Press Call

Q1 2024 results

May 15, 2024

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Highlights

Successful start to 2024 with strong profit increase

Group operating profit of € 103 mn in Q1/24 (Q1/23: € 62 mn)

Bank (SPF + BDS)	Aareon
✓ Strong operating resilience	✓ Capital market readiness
Operating profit (EBT) of € 92 mn fully in line with full year target of € 250-300 mn	Profitability significantly increased, adj. EBITDA of € 40 mn (Q1/23: € 18 mn), EBT of € 11 mn (Q1/23: € -34 mn)
Strong earnings, Total LLPs of € 86 mn including management overlay of € 56 mn	Strong growth in recurring revenue (+45%), Recurring revenue 83% of total revenues (Q1/23: 75%)
NPLs substantially reduced by € >500 mn without further P&L impact	Meaningful investments in efficiency and M&A (incl. payment transaction JV with the Bank) paying off
Capital and liquidity positions remain solid	Rule-of-40 confirmed, capital market readiness achieved

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Group Profit & Loss

Strong profit increase

Profit & loss (€ mn)	Q1 '23	Q1 '24	Δ Q1 '24/'23
Net interest income (NII)	222	254	+14%
Net commission income (NCI)	72	86	+19%
Admin expenses	199	147	-26%
Other op. income / expenses[1]	2	-4	
Pre provision profit	**97**	**189**	**+95%**
Loan loss provision incl. FVPL	35	86	+146%
Operating profit (EBT)	**62**	**103**	**+66%**
Profit after tax	42	73	+74%
RoE after tax	6.4%	8.7%	

- NII on a high level, having peaked in Q4/23 as expected
- Strong increase in NCI driven by Aareon
- Substantial management overlay reflected in LLP
- Admin expenses down by 26% after significant investments in 2023 and reduced bank levies
  - ➢ CIR bank[2]: 32%
- Pre provision profit of € 189 mn (Q1/23: 97 mn)
  - Thereof bank's[3] pre provision profit of € 178 mn (Q1/23: € 131 mn) demonstrates strong operating resilience

1) Includes Net derecognition gain or loss, net gain or loss from financial instruments (fvpl), net gain or loss from hedge accounting, net gain or loss from investments accounted for using the equity method, net other operating income/expenses
2) Segment SPF & BDS, excl. bank levy / deposit guaranty scheme
3) Segment SPF & BDS

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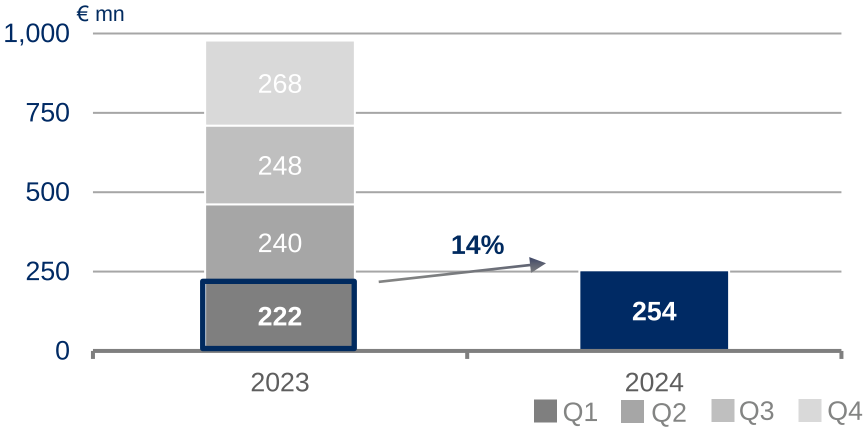
Net interest income (NII) & Net commission income (NCI)

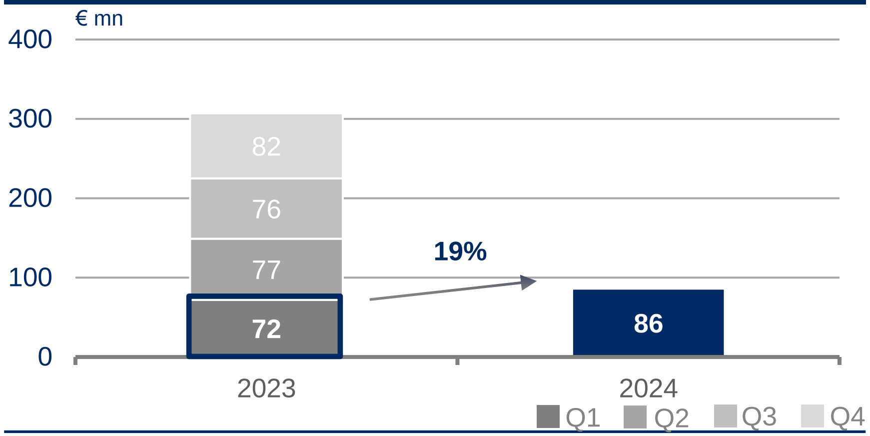
NII: On a high level, having peaked in Q4/23 as expected
NCI: Strong increase driven by Aareon

NII



- Bank (SPF & BDS)
  - NII increased by 18% to € 268 mn (Q1/23: € 228 mn) supported by an increased loan portfolio with good margins and a market leading deposit franchise in a normalised interest rate environment
- Aareon
  - M&A investments and externalisation of third-party debt facility decreased NII by € 8 mn to € -14 mn

NCI



- Aareon
  - NCI increased to € 90 mn (Q1/23: € 67 mn) supported by fees of € 10 mn from payment transaction JV, established with the bank
  - Recurring revenue[1)] now represents 83% of total revenues (Q1/23: 75%)
- Bank (SPF & BDS)
  - Slightly negative NCI (€ -2 mn) resulting from above mentioned fees paid to JV, established with Aareon

1) LTM = Last Twelve Months

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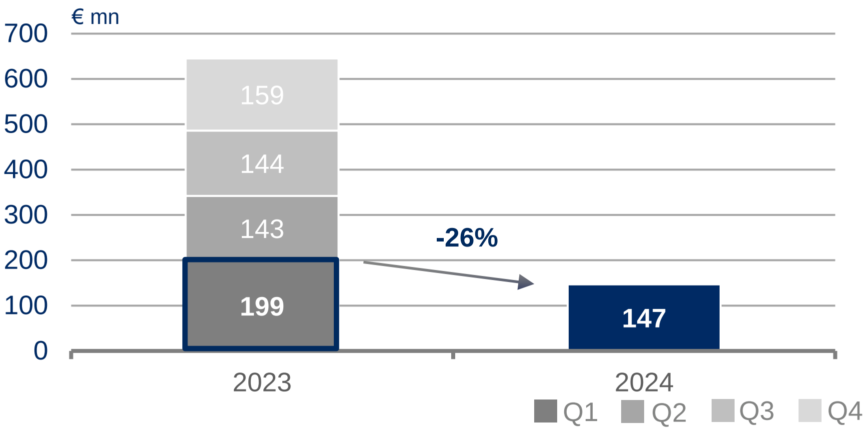
Admin expenses / Loan loss provisions (LLP)

Admin: Down after significant investments in 2023 & reduced bank levies
LLP: Driven by management overlay

Admin expenses



Bank[1)]

- Stable at € 83 mn considering bank levies reduced by € 23 mn (Q1/23: € 106 mn incl. € 25 mn bank levies)
- CIR Bank[2)]: 32% (Q1/23: 35%)

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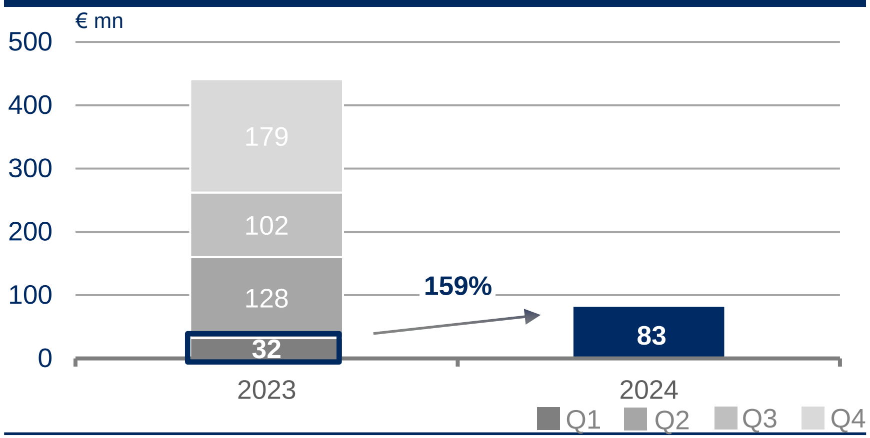
- Down to € 66 mn incl. € 10 mn of new acquisitions in 2023 (Q1/23: € 96 mn incl. € 34 mn investments into efficiency and M&A)

LLP



- Total LLP of € 86 mn (Q1/23: € 35 mn) includes € 3 mn FVPL (Q1/23: € 3 mn)
  - Thereof € 56 mn management overlay (Q1/23: € 21 mn)
    - Stage 1/2: € 29 mn
    - Stage 3: € 27 mn
- Loss allowance (B/S): total management overlay amounts to € 81 mn, up from € 25 mn as of 12/23
- Conservative approach with management overlay recognizing continued uncertainties

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

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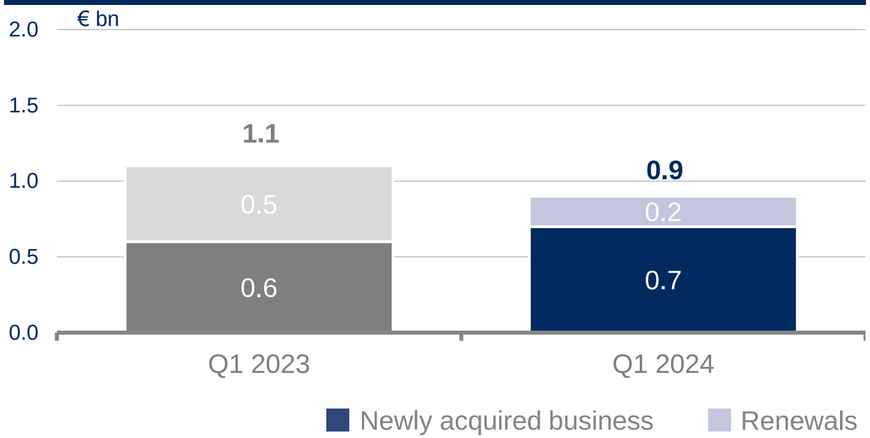
Structured Property Financing (SPF)

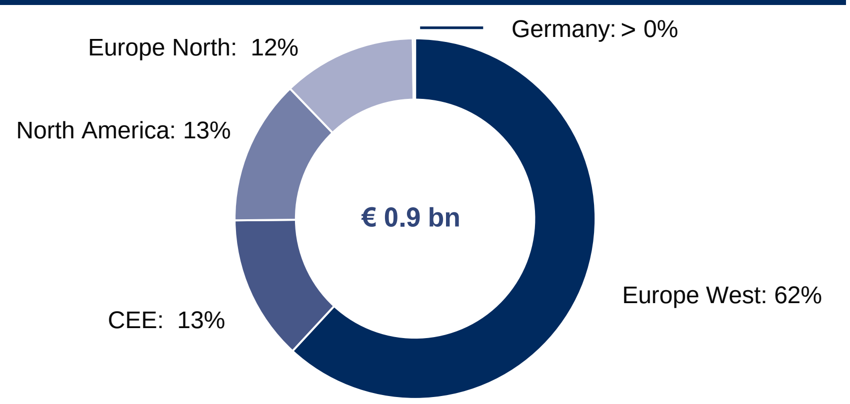
Selective new business generation in a challenging market environment with low transaction volume

New business by quarter

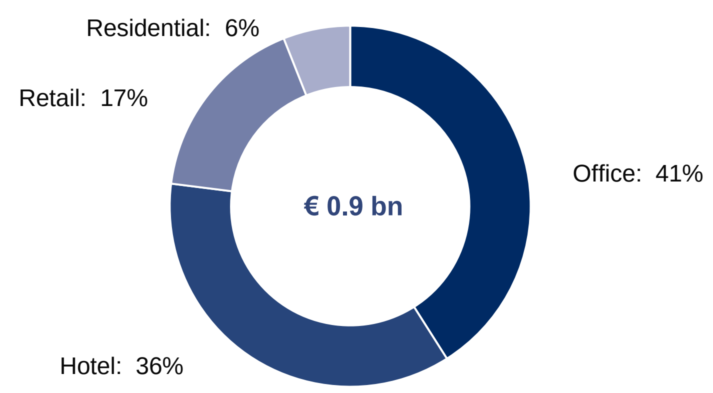


- Conservative avg. LTV of 45% (2023: 54%)[1]
- Avg. margin of 274 bps (2023: 291 bps) (FY plan 2024: 260 - 270 bps)[1]
- Newly acquired office deals only in Europe, with an average LTV of 45%
- € 0.2 bn green office loans[2], additional € 0.5 bn conversions

New business by region



New business by property type



1) Newly acquired business only
2) Governed by "Green Finance Framework"

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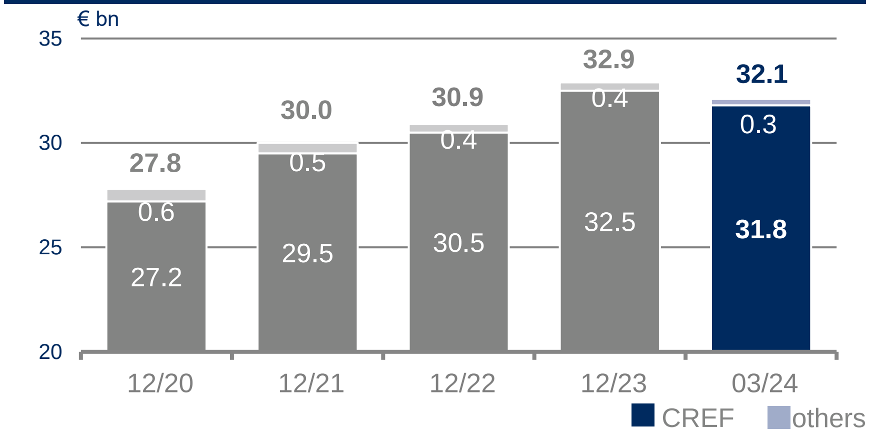
Structured Property Financing (SPF)

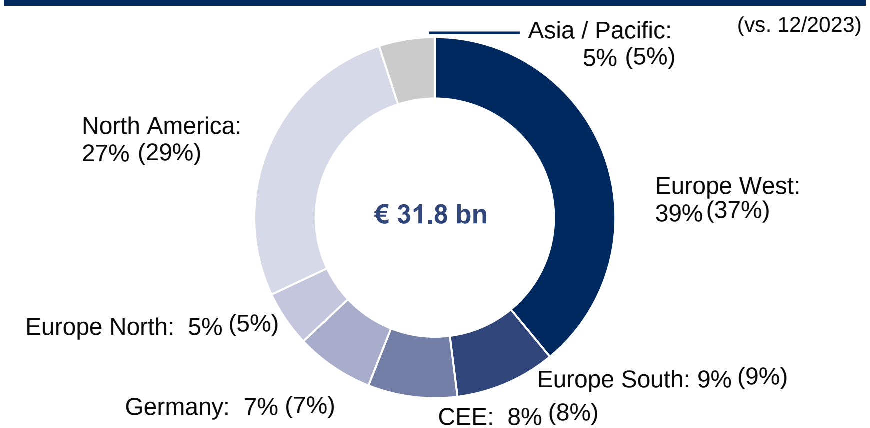
Well diversified portfolio

REF portfolio

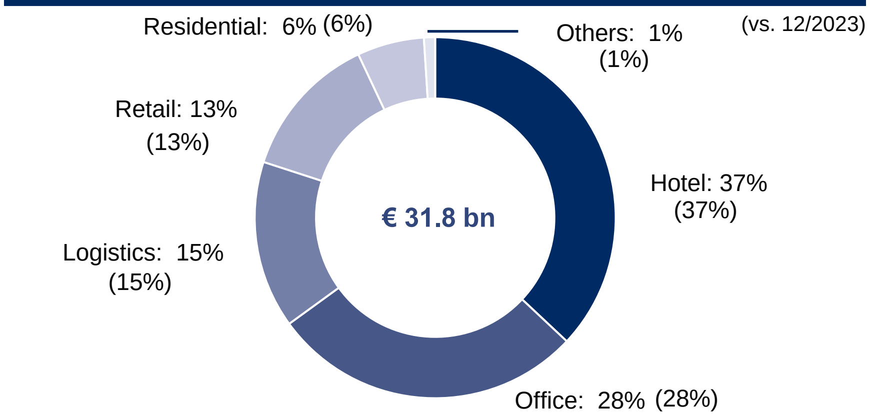


- Portfolio highly diversified by region and property type, primarily in major global metropolitan areas
- Portfolio-LTV[1)] of 56% (12/23: 56%)
- Portfolio-YoD[1)] of 9.8% (12/23: 9.6%)
- Portfolio increased yoy by € 1.4 bn to € 32.1 bn
- FY portfolio target of € 33-34 bn confirmed
- Financing of refurbishments to foster green transition
- Green loan volume of € 5.5 bn (12/23: € 4.8 bn)
- Green property financing portfolio of € 9.5 bn or 30% of total CREF portfolio

CREF portfolio by region



CREF portfolio by property type

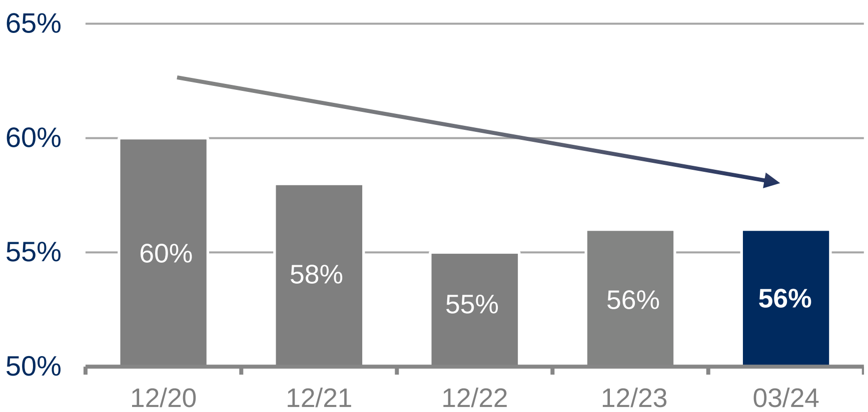


1) Performing CREF-portfolio only (exposure)

Structured Property Financing (SPF)

Business generation with strict low-risk focus leading to improvements in asset quality metrics

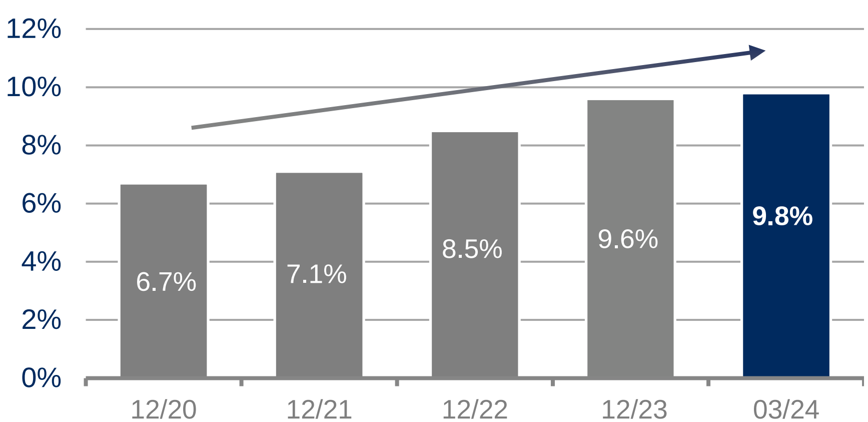
Portfolio-LTV[1)]



LTV[1)] by property type

%	12 ’20	12 ’21	12 ’22	12 ’23	03 ’24
Hotel	62	60	56	54	53
Logistics	56	55	52	55	55
Office	58	58	57	62	62
Retail	61	59	56	58	57

Portfolio-YoD[1)]



YoD[1)] by property type

%	12 ’20	12 ’21	12 ’22	12 ’23	03 ’24
Hotel	3.0	5.0	9.0	10.6	11.4
Logistics	9.2	8.7	9.0	9.3	9.4
Office	8.1	7.6	6.9	7.5	7.3
Retail	8.8	9.1	9.8	11.3	11.4

1) Performing CREF-portfolio only (exposure)

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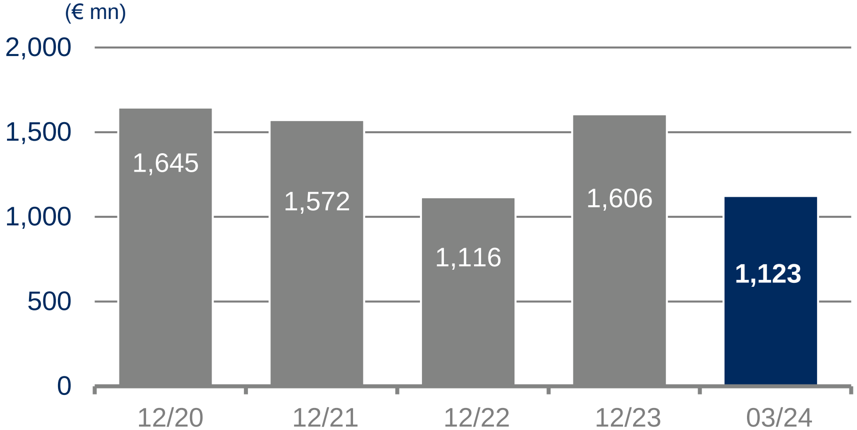
Structured Property Financing (SPF)

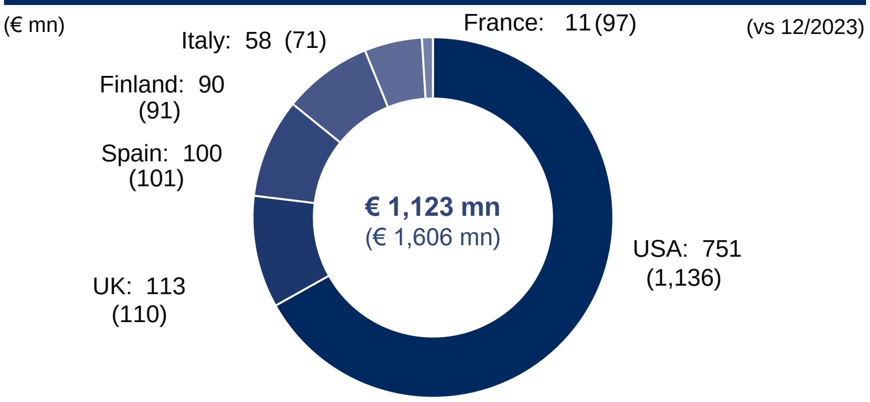
NPLs significantly reduced by € >0.5 bn in Q1 without further P&L impact

NPLs

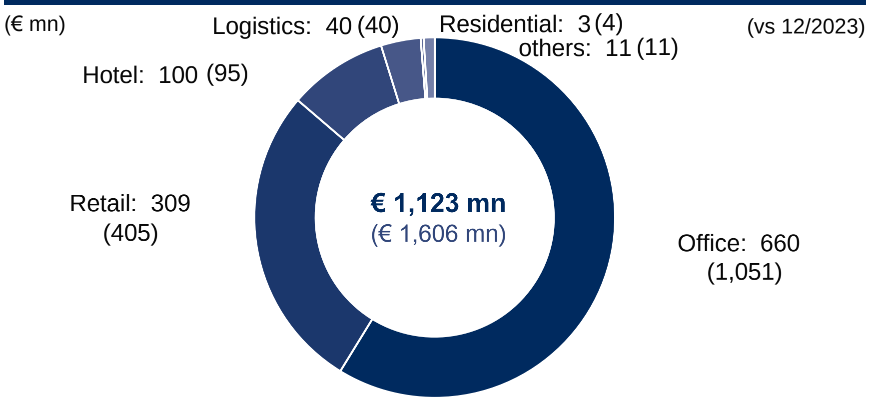


- NPLs reduced in Q1 by € >500 mn (mainly US office)
- One new NPL in Q1 (US office)
- US office markets still very challenging; all other regions/ asset classes performing well
  - No Signa loan exposure, virtually no developments
  - Limited exposure in Germany (~7% of CREF portfolio)
  - No exposure to Russia, China, Middle East
- NPE ratio acc. to EBA methodology[1]: 2.9% (12/23: 3.4%)
- Ongoing active management of NPLs to keep NPE ratio sustainably at or below 3% in the future

NPLs by country



NPLs by property type



1) NPE ratio according to EBA Risk Dashboard definition

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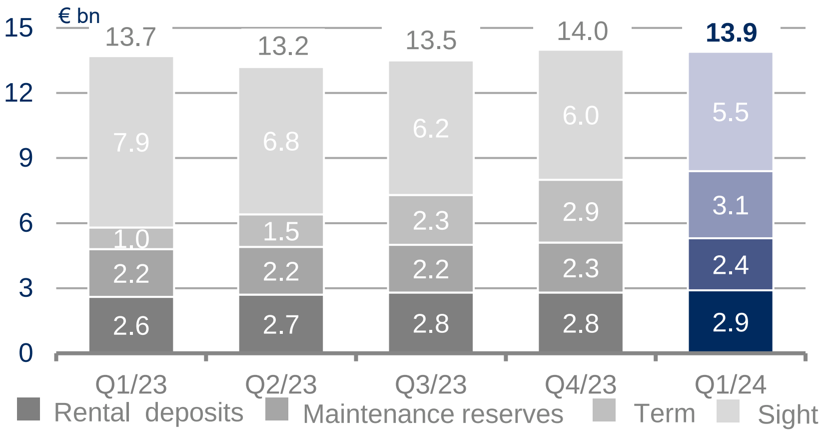
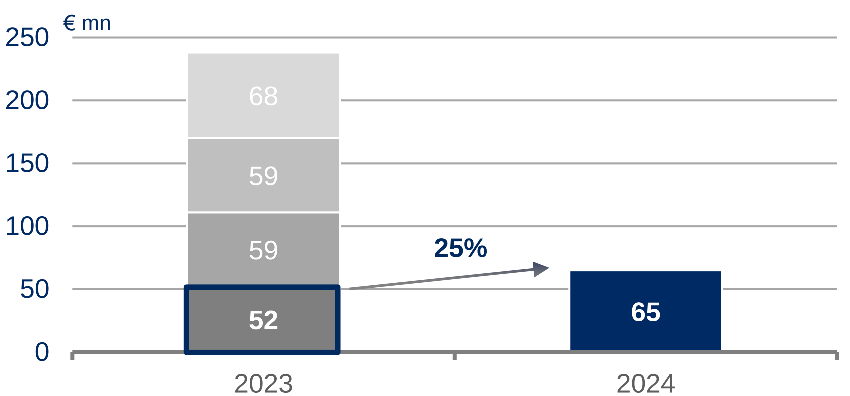
Banking & Digital Solutions (BDS)
Strong deposit franchise

Average Housing Industry (BDS) deposits by type

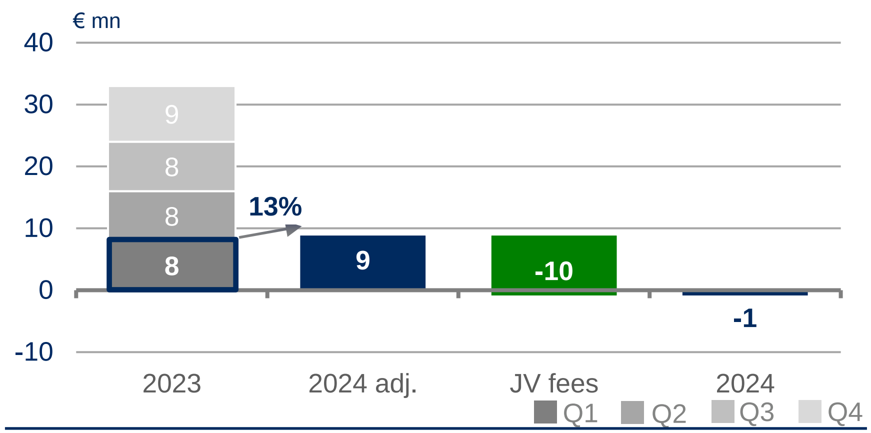


- Deposit volume above target level of € ~13 bn
- Structurally improving deposit mix by ongoing shift from sight into term deposits
- Segment NII increased vs Q1/23 mainly due normalised interest rate environment
- Segment Commission income (CI) is growing, however, segment NCI reflecting fees (€ 10 mn) paid to already mentioned JV established with Aareon

Segment NII



Segment NCI



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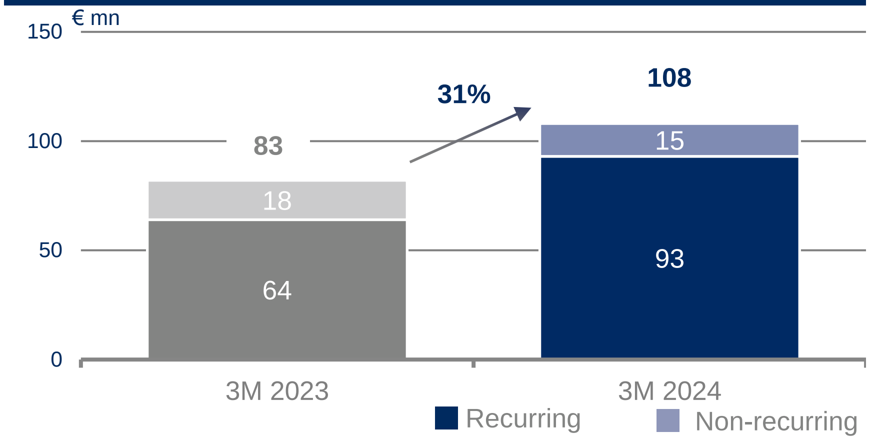
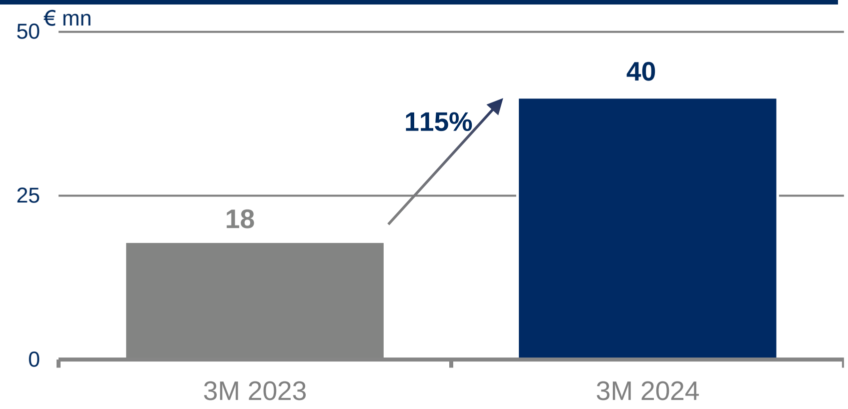
Strong start into the year in terms of revenue and adjusted EBITDA

Sales revenue



Adj. EBITDA



- Sales revenue increased by € 25 mn (+31%)
  - Strong growth in recurring revenue with € +29 mn (+45%)
  - Recurring revenue (LTM[1]) represents 83% of total revenues (Q1/23: 75%)
- Adj. EBITDA increased by € 22 mn to € 40 mn (+115%) incl. contribution from payment transaction JV with bank
- Adj. EBITDA margin increased to 37% (Q1/23: 22%), operating cash flow further improved
- Major activities:
  - JV with integrated payments specialist First Financial Software GmbH established. Further strengthened by realising synergies and up- and cross-selling
  - Pay portfolio expanded: strategic partnerships with payments solutions providers in the UK and the Netherlands; new product in Spain (TucoBan)
  - Acquisition of Blue-Mountain B.V. (business intelligence solutions provider) in the Netherlands
  - In May Aareon announced a strategic investment in Stonal (France), one of the leading data management platform for real estate owners and investors in Europe

Note: Numbers not adding up refer to rounding
1) Last Twelve Months

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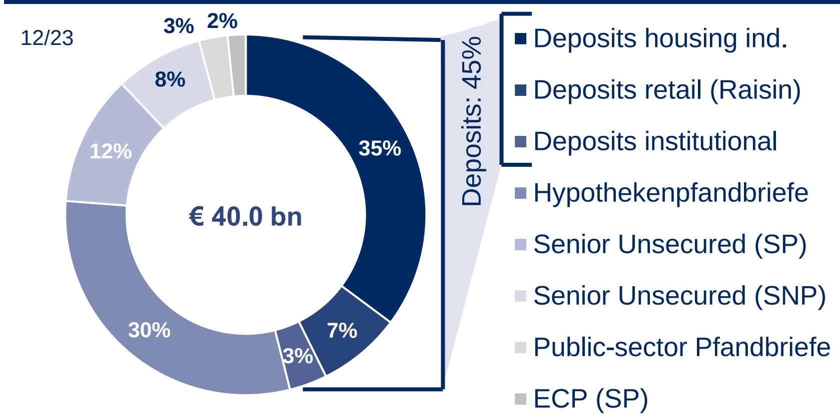
Funding & Liquidity

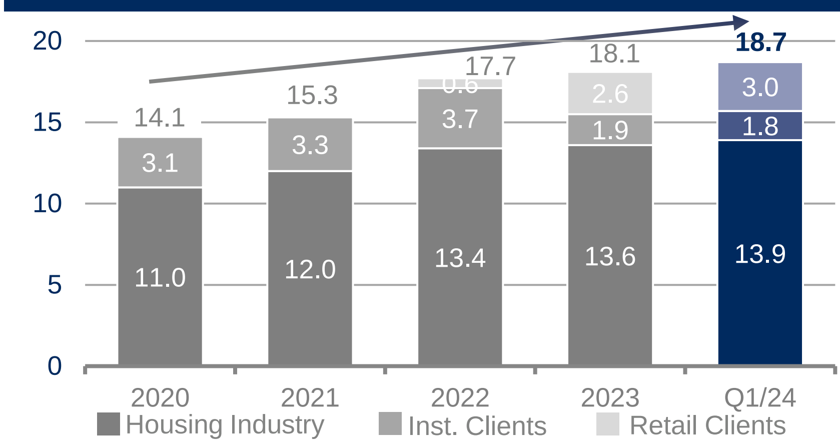
Well diversified funding mix, strong deposit franchise reduces dependence on capital markets

Funding by type



- Solid liquidity ratios
  - NSFR: 117%
  - LCR: 192%[1)]
- Deposits from housing industry at avg. of € 13.9 bn
- Retail term deposits by cooperating with Raisin further increased to € 3.0 bn (12/23: € 2.6 bn)
  - ~95% with a contractual maturity ≥ 2 years
  - Based on the success in the German market expanded into Austria and the Netherlands in Q1 2024, further countries to come in 2024

Total deposit volume by client groups

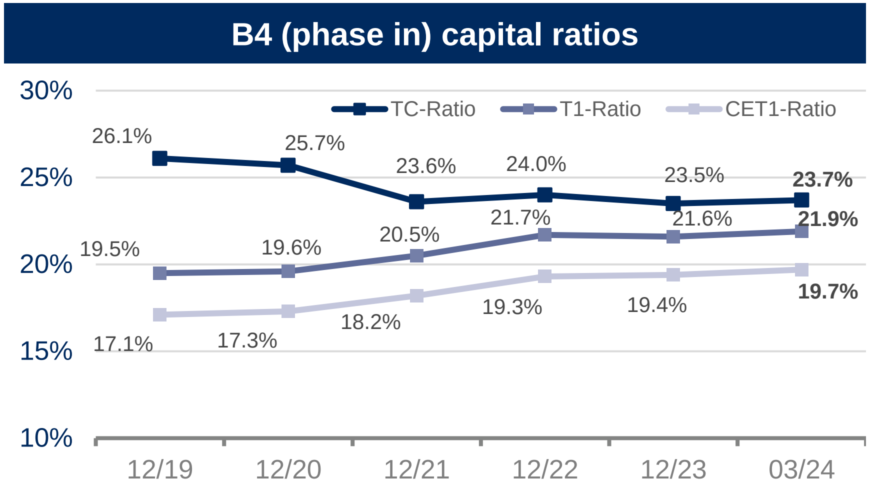


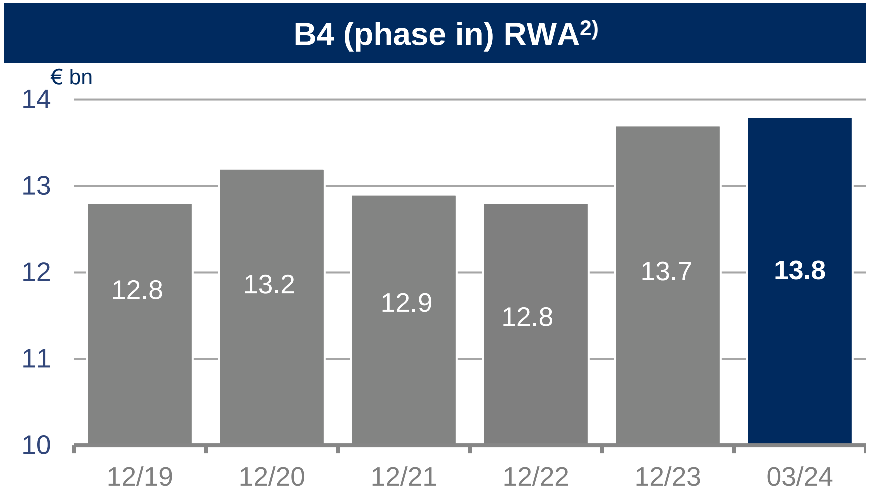
- Total deposit base with three strong pillars significantly increased over time
- Granular and sticky Housing Industry (BDS) deposit structure from ~4,000 clients managing more than 9 mn units
- Retail clients as additional source for term deposit introduced in 2022 anticipating expected decrease of Institutional clients deposits caused by reform of the German deposit protection

1) Quarterly average

Capital

Solid capital ratios[1)] further increased





- B4 (phase-in) capital ratios are based on RWA calculation taking the higher-of from Advanced Internal Rating Based Approach (A-IRBA) and B4 Revised Credit Risk Standard Approach (CRSA@50% output floor)
- B4 CET1 (phase-in) ratio in Q1/24 further increased to 19.7% (12/23: 19.4%) due to higher CET1
  - CET1 increase mainly results from retained profits
  - RWA effects from REF portfolio development mainly compensated by increased RWAs from OpRisk
- B4 CET1 (fully phased) ratio at 13.6% (12/23: 13.4%)
- T1-Leverage ratio at 6.6% (12/23: 6.6%)

1) Calculation of quotas assuming a successful application for profit inclusion at the ECB as of Q1 24
2) Based on draft version of the European implementation of Basel IV by the European Commission dated 27 October 2021 (CRR III)

Outlook 2024
Confirmed

Group			METRIC	2023	OUTLOOK 2024
	Bank	**Structured Property Financing**	▪ REF Portfolio ▪ New business	€ 32.9 bn € 10.0 bn	€ 33 - 34 bn[1)] € 8 - 9 bn
	Bank	**Banking & Digital Solutions**	▪ Deposit volume	€ ~13.6 bn	€ ~13 bn
	Bank	**Operating profit (EBT)**		**€ 221 mn**	**€ 250-300 mn**
	Aareon	**Aareon**	▪ Revenues ▪ Adj. EBITDA	€ 344 mn € 100 mn	€ 440 - 460 mn € 160 - 170 mn
	Aareon	**Operating profit (EBT)**		**€ -72 mn**	**€ ~50 mn**
Group		**Operating profit (EBT)**		**€ 149 mn**	**€ 300-350 mn**

1) Subject to FX development

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Key takeaways

Successful start to the year in a still challenging environment

- ✓ **Strong earnings power offsets still high loss allowance – proof of operating resilience; RoE after tax 8.7%**
- ✓ **NPLs reduced by € 500 mn in the first quarter of 2024, as announced; NPE ratio <3%**
- ✓ **Foundation built for a strong, sustainable performance of Aareal Bank Group**

Appendix

Aareal Bank Group

Results Q1 2024

	01.01.-31.03.2024 € mn	01.01.-31.03.2023 € mn	Change
Profit and loss account			
Net interest income	254	222	14%
Loss allowance	83	32	159%
Net commission income	86	72	19%
Net derecognition gain or loss	3	0	
Net gain or loss from financial instruments (fvpl)	-18	-6	200%
Net gain or loss on hedge accounting	8	4	100%
Net gain or loss from investments accounted for using the equity method	-	-	
Administrative expenses	147	199	-26%
Net other operating income / expenses	0	1	
Operating Profit	**103**	**62**	**66%**
Income taxes	30	20	50%
Consolidated net income	**73**	**42**	**74%**
Consolidated net income attributable to non-controlling interests	2	-9	
Consolidated net income attributable to shareholders of Aareal Bank AG	71	51	39%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	71	51	39%
of which: allocated to ordinary shareholders	63	47	34%
of which: allocated to AT1 investors	8	4	100%
Earnings per ordinary share (in €)[2)]	1.05	0.78	35%
Earnings per ordinary AT1 unit (in €)[3)]	0.08	0.04	100%

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.
3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

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Aareal Bank Group
Results Q1 2024 by segments

€ mn	Structured Property Financing		Banking & Digital Solutions		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.-31.03.2024	01.01.-31.03.2023	01.01.-31.03.2024	01.01.-31.03.2023	01.01.-31.03.2024	01.01.-31.03.2023	01.01.-31.03.2024	01.01.-31.03.2023	01.01.-31.03.2024	01.01.-31.03.2023
Net interest income	203	176	65	52	-14	-6	0	0	254	222
Loss allowance	83	32	0	0	0	0			83	32
Net commission income	-1	0	-1	8	90	67	-2	-3	86	72
Net derecognition gain or loss	3	0							3	0
Net gain or loss from financial instruments (fvpl)	-17	-6	-1	0		0			-18	-6
Net gain or loss on hedge accounting	8	4							8	4
Net gain or loss from investments accounted for using the equity method										
Administrative expenses	59	74	24	32	66	96	-2	-3	147	199
Net other operating income / expenses	0	0	-1	0	1	1	0	0	0	1
Operating profit	**54**	**68**	**38**	**28**	**11**	**-34**	**0**	**0**	**103**	**62**
Income taxes	12	15	12	9	6	-4			30	20
Consolidated net income	**42**	**53**	**26**	**19**	**5**	**-30**	**0**	**0**	**73**	**42**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	2	-9			2	-9
Cons. net income attributable to shareholders of Aareal Bank AG	42	53	26	19	3	-21	0	0	71	51

Aareal Bank Group

Results – quarter by quarter

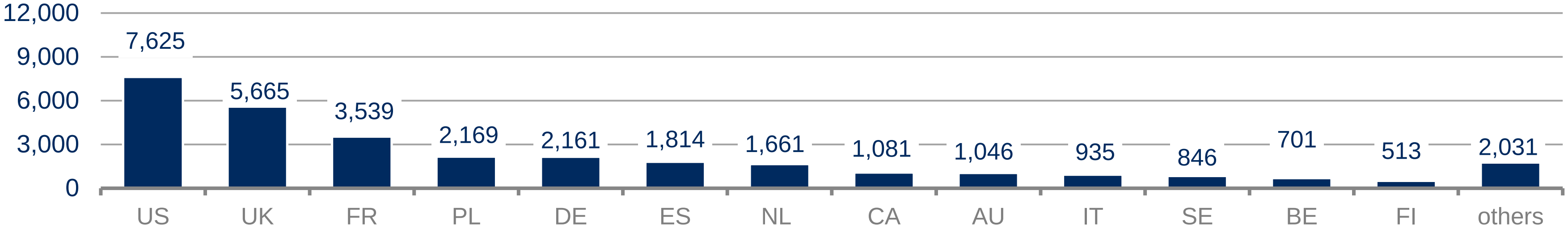
	Structured Property Financing					Banking & Digital Solutions					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 '24	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q1 '24	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q1 '24	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q1 '24	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q1 '24	Q4 2023	Q3 2023	Q2 2023	Q1 2023
€ mn																									
Net interest income	203	212	199	189	176	65	68	59	59	52	-14	-12	-10	-8	-6	0	0	0	0	0	254	268	248	240	222
Loss allowance	83	179	102	128	32	0	0	0	0	0	0	0	0	0	0						83	179	102	128	32
Net commission income	-1	0	5	1	0	-1	9	8	8	8	90	77	70	70	67	-2	-4	-7	-2	-3	86	82	76	77	72
Net derecognition gain or loss	3	5	6	12	0																3	5	6	12	0
Net gain / loss from fin. instruments (fvpl)	-17	-13	-17	-35	-6	-1	0	0	0	0		0	0	0	0						-18	-13	-17	-35	-6
Net gain or loss on hedge accounting	8	3	-2	-4	4																8	3	-2	-4	4
Net gain / loss from investments acc. for using the equity method		1						2														1	2		
Administrative expenses	59	58	53	46	74	24	35	23	20	32	66	70	75	79	96	-2	-4	-7	-2	-3	147	159	144	143	199
Net other operating income / expenses	0	-11	0	7	0	-1	-1	0	-1	0	1	-2	1	0	1	0	0	0	0	0	0	-14	1	6	1
Operating profit	**54**	**-40**	**36**	**-4**	**68**	**38**	**41**	**46**	**46**	**28**	**11**	**-7**	**-14**	**-17**	**-34**	**0**	**0**	**0**	**0**	**0**	**103**	**-6**	**68**	**25**	**62**
Income taxes	12	16	3	10	15	12	12	15	14	9	6	22	4	-15	-4						30	50	22	9	20
Consolidated net income	**42**	**-56**	**33**	**-14**	**53**	**26**	**29**	**31**	**32**	**19**	**5**	**-29**	**-18**	**-2**	**-30**	**0**	**0**	**0**	**0**	**0**	**73**	**-56**	**46**	**16**	**42**
Cons. net income attributable to non-controlling interests	0	-1	0	0	0	0	0	0	0	0	2	-9	-4	0	-9						2	-10	-4	0	-9
Cons. net income attributable to ARL shareholders	42	-55	33	-14	53	26	29	31	32	19	3	-20	-14	-2	-21	0	0	0	0	0	71	-46	50	16	51

CREF portfolio by country

€ 31.8 bn well diversified

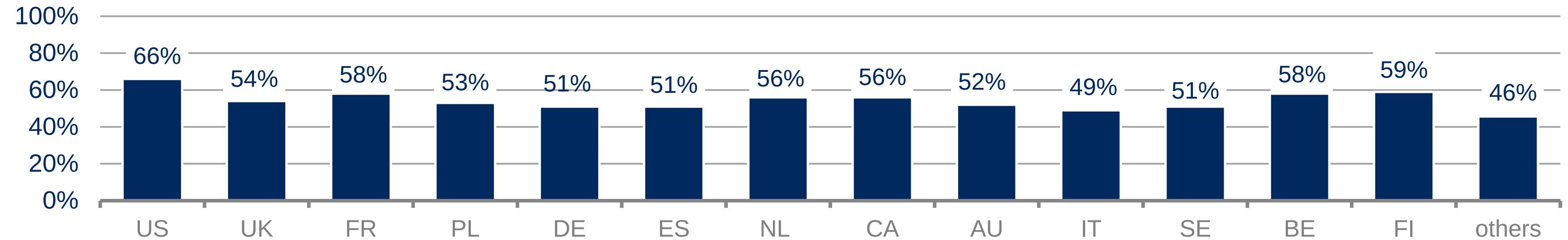
CREF portfolio (€ mn)

€ 31.8 bn (12/2023: € 32.5 bn)



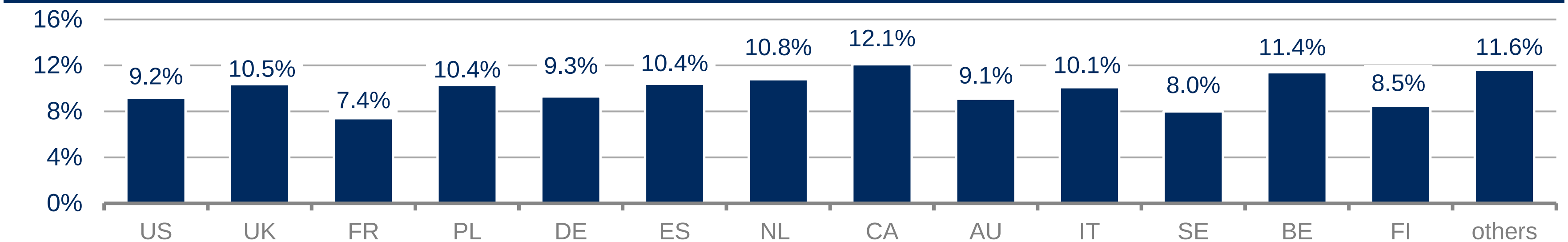
LTV[1)]

Ø LTV: 56% (12/2023: 56%)



YoD[1)]

Ø YoD: 9.8% (12/2023: 9.6%)



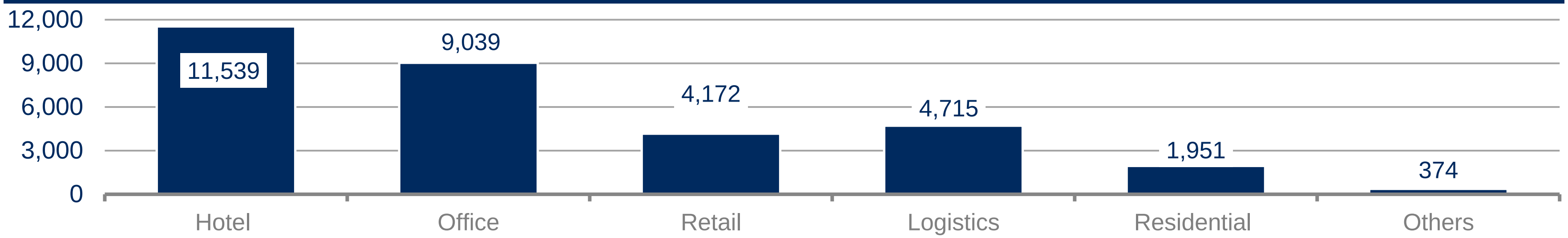
Note: others incl. countries with a portfolio below € 500 mn

1) Performing CREF-portfolio only (exposure)

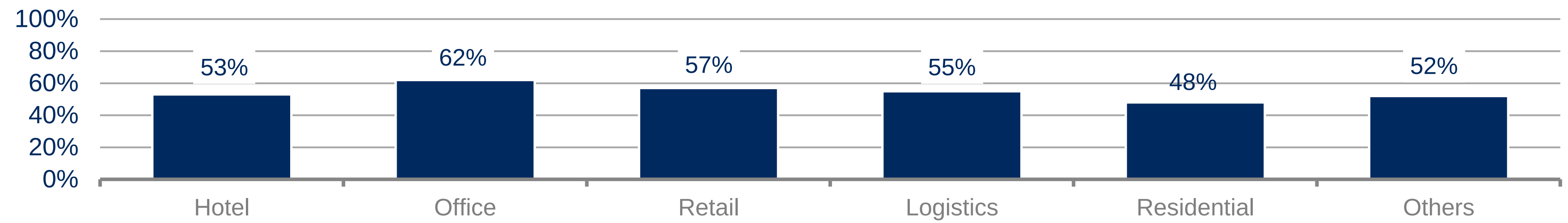
CREF portfolio by property types

€ 31.8 bn well diversified

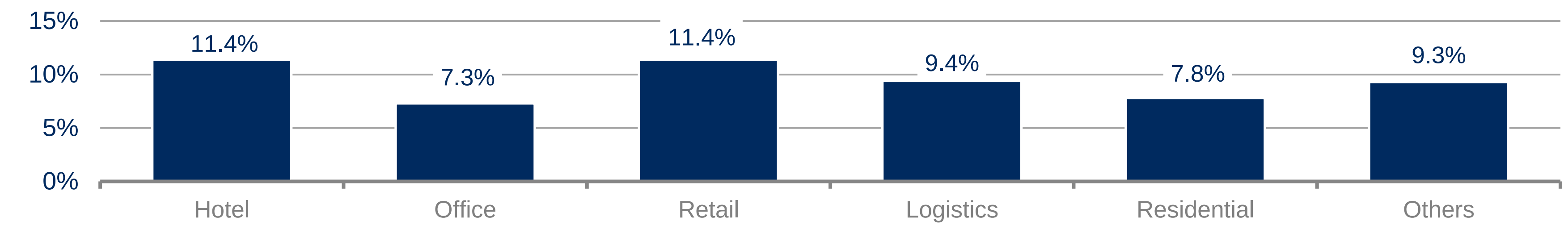
CREF portfolio (€ mn) **€ 31.8 bn** (12/2023: € 32.5 bn)



LTV[1)] **Ø LTV: 56%** (12/2023: 56%)



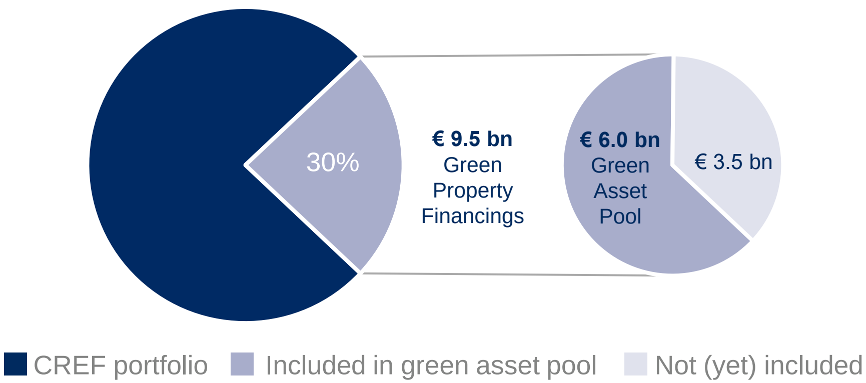
YoD[1)] **Ø YoD: 9.6%** (12/2022: 8.5%)



1) Performing CREF-portfolio only (exposure)

ESG: 30% of CREF portfolio classified as Green Property Financings

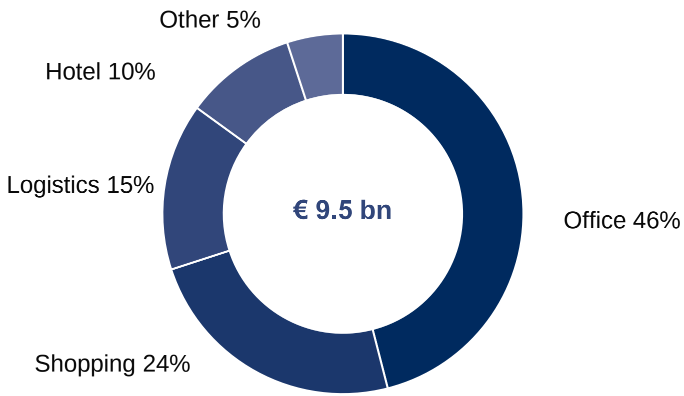
CREF[1] portfolio



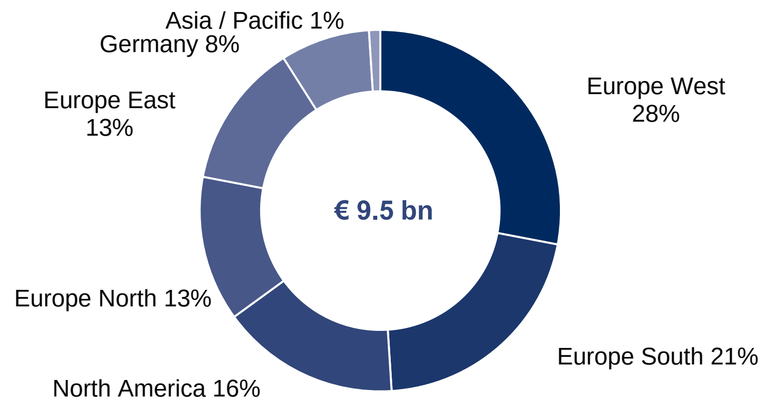
€ 9.5 bn[1] (30%) of total CREF portfolio fulfilling Aareal's Green Finance Framework and are classified as "Green Property Financings", thereof

- € 6.0 bn included in green asset pool for underlying of Green bond issues
- € 3.5 bn green property financings not (yet) included

Green Property Financings[2] by property type



Green Property Financings[2] by region



1) CREF excl. business not directly collateralized by properties
Portfolio data as at 31.03.2024 – ESG Data as at 31.03.2024
2) Valid certificate is documented

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Definitions

Term		Definition
New Business	=	New business = Newly acquired business + renewals
Common Equity Tier 1 ratio	=	CET 1 / Risk weighted assets
CIR	=	Admin expenses (excl. bank levy, et al.) / 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	=	Available stable funding / Required stable funding
Liquidity coverage ratio	=	Total stock of high quality liquid assets / Net cash outflows under stress
Earnings per share	=	operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. AT1 coupon / Number of ordinary shares
Yield on Debt	=	NOI x 100 (Net operating income, 12-months forward looking) / 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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