

PRESS RELEASE

Aareal maintains dynamic operating performance in the third quarter

- **Stable consolidated operating profit in the third quarter and the first nine months despite increased loss allowance (Q3 2023: €68 million; Q3 2022: €66 million; 9m 2023: €155 million; 9m 2022: €157 million).**
- **Net interest income up 35 per cent to €248 million; net commission income increased by 13 per cent to €76 million**
- **Loss allowance of €120 million in the third quarter, including net gain or loss from financial instruments (fvpl)**
- **CET1 ratio remains stable at 19.4 per cent, despite portfolio growth**
- **CEO Jochen Klösges: “In light of ongoing political and economic uncertainties, we are focussing on actively managing our loan portfolio whilst maintaining our conservative risk standards. Our strong earnings power enables us to actively control activities across all business segments and underscores the Bank’s resilience.”**

Wiesbaden, 9 November 2023 – Despite increased loss allowance for US office properties, Aareal Bank Group generated **consolidated operating profit** of €68 million in the third quarter, thus slightly above the result for the same period of the previous year (Q3 2022: €66 million). At €155 million, the figure for the first nine months was also stable year-on-year (9m 2022: €157 million). Net interest income and net commission income were both up strongly in the third quarter too; dynamic income growth offset the burdens on loss allowance from the US office property finance portfolio as well as investments at Aareon.

Chief Executive Officer **Jochen Klösges** said: “In light of ongoing political and economic uncertainties, we are focussing on actively managing our loan portfolio whilst maintaining our conservative risk standards. Our strong earnings power enables us to actively control activities across all business segments and underscores the Bank’s resilience.”

Aareal Bank Group’s consolidated **net interest income** rose by 35 per cent in the third quarter, to €248 million (Q3 2022: €184 million). The surge reflected a marked year-on-year increase in the portfolio volume and strong margins, whilst higher interest rate levels had a positive effect upon the deposit-taking business. Net interest income for the first nine months amounted to €710 million (9m 2022: €514 million), up 38 per cent.

Net commission income was up by 13 per cent compared to the previous year’s quarter, to €76 million (Q3 2022: €67 million), mainly due to ongoing revenue growth at Aareon. In the first nine months, net commission income increased to a total of €225 million (9m 2022: €199 million).

Loss allowance for the third quarter amounted to €102 million (Q3 2022: €63 million), and continued to reflect loan defaults affecting the US office property market. In the first nine

months, loss allowance thus totalled €262 million (9m 2022: €170 million). In addition, loss allowance of €18 million for the third quarter was reported in **net gain or loss from financial instruments (fvpl)**, due to measurement adjustments especially for office properties in the US. The nine-month figure amounts to €54 million.

Consolidated **administrative expenses** amounted to €144 million in the third quarter (Q3 2022: €128 million) and €486 million in the first nine months (9m 2022: €423 million). The increase largely reflected growth as well as efficiency-enhancement measures at Aareon. In contrast, costs for the banking business remained stable at €248 million, compared with €254 million in the same period of the previous year. The Bank enjoyed a very good cost/income ratio of 31 per cent for the first nine months of the year.

Taking taxes of €22 million into account, third-quarter **consolidated net income** was €46 million, outperforming the previous year's figure (Q3 2022: €42 million).

Aareal Bank continues to enjoy a very solid capital base. The Bank's **Common Equity Tier 1 ratio** (Basel IV phase-in ratio) stood – despite portfolio growth – at 19.4 per cent at the end of the third quarter (30 Jun 2023: 19.4 per cent; 31 Dec 2022: 19.3 per cent). The total capital ratio was 23.6 per cent.

Aareal Bank's **funding activities** also proved successful: the volume of fixed-interest retail deposits sourced through platforms rose, exceeding the two-billion-euro threshold for the first time in the third quarter (30 Jun 2023: €1.7 billion). On top of this, Aareal Bank placed a total of €2.4 billion on the capital markets during the first nine months of the year, including three benchmark Pfandbriefe with an aggregate size of €2 billion.

Chief Financial Officer **Marc Hess** said: "We have been working very carefully on diversifying our funding sources for quite some time. Retail deposits generated via online platforms have now exceeded the two-billion-euro threshold. At the same time, our Common Equity Tier 1 ratio persisted at a high level. Looking at our growth, this is yet another proof of how solid the Bank is."

Developments by business segment

Portfolio volume in the **Structured Property Financing segment** rose to €32.8 billion as at 30 September 2023 (31 Dec 2022: €30.9 billion). New business originated during the first nine months totalled €6.5 billion (9m 2022: €6.9 billion), with €2.4 billion generated during the third quarter (Q3 2022: €1.7 billion). This shows that Aareal Bank is on track to achieve its full-year targets both for portfolio volume (€32 billion to €33 billion) and for new business (€9 billion to €10 billion).

Newly-originated loans totalled €4.0 billion in the first nine months of the year (9m 2022: €4.8 billion), of which €1.6 billion was originated in the third quarter. Margins remained at a good level, averaging around 290 basis points, and the same applies to average loan-to-value ratios, which stood at a very healthy 53 per cent (9m 2022: 56 per cent).

Aareal Bank's conservative risk policy is also evident in average loan-to-value ratios in the existing portfolio, which also remained low, at 56 per cent. At 4.1 per cent, the NPL ratio stayed on the level of the previous quarter, despite challenging markets.

NPL and NPE ratios in accordance with EBA definitions stood at 3.3 per cent and 2.9 per cent, respectively.

Aareal Bank intensified its exposure to financing alternative living properties in the third quarter: a dedicated, newly-established team is set to further expand financing business in this market segment, which comprises student housing (purpose-built student accommodation, PBSA) and co-living. The Bank is already a leading provider in this growth segment.

In the **Banking & Digital Solutions segment**, the volume of client deposits from the housing and energy industries remained stable at a high level, averaging €13.5 billion (9m 2022: €13.5 billion) and above the expected target level of around €13 billion for the full year. Segment net interest income doubled to €59 million in the third quarter (Q3 2022: €26 million); the figure for the first nine months was €170 million (9m 2022: €49 million). At €8 million, segment net commission income for the third quarter was on a par with the previous year (Q3 2022: €8 million) and rose slightly year-on-year to €24 million in the first nine months (9m 2022: €23 million).

Software subsidiary **Aareon** increased third-quarter sales revenues to €83 million, up from €75 million in the third quarter of 2022, bringing the figure for the first nine months of the financial year to €251 million (up 13 per cent; 9m 2022: €221 million). The share of recurring revenue compared to total sales increased to 78 per cent (Q3 2022: 74 per cent). Adjusted EBITDA increased by 67 per cent to €25 million in the third quarter (Q3 2022: €15 million) and by 37 per cent to €64 million in the first nine months (9m 2022: €47 million). Aareon refinanced the facility provided by Aareal Bank ("Hunting Line") in the third quarter through external long-term debt. Moreover, Aareon continued its M&A activities with the signing of an agreement to acquire IESA, a leading and fast-growing Spanish provider of property management software solutions. The company also succeeded in winning initial partners for the new Aareon Connect programme in the UK.

Outlook

Aareal Bank Group continues to anticipate being able to achieve consolidated operating profit at the lower end of the range between €240 million and €280 million in the 2023 financial year. However, the environment remains challenging, and the impact of geopolitical and macro-economic uncertainty remains difficult to estimate.

Contacts for the media:

Margarita Thiel
Phone: +49 611 348 2306
Mobile: +49 171 2069740
margarita.thiel@aareal-bank.com

Christian Feldbrügge
Phone: +49 611 348 2280
Mobile: +49 171 8667919
christian.feldbruegge@aareal-bank.com

Contact for investors:

Aareal Bank AG – Investor Relations
Phone: +49 611 348 3009
ir@aareal-bank.com

About Aareal Bank Group – 100 years of Aareal Bank. 100 years of writing success stories.

Aareal Bank Group, headquartered in Wiesbaden, was founded 100 years ago and has since become a leading international property specialist. The Bank uses its expertise to identify trends, challenges and opportunities at an early stage, and to exploit them for the benefit of its stakeholders. Today, it provides financings, software products, and digital solutions for the property sector and related industries, and is present across three continents, Europe, North America and the Asia/Pacific region. Aareal Bank Group's business strategy focuses on sustainable business success, with environmental, social and governance (ESG) aspects as an integral part of this strategy.

Aareal Bank AG comprises the business segments Structured Property Financing, Banking & Digital Solutions, and Aareon. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. Here, the Bank supports its clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. In the Banking & Digital Solutions segment, Aareal Bank Group supports businesses from the housing, property management and energy industries as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. Its subsidiary Aareon, supplier of SaaS solutions for the European property sector, represents the third business segment. It is digitalising property management by offering user-oriented software solutions that simplify and automate processes, support sustainable and energy-efficient operations, and interconnect all process participants.

Aareal Bank Group – Key Indicators

| | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 |
|---------------------------------------------------------------------------------|------------------------|------------------------|
| Results | | |
| Operating profit (€ mn) | 155 | 157 |
| Consolidated net income (€ mn) | 104 | 100 |
| Consolidated net income allocated to ordinary shareholders (€ mn) ¹⁾ | 96 | 89 |
| Cost/income ratio (%) ²⁾ | 30.9 | 38.7 |
| Earnings per ordinary share (€) ¹⁾ | 1.61 | 1.49 |
| RoE before taxes (%) ^{1) 3)} | 6.7 | 6.7 |
| RoE after taxes (%) ^{1) 3)} | 4.4 | 4.3 |
| | 30 Sep 2023 | 31 Dec 2022 |
| Statement of Financial Position | | |
| Property finance (€ mn) | 32,753 | 30,901 |
| Equity (€ mn) | 3,338 | 3,258 |
| Total assets (€ mn) | 49,442 | 47,331 |
| Regulatory Indicators⁴⁾ | | |
| Basel IV (phase-in) | | |
| Risk-weighted assets (€ mn) | 13,547 | 12,782 |
| Common Equity Tier 1 ratio (CET1 ratio) (%) | 19.4 | 19.3 |
| Tier 1 ratio (T1 ratio) (%) | 21.6 | 21.7 |
| Total capital ratio (TC ratio) (%) | 23.6 | 24.0 |
| Employees | 3,315 | 3,316 |

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

²⁾ Structured Property Financing segment: in line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included.

³⁾ On an annualised basis

⁴⁾ 31 December 2022: including originally proposed dividend of €1.60 per share in 2022 and pro rata temporis accrual of interest on the AT1 bond, excluding profits for 2022 under commercial law. There are no plans to distribute any dividends, in line with the strategy for 2023.

30 September 2023: including interim results for the first half of 2023 and pro rata temporis accrual of net interest on the AT1 bond.

The CET1 ratio, as shown in Aareal Bank's regulatory report as at 30 September 2023, was 18.2%, reflecting the fact that on that date the Bank had not submitted an application for inclusion of profits to the ECB. The SREP recommendations concerning the NPL inventory and the ECB's NPL guidelines for the regulatory capital of new NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests were taken into account.

Adjusted total risk exposure amount (as defined in Article 92 (3) CRR – RWAs), in accordance with 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 proposal dated 27 October 2021 for implementation of Basel IV (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).

Consolidated income statement for the first nine months of 2023 (in accordance with IFRSs)

| | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 | Change |
|--------------------------------------------------------------------------------------|---------------------|---------------------|-----------|
| | € mn | € mn | % |
| Net interest income | 710 | 514 | 38 |
| Loss allowance | 262 | 170 | 54 |
| Net commission income | 225 | 199 | 13 |
| Net derecognition gain or loss | 18 | 24 | -25 |
| Net gain or loss from financial instruments (fvpl) | -58 | 22 | |
| Net gain or loss from hedge accounting | -2 | -6 | -67 |
| Net gain or loss from investments accounted for using the equity method | 2 | -2 | |
| Administrative expenses | 486 | 423 | 15 |
| Net other operating income/expenses | 8 | -1 | |
| Operating profit | 155 | 157 | -1 |
| Income taxes | 51 | 57 | -11 |
| Consolidated net income | 104 | 100 | 4 |
| Consolidated net income attributable to non-controlling interests | -13 | 0 | |
| Consolidated net income attributable to shareholders of Aareal Bank AG | 117 | 100 | 17 |
| Earnings per share (EpS) | | | |
| Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾ | 117 | 100 | 17 |
| of which: allocated to ordinary shareholders | 96 | 89 | 8 |
| of which: allocated to AT1 investors | 21 | 11 | 91 |
| Earnings per ordinary share (€) ²⁾ | 1.61 | 1.49 | 8 |
| Earnings per AT1 unit (€) ³⁾ | 0.21 | 0.11 | 91 |

¹⁾ The allocation of earnings is based on the assumption that interest payable on the AT1 bond is recognised on an accrual basis. Figures for the comparative period were based on net interest payable on the AT1 bond.

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. Basic earnings per AT1 unit correspond to diluted earnings per AT1 unit.

Consolidated income statement for the third quarter of 2023 (in accordance with IFRSs)

| | Q3 2023 | Q3 2022 | Change |
|--------------------------------------------------------------------------------------|-----------|-----------|-----------|
| | € mn | € mn | % |
| Net interest income | 248 | 184 | 35 |
| Loss allowance | 102 | 63 | 62 |
| Net commission income | 76 | 67 | 13 |
| Net derecognition gain or loss | 6 | 2 | 200 |
| Net gain or loss from financial instruments (fvpl) | -17 | 4 | |
| Net gain or loss from hedge accounting | -2 | 1 | |
| Net gain or loss from investments accounted for using the equity method | 2 | 0 | |
| Administrative expenses | 144 | 128 | 13 |
| Net other operating income/expenses | 1 | -1 | |
| Operating profit | 68 | 66 | 3 |
| Income taxes | 22 | 24 | -8 |
| Consolidated net income | 46 | 42 | 10 |
| Consolidated net income attributable to non-controlling interests | -4 | -1 | 300 |
| Consolidated net income attributable to shareholders of Aareal Bank AG | 50 | 43 | 16 |
| Earnings per share (EpS) | | | |
| Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾ | 50 | 43 | 16 |
| of which: allocated to ordinary shareholders | 38 | 39 | -3 |
| of which: allocated to AT1 investors | 12 | 4 | 200 |
| Earnings per ordinary share (€) ²⁾ | 0.64 | 0.65 | -2 |
| Earnings per AT1 unit (€) ³⁾ | 0.12 | 0.04 | 200 |

¹⁾ The allocation of earnings is based on the assumption that interest payable on the AT1 bond is recognised on an accrual basis. Figures for the comparative period were based on net interest payable on the AT1 bond.

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. Basic earnings per AT1 unit correspond to diluted earnings per AT1 unit.

**Segment results for the first nine months of 2023
(in accordance with IFRSs)**

| | Structured Property Financing | | Banking & Digital Solutions | | Aareon | | Consolidation / Reconciliation | | Aareal Bank Group | |
|-------------------------------------------------------------------------|-------------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|
| | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 | 1 Jan - 30 Sep 2023 | 1 Jan - 30 Sep 2022 |
| € mn | | | | | | | | | | |
| Net interest income | 564 | 475 | 170 | 49 | -24 | -10 | 0 | 0 | 710 | 514 |
| Loss allowance | 262 | 170 | 0 | 0 | 0 | 0 | | | 262 | 170 |
| Net commission income | 6 | 5 | 24 | 23 | 207 | 180 | -12 | -9 | 225 | 199 |
| Net derecognition gain or loss | 18 | 24 | | | | | | | 18 | 24 |
| Net gain or loss from financial instruments (fvpl) | -58 | 22 | 0 | 0 | 0 | 0 | | | -58 | 22 |
| Net gain or loss from hedge accounting | -2 | -6 | | | | | | | -2 | -6 |
| Net gain or loss from investments accounted for using the equity method | | 0 | 2 | -1 | | -1 | | | 2 | -2 |
| Administrative expenses ¹⁾ | 173 | 200 | 75 | 54 | 250 | 178 | -12 | -9 | 486 | 423 |
| Net other operating income/expenses | 7 | -4 | -1 | -1 | 2 | 4 | 0 | 0 | 8 | -1 |
| Operating profit | 100 | 146 | 120 | 16 | -65 | -5 | 0 | 0 | 155 | 157 |
| Income taxes | 28 | 52 | 38 | 6 | -15 | -1 | | | 51 | 57 |
| Consolidated net income | 72 | 94 | 82 | 10 | -50 | -4 | 0 | 0 | 104 | 100 |
| Consolidated net income attributable to non-controlling interests | 0 | 0 | 0 | 0 | -13 | 0 | | | -13 | 0 |
| Consolidated net income attributable to shareholders of Aareal Bank AG | 72 | 94 | 82 | 10 | -37 | -4 | 0 | 0 | 117 | 100 |
| Allocated equity ²⁾ | 1,532 | 1,622 | 406 | 289 | 37 | 37 | 944 | 838 | 2,919 | 2,786 |
| RoE after taxes (%) ^{3) 4)} | 4.4 | 6.9 | 26.9 | 4.5 | -132.6 | -13.9 | | | 4.4 | 4.3 |

¹⁾ During the course of a regular review, intra-Group cost allocation between the SPF and BDS segments was adjusted in 2023, aligning it to the size of the respective segment.

²⁾ For management purposes, the allocated equity is calculated for all segments on the basis of a standardised capital requirement pursuant to Basel IV (phase-in) of 15%. Until 30 September 2022, the calculated output floor for the BDS and Aareon segments was 72.5%. Reported equity on the statement of financial position differs from this. Aareon's total equity as disclosed in the statement of financial position amounts to €97 million.

³⁾ On an annualised basis

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

Segment results for the third quarter of 2023 (in accordance with IFRSs)

| | Structured Property Financing | | Banking & Digital Solutions | | Aareon | | Consolidation / Reconciliation | | Aareal Bank Group | |
|-------------------------------------------------------------------------|-------------------------------|-----------|-----------------------------|-----------|------------|-----------|--------------------------------|----------|-------------------|-----------|
| | Q3 2023 | Q3 2022 | Q3 2023 | Q3 2022 | Q3 2023 | Q3 2022 | Q3 2023 | Q3 2022 | Q3 2023 | Q3 2022 |
| € mn | | | | | | | | | | |
| Net interest income | 199 | 162 | 59 | 26 | -10 | -4 | 0 | 0 | 248 | 184 |
| Loss allowance | 102 | 63 | 0 | 0 | 0 | 0 | | | 102 | 63 |
| Net commission income | 5 | 1 | 8 | 8 | 70 | 61 | -7 | -3 | 76 | 67 |
| Net derecognition gain or loss | 6 | 2 | | | | | | | 6 | 2 |
| Net gain or loss from financial instruments (fvpl) | -17 | 4 | 0 | 0 | | | | | -17 | 4 |
| Net gain or loss from hedge accounting | -2 | 1 | | | | | | | -2 | 1 |
| Net gain or loss from investments accounted for using the equity method | | | 2 | | | 0 | | | 2 | 0 |
| Administrative expenses | 53 | 54 | 23 | 17 | 75 | 60 | -7 | -3 | 144 | 128 |
| Net other operating income/expenses | 0 | -2 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | -1 |
| Operating profit | 36 | 51 | 46 | 17 | -14 | -2 | 0 | 0 | 68 | 66 |
| Income taxes | 3 | 18 | 15 | 6 | 4 | 0 | | | 22 | 24 |
| Consolidated net income | 33 | 33 | 31 | 11 | -18 | -2 | 0 | 0 | 46 | 42 |
| Consolidated net income attributable to non-controlling interests | 0 | 0 | 0 | 0 | -4 | -1 | | | -4 | -1 |
| Consolidated net income attributable to shareholders of Aareal Bank AG | 33 | 33 | 31 | 11 | -14 | -1 | 0 | 0 | 50 | 43 |