level from ongoing challenges in the US office market, but below last year
- Operating profit from continuing operations significantly above H1/23
- Net income from discontinued operations includes € ~150 mn transaction related costs

Financial Performance

Net interest income (NII)



Still strong, having peaked in Q4/23 as expected

Increase based on

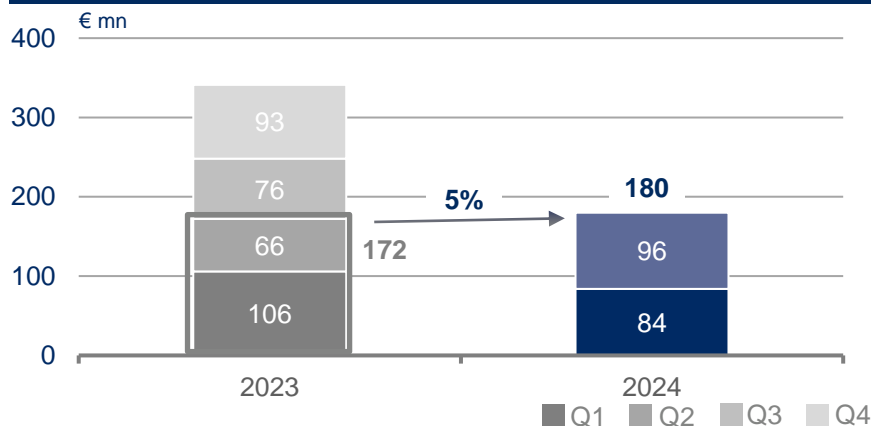
- Loan portfolio growth
- Good margins
- Market leading deposit franchise in a normalised interest rate environment

➤ FY NII expected to be largely stable vs. last year

Financial Performance

Admin expenses / Loan loss provision (LLP)

Admin expenses (from continuing operations)

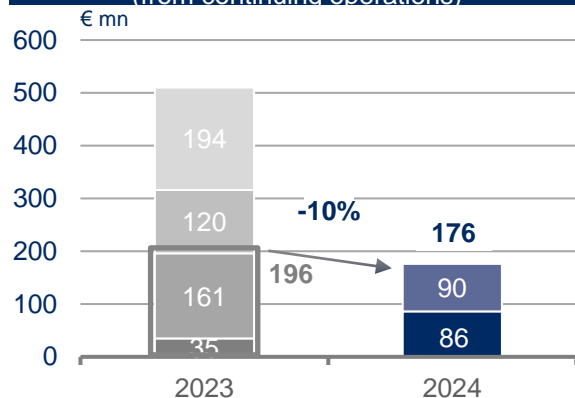


Stable, excl. transaction related costs

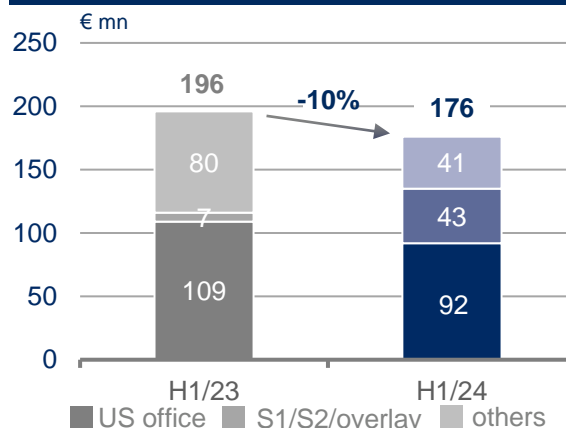
- Decrease Q1/24 vs. Q1/23 mainly due to reduced bank levies
- Increase Q2 vs. Q2 mainly driven by one-off effects
 - Reversal of provisions in Q2/23
 - Transaction related costs from sale of Aareon
- CIR¹⁾ of 34% in H1/24 which continues to be a benchmark leading level

LLP incl. FVPL

(from continuing operations)



LLP split (incl. FVPL)



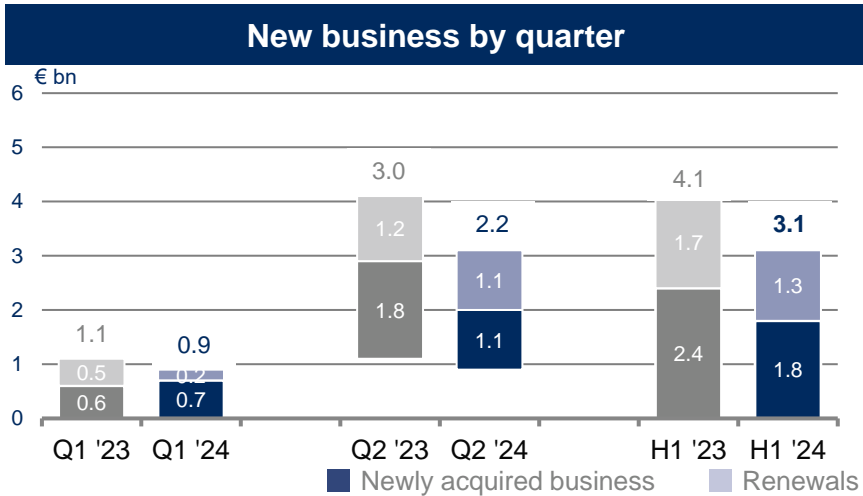
LLP still on an elevated level from ongoing challenges in the US office market but below last year

- Total LLP of € 176 mn (H1/23: € 196 mn) includes € 13 mn FVPL (H1/23: € 36 mn)
- € ~300 mn NPLs prepared for resolution in Q3, already fully provisioned in Q2
- Loss allowance (B/S): total mgmt. overlay amounts to € 68 mn, up from € 25 mn as of 12/23

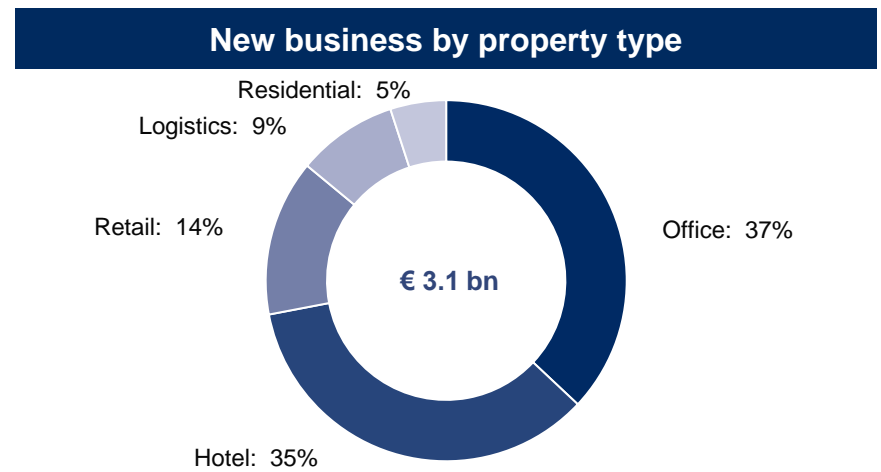
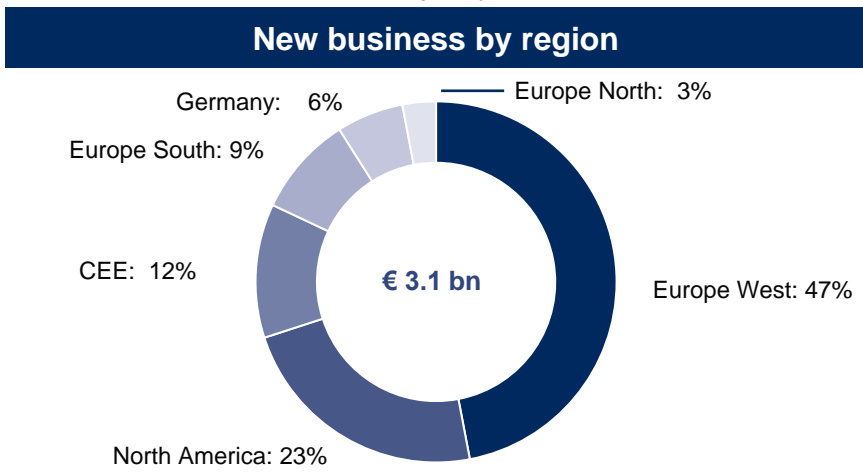
1) Segment SPF & BDS excl. bank levy/deposit guarantee scheme

Segment SPF

Selective new business in a challenging market environment



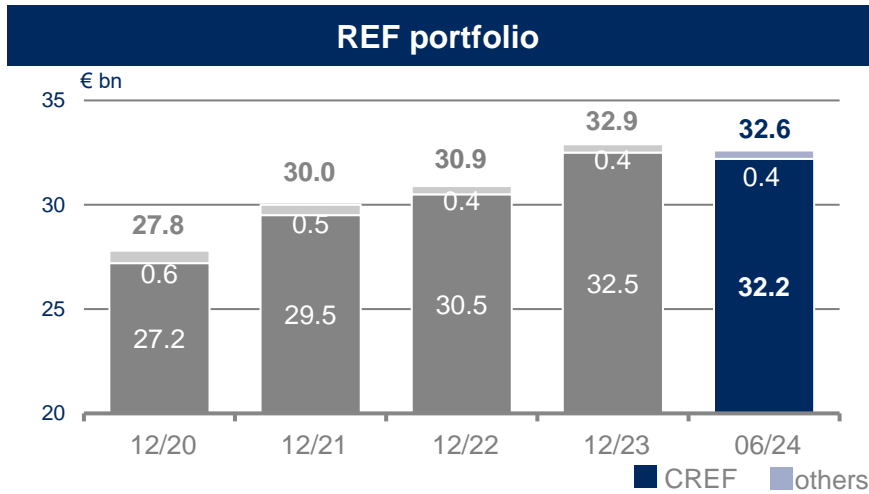
- Market transaction volume remains low
- H1 newly acquired business:
 - Very conservative avg. LTV of 46% (2023: 54%)
 - Avg. margin of 267 bps (2023: 291 bps) in line with plan (FY plan 2024: 260 - 270 bps)
 - Newly acquired office deals only in Europe, with an average LTV of 49%
- H1 new business incl. € 0.9 bn green loans¹⁾, additional € 0.5 bn conversions



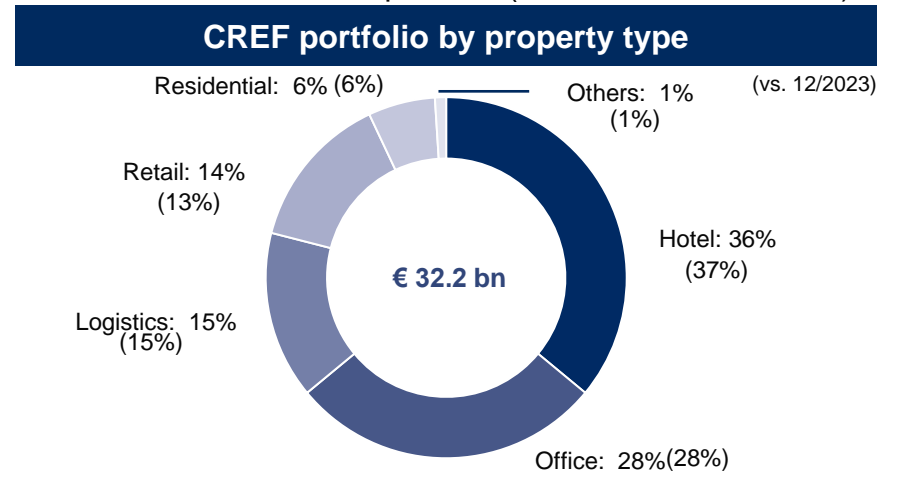
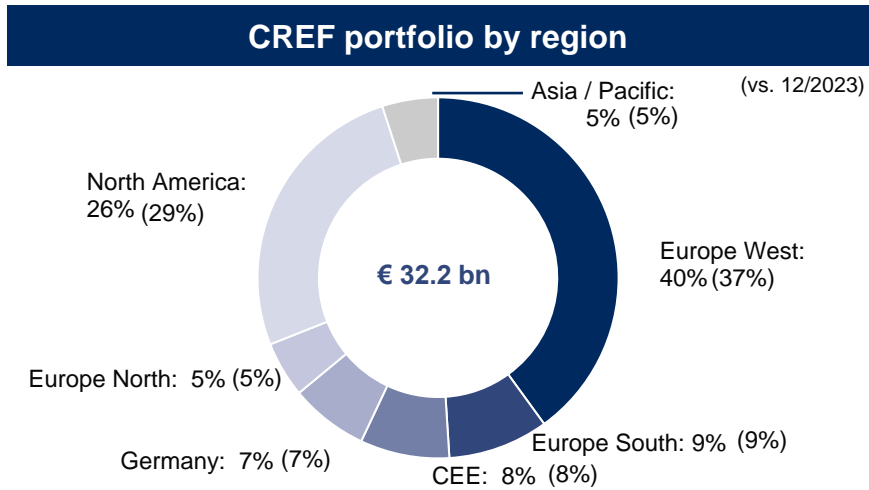
1) Governed by "Green Finance Framework"

Segment SPF

Well diversified portfolio



- 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
- Increased portfolio-YoD¹⁾ of 10.1% (12/23: 9.6%)
- Stable portfolio-LTV¹⁾ of 56% (12/23: 56%)
- Financing of refurbishments to foster green transition
- Green loan volume of € 5.9 bn (12/23: € 4.8 bn)
- Green property financing portfolio of € 9.9 bn or 31% of total CREF portfolio (12/23: € 9.0 bn or 28%)

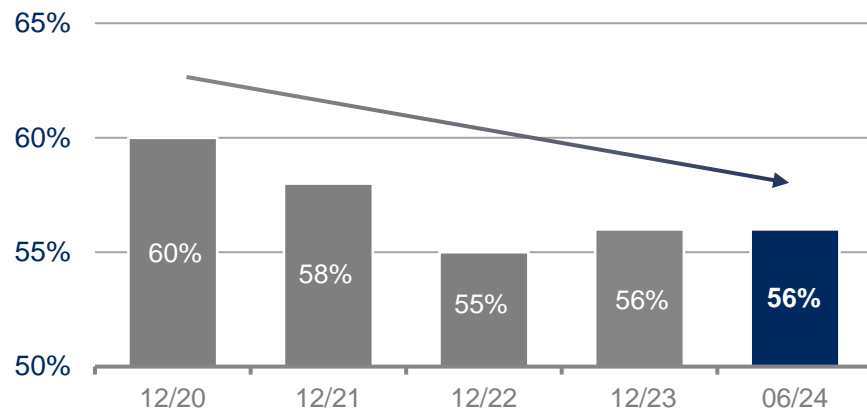


1) Performing CREF-portfolio only (exposure)

Segment SPF

Asset quality improved due to business generation with strict low-risk focus

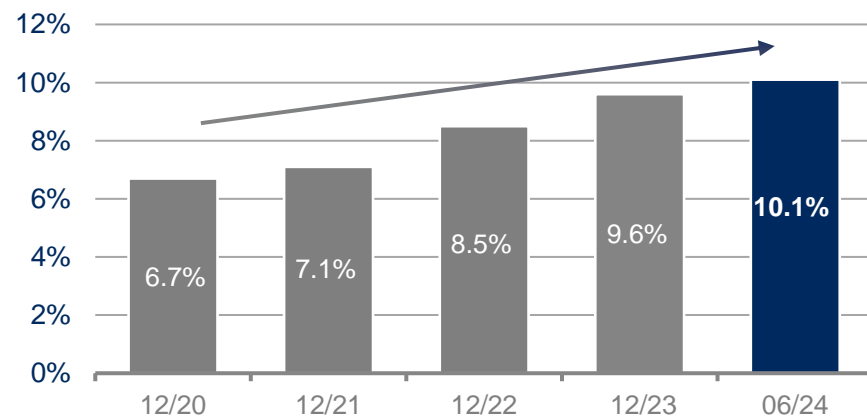
Portfolio-LTV¹⁾



LTV¹⁾ by property type

%	12 '20	12 '21	12 '22	12 '23	06 '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

Portfolio-YoD¹⁾



YoD¹⁾ by property type

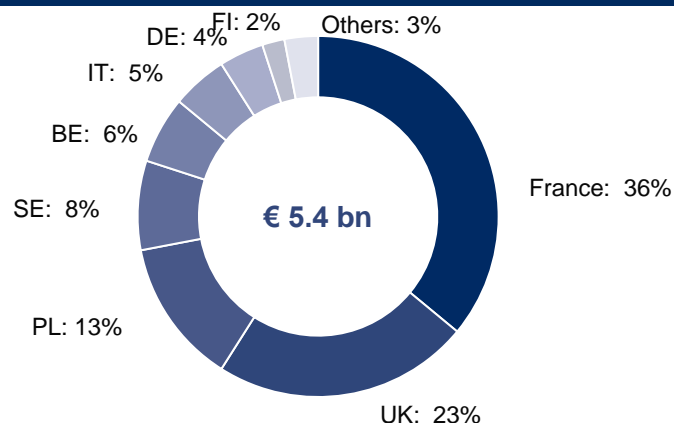
%	12 '20	12 '21	12 '22	12 '23	06 '24
Hotel	3.0	5.0	9.0	10.6	11.5
Logistics	9.2	8.7	9.0	9.3	9.8
Office	8.1	7.6	6.9	7.5	7.5
Retail	8.8	9.1	9.8	11.3	11.9

1) Performing CREF-portfolio only (exposure)

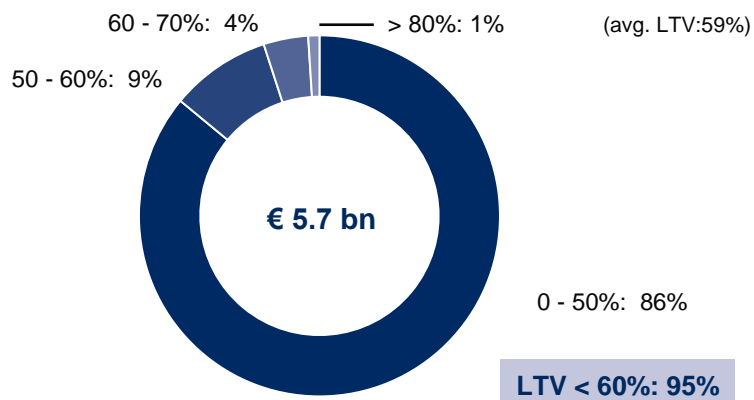
Segment SPF

European office portfolio performing well

European office portfolio by region



European office portfolio by (layered) LTVs¹⁾



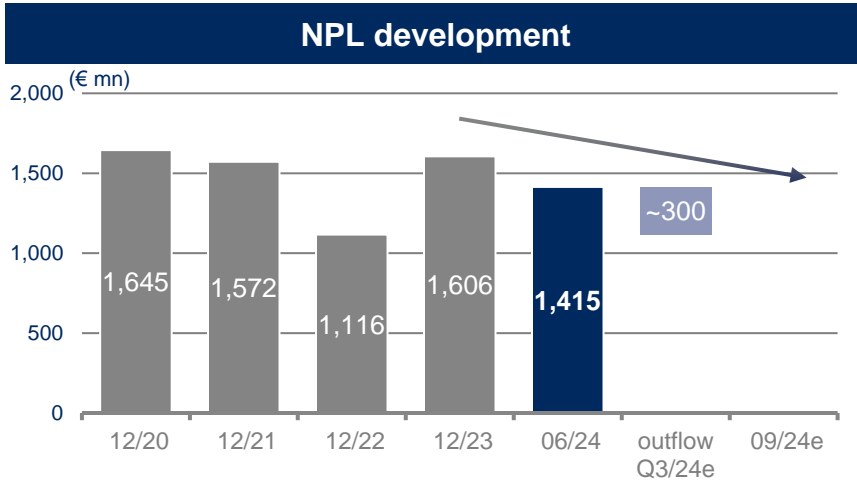
- French office portfolio (mainly Paris) with high share of planned refurbishments into green assets (~1/3 of total French office portfolio)
- UK portfolio mainly in London city centre
- No new office NPLs in Europe since 2022
- Structural differences European vs US office markets
 - Different interest rate environment
 - Lower vacancy rates in European markets
 - Longer investment horizons in Europe
 - Europe with tighter interest rate hedges
 - 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 incl. countries with a portfolio below € 100 mn

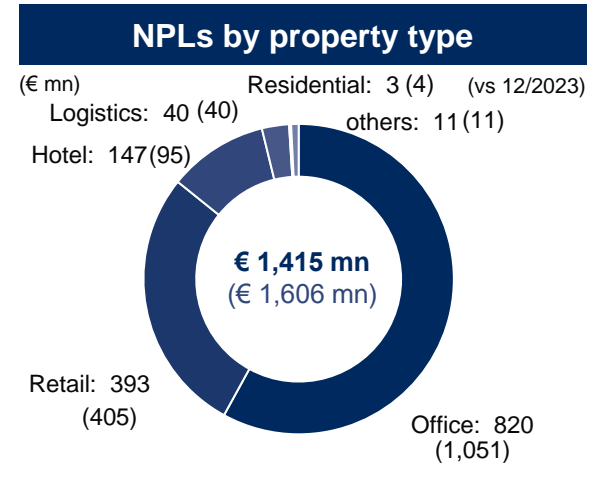
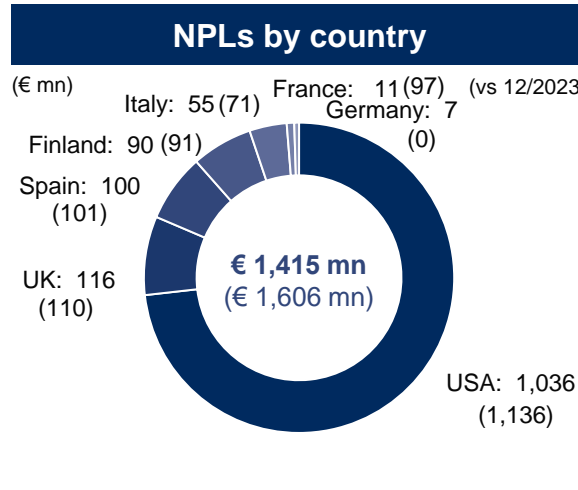
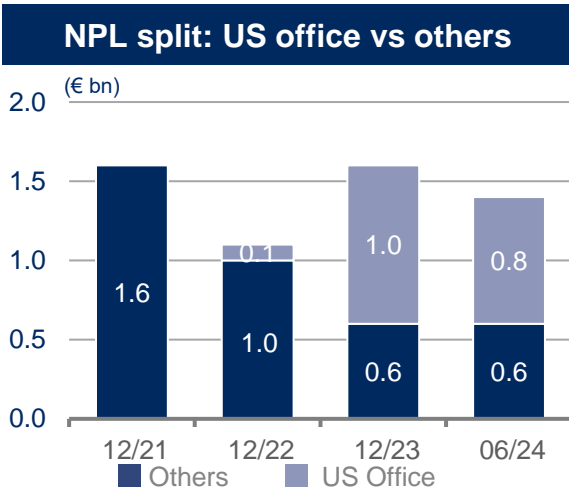
1) Performing CREF-portfolio only (exposure)

Segment SPF

Active management enables NPL reduction



- Ongoing active NPL management: € ~300 mn NPLs prepared for resolution in Q3, already fully provisioned
- NPL-portfolio outside US office significantly reduced from €1.6 bn in 12/21 to € 0.6 bn 06/24 (NPL ratio: ~2%)
- NPE ratio as of 06/24 acc. to EBA methodology¹⁾: 3.3% (12/23: 3.4%)
- Coverage ratio (incl. FVPL) of 27% (12/23: 24%)

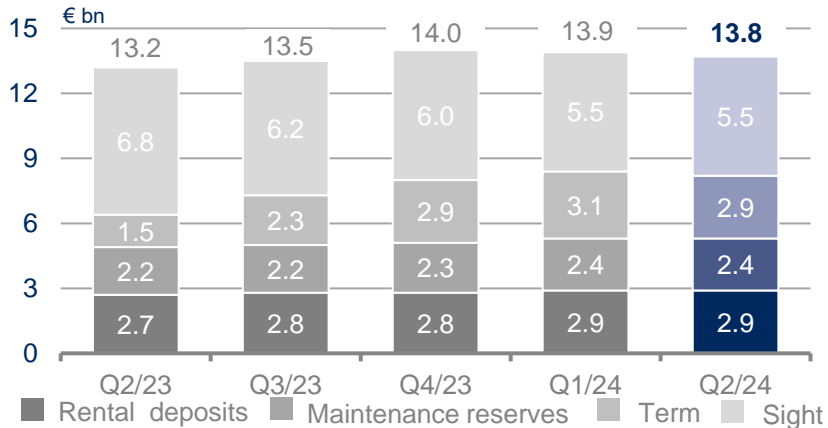


1) NPE ratio according to EBA Risk Dashboard definition

Segment BDS

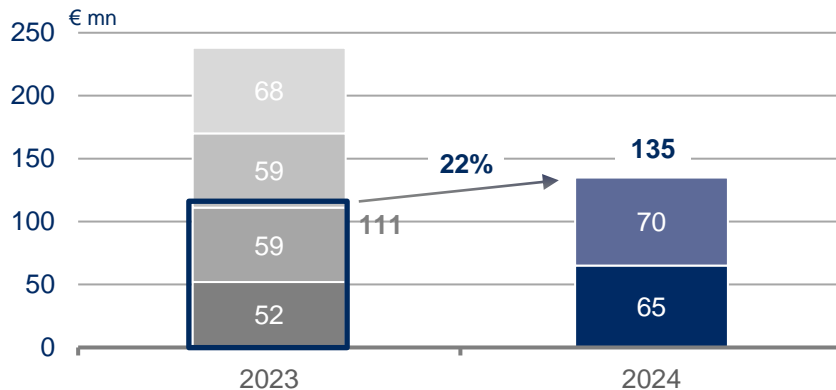
Strong deposit franchise

Average Housing Industry (BDS) deposits by type

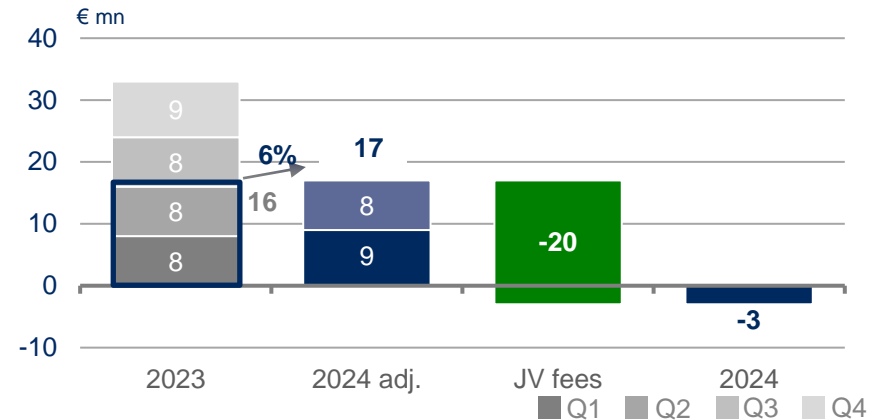


- Deposit volume above expected level of € ~13 bn
- Segment NII increased vs H1/23 mainly due normalised interest rate environment
- Net commission income diluted by fees paid to payment-transaction-JV, established with Aareon
- Payment-transaction-JV already attracting new clients to secure and enhance deposits in the Bank

Segment NII

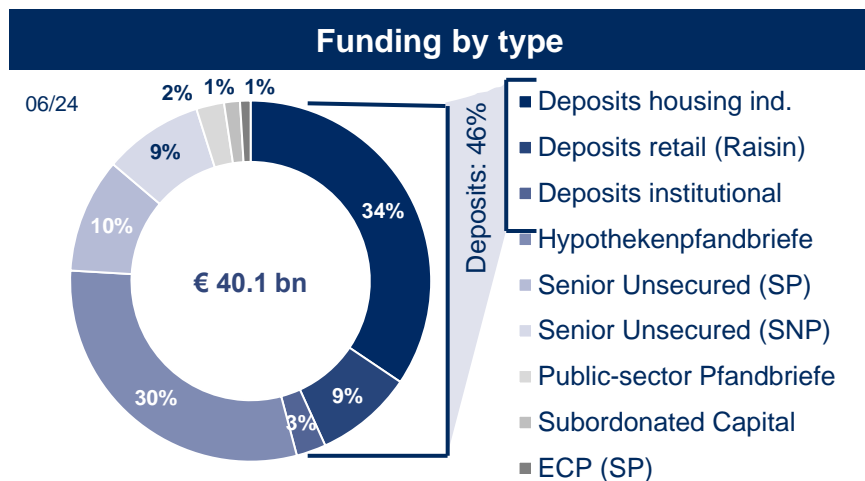


Segment NCI

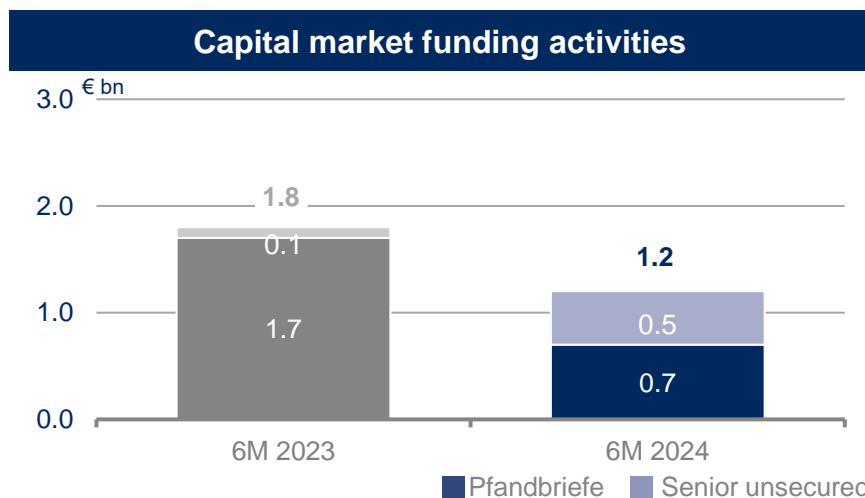


Funding & Liquidity

Well diversified funding mix – reduced capital market activities due to strong deposit franchise



- Solid liquidity ratios
 - NSFR: 120%¹⁾
 - LCR: 239%²⁾
- Stable deposits from housing industry at avg. of € 13.8 bn
- Retail term deposits by cooperating with Raisin further increased to target volume of € 3.5 bn (12/23: € 2.6 bn)
 - Structural improvement: ~97% with a contractual maturity \geq 2 years
 - Regional diversification: next to Germany, in H1 Austria, Ireland, the Netherlands onboarded



- Two benchmark Pfandbriefe issued in 2024, thereof one in July 2024
- One additional Euro-Pfandbrief benchmark planned in H2 2024
- Inaugural green senior non-preferred benchmark issued to support credit ratings
- No senior preferred capital market funding planned including 2026
- Tier 2 benchmark planned for 2025, potentially moved to H2 2024 depending on market conditions
- Moody's affirmed Aareal's long-term issuer ratings and changed outlook to stable from negative (06/24)

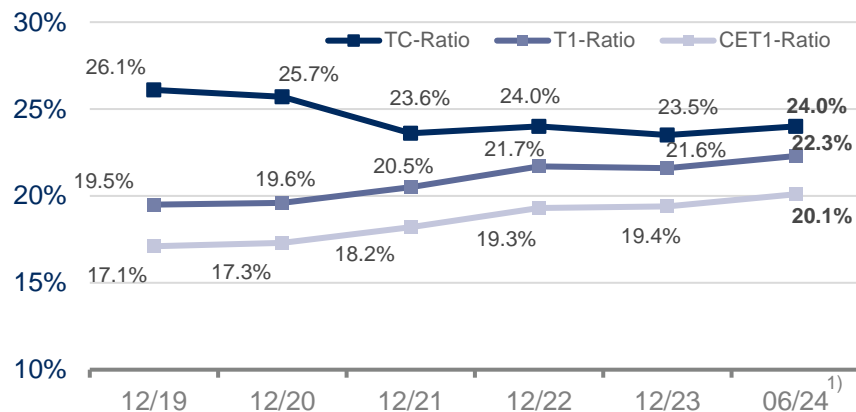
1) As at 30.06.2024

2) Q2 average

Capital

Solid capital ratios

B4 (phase in) capital ratios



B4 (phase in) RWA²⁾



- 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)
- B4 CET1 (phase-in) ratio further increased in H1/24 due to strong CET1 development
 - CET1 increase mainly results from retained profits
 - RWA effects from slightly lower REF portfolio mainly compensated by increased RWAs from OpRisk
- B4 CET1 (fully phased) ratio at 15.0%¹⁾ (12/23: 13.4%). Strong increase in H1/24 mainly resulting from first-time adoption of the SME factor within the B4 CRSA
- T1-Leverage ratio at 6.9¹⁾ (12/23: 6.6%)

1) (Proforma) Ratios solely based on continuing operations according to IFRS 5. Including discontinued operations according to IFRS 5 the ratios as of 06/24 would have been as follows: B4 (phase-in) CET1: 19.3%, B4 (fully phased) CET1: 14.6%; T1-Leverage ratio: 6.7%

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

Outlook 2024

FY guidance for Bank operating profit confirmed; Group earnings now expected at € ~2.2 bn due to gain on Aareon sale

Bank	METRIC	2023	OUTLOOK 2024
	Structured Property Financing	<ul style="list-style-type: none"> REF Portfolio New business 	€ 32.9 bn € 10.0 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	METRIC	2023	OUTLOOK 2024
	<div style="border: 1px solid black; padding: 10px; text-align: center;"> Net capital gain from sale of approx. € ~2 bn </div>		
Operating profit (EBT)		€ -72 mn	€ ~50 mn

		OUTLOOK 2024
Group net income		€ ~2.2 bn

1) Subject to FX development

Key takeaways



The bank stand-alone is rock-solid with high earning power



Aareon and Aareal Bank remain closely linked with a joint service approach for clients



Active portfolio management, tight cost management and growth with appropriate risk/return profiles remain a priority

Appendix

Aareal Bank Group

Results H1 2024¹⁾

€ mn	01.01.- 30.06.2024	01.01.- 30.06.2023	Change
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%
Consolidated net income from continuing operations	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 disclosed separately; the previous year's figures have been adjusted

Aareal Bank Group

Results H1 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.-
	30.06.	30.06.	30.06.	30.06.	30.06.	30.06.	30.06.	30.06.
	2024	2023	2024	2023	2024	2023	2024	2023
€ mn								
Net interest income	395	365	135	111	0	0	530	476
Loss allowance	163	160	0	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
Consolidated 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
Allocation of results								
Cons. net income attributable to non-controlling interests	0	0	0	0	-30	-9	-30	-9
Cons. net income attributable to shareholders of Aareal Bank AG	72	39	56	51	-106	-23	22	67

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				
	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2	Q2	Q1	Q4	Q3	Q2
	2024			2023		2024			2023		2024			2023		2024			2023	
€ mn																				
Net interest income	192	203	212	199	189	70	65	68	59	59	0	0	0	0	0	262	268	280	258	248
Loss allowance	80	83	179	102	128	0	0	0	0	0	0					80	83	179	102	128
Net commission income	2	-1	0	5	1	-2	-1	9	8	8	0	0	0	0	0	0	-2	9	6	9
Net derecognition gain or loss	6	3	5	6	12											6	3	5	6	12
Net gain / loss from fin. instruments (fvpl)	-11	-17	-13	-17	-35	0	-1	0	0	0						-11	-18	-13	-17	-35
Net gain or loss from hedge accounting	0	8	3	-2	-4											0	8	3	-2	-4
Net gain / loss from investments acc. for using the equity method			1						2									1	2	
Administrative expenses	72	60	58	53	46	24	24	35	23	20	0					96	84	89	76	66
Net other operating income / expenses	9	0	-11	0	7	0	-1	-1	0	-1	0	0	0	0	0	9	-1	-12	0	6
Operating profit from continuing operations	46	53	-40	36	-4	44	38	41	46	46	0	0	0	0	0	90	91	1	82	42
Income taxes	15	12	16	0	10	14	12	12	15	14						29	24	28	18	24
Consolidated net income from continuing operations	31	41	-56	33	-14	30	26	29	31	32	0	0	0	0	0	61	67	-27	64	18
Net income from discontinued operations											-142	6	-29	-18	-2	-142	6	-29	-18	-2
Consolidated net income	31	41	-56	33	-14	30	26	29	31	32	-142	6	-29	-18	-2	-81	73	-56	46	16
Cons. net income attributable to non-controlling interests	0	0	-1	0	0	0	0	0	0	0	-32	2	-9	-4	0	-32	2	-10	-4	0
Cons. net income attributable to ARL shareholders	31	41	-55	33	-14	30	26	29	31	32	-110	4	-20	-14	-2	-49	71	-46	50	16

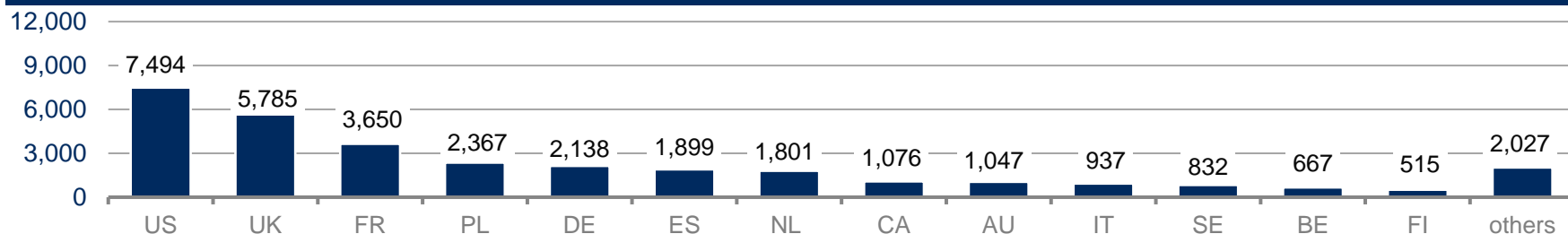
1) Presentation in line with the structure prescribed by IFRS 5

Segment SPF: CREF portfolio by country

€ 32.2 bn well diversified

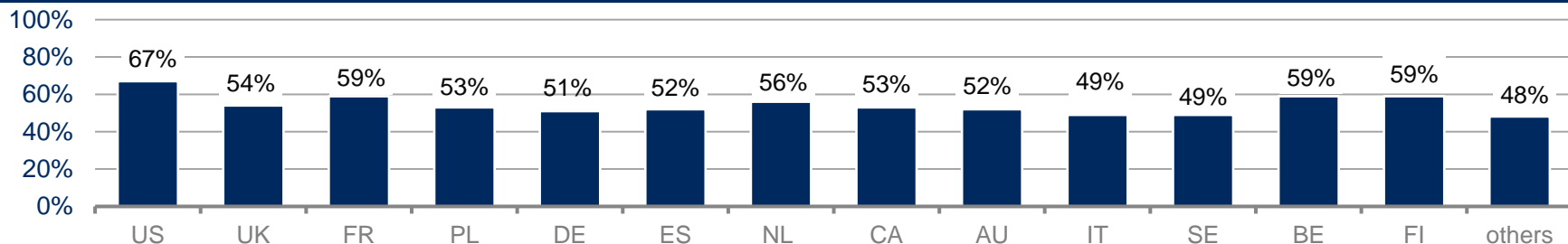
CREF portfolio (€ mn)

€ 32.2 bn (12/2023: € 32.5 bn)



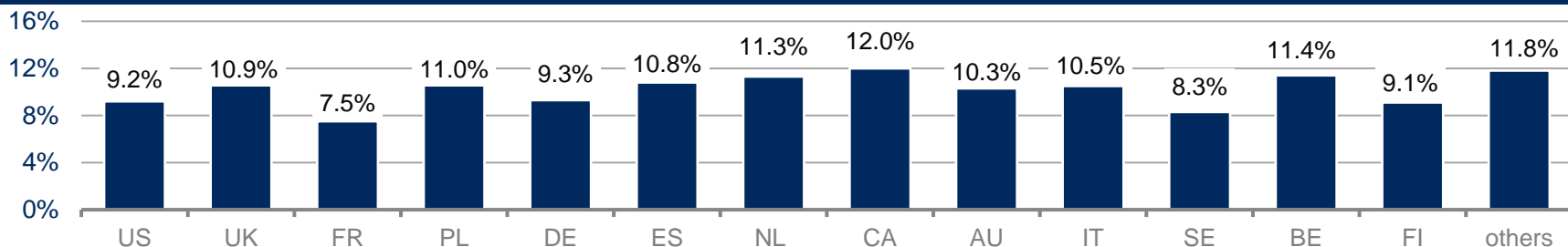
LTV¹⁾

Ø LTV: 56% (12/2023: 56%)



YoD¹⁾

Ø YoD: 10.1% (12/2023: 9.6%)

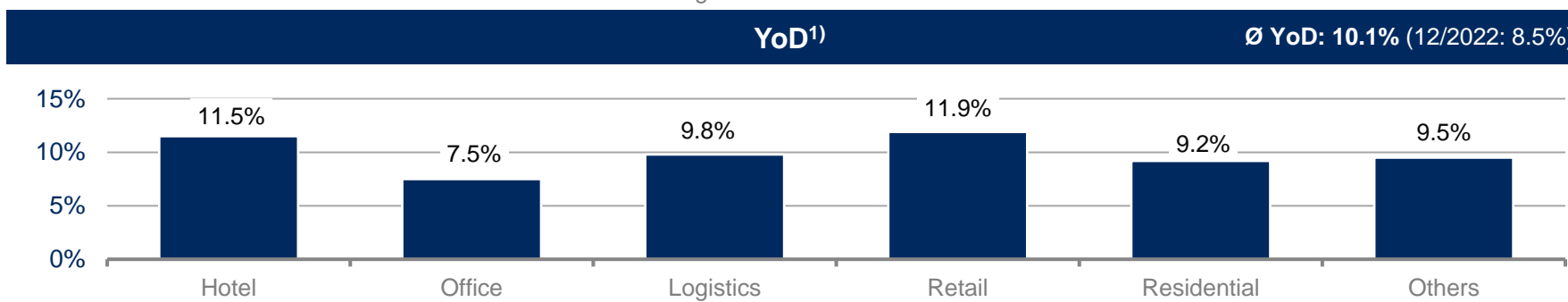
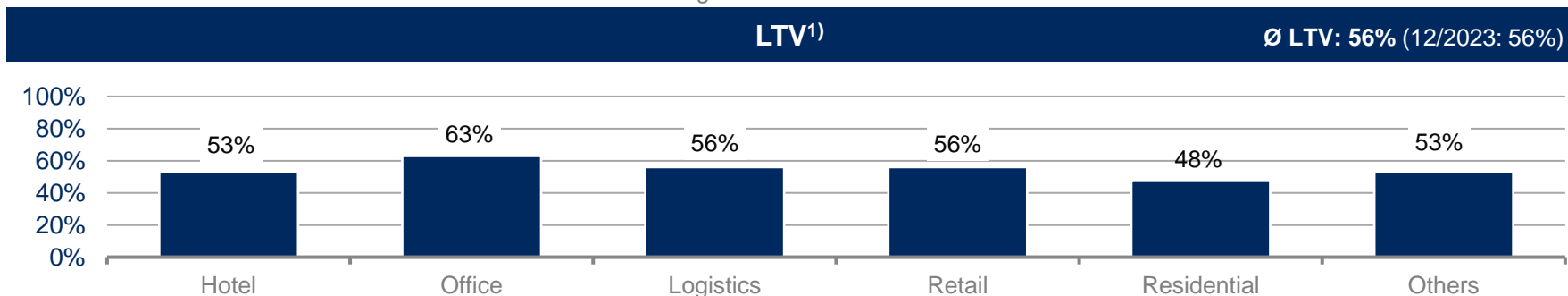
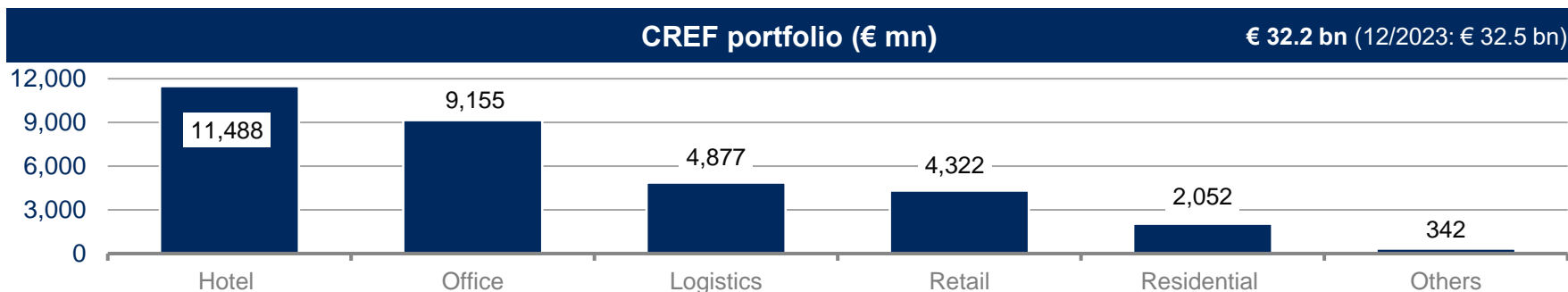


Note: others incl. countries with a portfolio below € 500 mn

1) Performing CREF-portfolio only (exposure)

Segment SPF: CREF portfolio by property types

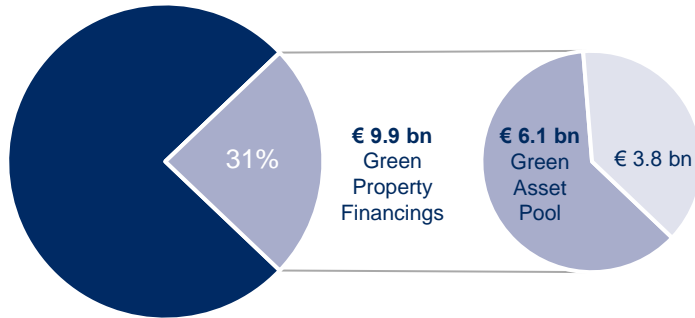
€ 32.2 bn well diversified



1) Performing CREF-portfolio only (exposure)

31% of CREF portfolio classified as Green Property Financings

CREF¹⁾ portfolio

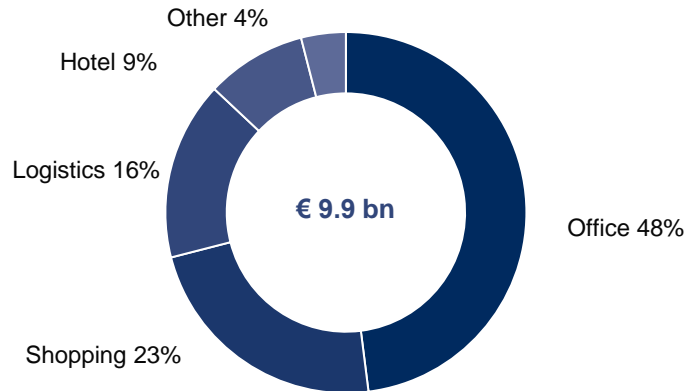


■ CREF portfolio ■ Included in green asset pool ■ Not (yet) included

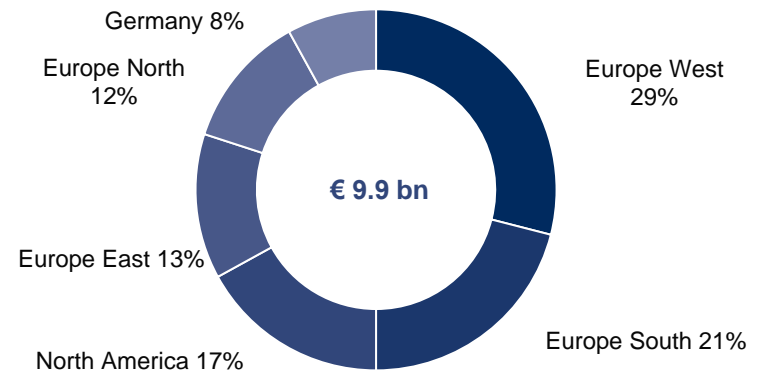
€ 9.9 bn¹⁾ (31%) of total CREF portfolio fulfilling Aareal's Green Finance Framework and are classified as "Green Property Financings", thereof

- € 6.1 bn included in green asset pool for underlying of Green bond issues
- € 3.8 bn green property financings not (yet) included

Green Property Financings²⁾ by property type



Green Property Financings²⁾ by region



1) CREF excl. business not directly collateralized by properties
Portfolio data as at 30.06.2024 – ESG Data as at 30.06.2024

2) Valid certificate is documented

Definitions

New Business	≡	New business = Newly acquired business + 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	≡	Net interest income + Net commission income + Net derecognition gain or loss + Net gain or loss from financial instruments (fvpl) + Net gain or loss on hedge accounting + Net gain or loss from investments accounted for using the equity method + 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)]

Contacts



Margarita Thiel

Managing Director Group Communications
& Governmental Affairs

Phone: +49 611 348 2306

Mobile: +49 171 206 9740

margarita.thiel@aareal-bank.com

Thomas Rutzki

Director Group Communications

Phone: +49 611 348 2947

Mobile: +49 170 543 1458

thomas.rutzki@aareal-bank.com

Christian Feldbrügge

Director Group Communications

Phone: +49 611 348 2280

Mobile: +49 171 8667 919

christian.feldbruegge@aareal-bank.com

Yannick Houdard

Manager Group Communications

Phone +49 611 348 2462

Mobile: +49 171 226 7155

yannick.houdard@aareal-bank.com

Jasmin Maraslioglu

Manager Group Communications

Phone +49 611 348 2951

Mobile: +49 175 195 7649

jasmin.maraslioglu@aareal-bank.com

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