Annual Financial Statements and Management Report 2024

of Aareal Bank AG

Aareal

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Contents

Management Report

Fundamental Information about the Group

Business model

Aareal Bank AG, headquartered in Wiesbaden, Germany, is the Group's parent company. The Group-wide strategy focuses on sustainable business success.

The Group's strategic business activities are commercial property financing, payments processes, corporate banking services and tenant deposit solutions for the German property sector and related industries.

Aareal Bank comprises two business segments: Structured Property Financing and Banking & Digital Solutions.

The squeeze-out resolution under company law that was put to a vote at the request of Aareal Bank AG's parent company Atlantic BidCo GmbH was agreed to by the ordinary Annual General Meeting at the start of May 2024. The squeeze-out under company law took effect on 25 October 2024; since then, Atlantic BidCo GmbH has been Aareal Bank AG's sole shareholder. Atlantic BidCo GmbH is held by funds controlled, managed or advised by Advent International Corporation and Centerbridge Partners as well as CPP Investment Board Europe S.à r.l., a wholly-owned subsidiary of Canada Pension Plan Investment Board, and other minority shareholders.

At the end of June 2024, Aareal Bank and Advent International Corporation announced that they had concluded an agreement with TPG, a leading private equity company, and CDPQ, a global investment group, on the acquisition of Aareon. The financial terms of the sale were based on an enterprise value for Aareon Group (with Aareon AG as the parent entity) of approximately €3.9 billion, corresponding to an equity value of around €2.1 billion for Aareal Bank's stake in Aareon. Following the required regulatory approval, the transaction – and hence the sale of Aareon – was closed on 1 October 2024.

Structured Property Financing

In the Structured Property Financing segment, Aareal Bank facilitates property investments for its domestic and international clients, and is active in Europe, North America and the Asia/Pacific region. Aareal Bank finances commercial property investments, especially hotels, alternative living (student housing, micro-living, etc.) retail, logistics, office and residential properties, with a focus on existing buildings.

Aareal Bank's sales operations combine local market expertise with specific know-how for the hotel, logistics, retail and alternative living sectors, providing its clients with specialist teams in the Group's head office located in Wiesbaden. The industry experts work closely with the local teams, ensuring that the full scope of requisite know-how is available for every transaction. This allows Aareal Bank to offer financing concepts that meet the special requirements of its domestic and international clients, as well as conclude structured portfolio and cross-border financings.

In addition to the network of sector specialists in Wiesbaden, branch offices are also located in Paris, Rome, London, Stockholm and Warsaw.

Aareal Bank Group's activities on the North American market are carried out through the subsidiary Aareal Capital Corporation, operating from New York City. The Singapore subsidiary Aareal Bank Asia Limited conducts the sales activities in the Asia/Pacific region.

Funding

Aareal Bank is an active issuer of Pfandbriefe, which account for a major share of its long-term funding. Moody's "Aaa" Pfandbrief rating confirms the quality of the cover assets pools. To cater to a broad investor base, Aareal Bank uses a wide range of other funding tools, including senior preferred and senior non-preferred bonds, as well as promissory notes and bonds. Depending on market conditions and investor demand, the Bank places large-sized public issues or private placements. In the Banking & Digital Solutions segment, the Bank also generates deposits from the housing industry, which represent a strategically important additional source of funding. Furthermore, it has recourse to institutional money market deposits, and to retail deposits via a trust model.

Banking & Digital Solutions

In the Banking & Digital Solutions segment, Aareal Bank Group provides sector-specific payments processes to its clients from the institutional housing industry, the commercial property sector, as well as to the energy and utilities industry. Aareal Bank helps its clients structure their core business processes more efficiently so they are fit for purpose for the long term. It does so in combination with the BK01 software suite provided by First Financial Software GmbH, which facilitates integrated payment flow processing between ERP systems and the Bank's accounts platform. Aareal Bank, First Financial Software GmbH and Aareon have entered into a strategic partnership for this purpose. Wherever the property sector and the energy industry cross over, Aareal Bank and its partners contribute to optimising payments and adjacent processes. Payments processed using BK@1 on Aareal Bank's accounts platform generate deposits that factor into the Group's funding. The digital tenant deposit solutions and selected financing products enhance the range of services the B&DS segment offers the German property sector. Aareal Bank's investment offerings for property and energy industry companies support clients to actively manage their investments and cash. The Banking & Digital Solutions segment includes the subsidiaries collect Artificial Intelligence GmbH, a payment solutions provider for AI-based invoicing and dunning systems, and plusForta GmbH, an online broker for tenant deposit guarantees.

Management system

Aareal Bank Group is managed at Group level using key financial performance indicators, taking the Group's risk-bearing capacity into account, and is additionally differentiated by business segment. Group management is based on medium-term Group planning, prepared annually, which is geared towards the Group's long-term business strategy. An extensive (management) reporting system regularly provides the information required for management and monitoring purposes.

The following indicators implemented within the scope of business and return management are Aareal Bank Group's key financial performance indicators. With the beginning of 2025, the management system was supplemented by clearly identifiable non-recurring items. Accordingly, the business will henceforth be managed based on the three new financial KPIs set out below.

- **Group**
  - Operating profit from continuing operations (until 31 December 2024)
  - Adjusted[1)] operating profit (as of 1 January 2025)
  - Return on equity (RoE)[2)] from continuing operations (until 31 December 2024)
  - Adjusted[1)] Return on Equity (RoE)[3)] (as of 1 January 2025)
  - Common Equity Tier 1 ratio (CET1 ratio) – Basel IV (phase-in) (until 31 December 2024)
  - Common Equity Tier 1 ratio (CET1 ratio) – Basel IV (fully phased) (as of 1 January 2025)

- **Structured Property Financing segment**
  - New business[4)]
  - Credit portfolio of Aareal Bank Group

- **Banking & Digital Solutions segment**
  - Average deposit volume from the housing industry

The preservation of capital and the ability to distribute dividends are additional financial performance indicators applicable to Aareal Bank AG.

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1) Costs for efficiency enhancement measures, investments in IT-infrastructure and other material non-recurring effects
2) RoE = consolidated net income excluding consolidated net income attributable to non-controlling interests and AT1 coupon / average equity (IFRS) excluding non-controlling interests, AT1 bond and dividends
3) RoE = adjusted consolidated net income excluding consolidated net income attributable to non-controlling interests and AT1 coupon / average equity (IFRS) excluding non-controlling interests, AT1 bond and dividends
4) New business = newly-originated loans plus renewals

The Group's existing risk management system is used to manage and monitor the individual risk exposures of Aareal Bank Group entities in a centralised manner. All management-relevant information is systematically collected and analysed, to develop suitable strategies for risk management and monitoring. We also employ forecasting models for balance sheet structure, liquidity and portfolio development for strategic business and revenue planning. In addition to business-related management tools, we also use various other instruments to optimise our organisation and workflows. These include comprehensive cost management, centralised management of project activities and Human Resources controlling, for example.

The Structured Property Financing segment also deploys supplementary management tools and indicators. The property financing portfolio is actively managed throughout Aareal Bank Group, with the aim of optimising its risk diversification and profitability. To develop risk- and return-oriented strategies for our portfolio, we evaluate market and business data, using this as a basis to simulate potential lending strategies, and to identify a target portfolio, which is part of Group planning. This helps us identify – and respond to – market changes at an early stage. Active portfolio management allows us to optimally allocate equity to the most attractive products and regions from a risk/return perspective, within the scope of our strategy. By taking into consideration maximum allocations to individual countries, products and property types in the portfolio, we ensure a high level of diversification and avoid risk concentrations.

The Banking & Digital Solutions segment also has a specific management indicator for its business: we use the average deposit volume from the housing industry as a key financial performance indicator here.

Report on the Economic Position

Aareal Bank AG is the parent company of Aareal Bank Group. Aareal Bank AG has entered into profit and loss transfer agreements, or control and profit transfer agreements, with numerous Group entities. The economic situation of these entities is thus reflected in Aareal Bank AG. Moreover, the funding of Aareal Bank Group is managed centrally by Aareal Bank AG. Against this background, sector-specific and business developments are reported at Group and segment level, while the section on financial position and financial performance describes Aareal Bank AG as an individual entity.

Macro-economic environment

The global economy was on a moderate growth trajectory in 2024 with a mixed picture painted across the regions. While the economy recovered only marginally in the euro zone and the United Kingdom, the economic development in the United States once again outperformed the other industrialised nations. Inflation in the advanced economies continued to fall in 2024, with the annual increase in consumer prices in the euro zone and the United Kingdom temporarily reaching their 2% target. Key interest rates were lowered in most advanced economies (except for Australia), allowing the most important central banks to pursue a less restrictive monetary policy course since mid-2024. Even so, price pressure remained high due to persistent service inflation and the tight labour markets.

2024 was again defined by influential political events. Elections to the European Parliament and the French National Assembly together with the collapse of Germany's three-party coalition government demonstrated the high level of political uncertainty in Europe and the threat of a political shift away from European cohesion. The Labour Party won the general election in the United Kingdom in July but faced challenges in presenting a satisfactory budget aimed at encouraging investment and growth. The presidential election in the US triggered a remarkable reaction on the financial markets with rising dollar exchange rates and equity valuations. However, markets in the rest of the world weakened in face of potential tariffs and disruptions to trade. Armed conflicts continued to intensify with no progress being made on reaching a peaceful solution. The escalation of the war between Israel and Hamas drew Iran and Lebanon into the conflict, but the impact on oil prices and global supply chains was short-lived. The war between Russia and Ukraine continued to escalate with large numbers of casualties reported on both sides.

Economy

Real gross domestic product in the euro zone in 2024 increased by 0.8% year on year. Growth in private consumption was weak and the slowdown in industry continued to weigh on economic growth, which was burdened by previous interest rate increases and low external demand outside of Europe. Different economic structures and the related varying importance of the manufacturing sector and exports largely explain the dissimilar growth patterns between euro zone countries. Germany, in particular, stagnated in the first half of 2024 and reported marginal growth only in the second half of the year. This growth was not enough to make up for the overall decline in 2024. In France, the underlying cyclical momentum remained weak, while political uncertainty undermined investments. In Southern Europe, the economic recovery continued to gather pace in Spain while slowing down in Italy.

The economies developed more positively over the previous year in some non-euro zone EU member states. Economic output in the Czech Republic and Sweden increased by 1.0% and 0.6% respectively year on year. In Poland, GDP was up 2.4%.

The United Kingdom enjoyed moderate economic growth in 2024, with a GDP growth rate of 0.8% year on year. Economic growth was above trend in the first half-year, driven by positive momentum in the private sector. The construction sector and the manufacturing industry also expanded. However, momentum eased in the second half-year, especially in the services sector. Although the Bank of England lowered its bank rate in August and November, financing conditions remained restrictive and previous monetary policy tightening impacted on the real economy during the year as a whole.

Real economic output in the US rose by 2.8% year on year in 2024. The growth rate of 0.4% in the first quarter failed to meet expectations, but high domestic demand and a robust labour market paved the way for strong growth in the remainder of the year with remarkable growth rates in the second and third quarter. A solid domestic economy, helped by private consumption, was the growth driver in 2024 too. The trade deficit fell continually in 2024 but, together with restrictive financing conditions, still slowed down economic growth. GDP in Canada increased by 1.3% year on year.

The Australian economy was subdued in 2024 with real GDP growth of 1.0% over the previous year. The tense political situation and inflationary pressure continued to put the brakes on discretionary spending and corporate investment remained subdued too. Thanks to fiscal stimuli, growth momentum improved moderately in the second half-year.

All in all, labour markets in the advanced economies were characterised by low unemployment rates and strong labour demand in 2024. This ran contrary to forecasts of a challenging environment and the risk of recession. Companies hesitated about letting employees go and found it difficult to fill vacancies. The labour market in Europe remained tight and showed the first signs of a slowdown. The euro zone unemployment rate of 6.3% at the end of the year edged down slightly from the previous year. Unemployment in the United Kingdom was 4.3% at the end of the third quarter of 2024. The labour market in the US remained in good shape and employment growth cooled only marginally. The unemployment rate was 4.1% at the end of the year.

Annual rate of change in real gross domestic product

%	2024[1]	2023[2]
Europe		
Euro zone	0.8	0.4
Belgium	1.0	1.3
Germany	-0.2	-0.3
Finland	-0.4	-1.2
France	1.1	0.9
Italy	0.5	0.7
Luxembourg	1.4	-1.1
Netherlands	0.9	0.1
Austria	-1.0	-1.0
Spain	3.1	2.7
Other European countries		
Denmark	2.7	2.5
UK	0.8	0.4
Poland	2.4	0.1
Sweden	0.6	-0.2
Switzerland	1.3	0.7
Czech Republic	1.0	-0.1
North America		
Canada	1.3	1.5
USA	2.8	2.9
Asia/Pacific		
Australia	1.0	2.1
Maldives	7.3	4.7

[1] Preliminary figures; [2] Adjusted to final results

Financial and capital markets, monetary policy and inflation

International financial markets in 2024 were defined by falling inflation, expectations of key rate cuts and political shocks. Leading central banks adhered to their path of monetary policy tightening up until the end of the second quarter, before initiating key interest rate cuts. 10-year government bond yields fluctuated in 2024, driven by concerns about public debt and expectations of lower key rates.

Lower inflation rates and signs of weak economic growth prompted the European Central Bank (ECB) to introduce monetary policy easing in 2024 and cut interest rates in four consecutive steps in June, September, October and December. Key interest rates were lowered to 3.15% (main refinancing operations), 3.4% (marginal lending facility) and 3% (deposit facility). The ECB's Governing Council indicated that key interest rates would remain at restrictive levels for as long as necessary, depending on data, until inflation returned to the target of 2% in the medium term. The securities holdings from the asset purchase programme (APP) were reduced and principal payments from maturing securities bought under the pandemic emergency purchase programme (PEPP) were no longer reinvested in full.

Inflation in the US persisted above the target level of 2% in 2024 and the labour market remained tight. As a result, the US Federal Reserve (Fed) abided by its monetary policy in the first half of the year before starting to lower interest rates in September. The key rate corridor was 4.25% to 4.5% at the end of the year, with rate cuts largely anticipated and priced in by the market. However, the Fed predicted fewer key rate cuts for 2025 in its last FOMC meeting amid concerns that inflation would not fall as quickly as previously forecast. The Fed also reduced its holdings of US Treasuries and mortgage-backed securities it had taken on during the Covid-19 pandemic.

The Bank of England (BoE) had left its bank rate unchanged at 5.25% for quite some time, before lowering it to 5.0% in August and to 4.75% in November. Its decision was based on the progress made in lowering inflation and on the normalisation of many indicators of expected inflation. The BoE explained that monetary policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning to the 2% target have dissipated further. It also continued to reduce its government bond holdings.

Other important central banks also lowered their key interest rates in 2024: the Bank of Canada cut interest rates to 3.25% and Riksbank in Sweden to 2.75%. The Reserve Bank of Australia kept the level unchanged at 4.35%.

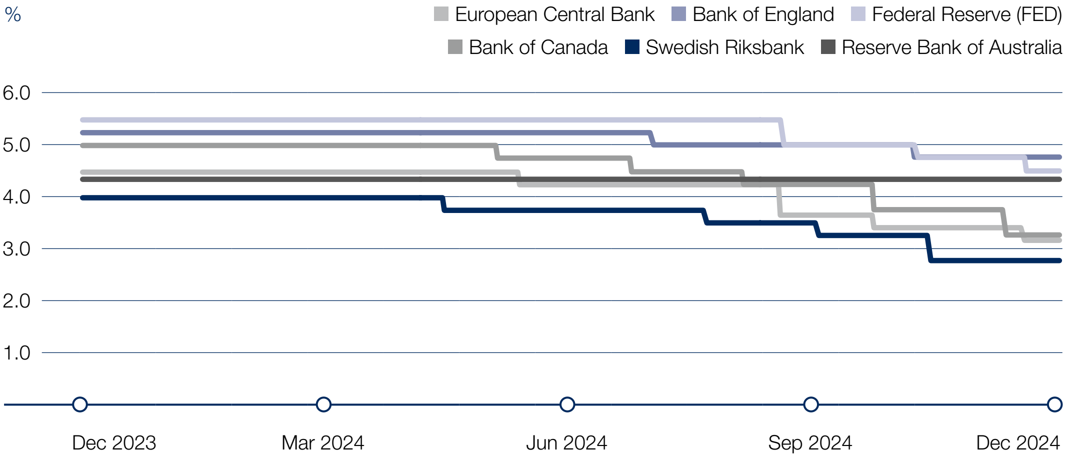
Short-term interest rates in the euro zone at year-end 2024 were below those for year-end 2023. The same applied to the pound sterling, the US dollar, the Swedish krona and the Canadian dollar. Short-term Australian dollar interest rates rose, albeit only moderately. Long-term interest rates presented a mixed picture during the year. Interest rates for the US dollar, pound sterling, Swedish krona and the Australian dollar rose relative to the start of the year. They rose slightly in the euro zone while falling somewhat more for the Canadian dollar.

As the central banks adopted a restrictive monetary policy and Donald Trump was re-elected as President of the United States, uncertainty on the capital markets increased, leading to a very volatile performance especially on the interest rate and spread markets. Credit spreads of covered bonds also came under widening pressure, triggered by the spread widening in the public sector. In concrete terms, yields declined in the third quarter due to expectations of lower interest rates but rose in the fourth quarter because of political uncertainties in the US and fiscal policy concerns in the United Kingdom and France. While the yield curve inversion for medium-term maturities between 2 and 10 years was reversed, it remains in place at the short and the very long end. This development was supported by a soft landing in the US and abating risks of recession in Europe, and the curbing of inflation rates and gradual key rate cuts played a role here too.

Currency markets in 2024 were defined to a considerable degree by monetary policy expectations in the first half of the year and by political uncertainty in the second half. Both the Fed and the ECB follow a data-driven approach for managing inflation, so that more general macroeconomic factors influence the direction of the EUR/USD exchange rate. An appreciation of the euro in the second and third quarter was followed by a marked decline relative to the US dollar after Trumps re-election. Strong demand for the US dollar and political concerns in France and Germany together with only weak demand in the euro zone contributed to the depreciation. The exchange rate at the end of 2024 was USD 1.04 per euro. The euro was stable against the Canadian dollar during 2024 and appreciated slightly from CAD 1.46 per euro at the start of the year to CAD 1.49 per euro at year-end. Against the pound sterling, the euro fell slightly over the course of the year, from GBP 0.87 to the euro at the beginning of the year to GBP 0.83 at year-end. The depreciation started in June when the ECB started to lower rates in response to an unfavourable growth outlook. The euro rose against the Swedish krona from SEK 11.10 per euro at the beginning of the year to SEK 11.46 at year-end. The euro appreciated against the Australian dollar, rising from AUD 1.63 at the start of the year to AUD 1.68 per euro at the end of the year.

Inflation rates in most advanced economies continued to decline in 2024, although lower levels were reached over the course of the year than at the end. Euro zone inflation reached 2.4% in December compared to the same month of the previous year. Inflation was 2.9% and 2.5% respectively at the end of the year in the US and the United Kingdom. The general decline was driven by lower energy prices. The price of crude oil peaked in April, before soaring in July on the back of escalating tensions in the Middle East. It then trended lower and remained stable for the rest of the year. Food prices also contributed to the decline in overall inflation. Core inflation at the end of the year remained significantly above the respective central banks' targets. It eased at a slower pace, mainly due to the tight labour markets and price increases in the services sector.

Key rate developments in 2024[1)]



1) The upper level of the corridor for Fed key rates is shown in the chart.

Regulatory environment

The environment in which banks are operating continues to be defined by highly dynamic regulatory requirements, as well as by changes in banking supervision. This includes, in particular, the EU Banking Package which stipulates implementation of the final draft of the Basel III framework into EU law (known as Basel IV), as resolved by the Basel Committee (BCBS). The final Regulation (CRR III) and Directive (CRD VI) of the EU Banking Package were published in the EU Official Journal on 19 June 2024 and came into effect on 9 July 2024. At the same time, the European Banking Authority (EBA), as per its roadmap, worked on implementing its mandates in 2024 to prepare technical standards, which in turn serve to further develop and specify the rules and provisions. The first-time application of the new regulations most relevant for the Bank is scheduled for 1 January 2025 – two years later than initially planned by the BCBS. The first CoRep report must be submitted by 31 March 2025, but the supervisory authorities are granting the banks a longer submission deadline until the end of June 2025 (previously: mid-May 2025).

New reporting on interest rate risk in the banking book will complement existing CoRep reporting. The first reference date for the application of these reporting requirements was 30 September 2024. The supervisory authorities brought forward these requirements through ad-hoc reports for the reporting dates of 31 December 2023, 31 March 2024 and 30 June 2024.

On 29 May 2024, BaFin published the final version of the eighth MaRisk amendment for implementing the EBA guidelines for the management of interest rate risks and credit spread risks. The transition period for implementing the changes resulting from the new requirements runs until 31 December 2024.

Moreover, both national and European regulators are imposing various new requirements – including in connection with IT/information security risks, or regarding the prevention of money laundering/terrorist financing and tax evasion. Furthermore, politicians and banking supervisors are deeming it necessary to establish sustainability more strongly within society, and as a regulatory requirement within the economy. To this end, a standard taxonomy was introduced in the EU, which provides the basis for the classification of economic activities with regard to sustainability targets. The taxonomy also forms the basis for a large number of disclosure obligations for financial and non-financial entities. The number of data points to be published in 2024 also further increased in connection with the requirement for large capital market-oriented institutions to include qualitative and quantitative information on ESG risks in the regulatory disclosure report on a half-yearly basis, as stipulated by the CRR II. The CSRD (Corporate Sustainability Reporting Directive), which had not been transposed into German law by 31 December 2024, generates uncertainty in sustainability reporting. The industry-wide recognised solution is to implement the ESRS (European Sustainability Reporting Standards) as a framework for the still valid NFRD (Non-Financial Reporting Directive). This also increases the disclosure requirements for the 2024 financial year.

The ECB's Supervisory Review and Evaluation Process (SREP) ensures a common approach on the supervisory review of banks, within the framework of Pillar 2. The SREP is built around a business model analysis, an assessment of governance, and of the capital and liquidity risks. Results from the individual areas are aggregated in a score value from which the ECB derives supervisory measures on holding additional capital and/or additional liquidity buffers.

The EU also adopted a package of measures to overhaul its anti-money laundering and countering of terrorist financing frameworks. Aside from a new EU regulation and the revision of current EU directives, it stipulates the creation of a new European anti-money laundering and terrorist financing authority, which is to be established by 2025. Final resolutions about the foundation of this authority and its general responsibilities were already passed in December 2023. The remaining elements of the package were published in the EU Official Journal as at 19 June 2024 and generally include an implementation period of three years, or sometimes shorter as the establishing authorities have to publish detailed standards. Aareal Bank's resulting need for adjustments is currently being analysed and processed within the relevant implementation deadlines.

Sector-specific developments and business performance

Structured Property Financing segment

The environment of raised interest rates continued to influence commercial property markets in 2024. Lending standards were still very restrictive at the start of the year, in particular, before easing somewhat as the year progressed. As a whole, high financing costs and uncertainty about the outlook in many economies burdened the property market. The persistent differences in price expectations between buyers and sellers in some areas and for parts of the office market, combined with the continued high level of interest rates, pose the most significant obstacles overall to business activity. Against this background, property valuations remained under pressure, despite evidence that they were stabilising or even bottoming out in some segments.

The start of Interest rate cuts, especially by the Fed, the ECB and the BoE, was an important turning point during the year. Falling interest rates also help to counter the upside pressure on yields and to support property valuations. These provided the first positive impetus in some markets for a gradual return of investor confidence. However, the impact was limited, as market conditions are only gradually returning to normal due to the still elevated interest rate environment. Further interest rate cuts will probably be necessary to encourage investors to step up their activities again.

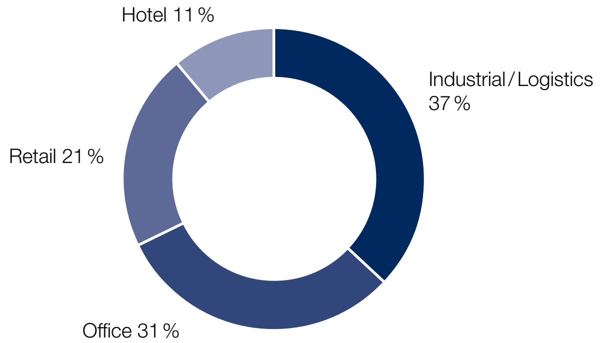
Global transaction volumes for the full year 2024 exceeded the previous year's level (+7%). However, slight differences were observed between the regions with regard to relative development. Volumes in North America were up 2%, remaining roughly in line with the previous year; they rose by 7% in Europe and by as much as 15% in the Asia/Pacific region. In terms of property types[1], offices, hotels and logistics properties saw rising volumes across the globe, while transaction activity involving retail properties was somewhat less pronounced.

Investors focused on properties that offer long-term potential value or comply with specific trends such as sustainability or conformity with ESG standards. This includes preferably properties with a high ability to re-let, stable tenant profiles or attractive locations that are deemed to be resilient against market volatility. Demand remained strong for well-located logistics and residential properties, supported by stable fundamental data. Greater restraint among investors continued to impact office property. This is due to the transition to hybrid working models, which has caused uncertainty among potential buyers. The current correction in prices and values means that many owners are confronted with unrealised losses and have few incentives to sell their properties, creating difficulties for the market in the pricing process. Lenders focused their interest primarily on residential and logistics properties, food stores, as well as on high-quality office properties in preferred locations.

[1] Property types are office, logistics, retail and hotel properties.

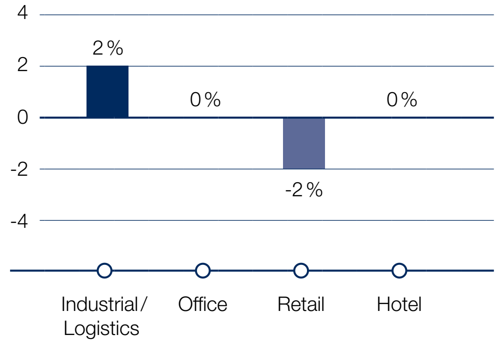
Share of transaction volume observed worldwide in 2024

in %



Change in the relative share of transaction volume observed worldwide in 2024 vs. 2023

percentage points



Aareal Bank generated new business[1] of €10.9 billion in the full year 2024 (2023: €10.0 billion), exceeding both the target range communicated at the beginning of the year (€8 billion to €9 billion) and the raised target of €9 billion to €10 billion. New business development was very dynamic, especially in the second half of the year, contrary to the general market trend, and many existing clients extended their credit relationships. The share of newly-originated loans was 58% (2023: 62%) or €6.3 billion (2023: €6.2 billion). Renewals amounted to €4.6 billion (2023: €3.8 billion). Aareal Bank concluded new green financing business of around €3.9 billion; the portfolio volume of green financings rose by a total of €2.8 billion to approximately €7.6 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. Green loans meet the minimum energy efficiency requirements of the Aareal Green Finance Framework and the client undertakes to meet these requirements throughout the term of the loan. Properties are classified as green if they adhere to the EU taxonomy criteria, have an above-average sustainability rating by recognised rating agencies or comply with energy efficiency criteria.

All in all, Aareal Bank Group's property financing portfolio expanded to €33.5 billion as at the end of 2024 (year-end 2023: €32.9 billion).

At approximately 73%, Europe accounted for the largest share of new business (2023: 66%), followed by North America with 23% (2023: 29%) and the Asia/Pacific region with 4% (2023: 5%).[2]

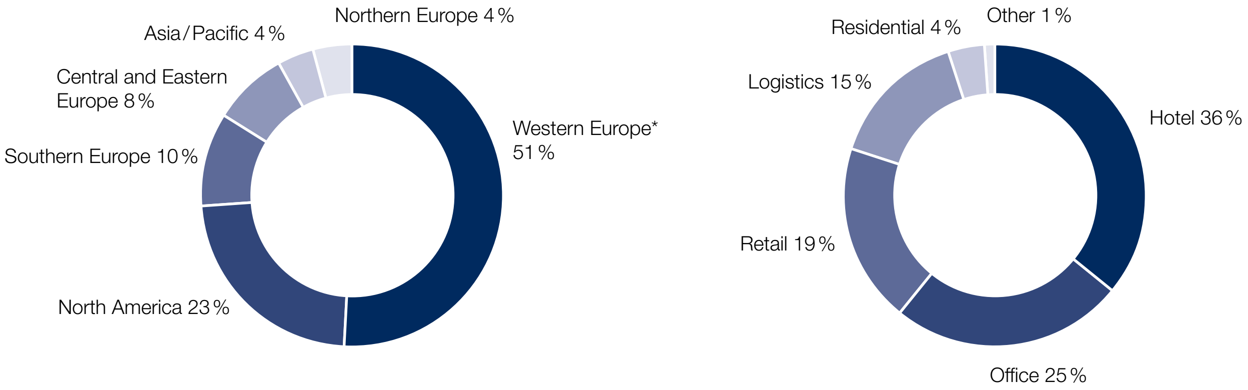
With a share of 36%, hotels accounted for the largest share in new business in terms of property type (2023: 42%), followed by office property with 25% (2023: 27%), ahead of retail property with 19% (2023: 12%), logistics property with 15% (2023: 9%) and residential property with 4% (2023: 9%). Other property and financings accounted for a marginal share of less than 1% (2023: less than 1%) of new business.

[1] New business, excluding former WestImmo's private client business and local authority lending business

[2] New business is allocated to the individual regions on the basis of the location of the property used as collateral. For exposures that are not collateralised by property, allocation is based on the borrower's country of domicile.

New business[1] 2024

by regions | by type of property (%)



* Incl. Germany

[1] New business, excluding private client business and former WestImmo's local authority lending business

Europe

Transaction volumes increased by around 7% in Europe. Activities were down in France and Germany, while volumes rose in the United Kingdom, Sweden, Italy and Poland. Looking at property types, logistics properties and especially hotels recorded growth. Transaction volumes for office properties were slightly lower while activity in retail properties remained at the previous year's level.

Average prime rents in the office property segment increased during the year. London, Stockholm, Paris and Munich recorded marked increases over year-end 2023, while other markets such as Warsaw or Berlin were stable. Vacancy rates put in a mixed performance but increased on average; they rose, for example, in Stockholm and some French metropolitan areas but fell in London. In the retail sector, rental levels in shopping centres remained stable in most European markets. High street rents rose in many cities, such as in Barcelona, Rome and London, but remained constant in Helsinki and Vienna. Prime rents for logistics properties continued to rise, albeit less pronounced than in the previous year. However, rents in some sub-markets, such as rural Poland or the outskirts of Brussels, continued to increase at a greater pace, driven by ongoing strong demand. At the same time, the vacancy rates in this segment remained low but increased slightly on average.

Following the significant increases of previous years, average prime rents for office properties remained stable in 2024. This was the case especially in some German cities. French and UK sub-markets on the other hand reported increases of up to 25 basis points. Yields were largely stable too in secondary locations. The upside trend seen last year in average rents for logistics properties eased. Only marginal increases on average were determined compared with the start of the year and yields were meanwhile stable in many places. In contrast, yields increased somewhat more substantially in some French and Polish sub-markets. In the retail sector, prime yields for high-street properties remained stable and rose slightly on a European average for shopping centres. This development was also evident in secondary locations, with growth recorded in Stockholm in particular.

Travel activity remained dynamic within and to Europe in 2024, supported by higher disposable income. Current data point to an increase in longer trips, especially driven by the slow travel trend, where the focus is on fewer but longer stays and spending more per trip. The volume of overnight stays exceeded that of the previous year in most European countries. A slight decline was recorded in France, while overnight stays in Spain and the Netherlands each rose by around 3%. Overnight stays in Denmark were unchanged from the previous year. The increase for the entire European Union was roughly 1.5%. These circumstances led to a year-on-year increase in occupancy rates and revenues per available room in European hotel properties. However, they were more moderate on average than in previous years. Sub-markets such as Madrid and Vienna continued to see strong growth, while London and Paris recorded a more moderate rise.

Aareal Bank originated new business of around €7.9 billion (2023: €6.6 billion) in Europe during the year under review. As in previous years, at around €5.5 billion (2023: €4.0 billion), Western Europe accounted for the largest share. Southern Europe followed with €1.1 billion (2023: €1.1 billion), Central and Eastern Europe – where we concluded business exclusively in Poland – with €0.9 billion (2023: €1.2 billion) and Northern Europe with €0.4 billion (2023: €0.3 billion).

North America

Transaction volumes in North America remained at the level of the previous year (up 2% vs. 2023). However, the quarterly figures suggest that the decline in transaction activity since 2022 has bottomed out, as both total transaction volumes and the number of properties transferred have stabilised. Volumes increased for office properties, while slight declines were seen in hotels, retail and logistics properties.

Rents offered for prime and secondary office properties remained stable in 2024 in major US cities such as New York, Chicago and Los Angeles. A slight decline was observed in San Francisco. This stability continued to be associated with a higher level of incentives for new tenants, such as rent-free periods. Average vacancies rose during the year from 13.4% to 14.1% so that the upside trend of recent years remained intact. In the retail sector, average shopping mall rents increased slightly across the country, whereas rental levels in New York City remained stable. Average rents for logistics properties increased moderately, in contrast with the sharp prior-year increase. Although rents continued to increase significantly in many sub-markets, the number of markets with stable or slightly declining rents grew.

Office property rents in the prime and secondary segments rose across the country in 2024, albeit to a lesser extent that in previous years. Marked increases were seen in San Diego, Los Angeles and Chicago. Yields for retail properties remained largely stable, with only minor changes vis-a-vis the previous year. This contrasted with the ongoing increase in the average rental level for logistics properties, even though this growth eased in the course of the year.

The hotel market in North America continued to benefit from strong demand from domestic and international tourists. In the US, revenues in the luxury and upper upscale category increased on average. Although occupancy rates stabilised following the strong increases of recent years, they continued to rise slightly, which led to solid growth in revenues per available room. The picture was similar across all hotel categories and average occupancy rates remained at the prior-year level. The hotel markets in Canada developed in a similar manner but were somewhat more positive overall.

New business of approximately €2.5 billion (2023: €2.9 billion) was originated across North America in 2024, most of which was attributable to the US.

Asia/Pacific region

Transaction volumes for commercial property in the Asia/Pacific region were around 15% higher 2024 year on year. Australia stood out with growth of 75%. Marked increases were posted by all property types within the Australian market, with the exception of hotel properties.

Prime rents for logistics properties in Australia continued to rise in 2024. At the same time, yields for logistics properties rose only moderately, by roughly 25 basis points in Perth and Melbourne, and therefore considerably less than in 2023.

In contrast to the year before, hotel performance in the Asia/Pacific region in 2024 was positive. Occupancy rates and revenues increased in most markets, reflecting the ongoing recovery in international tourism. Long-haul routes have recovered almost completely from the effects of the Covid-19 pandemic, despite the increase in travel expenses. Chinese foreign tourism still has some catching up to do, as travel activity in 2024 is likely to be down around 25% from 2019 levels. Nonetheless, the gradual recovery remains very decisive, as China is a key source of tourism in many APAC markets. The Maldives benefited once again from a sharp rise in visitor numbers; approximately 2.0 million tourists visited the islands, a year-on-year increase of 9%. Despite the increase in visitors, hotel indicators remained stable. This was due to the higher number of hotels and resorts, and the related increase in accommodation facilities. In Australia's key markets, occupancy rates and revenues per available room improved. Although the performance of New Zealand's hotel markets was mixed, the Queenstown sub-market saw higher occupancy rates and revenues than in 2023.

The Bank originated new business of €0.5 billion in the Asia/Pacific region in 2024 (2023: €0.5 billion), most of which was attributable to Australia.

Banking & Digital Solutions segment

The housing and commercial property sectors in Germany proved to be stable market segments in 2024 too, even though the market environment was still influenced by high interest rates. Rents also rose disproportionately in the third quarter of 2024, by 0.9% quarter on quarter and by 5.2% year on year. Despite the interest rate turnaround that was initiated, rising rents and high demand are offset by persistently high interest rates, so that financing costs for new construction projects are expected to remain elevated. This will also impact the number of building permits granted: 157,200 new apartments were granted in the period from January to September 2024, which is 38,500 fewer or 19.7% less than in the prior-year period.

The long-term strategic partnership that was agreed between Aareal Bank, Aareon and First Financial Software GmbH towards the end of 2023, to strengthen client growth and cross-selling, was implemented at operational level during the reporting period. Progress is being made on winding down BauGrund Immobilien-Management GmbH. This was initiated in 2022 and should be concluded in 2025.

Despite the paradigm shift in interest rates, which was initiated by the ECB in mid-2024, we continued to offer attractive interest rates to our clients and attracted new deposit volumes (including from new clients) for various deposit categories. The segment's volume of deposits averaged at €13.7 billion in the financial year 2024 (2023: €13.6 billion). All in all, this reflects the strong trust our clients continue to place in Aareal Bank, despite the difficult macroeconomic situation. At present, more than 4,000 corporate clients throughout Germany are using our process-optimising products and banking services, and the trend continues to rise. However, due to the aforementioned strategic partnership with First Financial Software GmbH, commission payments were made and license agreements transferred, which reduced net commission income to €-5 million (2023: €33 million). Cost components in administrative expenses were reduced at the same time. Commission income, excluding the effects of the strategic partnership, was up slightly from the prior-year period. High interest rate levels, combined with the persistently high volume of deposits, made a notable contribution to stronger operating profit in the BDS segment.

Financial Position and Financial Performance

Financial performance

A demanding and challenging market environment continued to weigh on Aareal Bank AG and the Bank closed the 2024 financial year with an operating profit (excluding loss allowance) of €499.6 million (2023: €534.6 million).

Net interest income of €886.5 million increased by €93.0 million year on year mainly due to a securities portfolio expansion, slight year-on-year increase in the credit portfolio and solid margins coupled with the continued high deposit volume from the housing industry. Interest income from lending and money-market transactions and interest income from securities rose by €155.2 million and €116.9 million, while interest expenses went up by €179.1 million. Current income of €4.5 million generated during the year under review (2023: €0.4 million) was attributable to investments. Higher commission expenses for brokerage services related to the strategic partnership with Aareon and First Financial Software GmbH led to a €40.0 million decrease in net commission income to €-26.0 million.

Administrative expenses (including depreciation and amortisation of intangible assets and tangible fixed assets) of €366.4 million were significantly higher (€+67.0 million) than in the previous year. Factors included one-off expenses associated with the disposal of Aareon and the efficiency enhancement measures realised at Aareal Bank AG.

Net other operating income and expenses showed a strong decline of €25.1 million year on year, to €1.0 million, mainly because income from currency translation differences was markedly lower.

The balance of provisions for loan losses and the result from securities held as liquidity reserve amounts to €-149.1 million (2023: €-241.6 million). This figure includes expenditure for specific and general loan loss provisions, amortisation and depreciation. Securities held as liquidity reserve were revalued strictly at the lower of cost or market; the item also includes capital gains and losses realised on this portfolio.

Net other income and expenses of €1,784.2 million (2023: €210.4 million) mainly comprises the disposal gains for Aareon, while the previous-year figure had included income from the partial sale of today's First Financial Software GmbH to Aareon. Furthermore, the net figure comprises the results and revaluation of subsidiaries, as well as the results from investment securities and non-income taxes.

Taking into account a net income tax liability of €146.6 million (2023: €112.1 million), the Bank posted net income of €1,988.1 million (2023: €391.3 million). The effective tax rate for the 2024 financial year was lower than in the previous year, reflecting higher tax-free income. Including the profit carried forward from the previous year of €452.3 million (2023: €61.0 million), this leads to net retained profit of €2,440.4 million (2023: €452.3 million).

Based on this net retained profit, Aareal Bank AG achieved its target of being able to distribute dividends. Likewise, the Bank achieved its target of preserving capital.

Aareal Bank Group achieved its targets for all key financial performance indicators in 2024. The following section presents the key financial performance indicators in accordance with IFRSs. In spite of higher costs, operating profit from continuing operations of €294 million was at the upper end of the communicated target range and clearly exceeded the prior-year figure of €221 million, reflecting continued strong income growth and credit impairment charges. At €33.5 billion and €10.9 billion, the Group also (over-) achieved its credit portfolio and new business targets over the course of the 2024 financial year. The average deposit volume from the housing industry generated in the Business & Digital Solutions segment amounted to €13.7 billion, reaching the target of more than €13 billion. Net interest income of €1,060 million was slightly above expectations and the prior-year figure of €1,014 million. This reflected the year-on-year increase in the credit portfolio size, solid margins, normalised interest rate levels and the continued high volume of deposits from the housing industry. Loss allowance of €370 million (2023: €441 million) remained at a high level. It is largely attributable to individual new loan defaults of US office properties plus expenses of €60 million for additions to the existing management overlay. Net commission income fell to €-4 million (2023: €39 million). This development had been expected and is due to new commission expenses related to the strategic partnership with Aareon and First Financial Software GmbH. Administrative expenses rose to €377 million (2023: €341 million), due to transaction-related expenses from the concluded sale of Aareon and due to the Bank's efficiency enhancement measures (around €34 million), exceeding original expectations. At 31% (excluding bank levy and contributions to the deposit guarantee scheme, as is customary in the banking sector), the cost/income ratio was at a very low – i.e. very good – level, even in an international comparison. Costs incurred for efficiency measures, investments in the IT infrastructure and other material one-off effects are also disregarded. This results in operating profit from continuing operations of €294 million (2023: €221 million), including approximately €34 million in costs incurred for efficiency enhancement measures. Hence, the adjusted operating profit was €328 million. RoE from continuing operations was 5.9% (2023: 3.4%) and the adjusted RoE 6.8%.

Financial position – assets and liabilities

Aareal Bank AG's total assets stood at €51.5 billion as at 31 December 2024. The increase from €49.2 billion as at 31 December 2023 is mainly the result of an expanded securities portfolio and a slightly increased property financing portfolio.

Net assets are dominated by the property financing business and securities investments.

The book value of debt and other fixed-income securities increased by €2.2 billion to €11.3 billion as at 31 December 2024 (31 December 2023: €9.1 billion). The portfolio comprises three asset classes: public-sector borrowers, covered bonds and Pfandbriefe, and bank bonds.

Structure of the property financing portfolio

The volume of Aareal Bank AG's property financing portfolio stood at €30.0 billion as at 31 December 2024, an increase of 2.9% compared to the year-end 2023 figure of €29.1 billion.

The volume of Aareal Bank Group's property financing portfolio[1] stood at €33.2 billion as at 31 December 2024 (31 December 2023: €32.5 billion). Including former WestImmo's private client business and local authority lending, it amounted to €33.5 billion (2023: €32.9 billion), in line with the target portfolio size.

Aareal Bank AG's property financing portfolio comprises financings of office, residential and retail properties, as well as logistics properties, hotel properties and other financings; the portfolio is distributed across the regions of Europe, North America and Asia/Pacific.

All in all, the high degree of diversification by region and property type within the property financing portfolio was maintained.

Financial position

Money-market liabilities and deposits from the housing industry

In addition to deposits from housing industry clients, Aareal Bank mainly uses deposits from institutional investors including retail deposits for short-term refinancing. To raise funds from retail deposits, it launched several cooperations in 2022 by way of a trust model. These cooperations included Raisin and Deutsche Bank. Aareal Bank also uses interbank and repo transactions to manage liquidity and cash positions.

As at 31 December 2024, Aareal Bank had €12.2 billion at its disposal in deposits generated from the business with the housing industry (31 December 2023: €12.7 billion). Money-market liabilities amounted to €5.4 billion (31 December 2023: €6.1 billion). This figure also contained €0.6 billion in deposits from institutional investors and €3.5 billion in retail deposits.

Long-term funding and equity

Funding structure

Aareal Bank AG's funding structure is characterised by a high share in long-term funding. This encompasses registered and bearer Pfandbriefe, promissory note loans, medium-term notes, other bonds and subordinated issues. The latter include subordinated liabilities and regulatory Additional Tier 1 instruments.

As at 31 December 2024, the long-term funding portfolio amounted to €25.9 billion (31 December 2023: €24.8 billion), comprising €16.9 billion (2023: €16.1 billion) in Mortgage Pfandbriefe and Public Sector Pfandbriefe, €8.5 billion (2023: €8.2 billion) in unsecured funding, €0.2 billion (2023: €0.2 billion) in subordinated funding, and €0.3 billion (2023: €0.3 billion) in Additional Tier 1 capital.

Funding activities

During the entire 2024 financial year, Aareal Bank Group was able to place €3.3 billion on the capital markets. This included three benchmark Pfandbrief issues of €500 million each, a GBP325 million foreign currency transaction plus a €400 million Tier 2 issue and Aareal Bank's €500 million debut senior non-preferred benchmark transaction, which was issued in green format.

Since we conduct our business activities in a range of foreign currencies, we have secured our foreign currency liquidity over the longer term by means of appropriate measures.

Equity

Aareal Bank AG's total equity, as disclosed in the balance sheet, amounted to €4,288.0 million as at 31 December 2024 (31 December 2023: €2,299.9 million).

At 20.2%, the Common Equity Tier 1 ratio (CET1 ratio) – Basel IV (phase-in) – was markedly above the standardised capital requirement of 15% at the end of 2024, as expected.

[1] Excluding the former WestImmo's private client business and local authority lending business

Regulatory indicators [1)]

€ mn	31 Dec 2024	31 Dec 2023
Basel IV (phase-in)		
Common Equity Tier 1 (CET1) capital	2,877	2,661
Tier 1 (T1) capital	3,177	2,961
Total capital (TC)	3,793	3,218
%		
Common Equity Tier 1 ratio (CET1 ratio)	20.2	19.4
Tier 1 ratio (T1 ratio)	22.3	21.6
Total capital ratio (TC ratio)	26.6	23.5
Basel IV (fully phased)		
Common Equity Tier 1 ratio (CET1 ratio)	15.2	13.4

1) Aareal Bank AG utilises the rules set out in section 2a of the KWG in conjunction with Article 7 of the CRR, pursuant to which regulatory indicators of own funds may only be determined at Group level. In this respect, the following disclosures relate to Aareal Bank Group.
31 December 2023: including profits for 2023 and pro rata temporis accrual of interest on the AT1 bond, since no payout of profits for 2023 was made in 2024. Regulatory indicators as at 31 December 2023 refer to the entire Group including Aareon.
31 December 2024: including annual results for 2024 less a proposed dividend and including pro rata temporis accrual of interest on the AT1 bond.
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 (in accordance with Article 3 CRR II – RWAs), using the higher of (i) total RWAs calculated in accordance with CRR II currently in force and applying the partial regulation for the "output floor" (50% phase-in/72.5% fully phased) in connection with commercial property lending, equity exposures, CVA and OpRisk, based on the European Commission's final implementation of Basel IV, by way of Regulation (EU) 2024/1623 dated 31 May 2024 (CRR III). No such adjustment was applied to RWA calculations at the end of 2024.

Regulatory capital[1)]

€ mn	31 Dec 2024	31 Dec 2023
Common Equity Tier 1 (CET1) capital		
Subscribed capital and capital reserves	900	900
Eligible retained earnings	2,385	2,088
Accumulated other comprehensive income	-118	-118
Amounts to be deducted from CET1 capital	-290	-209
Total Common Equity Tier 1 (CET1) capital	**2,877**	**2,661**
AT1 bond	300	300
Sum total of Additional Tier 1 (AT1) capital	**300**	**300**
Sum total of Tier 1 capital (T1)	**3,177**	**2,961**
Tier 2 (T2) capital		
Subordinated liabilities	548	193
Other	68	64
Sum total of Tier 2 capital (T2)	**616**	**257**
Total capital (TC)	**3,793**	**3,218**

1) 31 December 2023: including profits for 2023 and pro rata temporis accrual of interest on the AT1 bond, since there was no distribution of the 2023 annual profit in 2024. Regulatory indicators as at 31 December 2023 refer to the entire Group including Aareon.
31 December 2024: including annual results for 2024 less a proposed dividend and including pro rata temporis accrual of interest on the AT1 bond. 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.

Analysis of risk-weighted assets (RWA)[1]

€ mn	Risk-weighted assets (RWA) 31 Dec 2024	Minimum capital requirements Total 31 Dec 2024	Risk-weighted assets (RWA) 31 Dec 2023	Minimum capital requirements Total 31 Dec 2023
Credit risk (excluding counterparty credit risk)	12,211	977	11,454	916
Counterparty credit risk	443	35	520	42
Market risk[2]	-	-	-	-
Operational risk	1,614	129	1,283	103
Additional RWA pursuant to Article 3 of the CRR	-	-	463	37
Total	**14,268**	**1,141**	**13,720**	**1,098**

[1] 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).

[2] 31 December 2023 and 2024: there was no requirement to cover market risk with regulatory capital since, under Article 351 of the CRR, the sum total of the net foreign currency position in aggregate did not exceed 2% of regulatory capital.

Our Employees

Our employees play a key role in the future development of Aareal Bank Group: their motivation, entrepreneurial mindset, sense of responsibility and the development of forward-looking solutions are decisive for the Group's performance and competitiveness. This applies all the more in our complex business, which is based in many cases on long-standing client relationships characterised by trust. It is therefore of the utmost importance for us to broaden our employees' general knowledge base through our junior staff programme and the targeted promotion of internal transfers and further development, and to allow this to have an impact on our client relationships. Please refer to the Sustainability Statement in the Group Management Report for further (and more detailed) explanations on staffing levels, continued professional development, talent promotion and similar topics.

Employee data as at 31 December 2024

	31 Dec 2024	31 Dec 2023	Change
Number of employees of Aareal Bank AG	1,073	1,045	2.7%
Years of service	11.9 years	12.0 years	-0.1 years
Staff turnover rate	4.9%	4.6%	0.3 percentage points

Risk Report

Aareal Bank AG is the parent company of Aareal Bank Group. As Aareal Bank AG has entered into profit and loss transfer agreements, or control and profit transfer agreements, with numerous Group entities, the economic risks of these entities are reflected in Aareal Bank AG's risk profile. Moreover, the funding of Aareal Bank Group is managed centrally by Aareal Bank AG. The parent company therefore monitors and manages the Group's risks, based on uniform, Group-wide policies. Against this background, the risk report provided below outlines the risk management system at Group level.

Risk Management

The ability to assess risks correctly and manage them strategically is a core skill in banking. This means that being able to control risks in all their relevant variations is central to a bank's long-term commercial success. This economic motivation for a highly developed risk management system increases continually as regulatory requirements for risk management become more and more far-reaching.

Aareal Bank reviews the appropriateness and effectiveness of its corporate governance systems (including risk governance systems) on a regular basis.

The Bank's risk management activities also incorporate sustainability risks, i.e. ESG risks relating to environmental, social and governance factors. Aareal Bank considers sustainability risks to include overarching risks or risk drivers whose occurrence may have an actual or potentially negative impact on the Bank's financial position, financial performance or reputation. Such risks manifest themselves in existing financial and non-financial risk types, which means that they are managed implicitly according to the risk types under which they are classified. ESG risks are a component of the regular risk inventory process. Physical climate-related risks that have an impact on credit, liquidity, property and business risk were identified as major short-term risk factors. These are complemented by major mid- to long-term risk factors: climate-related and environmental transition risks as well as governance factors such as sustainability management, disclosure policy and data protection. In addition, there is changing market behaviour as an overarching factor. The management and monitoring of ESG risks are optimised on an ongoing basis, with various risk indicators and limits being integrated into the risk management cycle.

Risk management – scope of application and areas of responsibility

Aareal Bank AG has implemented extensive systems and procedures for monitoring and managing the Group's risk exposure.

Uniform methods and procedures are using across all entities of Aareal Bank Group to monitor material risks that are generally associated with banking business. Specific risk-monitoring methods tailored to suit the relevant risk exposure at the individual entities are deployed here. In addition, risk monitoring for these entities is carried out at Group level via the relevant control bodies of the respective entity and via equity investment risk controlling.

Overall responsibility for Aareal Bank Group's risk management and risk monitoring lies with the Management Board and – in its function of monitoring the Management Board – with the Supervisory Board of Aareal Bank AG. The diagram below provides an overview of the responsibilities assigned to the respective organisational units.

Type of risk	Risk management	Risk monitoring
Overall responsibility: Management Board and Supervisory Board of Aareal Bank AG		
Loan loss risks		
Property financing	Loan Markets & Syndication Credit Management Credit Portfolio Management Capital Markets Management Workout	Risk Controlling
Treasury business	Treasury	Risk Controlling
Country risks	Treasury Credit Management Capital Markets Management	Risk Controlling
Interest rate risk in the banking book (IRRBB)	Treasury, Asset-Liability Committee	Risk Controlling, Finance & Controlling
Market risks	Treasury, Asset-Liability Committee	Risk Controlling
Operational risks	Process owners	Non-Financial Risks
Investment risks	Group Strategy	Risk Controlling Finance & Controlling Controlling bodies
Property risks	Workout	Risk Controlling
Business and strategic risks	Group Strategy	Risk Controlling
Liquidity risks	Treasury	Risk Controlling
Process-independent monitoring: Internal Audit		

The Management Board formulates the business and risk strategies, as well as what is known as the Risk Appetite Framework. For this purpose, "risk appetite" means the maximum risk exposure that is not expected to threaten the Bank's continued existence, even if the risks in question are assumed to materialise. For individual business units (the "First Line of Defence"), the Risk Appetite Framework defines guidelines for handling risks independently and responsibly.

The risk monitoring function (the "Second Line of Defence") regularly measures the utilisation of risk limits, and reports on the risk situation. In this context, the Management Board is assisted by the Risk Executive Committee (RiskExCo), which develops proposals for resolutions in line with delegated tasks, and promotes risk communication and a healthy risk culture within the Bank. In line with regulatory requirements, the risk management system was supplemented by a recovery plan that defined threshold values for key indicators – both from an economic and a normative perspective. These are designed to ensure that any negative market developments with an impact on our business model are identified at an early stage and that suitable steps are taken to safeguard continued business operations in the long term. Risk Controlling is responsible for monitoring financial risks at portfolio level, while the Non-Financial Risks division performs this function for non-financial risks. Both divisions report directly to the Chief Risk Officer (CRO).

In addition, Group Internal Audit (as the "Third Line of Defence") reviews the organisational structure and procedures and the risk processes – including the Risk Appetite Framework – and assesses whether these are appropriate. Internal processes also ensure that the Compliance function is involved whenever there are matters relating to compliance.

In order to perform its control function efficiently, the Supervisory Board established a Risk Committee that is responsible above all for risk strategies and for managing and monitoring all material types of risk.

Strategies

The business policy set by the Management Board and duly acknowledged by the Supervisory Board provides the conceptual framework for Aareal Bank Group's risk management. The Risk Appetite Framework, which also outlines the key elements of the risk culture put into practice, is consistent with the business strategy and builds on the defined risk appetite. Taking the Risk Appetite Framework as a basis and carefully factoring in the Bank's risk-bearing capacity, we formulated detailed strategies for managing each material type of risk, in terms of both capital and liquidity. Taken together, these represent the Group's risk strategy. These strategies are designed to ensure that risks are managed professionally and carefully. Accordingly, they include general definitions and specifications to ensure a uniform understanding of risks throughout the Group. The strategies also provide a cross-sectional, binding framework that applies to all divisions. The Bank has implemented adequate risk management and risk control processes to implement these strategies and to safeguard its risk-bearing capacity.

The business strategy, Risk Appetite Framework and risk strategies are reviewed on an ongoing basis and updated if necessary. Besides the regular review of the business strategy (with any necessary adjustments) and in turn, of the Group risk strategy, an independent validation of the Bank's risk-bearing capacity and its material risk models is conducted at least once a year. This involves above all examining the appropriateness of risk measurement methods, processes and risk limits. During the financial year under review, the strategies were adopted by the Management Board, duly noted, and approved by the Supervisory Board.

The Bank has defined escalation and decision-making processes for dealing with limit breaches. Risk Controlling prepares independent risk reports for the management in good time.

Aareal Bank Group maintains a decentralised Internal Control System (ICS), i.e. the respective control activities are outlined in the Written Set of Procedural Rules for the individual processes of divisions, subsidiaries or other units. Internal controls may run upstream, downstream or parallel to workflows; this applies to automatic control and monitoring functions and also to corresponding manual steps. Accordingly, the ICS covers all control activities and aims to ensure that qualitative and quantitative standards are adhered to (compliance with legal or regulatory requirements, compliance with limits, etc.).

The appropriateness and effectiveness of controls are reviewed by the respective divisions or subsidiaries on an event-driven basis, but at least every six months. The findings are discussed with the corresponding units within the Second and Third Lines of Defence (Risk Controlling, Compliance and Internal Audit), validated by a central ICS coordination unit, and reported to the Management Board and the Supervisory Board. In the event of any irregularities or violations, the Management Board – and in some cases, depending on the severity of the event, the Supervisory Board as well – must be notified without delay so that adequate measures or audit activities can be initiated at an early stage.

Risk-bearing capacity and risk limits

The Bank's ability to carry and sustain risk (as determined within the framework of the Internal Capital Adequacy Assessment Process (ICAAP)) is a key factor determining the structure of its risk management system. To ensure risk-bearing capacity at all times, Aareal Bank Group has adopted a dual management approach comprising two complementary perspectives: the normative and the economic perspective.

The normative perspective aims to ensure that Aareal Bank Group is able to fulfil all of its regulatory requirements over a multi-year period. Accordingly, this perspective accounts for all material risks that may impact upon relevant regulatory indicators over the multi-year planning period.

The normative ICAAP perspective is incorporated in Aareal Bank Group's planning process, which includes above all capital planning. Group planning covers three planning years, comprising both baseline and adverse scenarios. The Group planning results are shown as a projected consolidated income statement for Aareal Bank Group. Planning also covers the balance sheet structure, key regulatory indicators and additional internal management indicators.

Besides the planning process itself, intra-year computation adjustments to Aareal Bank Group's planning process included the monitoring of management indicators on an ongoing basis and checking whether limits in the normative perspective were being complied with. A number of different regulatory ratios make up the management indicators in the normative perspective and these are monitored with specified limits.

We use the ICAAP economic perspective, the purpose of which is to safeguard Aareal Bank Group's economic substance and above all to protect creditors against economic losses. The procedures and methods are part of the Supervisory Review and Evaluation Process (SREP) and are applied in order to identify and quantify economic risks, and to determine the required capital backing.

The purpose of internal capital is to serve as a risk-bearing component under the economic perspective. Within Aareal Bank Group, the current regulatory Common Equity Tier 1 (CET1) capital forms the basis for determining economic aggregate risk cover. Additional Tier 1 (AT1) capital is not added to internal capital. Tier 2 capital and projected results to be incurred during the risk analysis horizon are not factored in.

Moreover, the value-oriented approach adopted under the economic perspective requires suitable adjustments to be made to regulatory Tier 1 capital in order to bring aggregate risk cover in line with the economic assessment. Specifically, this may entail adjustments regarding conservative valuation, hidden encumbrances or a management buffer (including adjustments for climate risks).

Aareal Bank Group consistently applies a period of one year (or 250 trading days) as a risk analysis horizon; this also serves as the holding period as part of risk models under the economic perspective. The independent validation of the corresponding risk models and parameters verifies the appropriateness of model assumptions.

Looking at correlation effects between material types of risk within the framework of the economic ICAAP perspective, Aareal Bank Group has prudently to aggregate risk levels, i.e. accordingly, no risk-mitigating correlation effects are being taken into account. Where we measure risks on the basis of quantitative risk models for the purposes of calculating risk-bearing capacity, these are based on a confidence interval of 99.9%.

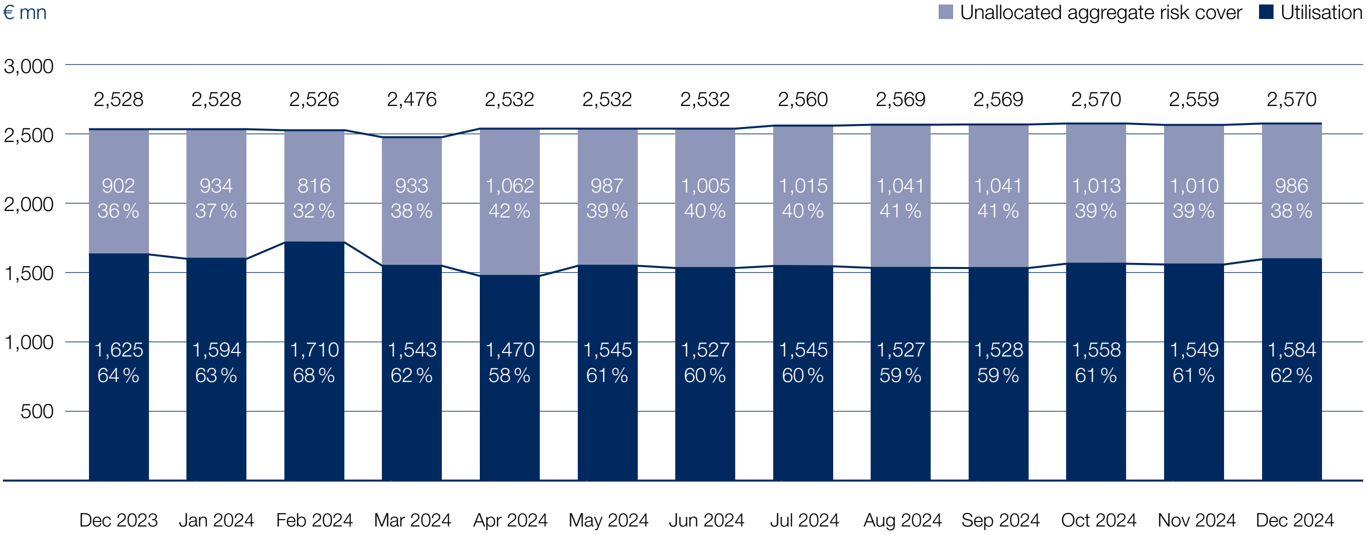
Limits for specific risk types are determined in such a way that aggregate limits do not exceed economic aggregate risk cover less a risk buffer. This risk buffer is designed, among other things, to account for risks that are not explicitly covered by limits and to also absorb other fluctuations of internal capital over time. Individual limits are set on the basis of existing risk exposures and historical levels of potential risks, provided that these are in line with the Bank's business and risk strategy. Specific limits have been set so that each limit can be used in line with planned business development and for common market fluctuations.

A detailed monthly report provides information regarding the utilisation of individual limits for the material types of risk, as well as on the overall limit utilisation. These are monitored as part of daily reporting. No limit breaches at the aggregate risk level were detected during the period under review.

Risk-bearing capacity (ICAAP – economic perspective)

€ mn	31 Dec 2024	31 Dec 2023
Relevant Common Equity Tier 1 (CET1) capital	2,737	2,661
Economic adjustments	-167	-133
Aggregate risk cover	**2,570**	**2,528**
Utilisation of aggregate risk cover		
Loan loss risks	746	680
Interest rate risk in the banking book (IRRBB)	90	99
Pension risks	92	118
Market risks	288	385
Operational risks	129	103
Investment risks	40	43
Property risks	109	100
Business and strategic risks	90	97
Total utilisation	**1,584**	**1,625**
Utilisation (% of aggregate risk cover)	**62%**	**64%**

Utilisation of aggregate risk cover during the course of 2024



Since risk cover potential is not an adequate means to assessing the risk-bearing capacity when it comes to monitoring the Bank's ability to meet its payment obligations (liquidity risk in the narrower sense), we have defined special tools within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP) for managing and monitoring this type of risk.

Stress testing

Within the scope of ICAAP and ILAAP, scenario analyses are carried out in all perspectives as a core element of our risk management system. This involves conducting stress tests for all material risks, using both historical parameters as well as hypothetical stress-testing scenarios. So that we can also assess cross-relationships between the various types of risk, we have defined multi-factor stress scenarios, known as "global" stress tests. For instance, the impact that the 2007 financial and economic crisis had on individual types of risk and aggregate risk is analysed within the scope of a historical scenario. In the hypothetical scenario, current potential developments are derived from factors such as political developments and are combined with significant macro-economic deterioration. The stress-testing methodology that is implemented also takes into account the impact of any risk concentrations. Stress scenarios are analysed both from an economic and a normative perspective, factoring in the respective cross-relationships. This means that any economic risks that may materialise (from a normative view) over the analysis period are incorporated in the normative perspective unless they are sufficiently covered already. ESG risks are integrated into the stress-testing methodology and ESG-related stress test calculations include climate change scenarios, together with a scenario relating to change in society.

The Management Board and the Supervisory Board are informed of the results of the stress analyses on a quarterly basis.

Credit business

Division of functions and voting

Aareal Bank Group's structural organisation and business processes reflect regulatory requirements regarding the organisational structure and procedures in the credit business.

Processes in the credit business are designed to respect the clear functional division of Sales units ("Markt") and Credit Management ("Marktfolge") up to and including senior management level. In addition, the Risk Controlling division, which is not involved in making lending decisions, is responsible for monitoring all material risks while ensuring an adequate and target-oriented risk reporting system at portfolio level.

Lending decisions regarding credit business classified as relevant for the Bank's risk exposure require two approving votes, one submitted by a Sales unit and one by a Credit Management unit. The Bank's Schedule of Powers clearly defines the relevant lending authorities within Sales units and Credit Management. If authorised persons are unable to come to a unanimous lending decision, the loan in question cannot be approved or must be submitted to the next-highest decision-making level for a decision.

We have implemented and documented the clear separation of Sales and Credit Management processes across all relevant divisions.

Process requirements

The credit process comprises the credit approval and further processing phases, each governed by a control process. Credit exposures subject to increased risks involve supplementary processes for intensified handling, for handling problem loans, and – if necessary – for recognising allowance for credit losses. The corresponding processing principles are laid down in the Bank's standardised rules and regulations. Key factors determining the counterparty credit risk of a credit exposure are identified and assessed on a regular basis, taking into account sector risks and, in some cases, country risks. Critical factors regarding an exposure are highlighted and analysed assuming different scenarios where appropriate.

Suitable risk classification procedures are applied to evaluate risks for lending decisions, as well as for regular or event-driven monitoring of exposures. This classification scheme is reviewed at least once a year; depending on the risk situations, the review cycle may be shortened significantly. The findings of the risk assessment also influence pricing.

The organisational guidelines contain provisions governing escalation procedures and further handling in the event that limits are breached or that individual risk parameters deteriorate. Measures involved may include providing extra collateral or conducting an impairment test.

Early risk detection procedures

Early identification of credit risk exposure, using individual or combined (early warning) criteria is a core element of our risk management approach.

In particular, the procedures applied for detecting risks early on serve the purpose of identifying, in good time, borrowers or exposures for which higher risks are beginning to emerge. For this purpose, we generally monitor individual exposures and the parties involved (such as borrowers or guarantors) regularly throughout the credit term, assessing quantitative and qualitative factors, with the aid of instruments such as periodic monitoring and internal ratings. The intensity of the ongoing assessments is based on the risk level and size of the exposure. The Group's risk management processes ensure that counterparty credit risk is assessed at least once a year.

Extensive IT resources are deployed to identify risk positions and also to monitor and assess risks. Overall, the existing set of tools and methods enables the Bank to adopt risk management measures at an early stage wherever required.

One crucially important factor in this context is actively managing client relationships, i.e. approaching clients in time to jointly develop a solution to any problems that may arise. Wherever necessary, we enlist expert assistance from the independent restructuring and recovery functions.

Risk classification procedures

Aareal Bank's risk classification procedures are tailored to the requirements of the respective asset class for the initial, regular or event-driven assessment of counterparty credit risk. Responsibility for development, quality assurance and monitoring with regard to the implementation of risk classification procedures – and also for annual validation – lies with two separate divisions outside the Sales units, which are independent of one another.

The ratings determined using internal risk classification procedures are an integral element of the Bank's approval, monitoring, and management processes.

Property financing business

The Bank employs a two-level risk classification procedure for large commercial property finance exposures, specifically designed to match the requirements of this type of business.

First of all, the client's probability of default (PD) is determined using a rating procedure. The method used here comprises two main components: a property rating and a corporate rating.

The relative impact of the two components on the rating result is determined by the structure of the exposure in question. The client's current and future default probability is determined based on specific financial indicators, together with qualitative aspects and expert knowledge.

The second step involves calculating the loss given default (LGD). The LGD estimates the extent of the economic loss in the event of a borrower defaulting. In simple terms, this is the amount of the claim not covered by the proceeds from the realisation of collateral.

When evaluating collateral, haircuts are applied or recovery rates used, depending on the type of collateral involved and specific realisation factors. Where domestic properties are to be financed, recovery rates are taken from a pool of data used across the Bank, while recovery rates for international properties are derived using statistical methods, given the low number of realisations.

In this context, PD and LGD procedures are also applied for accounting purposes, i.e. for determining model-based loss allowance. Concerning the scenario analyses to be taken into account when determining individual LGDs, an updated scenario mix is applied to the customary process and model. This probability-weighted scenario mix reflects the uncertainty of future developments and supplements our baseline scenario by adding divergent developments. These scenarios are also applied to modelling scenario-driven PDs. At present, this is being mapped using an overlay since technical implementation in the models applied in a production environment has yet to be finalised.

The expected loss (EL) in the event of an exposure defaulting is determined as the product of PD, LGD and EAD. As a risk parameter related to the financing, EL is used as an input factor for the tools used to manage the property financing business.

Financial institutions
Aareal Bank Group uses an internal rating procedure for financial institutions to classify the risk exposure to banks, financial services providers, securities firms, public-sector development banks and insurance companies. This procedure takes into account qualitative and quantitative factors and our client's group affiliation. By assessing relevant financial indicators and factoring in expert knowledge, the Group assigns financial institutions to a specific rating grade.

Sovereign states and local authorities
Aareal Bank Group also employs internal rating methods for sovereign borrowers and regional governments and for local and other public-sector entities. In this context, rating grades are assigned using clearly defined risk factors, such as fiscal flexibility or the level of debt. Our rating analysts' expert knowledge also influences the rating.

In general, the risk classification procedures employed by the Bank are dynamic methods that are constantly adapted to changing risk structures and market conditions.

Trading activities

Functional separation
We have implemented a consistent functional separation between Sales units and Credit Management along the entire process chain for concluding, settling and monitoring trading transactions.

On the Sales side, the process chain comprises the Treasury division, while Credit Management tasks are carried out by the independent Capital Markets Management and Risk Controlling divisions. Beyond this, Finance & Controlling and Audit are responsible for tasks that are not directly related to processes.

We have laid down organisational guidelines providing for binding definitions of roles and responsibilities along the process chain, with clearly defined change processes in place as well.

The detailed assignment of responsibilities is outlined below.

Treasury is responsible for risk management and trading activities as defined by the Minimum Requirements for Risk Management ("MaRisk"). Treasury is also responsible for asset/liability management, and for managing the Bank's market and liquidity risk exposures. In addition, we have established an Asset-Liability Committee (ALCO) to develop strategies for the Bank's asset/liability management and proposals for implementing these strategies. The ALCO meets at least monthly and comprises the CFO, the CRO and other members appointed by the Management Board.

Capital Markets Management is responsible for controlling trading activities, confirming trades to counterparties, and for trade settlement. The division is also responsible for verifying that trades that have been entered into are in line with prevailing market conditions. Legal performs the legal assessment of non-standard agreements and of new standard/master agreements.

To assess counterparty credit risk in the trading business, a rating is prepared for all counterparties and issuers on a regular or event-driven basis. The rating is a key indicator used to determine the limit for the relevant counterparty or issuer.

The Risk Controlling division is responsible for identifying, quantifying and monitoring market price, liquidity and counterparty credit risk exposure from trading activities and also for providing prompt, independent risk reporting to senior management.

Process requirements

Processes are geared towards ensuring end-to-end risk management, from concluding the trade to monitoring portfolio risk. The monitoring and reporting function comprises deploying adequate risk measurement systems, deriving limit systems and ensuring that Aareal Bank Group's overall risk exposure from trading activities is transparent in terms of scope and structure.

Change processes (as defined in Section AT 8 of the MaRisk) are managed consistently via Group-wide framework directives. As well as this, processes and systems are designed in such a way that new products can be incorporated into the risk monitoring system quickly and effectively so that the Sales units can ble flexible in their business activities.

A standardised process exists for intensified handling of counterparties and issuers and also for dealing with problems. This process involves identifying early warning indicators, applying them for the purposes of risk analysis and determining any further action to be taken. In the event of counterparty or issuer default, the RiskExCo will be involved in devising a plan of action together with the Bank's divisions that are involved.

Escalation and decision-making processes have been defined to deal with limit breaches.

Loan loss risks

Definition

Aareal Bank defines loan loss risk as the risk of losses being incurred due to (i) a deterioration in a business partner's credit quality, (ii) a business partner defaulting on contractual obligations, (iii) collateral being impaired or (iv) a risk arising when collateral is realised. Both credit business and trading activities may be subject to counterparty credit risk. Counterparty credit risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties or issuers. Country risk and the risk from the NPL inventory are also defined as forms of counterparty credit risk.

Credit risk strategy

Based on the Bank's overall business strategy, Aareal Bank's credit risk strategy sets out all material aspects of the Group's credit risk management and policies. The credit risk strategy serves as a strategic guideline for dealing with each relevant category of risk within Aareal Bank Group and also provides a binding, overarching framework applicable to all divisions.

The credit risk strategy will be reviewed, at least once a year to determine whether it is still suitable for the Bank's risk-bearing capacity and its business environment; amendments will be made as necessary. In this context, we also incorporate ESG criteria to assess the sustainable intrinsic value of the properties in question. The relevant process is initiated by senior management and implemented by Risk Controlling, which submits to senior management a proposal that has been agreed upon with all divisions. Following this, the adopted credit risk strategy is discussed by the Supervisory Board.

Essentially designed for a medium-term horizon, the credit risk strategy is adapted whenever necessary to reflect material changes in the Group's credit risk and business policies, or in the Group's business environment.

Risk measurement and monitoring

Regulatory requirements are taken into account when organising Aareal Bank's operations and workflows in the credit and trading businesses.

Processes in the credit and trading businesses are designed to respect the clear functional division of Sales units ("Markt") and Credit Management ("Marktfolge") up to and including senior management level. The independent Risk Controlling division is responsible for identifying, quantifying and monitoring all material risks at portfolio level, and for maintaining a target-oriented risk reporting system.

Aareal Bank employs different risk classification procedures depending on the requirements of the type of business that is subject to the initial, regular or event-driven assessment of counterparty credit risk. Forward-looking and macro-economic information is taken into consideration for risk classification procedures and when valuing collateral. These procedures and parameters are subject to regular review and adjustment. The Sales units are not responsible for development quality assurance or for monitoring the implementation of procedures.

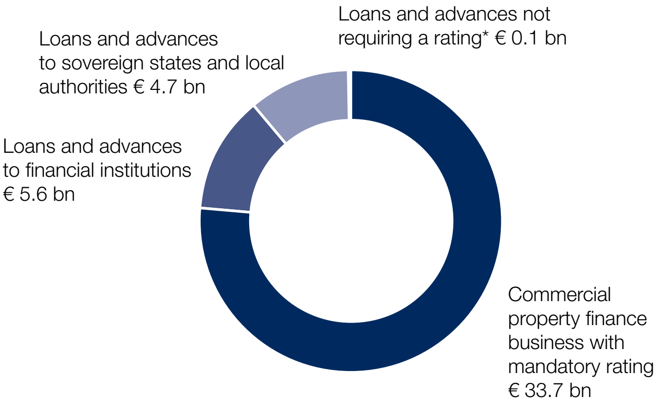
In light of geopolitical and macro-economic uncertainty, special attention is being paid to economic forecasts. In this ongoing review, we also rely on projections published by the ECB in addition to those issued by our usual data providers.

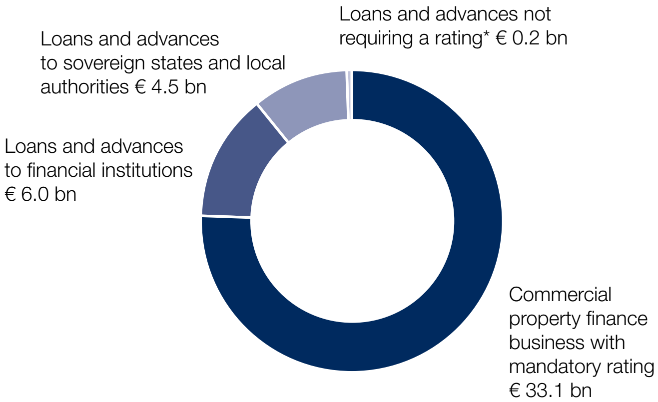
We use a credit portfolio model to measure, control and monitor concentration and diversification effects for default risk on a portfolio level, supplemented by limits at individual and sub-portfolio level to facilitate operating management. Separate models are used to measure migration and realisation risks in the NPL portfolio. For all models, potential losses are determined using a 99.9% confidence interval and a one-year risk horizon. Based on these instruments, the Bank's decision-makers are regularly informed of the performance and risk content of property financing exposures, and of business with financial institutions. Above all, the models in question allow the Bank to include rating changes and correlation effects when assessing risk concentrations.

Breakdown of on-balance sheet and off-balance sheet business (gross carrying amounts)

by rating procedure, € bn

31 Dec 2024 | 31 Dec 2023





* Including the private client business of former WestImmo

Within the process-oriented monitoring of individual exposures, the Bank uses various tools to monitor exposures on an ongoing basis. Apart from the tools described above, these include rating reviews, monitoring payment arrears and analysing the largest exposures individually on a regular basis. The intensity of loan monitoring is based on the credit risk exposure.

The following tables provide a breakdown of both gross carrying amounts of on-balance sheet and off-balance sheet credit business, money-market business and capital markets business. They are arranged by rating classes and loss allowance stages in line with credit risk management at Group level. Figures are based on Aareal Bank Group's internal default risk rating classes. The default definition follows the definition pursuant to Article 178 of the CRR, which is relevant for management purposes.

On-balance sheet commercial property finance business with mandatory rating

	31 Dec 2024					31 Dec 2023				
€ mn	Stage 1	Stage 2	Stage 3	fvpl[1]	Total	Stage 1	Stage 2	Stage 3	fvpl[1]	Total
Class 1	-	-	-	-	**-**	-	-	-	-	**-**
Class 2	-	-	-	-	**-**	50	-	-	-	**50**
Class 3	297	18	-	-	**315**	48	-	-	-	**48**
Class 4	492	-	-	-	**492**	734	-	-	-	**734**
Class 5	3,087	115	-	41	**3,243**	3,359	19	-	18	**3,396**
Class 6	3,291	5	-	73	**3,369**	4,249	-	-	68	**4,317**
Class 7	7,695	403	-	-	**8,098**	6,268	79	-	5	**6,352**
Class 8	5,886	656	27	34	**6,603**	4,393	912	-	32	**5,337**
Class 9	4,484	1,332	-	6	**5,822**	4,254	2,551	-	-	**6,805**
Class 10	778	1,079	-	26	**1,883**	1,378	794	-	23	**2,195**
Class 11	91	460	-	-	**551**	234	372	-	-	**606**
Class 12	-	383	-	-	**383**	-	188	-	-	**188**
Classes 13-15	-	630	-	103	**733**	-	426	-	-	**426**
Defaulted	-	-	1,088	98	**1,186**	-	-	1,468	109	**1,577**
Total	26,101	5,081	1,115	381	32,678	24,967	5,341	1,468	255	32,031

[1] fvpl = at fair value through profit or loss (in accordance with IFRSs)

Off-balance sheet commercial property finance business with mandatory rating

	31 Dec 2024					31 Dec 2023				
€ mn	Stage 1	Stage 2	Stage 3	fvpl[1]	Total	Stage 1	Stage 2	Stage 3	fvpl[1]	Total
Classes 1-3	2	-	-	-	**2**	1	-	-	-	**1**
Class 4	27	-	-	-	**27**	7	-	-	-	**7**
Class 5	35	-	-	-	**35**	13	-	-	-	**13**
Class 6	33	-	-	-	**33**	134	-	-	-	**134**
Class 7	196	-	-	-	**196**	151	-	-	-	**151**
Class 8	127	3	-	-	**130**	167	21	-	-	**188**
Class 9	199	64	-	-	**263**	205	102	-	-	**307**
Class 10	83	62	-	2	**147**	122	-	-	3	**125**
Class 11	3	8	-	-	**11**	100	49	-	-	**149**
Classes 12-15	-	74	-	-	**74**	-	3	-	-	**3**
Defaulted	-	-	48	42	**90**	-	-	10	-	**10**
Total	705	211	48	44	1,008	900	175	10	3	1,088

[1] fvpl = at fair value through profit or loss (in accordance with IFRSs); commitments for loan portions earmarked for syndication

On-balance sheet loans and advances to financial institutions

	31 Dec 2024					31 Dec 2023				
	Stage 1	Stage 2	Stage 3	fvpl[1)]	Total	Stage 1	Stage 2	Stage 3	fvpl[1)]	Total
€ mn										
Class 1	738	-	-	-	**738**	478	-	-	-	**478**
Class 2	145	-	-	-	**145**	418	-	-	-	**418**
Class 3	393	-	-	-	**393**	281	-	-	-	**281**
Class 4	974	-	-	-	**974**	2,579	-	-	-	**2,579**
Class 5	144	-	-	-	**144**	55	-	-	-	**55**
Class 6	429	-	-	-	**429**	281	-	-	-	**281**
Class 7	1,843	-	-	-	**1,843**	1,141	-	-	-	**1,141**
Class 8	668	-	-	-	**668**	593	-	-	-	**593**
Class 9	176	-	-	-	**176**	87	-	-	-	**87**
Class 10	14	35	-	-	**49**	30	8	-	-	**38**
Classes 11-18	-	-	-	-	**-**	-	-	-	-	**-**
Defaulted	-	-	-	-	**-**	-	-	-	-	**-**
Total	**5,524**	**35**	**-**	**-**	**5,559**	**5,943**	**8**	**-**	**-**	**5,951**

[1)] fvpl = at fair value through profit or loss (in accordance with IFRSs)

On-balance sheet loans and advances to sovereign states and local authorities

	31 Dec 2024					31 Dec 2023				
	Stage 1	Stage 2	Stage 3	fvpl[1)]	Total	Stage 1	Stage 2	Stage 3	fvpl[1)]	Total
€ mn										
Class 1	1,649	-	-	-	**1,649**	1,887	-	-	-	**1,887**
Class 2	1,114	-	-	-	**1,114**	1,317	-	-	-	**1,317**
Class 3	860	-	-	-	**860**	451	146	-	-	**597**
Class 4	417	-	-	-	**417**	40	-	-	-	**40**
Class 5	93	-	-	-	**93**	12	-	-	-	**12**
Class 6	548	-	-	-	**548**	112	-	-	-	**112**
Class 7	1	-	-	-	**1**	24	-	-	-	**24**
Class 8	-	-	-	-	**-**	550	-	-	-	**550**
Class 9	-	-	-	-	**-**	-	-	-	-	**-**
Classes 10-20	-	-	-	-	**-**	-	-	-	-	**-**
Defaulted	-	-	-	-	**-**	-	-	-	-	**-**
Total	**4,682**	**-**	**-**	**-**	**4,682**	**4,393**	**146**	**-**	**-**	**4,539**

[1)] fvpl = at fair value through profit or loss (in accordance with IFRSs)

Monthly reporting covers the material aspects of credit risk, including detailed information on specific credit portfolio developments (broken down by country, property and product type, risk classes, collateral categories, etc.). Risk concentrations are also a key factor here.

Trading activities are restricted to counterparties for whom the requisite limits are in place. All trades are immediately taken into account for the purposes of borrower-related limits. Compliance with limits is monitored in real time by Risk Controlling. Persons who are responsible for positions are informed regularly and without delay about relevant limits and their current usage.

Aareal Bank essentially pursues a “buy and manage” strategy in managing its credit portfolio. While its primary objective is to hold the majority of loans extended on its balance sheet until maturity, strategic exit measures are deployed for actively managing the portfolio and the risks involved.

In summary: during the period under review, the existing set of tools and methods continued to enable the Bank to adopt suitable risk management or risk mitigation measures where required, without any undue delay.

Credit risk mitigation

The Bank accepts various types of collateral to reduce default risk exposure. This includes impersonal collateral, such as liens on immobile (property) and mobile assets, liens on receivables such as rents, and third-party undertakings such as guarantees.

As an international property finance house, Aareal Bank focuses on property when collateralising loans and advances. As a rule, loans are granted and the security interest perfected in accordance with the jurisdiction in which the respective property is located.

Mortgage lending values or fair values are set or determined in accordance with the responsibilities for decision-making on lending, and form an integral part of the lending decision. The values to be determined by the Bank are generally pegged on the valuation prepared by a valuer, which is subject to an internal plausibility check. Any diverging assessment must be substantiated in writing. In any case, the market and mortgage lending values determined by the Bank must not exceed the values assessed by independent internal or external valuers.

To mitigate credit risk, the Bank also accepts collateralisation by pledging shareholdings in property companies or special-purpose entities that are not listed on a stock exchange. The Bank has set out detailed provisions governing the valuation of such collateral.

The Bank also accepts guarantees, indemnities and financial collateral (such as securities or payment claims) as standard forms of collateral. The collateral value of the indemnity or guarantee is determined by the guarantor's credit quality. For this purpose, the Bank differentiates between banks, public-sector banks and other guarantors. The value of financial collateral is determined according to the type of collateral. Haircuts are generally applied when determining the value of guarantees/indemnities and financial collateral.

The defined credit processes provide for collateral value to be reviewed on a regular basis. The risk classification is adjusted if there are material changes in collateral value. An extraordinary review of collateral is carried out in the event that the Bank becomes aware of information indicating a negative change in collateral value. The Bank also ensures that disbursement is only made once the agreed conditions for payment have been met. Collateral is recorded in the Bank's central credit system, including all material details.

Credit risk mitigation for trading activities

To reduce counterparty credit risk in Aareal Bank's trading business, the master agreements for financial derivatives[1)] and master agreements for securities repurchase transactions (repos)[2)] used by the Bank provide for credit risk mitigation techniques, via mutual netting framework agreements ("contractual netting agreements").

The master agreements for financial derivatives used by the Bank contain netting agreements at a single transaction level ("payment netting") and arrangements for terminating individual transactions under a master agreement ("close-out netting").

Generally speaking, all master agreements for financial derivatives are based on the principle of a common agreement. This means that, in the event of a termination or counterparty default, the individual claims are netted and only this net amount can be claimed from the defaulted counterparty. This claim must not be affected by any insolvency, i.e. it must be legally valid and enforceable. This in turn means that the jurisdictions in question must recognise the concept of a common agreement, which protects the net amount of the claim from being seized by the insolvency administrator.

[1)] Any comments below referring to the German Master Agreement on Financial Derivatives (Deutscher Rahmenvertrag für Finanztermingeschäfte – "DRV") also pertain to the master agreement (the "ISDA Master Agreement") issued by the International Swaps and Derivatives Association Inc. (ISDA). Both are standardised agreements recommended by leading associations, including the Association of German Banks (Bundesverband deutscher Banken – "BdB").

[2)] Any comments below referring to master agreements for securities repurchase agreements (repos) also pertain to the master agreement (the "Global Repurchase Agreement") issued by the International Capital Markets Association Inc. (ICMA). Both are standardised agreements recommended by leading associations, including the Association of German Banks (Bundesverband deutscher Banken – "BdB").

Above all, the close-out netting is subject to (international) legal risks. The Bank reviews these legal risks by referring to legal opinions regarding the validity and enforceability of contractual netting agreements in the case of a counterparty's insolvency. These legal opinions are evaluated based on various criteria such as product type, jurisdiction of the registered office and branch office of the counterparty, individual contract supplements and other criteria, and using a database specifically developed for this purpose. This means that the Bank decides in the case of each individual transaction whether close-out netting is viable, thus allowing set-off against other individual transactions covered by the relevant framework agreement. The Bank uses eligible contractual netting agreements within the meaning of Article 296 of the CRR for all transactions with financial institutions. In many cases there are additional collateral agreements in place that further reduce the relevant credit risk.

Furthermore, counterparty credit risk is reduced by settling derivatives via central counterparties (CCPs). Aareal Bank uses Eurex Clearing AG and LCH Limited for this purpose.

The Bank also enters into repo transactions both on a bilateral basis and via Eurex Clearing AG as a central counterparty. For repo transactions, payment or delivery netting is agreed upon on a single transaction level, depending on the counterparty. For this purpose, the Bank applies the Financial Collateral Comprehensive Method in accordance with chapter 4 (Articles 223 et seqq.) of the CRR.

In principle, framework agreements for securities repurchase transactions (repos) also provide for close-out netting of all individual transactions that are covered by a contractual netting agreement. However, as far as repos are concerned, the Bank has not yet made use of the regulatory option to reduce the capital backing for all individual transactions that are covered by a contractual netting agreement.

The Bank uses an internal rating system to assess the credit quality of counterparties. Capital Markets Management is responsible for the daily valuation of the Bank's trades, including collateral accepted or pledged, using validated valuation procedures.

Collateral for financial derivatives is usually provided in cash. Securities repurchase agreements (repos) are usually collateralised through the exchange of securities.

Some collateral agreements provide for higher collateral levels if a contracting party's rating is significantly downgraded.

Country risks

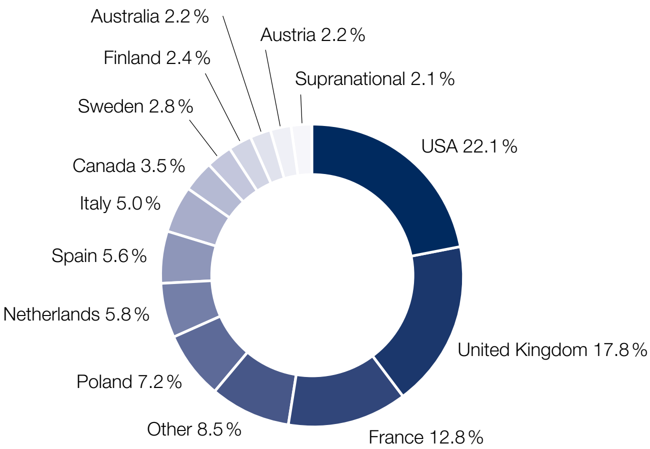
Our comprehensive approach to risk management also includes measuring and monitoring country risk exposure. When defining country risk, Aareal Bank considers – in addition to the risk of sovereign default or default of state entities – the risk that a counterparty could, despite being willing and able to pay, find itself unable to meet its payment obligations as a result of government action, due to restrictions being imposed on making payments to creditors (transfer risk). Country risk exposure is managed using a cross-divisional process. The respective country limits are determined on the basis of a country risk assessment by the Bank's senior management. The Risk Controlling division is responsible for monitoring country limits and limit utilisation on an ongoing basis and also for periodical reporting.

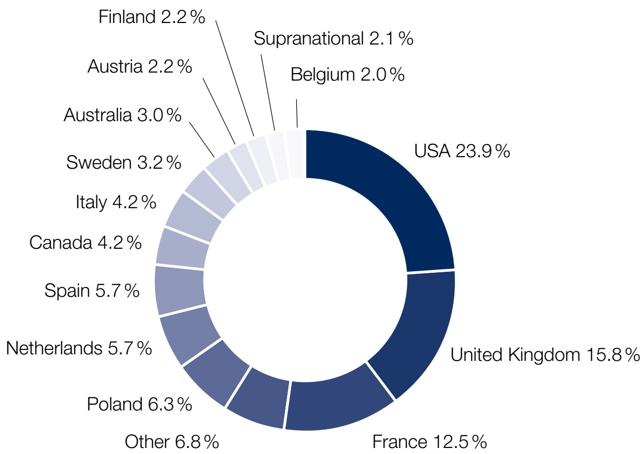
The diagram below illustrates the risk exposure by country (comprising receivables and off-balance sheet obligations) in the Bank's international business at year-end. In the property financing business, country exposures are allocated according to the location of the property used as collateral. For exposures that are not collateralised by property, allocation is based on the borrower's country of domicile. This reflects the exposure of the property finance business as well as the activities of Treasury.

Breakdown of country exposure in the international business

%

31 Dec 2024 | 31 Dec 2023





Interest Rate Risk in the Banking Book

Definition

Interest rate risk in the banking book (IRRBB) is defined as the risk exposure of instruments held in the banking book which are sensitive to changes in interest rates, caused by yield curve shifts.

For Aareal Bank, this includes:

- Risks arising from maturity transformation in the event of yield curve shifts (gap risk)
- Risks from cash flows that are sensitive to interest rates, in terms of spreads to the general yield curve (basis risk)
- Risks from explicit and implied options (option risk)
- Risks from changes in Aareal Bank's specific funding spreads (funding risk).

Risk measurement and monitoring

Risk Controlling informs the members of the Management Board responsible for Treasury and risk monitoring about the risk position and the present-value exposure to interest rate risk in the banking book on a daily basis (the "economic value of equity" perspective). This is supplemented on a monthly basis by an analysis of possible deviations of planned income in the event of adverse interest rate scenarios (the earnings perspective). The interest rate scenarios used for measuring potential plan deviations comprise interest rate shocks (both increases and reductions) and also time-based increases or reductions of the interest rate projection used to determine planned interest income.

The present value VaR concept has been broadly accepted as the predominant method for measuring economic interest rate risk in the banking book. VaR quantifies risk as the maximum loss that will occur within a certain period of time, and given a defined probability.

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator. Determined on a daily basis for the Group, the VaR figure takes into account the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from a 250-day historical data pool maintained within the Bank. The loss potential is determined applying a 99.9% confidence interval under the economic perspective.

By their very nature, VaR calculations are based on various assumptions regarding the future development of the business and related cash flows. Key assumptions used include current account balances and deposits at notice, which are factored into calculations by applying a suitable replication portfolio for a period of up to ten years (2.1 years on average). Financial wholesale deposits are excluded from modelling as per the EBA guidelines on the management of interest rate risks of non-trading book activities (EBA/GL/2022/14).

Loans are taken into account using their fixed-interest period (for fixed-rate exposures) or their expected maturity (variable-rate exposures). Aareal Bank Group's consolidated equity is not factored in as a risk-mitigating item, which tends to overstate VaR.

In addition to this and in line with EBA/GL/2022/14 (Guidelines on the management of interest rate risk arising from non-trading book activities), the change in net interest income is determined in the relevant interest rate shock scenarios. Net interest income is the difference between interest income and interest expenses from all interest-bearing assets and liabilities of the banking book, including derivatives and off-balance sheet items in accordance with IFRSs. Unlike the present value approach, net interest income not only includes the earnings contributions of the modelled existing business as at the planning or forecast date, but also the income and expenses from planned new business and prolongations. Changes essentially reflect the diverging developments of forward interest rates prior to and after an interest shock, together with the resulting modelled impact on client behaviour.

Interest rate sensitivity

An additional instrument used to quantify interest rate risk exposure is the calculation of interest rate sensitivity, expressed by what is known as the "delta" parameter. The first step in determining this parameter is to calculate the present values of all asset and equity/liability items on the statement of financial position. Next, the interest rates of yield curves used for this calculation are subjected to a one basis point parallel shift up (a method known as the "key rate method"). Delta is the present value of the profit or loss resulting from this yield curve change.

Present-value impact of an interest rate shock

The following tables show the changes in present value as prescribed by BaFin circular 06/2019. Here, EBA guidelines EBA/GL/2018/02 on the management of interest rate risk arising from non-trading book activities are still applied.

The standard test prescribed there outlines present-value changes in the banking book in the event of a maximum 200 basis point parallel shift for each currency. As in the previous years, the ratio of the aggregate results to Aareal Bank Group's regulatory capital is well below the prescribed threshold of 20%.

	31 Dec 2024		31 Dec 2023	
	-200 bp	+200 bp	-200 bp	+200 bp
€ mn				
EUR	-12	25	-43	40
GBP	3	0	12	-18
USD	34	-49	36	-45
Other	7	-7	8	-8
Total	**32**	**-31**	**13**	**-31**
Ratio to regulatory capital requirements in accordance with Basel III (%)	**0.9**	**0.8**	**0.4**	**1.0**

In addition, present-value changes are determined (and their ratio to Tier 1 capital shown) for six early-warning indicators, applying the prescribed scenarios. The ratio of the aggregate result to Aareal Bank Group's Tier 1 capital in accordance with Basel III is well below the prescribed threshold of 15%.

€ mn	31 Dec 2024	31 Dec 2023
Parallel shock up	-32	-35
Interest rate coefficient for parallel shock up (%)	1.1	1.2
Parallel shock down	-	18
Interest rate coefficient for parallel shock down (%)	-	0.6
Steepener shock	-1	-2
Interest rate coefficient for steepener shock (%)	-	0.1
Flattener shock	-21	-13
Interest rate coefficient for flattener shock (%)	0.7	0.4
Short rates shock up	-36	-32
Interest rate coefficient for short rates shock up (%)	1.2	1.1
Short rates shock down	-	1
Interest rate coefficient for short rates shock down (%)	0.0	0.0
Tier 1 capital in accordance with Basel III	**3,037**	**2,961**

Net interest income is a metric derived from the income statement. The earnings risk is measured based on the changes in net interest income for the next twelve months as a result of a parallel shift of the yield curve by 200 basis points. In this context, assumptions regarding client behaviour and the competitive environment in such a scenario are especially subject to idealised model parameters.

Pension risks

Pension risks arise from measuring pension obligations that have been entered into and plan assets that are held under pension plans. Risk is mitigated by structuring plan assets – essentially a special investment fund held in trust – accordingly.

VaR, which requires sensitivity data for risk factors (representing exposure) and a covariance matrix of these risk factors (volatility and correlation) to map market dynamics, is calculated as the simplest stochastic model in the delta-normal approach.

Pension risks are managed directly by the Asset-Liability Committee (ALCO); for this purpose, the ALCO has also assumed the function of Investment Committee for the plan assets. Pension obligations and plan assets are subject to regular risk reviews and assessments.

Market risks

Definition

Market risks are broadly defined as the threat of losses due to changes in market parameters. The term refers to market risks that are not assigned to the IRRBB. In particular, it also includes any type of spread risk exposure relating to instruments held in the banking book that are sensitive to changes in interest rates and not included in IRRBB or in credit risk.

For Aareal Bank, this includes:

- Risks resulting from fluctuations in spot foreign exchange (FX) rates (spot FX risk)
- Risks resulting from fluctuations in forward foreign exchange rates (forward FX risk)
- Risks from the regulatory review of the trading book (Financial Risk in the Trading Book – FRTB)

Since Aareal Bank did not pursue any trading book activities (as defined by the CRR) during the period under review, trading book risks had no relevance.

Commodities are irrelevant for the Bank's business. Currency risks are controlled through derivatives.

Additional elements of market risk are:

- Valuation risks due to changes in credit spreads (credit spread risk)
- Risks from fluctuations in the value of fund assets (fund risk)
- Risks from adjustments to the credit valuation of OTC derivatives (CVA risk)

This means that credit spread risk in the banking book (CSRBB) is assigned to market risk. The requirements of new EBA guidelines on the management of interest rate risk and credit spread risk arising from non-trading book activities (EBA/GL/2022/14) have been applicable since 31 December 2023. The calculation of credit spread risks was reviewed and adjusted when these new guidelines were being implemented. One material adjustment in this context involved incorporating in the risk indicators those sensitivities that were associated with the Bank's own benchmark issues regarding suitable Pfandbrief and senior unsecured spreads.

Risk measurement and monitoring

Risk Controlling informs the members of the Management Board responsible for Treasury and risk monitoring about the risk position and exposure to other market risks on a daily basis.

The VaR concept has been broadly accepted as the predominant method for measuring economic market risk. VaR quantifies risk as the maximum loss that will occur within a certain period of time, and given a defined probability.

A variance-covariance approach (delta-normal method) is used to determine the aggregated VaR indicator for market risk. Determined on a daily basis for the Group, the VaR figure takes into account the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from a historical data pool maintained within the Bank, which covers at least 250 days[1]. The loss potential is determined by applying a 99.9% confidence interval.

Backtesting

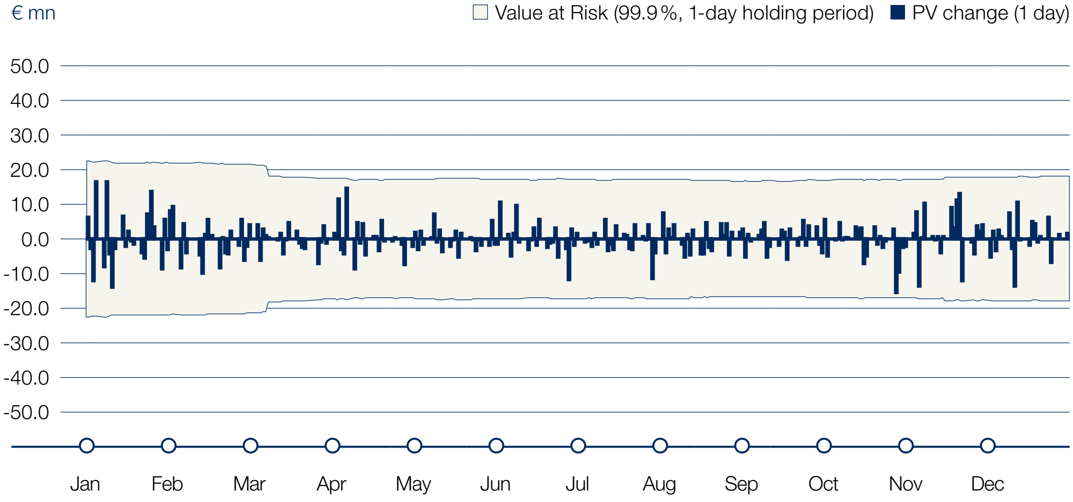
The quality of forecasts made using statistical models is checked through a monthly backtesting process. The quality of the statistical procedure used to measure risk is checked using a method referred to as binomial test, whereby daily profits and losses from market fluctuations are compared with the upper projected loss limit (VaR) forecast on the previous day (known as "clean back-testing"). In line with the selected confidence interval of 99.9%, only a small number of negative outliers are expected.

The backtesting exercise shown below comprises all risk positions subject to daily changes from the "Market risks" category.

No negative outliers were observed at Group level during the past 250 trading days, affirming the high forecasting quality of the VaR model we use.

[1] Historical data covering two years is used for the sub-risk type of credit spread risk.

Present values and 1-day VaR during the course of 2024



Operational risks

Definition

The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure), or through external events. This definition also includes legal risks. To the extent that they are caused by operational risks, ESG risk factors as well as model and reputational risks are also taken into consideration within this type of risk.

Risk strategy

The primary purpose of the risk strategy is to provide strategic guidance on the conscious and professional handling of operational risk. The strategy covers the organisational framework as well as the fundamentals of reporting related to this topic, supplementing and specifying the existing central rules set out in the Risk Appetite Framework.

To facilitate a holistic risk management of operational risk, Aareal Bank has implemented a governance structure that puts the "three lines of defence" concept into operational practice. Given that the management approach is essentially organised in a decentralised manner, located in the various divisions or subsidiaries, there is a distinct emphasis on a strong first line of defence, which is responsible for risks on a single-risk basis. The centralised OpRisk Controlling department, which is part of the Non-Financial Risks division, monitors the first-line activities as an independent second line of defence. In this context, the general second line of defence is supplemented by various specialised monitoring and/or specialist functions having special expertise concerning specific NFR risks.

Process risks are addressed through the internal control system (ICS). The design of the Group-wide ICS emphasises mitigating material process-inherent risks through appropriate and effective key controls which are compiled for Aareal Bank in a dedicated inventory.

The Non-Financial Risks division is responsible for monitoring compliance risks and also risks related to financial crime. The Group-wide objective of the compliance management system is to mitigate liability risks in the form of potential fines and penalties for the Bank or its subsidiaries and their board members. In addition, Aareal Bank's positive reputation as a group of companies with integrity vis-à-vis external stakeholders such as business partners, counterparties and investors is to be maintained and further strengthened. The Anti-Financial Crime strategy serves to manage risks related to money laundering, terrorist financing, sanction breaches and fraud in a professional and conscious manner. It encompasses applicable qualitative standards (for example, listing business areas and sectors not served) and quantitative key risk indicators (such as thresholds for high-risk clients and politically exposed persons) for the purpose of risk monitoring.

In order to mitigate legal risks, Aareal Bank's central Legal department and decentralised legal units monitor any litigation the Bank is involved in (whether in or out of court), deal with any legal issues of fundamental importance and provide legal advice on day-to-day business. Legal compiles all information concerning any legal disputes at Group level, whether in or out of court. The Bank's decentralised operating legal entities, as well as the legal departments of individual Group entities, submit quarterly reports on legal risks identified to Aareal Bank's Legal department. Where particular risks have occurred, such reports are submitted on an event-driven basis. When required, Aareal Bank's legal department discusses and coordinates any concrete measures with the reporting unit. The Legal department reports to the Management Board, on (at least) a quarterly basis, as well as on an event-driven basis. Tax risks including related legal risks are monitored and managed separately by Aareal Bank's tax department. The tax compliance management system actively reduces the risk related to tax law compliance and fraud cases, for example by setting standardised work instructions and controls, both within the tax department and in interfaces with other divisions.

Information Security & Data Protection has central responsibility for monitoring risks affecting operational resilience. The division defines Bank-wide requirements and initiates different measures for mitigating information security risk and achieving the level of security aimed for the Information Security Framework Directive. This includes raising awareness among internal and external employees by means of suitable training courses and exchanging information on cyber threats via the communication channels with ECB, BaFin and BSI. To reduce outsourcing risk, the outsourcing organisational units regularly assess the performance of external service providers using defined criteria. The results of this process and the control measures taken are consolidated and communicated to the Bank's Management. Business Continuity Management (BCM) mitigates business continuity risks by defining the emergency organisation, setting out and testing emergency and crisis plans for the Bank's business processes identified as time-critical. Business will be managed in accordance with these plans in the event of an emergency or crisis.

Risk measurement and monitoring

The policy pursued by Aareal Bank aims to achieve a risk-minimising or loss-limiting effect at an early stage by employing a pro-active approach.

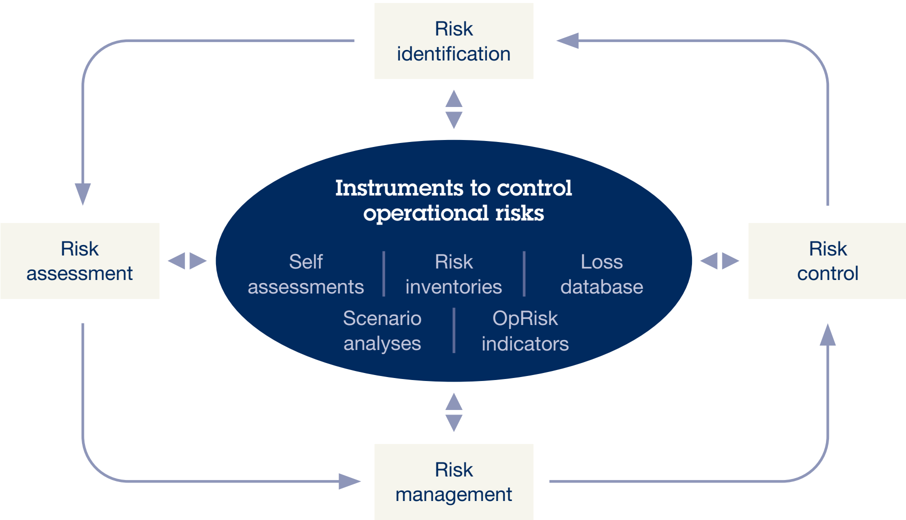
The Bank currently uses the following risk control tools to manage operational risks:

- Self-assessments: analysing these can make management aware of any potential risks within the organisational structure
- Risk inventories and subsequent risk assessments that include systematically identifying and compiling all relevant risks periodically and subjecting them to a qualitative and quantitative assessment
- A loss database in which relevant risk events incurred are reported and can then be monitored until they are officially closed
- Operational risk indicators for all risk levels that show current threat potential using a defined "traffic light" system
- Stress tests based on hypothetical and historical scenarios and also on sensitivity analyses of risk inventory data, carried out to identify developments that may potentially threaten the Bank's continued existence.

Data is collected on a decentralised basis and all of the Group's material operational risks are compiled centrally.

The tools described above are used to prepare the regular risk reporting to the Bank's senior management. Taken together, these tools for managing operational risks form an integrated control circuit that allows risks to be identified, evaluated, managed and controlled. The responsibility for implementing operative risk-reducing measures rests with those in charge of the Bank's risk management. The extent to which freely available funds are used for operational risks – as part of the Bank's risk-bearing capacity – is determined based on the regulatory standardised approach under Pillar 1.

Management of operational risks



No material risk concentrations were evident in the 2024 financial year. Risk events are recorded in a database on an ongoing basis. The aggregate impact of such risk events during the year under review amounted to less than 10% of the regulatory capital to be maintained for operational risks. Supplementary operational risk management tools – i.e. monitoring indicators, scenario analyses and self-assessment in particular – do not indicate a potentially elevated risk either.

Investment risks

Definition

Aareal Bank defines investment risk as the threat of unexpected losses incurred due to an impairment of the investment's carrying amount, or to a default of loans extended to investees. The concept of investment risk also encompasses additional risks arising from contingencies vis-à-vis the relevant Group entities.

Risk measurement and monitoring

The investment risk model breaks down investments outside the regulatory scope of consolidation into two groups, whereby risk-equivalent exposures are determined for material investments using the regulatory IRB formula. The latter was modified to include a concentration risk component to account for the eventuality of individual equity investments representing a significant concentration risk from an overall bank perspective. For non-material investments, equity coverage is determined using the simple risk weight function for investments in accordance with the CRR. Risk exposure for investments within the regulatory scope of consolidation is measured using the look-through principle, based on the assets of the respective investment.

The existing procedures used to measure and monitor risk exposure are supplemented by subjecting the equity portfolio to regular stress testing.

Group Strategy, together with Finance & Controlling and Risk Controlling, is responsible for measuring and monitoring investment risk exposure.

Risk Controlling submits a quarterly equity investment risk report to the Bank's Management Board.

Property risks

Definition

We define property risk as the threat of unexpected losses arising from changes in the value of property held by the Bank or by fully consolidated subsidiaries.

Due to the nature of property risk (involving marketing risks, for example), special methods and procedures are employed to deal with this risk. All relevant property holdings are subjected to regular audits, including a review and assessment of their risk situation.

Risk measurement and monitoring

In order to measure and monitor risks, property yields are analysed for different regions and property types, and over the time horizons available: on this basis, potential yield increases for different regions and property types over a one-year horizon are determined by applying a 99.9% confidence interval. A property's risk contribution results from the difference between the current market value and the property value adjusted for the yield increase.

The model also factors in idiosyncratic shock events for each property, which may occur independently of general market developments.

Property holdings increased as at the reporting date following the acquisition of property SPVs from US lending exposures.

Business and strategic risks

Definition

Business and strategic risks are defined as risks that may potentially prevent corporate objectives from being achieved. For example, these may result from changes in the competitive environment or from an unsuitable strategic positioning in the macro-economic environment. We distinguish between allocation risk and investment risk. Allocation risk is defined as a divergence of operating results due to lower-than-expected income from allocated capital that cannot be offset through reductions in costs or administrative expenses. Investment risk is defined as the risk of the Bank being unable to compensate for any divergence in operating results through activities or investments in alternative business segments that generate results to the same or a similar extent.

Risk measurement and monitoring

As allocation risk is already covered by various planning scenarios, it is incorporated in aggregate risk cover.

Investment risk is measured across segments. It is quantified based on the assumption that additional upfront investment is required to establish an investment opportunity that was previously unavailable. This upfront investment is assumed to represent potential risk.

Liquidity risks

Definition

Liquidity risk in the narrower sense is defined as the risk that payment obligations cannot be met in full or on time. Aareal Bank Group's liquidity risk management system is designed to ensure that the Bank has sufficient cash and cash equivalents to honour its payment obligations at any future point in time. The risk management processes have been designed to cover not only the liquidity risk in the narrower sense (insolvency risk), but also market liquidity risk and refinancing risk – this includes cost risk, which is measured and limited accordingly as a component of the IRRBB. All elements have been integrated in an overarching ILAAP, which maps liquidity risks in both the normative and the economic perspective. Within the framework of Group planning, the Bank considers not only ICAAP risk parameters but also ILAAP risk parameters for a three-year horizon.

Risk measurement and monitoring

Treasury is responsible for managing liquidity risks, while Risk Controlling carries out ongoing monitoring and submits a daily liquidity report to Treasury, while also contributing to the monthly risk report for the entire Management Board. The following tools are used for this purpose:

Cash flow forecast

We have developed a cash flow forecast, tracking cash flows from all balance sheet items and derivatives, on a daily basis, over a ten-year period. This liquidity risk information helps to assess the Bank's short-term liquidity position, broken down by currency or product. Strategic liquidity is taken into account using this ten-year cash flow profile. We use statistical modelling to incorporate the expected cash flow profile of products without a fixed contractual lifetime.

Liquidity run-off profile

The appropriateness of the Bank's liquidity from an economic perspective is assessed using a liquidity run-off profile (liquidity risk model): the aggregate of all conservatively expected cash inflows and outflows over a three-month period is compared to the liquidity stock. This liquidity stock comprises all assets that can be liquidated at very short notice. The difference between the two figures (in absolute terms) indicates excess liquidity, once all claims assumed in the run-off profile have been fulfilled through the liquidity stock. There were no liquidity shortages throughout the period under review.

Stress testing

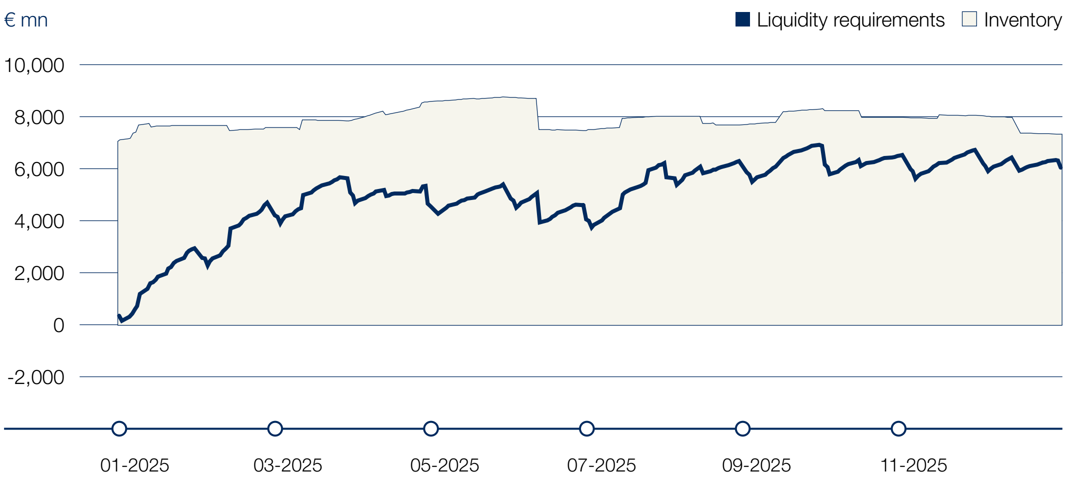
We also employ stress tests and scenario analyses to assess the impact of sudden stress events on the Bank's liquidity situation. The various standardised scenarios used – which include historic, idiosyncratic, market-wide and combined scenarios – are evaluated on the basis of the liquidity run-off profile.

We generally consider the withdrawal of deposits from the housing industry as the most significant scenario. Even in this stress scenario, liquidity is sufficient to cover the expected liquidity needs under stress conditions.

Time to illiquidity

To safeguard adequate liquidity beyond the three-month horizon covered by the liquidity run-off profile, we use the concept of "time to illiquidity" ("TtI") as a parameter. A liquidity run-off profile was developed for this purpose, comparing liquidity requirements occurring with the liquidity stock for a one-year period. Time to illiquidity denotes the remaining period (expressed in days) during which the Company can be regarded as sufficiently liquid, even under adverse conditions. In other words, liquidity requirements (including security add-on for adverse future events) do not exceed the liquidity stock. The calculations are based on contractual cash flows and the short-term risk assessment methodology (liquidity run-off profile), as well as the portfolio development within the current plan scenario.

The following chart shows the projected development of the liquidity stock, together with aggregate liquidity requirements (incorporating planned portfolio developments, and including security add-ons for adverse future events) until the end of 2025. The chart demonstrates that the liquidity stock will always exceed liquidity requirements, even under adverse conditions.



Further details are provided in the comments on the Bank's liquidity in the section on the financial position.

Funding profile

Diversifying the Bank's refunding profile by type of investor and by product is another key aspect of our approach to liquidity risk management. Core sources of funding such as customer deposits and funds invested by institutional clients – alongside covered and uncovered bond issues – make up the foundation of our liability profile. In this context, we refer to the comments regarding the breakdown of funding between money markets and capital markets, as set out in the description of financial position.

Concentration limits

As well as measuring the risk indicators themselves, we monitor concentrations of liquid assets and of funding sources, determining the percentage share of the ten largest counterparties and/or positions relative to the total portfolio.

A limit is set for each indicator in order to restrict the dependency upon individual positions or counterparties.

LCR forecast

We developed the LCR forecast as a measurement tool designed to ensure that we comply with the regulatory Liquidity Coverage Ratio at all times. A preview of the Liquidity Coverage Ratio is calculated over a horizon of up to three years, determining the ratio of highly liquid assets to cumulative net cash outflows for various end-of-month dates – allowing us to identify any potential liquidity shortfalls or reserves.

NSFR forecast

A forecast of the net stable funding ratio is another cornerstone of our liquidity management. It is calculated over a horizon of up to three years. This measurement tool allows us to forecast the regulatory Net Stable Funding Ratio for future dates, thus identifying any potential liquidity shortfalls or reserves in terms of the NSFR at an early stage.

Long-term liquidity run-off profile

The long-term liquidity run-off profile (Long Term LAB) provides a forecast of the economic perspective and determines the likely liquidity run-off profile (liquidity risk model) over a period of up to three years. This liquidity run-off profile compares the expected liquidity requirements and available liquidity for different scenarios at various points in time in the future. In this way, any potential liquidity shortfalls or liquidity reserves arising in the future are identified with regard to the liquidity run-off profile.

Accounting-related ICS and RMS

Tasks of the accounting-related Internal Control System (ICS) and the Risk Management System (RMS)

The accounting-related Internal Control and Risk Management System includes principles, procedures and measures to ensure the effectiveness and the efficiency of internal and external accounting, in accordance with applicable legal provisions. The tasks of the accounting-related Internal Control System mainly include ensuring proper conduct of business activities, guaranteeing proper internal and external accounting, as well as ensuring compliance with relevant statutory and legal requirements applicable to the Company.

The objective of the accounting-related Risk Management System is to identify, assess and limit risks which may impede the compliance of the financial statements with applicable rules and regulations. As with any other Internal Control System, the accounting-related ICS and RMS may only provide reasonable – but not absolute – assurance with regard to achieving this objective, regardless of how much care is used to design and operate this system.

Organisation of the accounting-related ICS and RMS

The Internal Control System of Aareal Bank takes into account the principles established by the Minimum Requirements for Risk Management (MaRisk) related to the company-specific design of the ICS. The design of this Internal Control System comprises organisational and technical measures to control and monitor the Company's activities, covering all entities of Aareal Bank Group. The Management Board of Aareal Bank AG is responsible for designing, implementing, applying, further developing and reviewing an appropriate Internal Control System, in particular with regard to the accounting process. The Management Board makes decisions as regards the scope and the design of specific requirements; it has defined the responsibilities for the individual process steps in connection with accounting by means of organisational guidelines, and has delegated these responsibilities to individual organisational units.

Aareal Bank prepares its financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – "HGB") and its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The Finance & Controlling division controls accounting processes, to ensure conformity with legal requirements, as well as with any further internal and external provisions. The accounting-related requirements that have to be applied are documented in guidelines and IT requirements.

For the consolidated financial statements in accordance with IFRSs, the companies that form part of the Group create an IFRS package as at the respective reporting date. This includes financial statements prepared under IFRSs and in accordance with the IFRS Group Accounting Manual, as well as the Notes and consolidation information (intercompany balances). All packages are recorded by the Finance & Controlling division in a consolidation software and aggregated for the purpose of preparing the consolidated financial statements.

The Supervisory Board is responsible for monitoring the Management Board. Within the scope of financial reporting, it approves the single-entity financial statements of Aareal Bank AG as well as the consolidated financial statements and group management report. Measures taken by the Supervisory Board to ensure an efficient performance of its control functions include the establishment of an Audit Committee, which is primarily responsible for financial reporting issues and monitors the effectiveness of Aareal Bank's Internal Control System. It analyses and assesses the presented financial statements and internal risk reports as well as the quarterly reports submitted by Internal Audit. In addition, the Audit Committee is responsible for determining the focal points of the audit, as well as for evaluating the auditors' findings. The Audit Committee includes an expert in the fields of accounting or auditing, pursuant to section 100 (5) of the German Public Limited Companies Act (Aktiengesetz – "AktG").

Internal Audit also assumes a monitoring function not related to the process. It reports directly to the Management Board, and provides auditing and consulting services which are designed to optimise Aareal Bank's business processes with regard to accuracy, safety and efficiency. The Internal Audit division supports the Management Board by evaluating the effectiveness and appropriateness of the process-dependent Internal Control System and of the Risk Management System in general. Any detected weaknesses regarding the identification, evaluation and reduction of risks are reported and addressed within the context of specific action plans.

Internal Audit also performs Group audit functions for Aareal Bank's subsidiaries, within the context of the Group's risk management. The review of the risk management's effectiveness and appropriateness covers the risk management and risk control systems, reporting, information systems, and the accounting process. To perform its tasks, Internal Audit has full and unrestricted information rights with respect to activities, processes and IT systems of Aareal Bank AG and its subsidiaries. Internal Audit is informed on a regular basis about material changes related to the Internal Control and Risk Management System.

The review of process-integrated controls conducted by Internal Audit is based on a set of internal regulations, procedural instructions and guidelines of Aareal Bank Group. The audit activities of Internal Audit comprise all of the Group's operational and business processes, and are carried out using a risk-based approach.

The Management Board regularly assesses the appropriateness and effectiveness of the ICS and RMS. This assessment is primarily based on the result of the semi-annual ICS report and the monthly risk reporting and provides the Management Board with an overview of the key elements of Aareal Bank Group's ICS and RMS. As part of the reporting, the Management Board thus receives a summary of the assessment activities regarding the appropriateness and effectiveness of the ICS and RMS, as well as of any anomalies that were identified during these activities. The information contained in the ICS report and risk reporting are also presented to Aareal Bank AG's Supervisory Board as a report on the effectiveness of the ICS and RMS. The assessment of the ICS is based on the evaluation of the decentralised ICS officers, which includes internal and external audit results in particular. On this basis, the Management Board has no evidence that the ICS or RMS in their entirety are not appropriate or effective as at 31 December 2024.

Irrespective of this, the effectiveness of any risk management and control system is subject to an inherent restriction. Therefore, no system – even if it was evaluated as appropriate and effective – can guarantee a 100% prevention of risks or process violations under any circumstances. In addition to the ICS and RMS, and especially for those processes and procedures that, due to high momentum and a large number of new regulations, are not yet at the same stage of maturity as established processes, Aareal Bank has established a Code of Conduct for its employees. This Code of Conduct makes ethical conduct a guideline and minimum requirement of corporate action in dealing with new or unregulated matters, thus largely minimising violations of internal and external regulations.

Components of the accounting-related ICS and RMS

Within Aareal Bank, various measures related to the Bank's organisational structures and procedures help to fulfil the monitoring duties within the framework of its Internal Control System.

A prerequisite for the monitoring system to work efficiently is a Written Set of Procedural Rules governing the distribution of tasks between the individual divisions and the scope of the respective activities. The organisational structure of the Finance & Controlling division is set out in the Bank's organisational guidelines. Aareal Bank's accounting system is structured observing the principle of separation of functions, which makes for a split between operative and administrative roles, and is designed to ensure a sufficient level of control.

Various guidelines exist for activities and processes. These guidelines are set out in the Written Set of Procedural Rules of Aareal Bank and available for inspection to all employees concerned. There are requirements as regards data entry and control – as well as data storage – which have to be observed in general by all of the Bank's posting units. If necessary, results are reconciled across divisions or companies. Uniform accounting methods and measurement techniques are guaranteed through guidelines applicable throughout the Group. The requirements of these Group-wide guidelines substantiate legal provisions, and are adjusted on an ongoing basis to take current standards into account. The valuation techniques used, as well as the underlying parameters, are controlled regularly, and adjusted if necessary.

In addition, the Bank's Risk Manual summarises the material elements of Aareal Bank Group's Risk Management System. Specifically, the Manual describes the organisational workflows as well as methods and instruments used in the context of risk management. In this context, reference is made to our explanations in the Risk Report.

Clearly-defined rules as regards delegation of authorities facilitating the allocation of professional responsibilities also contribute to reliable financial reporting. Any decisions taken are always based on relevant authorities. Internal controls defined on the basis of risk considerations are embedded in the accounting process. Compliance with the principle of dual control in all material processes is one of the principles for ensuring accurate accounting. Where no integrated approval system/dual control feature has been implemented in the accounting IT systems for material transactions, this has been integrated and documented in the manual process workflows.

Adherence of accounting to generally accepted accounting principles is ensured by both preventive and detective controls, as well as through a review of processed data. The preparation of the consolidated financial statements is characterised by multiple analyses and plausibility checks. Besides the evaluation of individual accounting issues, these include comparisons of periods, and between plan and actual data. Control processes have been implemented for both manual and automated accounting transactions.

In order to increase the level of control quality, all relevant divisions are involved in the reconciliation process. An example of cross-divisional reconciliation is the process for the preparation of annual and interim reports. All divisions involved must ensure and (prior to preparation by the Management Board) confirm the quality of the sections of the reports they are responsible for. This represents an additional control level for the data to be disclosed.

In terms of organisational workflows, the accounting-related Internal Control and Risk Management System is based on a comprehensive standardisation of processes and software. Aareal Bank Group uses both standard and customised software. The consolidation software provides technical support to the reconciliation of Group-internal relationships, in a clearly-defined process. The data of the units included is reported using a uniform standardised chart of accounts. The Group's accounting-related IT systems were designed in such a way that both manual controls and automatic plausibility checks are performed for material technical and procedural system steps of the applications used. The controls in relation to processing within the IT systems are also integrated in the processes, as well as being independently performed. Process-integrated controls comprise, for example, the review of error and exception reports or the regular analysis of internal service quality. In contrast, Internal Audit conducts IT reviews independently from processes.

Data and IT systems must be protected from unauthorised access. A differentiated access authorisation concept is in place for the systems used for finance and accounting, preventing manipulation of data. Access authorisations are allocated to the responsible employees, reviewed regularly and adjusted if necessary, in accordance with internal criteria.

Aareal Bank reviews its accounting-related Internal Control and Risk Management System on an ongoing basis. Necessary adjustments are made with respect to the accounting process based on the Bank's reviews. Adjustments may have to be made, for example, in connection with changes in the Group structure, to the business model, or due to new legal requirements.

Aareal Bank has to comply with legal requirements. If these requirements change, for example in the form of new laws or changes in accounting standards, the processes or IT systems will be adjusted as required in separate projects across divisions – based on a clearly-defined allocation of functions, and the accounting-related Risk Management System will be adjusted to take the amended rules into account. Current developments of statutory and legal provisions applicable for Aareal Bank are constantly monitored and communicated to the relevant divisions. The Risk Committee also initiates any required adjustments to be made to systems and processes, and reports the results to the Management Board.

Report on Expected Developments and Opportunities

Aareal Bank AG is the parent company of Aareal Bank Group. Aareal Bank AG has entered into profit and loss transfer agreements, or control and profit transfer agreements, with numerous Group entities. The expected developments of these entities are thus reflected in Aareal Bank AG. Moreover, the funding of Aareal Bank Group is managed centrally by Aareal Bank AG. Against this background, both the forecast for sector-specific and business developments, and the outline of opportunities, are made at Group and segment level.

Macro-economic environment

Economic activity, the financial and the commercial property markets are all exposed to numerous risks. and the economic outlook for 2025 will depend greatly on how the United States and China perform. While Donald Trump's second term in the White House could have serious repercussions on trade and migration, the recession in China could spread to other economies around the globe.

What is more, geopolitical tensions and conflicts could continue in 2025 – with far-reaching implications for the economy and politics. Risks arising from the consequences of past monetary policy tightening, government indebtedness, political instability and global warming remain key issues.

Donald Trump could use the power granted to him as the 47th president of the United States to restrict immigration to the US and to impose higher tariffs on imports from China, Europe and other trading partners. With a Republican majority in both chambers, the new US Congress is likely to uphold tax cuts and increase government spending. While a more expansive fiscal policy could strengthen the US economy in the short term, strategic tariffs imposed by the US are likely to be met with retaliation from the countries in question. This could lead to a global trade war that, with less trade and greater price pressure, could have a strong impact on the global economy over time. A reduction in immigration would make it more difficult to achieve the labour force required for sustainable economic growth.

Geopolitical conflicts – such as the ongoing Russia-Ukraine war or the war between Israel and Hamas – also pose a significant risk for the global economy as they can weigh on economic growth in many different ways. Not only do they lead to loss of human life, destroy capital and infrastructure, and disrupt supply chains – which in turn results in food and energy shortages – but they also impact investor confidence. Armed conflicts, increasing trade tensions and political animosities between China and the Western world, along with tensions between China and Taiwan, could also put a drag on global economic growth. A broader definition of relevant risks includes terrorism, cyber attacks and sabotage of critical infrastructure.

Despite positive inflationary developments and interest rate cuts by major central banks, core inflation remains high as a result of tight labour markets and soaring service prices, indicating that companies are passing on higher prices to their customers. Such monetary tightening could continue to have serious consequences and may trigger an increase in bond yields and negative corrections on the equity and property markets. In addition, limited liquidity on the funding markets could place enormous pressure on financial institutions and, combined with uncertainty about economic momentum, inhibit lending activity. Bank profitability is also negatively affected by the ECB's decision to cut the interest rate on minimum reserves to 0% and by the further tightening of regulatory requirements. Lifting the level of minimum reserve requirements – an option that is currently being discussed by some Eurosystem central banks – would make life even more difficult for banks.

Another risk is the significant increase in government indebtedness and bond yields in many economies as a result of the extensive fiscal support measures taken during the Covid-19 pandemic, but also due to economic downturns, political uncertainty and concerns about the sustainability of government debt. Also, risk premiums for heavily indebted countries could rise again given that asset purchase programmes have been phased out and terminated and that debt levels in advanced economies such as the US and France have risen. Corporate debt has also reached a high level in many advanced economies, mainly owing to bond issuance. Declining cash flows and a looming inability to make interest payments can lead to the credit quality of these bonds being downgraded.

In the longer term, the political shift away from European cohesion poses a significant threat not only to the EU, but also to Europe as a whole. Insufficient coordination and cooperation on migration issues and the slowdown in economic growth have fuelled the rise of populism, among other things, and heightened electoral successes for populist and EU-sceptic parties in many countries – and in the EU Parliament itself. The reform backlog and structural economic problems in some euro zone countries create further uncertainty. Even though the EU's investment package is aimed at supporting these countries in particular, there is a risk that the measures will not be sufficient to resolve structural problems.

The efforts of many countries and companies to limit global warming require a far-reaching transformation of the economy as a whole. This is an opportunity for companies to switch to environmentally friendly property and equipment and to re-assign labour – both factors that will be key for a more sustainable future. At the same time, the macro-economic impact of this transition is uncertain, and the actual effects depend on a number of factors. This structural change also entails costs that will be borne by companies and consumers alike. For instance, decarbonising the economy, for instance, not only relates to energy supply but also requires significant changes in industry, transport, construction and agriculture. In addition to the transition costs incurred in decarbonising the global economy, the costs that are directly attributable to climate change will also increase over the medium term. Extreme weather events and natural disasters could intensify over time, not only causing physical damage but also impacting the real economy – for example in the form of rising food prices, disruptions to supply chains and repercussions on the labour markets. The increase in physical damage will depend on how well the global community succeeds in reducing greenhouse gas emissions.

In the context of macro-economic development, these factors are also significant for the financial and capital markets, and could entail material risks for global economic growth if they were to materialise to a considerable extent. On the other hand, fiscal stimulus in advanced economies provides opportunities, alongside a boost to private consumption if monetary policy is eased faster than expected and if excess savings are reduced further. Productivity increases – for example by introducing digital technologies or through advancements in using AI – are another boosting factor.

Economy

The growth momentum experienced by the global economy in 2024 is expected to continue in 2025. The prospects of fiscal policy easing in the US plus fiscal policy support in China should help to improve the forecast for global growth marginally. While major central banks are likely to succeed in reining in inflation rates and keeping them at an average of around 2% in the medium to long term, short-term inflation rates could fall below the 2% target. This growth and inflation outlook should allow central banks to continue reducing key interest rates and to pursue a less hawkish monetary policy, while fiscal policy remains the key driver of economic growth.

Real GDP growth in the euro zone is expected to show a gradual increase in 2025, reaching 1.1% for the full year. The main challenges here continue to be an ailing industrial sector, cautious consumers and, above all, a weak German economy. The economy is set to benefit from monetary policy easing, as the ECB is expected to continue cutting interest rates. At the same time, fiscal tightening is on the cards in 2025 as governments shift their focus from support measures to reducing general government deficits. Finally, trade barriers could increase as Donald Trump is planning to raise tariffs, which could also hamper European economic growth.

With increasing real income and savings driving consumer expenditure, the United Kingdom is also expected to post real growth of 1.1% in 2025. Even though recent government budget changes indicate that fiscal policy should act as a moderate tailwind for economic growth, the consequences of earlier monetary policy tightening will continue to affect the real economy – a prime example being interest rates for private households remaining higher for longer. On the other hand, Trump’s tariffs are likely to have only a limited impact on the UK.

The US economy is expected to follow a more dynamic growth pattern than many other advanced economies in 2025. This can be attributed to solid employment growth, an ongoing investment boom and potential additional fiscal stimulus measures during Donald Trump’s second tenure. Real GDP is expected to climb by 2.6% in 2025. Spending and tax-related measures under a Republican administration could bump up the budget deficit. However, due to legislative delays and the staggered impact of measures, it is likely that growth for 2025 will only be affected to a limited extent. At the same time, negative effects resulting from higher tariffs and reduced migration under Trump will manifest themselves gradually and may impact long-term economic growth.

On the other side of the Pacific, Australia’s restrictive monetary policy will continue to weigh on growth and the outlook here may worsen due to a strong dollar and a weaker Chinese economy.

Financial and capital markets, monetary policy and inflation

The risks and uncertainty factors referred to above are also significant for the financial and capital markets. Even though many central banks have already initiated a monetary policy easing cycle, global bond yields at the end of 2024 are higher year on year, mainly because quantitative tightening programmes are still in place, reducing central bank balance sheets and increasing upward pressure on yields. All of this is exacerbated by the political uncertainty in the US and concerns regarding fiscal stability in the United Kingdom and France, which are expected to persist over 2025. On the positive side, credit terms might improve as leading central banks are expected to maintain monetary policy easing in 2025.

Inflation is set to follow a downward trend, with the overall inflation rate in some economies possibly falling below the 2% threshold in the near future. For example, favourable food and energy price developments should drive inflation in the euro zone below the ECB’s 2% target in 2025, boosting real income and, in turn, consumer spending. In the UK, inflation is likely to edge upwards, due among other things to a stronger US dollar that will push up the price of imported goods. Pricing in the US could be volatile in 2025 because the Trump administration’s fiscal, trading and migration policy could well create additional inflationary pressure. The persistent service inflation seen in the advanced economies in 2024 is only likely to subside marginally in the shorter term.

In addition, the increasing political uncertainty and deglobalisation risks could make it more difficult to reach central bank inflation targets.

Real economic growth is expected to be solid but unspectacular in the short term, lacking in momentum while inflation is set to decrease. In such an environment, central banks are expected to pursue a less restrictive monetary policy in 2025 and to continue to cut interest rates – albeit at different paces. The ECB and the Bank of England have taken an increasingly dovish stance, which could support interest rate cuts at shorter intervals, given a tighter fiscal policy. Meanwhile, the Fed has indicated that it will make fewer rate cuts in 2025. As some Fed representatives have included political uncertainty factors in their forecasts, the market assumes that it will take longer for key interest rates to return to a neutral level.

Regulatory environment

It is likely that the trend towards a tighter regulatory framework will continue in the years ahead.

This includes above all the final steps for fully implementing the EU Banking Package that stipulates the implementation of the final draft of the Basel III framework into EU law (known as Basel IV), as resolved by the Basel Committee (BCBS). The final Regulation (CRR III) and Directive (CRD VI) of the EU Banking Package were published in the EU Official Journal on 19 June 2024 and came into effect on 9 July 2024. At the same time, the European Banking Authority (EBA), as per its roadmap, worked on implementing its mandates in 2024 to prepare technical standards, which in turn serve to further develop and specify the rules and provisions. The scheduled first-time application of the new regulations that are most relevant for the Bank is 1 January 2025 – two years later than initially planned by the BCBS. The first CoRep report must be submitted as at 31 March 2025, but the supervisory authorities are granting the banks a longer submission deadline until the end of June 2025 (previously: mid-May 2025). Quarterly reporting requirements regarding interest rate risk in the banking book will have to be met regularly from the reporting date of 30 September 2024 onwards. The supervisory authorities brought forward these requirements through ad-hoc reports for the reporting dates of 31 December 2023, 31 March 2024 and 30 June 2024.

To improve the sector's resilience vis-à-vis information and communication technology risks, the EU Commission and the European Council adopted the "Regulation on digital operational resilience for the financial sector" (known as the Digital Operational Resilience Act (DORA)) at the end of 2022. It has entered into force 17 January 2025; henceforth, all serious ICT incidents will be reported centrally to BaFin.

In addition, requirements for sustainable business and ESG risk management will increasingly define the regulatory landscape in the years to come. To that end, CRD VI – which is to be transposed into national law by January 2026 at the latest – is setting out more requirements that will be further specified through corresponding publications by the EBA. Another material foundation here is the introduction and further expansion of the EU taxonomy for classifying economic activities. Disclosure requirements for the 2024 financial year and beyond have increased due to the (first-time) application of the Corporate Sustainability Reporting Directive (CSRD). In addition, the number of data points to be published for 2024 has increased due to the requirement for large capital market-oriented institutions to include qualitative and quantitative information on ESG risks in the regulatory disclosure report on a half-yearly basis, as stipulated by the CRR II.

ESG risk management will also play an increasingly important role in the context of risk management and the SREP. As such, the EBA published its guidelines on the management of environmental, social and governance (ESG) risks on 9 January 2025, specifying the identification, measurement, management and monitoring of ESG risks and plans for increasing resilience. The supervisory authorities are also considering including ESG factors when determining regulatory capital requirements.

2024 also saw a trend towards the (re)introduction of capital buffer requirements, with supervisory authorities in many countries defining or increasing countercyclical capital buffers and/or capital buffers for systemic risks. If it continues, this trend will lead to further increases in capital buffer requirements.

Sector-specific developments and business performance

Structured Property Financing segment

The macro-economic risks and headwinds described above are also of great relevance for the development of property markets.

Demand for commercial properties will vary again in 2025, depending on the region and property type. Even though financing costs are expected to remain at a high level, we are seeing the first signs of the property markets stabilising. This means that commercial properties should finally be on the brink of recovery after a difficult number of years. With central banks beginning to cut interest rates, valuation levels seem to have reached or even exceeded their low point in most sectors. At the same time, we are seeing signs that credit terms are improving, and investment activity is recovering.

The prospect of further monetary policy easing remains a positive factor, a trend that – following the first interest rate cuts in 2024 – is set to continue in 2025, leading to lower capital costs and a better financing environment. This in turn could boost investments in the commercial property markets and channel capital flows into these as well. Encouragingly, commercial property yields are also stabilising. Even though local market conditions and investor preferences continue to play a role, declining capital costs should continue to mitigate the upward pressure on yields. The decrease in new construction activity is also helping to align supply with demand. As well as this, gradually easing lending standards and better availability of debt capital could provide an additional stimulus for market activity and pave the way for more optimistic market sentiment.

Even though the market is expected to recuperate, there are potential risks and uncertainty factors that need to be considered. Potential risks include (geo)political uncertainty, which could impact the stability of markets and lead to more reticence among investors. Another is that the economy proves to be weaker than expected, which could dampen demand for commercial property. And if, contrary to expectations, restrictive lending standards and high financing costs were to materialise at the same time, this could hamper investment activity and a potential recovery. In addition, as fixed-rate loans are subject to continual refinancing, average effective interest rates on the overall market will continue to rise in the short term. This may have a negative impact on the viability of debt service or investors' free cash flow after debt servicing, especially when fixed-rate periods or hedging instruments expire. The situation may even be exacerbated by tenant defaults as a consequence of negative economic developments and, in turn, lower demand.

Aareal Bank believes that strong competitive pressures will persist and could even increase on the financing markets, especially in regions (and for property types) that have already experienced high demand in recent years. Office properties in particular vary greatly in performance: while demand for high-quality buildings in central locations remains high, lower-quality properties and those located in peripheral locations still report weaker demand and performance. As the expected level of financing costs and lending standards should counteract a marked increase in loan-to-value ratios (LTV), we assume that LTV ratios for new business will be largely stable. Nonetheless, changes in the market environment could increase the pressure on gross and net margins or lead to moderately higher LTVs. Transaction activity is expected to gain more and more momentum over the course of 2025.

Should the trend towards increased remote working continue or even intensify, companies may increasingly decide to rent less office space. The transition to this new way of working exerts pressure on rental prices for office properties and on the demand for office space. However, we are already seeing a certain degree of stabilisation, with more and more larger corporates asking their employees to return to the office. It can be assumed that the impact varies depending on the market, the country and the quality of the properties in question. In addition, generative AI applications are expected to exert considerable influence on the economy, as tasks – especially in office work – are being automated. AI could leave its mark on this sector, resulting in a further decline in demand for space, provided that this is not offset by an increase in office work. On the other hand, the changing world of work will lead to a growing demand for communal and flexible working spaces. There is also the possibility that office properties that do not meet the changed tenant requirements may leave the market for good, which could lead to a shortage of office supply, preventing a decline in rent levels.

Aareal Bank expects financing costs to remain the key driver for valuations in 2025. Even though central banks have started to cut interest rates, long-term bond yields should not return to pre-pandemic levels for the time being. This restricts the yield compression potential and makes valuations more dependent on rental increases. Market values are expected to remain stable on average, accompanied by first positive drivers for capital value growth although these are not likely to unfold until subsequent years. This development will depend greatly on the property's quality and location, and individual sub-markets might experience further downside pressure. At the same time, compliance with sustainability criteria (ESG) is an increasingly important factor for market value development.

With regard to retail properties, Aareal Bank expects consumer spending to continue supporting the outlook for value-driving rental revenues. Even though revenue forecasts in most markets are optimistic, risks still remain. For example, weaker labour markets could result in consumer spending failing to meet expectations, which in turn could impact rental growth. However, the sustained low unemployment rates should limit any negative effects on the retail segment.

While hotels saw a significant recovery in both occupancy and income over the past few years, depending on their respective location and segment, this recovery seems to be coming to an end. Nonetheless, with real income increasing and unemployment remaining low, sector fundamentals and income are set to remain healthy and above pre-pandemic levels in the short term, even if hotel revenues are unlikely to grow much more, given that room rates have already increased substantially. Free cash flow is impacted by the increased operating costs that are a side effect of the high inflation seen in previous years. Interest levels remain high, restricting the potential for short-term market value increases.

Our assessment of the alternative living segment – which comprises both co-living (i.e. shared living for a given period of time) and student accommodation – remains positive. With universities having returned to face-to-face teaching, demand – especially from international students – has already recovered significantly and remains high. The supply of new buildings here continues to lag behind the rise in student numbers at many university and technical college locations. As a result, demand is outpacing supply. Given that these property types are seen as having a certain resilience, especially in times of economic uncertainty, we expect investor interest to remain high in this segment.

For the current year, we once again expect the market values of office properties to continue experiencing the greatest price pressures on average compared with other property types. We also expect rental growth to slow as a result of potential changes in space requirements and the increasing influence of sustainability standards. Office properties that fail to comply with corporate environmental and sustainability criteria or statutory climate-related requirements are set to show a weaker performance. However, the trend towards more sustainable office properties also gives financiers the opportunity to be a part of the office property transformation towards a greener economy. One significant downside risk for this forecast is that the market values of office properties could decline more than expected. The market is still undergoing a period of price recalculation, a process that is rendered more difficult by the small number of transactions. If there were a marked increase in the number of office properties in serious distress, yields would most likely rise due to higher risk premiums, which in turn could cause market values to plummet.

Our assessment for logistics properties remains positive, as structural demand drivers are still in place and should lead to positive rental growth forecasts in the near future. However, growth is likely to be more moderate than the exceptionally strong increases seen in recent years. Overall demand will continue to be underpinned by a shift from just-in-time to just-in-case production – an attempt by companies to counter supply chain challenges and prevent delays. Logistics properties also benefit from the ongoing trend of logistics companies offering additional services (such as simple product steps) alongside transport, storage and distribution services. In the medium term, we expect higher investments in the areas of digital transition and robotics to improve supply chain efficiency while smart technologies drive operational growth.

Generally speaking, it is still very difficult to make accurate estimations concerning the economy, markets and the impact of these on Aareal Bank. Because of this, we are simulating further potential macro-economic scenarios in addition to our “baseline” scenario.

In line with current Group planning, our baseline scenario assumes the following macro-economic parameters:

%	2024	2025	2026	2027
“Baseline” scenario				
Gross domestic product (in real terms, year-on-year change in %)				
Euro zone	0.8	1.2	1.5	1.6
USA	2.8	2.6	2.7	2.6
UK	0.9	1.4	1.7	1.8
Unemployment (%)				
Euro zone	6.4	6.4	6.4	6.3
USA	4.1	4.3	4.0	3.8
UK	4.4	4.7	4.6	4.5
Long-term interest rates (10-year government bonds) (%)				
Euro zone	3.0	3.0	3.0	3.1
USA	4.2	4.2	4.1	4.1
UK	4.1	4.3	4.0	3.6
Portfolio-weighted property price development (2024 basis = 100%)	100%	99%	100%	102%

We are aiming for new business of between €9 billion and €10 billion for the Structured Property Financing segment in the 2025 financial year. Factoring in repayments, we therefore expect Aareal Bank Group’s property financing portfolio volume to amount to approximately €34–35 billion, subject to exchange rate fluctuations. We use syndications and other instruments to manage our portfolio and risk exposure.

The forecasts are based on the assumption that the macro-economic risks and uncertainty factors described above will not materialise to a significant extent, or only in a manageable manner: otherwise, they might influence performance, for example with regard to new business.

Banking & Digital Solutions segment

Germany’s housing and commercial property industries are expected to continue their solid performance in 2025 in spite of the geopolitical and macro-economic uncertainty. The demand for housing will continue to outstrip supply, given that persistently high construction finance interest rates are bound to affect the viability of financing new construction projects, despite the continued easing of construction costs and shortage of materials.

This means that further rent increases can generally be expected, as people are continuing to move to metropolitan areas and university cities (a trend that is expected to last until at least 2035). Coupled with the low number of new building permits, this will increase pressure on the housing market. The existing trend towards smaller households has an exacerbating effect.

Even though the Bank’s market share in the institutional housing industry is already high, we see excellent opportunities in 2025 for acquiring new clients and intensifying existing client relationships. We plan to achieve this by continuing to invest in expanding the “Housing Industry Ecosystem”, through the cross-sector development of interface products, and by moving into related ecosystems, such as companies from the energy and waste disposal industries. The long-term strategic partnership between Aareal Bank, Aareon and First Financial Software GmbH will also continue to contribute to this.

We anticipate an average deposit volume from the housing industry of between €13 billion and €14 billion for the Banking & Digital Solutions segment, which will make a significant contribution to consolidated net interest income.

Strategic focus

Aareal Bank's positive performance in recent years has been due in no small part to its "Aareal Next Level" strategy, which was launched in 2020 and refined within the scope of a 360-degree review in 2021/2022. The key strategic convictions that guided us when conceiving "Aareal Next Level" are still viable today. In spite of the challenging market environment, Aareal Bank is expanding its strategic positioning and exploiting the opportunities that present themselves in all areas of its business. Aareal Bank has also strengthened its operational resilience, allowing the Bank to hold its own even when there are significant headwinds in our core markets. We are constantly reviewing the strategic framework, benchmarking our performance against that of our peers and making adjustments wherever necessary. We have also improved upon our strategic framework with our new "Aareal Ambition" strategy.

Built on Aareal Bank's strong market position and excellent reputation, "Aareal Ambition" pursues the following four strategic targets: STRENGTHENING THE CORE: strengthening Aareal Bank's core business to exploit unique selling points effectively and increase earnings sustainably in all our segments, EXPANDING BEYOND: making use of new opportunities in related markets by pursuing clear growth initiatives and focusing more on capital-light business, ENHANCING EFFICIENCY: improving the infrastructure by changing workflows, taking efficiency enhancement measures and making strategic platform investments, and MAINTAINING DISCIPLINE: maintaining solid capital and liquidity indicators, and continuing to follow a RARORC-based approach to new business within our existing and unchanged risk strategy.

Our four strategic targets are based on five components. In the Structured Property Financing segment, we will use our expertise to pursue strategic on- and off-balance sheet growth. In the Banking & Digital Solutions segment, we will build on our excellent foundation and increase the market share of our strong client base in Germany while also exploiting opportunities in related industries and offering our products and services to a broader international audience. As far as INFRASTRUCTURE is concerned, we will improve our activities by increasing the efficiency of our processes and taking advantage of a powerful IT scalability. For RISK, FUNDING & CAPITAL, we will expand our market reach and optimise profitability while maintaining solid capital and liquidity indicators. And with regards to PEOPLE, our strong pipeline of talents and improved management structure will ensure that we perform well.

All in all, the strategy aims to achieve sustainable growth and boost profitability. Specifically, we want to increase return on equity – based on a reference CET1 ratio (Basel IV, fully-phased) of 13.5% – to over 13% in 2027.

Company and Group targets

Key targets of Aareal Bank AG are to preserve and increase capital. These are being taken into account for Group planning purposes, and are also set to be achieved in 2025. No single-entity planning is prepared for Aareal Bank AG. Accordingly, the following statements refer to Group planning in accordance with IFRSs.

Group targets

We expect that sentiment towards the commercial real estate sector will continue to gradually improve over the course of the year resulting in further selective increases in transaction volumes, albeit income growth will be adversely impacted by anticipated reductions in global interest rates. The net effect of the above, combined with tight cost control and further reductions in credit impairment charges, is anticipated a further increase in adjusted[1] consolidated operating profit to between €375 million and €425 million and an adjusted RoE[1] of between 7% and 8% in the 2025 financial year.

Depending on market conditions and exchange rate movements, we expect our new business (including renewals) to be between €9 billion and 10 billion resulting in a credit portfolio of between €34 billion and 35 billion by the end of 2025.

The average deposits from the housing industry that are managed by our Banking and Digital Solutions business are expected between €13 billion and €14 billion.

We expect a Basel IV fully-phased CET1 ratio significantly in excess of 13.5%.

[1] Between €20 and €25 million in costs for efficiency enhancement measures and IT infrastructure investments are expected in 2025.

Corporate Governance Statement

The Corporate Governance Statement pursuant to section 289f (4) of the HGB is publicly available on the Company's website (www.aareal-bank.com/en/about-us/corporate-governance/), and in the "Transparency" section of the Group Annual Report.

Statement pursuant to section 312 of the AktG

The Management Board has prepared a report on the relationships with affiliated companies (Subordinate Status Report) for the financial year 2024 pursuant to section 312 of the AktG, issuing the following statement: "Based on the circumstances of which the Management Board was aware at the point in time the legal transactions were entered into, Aareal Bank AG received appropriate consideration for all legal transactions listed in the report on the relationships with Atlantic BidCo GmbH and affiliated companies."

Combined Sustainability Statement

As the Group's parent entity, Aareal Bank AG prepares a Sustainability Report at Group level. We therefore refer to the Combined Sustainability Statement included in the Group Management Report.

Annual Financial Statements

Income Statement of Aareal Bank AG for the period from 1 January to 31 December 2024

€ mn				2024	2023
Expenses					
Interest expenses				**1,507.9**	**1,328.8**
including positive interest from deposit-taking and money-market transactions	-				[0.0]
Commission expenses				**65.4**	**27.6**
General administrative expenses					
a) Staff expenses					
aa) Wages and salaries		169.9			117.1
ab) Social security contributions, pensions and other employee benefits		25.5			29.9
			195.4		147.0
including for pensions	8.8				[14.6]
b) Other administrative expenses			164.2		146.2
				359.6	**293.2**
Amortisation/depreciation and write-downs of intangible and tangible fixed assets				**6.8**	**6.2**
Other operating expenses				**45.6**	**9.0**
Write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions				**149.1**	**241.6**
Expenses for assumption of losses				**13.4**	**4.6**
Income taxes				**146.6**	**112.1**
Other taxes not reported under other operating expenses				**3.7**	**-3.0**
Net income				**1,988.1**	**391.3**
Total expenses				**4,286.2**	**2,411.4**
Net income				**1,988.1**	**391.3**
Profit carried forward from the previous year				**452.3**	**61.0**
Net retained profit (*Bilanzgewinn*)				**2,440.4**	**452.3**

€ mn		2024	2023
Income			
Interest income from			
a) Lending and money-market transactions	2,121.1		1,965.9
b) Fixed-income securities and debt register claims	273.3		156.4
		2,394.4	**2,122.3**
Current income from			
Participating interests	4.5		0.4
		4.5	**0.4**
Income from profit pools, profit transfer agreements or partial profit transfer agreements		**9.9**	**9.8**
Commission income		**39.4**	**41.6**
Income from write-ups on equity investments, interests in affiliated companies, and securities held as fixed assets		**1,791.4**	**202.2**
Other operating income		**46.6**	**35.1**
Total income		**4,286.2**	**2,411.4**

Balance Sheet of Aareal Bank AG as at 31 December 2024

€ mn				2024	2023
Assets					
Cash funds					
a) Cash on hand			0.0		0.0
b) Balances with central banks			116.4		167.3
including: with Deutsche Bundesbank	116.4				[167.3]
				116.4	**167.3**
Loans and advances to banks					
Other receivables			4,695.1		4,486.0
				4,695.1	**4,486.0**
including: payable on demand	3,878.2				[2,372.6]
collateralised by pledged securities	-				[1,524.9]
Loans and advances to customers					
a) Mortgage loans			28,830.3		28,030.0
b) Loans to local authorities			1,128.0		1,262.7
c) Other loans and advances			2,884.2		3,436.2
				32,842.5	**32,728.9**
Debt and other fixed-income securities					
a) Bonds and debt securities					
aa) Public-sector issuers		3,874.2			3,422.8
including: securities eligible as collateral with Deutsche Bundesbank	3,554.6				[3,140.1]
ab) Other issuers		3,405.8			2,663.8
including: securities eligible as collateral with Deutsche Bundesbank	3,295.5				[2,588.3]
			7,280.0		6,086.6
b) Own bonds			4,030.2		3,015.2
Nominal amount:	4,013.6				[3,007.8]
				11,310.2	**9,101.8**
Equities and other non-fixed income securities				**104.7**	**101.0**
Participating interests				**7.1**	**6.9**
Interests in affiliated companies				**1,406.1**	**1,534.9**
including: interests in banks	10.6				[10.3]
Trust assets				**19.9**	**18.8**
including: trustee loans	19.9				[18.8]
Intangible assets					
a) Internally generated industrial property rights and similar rights and assets			26.6		25.4
b) Purchased concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets			1.6		3.0
				28.2	**28.4**
Tangible fixed assets				**6.0**	**6.3**
Other assets				**212.0**	**253.2**
Prepaid expenses					
a) From new issues and lending			163.1		159.4
b) Other			97.9		114.5
				261.0	**273.9**
Deferred tax assets				**476.1**	**461.5**
Total assets				**51,485.3**	**49,168.9**

€ mn				2024	2023
Equity and liabilities					
Liabilities to banks					
a) Outstanding registered mortgage Pfandbriefe			390.0		188.6
b) Outstanding registered public-sector Pfandbriefe			97.5		107.9
c) Other liabilities			5,722.0		5,084.9
				6,209.5	**5,381.4**
including: payable on demand	699.8				[459.8]
Liabilities to customers					
a) Outstanding registered mortgage Pfandbriefe			1,686.3		1,721.3
b) Outstanding registered public-sector Pfandbriefe			845.3		933.7
c) Other liabilities			15,946.0		18,270.6
				18,477.6	**20,925.6**
including: payable on demand	8,887.4				[9,829.4]
Certificated liabilities					
Bonds issued					
a) Mortgage Pfandbriefe		13,867.1			13,108.9
b) Other debt securities		6,282.4			5,787.0
				20,149.5	**18,895.9**
Trust liabilities				**19.9**	**18.8**
including: trustee loans	19.9				[18.8]
Other liabilities				**702.5**	**224.6**
Deferred income					
a) From new issues and lending			133.0		147.7
b) Other			105.1		101.5
				238.1	**249.2**
Provisions					
a) Provisions for pensions and similar obligations			88.3		109.2
b) Tax provisions			55.8		110.6
c) Other provisions			124.6		103.1
				268.7	**322.9**
Subordinated liabilities				**642.1**	**361.0**
including: maturing within two years	84.5				[130.5]
Additional Tier 1 capital instruments				**321.8**	**322.0**
Fund for general banking risks				**167.6**	**167.6**
Equity					
a) Subscribed capital			179.6		179.6
b) Capital reserve			727.8		727.8
c) Retained earnings					
ca) Legal reserve		4.5			4.5
cb) Other retained earnings		935.7			935.7
			940.2		940.2
d) Net retained profit			2,440.4		452.3
				4,288.0	**2,299.9**
Total equity and liabilities				**51,485.3**	**49,168.9**

€ mn		2024	2023
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	10.5		9.8
		10.5	**9.8**
Other commitments			
Irrevocable loan commitments	1,149.2		1,049.1
		1,149.2	**1,049.1**

Notes

Basis of Accounting

Aareal Bank AG is a public limited company incorporated under German law, with its registered office in Paulinenstrasse 15, 65189 Wiesbaden, Germany. It is the parent company of an international property finance and services group, and registered under no. HRB 13 184 in the Commercial Register at the Wiesbaden local court (Germany).

The financial statements of Aareal Bank AG for the financial year ended on 31 December 2024 were prepared in accordance with the provisions – as applicable at the reporting date – of the German Commercial Code (*Handelsgesetzbuch* – "HGB"), the supplementary regulations of the German Public Limited Companies Act (*Aktiengesetz* – "AktG"), the German Accounting Directive for Banks and Financial Services Providers (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* – "RechKredV") and the German Pfandbrief Act (*Pfandbriefgesetz* – "PfandBG"). The measurement of assets and liabilities assumes the Company's ability to continue as a going concern. The reporting currency is the euro (€). In addition, the annual financial statements were prepared using the European Single Electronic Format pursuant to Commission Delegated Regulation (EU) No. 2019/815 as amended (i. e. in the XHTML format).

The Management Board approved the annual financial statements for publication on 25 February 2025; they will be published in the German Company Register (*Unternehmensregister*), alongside the consolidated financial statements.

Accounting and Valuation Policies

(1) Cash funds

Cash funds include cash on hand and balances with central banks. Cash funds are accounted for at the notional amount.

(2) Loans and advances

Loans and advances to banks and customers are carried at amortised cost, including deferred interest. Premiums and discounts are shown under deferred items, in accordance with section 340e (2) of the HGB. Credit risks are accounted for by setting aside provisions in the amount of the expected loss, using prudent estimates. The proceeds from realisation are determined on the basis of the expected value of various possible scenarios. In compliance with the requirements set out in Accounting Practice Statement IDW RS BFA 7, the portfolio-based valuation allowances are calculated using a formula-based procedure based on the following Basel III parameters used in the Advanced IRB Approach: expected loss given default (LGD) and probability of default (PD). With regard to exposures that were subject to a significant increase in default risk since the grant date, lifetime expected losses are recorded rather than the 12-month expected loss.

Loss allowances are based on the internal staging and expected credit loss (ECL/EL) model of Aareal Bank AG. For this purpose, financial instruments as well as loan commitments and financial guarantees are allocated to various stages at both initial recognition and subsequent measurement. The related loss allowances are recognised in the amount of the twelve-month or the lifetime expected credit loss.

Stage 1: All financial instruments without impairment trigger are allocated to this stage at initial recognition. Any disposal and addition involving a substantial modification does not result in a change of allocation. If the credit risk is not significantly increased, the financial instrument has to remain in Stage 1 for subsequent measurement. Loss allowances are recognised in the amount of the losses expected for the following twelve months and interest income is calculated on the basis of the gross carrying amount, applying the effective interest method. Loss allowances have to be recognised on a present value basis.

Stage 2: All financial instruments where credit risk has increased significantly since initial recognition are allocated to this stage. Any disposal and addition involving a substantial modification does not result in a change of allocation. Loss allowances are recognised in the amount of the losses expected for the entire remaining term of the instrument and interest income is calculated on the basis of the gross carrying amount, applying the effective interest method. Loss allowances have to be recognised on a present value basis. The significant increase in credit risk for the allocation to Stage 2 is determined using the so-called expected downgrade bank-internal staging model and taking into consideration quantitative and qualitative criteria. These criteria are the client's credit rating, the intensity of client handling (intensified handling), the existence of forbearance measures and/or payment defaults for more than 30 days. If the significant increase in credit risk no longer applies, the financial instrument is re-transferred to Stage 1. A description of the credit risk methods and systems in place at Aareal Bank AG is presented in the Risk Report as part of the Management Report.

Stage 3: This stage includes all financial instruments where there is objective evidence of impairment (impairment trigger or credit impaired). Loss allowances are recognised in the amount of the lifetime expected credit loss, applying the effective interest method. The lifetime expected credit loss in Stage 3 is determined as the difference between the gross carrying amount and the present value of expected future cash flows (discounted using the original effective interest). If the impairment triggers no longer apply, the financial instrument is re-transferred to Stage 1 or 2.

The expected credit loss is generally determined by Aareal Bank AG using a model-based procedure where, depending on the stage, one- or multi-year parameters are used. The calculation of the expected loss in Stage 1 and of lifetime expected credit loss in Stage 2 is based on the one-year or lifetime probability of default (PD), respectively, the forecast loss given default (LGD), the expected exposure at default (EAD), a discount factor (DF) and the expected contractual term. Current and expected country-specific economic conditions such as the GDP, long-term interest rates and unemployment rate are included in the LGD by means of a scenario-weighted market value forecast. This probability-weighted scenario mix reflects geopolitical and macro-economic uncertainty and supplements our baseline scenario through the addition of divergent developments over an observation period of three years. In addition, the economic outlook is taken into consideration implicitly in the estimation of the future development of the borrowers' financial position and performance and the expected property cash flows and, hence, in the probability of default (PD). Scenario-based PDs are currently incorporated via a management overlay.

Intensified handling triggers recognition of loss allowance, in the amount of lifetime expected credit loss for the financial instrument concerned (Stage 2). The same applies for financings for which a forbearance measure has been granted.

Model-based calculations of loss allowance may involve specific aspects related to the reporting date which require adjustments to the calculation (post-model adjustments). These may be related to known model weaknesses, technical processing issues or data deficiencies, as well as expert estimates of risks designed to remedy possible gaps in the model. Model-based Stage 1 and Stage 2 loss allowance was recognised as at the reporting date as a result of a post-model adjustment, comprising multiple components. Firstly, we recognised a technical overlay to incorporate what is referred to as forward-looking information (FLI), since the full technical implementation of the macro-economic forecasts in various scenarios included through this has not been completed. Calculations for this technical overlay have also incorporated a stress scenario with a probability of 20%, covering the probability of a severe macroeconomic downturn as well as ESG risks that cannot as yet be quantified (each having a probability of 10%). On top of this, a post-model adjustment was recognised for stage 2 office financings in the US in order to account for the expected persistent problems in the US office market, and to reflect the decoupling from the macro-economic situation. This was implemented by increasing the stress scenario weight in the FLI calculation for US office cases.

A period of not more than twelve months is assessed for Stage 1, while the expected contractual term of the financial instrument has to be taken into account for Stages 2 and 3 (and, in addition, the expected term for repayment of the financial instrument in Stage 3).

The expected loss in Stage 3 is usually determined on the basis of individually estimated cash flows (ECF procedure) in three probability-weighted scenarios. The amount of the loss allowance is determined as being the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted using the original effective interest rate applicable at initial recognition or after the most recent interest rate adjustment in the case of variable-rate financial instruments (taking into account cash flows from realisation of collateral provided). Collateral is largely provided in the form of land charges or mortgages; these are measured at fair value of the respective scenario which is generally based on either the income capitalisation approach or the discounted cash flow method. Impairment triggers are strong indications for a decline of the borrower's credit quality, arrears, external expert opinions as well as further indications that not all interest and principal payments can be made as contractually agreed.

Changes in loss allowance are reflected by increasing or decreasing the carrying amount through other loss allowance.

If the receivables are not recoverable, the corresponding loss allowance is utilised and the receivable is derecognised.

(3) Securities

Bonds and other fixed-income securities, as well as equities and other non-fixed income securities held as current assets, are measured strictly at the lower of cost or market value, as prescribed for current assets (*strenges Niederstwertprinzip*). Aareal Bank AG's current assets presently are composed exclusively of securities of the liquidity reserve. Bonds and other fixed-income securities that are intended to be held permanently, are carried at the lower of cost or market value; the carrying amount needs to be written down to the lower market value only if the impairment is permanent (*gemildertes Niederstwertprinzip*). Where the reasons for the write-down no longer apply, write-ups are made in accordance with section 253 (5) of the HGB.

(4) Trading portfolio

The Bank held no financial instruments for trading as at the balance sheet date. The Bank-internal criteria for the inclusion of financial instruments into the trading portfolio were not changed during the reporting year.

(5) Hedging relationships

The Bank establishes hedging relationships within the meaning of section 254 of the HGB. Accordingly, fixed-income securities of the liquidity reserve in the amount of €4,870.5 million (2023: €4,448.2 million) are hedged against changes in value attributable to interest rate risk by means of interest rate hedges with a nominal amount of €4,863.6 million (2023: €4,471.5 million), on the basis of so-called "micro hedges". In this context, the underlying transaction and the hedge generally are acquired within the framework of so-called "asset swap packages", i.e. they are so-called "perfect hedges" where all value-affecting factors between the hedged portion of the underlying transaction substantially correspond to the hedging portion of the hedge. The prospective effectiveness of the hedging relationship, which refers to the period until the security's final maturity, is proven, based on a sensitivity analysis in conjunction with the so-called "Critical Terms Match Method".

The Bank continues to establish hedging relationships between repurchased own bonds in a nominal amount of €4,030.2 million (2023: €3,015.2 million) and the corresponding securitised liabilities.

This is presented in the financial statements using the so-called "Net Hedge Presentation Method" (*Einfrierungsmethode*). Under this method, the cumulative change in the value of the underlying transaction is determined on the basis of the hedged risk, and compared to the changes in the value of the hedge. The hedged risk amounts to €-74.6 million (2023: €-141.8 million) and corresponds to the cumulative increase of the fair value of assets since inception of the hedging relationship. This net increase is not shown in the income statement on a net basis, after including hedge transactions. Any previously existing ineffectiveness based on the hedged risk is reflected in a provision for hedging relationships. The changes in value attributable to the hedged risk are reflected on a portfolio basis, in the form of a write-down on the security concerned.

(6) Fair value measurement of interest rate instruments of the banking book

In addition, the Bank uses derivative financial instruments of the banking book (non-trading book), above all interest rate swaps, for the purpose of controlling interest rate risk (interest spread risk) as part of the overall management of the Bank. In accordance with the HGB, these instruments represent "pending transactions" which are not recognised on the balance sheet. They form a "hedging relationship", together with the recognised interest-bearing assets and liabilities of the banking book. In accordance with IDW RS BFA 3, this hedging relationship has to be reviewed as to whether losses are anticipated, taking into account expected expenses required for funding, risk management and administration in relation to managing the banking book. Currently, the Bank has two equally suitable methods available to determine provisions for anticipated losses: the P&L based approach referring to certain time periods, and the (static) present value method. The Bank uses the present value method. Under this method, a provision has to be recognised when the book value of the banking book exceeds the present value of the banking book, i.e. if there are net unrealised losses in the banking book. The present value is derived from the cash flows of the financial instruments included in the banking book, discounted to the balance sheet date. Potential future risk costs are considered by adjusting the applicable interest rate used for the discounting of cash flows. The administrative expenses relating to the banking book are derived from cost accounting and deducted on a lump-sum basis. No provision for anticipated losses had been recognised as at the balance sheet date, since the present value of the banking book is higher than the book value as at 31 December 2024.

(7) Derivatives

Derivative financial instruments are considered pending transactions, and are therefore generally not recorded in the balance sheet.

Exchange-traded derivatives are measured at their quoted market price. The market price of over-the-counter (OTC) derivatives is determined using standard valuation models commonly accepted in the financial industry, such as the present value technique and option pricing models.

Acquired as well as issued structured products are generally accounted for as groups of uniform assets and liabilities in accordance with IDW RS HFA 22.

(8) Participating interests, interests in affiliated companies, intangible assets and tangible assets

Participating interests and interests in affiliated companies are stated at cost or, in case of a presumably permanent impairment, at the lower fair value in accordance with section 253 (3) sentence 5 of the HGB (*gemildertes Niederstwertprinzip*).

Tangible assets and purchased intangible assets are stated at cost less depreciation/amortisation. Write-downs are required in the event of impairments in value deemed to be other than temporary.

Office furniture and equipment items are depreciated using the straight-line method, applying the following depreciation periods:

	Depreciation period
Office furniture and equipment	
IT equipment	3 to 5 years
Other office furniture and equipment	5 to 13 years
Tenant's improvements	10 years

Intangible assets comprise purchased as well as self-developed software, which is amortised over a useful life of three to five years.

The option to capitalise internally generated intangible assets pursuant to section 248 (2) of the HGB was exercised. Pursuant to section 255 (2) sentence 3 of the HGB, the calculation of manufacturing costs incorporates general administrative costs as well as expenses for social facilities provided by the Company, voluntary social benefits, and company retirement provisions. Internally generated intangible assets are amortised on a straight-line basis over a period of five years from the date they are ready for operation.

Where the reasons for the write-down no longer apply, write-ups are recognised for participating interests, interests in affiliated companies, intangible assets and tangible assets in accordance with section 253 (5) of the HGB. To the extent that land and buildings were acquired to salvage loans, and have been in the possession of the Bank for more than five years, these are reported under tangible fixed assets. Additions of low-value commercial goods ("*geringwertige Wirtschaftsgüter*") of not more than € 250 are recognised through profit or loss.

The option to disclose a net amount, pursuant to section 340c (2) of the HGB, has been exercised.

(9) Trust assets and trust liabilities

These balance sheet items include assets and liabilities that the Bank holds on its own behalf, but for the account of third parties. These items are measured at amortised cost.

(10) Prepaid expenses and deferred income

Prepaid expenses and deferred income represent expenditures and proceeds prior to the reporting date in accordance with section 250 (1) and (2) of the HGB to the extent that they constitute expenses or income, respectively, for a particular period after the reporting date.

Furthermore, prepaid expenses pursuant to section 250 (3) of the HGB comprise differences where the settlement amount of a liability exceeds its issue amount. Such differences will be amortised by way of scheduled annual depreciation or amortisation.

Pursuant to section 340e (2) of the HGB; the Bank recognises in prepaid expenses upfront payments from derivatives as well as any premiums and discounts on registered bonds, claims under promissory note loans, issued bonds and other loans as well as fee portions with interest-paying characteristics, which have been amortised over the relevant terms.

(11) Other assets

Other assets are reported at nominal amount. In case of reduced recoverability, impairment losses down to the lower of the exchange or market price, or the expected value, are recorded pursuant to section 253 (4) of the HGB.

(12) Income tax assets/income tax liabilities

In 2021, the OECD adopted regulations aimed at ensuring effective global minimum taxation levels, and at counteracting aggressive tax arrangements (the so-called Pillar Two rules), which were adopted by the EU in 2022. Germany adopted the Minimum Taxation Directive Implementation Act (*Mindestbesteuerungsrichtlinie-Umsetzungsgesetz* – "MinStG") on 27 December 2023, transposing these international regulations into German law. The rules are applicable for the first time for financial years beginning after 30 December 2023. As part of a multinational group of companies, Aareal Bank AG has consolidated revenue in excess of €750 million, which means that minimum taxation rules are applicable to the Group. Based on current information, this will involve business units in 12 countries, bearing in mind that the rules have also been adopted in these countries (with the exception of the US). However, Aareal Bank AG is not the ultimate parent pursuant to section 4 (3) of the MinStG: this is Atlantic LuxCo S.à r.l.; Atlantic BidCo GmbH is the group responsible entity ("*Gruppenträger*") in Germany pursuant to section 3 (3) sentence 2 of the MinStG. Aside from significant implementation costs due to additional tax reporting, no material tax effects or top-up taxes are anticipated since the effective tax rate is above 15% in all countries in which the Bank is active. Aareal Bank will use the transitional provisions and simplification rules provided by sections 79-81, 84-87 and 89 of the MinStG. The Bank has determined that global minimum tax is an income tax. Pursuant to section 274 (3) of the HGB, any differences arising from application of the MinStG (or comparable foreign tax regulations) need not be taken into account when determining deferred taxes.

(13) Deferred taxes

If there are differences between the book value of assets, liabilities, deferred income and prepaid expenses and their related tax bases which are expected to be reversed in later financial years, any resulting net tax burden is recognised as a deferred tax liability and any resulting net tax benefit is recognised as a deferred tax asset, in accordance with section 274 of the HGB. Tax loss carryforwards are taken into account in the calculation of deferred tax assets, based on the level of the potential losses to be offset within the next five years. Deferred taxes are measured using the company- and country-specific tax rates expected to apply at the time of the realisation of temporary differences and the offsetting of loss carryforwards. The Bank reports deferred taxes on a net basis.

(14) Liabilities

Liabilities are shown on the balance sheet at the settlement amount. The difference between the settlement amount and the lower initial book value of liabilities is recognised under deferred items, and amortised over the term of the liability.

(15) Provisions

Provisions are recognised in the amount of the required settlement amount, as determined based on prudent commercial judgement. Pursuant to section 253 (2) sentence 1 of the HGB, provisions with a remaining term of more than one year have to be discounted using the average market interest rate applicable for their remaining term; the average market interest rate for provisions for retirement benefit obligations is based on the rates of the past ten years, while that for other provisions is based on the rates of the past seven years.

Provisions for pensions and similar obligations are determined based on actuarial principles. Provisions for pensions are recognised at the settlement amount taking into account future wage, salary and pension trends and applying the average market interest rate applicable for an assumed remaining term of 15 years as disclosed by Deutsche Bundesbank, except where the applicable remaining term of the respective pension plan is shorter. In accordance with section 240 (2) of the HGB, pension obligations are generally determined based on inventory records established as at the balance sheet date. Pursuant to section 241 (3) of the HGB, the relevant group of eligible persons may also be recorded as at a date within the last three months prior to, or within the first two months after, the balance sheet date, provided that the pension obligations may be measured properly as at the balance sheet date. This is ensured by using forecast interest rates. Reference is made to the Notes to the balance sheet.

Provisions for taxes and other provisions have been set aside for existing legal or constructive obligations in the settlement amount, as required by prudent commercial judgement.

Other provisions amounting to €124.6 million (2023: €103.1 million) mainly include provisions for personnel matters (especially for variable remuneration and partial retirement) and other non-staff expenses.

Restructuring provisions recognised in the 2024 financial year amounted to €21.7 million.

(16) Additional Tier 1 capital instruments

The instruments issued are classified as liabilities and are recognised at their settlement amount. The interest expense is accrued in the amount of the expected payments.

(17) Fund for general banking risks

The fund for general banking risks was recognised in accordance with section 340g of the HGB and is intended as a protection against general banking risks to the extent that this is necessary based on prudent business judgement given the specific risks of the business activities of banks.

Expenses for additions to this special item or income from the reversal of the special item were not incurred in the year under review.

(18) Currency translation

Currency translation complies with the principles set out in sections 256a and 340h of the HGB.

Assets and liabilities denominated in foreign currency as well as pending spot transactions are translated using the middle spot rate (ECB reference middle rate) applicable on the recognition date.

Assets and liabilities denominated in foreign currency or forward foreign exchange transactions are classified as specific cover and are measured at the middle spot rate (ECB reference middle rate) on the balance sheet date. Income and expenses from currency translations are recognised through profit or loss under other operating income and expenses.

The Bank decomposes foreign exchange forward transactions which are used to hedge interest-bearing balance sheet items into an agreed spot base and the swap rate, recognising a deferred asset or liability equivalent to the net aggregate difference between the spot base and the same currency's exchange rates prevailing on the reporting date. Forward premiums or discounts are amortised in net interest income over the term of the transaction.

Notes to the Income Statement

(19) Income by geographical segment

The aggregate of (i) interest income, (ii) current income on equities and other non-fixed income securities, and on participating interests and interests in affiliated companies, (iii) commission income and (iv) other operating income is broken down by the following regions, in accordance with section 34 of the RechKredV.

€ mn	2024	2023
Germany	525.3	546.1
Rest of Europe	1,258.9	959.1
North America	580.0	578.4
Asia/Pacific	120.7	115.8
Total	**2,484.9**	**2,199.4**

(20) Administration and intermediation services rendered to third parties

The following administration and intermediation services were rendered to third parties Administration and intermediation of loans and trust assets.

(21) Other operating income and expenses

Other operating income of €46.6 million (2023: €35.1 million) includes income in the amount of €14.7 million (2023: €13.7 million) from plan assets used for pension obligations, after offsetting with expenses from the unwinding of discounts pursuant to section 246 (2) sentence 2 of the HGB, income from tax refunds (including interest) of €9.1 million (2023: €0.5 million), and income from the reversal of provisions in the amount of €6.2 million (2023: €4.4 million). In addition, other operating income includes income of €9.2 million (2023: €– million) from the repayment of a tax guarantee related to a sold participating interest.

Other operating expenses of €45.6 million (2023: €9.0 million) include losses from currency translation in the amount of €18.2 million (2023: income of €11.1 million), expenses for subsidiaries in the amount of €16.8 million (2023: €3.1 million) and expenses for interest on back tax payments in the amount of €10.3 million (2023: €0.3 million).

(22) Income taxes

The net income tax position amounts to expenses of €146.6 million (2023: expenses of €112.1 million), of which expenses of €149.9 million (2023: €117.2 million) included in current taxes were payable in Germany: this figure comprises €75.2 million (2023: €60.1 million) in corporation tax and solidarity surcharge and €73.4 million (2023: €58.9 million) in trade tax payable for the current year, as well as €1.3 million in tax expenses for previous years (2023: income of €1.8 million). The net income tax position also includes €5.1 million in income (2023: income of €14.4 million) from the recognition of German deferred tax assets as well as €1.8 million (2023: expenses of €9.3 million) in expenses for the Bank's foreign branch offices.

The tax reconciliation is used to determine why the tax expense (current taxes and deferred taxes) reported in the income statement differs from the expense calculated using the expected tax rate. The expected tax rate of 31.3% (2023: 31.3%), including a weighted trade tax rate of assessment of 442%, comprises trade taxes (15.5%), corporation taxes (15.0%) and the solidarity surcharge (0.825%; 5.5% of corporation tax).

€ mn	2024	2023
Income before income taxes	2,134.7	503.4
Expected income tax expenses; tax rate: 31.3% (2023: 31.3%)	668.2	157.6
Reconciliation		
Different foreign tax burden	-3.1	-3.7
Tax attributable to tax-exempt income	-524.1	-55.4
Tax attributable to non-deductible expenses	7.9	6.9
Remeasurement of deferred taxes	-10.0	12.9
Prior-period actual taxes	7.7	-5.9
Effect of changes in tax rates	-	-
Other tax effects	-	-0.3
Reported income tax expenses	146.6	112.1
Effective tax rate (%)	6.9	22.3

(23) Prohibition of distribution

A total amount of €502.7 million (2023: €486.9 million) in profits is subject to a prohibition of distribution, pursuant to section 268 (8) of the HGB, of which €476.1 million (2023: €461.5 million) is attributable to the balance resulting from recognised deferred tax assets and recognised deferred tax liabilities. A prohibition of distribution applies to a net amount of €0.0 million (2023: €0.0 million) (after fair-value netting of assets), pursuant to section 246 (2) sentence 2 of the HGB. Moreover, a prohibition of distribution pursuant to section 248 (2) sentence 1 of the HGB is included for internally generated intangible assets in the amount of €26.6 million (2023: €25.4 million).

The amount determined pursuant to section 253 (6) sentence 1 of the HGB regarding the difference between (a) the amount to be recognised for pension provisions according to the average market interest rate of the previous ten financial years and (b) the amount to be recognised for pension provisions according to the average market interest rate of the previous seven financial years amounted to €-4.3 million (2023: €5.8 million).

This means that the prohibition of distribution pursuant to HGB regulations totalled €502.7 million during the year under review (2023: €492.7 million).

Notes to the Balance Sheet

(24) Securities negotiable at a stock exchange

The following table is a breakdown of securities negotiable at a stock exchange included in the balance sheet line items, including accrued interest.

Hedging relationships as defined by section 254 of the HGB have been created with respect to negotiable securities in an aggregate amount of €8,900.7 million (2023: €7,463.3 million).

Bonds and debt securities, including own bonds, of €11,310.2 million (2023: €9,101.8 million) (including accrued interest) reported under debt and other fixed-income securities comprise €429.8 million (2023: €358.2 million) in securities which are not eligible as collateral with Deutsche Bundesbank. Of that amount, €220.7 million (2023: €148.8 million) relate to sovereign foreign-currency bonds, which are eligible for securities lending.

The total amount of securities negotiable at a stock exchange reported in the balance sheet item „Interests in affiliated companies“ consists of interests in Westdeutsche Immobilien Servicing AG, Deutsche Bau- und Grundstücks-Aktiengesellschaft, and DHB Verwaltungs AG.

	31 Dec 2024		31 Dec 2023	
€ mn	Listed	Unlisted	Listed	Unlisted
Debt and other fixed-income securities	11,310.2	0.0	9,101.8	0.0
Equities and other non-fixed income securities	0.0	0.0	0.0	0.0
Participating interests	-	0.0	-	0.0
Interests in affiliated companies	-	12.2	-	366.9

(25) Investment fund units

The following table is an analysis of investment fund assets, where more than 10% of the fund units are held.

	31 Dec 2024		31 Dec 2023	
€ mn	Book value	Market value	Book value	Market value
DBB INKA	104.7	104.7	101.0	101.0
Aareal Altersvorsorge BV 97	295.2	295.2	267.0	267.0
Total	**399.9**	**399.9**	**368.0**	**368.0**

DBB INKA is an investment fund as defined under German law (*Sondervermögen*) which invests in assets permitted under the German Investment Act (*Investmentgesetz* – “InvG”), observing the principle of risk diversification. The right to redeem fund units on a daily basis is unrestricted.

Aareal Altersvorsorge BV 97 is an investment fund as defined under German law (*Sondervermögen*), which invests in assets permitted under the fund's investment policy, observing the principle of risk diversification. This investment fund is protected from access by all creditors, and is only intended to settle liabilities from retirement benefit obligations vis-à-vis employees.

The value of investment fund units as defined by sections 168 and 278 of the German Capital Investment Act (*Kapitalanlage-gesetzbuch* – "KAGB") was €399.9 million (2023: €368.0 million). Like in the previous year, distributions made under the funds amounted to €0.0 million in the 2024 financial year.

(26) Movements in fixed assets

The changes in fixed assets are presented in the fixed assets development schedule shown below.

The values shown for debt and other fixed-income securities include additions and disposals, as well as changes in inventory due to the amortisation of premiums and discounts (excluding accrued interest).

					Tangible fixed assets	
€ mn	Debt and other fixed-income securities	Participating interests	Interests in affiliated companies	Intangible assets	Office furniture and equipment	Land and buildings
Cost						
As at 1 Jan 2024	**1,567.0**	**12.3**	**1,603.5**	**59.2**	**33.6**	**0.0**
Additions	1,044.6	0.2	179.7	5.4	0.9	-
Disposals	237.0	-	317.1	5.4	2.4	-
Changes in inventory/transfers	-	0.0	0.0	3.1	-	-
As at 31 Dec 2024	**2,374.6**	**12.5**	**1,466.1**	**62.3**	**32.1**	**0.0**
Depreciation and amortisation						
As at 1 Jan 2024	**0.0**	**5.4**	**68.6**	**30.8**	**27.3**	**0.0**
Additions	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	5.6	1.2	-
Write-downs	-	-	-	-	-	-
Disposals	-	-	0.8	5.4	2.4	-
Transfers	-	-	-	3.1	-	-
Write-ups	-	-	7.8	-	-	-
As at 31 Dec 2024	**0.0**	**5.4**	**60.0**	**34.1**	**26.1**	**0.0**
Book value as at 31 Dec 2024	**2,374.6**	**7.1**	**1,406.1**	**28.2**	**6.0**	**0.0**
Book value as at 31 Dec 2023	**1,567.0**	**6.9**	**1,534.9**	**28.4**	**6.3**	**0.0**

As at 31 December 2024, the securities held as fixed assets largely included securities issued by South- and West European debtors. The following performance was recognised:

	31 Dec 2024		31 Dec 2023	
€ mn	Book value	Market value	Book value	Market value
Bank bonds	-	-	15.5	15.4
Covered bonds	355.2	353.9	22.5	19.4
Public-sector issuers	2,019.4	2,020.8	1,529.0	1,517.5
Total	**2,374.6**	**2,374.7**	**1,567.0**	**1,552.3**

Securities with a nominal amount of €2,340.3 million (2023: €1,533.5 million) were not measured at the lower of cost or market. For several securities, the book value in the amount of €1,340.5 million (2023: €869.7 million) exceeds the market value of €1,259.2 million (2023: €778.9 million).

An examination of cost vs. market values as at 31 December 2024 did not indicate any permanent impairment (2023: no permanent impairment).

The option to aggregate non-trading assets, pursuant to section 34 (3) of the RechKredV, has been exercised.

The Bank has rented the majority of business land and buildings used for its business operations from one of its subsidiaries.

(27) Subordinated assets

The following items comprise subordinated assets in the amount shown:

€ mn	31 Dec 2024	31 Dec 2023
Loans and advances to banks	-	-
Loans and advances to customers	41.5	88.5
Bonds and other fixed-income securities	-	15.5
Equities and other non-fixed-income securities	-	-
Other assets	-	-

(28) Notes on affiliated companies and enterprises with a participatory interest

€ mn	2024				2023			
	Affiliated companies		Enterprises with a participatory interest		Affiliated companies		Enterprises with a participatory interest	
	Certi-ficated	Not certifi-cated	Certificated	Not certificated	Certifi-cated	Not certifi-cated	Certificated	Not certificated
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	-	3,007.2	-	-	-	3,536.0	-	-
Debt and other fixed-income securities	-	-	-	-	-	0.1	-	-
Liabilities to banks	-	34.5	-	-	-	-	-	-
Liabilities to customers	-	409.9	-	0.7	-	930.8	-	-
Certificated liabilities	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-

Transactions with related parties are generally carried out on an arm's length basis.

No loans were extended to members of executive bodies of Aareal Bank.

(29) Trust business

€ mn	31 Dec 2024	31 Dec 2023
Trust assets		
Loans and advances to banks	-	-
Loans and advances to customers	19.9	18.8
Equities and other non-fixed income securities	-	-
Total trust assets	**19.9**	**18.8**
Trust liabilities		
Liabilities to banks	0.4	0.4
Liabilities to customers	19.5	18.4
Total trust liabilities	**19.9**	**18.8**

(30) Other assets

Other assets include, in particular, receivables from the asset item recognised from currency translation (€127.7 million), tax receivables (€39.4 million), and receivables from profit and loss transfer agreements (€9.9 million). Other assets also include receivables totalling €34.1 million from the collateralisation (including pro-rata interest) of irrevocable payment obligations from the bank levy.

In 2023, other assets included receivables from the asset item recognised from currency translation (€167.7 million), tax receivables (€21.7 million), and receivables from profit distributions or profit assumptions (€9.7 million). In addition, other assets include receivables from the collateralisation (including pro-rata interest) of irrevocable payment obligations resulting from the bank levy, contributions to the compensation scheme of German banks (statutory deposit protection scheme), and the contribution to the deposit protection fund, totalling €49.0 million.

(31) Prepaid expenses and deferred income

Prepaid expenses in the amount of €261.0 million (2023: €273.9 million) primarily include €0.4 million (2023: €3.9 million) in premiums on originated loans, in accordance with section 340e (2) sentence 3 of the HGB, and €162.7 million (2023: €155.5 million) in discounts on bonds issued and borrowings in accordance with section 250 (3) of the HGB. The item also includes €83.6 million (2023: €98.9 million) from upfront payments/option premiums in connection with derivatives.

Deferred income of €238.1 million (2023: €249.2 million) refers to upfront payments/option premiums in connection with derivatives (€105.1 million; 2023: €101.5 million), to issuing discounts of Pfandbriefe in the amount of €27.1 million (2023: €41.0 million), to €1.3 million (2023: €0.8 million) in discounts on originated loans, in accordance with section 340e (2) sentence 2 of the HGB, and to fee portions with interest-paying characteristics in the amount of €103.9 million (2023: €104.8 million).

(32) Deferred taxes

As at 31 December 2024, the Bank's deferred tax assets exceeded its deferred tax liabilities by €476.1 million (2023: €461.5 million). Deferred taxes are recorded in the amount of the assumed tax burden or relief in coming financial years, and are measured using the company- and country-specific tax rates expected to apply at the time of the realisation of temporary differences and the offsetting of loss carryforwards.

For Germany, we used a corporation tax rate (including solidarity surcharge) of 15.8% and a municipal trade tax rate, depending on the multiplier set by the relevant local authorities. This results in an overall tax rate of 31.3% for Germany (2023: 31.3%).

Deferred tax assets were largely recognised for valuation differences for loans and advances to customers compared to their tax base, provisions for impending losses from executory contracts, as required under German commercial law, prepaid expenses for collected loan fees as well as on provisions for pensions. Deferred tax assets in the amount of €36.7 million (2023: €19.2 million) were recognised for loss carryforwards, relating exclusively to foreign permanent establishments of Aareal Bank AG.

Deferred tax liabilities were attributable to the split-off portfolios of former WestImmo (€4.8 million; 2023: €7.1 million) and former Corealcredit Bank AG (€3.5 million; 2023: €3.7 million). In addition, deferred tax liabilities in the amount of €8.8 million were recognised for valuation differences for software compared to the tax base. As in the previous year, all deferred tax liabilities were offset against deferred tax assets.

€ mn	31 Dec 2024	31 Dec 2023	Change in the year under review
Deferred tax assets	476.1	461.5	14.6
Deferred tax liabilities	-	-	-
Total	**476.1**	**461.5**	**14.6**

(33) Other liabilities

Other liabilities mainly comprise €19.5 million in trade payables, €606.7 million in liabilities recognised from currency translation, as well as €36.5 million in liabilities from the adjustment item reflecting the split-off of Düsselhyp's banking operations. In addition, €11.2 million in liabilities from profit and loss transfer agreements and tax liabilities of €19.4 million have been recognised.

In the previous year, other liabilities mainly comprised €10.1 million in trade payables, €143.8 million in liabilities recognised from currency translation, as well as €44.7 million in liabilities from the adjustment item due to the split-off of the banking operations of Düsselhyp. In addition, €3.6 million in liabilities from profit and loss transfer agreements and tax liabilities of €12.6 million were recognised.

(34) Provisions for pensions

The values determined in the actuarial pension report are based on the following methods and assumptions. In this context, the collection of personnel data and the determination of the forecast interest rate were made as at 1 October 2024 (cut-off date), not as at the balance sheet date:

	31 Dec 2024	31 Dec 2023
Actuarial method applied:	Projected unit credit method	Projected unit credit method
Fundamental assumptions for calculation:		
Discount rate in %	1.90	1.82
Reference period for discount rate	10 years	10 years
Fluctuation (%)	3.00	3.00
Expected wage and salary increases in %	2.25	2.25
Adjustments of current pension payments (%)	1.00 or 2.25	1.00 or 2.25
Mortality tables used	"Richttafeln 2018G" mortality tables by K. Heubeck	"Richttafeln 2018G" mortality tables by K. Heubeck

The effect from the changes in the discount rate as at the end of the financial year compared to the discount rate as at the beginning of the financial year is recognised in staff expenses.

The fair value changes of the plan assets are shown together with the current income from plan assets under other operating income and expenses.

Assets which are held exclusively for the purpose of fulfilling pension obligations are netted against provisions for pensions, within the framework of a Contractual Trust Agreement (CTA) where the trustee is acting on behalf of both parties (in the capacity of an administrative trustee and security trustee).

€ mn	31 Dec 2024	31 Dec 2023
Pension obligation	414.7	407.3
Fair value of plan assets	326.4	298.1
Cost of plan assets	339.1	332.2
Provisions for pensions and similar obligations	**88.3**	**109.2**

The plan assets comprise the following items, all of which are exclusively reserved to meet Aareal Bank AG's pension obligations vis-à-vis its active and retired employees in Germany.

Fund units are recognised at fair value, resulting from the exchange prices and market values of the assets.

€ mn	31 Dec 2024	31 Dec 2023
Fund units	295.2	267.0
Reinsurance cover	31.2	31.1
Fair value of plan assets	**326.4**	**298.1**

The following table shows the income and expenses in relation to pension obligations and the associated plan assets that were offset and recognised in the income statement.

€ mn	31 Dec 2024	31 Dec 2023
Interest cost on pension obligations	7.3	6.8
Income from plan assets	22.5	20.7
Net interest expense	**-15.2**	**-13.9**

(35) Subordinated liabilities

Outstanding subordinated liabilities of Tier 2 capital are not subject to any prerequisites for the conversion into equity capital or into another type of debt.

Subordinated funds raised do not provide for any early repayment obligation for Aareal Bank AG. In the event of liquidation or insolvency, claims on interest and principal from these liabilities are subordinated to the claims of all other creditors of Aareal Bank AG, which are not themselves subordinated. This also applies to those subordinated funds raised that are not specified in detail.

Aareal Bank AG had one (2023: one) subordinated liability of €400.0 million (2023: €80.0 million) as at the reporting date – with a fixed rate of 5.625% p.a., maturing on 12 December 2034.

Interest expenses for all subordinated liabilities totalled €19.1 million (2023: €16.5 million), including an amount of €6.9 million (2023: €8.8 million) for accrued interest payments not yet due.

(36) Additional Tier 1 capital instruments

Additional Tier 1 bond (AT1 bond)

On 13 November 2014, the Management Board issued notes in an aggregate nominal amount of €300 million with a denomination of €200,000 and an initial interest rate of 7.625% p.a., based on the authorisation granted by the Annual General Meeting on 21 May 2014.

The notes bore interest of 7.625% p.a. from the interest commencement date to 30 April 2020. The rate of interest for any interest period commencing on or after 30 April 2020 shall be equal to the reference rate (one-year EUR swap rate) determined on the relevant interest determination date plus a spread of 7.18% p.a.

The notes constitute unsecured and subordinated obligations of the issuer.

Upon the occurrence of a trigger event, the redemption amount and the principal amount of each note shall be reduced by the amount of the relevant write-down. The write-down shall be effected pro rata with all other Additional Tier 1 instruments within the meaning of the CRR, the terms of which provide for a write-down upon the occurrence of the trigger event. A trigger event occurs if the Common Equity Tier 1 capital ratio, pursuant to Article 92 (1) (a) CRR or a successor provision, and determined on a consolidated basis, falls below 7.0%. After a write-down has been effected, the principal amount and the redemption amount of each note, unless previously redeemed or repurchased and cancelled, may be written up in each of the financial years of the issuer subsequent to such write-down until the full initial principal amount has been reached.

The notes may be redeemed, in whole but not in part, at any time at the option of the issuer, subject to prior consent of the competent supervisory authority, upon not less than 30 and not more than 60 days' prior notice of redemption at their redemption amount (taking into account a potential write-down) together with interest accrued until the redemption date (to the extent that interest payment is not cancelled or ruled out in accordance with the terms and conditions of the notes), when the tax or regulatory reasons set out in the terms and conditions of the notes apply. The issuer may also redeem the notes, in whole but not in part, at any time, subject to the prior consent of the competent supervisory authority, upon not less than 30 days' notice of redemption for the first time with effect as at 30 April 2020 and, thereafter, with effect as at each interest payment date at their redemption amount together with interest (if any) accrued to the redemption date.

On 14 January 2025, Aareal Bank announced that it would call its existing €300 million AT1 Notes issue in full, effective 30 April 2025, replacing it with a new AT1 bond having an aggregate nominal amount of USD 425 million.

Interest expenses for the notes totalled €32.6 million (2023: €29.1 million), including an amount of €21.8 million (2023: €22.0 million) for accrued interest payments not yet due.

(37) Equity

Equity changed as follows:

€ mn	Subscribed capital	Capital reserves	Retained earnings: Legal reserve	Retained earnings: Other retained earnings	Net retained profit (*Bilanzgewinn*)	Total equity
As at 1 Jan 2024	**179.6**	**727.8**	**4.5**	**935.7**	**452.3**	**2,299.9**
Transfer from net income 2024	-	-	-	-	1,988.1	1,988.1
As at 31 Dec 2024	**179.6**	**727.8**	**4.5**	**935.7**	**2,440.4**	**4,288.0**

The Bank utilises the rules set out in section 2a of the KWG in conjunction with Article 7 of the CRR pursuant to which regulatory indicators of own funds can only be determined at Group level. As a result, regulatory details no longer need to be disclosed at a single-entity level in this context.

Subscribed capital

Subscribed capital amounts to €179.6 million (2023: €179.6 million) and is divided into 59,857,221 (2023: 59,857,221) bearer shares with a proportionate share in the nominal share capital of €3.00 per share.

Treasury shares

The General Meeting authorised the Management Board by way of a resolution dated 27 May 2020, pursuant to section 71 (1) no. 7 of the German Public Limited Companies Act (Aktiengesetz – "AktG"), to purchase and sell treasury shares for the purposes of securities trading, at a price not falling below or exceeding the average closing price of the Company's share in Xetra trading (or a comparable successor system) during the three trading days on the Frankfurt Stock Exchange prior to the relevant purchase or prior to assuming a purchase obligation by more than 10%. This authorisation expires on 26 May 2025. The volume of shares acquired for this purpose must not exceed 5% of the share capital of Aareal Bank AG at the end of any given day.

Furthermore, the Management Board was authorised by means of a resolution of the General Meeting held on 27 May 2020, pursuant to section 71 (1) no. 8 of the AktG, to purchase treasury shares in a volume of up to 10% of the share capital for any permitted purposes. This authorisation expires on 26 May 2025. Shares may be acquired via the stock exchange or by means of a public offer to buy directed at all shareholders, and at purchase prices stipulated in the authorisation and based on the prevailing market price of the Company's shares. This authorisation may be exercised – also by the direct or indirect subsidiaries of Aareal Bank AG – in full or in part, on one or more occasions.

The shares acquired in accordance with this or an earlier authorisation may be sold, subject to Supervisory Board approval, outside the stock exchange and without an offer directed at all shareholders, subject to the exclusion of shareholders' pre-emptive rights, when the shares sold do not exceed 10% of the share capital and the issue price is not significantly below the prevailing stock exchange price or in the event of a sale against contributions in kind, or when the shares sold are used to service rights from convertible bonds or bonds with warrants. This also applies to shares issued by subsidiaries. The treasury shares may also be given to the holders of conversion or option rights in lieu of new shares from a contingent capital increase. The shares can also be withdrawn, without such a withdrawal or its implementation requiring a further resolution by the General Meeting.

The Management Board was also authorised to effect the acquisition of treasury shares by using put or call options. Any acquisition of shares using derivatives is limited to 5% of share capital. In addition, any acquisition of shares shall count towards the 10% threshold for the authorisation for the acquisition of treasury shares. Where treasury shares are acquired using equity derivatives, the shareholders' right to enter into such derivative transactions with the Company is excluded in analogous application of section 186 (3) sentence 4 of the AktG.

Authorised capital

Aareal Bank has authorised capital pursuant to the resolution by the Annual General Meeting held on 10 August 2023. Accordingly, the Management Board is authorised to increase, on one or more occasions, the Company's registered share capital by up to a maximum total amount of € 89,785,830 via the issuance of new no-par value registered shares for contribution in cash or in kind, subject to the approval of the Supervisory Board (Authorised Capital 2023); this authorisation will expire on 09 August 2028. In the event of a capital increase against cash contributions, the shareholders shall be granted a subscription right, unless the Management Board exercises its authority to exclude shareholder's pre-emptive subscription rights. The Management Board may exclude shareholders' subscription rights, subject to approval by the Supervisory Board and the conditions set out below:

a) In the event of a capital increase against cash contributions, provided that the issue price of the new shares is not significantly below the prevailing stock exchange price of the Company's listed shares at the time of the final determination of the issue price. However, this authorisation shall be subject to the proviso that the aggregate value of shares issued to the exclusion of shareholders' subscription rights, in accordance with section 203 (1) and (2) and section 186 (3) sentence 4 of the AktG, shall not exceed ten per cent (10%) of the registered share capital at the time said authorisation comes into effect or – if lower – at the time it is exercised. Any shares that were issued or sold during the term and prior to the exercising of said authorisation, in direct or analogous application of section 186 (3) sentence 4 of the AktG, shall count towards the above threshold of ten per cent (10 %) of the issued share capital. Said ten-per-cent threshold shall also include shares the issuance of which is required under the terms of debt securities with embedded conversion or option rights on shares issued pursuant to section 186 (3) sentence 4 of the AktG (excluding shareholders' subscription rights), which were (or may be) issued during the validity of this authorisation; or

b) for fractional amounts arising from the determination of the applicable subscription ratio; or

c) where this is necessary to grant subscription rights to the holders of bonds with warrants or convertible bonds issued (or to be issued) by the Company or its affiliated companies, which subscription rights are required to entitle these holders to the same extent as they would have been entitled to upon exercising their conversion or option rights or upon performance of a conversion obligation, if any, thus protecting such holders against dilution; or

d) for an amount of up to €4,000,000, to offer employees (of the Company or its affiliated companies) shares for subscription; or

e) in the event of a capital increase against contributions in kind for the purpose of acquiring companies, parts thereof or participating interests or any other assets.

The above authorisation for the exclusion of shareholders' subscription rights in the case of capital increases against contributions in cash is limited to a total of 10% of the share capital; this limit may be exceeded neither at the time said authorisation comes into effect, nor at the time it is exercised. The above-mentioned ten-per-cent threshold shall furthermore include treasury shares which are sold to the exclusion of shareholders' subscription rights during the validity of this authorisation as well as such shares which are issued to service debt securities, provided that the debt securities were issued to the exclusion of shareholders' subscription rights during the validity of this authorisation. When a new authorisation for the exclusion of shareholders' subscription rights is resolved after the reduction and said new authorisation comes into effect, the upper limit, reduced in accordance with the above-mentioned requirements, shall be increased again to the amount permitted by the new authorisation, with a maximum total of 10% of the share capital in accordance with the above-mentioned requirements.

The authorised capital has not yet been utilised.

Conditional capital

Based on a resolution passed by the General Meeting on 10 August 2023, the Management Board was authorised to issue, on one or more occasions until 9 August 2028, profit-participation certificates with a limited or unlimited term for contribution in cash or in kind of up to a total of €1,000,000,000. The profit-participation certificates must be constructed in such a way that the funds paid for them after issuance can be recognised as banking regulatory capital pursuant to the legal regulations applicable as at the time of issuance. Profit-participation certificates and other hybrid promissory note loans to be issued according to this authorisation may provide for conversion rights, entitling or compelling, in accordance with their respective conditions, the holder to purchase Company shares. Conversion rights or obligations may be attached exclusively to no-par value registered shares and are limited to a maximum amount of €89,785,830 of the Company's share capital. The sum of shares to be issued so as to service conversion or option rights or conversion obligations from profit-participation certificates or hybrid promissory note loans issued pursuant to this authorisation, including shares issued during validity of this authorisation as a result of another authorisation (especially from authorised capital), may not exceed an amount of €89,785,830 (which equals approx. 50% of the current share capital). Subject to the approval of the Supervisory Board, the Management Board may exclude shareholders' pre-emptive rights in relation to the profit-participation rights in certain cases.

Accordingly, the share capital is subject to a conditional capital increase not exceeding €89,785,830 by issuance of up to 29,928,610 new no-par value registered shares ("Conditional Capital 2023"). The conditional capital increase shall be implemented only to the extent that (i) the holders of convertible bonds issued by the Company (or by an enterprise in which the Company either directly or indirectly holds a majority interest) until 9 August 2028 on the basis of the Annual General Meeting's authorisation resolution of 10 August 2023 exercise their conversion rights from these convertible bonds or (ii) the holders of convertible bonds issued by the Company (or by an enterprise in which the Company either directly or indirectly holds a majority interest) until 9 August 2028 on the basis of the Annual General Meeting's authorisation resolution of 10 August 2023, with such holders being obliged to exercise those rights, fulfil their obligation or (iii) the Company exercises its right of substitution, except where treasury shares are used to service the rights or, in the aforementioned cases (i) and (ii), cash compensation is granted. The new shares shall be entitled to a share in the profits from the beginning of the financial year in which they come into existence through the exercise of conversion rights or the fulfilment of conversion obligations. The Management Board shall be authorised to determine the further details of the conditional capital increase.

To date, the Conditional Capital has not yet been utilised.

(38) Contingent liabilities and other commitments

The Bank has off-balance contingent liabilities and irrevocable loan commitments. During the term of these obligations, the Bank regularly reviews whether any losses can be expected from the utilisation of such contingent liabilities. This assessment is primarily made due to the credit risk analysis. Any losses that can be expected according to this analysis are recognised in the balance sheet as provisions, and are no longer disclosed as contingent liabilities or other liabilities.

Contingent liabilities result from guarantees and indemnity agreements, of which €7.0 million (2023: €5.8 million) are granted to domestic borrowers and €3.5 million (2023: €4.0 million) to foreign borrowers.

Liabilities did not have to be recognised for obligations from indemnity agreements vis-à-vis third parties and other obligations, which were entered into in favour of affiliated companies, as the underlying liabilities are likely to be fulfilled by the affiliated companies. Therefore, we do not expect any utilisation in this regard.

Irrevocable loan commitments are made up of credit and loan commitments, of which €146.5 million (2023: €121.5 million) are granted to domestic borrowers and €1,002.7 million (2023: €927.6 million) to foreign borrowers. Loan commitments to affiliated companies amount to €285.4 million (2023: €33.0 million).

(39) Unrecognised transactions and other obligations

Aareal Bank AG is the lessee mainly of operating leases. Rental and lease contracts relate to the buildings of the Bank's head office in Wiesbaden used for the Bank's operations, and of the foreign branch offices and representative offices as well as to the vehicle fleet and certain operating and office equipment. In all cases, the contracts are so-called operating leases which are not recognised in the financial statements of the Bank. The key benefit of such contracts is a lower amount of capital lock-up compared to an acquisition, and the elimination of realisation risk. At the moment, there are no indications that risks may result from the lease term.

Disclosures on repurchase agreements and derivatives are presented below in the Notes.

The probability-weighted amount of legal disputes is €31.9 million (2023: €28.5 million). Based on a legal analysis, successful outcome of these disputes is more likely than not, and therefore, no liabilities are recognised in the financial statements.

Tax risks resulting from diverging assessments of tax matters and potential legal changes amount to €44.9 million (2023: €43.6 million) on a probability-weighted basis.

There are irrevocable payment obligations from the bank levy, the contributions to the compensation scheme of German banks (statutory deposit protection scheme), and the contribution to the deposit protection fund. These payment obligations are either cash-collateralised, or securities were pledged as collateral. Irrevocable payment obligations increased by €2.8 million in the 2024 financial year and relate exclusively to the compensation scheme of German banks. As at 31 December 2024, the irrevocable payment obligations amount to €50.9 million, of which €33.0 million is attributable to the bank levy, €12.1 million to the compensation scheme of German banks and €5.8 million to the contribution to the deposit protection fund. Cash collateral is reported under other assets, while the securities pledged as collateral are reported under bonds and other fixed-income securities.

(40) Maturity groupings

€ mn	31 Dec 2024	31 Dec 2023
Loans and advances to banks	**4,695.1**	**4,486.0**
With a residual term of		
Payable on demand	3,878.2	2,372.6
Up to 3 months	157.5	1,296.3
Between 3 months and 1 year	-	197.2
Between 1 year and 5 years	25.0	23.4
More than five years	-	-
Pro rata interest	634.4	596.5
Loans and advances to customers	**32,842.5**	**32,728.9**
With a residual term of		
Payable on demand	109.0	113.5
Up to 3 months	853.8	809.1
Between 3 months and 1 year	3,837.0	7,020.7
Between 1 year and 5 years	25,276.9	21,109.6
More than five years	2,544.9	3,469.1
Pro rata interest	220.9	206.9
Debt and other fixed-income securities maturing in the following year (nominal amount)	**454.7**	**295.0**
Liabilities to banks	**6,209.5**	**5,381.4**
With a residual term of		
Payable on demand	699.8	459.8
Up to 3 months	1,008.9	1,221.3
Between 3 months and 1 year	954.8	455.2
Between 1 year and 5 years	2,343.0	2,267.3
More than five years	401.9	228.3
Pro rata interest	801.1	749.5
Liabilities to customers	**-**	**-**
Other liabilities to customers	**18,477.6**	**20,925.6**
With a residual term of		
Payable on demand	8,887.4	9,829.4
Up to 3 months	4,216.5	5,020.4
Between 3 months and 1 year	783.2	976.8
Between 1 year and 5 years	1,298.3	1,587.9
More than five years	3,177.8	3,374.5
Pro rata interest	114.4	136.6
Bonds issued maturing in the following year (nominal amount)	**2,752.0**	**2,500.0**
Other certificated liabilities	**-**	**-**

(41) Shareholdings

The list of shareholdings is prepared pursuant to section 285 no. 11 of the HGB. The disclosures in relation to the companies' equity and results are retrieved from the financial statements in accordance with IFRSs.

No.	Company name	Registered office	Shareholding	Equity	Results	
			%	€ mn	€ mn	
1	Aareal Bank Asia Ltd.	Singapore	100.0	SGD 68.4 mn	SGD 11.4 mn	1)
2	Aareal Capital Corporation	Wilmington	100.0	USD 439.0 mn	USD -113.3 mn	1)
3	Aareal Gesellschaft für Beteiligungen und Grundbesitz Erste mbH & Co. KG	Wiesbaden	94.9	2.9	0.0	1)
4	Aareal Holding Realty LP	Wilmington	100.0	USD 428.1 mn	USD -1.8 mn	1)
5	Aareal Immobilien Beteiligungen GmbH	Wiesbaden	100.0	599.4	0.0	3)
6	Apex Owner NY LLC	Wilmington	98.0	USD 16.2 mn	USD 0.0 mn	1)
7	BauContact Immobilien GmbH	Wiesbaden	100.0	19.9	0.8	1)
8	BauGrund Immobilien-Management GmbH (in liquidation)	Bonn	100.0	0.5	0.0	2)
9	BVG - Grundstücks- und Verwertungsgesellschaft mit beschränkter Haftung	Frankfurt	100.0	5.3	0.0	3)
10	Cave Nuove S.p.A.	Rome	100.0	0.9	-2.7	1)
11	Chronos Beteiligungen GmbH (formerly: Aareal Beteiligungen AG)	Frankfurt	100.0	167.0	0.0	3)
12	collect Artificial Intelligence GmbH	Hamburg	100.0	2.7	0.0	3)
13	CredaRate	Cologne	12.9	4.7	0.6	4)
14	Deutsche Bau- und Grundstücks-Aktiengesellschaft (in liquidation)	Bonn	95.0	0.5	-1.9	1)
15	Deutsche Structured Finance GmbH	Wiesbaden	100.0	1.6	0.3	1)
16	DHB Verwaltungs AG	Wiesbaden	100.0	5.1	0.0	3)
17	DSF PP Justizzentrum Thüringen GmbH & Co. KG	Bremen	48.4	0.2	0.0	2)
18	First Financial Software GmbH	Mainz	25.1	7.2	19.1	1)
19	Galleria City Holding Company LLC	Wilmington	95.0	USD 154.5 mn	USD -4.0 mn	1)
20	Galleria City Holding Company Member 2 LLC	Wilmington	95.0	USD 0.0 mn	USD 0.0 mn	1)
21	Galleria City Partners LP	Wilmington	95.0	USD 168.8 mn	USD 0.0 mn	1)
22	Galleria Manager Realty LLC	Wilmington	100.0	USD 0.0 mn	USD 0.0 mn	1)
23	Houses Nominee Ltd.	London	70.0	0.0	0.0	1)
24	Izalco Spain S.L.	Madrid	100.0	7.9	-2.0	1)

1) Preliminary figures as at 31 December 2024
2) Equity and results as at 31 December 2023
3) Profit and loss transfer agreement / control and profit transfer agreement
4) Equity and results as at 31 December 2022

No.	Company name	Registered office	Shareholding	Equity	Results	
			%	€ mn	€ mn	
25	La Sessola Holding GmbH	Wiesbaden	100.0	70.0	0.0	1)
26	La Sessola S.r.l.	Rome	100.0	46.6	-1.5	1)
27	La Sessola Service S.r.l.	Rome	100.0	0.1	-0.6	1)
28	Luce San Giovanni S.r.l.	Rome	100.0	5.9	0.0	1)
29	Manager Realty LLC	Wilmington	100.0	USD 0.0 mn	USD 0.0 mn	1)
30	Mercadea S.r.l.	Rome	100.0	15.8	0.3	1)
31	Met Manager Realty LLC	Wilmington	100.0	USD 0.0 mn	USD 0.0 mn	1)
32	Met Tower Venture LP	Wilmington	98.0	USD 100.1 mn	USD 2.4 mn	1)
33	Met Tower Owner LLC	Wilmington	98.0	USD 10.7 mn	USD -5.6 mn	1)
34	Mount Street Group Limited	London	20.0	GBP -6.0 mn	GBP -12.5 mn	2)
35	Northpark Realty LP	Wilmington	100.0	USD 71.7 mn	USD -19.0 mn	1)
36	Oakland Beneficiary LLC	Wilmington	100.0	USD 0.0 mn	USD 0.0 mn	1)
37	Participation Achte Beteiligungs GmbH	Wiesbaden	100.0	4.3	0.0	1)
38	Participation Elfte Beteiligungs GmbH	Wiesbaden	100.0	0.0	0.0	3)
39	Participation Zehnte Beteiligungs GmbH	Wiesbaden	100.0	10.6	0.0	3)
40	Participation Zwölfte Beteiligungs GmbH	Wiesbaden	100.0	0.0	0.0	3)
41	plusForta GmbH	Dusseldorf	100.0	0.2	0.0	1)
42	PropTech1 Fund I GmbH & Co. KG	Berlin	9.6	50.2	-0.7	2)
43	Sole Sopra Cinquina S.r.l.	Rome	100.0	7.8	0.0	1)
44	Summit Holdings NY LLC	Wilmington	98.0	USD 16.2 mn	USD 0.0 mn	1)
45	Terrain Beteiligungen GmbH	Wiesbaden	94.0	63.6	0.7	1)
46	Terrain Herzogpark GmbH & Co. KG	Wiesbaden	100.0	22.6	0.0	1)
47	Terrain Management GmbH	Wiesbaden	100.0	2.6	0.0	1)
48	Tintoretto Rome S.r.l.	Rome	100.0	45.3	-1.2	1)
49	Westdeutsche Immobilien Servicing AG	Mainz	100.0	50.1	0.0	3)
50	Westhafen Haus GmbH & Co. Projektentwicklungs KG	Frankfurt	25.0	0.0	0.0	2)
51	146 Geary CA LLC	Wilmington	100.0	USD 19.5 mn	USD -1.3 mn	1)
52	220 Post CA LLC	Wilmington	100.0	USD 49.0 mn	USD -2.2 mn	1)
53	1015 15TH Street DC LLC	Wilmington	100.0	USD 46.2 mn	USD -1.0 mn	1)

1) Preliminary figures as at 31 December 2024
2) Equity and results as at 31 December 2023
3) Profit and loss transfer agreement / control and profit transfer agreement
4) Equity and results as at 31 December 2022

(42) Assets pledged as collateral

Assets in the amount stated were pledged for the following liabilities:

€ mn	31 Dec 2024	31 Dec 2023
Liabilities to banks	2,904.4	2,768.5
Liabilities to customers	6.7	7.3
Total	**2,911.1**	**2,775.8**

Cash collateral in the amount of €34.1 million (including pro-rata interest; 2023: €49.0 million) has been pledged for the irrevocable payment obligations from the bank levy. The Bank also pledged securities in the amount of €23.1 million (2023: €0.0 million) as collateral for the first time – for the contributions to the compensation scheme of German banks (statutory deposit protection scheme) and to the deposit protection fund included in the previous year.

Assets with a carrying amount of €0.0 million (2023: €1,130.4 million) were pledged as collateral for targeted longer-term refinancing operations (TLTROs).

(43) Repurchase agreements

As at 31 December 2024, bonds in a volume of €1,007.7 million were used as part of repurchase agreements (2023: €– million).

(44) Assets and liabilities in foreign currencies

The aggregate equivalent amount of assets denominated in foreign currencies was €19,145.2 million (2023: €18,947.3 million) at the balance sheet date, while liabilities totalled €3,647.1 million (2023: €2,409.2 million). Foreign currency balances are partly offset by equivalent foreign exchange forwards and currency swaps.

(45) Forward transactions

The following forward transactions had been entered into as at 31 December 2024:

- Transactions based on interest rates: interest rate swaps, caps, floors, swaptions
- Transactions based on exchange rates: forward foreign exchange transactions, cross-currency swaps

Interest-rate based transactions and cross-currency swaps are primarily used to hedge against interest rate and exchange rate fluctuations. Forward foreign exchange transactions are almost exclusively used for the purposes of funding hedges.

Remaining terms and future cash flows of derivatives are broken down in the following table:

31 December 2024

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Interest rate instruments					
Interest rate swaps					
Cash inflows	504.3	1,071.2	3,144.9	1,549.8	6,270.2
Cash outflows	600.8	1,104.8	3,431.9	1,660.4	6,797.9
Caps, floors					
Cash inflows	7.7	11.4	17.3	-	36.4
Cash outflows	7.7	11.4	17.3	-	36.4
Currency-related instruments					
Spot and forward foreign exchange transactions					
Cash inflows	2,058.0	-	-	-	2,058.0
Cash outflows	2,050.2	-	-	-	2,050.2
Cross-currency swaps					
Cash inflows	1,277.8	3,266.4	9,567.2	-	14,111.4
Cash outflows	1,331.9	3,633.8	10,234.9	13.3	15,213.9
Total cash inflows	**3,847.8**	**4,349.0**	**12,729.4**	**1,549.8**	**22,476.0**
Total cash outflows	**3,990.6**	**4,750.0**	**13,684.1**	**1,673.7**	**24,098.4**

31 December 2023

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Interest rate instruments					
Interest rate swaps					
Cash inflows	541.4	1,202.5	2,840.8	1,663.1	6,247.8
Cash outflows	623.5	1,305.4	3,250.3	1,821.2	7,000.4
Caps, floors					
Cash inflows	24.9	50.4	28.4	-	103.7
Cash outflows	24.9	50.4	28.4	-	103.7
Currency-related instruments					
Spot and forward foreign exchange transactions					
Cash inflows	1,733.3	-	-	-	1,733.3
Cash outflows	1,729.1	-	-	-	1,729.1
Cross-currency swaps					
Cash inflows	788.4	3,553.6	11,558.5	0.4	15,900.9
Cash outflows	869.4	3,678.6	11,826.5	-	16,374.5
Total cash inflows	**3,088.0**	**4,806.5**	**14,427.7**	**1,663.5**	**23,985.7**
Total cash outflows	**3,246.9**	**5,034.4**	**15,105.2**	**1,821.2**	**25,207.7**

The following overview shows positive and negative market values, aggregated by product level (without taking collateral or netting agreements into account): Unless a quoted market price is available, derivatives are measured using generally accepted methods on the basis of current market parameters (yield curves, volatility factors etc.). Methods used include standard methods and models such as discounted cash flow analyses and option pricing models. Structured products are measured after they have been split into their individual components. Fair values including accrued interest are given for derivative financial instruments not recognised at fair value as at 31 December 2024.

	31 Dec 2024			31 Dec 2023	
		Market value		Market value	
	Nominal amount	Positive	Negative	Positive	Negative
€ mn					
Interest rate instruments	**76,202.5**	**997.0**	**1,869.6**	**1,270.0**	**2,375.9**
OTC products					
Interest rate swaps	66,265.7	964.4	1,837.0	1,172.8	2,278.8
Caps, floors	9,936.8	32.6	32.6	97.2	97.1
Currency-related instruments	**15,786.6**	**148.0**	**701.3**	**269.3**	**313.8**
OTC products					
Spot and forward foreign exchange transactions	2,058.0	11.0	1.5	9.3	3.5
Cross-currency swaps	13,728.6	137.0	699.8	260.0	310.3
Total	**91,989.1**	**1,145.0**	**2,570.9**	**1,539.3**	**2,689.7**

The year-on-year net decrease in market values is attributable to exchange rate developments, in addition to the changes in interest rates. Currency hedges are largely used to hedge foreign exchange risk in the lending business.

Derivatives have been entered into with the following counterparties:

	Market value as at 31 Dec 2024		Market value as at 31 Dec 2023	
	Positive	Negative	Positive	Negative
€ mn				
OECD public-sector authorities	-	-	-	-
OECD banks	1,106.8	2,512.2	1,496.0	2,557.6
Non-OECD banks	-	-	-	-
Companies and private individuals	38.2	58.7	43.3	132.2
Total	**1,145.0**	**2,570.9**	**1,539.3**	**2,689.8**

Other Disclosures

(46) Declaration pursuant to section 28 of the German Pfandbrief Act (Pfandbriefgesetz – "PfandBG")

Public-sector lending

Total volume of outstanding public-sector Pfandbriefe and of the related cover assets in terms of nominal value and present value (section 28 (1) sentence 1 nos. 1 and 3 of the PfandBG):

31 December 2024

€ mn	Cover assets pool	Pfandbriefe outstanding[1]	Excess cover	Statutory excess cover[2]	Contractual excess cover[3]	Voluntary excess cover[4]
Nominal value	**1,144.4**	**921.3**	**223.1**	**39.3**	**-**	**183.8**
of which: derivatives	-	-	-	-	-	-
Present value	**1,305.6**	**1,023.1**	**282.5**	**20.5**	**-**	**262.0**
of which: derivatives	-	-	-	-	-	-
Risk-adjusted net present value[5]	**1,223.2**	**990.1**	**233.1**	**-**	**-**	**-**

31 December 2023

€ mn	Cover assets pool	Pfandbriefe outstanding[1]	Excess cover	Statutory excess cover[2]	Contractual excess cover[3]	Voluntary excess cover[4]
Nominal value	**1,141.7**	**1,018.7**	**123.0**	**40.6**	**-**	**82.3**
of which: derivatives	-	-	-	-	-	-
Present value	**1,286.4**	**1,131.6**	**154.8**	**22.6**	**-**	**132.2**
of which: derivatives	-	-	-	-	-	-
Risk-adjusted net present value[5]	**1,181.2**	**1,077.9**	**103.3**	**-**	**-**	**-**

[1] Of which transferred to own holdings: €– million (2023: €– million)
[2] Statutory excess cover based on
* nominal amount: aggregate of nominal-value excess cover in accordance with section 4 (2) of the PfandBG and the nominal value of present-value excess cover in accordance with section 4 (1) of the PfandBG
* present value: present value of excess cover in accordance with section 4 (1) of the PfandBG
[3] Contractual excess cover: contractually-agreed excess cover
[4] Voluntary excess cover: residual amount, depending upon statutory and contractual excess cover; present value includes present value of nominal-value excess cover in accordance with section 4 (2) of the PfandBG
[5] Dynamic method pursuant to section 5 of the PfandBarwertV/static method pursuant to section 6 of the PfandBarwertV

Maturity structure of outstanding public-sector Pfandbriefe and fixed-interest periods of the related cover assets (section 28 (1) sentence 1 nos. 4 and 5 of the PfandBG):

	31 Dec 2024			31 Dec 2023		
€ mn	Cover assets pool	Pfandbriefe outstanding[1]	Pfandbriefe outstanding, extension of maturity (12 months)[1)2)]	Cover assets pool	Pfandbriefe outstanding[1]	Pfandbriefe outstanding, extension of maturity (12 months)[1)2)]
Up to 6 months	15.3	113.5	-	65.4	19.2	-
Between 6 months and 12 months	25.3	142.4	-	22.3	78.5	-
Between 12 months and 18 months	71.2	26.2	113.5	15.6	113.3	19.2
Between 18 months and 2 years	54.6	88.4	142.4	10.6	142.4	78.5
Between 2 years and 3 years	39.3	196.8	114.5	80.3	114.5	255.7
Between 3 years and 4 years	154.6	81.0	196.8	29.9	196.8	114.5
Between 4 years and 5 years	14.6	24.8	81.0	110.3	81.0	196.8
Between 5 years and 10 years	248.4	202.8	149.9	124.0	149.9	146.4
More than 10 years	521.0	45.4	123.1	683.3	123.1	207.6
Total	**1,144.3**	**921.3**	**921.2**	**1,141.7**	**1,018.7**	**1,018.7**

1) Of which transferred to own holdings: €– million (2023: €– million)
2) Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.

Breakdown of assets used as cover for public-sector Pfandbriefe (based on their nominal value) by their amount (section 28 (3) sentence 1 of the PfandBG):

€ mn	2024	2023
Amount classes		
Up to €10 million	92.8	111.0
More than €10 million and up to €100 million	362.1	419.2
More than €100 million	689.5	611.5
Total	**1,144.4**	**1,141.7**

Breakdown of assets used as cover assets for public-sector Pfandbriefe (based on their nominal value), by borrower's/guarantor's country of domicile, in line with section 28 (3) no. 2 of the PfandBG:

31 December 2024

€ mn	Total	Guarantees due to promotion of export activities	of which owed by: Sovereigns	of which owed by: Public-sector entities: Regional	of which owed by: Public-sector entities: Municipal	of which owed by: Other	of which guaranteed by: Sovereigns	of which guaranteed by: Public-sector entities: Regional	of which guaranteed by: Public-sector entities: Municipal	of which guaranteed by: Other
Countries										
Germany	899.4	-	-	661.7	165.6	16.5	45.0	-	10.6	-
Japan	20.0	-	-	-	20.0	-	-	-	-	-
Austria	225.0	-	200.0	25.0	-	-	-	-	-	-
Total	**1,144.4**	**-**	**200.0**	**686.7**	**185.6**	**16.5**	**45.0**	**-**	**10.6**	**-**

31 December 2023

€ mn	Total	Guarantees due to promotion of export activities	of which owed by: Sovereigns	of which owed by: Public-sector entities: Regional	of which owed by: Public-sector entities: Municipal	of which owed by: Other	of which guaranteed by: Sovereigns	of which guaranteed by: Public-sector entities: Regional	of which guaranteed by: Public-sector entities: Municipal	of which guaranteed by: Other
Countries										
Germany	861.7	-	-	626.8	190.7	26.1	-	0.7	17.4	-
Japan	20.0	-	-	-	20.0	-	-	-	-	-
Austria	260.0	-	200.0	25.0	-	-	35.0	-	-	-
Total	**1,141.7**	**-**	**200.0**	**651.8**	**210.7**	**26.1**	**35.0**	**0.7**	**17.4**	**-**

Additional cover assets pursuant to section 28 (1) sentence 1 nos. 1, 8 and 9 of the PfandBG:

31 December 2024

€ mn	Claims pursuant to section 20 (2) sentence 1 nos. 3 a) to c) of the PfandBG: Total	Claims pursuant to section 20 (2) sentence 1 nos. 3 a) to c) of the PfandBG: of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 20 (2) sentence 1 no. 4 of the PfandBG: Total	Claims pursuant to section 20 (2) sentence 1 no. 4 of the PfandBG: of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 20 (2) sentence 1 no. 2 of the PfandBG: Total	Claims pursuant to section 20 (2) sentence 1 no. 2 of the PfandBG: of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Total
Countries							
Total	-	-	-	-	-	-	-

31 December 2023

€ mn	Claims pursuant to section 20 (2) sentence 1 nos. 3 a) to c) of the PfandBG – Total	of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 20 (2) sentence 1 no. 4 of the PfandBG – Total	of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 20 (2) sentence 1 no. 2 of the PfandBG – Total	of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Total
Countries							
	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-

Additional key figures for outstanding Pfandbriefe and related cover assets:

		2024	2023
Outstanding Pfandbriefe	**€ mn**	**921.3**	**1,018.7**
of which: share of fixed-income Pfandbriefe	%	97.3	97.5
of which: transferred to own holdings	€ mn	-	-
Cover assets pool	**€ mn**	**1,144.4**	**1,141.7**
of which: total volume of claims pursuant to section 20 (1) and (2) of the PfandBG that exceed the limits set out in section 20 (3) of the PfandBG	€ mn	-	-
of which: total volume of claims above the percentages set out in section 20 (2) no. 2 of the PfandBG	€ mn	-	-
of which: total volume of claims above the percentages set out in section 20 (2) no. 3 of the PfandBG	€ mn	-	-
of which: share of fixed-income cover assets	%	94.9	94.5
of which: share attributable to obligors for which a default is considered to have occurred in accordance with Article 178 (1) of the CRR	€ mn	-	-

Net present value pursuant to section 6 of the German Regulation of the Net Present Value of Pfandbriefe (*Pfandbrief-Barwertverordnung*) per foreign currency:

Balance of assets and liabilities in € mn per currency	2024	2023
EUR*)	-	103.3
CHF	-	-
GBP	-	-

*) As the euro is not a foreign currency, the euro value is no longer reported.

		2024	2023
Liquidity ratios			
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG (liquidity requirements)	€ mn	99.2	-0.1
Day on which the greatest negative total is calculated	Day	176	3
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	145.8	70.9

		2024	2023
Derivative ratios			
Share of derivative transactions included in the cover assets pools			
in accordance with section 20 (2) sentence 1 no. 1 of the PfandBG (credit quality step 3)	%	-	-
in accordance with section 20 (2) sentence 1 no. 2 of the PfandBG (credit quality step 2)	%	-	-
in accordance with section 20 (2) sentence 1 no. 3c of the PfandBG (credit quality step 1)	%	-	-
Share of derivative transactions in the liabilities to be covered			
in accordance with section 20 (2) sentence 1 no. 1 of the PfandBG (credit quality step 3)	%	-	-
in accordance with section 20 (2) sentence 1 no. 2 of the PfandBG (credit quality step 2)	%	-	-
in accordance with section 20 (2) sentence 1 no. 3c of the PfandBG (credit quality step 1)	%	-	-

There were no such payment arrears of 90 days or more in the reporting period, nor in the comparable period of the previous year.

No registered public-sector Pfandbriefe were surrendered to lenders as collateral for borrowings (2023: none).

Information on the extension of the Pfandbriefe's maturity

Requirements for extending the maturity of the Pfandbriefe

The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (avoidance of insolvency), the Pfandbrief bank with limited business activity is not overindebted (no existing overindebtedness) and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast in relation to meeting its liabilities). For further information, also see section 30 (2b) of the PfandBG.

Authorisations of the cover pool administrator as regards the extension of the Pfandbriefe's maturity

The cover pool administrator may extend the maturity date of principal payments when the relevant prerequisites in accordance with section 30 (2b) of the PfandBG are met. The period of extension, which may not exceed a period of twelve months, is determined by the cover pool administrator as required.

The cover pool administrator may extend the maturity dates of interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides to implement such an extension, the existence of the prerequisites set out in section 30 (2b) of the PfandBG shall be irrefutably presumed. Any such extension has to be taken into account in the maximum period of extension of twelve months.

The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance. In this case, maturity dates may be extended either in full or pro rata. The cover pool administrator has to extend the maturity date of a particular Pfandbrief issue such that the original order of servicing Pfandbriefe which could be bypassed as a result of such extension is not changed (prohibition of bypassing). This may lead to the requirement to extend the maturities of issues with later maturity dates in order to comply with the prohibition of bypassing. For further information, also see section 30 (2a) and (2b) of the PfandBG.

List of International Securities Identification Numbers (ISIN) of the International Organisation for Standardisation by types of Pfandbriefe pursuant to section 28 (1) sentence 1 no. 2 of the PfandBG:

Public-sector Pfandbriefe

ISIN 31 Dec 2024		ISIN 31 Dec 2023	
DE0002023017	DE0003153292	DE0002023017	DE0003153292
DE0003153037	DE0003153417	DE0003153037	DE0003153417
DE0003153078	DE0003153458	DE0003153078	DE0003153458
DE0003153201	DE0003153532	DE0003153201	DE0003153532
DE0003153219	DE0003158887	DE0003153219	DE0003158887
DE0003153268	DE0003159992	DE0003153268	DE0003159992
DE0003153276		DE0003153276	

Mortgage lending

Total volume of outstanding Pfandbriefe and of the related cover assets in terms of nominal value and present value (section 28 (1) sentence 1 nos. 1 and 3 of the PfandBG):

31 December 2024

€ mn	Cover assets pool	Pfandbriefe outstanding[1]	Excess cover	Statutory excess cover[2]	Contractual excess cover[3]	Voluntary excess cover[4]
Nominal value	**17,203.5**	**15,449.1**	**1,754.4**	**629.9**	**-**	**1,124.5**
of which: derivatives	0.0	180.3	-	-	-	-
Present value	**18,014.4**	**15,588.9**	**2,425.5**	**311.8**	**-**	**2,113.8**
of which: derivatives	-	180.3	-	-	-	-
Risk-adjusted net present value[5]	**18,272.4**	**16,271.1**	**2,001.3**	**-**	**-**	**-**

31 December 2023

€ mn	Cover assets pool	Pfandbriefe outstanding [1]	Excess cover	Statutory excess cover[2]	Contractual excess cover[3]	Voluntary excess cover[4]
Nominal value	**16,461.3**	**14,559.3**	**1,902.0**	**601.8**	**-**	**1,300.2**
of which: derivatives	-	82.5	-	-	-	-
Present value	**16,940.8**	**14,161.9**	**2,778.9**	**283.2**	**-**	**2,495.7**
of which: derivatives	-	18.2	-	-	-	-
Risk-adjusted net present value[5]	**16,927.2**	**14,691.3**	**2,235.9**	**-**	**-**	**-**

[1] Of which transferred to own holdings: €2,677.8 million (2023: €2,304.0 million)
[2] Statutory excess cover based on
  * nominal amount: aggregate of nominal-value excess cover in accordance with section 4 (2) of the PfandBG and the nominal value of present-value excess cover in accordance with section 4 (1) of the PfandBG
  * present value: present value of excess cover in accordance with section 4 (1) of the PfandBG
[3] Contractual excess cover: contractually-agreed excess cover
[4] Voluntary excess cover: residual amount, depending upon statutory and contractual excess cover; present value includes present value of nominal-value excess cover in accordance with section 4 (2) of the PfandBG
[5] Dynamic method pursuant to section 5 of the PfandBarwertV/static method pursuant to section 6 of the PfandBarwertV

Maturity structure of outstanding mortgage Pfandbriefe and fixed-interest periods of the related cover assets (section 28 (1) sentence 1 nos. 4 and 5 of the PfandBG):

	31 Dec 2024			31 Dec 2023		
€ mn	Cover assets pool	Pfandbriefe outstanding[1]	Pfandbriefe outstanding, extension of maturity (12 months) [1] [2]	Cover assets pool	Pfandbriefe outstanding[1]	Pfandbriefe outstanding, extension of maturity (12 months) [1] [2]
Up to 6 months	1,743.0	1,245.2	-	1,113.9	956.0	-
Between 6 months and 12 months	2,050.3	688.2	-	1,382.3	734.3	-
Between 12 months and 18 months	1,352.4	1,515.9	1,245.2	1,568.7	1,475.2	956.0
Between 18 months and 2 years	2,232.8	548.0	688.2	2,365.4	708.2	734.3
Between 2 years and 3 years	3,136.3	2,007.7	2,063.9	3,578.0	2,274.7	2,183.4
Between 3 years and 4 years	3,908.4	2,868.1	2,007.7	2,096.4	2,074.9	2,274.7
Between 4 years and 5 years	1,551.6	2,558.1	2,868.1	2,328.1	1,950.3	2,074.9
Between 5 years and 10 years	1,166.9	3,254.3	5,724.1	1,855.6	4,016.9	5,456.3
More than 10 years	61.8	763.7	852.0	172.9	368.8	879.7
Total	**17,203.5**	**15,449.2**	**15,449.2**	**16,461.3**	**14,559.3**	**14,559.3**

[1] Of which transferred to own holdings: €2,677.8 million (2023: €2,304.0 million)
[2] Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.

Breakdown of assets used as cover (based on their nominal value) by tranches (section 28 (2) sentence 1 no. 1a of the PfandBG)

€ mn	2024	2023
Amount classes		
Up to €300 thousand	103.7	114.9
Between €300 thousand and €1 million	65.0	33.1
Between €1 million and €10 million	1,545.2	293.5
More than €10 million	14,557.6	14,819.7
Total	**16,271.5**	**15,261.2**

Additional cover assets pursuant to section 28 (1) sentence 1 nos. 8, 9 and 10 of the PfandBG:

31 December 2024

€ mn	Claims pursuant to section 19 (1) sentence 1 nos. 2a) and b) of the PfandBG – Total	Claims pursuant to section 19 (1) sentence 1 nos. 2a) and b) of the PfandBG – of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 19 (1) sentence 1 nos. 3 a) to c) of the PfandBG – Total	Claims pursuant to section 19 (1) sentence 1 nos. 3 a) to c) of the PfandBG – of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 19 (1) sentence 1 no. 4 of the PfandBG	Total
Countries						
Denmark	-	-	21.5	21.5	39.7	61.2
Germany	-	-	73.0	21.0	551.5	624.5
EU institutions	-	-	-	-	127.0	127.0
France	-	-	-	-	-	-
Austria	-	-	69.4	69.4	50.0	119.4
Spain	-	-	-	-	-	-
Total	**-**	**-**	**163.9**	**111.9**	**768.2**	**932.1**

31 December 2023

€ mn	Claims pursuant to section 19 (1) sentence 1 nos. 2a) and b) of the PfandBG – Total	Claims pursuant to section 19 (1) sentence 1 nos. 2a) and b) of the PfandBG – of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 19 (1) sentence 1 nos. 3 a) to c) of the PfandBG – Total	Claims pursuant to section 19 (1) sentence 1 nos. 3 a) to c) of the PfandBG – of which: covered bonds pursuant to Art. 129 of EU Regulation No. 575/2013	Claims pursuant to section 19 (1) sentence 1 no. 4 of the PfandBG	Total
Countries						
Denmark	-	-	21.5	21.5	74.7	96.2
Germany	-	-	150.0	150.0	588.5	738.5
EU institutions	-	-	-	-	234.0	234.0
France	-	-	-	-	42.0	42.0
Austria	-	-	69.4	69.4	15.0	84.4
Spain	-	-	-	-	5.0	5.0
Total	**-**	**-**	**240.9**	**240.9**	**959.2**	**1,200.1**

Additional key figures for outstanding Pfandbriefe and related cover assets:

		2024	2023
Outstanding Pfandbriefe[1)]	**€ mn**	**15,449.1**	**14,559.3**
of which: share of fixed-income Pfandbriefe	%	67.9	71.7
of which: transferred to own holdings	€ mn	2,677.8	2,304.0
Cover assets pool	**€ mn**	**17,203.5**	**16,461.3**
of which: total volume of claims above the limits set out in section 13 (1) of the PfandBG	€ mn	-	-
of which: total volume of values above the limits set out in section 19 (1) sentence 7 of the PfandBG	€ mn	-	-
of which: total volume of claims above the percentages set out in section 19 (1) no. 2 of the PfandBG	€ mn	-	-
of which: total volume of claims above the percentages set out in section 19 (1) no. 3 of the PfandBG	€ mn	-	-
of which: total volume of claims above the percentages set out in section 19 (1) no. 4 of the PfandBG	€ mn	-	-
of which: share of fixed-income cover assets	%	54.2	50.0
of which: share attributable to obligors for which a default is considered to have occurred i n accordance with Article 178 (1) of the CRR	%	0.0	0.0
Volume-weighted average age of receivables (seasoning)	**Years**	**5.0**	**4.6**
Weighted average mortgage lending value ratio, based on mortgage lending value	**%**	**56.0**	**55.7**
Weighted average mortgage lending value ratio, based on market value	**%**	**34.9**	**33.5**

[1)] Of which transferred to own holdings: €2,677.8 million (2023: €2,304.0 million)

Net present value pursuant to section 6 of the German Regulation of the Net Present Value of Pfandbriefe (*Pfandbrief-Barwertverordnung*) per foreign currency:

Balance of assets and liabilities in € mn per currency	2024	2023
AUD	14.0	-28.0
CAD	226.7	68.3
CHF	73.2	69.4
DKK	195.9	214.0
EUR[*)]	-	962.7
GBP	986.3	557.2
SEK	109.8	56.3
USD	-235.3	640.6

[*)] As the euro is not a foreign currency, the euro value is no longer reported.

		2024	2023
Liquidity ratios			
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG (liquidity requirements)	€ mn	502.0	756.3
Day on which the greatest negative total is calculated	Day	50	46
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	877.1	1,104.1

		2024	2023
Derivative ratios			
Share of derivative transactions included in the cover assets pools			
in accordance with section 19 (1) sentence 1 no. 1 of the PfandBG (credit quality step 3)	%	-	-
in accordance with section 19 (1) sentence 1 no. 2c of the PfandBG (credit quality step 2)	%	0.0	-
in accordance with section 19 (1) sentence 1 no. 3d of the PfandBG (credit quality step 1)	%	-	-
Share of derivative transactions in the liabilities to be covered			
in accordance with section 19 (1) sentence 1 no. 1 of the PfandBG (credit quality step 3)	%	-	-
in accordance with section 19 (1) sentence 1 no. 2c of the PfandBG (credit quality step 2)	%	0.9	0.5
in accordance with section 19 (1) sentence 1 no. 3d of the PfandBG (credit quality step 1)	%	0.3	0.0

Information on the extension of the Pfandbriefe's maturity

Requirements for extending the maturity of the Pfandbriefe

The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (avoidance of insolvency), the Pfandbrief bank with limited business activity is not overindebted (no existing overindebtedness) and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast in relation to meeting its liabilities). For further information, also see section 30 (2b) of the PfandBG.

Authorisations of the cover pool administrator as regards the extension of the Pfandbriefe's maturity

The cover pool administrator may extend the maturity date of principal payments when the relevant prerequisites in accordance with section 30 (2b) of the PfandBG are met. The period of extension, which may not exceed a period of twelve months, is determined by the cover pool administrator as required.

The cover pool administrator may extend the maturity dates of interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides to implement such an extension, the existence of the prerequisites set out in section 30 (2b) of the PfandBG shall be irrefutably presumed. Any such extension has to be taken into account in the maximum period of extension of twelve months.

The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance. In this case, maturity dates may be extended either in full or pro rata. The cover pool administrator has to extend the maturity date of a particular Pfandbrief issue such that the original order of servicing Pfandbriefe which could be bypassed as a result of such extension is not changed (prohibition of bypassing). This may lead to the requirement to extend the maturities of issues with later maturity dates in order to comply with the prohibition of bypassing. For further information, also see section 30 (2a) and (2b) of the PfandBG.

List of International Securities Identification Numbers (ISIN) of the International Organisation for Standardisation by types of Pfandbriefe pursuant to section 28 (1) sentence 1 no. 2 of the PfandBG:

Mortgage Pfandbriefe

ISIN 31 Dec 2024				ISIN 31 Dec 2023			
DE0002020013	DE0003150496	DE000A289L70	DE000AAR0314	DE0002020013	DE0003150496	DE000A1TNDH8	DE000AAR0215
DE0002020021	DE0003150512	DE000A289L96	DE000AAR0330	DE0002020021	DE0003150512	DE000A1TNDP1	DE000AAR0249
DE0002020047	DE0003150520	DE000A289MA4	DE000AAR0348	DE0002020047	DE0003150520	DE000A1TNDX5	DE000AAR0256
DE0002020138	DE0003150538	DE000A289MB2	DE000AAR0363	DE0002020138	DE0003150538	DE000A289L62	DE000AAR0272
DE0002020211	DE0003150561	DE000A289MC0	DE000AAR0371	DE0002020211	DE0003150561	DE000A289L70	DE000AAR0280
DE0003150074	DE0003150579	DE000A289MG1	DE000AAR0389	DE0003150074	DE0003150579	DE000A289L96	DE000AAR0306
DE0003150165	DE0003150587	DE000A289MH9	DE000AAR0397	DE0003150165	DE0003150587	DE000A289MA4	DE000AAR0314
DE0003150173	DE0003150595	DE000A289ML1	DE000AAR0405	DE0003150173	DE0003150595	DE000A289MB2	DE000AAR0330
DE0003150181	DE0003150611	DE000A289MU2	DE000AAR0421	DE0003150181	DE0003150611	DE000A289MC0	DE000AAR0348
DE0003150199	DE0003150629	DE000A289MV0	DE000AAR0447	DE0003150199	DE0003150629	DE000A289MD8	DE000AAR0363
DE0003150207	DE0003150645	DE000A2E4C43	XS1092160461	DE0003150207	DE0003150645	DE000A289MG1	DE000AAR0371
DE0003150231	DE0003150652	DE000A2E4C76	XS2297684842	DE0003150231	DE0003150652	DE000A289MH9	DE000AAR0389
DE0003150256	DE0003150678	DE000A2E4CE8	XS2337339977	DE0003150256	DE0003150678	DE000A289ML1	DE000AAR0397
DE0003150363	DE0003150686	DE000A2E4CT6	XS2872750562	DE0003150363	DE0003150686	DE000A289MU2	XS1046548787
DE0003150389	DE0003150694	DE000A2E4CU4	XS2941482486	DE0003150389	DE0003150694	DE000A289MV0	XS1092160461
DE0003150405	DE0003150728	DE000A2E4DA4		DE0003150405	DE0003150728	DE000A2E4C43	XS1101800396
DE0003150421	DE0003150744	DE000A2E4DC0		DE0003150421	DE0003150744	DE000A2E4CE8	XS2297684842
DE0003150439	DE0003150850	DE000AAR0215		DE0003150439	DE0003150850	DE000A2E4CT6	XS2337339977
DE0003150447	DE0003150918	DE000AAR0256		DE0003150447	DE0003150918	DE000A2E4CU4	
DE0003150462	DE0003151684	DE000AAR0272		DE0003150462	DE0003151684	DE000A2E4DA4	
DE0003150470	DE000A1CR5Q6	DE000AAR0280		DE0003150470	DE000A1CR5Q6	DE000A2E4DC0	
DE0003150488	DE000A289L62	DE000AAR0306		DE0003150488	DE000A1TNDC9	DE000AAR0207	

Distribution of the amounts measured at nominal value and used to cover mortgage Pfandbriefe by countries in which the real property collateral is located (section 28 (2), sentence 1 no. 1b,c of the PfandBG):

31 December 2024

	Commercial property							Residential property						
€ mn	Building plots only	New buildings not yet yielding returns	Office buildings	Retail	Industrial	Other	Total	Building plots only	New buildings not yet yielding returns	Condominiums	One- and two-family homes	Multi-family homes	Total	Total cover assets pool
Australia	-	-	-	-	34.0	212.3	**246.3**	-	-	-	-	110.5	**110.5**	356.8
Belgium	-	-	157.8	66.5	1.8	93.5	**319.6**	-	-	-	-	-	**-**	319.6
Denmark	-	-	-	-	-	195.3	**195.3**	-	-	-	-	-	**-**	195.3
Germany	-	-	164.1	180.2	301.6	186.8	**832.7**	0.3	-	10.0	48.2	370.0	**428.5**	1,261.2
Estonia	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Finland	-	-	94.9	184.2	23.5	-	**302.6**	-	-	-	-	14.6	**14.6**	317.2
France	-	252.7	794.3	159.7	195.3	337.8	**1,739.8**	-	-	-	-	14.8	**14.8**	1,754.6
UK	-	141.1	721.6	188.2	486.0	1,247.9	**2,784.8**	-	-	-	-	574.6	**574.6**	3,359.4
Ireland	-	-	-	-	-	82.1	**82.1**	-	-	-	-	-	**-**	82.1
Italy	-	-	175.2	341.0	22.1	48.3	**586.6**	-	-	-	-	18.0	**18.0**	604.6
Canada	-	-	-	-	-	358.4	**358.4**	-	-	-	-	-	**-**	358.4
Luxembourg	-	-	52.6	-	-	4.5	**57.1**	-	-	-	-	-	**-**	57.1
Netherlands	-	-	3.8	-	321.1	692.2	**1,017.1**	-	-	-	-	-	**-**	1,017.1
Austria	-	-	-	119.7	5.2	53.1	**178.0**	-	-	-	-	-	**-**	178.0
Poland	-	-	494.4	346.9	693.0	-	**1,534.3**	-	-	-	-	-	**-**	1,534.3
Sweden	-	-	246.2	97.6	125.5	-	**469.3**	-	-	-	-	-	**-**	469.3
Switzerland	-	-	2.1	-	-	159.1	**161.2**	-	-	-	-	-	**-**	161.2
Spain	-	-	4.0	754.5	170.0	152.8	**1,081.3**	-	-	-	-	143.1	**143.1**	1,224.4
Czech Republic	-	-	-	-	89.7	12.9	**102.6**	-	-	-	-	-	**-**	102.6
US	-	34.9	1,491.1	211.6	40.5	998.8	**2,776.9**	-	-	-	-	141.1	**141.1**	2,918.0
Total	**-**	**428.7**	**4,402.1**	**2,650.1**	**2,509.3**	**4,835.8**	**14,826.0**	**0.3**	**-**	**10.0**	**48.2**	**1,386.7**	**1,445.2**	**16,271.2**

31 December 2023

Previous year figures pursuant to section 28 (5) of the PfandBG

€ mn	Commercial property							Residential property						
	Build-ing plots only	New build-ings not yet yielding returns	Office buildings	Retail	Industrial	Other	Total	Buil-ding plots only	New build-ings not yet yielding returns	Con-domin-iums	One- and two-family homes	Multi-family homes	Total	Total cover assets pool
Australia	-	-	-	-	45.1	82.2	**127.3**	-	-	-	-	236.9	**236.9**	364.2
Belgium	-	-	92.3	66.5	10.0	58.0	**226.8**	-	-	-	-	-	**-**	226.8
Denmark	-	-	-	-	-	195.5	**195.5**	-	-	-	-	-	**-**	195.5
Germany	-	-	158.0	187.6	320.8	236.6	**903.0**	-	-	-	80.1	375.9	**456.0**	1,359.0
Estonia	-	-	-	18.7	-	-	**18.7**	-	-	-	-	-	**-**	18.7
Finland	-	-	77.4	184.7	35.3	-	**297.4**	-	-	-	-	14.6	**14.6**	312.0
France	-	150.1	860.5	139.3	178.1	326.5	**1,654.5**	-	-	-	-	9.9	**9.9**	1,664.4
UK	-	-	585.9	186.9	427.6	949.7	**2,150.1**	-	-	-	-	309.7	**309.7**	2,459.8
Ireland	-	-	-	-	-	20.3	**20.3**	-	-	-	-	-	**-**	20.3
Italy	-	-	176.9	375.7	34.1	60.4	**647.1**	-	-	-	-	-	**-**	647.1
Canada	-	-	-	-	-	283.0	**283.0**	-	-	-	-	-	**-**	283.0
Luxembourg	-	-	52.6	-	-	4.5	**57.1**	-	-	-	-	-	**-**	57.1
Netherlands	-	-	3.8	-	248.8	482.6	**735.2**	-	-	-	-	-	**-**	735.2
Austria	-	22.7	-	119.7	8.0	14.7	**165.1**	-	-	-	-	-	**-**	165.1
Poland	-	-	516.6	244.2	622.0	-	**1,382.8**	-	-	-	-	-	**-**	1,382.8
Sweden	-	-	188.6	106.8	159.7	-	**455.1**	-	-	-	-	-	**-**	455.1
Switzerland	-	-	-	-	-	238.0	**238.0**	-	-	-	-	-	**-**	238.0
Spain	-	-	4.0	756.5	188.4	91.6	**1,040.5**	-	-	-	-	143.1	**143.1**	1,183.6
Czech Republic	-	-	-	-	154.0	10.2	**164.2**	-	-	-	-	-	**-**	164.2
US	-	-	1,874.4	307.1	48.4	1,015.7	**3,245.6**	-	-	-	-	83.7	**83.7**	3,329.3
Total	**-**	**172.8**	**4,591.0**	**2,693.7**	**2,480.3**	**4,069.5**	**14,007.3**	**-**	**-**	**-**	**80.1**	**1,173.8**	**1,253.9**	**15,261.2**

Arrears from mortgage loans used to cover mortgage Pfandbriefe (section 28 (2) sentence 1 no. 2 of the PfandBG):

€ mn	2024		2023	
	Aggregate payments which are at least 90 days overdue	Total volume of these receivables, to the extent that the relevant amount overdue is not less than 5% of the receivable	Aggregate payments which are at least 90 days overdue	Total volume of these receivables, to the extent that the relevant amount overdue is not less than 5% of the receivable
Germany	0.0	-	0.1	0.1
Total	**0.0**	**0.0**	**0.1**	**0.1**

No registered mortgage Pfandbriefe were surrendered to lenders as collateral for borrowings (2023: none).

Additional disclosures on mortgage receivables (section 28 (2), sentence 1 no. 5 of the PfandBG):

		2024		2023	
		Commercial property	Residential property	Commercial property	Residential property
Forced sales pending	Number	-	12	-	13
of which forced administrations pending	Number	-	-	-	-
Forced administrations pending	Number	-	-	-	-
Forced sales executed	Number	-	7	-	1
Purchases of properties to prevent losses (foreclosed assets)	Number	-	-	-	-
Total amount of arrears on interest payable	€ mn	0.2	0.0	3.0	0.1

(47) Contingencies

By means of a Letter of Comfort in favour of the Monetary Authority of Singapore, Aareal Bank AG has undertaken to ensure that Aareal Bank Asia Ltd. is able to fulfil its obligations at any time.

(48) Events after the reporting date

There were no material matters subsequent to the end of the reporting period that need to be disclosed at this point.

(49) Remuneration disclosures

Management and Supervisory Board

In the financial year 2024, the Management Board's total remuneration, excluding benefits from pension commitments, amounted to €11.7 million (2023: €7.8 million), of which €7.3 million (2023: €3.9 million) referred to variable components.

Payments to former Management Board members and their surviving dependants totalled €2.4 million in 2024 (2023: €2.2 million).

The amount of pension obligations to active and former members of the Management Board was €64.7 million as at 31 December 2024 (2023: €64.2 million). Of that amount, €6.8 million (2023: €10.7 million) related to members of the Management Board active at the end of the financial year and €57.9 million to former members of the Management Board and their surviving dependants (2023: €53.5 million).

The total remuneration of members of the Supervisory Board for the financial year 2024 amounted to €2.0 million (2023: €1.7 million). The remuneration for any financial year shall be due and payable one month after the end of the respective financial year.

(50) Employees

The average staffing level is shown below:

Yearly average	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023
Salaried employees	1036	961
Executives	30	32
Total	**1066**	**993**
of which: part-time employees	182	171

(51) Auditors' fees

Regarding the fees paid to external auditors of Aareal Bank AG, please refer to the Notes to the consolidated financial statements, where individual services provided to Aareal Bank AG and its subsidiaries are outlined as follows:

Other assurance services include the review in accordance with the German Securities Trading Act (WpHG), the remuneration report, comfort letters and the review of the Sustainability Statement. Other services were provided in connection with regulatory matters in particular.

(52) Disclosures pursuant to section 160 (1) no. 8 of the AktG

In accordance with the notification pursuant to section 20 (6) of the German Public Limited Companies Act (Aktiengesetz – "AktG") dated 11 December 2023, Atlantic BidCo GmbH directly holds more than 50%, and Atlantic Lux HoldCo S.à r.l. indirectly holds more than 50% of shares in Aareal Bank AG. Atlantic BidCo GmbH's holding is attributable to Atlantic Lux HoldCo S.à r.l.

(53) Statement pursuant to section 312 of the AktG

Aareal Bank AG has prepared a subordinate status report (*Abhängigkeitsbericht*) in accordance with section 312 of the AktG for the 2024 financial year.

(54) Proposal on the appropriation of profits

The Management Board proposes to the Annual General Meeting that the net retained profit (*Bilanzgewinn*) for the 2024 financial year, determined in accordance with German commercial law), of €2,440,400,000.00 be used to distribute dividends of €1,941,312,740.00 and the residual amount of €499,087,260.00 be carried forward.

(55) Executive Bodies of Aareal Bank AG

Composition of Supervisory Board's committees

Executive and Nomination Committee	
Jean Pierre Mustier	Chairman
Barbara Knoflach	Deputy Chairwoman
Hans-Hermann Lotter	
Marika Lulay	
Klaus Novatius	
José Sevilla Álvarez	

Remuneration Control Committee	
Jean Pierre Mustier	Chairman
Hans-Hermann Lotter	Deputy Chairman
Henning Giesecke	
Petra Heinemann-Specht	
Maximilian Rinke	
Klaus Novatius	

Audit Committee	
Denis Hall	Chairman
José Sevilla Álvarez	Deputy Chairman
Henning Giesecke	
Petra Heinemann-Specht	
Hans-Hermann Lotter	
Maximilian Rinke	

Technology and Innovation Committee	
Marika Lulay	Chairwoman
Barbara Knoflach	Deputy Chairwoman
Denis Hall	
Nicole Schäfer	
Markus Zywitza	
José Sevilla Álvarez	

Risk Committee	
José Sevilla Álvarez	Chairman
Henning Giesecke	Deputy Chairman
Denis Hall	
Petra Heinemann-Specht	
Barbara Knoflach	
Maximilian Rinke	

Supervisory Board

Jean Pierre Mustier, Chairman of the Supervisory Board (since 15 January 2024)
Former CEO of UniCredit S.p.A. and former President of the European Banking Federation

Henning Giesecke
Former Chief Risk Officer of UniCredit S.p.A. and UniCredit Bank AG

Denis Hall, Chairman of the Audit Committee
Former Chief Risk Officer Global Consumer Banking of GE Capital EMEA

Petra Heinemann-Specht*
Aareal Bank AG

Barbara Knoflach, Deputy Chairwoman of the Supervisory Board
Former Global Head der BNP Paribas Real Estate Investment Management and Deputy Chief Executive Officer of BNP Paribas Real Estate S.A.

* Employee representative member of the Supervisory Board of Aareal Bank AG

Hans-Hermann Lotter, Deputy Chairman of the Supervisory Board
Self-employed consultant for private equity investments, mergers, takeovers and restructurings, and former Managing Director of Atlantic BidCo GmbH

Marika Lulay, Chairwoman of the Technology and Innovation Committee
Chief Executive Officer and Managing Director of GFT Technologies SE

Klaus Novatius*, Deputy Chairman of the Supervisory Board
Aareal Bank AG

José Sevilla Álvarez, Chairman of the Risk Committee
Former Chief Executive Officer of Bankia S.A.

Maximilian Rinke
Senior Managing Director, Centerbridge Partners, Managing Director of MR Ventures UG

Nicole Schäfer* since 2 October 2024
Aareal Bank AG

Markus Zywitza* since 2 October 2024
Aareal Bank AG

* Employee representative member of the Supervisory Board of Aareal Bank AG

Retired members

Sylwia Bach* until 1 October 2024
Aareon Deutschland GmbH

Jan Lehmann* until 1 October 2024
Aareon Deutschland GmbH

Prof. Dr Hermann Wagner [1], Chairman of the Audit Committee (until 23 January 2024) until 3 May 2024
German Chartered Accountant, tax consultant

* Employee representative member of the Supervisory Board of Aareal Bank AG
[1] Prof. Dr Wagner was Chairman of the Supervisory Board until 14 January 2024

Management Board

Dr Christian Ricken, Chairman of the Management Board (CEO)	since 1 August 2024
Banking & Digital Solutions, Corporate Affairs, Information Technology, Enterprise Transformation, Group Audit, Group Communications & Governmental Affairs, Group Human Resources & Infrastructure, Group Strategy, Chief Operations Officer, CollectAI, plusForta	

Nina Babic, Member of the Management Board (CRO)	
Capital Markets Management, Credit Management, Information Security & Data Protection, Non-Financial Risks incl. Compliance, Regulatory Affairs, Risk Controlling, USA – Credit Management, USA – Distressed Loans, Valuation & Research, Workout / Non Core Assets	
(Membership of statutory supervisory bodies or similar bodies of corporations within the meaning of section 267 (3) of the HGB)	
Aareal Capital Corporation (Aareal Bank Group)	Member of the Board of Directors

Andrew Halford, Member of the Management Board (CFO)	since 8 October 2024
Finance & Controlling, Investor Relations, Treasury	

Christof Winkelmann, Member of the Management Board (CMO)	
Aareal Asia / Pacific, Credit Legal, Euro Hub, Loan Markets & Syndication, Special Property Finance I, Special Property Finance II, Strategy & Business Management, USA – Origination	
(Membership of statutory supervisory bodies or similar bodies of corporations within the meaning of section 267 (3) of the HGB)	
Aareal Capital Corporation (Aareal Bank Group)	Chairman of the Board of Directors

Retired members

Jochen Klösges, Chairman of the Management Board (CEO)	until 31 July 2024
Marc Hess, Member of the Management Board (CFO)	until 7 October 2024

Wiesbaden, 25 February 2025

The Management Board

Dr Christian Ricken

Nina Babic

Andrew Halford

Christof Winkelmann

Independent Auditor's Report

To Aareal Bank AG, Wiesbaden, Germany

Report on the Audit of the Annual Financial Statements and the Management Report

Opinions

We have audited the annual financial statements of Aareal Bank AG, Wiesbaden, which comprise the balance sheet as at 31 December 2024, and the income statement for the financial year from 1 January to 31 December 2024, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Aareal Bank AG for the financial year from 1 January to 31 December 2024.

In accordance with the German statutory requirements we did not audit the contents of the components of the management report referred to in the notes to the audit opinion.

The management report contains references not required by law. In accordance with the requirements of German law, we did not audit the contents of the references named in the notes to the auditor's opinion and the information relating to references.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material aspects, with the requirements of German commercial law applicable to institutes and in compliance with German Legally Required Accounting Principles give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2024 and its financial performance for the financial year from 1 January to 31 December 2024 and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of the components of the management report named in the notes to the audit opinion. The management report contains references not required by law. Our audit opinion does not cover the references named in the notes to the audit opinion and information relating to the references.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter the "EU Audit Regulation"), taking into account the German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) EU Audit Regulation we declare that we have not provided any non-audit services prohibited under Article 5 (1) EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the annual financial statements for the financial year from 1 January to 31 December 2024. These matters were addressed in connection with our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

Recoverability of the bail-out purchases

For information on the accounting policies the Bank applies, please refer to the Recognition and measurement policies – (8) Participation interests, interests in affiliated companies, intangible assets and tangible assets section in the notes to the financial statements.

THE FINANCIAL STATEMENT RISK

In the annual financial statements of Aareal Bank AG as at 31 December 2024 indirectly property and land from previous loan exposures – so-called "bail-out purchases" – were recognised under "Shares in associates".

The bail-out purchases are held in property companies and, with one exception, are intended for sale in the ordinary course of business. The Bank is in an advanced stage of the sales process for this hotel property and expects to sell it in the short term. The properties are either hotel, residential office or retail properties as well as land for project developments of these property types.
In the financial year, the Bank acquired two further salvage acquisitions from US loan commitments, which were recognized at a value of € 73 million and € 42 million respectively at the time of acquisition.

At each reporting date, the Bank examines the recoverability of the properties and land held in the property companies and thus the recoverability of the shares held. In doing so, the Bank mandates external experts and considers their procedure and results. The market values of the properties are derived as the present value of future cash flows (DCF method or residual value method for project developments) or on the basis of space-related comparable values.

The planning calculations thus integrate assumptions subject to uncertainty, e.g. property completion, leasing and marketing.

These assumptions which are subject to estimating uncertainty have a substantial impact on the market value and thus also on the assessment of the recoverability of the carrying amounts of the property companies held.

There is also the risk for the annual financial statements that the calculation methods underlying the appraisals are inappropriate or that as a result of the inappropriate exercise of judgement resulting from the assumptions subject to uncertainty impairment of the bail-out purchases is not identified or not identified at an appropriate level.

OUR AUDIT APPROACH

Based on our risk assessment and the assessment of the error risks, we based our audit opinion on both control-based audit procedures and substantive audit procedures.

Based on our audit, we examined the Bank's controls and processes to check the plausibility of the appraisals obtained in terms of appropriateness and effectiveness.

Furthermore, with the involvement of KPMG property experts, we examined selected appraisals, in particular in respect to the following focal points:

- Assessment of the expertise, ability and objectivity the external experts
- Assessment of the general appropriateness of the measurement methods used
- Reasonableness of material assumptions subject to assessment uncertainty used by the experts.

In addition, we audited whether the management's currently envisaged development plans and assumptions are appropriate and were appropriately integrated into the appraisals.

OUR OBSERVATIONS
The measurement methods used in the appraisals which are subject to assessment uncertainty are appropriate and proper.

Loans – specific valuation allowances

For information on the accounting policies the Bank applies, please refer to the Recognition and measurement policies – (2) Receivables section in the notes to the financial statements

THE FINANCIAL STATEMENT RISK
Aareal Bank AG's lending business largely comprises large-scale commercial property financings. Aareal Bank AG recognised material specific valuation allowances on credit receivables. In general, the risk provision is measured on the basis of probability-weighted scenarios.

In determining scenarios by number and content, the derivation of expected cash flows in the respective scenario and assessment of the probability judgement is to be exercised to a material extent.

It was therefore of particular importance for our audit that the number of scenarios observed was consistent with the complexity of situations determining the individual default risks including the dependency on macroeconomic factors. We regarded it as equally important that the selection of the specific scenarios, the assessment of probabilities and the assessment of the expected cash flows in the respective scenarios was verifiable, appropriately substantiated and incontrovertibly implemented.

OUR AUDIT APPROACH
Based on our risk assessment and the assessment of the error risks, we based our audit opinion on both control-based and substantive audit procedures. The audit procedures we performed thus included the following:

In a first step, we obtained a comprehensive overview on the development of the credit portfolio, the related counterparty default risks and the internal control system in relation to the identification, management, monitoring and recognition of the counterparty default risks in the credit portfolio. Our audit included structural and functional examinations of the internal control system, in which respect we focussed on the assessment of the internal accounting methodology with reference to the measurement of credit-impaired receivables. For the IT and data processing systems deployed, using our IT specialists we examined the effectiveness of the regulations and procedures relating to a large number of IT applications and which support the effectiveness of the application controls.

On the basis of these findings, in the context of our selection of loan exposures defined on the basis of materiality and risk aspects, we also assessed the appropriateness of the number and contents of the scenarios used and the probabilities assigned to these scenarios. In our audit we took the complexity of the respective financing and the probable determined factors for the development of the exposure and verified if the assumptions underlying the scenarios were consistent with the forecasts on the general macroeconomic situation used by Aareal Bank AG.

Then we assessed the cash flows derived for the scenarios. In our assessment, depending on the exposure strategy pursued by Aareal Bank, we included the measurement of collateral. In auditing the recoverability of the underlying collateral, in our assessment we deployed appraisals of independent experts and on the basis of publicly available data assessed whether the assumptions in the appraisals were appropriately derived.

With the selective involvement of KPMG real estate experts we examined selected appraisals, in particular for the following key matters:

- Assessment of the expertise, ability and objectivity the external experts
- Assessment of the general appropriateness of the measurement methods used
- Reasonableness of material assumptions subject to assessment uncertainty used by the experts.

We concluded our audit by verifying the correct calculation of the expected credit loss.

OUR OBSERVATIONS

In determining the specific valuation allowances for credit-impaired receivables ,the selection of the specific scenarios, the assessment of probabilities and the assessment of the expected cash flows in the respective scenarios, including the dependency on macroeconomic factors, was verifiable, adequately substantiated and incontrovertibly implemented.

Other Information

The Management Board and/or the Supervisory Board are responsible for the other information. The other information comprises:

- the non-audited components of the management report listed in the appendix to the auditor's report.

Other information also comprises the annual report which we expect to be provided after the date of this auditor's report. The other information does not include the annual financial statements, the disclosures in the management report audited for content or our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on work we have performed before on the basis of the other information obtained before the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the Annual Financial Statements and the Management Report

The Management Board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutes, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the Management Board is responsible for such internal control as it in accordance with German Legally Required Accounting Principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Management Board is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control or on the effectiveness of these arrangements and measures.

- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that can reasonably be thought to bear on our independence and, where applicable, the actions taken to eliminate dangers to independence or safeguards put in place to protect against this.

From the matters communicated with those charged with governance, we determine those matters that were of most significance during the audit of the annual financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation preclude public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "Aareal Bank_AG_JA+LB_ESEF-2024-12-31.zip" (SHA hash value 1bc85296e33e0a33315dd4e53abc52a18f41f3d916b5a3b631-d6bd0c956e 5ccc) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2024 contained in the "Report on the Audit of the Annual Financial Statements and the Management Report" above, we do not express any audit opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our audit on the rendering of the consolidated financial statements and the group management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of the Electronic Ren-dering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)). The Company's Management Board is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's Management Board is responsible for such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited management report.

Other disclosures in accordance with Article 10 EU Audit Regulation

We were elected by the Annual General Meeting on 3 May 2024 as auditor of the annual financial statements. We were engaged by the the Supervisory Board on 18 October 2024. We have been the statutory auditor of Aareal Bank AG since the 2021 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee according to Article 11 EU Audit Regulation (audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the examined ESEF documents. The annual financial statements and management report converted to the ESEF format – including the versions to be published in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Markus Winner.

Frankfurt/Main, 28 February 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Wiechens	**Winner**
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(German Public Auditor)	**(German Public Auditor)**

Appendix to the Independent Auditor's Report: the Components and References of the Management Report were not Audited for Content

We did not audit the following components of the management report:

- The corporate government statement referred to in the management report,
- the separate combined non-financial report referred to in the management report and
- the information on regulatory indicators pursuant to Basel IV (phase-in).

We did not audit the content of the references in the management report not required by law and the information related to the references:

- Details on key employee indicators (in the "Our employees" section, table of HR data in the management report)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Wiesbaden, 25 February 2025

The Management Board

Dr Christian Ricken	Nina Babic
Andrew Halford	Christof Winkelmann

Report on Remuneration Transparency

In accordance with section 21 of the German Act to Encourage Transparency of Remuneration Structures (*Entgelttransparenzgesetz* – "EntgTranspG"), Aareal Bank AG has been required to prepare a report on equal treatment and equal remuneration. For the purpose of ensuring maximum transparency, Aareal Bank AG prepares the report on an annual basis and thus exceeds the legal requirements set out in section 22 of the EntgTranspG.

1. Measures to promote the equal treatment of women, and the impact of such measures

Gender equality has been Aareal Bank AG's declared goal for many years. The Bank attaches great importance to the equal treatment of women and men, whether in the context of filling vacant positions, with regard to professional development within the Company, or in terms of remuneration.

Skills and experience are the only relevant criteria when filling vacant positions. Within the scope of staffing procedures, all vacancies below executive staff level – both managerial and expert functions – are advertised internally so that all employees are given equal opportunities in the application procedure.

All employees are offered a wide array of training measures for developing their skills. The decisive factor is that all employees – both men and women – are able to fulfil their tasks and have the know-how required. No distinction is made between female and male employees when it comes to participating in such training measures. Employees, regardless of their gender, take part in all necessary seminars to the same extent. To support all employees in striking a better work-life balance, the Bank offers all employees a broad range of family-friendly support services. These include, for example, the support of childcare, parent-child workrooms, helping to find service providers for private childcare, childcare during holidays offered by the city of Wiesbaden, and also the option of working remotely or flexible working hours.

2. Measures to ensure equal pay for women and men

The Bank also deliberately tries to ensure that men and women are treated equally in terms of remuneration. The decisive criteria in this context are that they have the same areas of activity with the same scope of responsibility in the respective positions, and also provide the same performance in the sense of achieving the target agreed upon in advance on an annual basis. The determination of the fixed remuneration of female and male employees is based on the collective agreement applicable for the private banking sector for non-exempt employees. For exempt employees, the determination is based on the provisions of a works agreement in relation to fixed remuneration and positions, pursuant to which fixed remuneration ranges are allocated to the individual expert or managerial positions. Similarly, the variable remuneration components are defined on the basis of a corresponding works agreement or remuneration policy. Within the scope of their co-determination rights, the employee representative bodies review whether these provisions are complied with for both men and women. These rules lead to a remuneration structure that is not only transparent but also ensures equal remuneration of women and men. The Bank also regularly participates in analyses on the remuneration structures of German banks to ensure that this structure is also reviewed externally. The results of the most recent analysis show that Aareal Bank has a minor adjusted remuneration difference. In fact, the Bank showed an improvement on the results of the preceding analysis, which were already very good: the adjusted remuneration difference for 2023 amounted to less than 1%. No immediate need for action was identified.

In order to continue to fulfil our responsibility as a fair and attractive employer, the Bank decided to continue looking into the gender pay gap issue together with external consultants in the 2024 financial year.

	Men			Women			
	Part time	Full time	Total	Part time	Full time	Total	Total
Ø 2020	36.80	464.90	**501.70**	142.40	223.50	**365.90**	**867.60**
Ø 2021	31.80	478.30	**510.10**	147.00	221.90	**368.90**	**879.00**
Ø 2022	32.40	479.60	**512.00**	135.30	239.90	**375.20**	**887.20**
Ø 2023	32.30	496.00	**528.30**	139.10	263.40	**402.50**	**930.80**
Ø 2024	39.40	547.60	**587.00**	142.40	275.30	**417.70**	**1,004.70**

Offices

Wiesbaden Head Office

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Structured Property Financing

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Financial Calendar

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

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This report is also available in German.

Aareal Bank

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