

# **Interim Report**

# **Aareal Bank Group**

1 January to  
30 June 2025

# Key Indicators

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024 <sup>1)</sup>		30 Jun 2025	31 Dec 2024
<b>Results</b>			<b>Moody's</b>		
Adjusted operating profit (€ mn) <sup>2)</sup>	223	185	Issuer rating	Baa1	Baa1
Operating profit (€ mn)	208	181	Senior Preferred	Baa1	Baa1
Net profit (€ mn) <sup>3)</sup>	133	112	Senior Non-Preferred	Baa3	Baa3
Cost/income ratio (%) <sup>4)</sup>	32.0	32.3	Bank deposit rating	Baa1	Baa1
Earnings per ordinary share (€) <sup>5)6)</sup>	2.23	1.88	Outlook	stable	stable
Adjusted RoE after taxes (%) <sup>2)5)7)</sup>	9.1	8.0	Mortgage Pfandbrief Rating	Aaa	Aaa
	<b>30 Jun 2025</b>	<b>31 Dec 2024</b>			
<b>Statement of Financial Position</b>			<b>Fitch Ratings</b>		
Property finance (€ mn)	32,430	33,471	Issuer default rating	BBB	BBB
Equity (€ mn)	3,717	5,460	Senior Preferred	BBB+	BBB+
Total assets (€ mn)	47,281	47,814	Senior Non-Preferred	BBB	BBB
			Deposit ratings	BBB+	BBB+
<b>Regulatory Indicators<sup>8)</sup></b>			Outlook	stable	stable
Basel IV (phase-in)					
Risk-weighted assets (€ bn)	13.3	14.3	<b>ESG Ratings<sup>9)</sup></b>		
Common Equity Tier 1 ratio (CET1 ratio) (%)	21.8	20.2	MSCI	A	A
Tier 1 ratio (T1 ratio) (%)	24.8	22.3	ISS-ESG	prime (C)	prime (C)
Total capital ratio (TC ratio) (%)	29.9	26.6	CDP	Management Level C	Management Level B
Basel IV (fully phased)					
Common Equity Tier 1 ratio (CET1 ratio) (%)	15.5	15.2			
<b>Employees</b>	1,172	1,198			

<sup>1)</sup> The previous year's figures only refer to those activities then presented as continuing operations (excluding non-controlling interests).

<sup>2)</sup> Adjusted for costs for efficiency measures, IT infrastructure investments and other material non-recurring effects

<sup>3)</sup> Consolidated net income allocated to ordinary shareholders

<sup>4)</sup> In line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included; costs for efficiency measures, IT infrastructure investments and other material non-recurring effects are also excluded.

<sup>5)</sup> The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

<sup>6)</sup> Without taking into account non-controlling interest income

<sup>7)</sup> On an annualised basis

<sup>8)</sup> 31 December 2024: including annual results for 2024 less dividends (which have already been distributed) and including pro rata temporis accrual of interest on the AT1 bond.

30 June 2025 (preliminary): including interim profits for 2025, deducting a planned dividend in line with the dividend policy and incorporating the pro rata accrual of interest payable on the AT1 bond.

The SREP recommendations concerning the non-performing loans (NPL) inventory were taken into account, as well as the ECB's NPL guidelines for the regulatory capital for new NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests.

<sup>9)</sup> Please refer to our website ([www.aareal-bank.com/en/responsibility/reporting-on-our-progress/](http://www.aareal-bank.com/en/responsibility/reporting-on-our-progress/)) for more details.

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

# Contents

<b>2</b>	<b>Key Indicators</b>
<b>4</b>	<b>Interim Group Management Report</b>
4	Report on the Economic Position
18	Risk Report
28	Report on Expected Developments and Opportunities
<b>35</b>	<b>Consolidated Interim Financial Statements</b>
35	Statement of Comprehensive Income
37	Statement of Financial Position
38	Statement of Changes in Equity
40	Statement of Cash Flows (condensed)
41	Notes (condensed)
41	Basis of Accounting
42	Notes to the Statement of Comprehensive Income
46	Notes to the Statement of Financial Position
51	Notes to Financial Instruments
54	Segment Reporting
55	Other Notes
58	Responsibility Statement
<b>59</b>	<b>Review Report</b>
<b>60</b>	<b>Offices</b>
<b>61</b>	<b>Financial Calendar</b>
<b>61</b>	<b>Imprint</b>

# Interim Group Management Report

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## Report on the Economic Position

### Macro-economic environment

Despite a challenging environment and economic headwinds, the global economy was robust in the first half of 2025, although the United States of America's protectionist trade policy increasingly became the focus of global economic debate. At the beginning of the year, the new US government started imposing tariffs on imports from different countries, followed by a number of unpredictable and in some cases sharp tariff increases or reductions, spreading heightened uncertainty across the economy and society. Global disinflation continued, causing consumer price inflation to slow in many industrialised nations during the first half of the year, helped in part by lower energy prices until the conflict in the Middle East escalated at the end of May, when Israeli attacks on targets in Iran caused oil prices to surge. Central banks in the leading industrialised nations have been pursuing different monetary policies to bring inflation back on target, ranging from ongoing adjustments, as in the case of the European Central Bank (ECB), to maintaining the current interest rate level, as observed at the US Federal Reserve (Fed).

The following presentation of the macro-economic environment is based on the most recent economic data available to us, predominantly sourced from Oxford Economics, a leading global economic consultancy. Other information regarding inflation and unemployment data was provided by countries' official statistical offices; data on key interest rates was supplied by the relevant central banks.

### Economy

In the euro zone, real gross domestic product rose by 0.6 % in the first quarter of 2025 compared to the previous quarter before stagnating in the second quarter. All in all, economic output in the first half of 2025 was up 1.0 % year-on-year. A highly diverse growth pattern persisted in the euro zone due to differing economic structures and the relative importance of the manufacturing sector, the services sector and foreign trade. Among the largest euro zone countries, Spain recorded the greatest year-on-year increase in economic output in the first half of the year with 2.7 %, followed by France and Italy with 0.6 % each and Germany with 0.1 %.

Economic developments also varied in selected non-euro zone EU member states. Real economic output in Sweden increased by 1.4 % year-on-year, and by 2.4 % and 3.4 % respectively in the Czech Republic and Poland.

Growth nudged upwards in the United Kingdom too, similar to the trend in the euro zone, due mainly to a strong first quarter. At the end of the first half-year, real gross domestic product was 1.1 % higher year-on-year. The uptick in the United Kingdom was driven primarily by the recovery in the services sector, while manufacturing expanded appreciably as well.

In the US, economic output decreased by 0.1 % in the first quarter of the year, followed by a 0.5 % increase during the second quarter. Overall, real gross domestic product in the first six months of the year was up 1.9 % year-on-year. Imports rose significantly on the back of front-loading precipitated by growing uncertainty around US trade policy before eventually flattening out. Exports also increased slightly, while growth in consumer and government spending eased. In Canada, real gross domestic product grew in the first quarter of 2025, followed by a decrease during the second quarter. All in all, economic performance was up 1.7 % compared to the previous-year period.

Real economic output in Australia in the first half-year rose by 1.5 % year-on-year, with investment dynamics and imports weakening notably.

Labour markets in many economies remain resilient with low unemployment rates. However, the data still suggest weakening labour demand, as the number of vacancies is below the long-term trend in countries with high-frequency data available. At the end of the first half of 2025, the unemployment rate stood at 6.3 % in the euro area and 4.1 % in the United States.

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## Financial and capital markets, monetary policy and inflation

International financial markets were defined by increased government bond yields, with a pronounced rise in long-term yields in particular. Uncertainty related to trade policy and concerns about the sustainability of public debt have led to a sharp increase in US government bond yields since April, after trending downward in the first quarter. In Europe, yields rose mainly due to higher risk premiums and fiscal factors, although the Bank of England (BoE) and ECB further lowered interest rates. Amid mounting uncertainty about the impact of US import tariffs, equity markets – especially in the United States – delivered a significantly more volatile performance than in prior years.

At its monetary policy meetings in February, March, April and June, the ECB's Governing Council decided to make further interest rate cuts. The deposit facility interest rate that the Governing Council uses to steer monetary policy stood at 2 % at the end of the first half of the year. Interest rates on the main refinancing operations and on the marginal lending facility currently stand at 2.15 % and 2.4 %, respectively. The ECB's Governing Council justified the interest rate cuts primarily with the expectation that inflation will stabilise close to the medium-term target of 2 %. At the same time, it pointed to the exceptionally high level of uncertainty currently stemming from international tensions and their potential impact on the euro area. Under these conditions, the Governing Council announced that it would continue to follow a data-dependent approach in setting the appropriate future monetary policy.

In the US, the Fed maintained the target range for the key interest rate at 4.25 % to 4.5 % for the first half of the year, as economic activity and labour market conditions still did not justify a rate cut. The Fed also reported that uncertainty about the economic outlook had further increased and that the risks of higher unemployment and persistently elevated inflation had risen. To pursue its objectives, it was therefore necessary to carefully analyse economic data as it became available, in addition to reducing securities holdings.

The BoE lowered its key rate in February and May by 25 basis points each, bringing it to 4.25 %. It announced that the declines in domestic price and wage pressures were generally continuing and that wage growth was expected to slow further over the remainder of the year. While acknowledging that uncertainties regarding global trade policy have increased since the US imposed tariffs, it considered the adverse impact on growth and inflation in the UK to be limited. The BoE's Monetary Policy Committee maintained a cautious tone and stated that monetary policy would need to remain restrictive long enough to reduce any risks jeopardising a lasting return of inflation to the 2 % target.

Other important central banks cut their key interest rates during the first half of the year: the Bank of Canada lowered its rates to 2.75 %, Sweden's Riksbank to 2.0 %, the Swiss National Bank to 0.0 % and the Reserve Bank of Australia to 3.85 %.

By the end of the first half of 2025, short-term interest rates<sup>1)</sup> for the euro, the pound sterling, the Australian dollar and the Swedish krona stood below their 2024 year-end level, while rates for the US dollar remained virtually unchanged. Long-term interest rates<sup>2)</sup> showed a mixed picture, with slight increases in the euro area and in Canada and declines in the US, the UK, Sweden and Australia. Yields on 10-year government bonds showed increased volatility in the first half of 2025 but ended the first six months close to their 2024 year-end levels. Yields in Germany and Spain increased while they declined in the US.

Inflation in the euro zone fell below 2 % in the first half of the year, driven by significant easing in core inflation, particularly in the prices of services. In addition, energy costs were down year-on-year, with the stronger exchange rate dampening import costs. In the US, lower inflation in the first half of 2025 was due to decreasing energy prices. The inflationary effect of the import tariffs imposed by the US government have not yet materialised in the first half-year. This comes as no surprise, as the announced tariffs were often delayed and will take time to have an impact once implemented. By contrast, inflation in the United Kingdom was up again, with a particularly strong increase in April. At the end of the first half of 2025, annual inflation in the euro zone stood at 2.0 %, followed by the United States at 2.7 % and the United Kingdom at 3.6 %.

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<sup>1)</sup> Calculated on the basis of 3-month Euribor, SOFR or other comparable rates for other currencies

<sup>2)</sup> Calculated on the basis of swaps in the respective currencies

## Sector-specific developments and business performance

The differentiation and allocation of our segments Structured Property Financing and Banking & Digital Solutions are presented in the 2024 Group Management Report. There have been no changes compared to 2024.

### Structured Property Financing segment

In the first half of 2025, the macroeconomic environment for the commercial property market remained challenging. Economic uncertainty and mounting geopolitical tensions in particular suppressed investor appetite. Political developments, such as the new US government's trade policy measures, further exacerbated global uncertainties and weighed on investor confidence, especially from the second quarter onwards. The ensuing volatility on the capital markets – particularly for bonds – led to reticence and hampered transaction activity. It is likely that the economic environment will need to lastingly stabilise before a broader market recovery can be seen.

Global transaction volumes were down by around 30 % year-on-year in the first half of 2025, with a roughly 30 % drop in Europe and a more pronounced decline in the Asia/Pacific region of around 46 %. In North America, volumes declined by around 16 %. In terms of property types, hotels, offices and retail properties saw decreasing volumes, with the strongest decline in hotels.

A key mechanism for transmitting uncertainty was the increased volatility on the bond markets. The sustained long-term interest rate fluctuations made calculations difficult for many investors and had a dampening effect on transaction momentum. Support also came from the ECB's continued monetary easing, which helped reduce financing costs through further interest rate cuts. This especially facilitated the servicing of loans with variable interest rates. Meanwhile, the US Federal Reserve kept the key interest rates unchanged. Persistently high long-term rates put lasting pressure on property valuations. As a consequence, investors are expected to remain reticent until there are clear signs of an interest rate turnaround or more confidence in the economic outlook, particularly in the US market. Price expectations between buyers and sellers still diverge in many locations, in the office segment above all. Market dynamics are significantly hampered by stubbornly challenging valuation multiples and yield expectations resistant to decline. While some sub-markets have bottomed out and seen initial price stabilisations, a broader recovery trend failed to materialise. Lenders continued to focus their interest primarily on residential and logistics properties as well as on high-quality office properties in preferred locations. Properties that are easy to re-let and with sustainability features remained in demand.

Notwithstanding the external environment, Aareal Bank generated significantly higher new business of € 4.7 billion in the first half of the year (H1 2024: € 3.1 billion) – a figure that makes us confident to reach our annual forecast for 2025. Following a strong first quarter, new business continued to perform well in the second quarter. Newly originated loans totalled € 2.8 billion during the first half of the year (H1 2024: € 1.8 billion). Aareal Bank concluded new green financing business of around € 1.1 billion by the end of June; the portfolio volume of green financings rose by a total of € 0.9 billion to approximately € 8.5 billion. It should be noted that changes to the green finance portfolio volume can also result from existing clients issuing required undertakings and related certificates for the first time, or from other financings losing their status as green instruments. Green loans meet the minimum 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 above-average sustainability ratings by recognised rating agencies or comply with energy efficiency criteria.

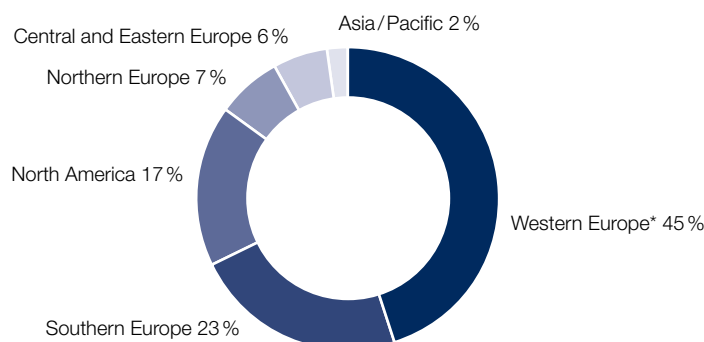
At around 81 %, the highest proportion of the new business volume was generated in Europe (H1 2024: 77 %), followed by North America at 17 % (H1 2024: 23 %). 2 % of new business was entered into in the Asia/Pacific region during the first half of 2025 (H1 2024: 0 %).<sup>1)</sup> As part of our diversification strategy within the scope of Aareal Ambition, we consciously limited the growth of our US business temporarily just as planned, adjusting our activities accordingly during the first half of 2025. Hence, the total share of new business in North America naturally declined from 23 % to 17 %. Moreover, we are focusing on future-oriented asset classes and regions: we financed the first data centre in July, just after the reporting date.

<sup>1)</sup> New business is allocated to 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<sup>1)</sup> 1 Jan – 30 Jun 2025

by region, (%)

Total volume: € 4.7 bn



\* Incl. Germany

<sup>1)</sup> New business, excluding former WestImmo's private client business and local authority lending business

In terms of property type, around 36 % of new business was attributable to hotels. Retail properties accounted for 22 %, followed by office properties (21 %), logistics properties (17 %), residential properties (3 %) and other properties (1 %). Retail properties – predominantly concentrated in Europe – led the way in newly originated loans with a 30 % share, followed by hotel properties (24 %), logistics properties (around 21 %) and office properties (around 19 %). Residential property accounted for 5 % of new business while around 1 % of new loans related to “Other” properties.

The volume of Aareal Bank Group's property financing decreased to € 32.4 billion as at 30 June 2025 (31 December 2024: € 33.5 billion). The underlying volumes of our financing portfolio in the first half of the year were largely in line with our expectations, but were impacted by negative exchange rate effects. However, we are on track to achieve our portfolio target for the end of the year 2025, applying constant exchange rates.

## Europe

Transaction volumes in Europe decreased by around 30 % year-on-year during the first half of 2025. This was observed individually in all major European markets such as Germany, France, United Kingdom, Spain, Italy and Poland. Only Sweden saw an increase in transaction activity compared to the previous year's period. The decrease affected all property types in Europe, with hotel properties experiencing the sharpest decline.

Average rents in the prime office property segment rose slightly during the first half of 2025 while certain sub-markets, such as London, saw significant increases. In Paris and Warsaw, rents remained stable on average. Average vacancy rates were also stable, with only slight changes in the first half of 2025 compared to 2024 year-end levels. Peripheral locations in most major European cities showed an ongoing trend to record higher vacancy rates than central locations. Rental levels for retail properties remained stable on average across Europe, both in shopping centres and on high streets. However, on average, individual markets also recorded rent increases: rents rose significantly on London's high streets and in Madrid's shopping centres. Prime rents for logistics properties continued to rise on average across Europe, even slightly more than in the second half of 2024. Increases were observed in British and Polish sub-markets, among others, driven by sustained high demand. At the same time, the vacancy rates in this segment remained low on average but increased slightly relative to the start of the year.

Average prime rents for office properties hardly changed during the first half of 2025, continuing the trend already observed in the previous year. This was also reflected in the majority of sub-markets and, for the most part, in secondary locations as well. The picture was largely the same for average yields, with individual sub-markets – such as Brussels and Milan – even recording slight declines. Looking at retail properties, prime yields for both shopping centres and high-street properties remained stable on a European average, which was generally reflected in secondary locations as well. A slight downward trend was observed in Spanish sub-markets.

Travel activity in Europe remained stable in the first half of the year, as real salary increases bolstered consumer spending, including on travel, as in the previous year. The European hotel sector continued to face a shortage of staff, while a further increase in business travel in particular had a positive effect on demand. In most European countries, the volume of overnight stays was slightly below the figures for the same period last year, including Germany and Spain. In France and Italy, demand was stable. These circumstances led to an uneven development of the major hotel markets. For example, occupancy rates and revenue per available room increased year-on-year in Paris, Warsaw and Munich. Amsterdam, on the other hand, saw stagnating key metrics while they were down slightly in London; in Dusseldorf, revenues showed a more pronounced decline, due to a combination of falling room rates and decreasing occupancy.

Within these challenging market trends, Aareal Bank defied these developments and generated high new business of € 3.8 billion in Europe during the first half of the year (H1 2024: € 2.4 billion), most of which was in Western Europe with a focus on the United Kingdom followed by – in descending order – South, North and Central and Eastern Europe.

### North America

Transaction volumes in North America contracted by around 16 % year-on-year in the first half of 2025. All property types recorded a decrease in transaction activity, with hotel properties experiencing the sharpest decline.

Rents offered for prime and secondary office properties in major US cities remained stable in the first half of 2025. This was also true for relevant sub-markets such as New York, Chicago and San Francisco. Vacancy rates remained stable on average across the country, with a decline in New York and an increase in Chicago. Overall, vacancy rates therefore appear to be stabilising after increasing for years. Average shopping mall rents in the US remained stable in the first half of the year. They rose in the Dallas and New York sub-markets, but stagnated in Denver and Chicago. On a year-on-year basis, average rents for logistics properties also remained stable in the first half of the year.

Yields for prime and secondary office properties have shown no significant changes and remained stable year to date – both on the national average and in New York, San Francisco and Chicago. This was also true for the yields for retail and logistics properties.

Despite negative media coverage in response to political tensions, incidents at border controls and the aggressive foreign policy rhetoric of the US government, there was no decline in international tourists to the US in the first half of the year. At the same time, the depreciation of the US dollar against many currencies has made travel to the US more affordable for foreign visitors, potentially offsetting some of the negative effects mentioned above. In the US, revenues in the luxury and upper upscale category increased on average, while occupancy rates remained stable. Overall, this led to solid year-on-year growth in revenue per available room. The entire market showed a similar trend, covering all hotel categories. In Canada, key hotel indicators developed roughly in line with the previous year.

For the North American region, new business of € 0.8 billion (H1 2024: € 0.7 billion) was originated both in Canada and the US. The volume of new business in office properties was insignificant and only generated in connection with existing financing arrangements.

### Asia/Pacific

Transaction volumes for commercial property in the Asia/Pacific region declined by around 46 % during the first half of 2024 versus the same period last year. Transaction activity also declined significantly in Australia, falling by 22 %, whereas hotel properties saw a 39 % year-on-year increase in transaction activity – a strongly opposing trend.

Prime rents for Australian logistics properties remained stable in most sub-markets relative to the start of the year, while increasing further in Perth and Melbourne. Yields also remained largely unchanged year to date.

On a year-on-year basis, hotel performance in Asia/Pacific was positive in the first half of 2025. Occupancy rates and revenues increased in most markets, reflecting the ongoing recovery in international tourism. Chinese foreign tourism still has some catching up to do, as travel activity in 2025 continues to fall far short of 2019 levels. Nonetheless, the gradual recovery remains very important, as China is a key source of tourism in many APAC markets. The Maldives benefited once again from a sharp rise in visitor numbers;



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approximately 1 million tourists visited the islands by the middle of the year, a year-on-year increase of 9.5 %. Under these circumstances, hotels in the Maldives reported solid increases in occupancy rates and revenue per room. In Australia, revenue per available room rose in most sub-markets, supported by higher occupancy rates and largely stable room rates. Although the performance of New Zealand's hotel markets was inconsistent, the Queenstown sub-market saw higher revenue per available room than in 2024.

Aareal Bank originated new business of € 0.1 billion in Asia/Pacific in the first half of the year (H1 2024: € 0 million).

### **Banking & Digital Solutions segment**

For the Banking & Digital Solutions segment, the residential and commercial property sectors with a focus on Germany once again proved to be stable market segments in the first half of 2025. Rents continued to grow disproportionately in the fourth quarter of 2024 and the first quarter of 2025: at the end of the first quarter of 2025, rental rates were up 1.2 % quarter-on-quarter and 4.3 % year-on-year. Not surprisingly, the relief provided by interest rate developments in recent months is having a positive effect on new construction projects, but the impact will be delayed due to long-term loan maturities. Although 55,400 building permits for apartments were granted in the first quarter of 2025 – representing a year-on-year increase of 3.4 % – this rise is attributable to a low comparison base and does not yet represent a genuine trend reversal.

During the reporting period, implementation of initiatives from the “Aareal Ambition” strategy programme began. In addition to up-/cross-selling measures, this includes strategic partnerships that complement our solution portfolio in a targeted manner. For example, we have entered into a sales collaboration with PensExpert GmbH, a company that can make an important contribution to increasing employer attractiveness by offering working time accounts for our clients' employees. The relevant collective bargaining conditions are in place in our clients' industries. Moreover, further initiatives are being pushed forward, such as preparations for entering the Dutch market. The long-term strategic partnership agreed towards the end of 2023 between Aareal Bank, Aareon and First Financial Software GmbH was further intensified and operationalised.

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 average volume of deposits from the housing industry remained at a very high level of € 13.7 billion in the first half of 2025 (H1 2024: € 13.8 billion), defying numerous interest rate cuts. This gives us confidence to achieve our full-year target for 2025. All in all, this reflects the strong trust our clients continue to place in Aareal Bank, despite the difficult macroeconomic and political situation. At present, around 4,000 corporate clients throughout Germany are using our process-optimising products and banking services, and the trend continues to rise. While the decline in the BDS segment's operating result was primarily driven by the lower interest rate environment, the average volume of deposits from the housing industry remains at a consistently high level.

## Financial Position and Financial Performance

### Financial performance

#### Group

##### Group result

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024 <sup>1)</sup>
€ mn		
Net interest income	473	530
Net commission income	3	-2
Loan impairment charges (LICs) <sup>2)</sup>	-116	-176
Administrative expenses (adjusted) <sup>3)</sup>	-162	-176
Other items	25	9
<b>Adjusted operating profit<sup>3)</sup></b>	<b>223</b>	<b>185</b>
Non-recurring effects	-15	-4
<b>Operating profit</b>	<b>208</b>	<b>181</b>
Income taxes	-52	-53
<b>Consolidated net income (from continuing operations)</b>	<b>156</b>	<b>128</b>
Interest on AT1 bonds	-23	-16
<b>Net profit<sup>4)</sup></b>	<b>133</b>	<b>112</b>

<sup>1)</sup> The previous year's figures only refer to those activities then presented as continuing operations (excluding non-controlling interests)

<sup>2)</sup> Including NPLs recognised at fair value through profit or loss

<sup>3)</sup> Adjusted for costs relating to efficiency measures, IT infrastructure investments and other material non-recurring effects

<sup>4)</sup> Consolidated net income allocated to ordinary shareholders

Operating profit of € 208 million for the first half of the 2025 financial year exceeded the previous year's figure of € 181 million with lower net interest income more than offset by positive earnings contributions from lower loss allowance and administrative expenses. Adjusted operating profit showed an even more pronounced increase – compared to the change in operating profit – to € 223 million (H1 2024: € 185 million). Net profit totalled € 133 million (H1 2024: € 112 million).

Net interest income faced a significant but expected decline compared to the previous year, mainly due to generally lower interest rate levels. However, net interest income still remained at a high level of € 473 million (H1 2024: € 530 million), thanks to healthy margins and a year-on-year increase in the credit portfolio.

Loan impairment charges (LICs) for new and existing defaults of € 116 million (loss allowance including € 4 million for NPLs recognised at fair value through profit or loss) were markedly below the previous year's level of € 176 million and in line with expectations for the full year. The management overlay was not increased from the previous year's level. In fact, the existing management overlay has been reduced in a total amount of € 68 million, mostly by incorporations into upgraded underlying provisioning models during the course of the first half of the year, enabling the allocation to individual exposures in Stages 1 and 2. In addition, individual exposures have been migrated to Stage 3 loss allowance. The remaining management overlay totals € 17 million. It is entirely related to the unprecedented, exceptional challenges for the US office property markets.

Adjusted administrative expenses declined from € 176 million in the previous year to € 162 million in the period under review, reflecting both our efficient cost management and the initial positive impact of our efficiency measures. Adjustments include expenses for efficiency measures implemented within the Bank, IT infrastructure investments or other material non-recurring effects and totalled approximately € 15 million in the first half of the year, with € 7 million related to efficiency measures and IT infrastructure investments and € 8 million to other material non-recurring effects, primarily for the value compensation of virtual shares related to the high 2025 dividend from the Aareon sale. At 32% (excluding the bank levy and contributions to the deposit guarantee scheme, as is customary in the banking sector, and also excluding the non-recurring effects mentioned), the cost/income ratio remained at a very low level during the first half of the 2025 financial year, even by international standards.

Other items totalled € 25 million (H1 2024: € 9 million). The increase is mainly down to the one-off gain resulting from the disposal of our own hotel operations. Other items also comprise current results from our foreclosures as well as from further subsidiaries and other entities.

All in all, operating profit for the period under review was € 208 million (H1 2024: € 181 million) and operating profit adjusted for efficiency measures, IT infrastructure investments and other material non-recurring effects amounted to € 223 million (H1 2024: € 185 million), enabling us to achieve our full-year profit targets for 2025. Taking tax expenses of € 52 million (H1 2024: € 53 million) and the pro rata temporis accrual of interest on the AT1 bond into account, net profit was € 133 million (H1 2024: € 112 million). Consequently, adjusted RoE after taxes rose from 8.0 % in the previous-year period to 9.1 % in the first half of 2025 also, being on track to reach the full-year target for 2025.

## Structured Property Financing segment

### Structured Property Financing segment result

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024 <sup>1)</sup>
€ mn		
Net interest income	353	395
Net commission income	4	1
Loan impairment charges (LICs) <sup>2)</sup>	-116	-176
Administrative expenses (adjusted) <sup>3)</sup>	-114	-128
Other items	24	11
<b>Adjusted operating profit<sup>3)</sup></b>	<b>151</b>	<b>103</b>
Non-recurring effects	-13	-4
<b>Operating profit</b>	<b>138</b>	<b>99</b>
Income taxes	-31	-27
<b>Consolidated net income (from continuing operations)</b>	<b>107</b>	<b>72</b>
Interest on AT1 bonds	-19	-14
<b>Net profit<sup>4)</sup></b>	<b>88</b>	<b>58</b>

<sup>1)</sup> The previous year's figures only refer to those activities then presented as continuing operations (excluding non-controlling interests)

<sup>2)</sup> Including NPLs recognised at fair value through profit or loss

<sup>3)</sup> Adjusted for costs relating to efficiency measures, IT infrastructure investments and other material non-recurring effects

<sup>4)</sup> Consolidated net income allocated to ordinary shareholders

Operating profit in the Structured Property Financing segment amounted to € 138 million in the first half of 2025 (H1 2024: € 99 million), clearly exceeding the previous year's figure. Adjusted operating profit of € 151 million (H1 2024: € 103 million) and net profit of € 88 million (H1 2024: € 58 million) also recorded a considerable increase.

Net interest income faced a significant but expected decline compared to the previous year, mainly due to generally lower interest rate levels. However, net interest income still remained at a high level of € 353 million (H1 2024: € 395 million), thanks to healthy margins and a year-on-year increase in the credit portfolio.

Loan impairment charges (LICs) for new and existing defaults of € 116 million (loss allowance including € 4 million for NPLs recognised at fair value through profit or loss) were markedly below the previous year's level of € 176 million and in line with expectations for the full year. The management overlay was not increased from the previous year's level. In fact, the existing management overlay has been reduced in a total amount of € 68 million, mostly by incorporations into upgraded underlying provisioning models during the course of the first half of the year, enabling the allocation to individual exposures in Stages 1 and 2. In addition, individual exposures have been migrated to Stage 3 loss allowance. The remaining management overlay totals € 17 million. It is entirely related to the unprecedented, exceptional challenges for the US office property markets.

Adjusted administrative expenses for the segment declined from € 128 million in the previous year to € 114 million in the period under review, reflecting both our efficient cost management and the initial positive impact of our implemented efficiency measures. Adjustments include expenses for efficiency measures implemented within the Bank, IT infrastructure investments or other material non-recurring effects and totalled approximately € 13 million for the Structured Property Financing segment in the first half of the year, with € 5 million related to efficiency measures and IT infrastructure investments and € 8 million to other material non-recurring effects, primarily for the value compensation of virtual shares related to the high 2025 dividend from the Aareon sale.

Other items totalled € 24 million (H1 2024: € 11 million). The increase is mainly down to the one-off gain resulting from the disposal of our own hotel operations. Other items also comprise current results from subsidiaries and other entities allocated to the segment.

All in all, operating profit for the Structured Property Financing segment was € 138 million in the period under review (H1 2024: € 99 million) while operating profit adjusted for efficiency measures, IT infrastructure investments and other material non-recurring effects amounted to € 151 million (H1 2024: € 103 million). Taking tax expenses of € 31 million (H1 2024: € 27 million) and the pro rata temporis accrual of interest on the AT1 bond into account, net profit in the segment was € 88 million (H1 2024: € 58 million).

## Banking & Digital Solutions segment

### Banking & Digital Solutions segment result

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024 <sup>1)</sup>
€ mn		
Net interest income	120	135
Net commission income	-1	-3
Loan impairment charges (LICs) <sup>2)</sup>	0	0
Administrative expenses (adjusted) <sup>3)</sup>	-48	-48
Other items	1	-2
<b>Adjusted operating profit<sup>3)</sup></b>	<b>72</b>	<b>82</b>
Non-recurring effects	-2	–
<b>Operating profit</b>	<b>70</b>	<b>82</b>
Income taxes	-21	-26
<b>Consolidated net income (from continuing operations)</b>	<b>49</b>	<b>56</b>
Interest on AT1 bonds	-4	-2
<b>Net profit<sup>4)</sup></b>	<b>45</b>	<b>54</b>

<sup>1)</sup> The previous year's figures only refer to those activities then presented as continuing operations (excluding non-controlling interests)

<sup>2)</sup> Including NPLs recognised at fair value through profit or loss

<sup>3)</sup> Adjusted for costs relating to efficiency measures, IT infrastructure investments and other material non-recurring effects

<sup>4)</sup> Consolidated net income allocated to ordinary shareholders

As expected, net interest income in the Banking & Digital Solutions segment of € 120 million declined compared to the previous year's figure of € 135 million as market interest rate levels were lower while the average deposit volume remained high.

Adjusted administrative expenses for the segment in the amount of € 48 million were stable compared to the previous year (H1 2024: € 48 million). Adjustments include expenses for efficiency measures implemented within the Bank, IT infrastructure investments or other material non-recurring effects and totalled approximately € 2 million in the first half of the year, with large portions related to IT infrastructure investments.

Other items totalled € 1 million (H1 2024: € -2 million). They comprise current results from subsidiaries and other entities allocated to the segment.

All in all, operating profit for the Banking & Digital Solutions segment was € 70 million in the period under review (H1 2024: € 82 million), while operating profit adjusted for efficiency measures, IT infrastructure investments and other material non-recurring effects amounted to € 72 million (H1 2024: € 82 million). Taking tax expenses of € 21 million (H1 2024: € 26 million) and the pro rata temporis accrual of interest on the AT1 bond into account, net profit in the segment was € 45 million (H1 2024: € 54 million).

### Financial position – assets and liabilities

Consolidated total assets of Aareal Bank Group decreased slightly to € 47.3 billion as at 30 June 2025 (31 December 2024: € 47.8 billion), reflecting the decline in the property financing portfolio.

### Property financing portfolio

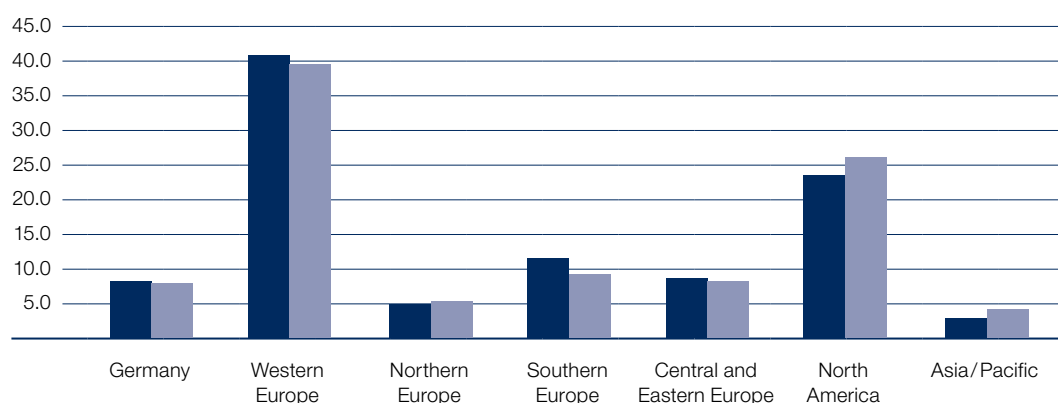
The volume of Aareal Bank Group's property financing portfolio<sup>1)</sup> stood at € 32.2 billion as at 30 June 2025 (31 December 2024: € 33.2 billion). Including former WestImmo's private client business (which is being run down) and local authority lending business, the portfolio volume amounted to € 32.4 billion (31 December 2024: € 33.5 billion). The decline was due to negative EUR/USD exchange rate effects, the underlying volumes however remained almost unchanged. Subject to these exchange rate fluctuations, we continue to target our portfolio size of between € 34 billion and € 35 billion at year-end.

As at the reporting date (30 June 2025), Aareal Bank Group's property financing portfolio was composed as shown below, compared to year-end 2024:

### Property financing volume<sup>1)</sup> (amounts drawn)

by region (%)

■ 30 Jun 2025 (100 % = € 32.2 bn) ■ 31 Dec 2024 (100 % = € 33.2 bn)

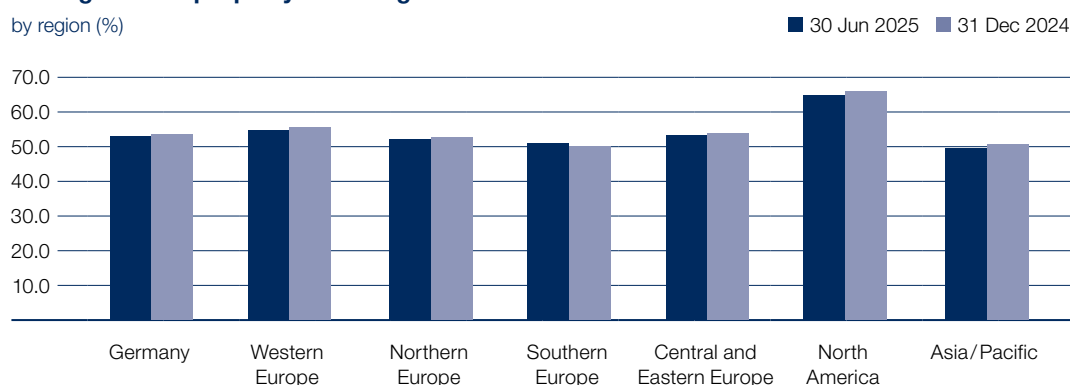


<sup>1)</sup> Excluding former WestImmo's private client business and local authority lending business

<sup>1)</sup> Excluding former WestImmo's private client business and local authority lending business

### Average LTV of property financing<sup>1)</sup>

by region (%)



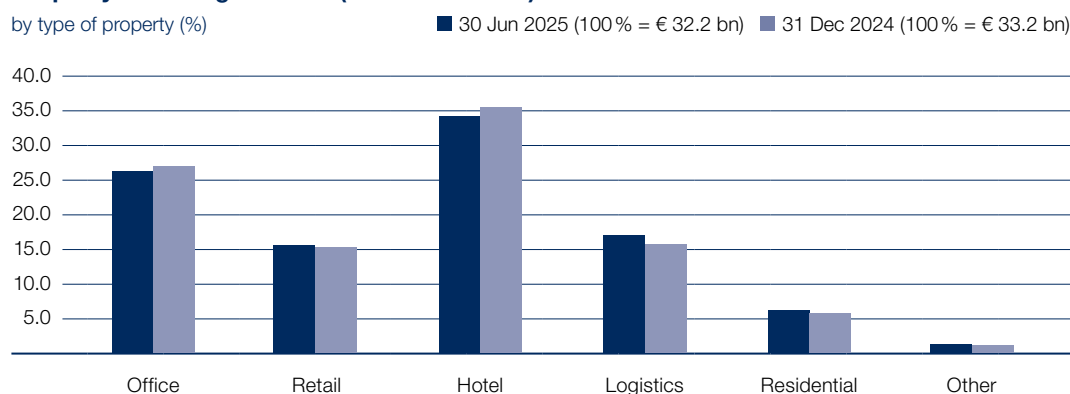
<sup>1)</sup> Excluding former Westimmo's private client business and local authority lending business

Note that the loan-to-value ratios are calculated on the basis of drawdowns and market values, including supplementary collateral with sustainable value, excluding defaulted property financings.

Portfolio allocation by region and continent also did not change significantly during the period under review. The portfolio share of exposures to Southern Europe rose by approximately 2.2 percentage points while the share of exposures to North America was down by around 2.6 percentage points, remaining relatively stable for all other regions.

### Property financing volume<sup>1)</sup> (amounts drawn)

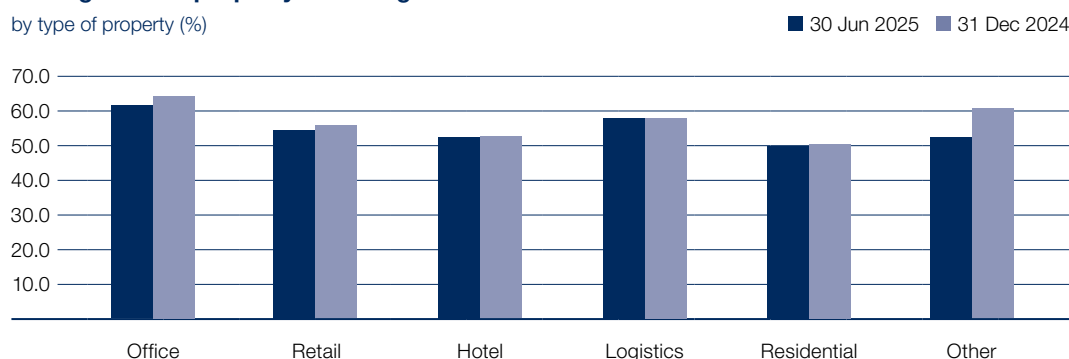
by type of property (%)



<sup>1)</sup> Excluding former Westimmo's private client business and local authority lending business

### Average LTV of property financing<sup>1)</sup>

by type of property (%)



<sup>1)</sup> Excluding former Westimmo's private client business and local authority lending business

Note that the loan-to-value ratios are calculated on the basis of drawdowns and market values, including supplementary collateral with sustainable value, excluding defaulted property financings.

The breakdown of the portfolio by property type did not change significantly either during the period under review. The share of hotel properties decreased by approximately 1.3 percentage points compared to year-end 2024, while the share of logistics properties increased by 1.3 percentage points. The share of all other property types remained almost unchanged.

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

### Treasury portfolio

Aareal Bank's Treasury portfolio has a high credit quality in terms of its rating structure; in our view it is very liquid.

As at 30 June 2025, the total nominal volume of the Treasury portfolio<sup>1)</sup> was € 9.2 billion (31 December 2024: € 8.2 billion).

In terms of asset classes, the portfolio comprises public-sector borrowers, covered bonds and a very small portion of bank bonds (financials), with the public-sector asset class accounting for the largest share of the portfolio (currently at around 67.5%). Approximately 32.5 % is allocated to covered bonds.

The high credit quality requirements are also reflected in the portfolio's rating breakdown. 99.8 % of the portfolio has an investment grade rating<sup>2)</sup>, with 89.6 % having an AAA to AA- rating.

The portfolio currently comprises almost exclusively (96 %) securities denominated in euros, and its average remaining term as at the reporting date was 4.9 years.

### Financial position – liquidity

#### Funding and equity

##### Funding

Aareal Bank Group has remained very solidly funded throughout the first half of the 2025 financial year, evidenced by its major share of long-term funding. This encompasses registered and bearer Pfandbriefe, promissory note loans, medium-term notes,

<sup>1)</sup> As at 30 June 2025, the securities portfolio was carried at € 9.4 billion (31 December 2024: € 8.4 billion).

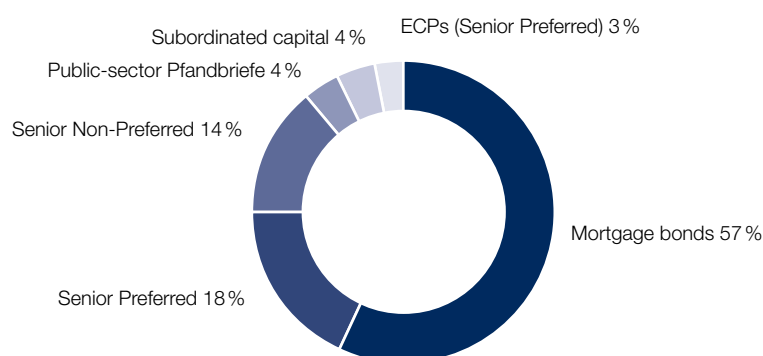
<sup>2)</sup> The rating details are based on the composite ratings.

other bonds and subordinated issues. According to its legal characteristics, we recognise European Commercial Paper (ECP) as debt even though maturities are usually less than one year. Subordinated capital includes subordinated liabilities and the Additional Tier I (AT I) bond.

As at 30 June 2025, the notional volume of the long-term refinancing portfolio was € 23.0 billion. Carrying amounts of the long-term funding portfolio totalled € 22.6 billion.

### Capital market funding mix as at 30 June 2025

% Total volume (nominal): € 23.0 bn



As at the reporting date, Aareal Bank also had € 12.8 billion at its disposal in deposits generated from the business with the housing industry (31 December 2024: € 12.2 billion). Money-market liabilities amounted to € 6.5 billion (31 December 2024: € 5.4 billion). This figure also contained € 0.8 billion in deposits from institutional investors and € 3.3 billion in retail deposits.

Aareal Bank Group successfully raised approximately € 2.1 billion on the capital markets during the first six months of 2025, including two € 750 million benchmark Pfandbriefe, a benchmark AT I transaction in the amount of USD 425 million plus a € 100 million Tier 2 issue.

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 Group's total equity as disclosed in the statement of financial position amounted to € 3,717 million as at 30 June 2025 (31 December 2024: € 5,460 million). This sharp decline reflects this year's distribution of proceeds from last year's Aareon sale.

Please also refer to the statement of changes in equity, and to the explanations provided in Note 22 of the consolidated interim financial statements for the first half of 2024.



**Regulatory Indicators<sup>1)</sup>**

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Basel IV (phase-in)</b>		
Common Equity Tier 1 (CET1) capital	2,895	2,877
Tier 1 (T1) capital	3,302	3,177
Total capital (TC)	3,981	3,793
%		
Common Equity Tier 1 ratio (CET1 ratio)	21.8	20.2
Tier 1 ratio (T1 ratio)	24.8	22.3
Total capital ratio (TC ratio)	29.9	26.6
<b>Basel IV (fully phased)</b>		
Common Equity Tier 1 ratio (CET1 ratio)	15.5	15.2

<sup>1)</sup> 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 may only be determined at Group level. In this respect, the following disclosures relate to Aareal Bank Group.

31 December 2024: including annual results for 2024 less planned dividends (which have already been distributed) and including pro rata temporis accrual of interest on the AT1 bond.

30 June 2025 (preliminary): including interim profits for 2025, deducting a planned dividend in line with the dividend policy and incorporating the pro rata accrual of interest payable on the AT1 bond.

The SREP recommendations concerning the NPL inventory were taken into account, as well as the ECB's NPL guidelines for the regulatory capital for new NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests.

The CET1 ratio (fully phased) of 15.5 % shown in the table above makes us confident to achieve the respective full-year target for 2025.

**Analysis of risk-weighted assets (RWAs)<sup>2)</sup>**

	Risk-weighted assets (RWAs)	Minimum capital requirements Total	Risk-weighted assets (RWAs)	Minimum capital requirements Total
	30 Jun 2025	30 Jun 2025	31 Dec 2024	31 Dec 2024
€ mn				
Credit risk (excluding counterparty credit risk)	10,911	872	12,211	977
Counterparty credit risk	512	41	443	35
Market risk <sup>3)</sup>	95	8	–	–
Operational risk	1,783	143	1,614	129
<b>Total</b>	<b>13,301</b>	<b>1,064</b>	<b>14,268</b>	<b>1,141</b>

<sup>2)</sup> Basel IV (phase-in)

<sup>3)</sup> 31 December 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.

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## Risk Report

### Aareal Bank Group Risk Management

The Group Management Report 2024 contains a comprehensive description of Aareal Bank Group's risk management approach, including the corresponding organisational structure and workflows in the lending and trading businesses, as well as the methods and procedures used for measuring and monitoring risk exposure. Within the scope of the present Interim Report, we briefly reiterate the key elements of our risk management, also outlining material developments during the period under review.

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. Taking this as a basis, and strictly considering the Bank's risk appetite (as defined in the Risk Appetite Framework), we have formulated detailed strategies for managing the various types of risk. These risk strategies, as well as the Bank's business strategy, are adapted to the changed environment at least once a year, adopted by the Management Board, and duly acknowledged by the Supervisory Board. Appropriate risk management and risk control processes are deployed to implement the risk strategies and to ascertain the Bank's ability to bear risk. An internal risk report regularly informs Management Board and Supervisory Board about all material risks.

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-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 I 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 opted 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%.

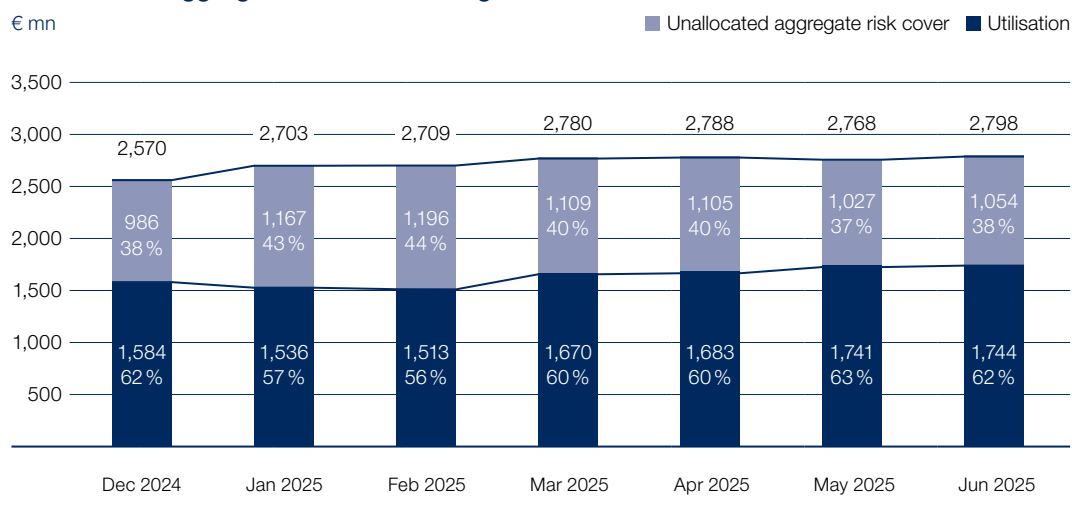
Limits for specific risk types are determined in such a way that aggregate limits do not exceed economic aggregate risk cover less a risk buffer. This risk buffer is designed, among other things, to account for risks that are not explicitly covered by limits and to also absorb other fluctuations of internal 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)

	30 Jun 2025	31 Dec 2024
€ mn		
Relevant Common Equity Tier 1 (CET1) capital	2,895	2,737
Economic adjustments	-97	-167
<b>Aggregate risk cover</b>	<b>2,798</b>	<b>2,570</b>
<b>Utilisation of aggregate risk cover</b>		
Loan loss risks	930	746
Interest rate risk in the banking book (IRRBB)	110	90
Pension risks	82	92
Market risks	287	288
Operational risks	143	129
Investment risks	26	40
Property risks	93	109
Business and strategic risks	73	90
<b>Total utilisation</b>	<b>1,744</b>	<b>1,584</b>
<b>Utilisation (% of aggregate risk cover)</b>	<b>62 %</b>	<b>62 %</b>

### Utilisation of aggregate risk cover during the course of 2025



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.

## Loan loss risk

### 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.

### Risk measurement and monitoring

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

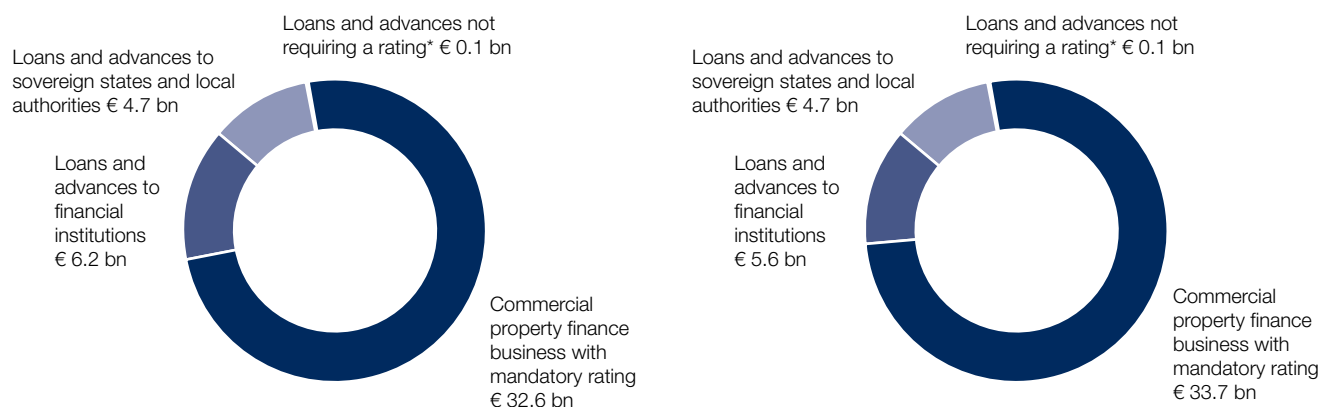
Processes in the credit and trading businesses are designed to respect the clear functional division of Sales units ("Markt") and Credit Management ("Marktfolge") up to and including senior management level. The independent Risk Controlling division is responsible for identifying, quantifying and monitoring 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.

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

by rating procedure, € bn

30 Jun 2025 | 31 Dec 2024



\* Including the private client business of former WestImmo

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

We use a credit risk 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.

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**

	30 Jun 2025					31 Dec 2024				
	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total
€ mn										
Class 1	–	–	–	–	–	–	–	–	–	–
Class 2	–	–	–	–	–	–	–	–	–	–
Class 3	244	18	–	–	<b>262</b>	297	18	–	–	<b>315</b>
Class 4	1,010	–	–	–	<b>1,010</b>	492	–	–	–	<b>492</b>
Class 5	2,940	–	–	75	<b>3,015</b>	3,087	115	–	41	<b>3,243</b>
Class 6	3,749	48	–	40	<b>3,837</b>	3,291	5	–	73	<b>3,369</b>
Class 7	7,113	246	–	–	<b>7,359</b>	7,695	403	–	–	<b>8,098</b>
Class 8	6,677	1,181	25	30	<b>7,913</b>	5,886	656	27	34	<b>6,603</b>
Class 9	3,097	1,254	–	6	<b>4,357</b>	4,484	1,332	–	6	<b>5,822</b>
Class 10	555	1,130	–	78	<b>1,763</b>	778	1,079	–	26	<b>1,883</b>
Class 11	132	298	120	–	<b>550</b>	91	460	–	–	<b>551</b>
Class 12	–	329	–	–	<b>329</b>	–	383	–	–	<b>383</b>
Classes 13-15	–	42	–	93	<b>135</b>	–	630	–	103	<b>733</b>
Defaulted	–	–	1,195	36	<b>1,231</b>	–	–	1,088	98	<b>1,186</b>
<b>Total</b>	<b>25,517</b>	<b>4,546</b>	<b>1,340</b>	<b>358</b>	<b>31,761</b>	<b>26,101</b>	<b>5,081</b>	<b>1,115</b>	<b>381</b>	<b>32,678</b>

<sup>1)</sup> fvpl = at fair value through profit or loss (in accordance with IFRSs)

**Off-balance sheet commercial property finance business with mandatory rating**

	30 Jun 2025					31 Dec 2024				
	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total
€ mn										
Classes 1-3	2	–	–	–	<b>2</b>	2	–	–	–	<b>2</b>
Class 4	2	–	–	–	<b>2</b>	27	–	–	–	<b>27</b>
Class 5	41	–	–	–	<b>41</b>	35	–	–	–	<b>35</b>
Class 6	50	–	–	–	<b>50</b>	33	–	–	–	<b>33</b>
Class 7	204	–	–	–	<b>204</b>	196	–	–	–	<b>196</b>
Class 8	131	3	–	–	<b>134</b>	127	3	–	–	<b>130</b>
Class 9	116	33	–	–	<b>149</b>	199	64	–	–	<b>263</b>
Class 10	79	23	–	2	<b>104</b>	83	62	–	2	<b>147</b>
Class 11	–	22	–	–	<b>22</b>	3	8	–	–	<b>11</b>
Classes 12-15	–	65	–	–	<b>65</b>	–	74	–	–	<b>74</b>
Defaulted	–	–	39	29	<b>68</b>	–	–	48	42	<b>90</b>
<b>Total</b>	<b>625</b>	<b>146</b>	<b>39</b>	<b>31</b>	<b>841</b>	<b>705</b>	<b>211</b>	<b>48</b>	<b>44</b>	<b>1,008</b>

<sup>1)</sup> 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**

	30 Jun 2025					31 Dec 2024				
	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total
€ mn										
Class 1	973	–	–	–	973	738	–	–	–	738
Class 2	521	–	–	–	521	145	–	–	–	145
Class 3	148	–	–	–	148	393	–	–	–	393
Class 4	55	–	–	–	55	974	–	–	–	974
Class 5	614	–	–	–	614	144	–	–	–	144
Class 6	1,266	46	–	–	1,312	429	–	–	–	429
Class 7	1,951	–	–	–	1,951	1,843	–	–	–	1,843
Class 8	222	–	–	–	222	668	–	–	–	668
Class 9	371	–	–	–	371	176	–	–	–	176
Class 10	–	–	–	–	–	14	35	–	–	49
Classes 11-18	0	–	–	–	0	0	–	–	–	0
Defaulted	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>6,121</b>	<b>46</b>	<b>–</b>	<b>–</b>	<b>6,167</b>	<b>5,524</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>5,559</b>

<sup>1)</sup> fvpl = at fair value through profit or loss (in accordance with IFRSs)

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

	30 Jun 2025					31 Dec 2024				
	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total	Stage 1	Stage 2	Stage 3	fvpl <sup>1)</sup>	Total
€ mn										
Class 1	1,655	–	–	–	1,655	1,649	–	–	–	1,649
Class 2	1,211	–	–	–	1,211	1,114	–	–	–	1,114
Class 3	371	414	–	–	785	860	–	–	–	860
Class 4	405	–	–	–	405	417	–	–	–	417
Class 5	62	23	–	–	85	93	–	–	–	93
Class 6	150	387	–	–	537	548	–	–	–	548
Class 7	1	0	–	–	1	1	–	–	–	1
Class 8	–	–	–	–	–	–	–	–	–	–
Class 9	–	–	–	–	–	–	–	–	–	–
Classes 10-20	–	–	–	–	–	–	–	–	–	–
Defaulted	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>3,855</b>	<b>824</b>	<b>–</b>	<b>–</b>	<b>4,679</b>	<b>4,682</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,682</b>

<sup>1)</sup> 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.

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In principle, Aareal Bank pursues a “buy and manage” strategy in managing its credit portfolio – with the primary objective of holding the majority of loans extended on its balance sheet until maturity; at the same time, targeted 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.

### Country risk

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.

### 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 which are sensitive to interest rates, in terms of spreads to the general yield curve (basis risk); and
- risks from explicit and implied options (option risk)

Risks from changes in Aareal Bank's specific funding spreads (funding risk) are accounted for as part of market risks.

#### 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. Calculated on a daily basis for the Group, the VaR figure factors in 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.



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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.

Intraday volatility on the interest rate and currency markets was at elevated levels in the first half of the year, especially after the US government's announcement of planned trade tariffs. These short-term outliers hardly impact total risk exposure and total risk expectations over the risk horizon; they have meanwhile returned to normalised levels.

## Pension risk

Pension risk arises 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 risk

### Definition

Market risk is 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)
- Risks from changes in Aareal Bank's specific funding spreads (funding 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 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. Calculated on a daily basis for the Group, the VaR figure factors in 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<sup>1)</sup>. The loss potential is determined by applying a 99.9 % confidence interval.

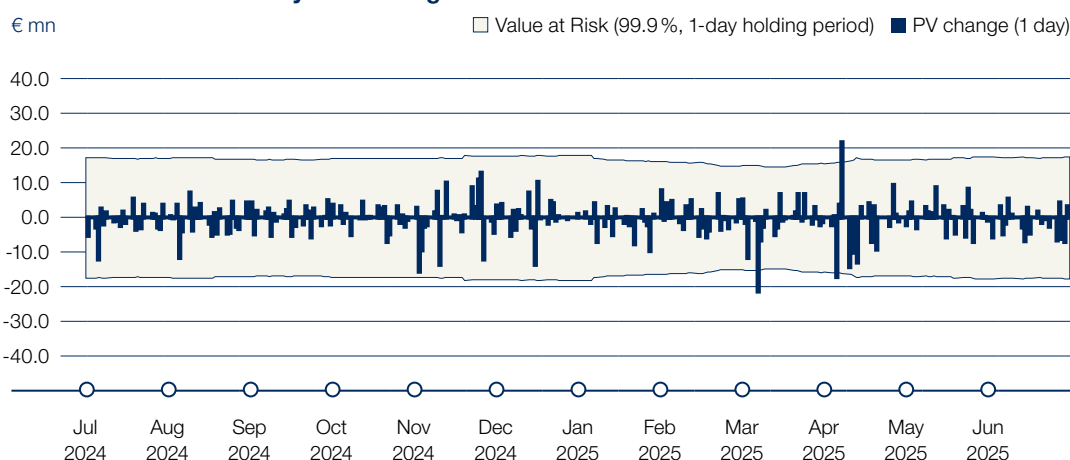
### Backtesting

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.

Two negative outliers were observed at Group level during the past 250 trading days. Intraday volatility on the interest rate and currency markets was at elevated levels in the first half of the year, especially after the US government's announcement of planned trade tariffs. These short-term outliers hardly impact total risk exposure and total risk expectations over the risk horizon; they have meanwhile returned to normalised levels.

### Present values and 1-day VaR during the course of 2024/2025



<sup>1)</sup> Historical data covering two years is used for the sub-risk type of credit spread risk.

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## Operational risk

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, model risks or risks related to information and communication technology. To the extent that they are caused by operational risks, ESG risk factors as well as reputational risks are also taken into consideration within this type of risk.

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 resorts to various risk control tools to manage operational risk. 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.

Significant operational risk events during the first half of 2025 were related to internal project costs or arose in a cybersecurity context. The financial loss incurred with all operational risk events was significantly lower than their long-term average. In particular, the measures taken have prevented negative financial effects from cyberattacks. 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 I.

## Investment risk

Aareal Bank defines investment risk as the threat of unexpected losses incurred due to an impairment of the investment's carrying amount, or due 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.

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.

## Property risk

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 subject to a regular review and assessment of their risk situation.

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 were reduced as at the reporting date due to the sale of our Italian hotel operations and the disposal of three additional properties in Italy and Spain.

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## Business and strategic risk

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 investing 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. Investing 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.

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

Investing 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 risk

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.

Treasury is responsible for managing liquidity risks, whilst Risk Controlling ensures the continuous monitoring, including preparation of a daily liquidity report, and a contribution to the monthly risk report to the entire Management Board.

## Report on Expected Developments and Opportunities

The following section should be read in the context of the other chapters of this Interim Management Report. The forward-looking statements made in this Report on Expected Developments are mostly based on estimates and conclusions that the Bank has formed using information available at the time this Interim Management Report was prepared. The statements are based on various assumptions that relate to future events and were used for Aareal Bank's corporate planning. The occurrence of these future events is subject to various uncertainties, risks and other factors, many of which are outside Aareal Bank's scope of influence. As a result, actual events may differ from the forward-looking statements made below.

## Macro-economic environment

Current and future macro-economic developments are subject to uncertainty. Even though political and geopolitical uncertainty was already high at the end of the first half of the year, an increase in these risks could impact market stability – with potentially far-reaching consequences for the economy and politics. Donald Trump's second term in the White House could continue to have serious repercussions on trade and migration, affecting economic developments in countries around the world. Risks arising from the consequences of monetary policy tightening, government indebtedness, political instability and global warming remain key issues.

During his tenure as the 47th President of the United States, Donald Trump has levied higher tariffs on imports from most trading partners. He is likely to continue his unexpected and difficult-to-predict trading policy changes which entail substantial uncertainty for companies and trading partners. The One Big Beautiful Bill Act (OBBBA) effectively authorised higher government spending and larger tax cuts, though the impact on the real economy has yet to materialise. What is clear, however, is that the OBBBA poses major challenges for the US federal budget. In addition, the tariffs imposed by the United States will prompt retaliatory measures from

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affected countries in at least some cases. A further escalation of global trade conflicts could reduce trading volumes and, with this, hamper economic growth. More restrictive immigration policies and less support for academic research could also limit access to skilled labour and undermine long-term growth prospects. All in all, Trump's unpredictable trade policy decisions are a major destabilising factor – and could lead to far-reaching consequences for financial markets and the global economy.

Geopolitical conflicts such as the ongoing Russia-Ukraine war or the war in the Middle East, which was exacerbated by the war between Israel and Iran, also pose significant risks to the global economy. While the former has caused Europe to seriously reconsider its energy security and military defence spending, the latter could still turn out to be a strong lever for oil prices and as such global inflation. What is more, these wars not only 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, indicating that companies are passing on higher prices to their customers. Higher tariffs also pose a risk: they could cause inflation to re-accelerate. This in turn could result in restrictive monetary policy being extended, especially in the United States. The impact of delayed monetary policy relief could be substantial, triggering an increase in bond yields and negative corrections on the equity and property markets. 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, as is currently being discussed by some Eurosystem central banks, could make life even more difficult for banks.

Another risk is the significant increase in government indebtedness and bond yields in many economies following the implementation or announcement of fiscal investment programmes, 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 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 industrialised countries, mainly owing to bond issues. Declining cash flows and a looming inability to make interest payments can lead to the credit quality of these bonds potentially 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 victories for populist and EU-sceptic parties in many countries. 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 not only relates to energy supply but also requires significant changes in industry, transport, construction, the property sector, 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.

On the other hand, fiscal stimulus in advanced economies, coupled with a continuation of expected monetary policy easing, provides opportunities. Productivity increases – for example by introducing digital technologies or through advancements in using AI – are another boosting factor.

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## Economy

The global economy is expected to continue along its positive real growth trajectory in 2025, even though growth rates are anticipated to lag behind those posted in 2024. Along with political uncertainty, increased trade barriers and associated supply chain disruptions continue to weigh on economic momentum, keeping risks of a further economic downturn elevated. With the exception of the US and the UK, inflation should approach target levels in many regions over the medium term.

In the euro zone, real GDP growth should slightly exceed the growth rates seen in 2024. Nevertheless, growth is expected to lose momentum in the second half of the year, as the effect of exports that had been pulled forward, supporting the first quarter, is set to decrease as businesses become more reticent regarding investment decisions. The growth in real disposable income should slow down in 2025, with deteriorated consumer confidence as well as a high level of uncertainty likely to cause consumers to increase precautionary saving and become more reluctant to spend money.

The United Kingdom is also expected to post positive real economic growth in 2025 – presumably around the levels of the euro zone. Due to a more restrictive fiscal policy and the delayed impact of earlier interest rate hikes, economic momentum should remain muted in the second half of the year. The trading agreement recently concluded between the UK and the US will not directly compensate for the initial damage caused by the trade conflict. While a material increase in unemployment is not expected, persistent uncertainties regarding the implications of the US tariffs and domestic policy reforms continue to pose downside risks for the economic outlook.

Despite ongoing trade conflicts, the US economy is expected to record positive real growth in 2025, albeit at a significantly lower level than in 2024. Economic activity will probably be subdued in the second half of the year, clearly falling short of its potential. While a material increase in unemployment is currently not expected, recession risks remain elevated over the rest of the year.

On the other side of the Pacific, Australia is also expected to post positive real economic growth in 2025 – even though negative indirect consequences from increased global trade barriers should make themselves felt, especially in the form of weaker growth for major trading partners and increasing uncertainty.

## 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. We expect elevated global long-term bond yields in the near term – an indicator for heightened risk awareness. Especially in the US, this can be partially explained by a general shift in investor preferences away from USD investments. Other key factors include fiscal pressure, debt levels, higher budget deficits and monetary policy tightening. The so far moderate economic impact from rising bond yields could increase significantly, especially if market participants continue to lose faith in the US dollar as a “safe haven”. At the same time, downside risks for lending are increasing amid tariff-related uncertainties, potentially limiting issuer access to financings, although we believe that the markets will generally remain open and accessible. That also applies to the bond and Pfandbrief markets relevant for Aareal Bank.

Higher US tariffs are unlikely to cause a long-term rise in inflation, but could lead to short-term price increases in the US – an effect that should abate by 2026. Outside of the United States, US tariffs may have a dampening effect on inflation if countermeasures taken by US trading partners remain limited or if the markets work on the assumption of weaker global growth and lower commodities prices. We expect inflation in the euro zone to average below 2% in 2025 and to decline slightly further in 2026. In the United Kingdom, temporary and external factors such as import prices and tax policy should push inflation up again in the second half of the year, before falling energy prices exert a dampening effect. The United States is also expected to see price hikes in the second half of the year in the wake of import tariffs.

Central banks in advanced economies will continue to push inflation rates back to their target levels – or keep them there – in what remains of the year, albeit at different paces. As inflation approaches target levels, central banks will increasingly focus on future macro-economic developments, in particular those resulting from trade disruptions, and adjust their monetary policy whenever and however necessary. Even though the ECB is likely to set up high hurdles for further monetary policy easing, we expect another two interest rate cuts in the remaining part of the year, aimed at supporting the economy and keeping inflation under control. The Bank of England is expected to continue to lower interest rates for the UK at every other meeting, and the Fed is likely to pursue a reactive rather than a proactive approach given the high level of uncertainty, watching and waiting on the sidelines before it acts, depending on data.

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## Sector-specific and business developments<sup>1)</sup>

### Structured Property Financing segment

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

Demand for commercial property will vary in the second half of 2025, depending on the region and property type. Since financing costs remain high, conditions for the property markets remain challenging. There are several risks and uncertainties in the macro-economic environment that could influence the market. If these risks were to increase further, the already high level of political and geopolitical uncertainties could destabilise the markets and lead to more reticence among investors. Sluggish economic development due to increasing trade policy-related conflicts could dampen demand for commercial property, while more restrictive lending standards and high borrowing costs could make investing difficult and hamper a timely recovery. 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. As a result, the interest rate increases seen since 2022 might hit some investors with a delay, leading to refinancing problems even in 2025. A loss of tenants due to negative economic developments and the resulting lower demand for utilisation could exacerbate the issue. In this context, the Bank is at a risk of increased loan defaults and higher expenses for loss allowance in the second half-year compared to the first half.

The prospects of further interest rate cuts by the large central banks, especially in Europe, is a positive factor for the commercial property sector as this would decrease capital costs and improve the situation on the financing markets. Property prices are stabilising across markets, indicating that interest rate levels seem to be increasingly reflected in property prices. Even though local market conditions and investor preferences continue to play a crucial role, declining capital costs can mitigate or even reverse the upward pressure on yields. The decrease in new construction activity is also helping to align supply with demand. However, there is a risk that a broad-based economic downturn resulting from escalating trade conflicts could pose new challenges for the commercial property markets and delay recovery. On the other hand, if economic growth remains positive, as is currently predicted, investor demand should remain intact.

For the financing markets, Aareal Bank anticipates that strong competitive pressures will persist, especially in regions (and for property types) that have already experienced high demand in recent years. The expected level of financing costs and lending standards should counteract a marked increase in loan-to-value (LTV) ratios. Nonetheless, changes in the market environment could increase the pressure on gross and net margins or lead to moderately higher LTVs. While the more attractive yield levels should make commercial properties generally more attractive and counteract another significant decline in investor demand, persistent or even increasing uncertainty is weighing on the investment climate, posing a material downside risk for transaction activity. We therefore continue to expect a low level of transaction volumes overall in 2025.

Despite the ongoing trend towards increased remote working having the potential to squeeze demand for space generally, demand for office space has stabilised somewhat recently. Many companies are asking their employees to come back to the office, and "New Work" is fuelling demand for communal areas and flexible space. While these developments fend off further declines in demand for space, future developments and impacts are likely to vary depending on the market, country and 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 drop in demand for space if other factors such as economic growth do not stand in the way. There is also the possibility that office properties that do not meet changed tenant requirements may leave the market for good, which would lead to a shortage of office supply and to stable rental levels. High-quality properties that are high in demand because of factors like location, modern amenities and ESG alignment should perform far better than the average office market; in other words, the trend towards market segmentation could gain momentum.

On average, Aareal Bank expects that persistently high interest rates and financing costs will continue to impair commercial property valuations for the remainder of the year, which could lead to further downside pressure, depending on the sub-market and property type. Although market values have already increased slightly in individual sub-markets in 2025, on average they are likely to remain

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<sup>1)</sup> Please refer to the 2024 Group Management Report for details on further material risks and opportunities for the future performance through 31 December 2025.



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under pressure over the course of the year, followed by a period of stabilisation or growth. However, market value developments will be influenced not only by the quality and location of properties, but also increasingly by compliance with sustainability criteria (ESG).

With regard to retail properties, we expect that private consumer spending will support the outlook for value-driving rental revenues. Although the revenue forecasts remain optimistic in most markets, risks remain too. That holds true especially for the consequences of the US government's protectionist stance on tariffs. Weaker labour markets and continued restrictive monetary policy could also mean that private consumption disappoints, which in turn could have a negative impact on rental growth. Low unemployment rates on the other hand should continue to mitigate negative effects on the retail segment.

While hotels saw a significant recovery in both occupancy and revenues over the past few years, depending on their respective location and segment, this recovery seems to have largely run its course as international tourism has returned to pre-pandemic levels. With real income increasing, sector fundamentals and income are set to remain healthy in the near term. Unemployment continues to be low. However, hotel revenues are unlikely to grow much more, given that room rates have already increased substantially. Whilst higher operating and personnel costs continue to have a negative effect on free cash flows, we do not see this as a fundamental threat to the hotel segment. In the US, slowing economic growth and rising geopolitical tensions could restrain international tourism, weighing on hotel revenues and increasing counterparty credit risks for financings. It is worth noting, however, that international tourists account for rather a small percentage of hotel guests in the US, with US nationals dominating the hotel market. On average, sustained high interest rates should continue to have a dampening effect on market value developments.

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. The supply of new buildings here is not keeping pace with the rise in student numbers at many university and technical college locations. In addition, this property type is considered to possess a certain resilience, especially in times of economic uncertainty, so we anticipate investor interest remaining high in this segment. In the United States, an increasingly restrictive approach to migration for international students poses a risk for this property type, while offering opportunities for other markets.

For the current year, we once again expect the market values of office properties to experience the greatest price pressure on average compared with other property types. In the medium term, however, prices should stabilise as market segmentation increases, driven by potential changes in space requirements and the increasing influence of sustainability standards. We expect underperformance from properties that fail to comply with corporate environmental and sustainability goals along with government climate targets. While this trend is clear for Europe in particular, it is less clear with the change of government in the US. However, the trend towards more sustainable office properties also gives financing providers the opportunity to be a part of the office property transformation towards a greener economy. A significant downside risk for this forecast lies in a sharper than expected decline in the market values of office properties. If the number of office properties in serious distress increased strongly, yields would rise due to higher risk premiums required, while market values would plummet.

Logistics properties continue to be assessed positively, as structural demand drivers remain in place, which should lead to positive rental performance 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 supported by a shift from just-in-time to just-in-case production. Companies are undertaking this shift in an attempt to counter supply chain challenges and prevent delays, leading to greater demand for warehouse space. The sector also benefits 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. The new US government's erratic trade and economic policies make it even harder to prepare reliable forecasts. Forecasts for property markets, especially in the US, have trended slightly downward year to date. In the US, reasons include the Fed's expected cautious stance amid economic uncertainty and the tariffs' potential impact on inflation. However, our "baseline" scenario does not anticipate a massive collapse.

To account for different potential developments, we simulate various macro-economic scenarios for the recognition of loss allowance in addition to our baseline scenario, including a scenario with a more negative outcome from trade negotiations.



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

	2024	2025	2026	2027
in %				
<b>“Baseline” scenario</b>				
Gross domestic product (in real terms, year-on-year change in %)				
Euro zone	0.8	1.1	0.8	1.7
US	2.8	1.5	1.8	2.8
UK	1.1	1.1	0.9	1.3
Unemployment (%)				
Euro zone	6.4	6.3	6.4	6.3
US	4.0	4.3	4.4	4.1
UK	4.4	4.6	4.8	4.8
Long-term interest rates (10-year government bonds) (%)				
Euro zone	3.0	3.1	3.3	3.4
US	4.2	4.6	4.5	4.2
UK	4.1	4.6	4.2	3.7
Portfolio-weighted property price development (2024 basis = 100 %)	100 %	98 %	98 %	99 %

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 expect Aareal Bank Group’s property financing portfolio volume to amount to between € 34 billion and € 35 billion by year-end, subject to exchange rate fluctuations between the euro and the USD. 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. Demand for housing will continue to outstrip supply, as excess demand has developed in some regions despite construction costs and interest rates normalising. The German government resolved a “construction turbo” programme on 18 June 2025 to accelerate approval processes, which means the number of approved permits may rise over the course of the year – provided the measures produce the desired effect.

However, 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 lower number of new building permits to date, this will increase pressure on the housing market that has already been exacerbated by the existing trend towards smaller households.

Even though the Bank’s market share in the institutional housing industry is already high, we see good opportunities throughout the remainder of 2025 for acquiring new clients and intensifying existing client relationships by continuing to invest in expanding the “Housing Industry Ecosystem”, in particular through initiatives from the “Aareal Ambition” strategy programme, e.g. strengthening the long-term strategic partnership between Aareal Bank, Aareon and First Financial Software GmbH, integrating the new sales collaboration with PensExpert GmbH – working time accounts for our clients’ employees – into the Bank’s operations, and entering the Dutch market.

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

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## Strategic focus

The “Aareal Next Level” strategy adopted in 2020 and further developed in the course of the 360-degree review 2021/22 has provided the basis for Aareal Bank’s positive development in recent years. 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 intends to expand its strategic positioning, exploiting the opportunities that present themselves in all areas of its business. Aareal Bank has also strengthened its operational resilience, as measured and reflected in its operating result, 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. For example, we have further developed the existing strategic framework with our “Aareal Ambition” strategy.

Built on Aareal Bank’s market position and solid 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 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 – adjusted for non-recurring effects and based on a reference CET I ratio (Basel IV, fully phased) of 13.5 % – to over 13 % in 2027.

## Group targets

Aareal Bank Group is managed using our key financial performance indicators. For detailed information on our management system and performance indicators, please refer to our Group Management Report 2024.

In light of the strong results achieved in the first half of 2025, Aareal Bank Group is well on track to achieve the adjusted operating profit target of between € 375 million and € 425 million plus an adjusted return on equity of between 7 % and 8 % for the full year. To date, the recent increases in market volatility have had no adverse impact on Aareal Bank Group’s strong business performance, neither did nor is it expected that the US tariff policy strategy will do.

However, the commercial property market environment is set to remain challenging over the course of the 2025 financial year. The impact of high geopolitical and macro-economic uncertainty – and therefore also the effects on the currency markets – remain difficult to predict.

In the Structured Property Financing segment, we continue to aim for new business volume (including renewals) of between € 9 billion and € 10 billion, market conditions permitting. Subject to exchange rate fluctuations between the euro and the USD, we still aim for a credit portfolio target of between € 34 billion and € 35 billion by the end of 2025.

For the Banking & Digital Solutions segment, we continue to assume that the average volume of deposits from the housing industry will be between € 13 billion and € 14 billion by year-end.

In terms of our capitalisation, we expect a Basel IV fully phased CET I ratio of significantly more than 13.5%.

# Consolidated Interim Financial Statements

## Statement of Comprehensive Income

### Income Statement<sup>1)</sup>

	Note	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn			
Interest income from financial instruments (ac and fvoci)		1,102	1,346
Interest income from financial instruments (fvpl)		19	34
Market-driven modification gains		2	0
Interest expenses for financial instruments (ac and fvoci)		-516	-725
Interest expenses for financial instruments (fvpl)		-134	-125
Market-driven modification losses		0	0
<b>Net interest income</b>	1	<b>473</b>	<b>530</b>
Loss allowance excluding credit-driven net modification gain or loss		-123	-143
Credit-driven net modification gain or loss		11	-20
<b>Loss allowance</b>	2	<b>-112</b>	<b>-163</b>
Commission income		27	23
Commission expenses		-24	-25
<b>Net commission income</b>	3	<b>3</b>	<b>-2</b>
Net gain or loss on the derecognition of financial assets (ac)		10	9
Net gain or loss on the derecognition of financial liabilities (ac)		0	0
Net gain or loss on the derecognition of financial assets (fvoci)		–	0
<b>Net derecognition gain or loss</b>	4	<b>10</b>	<b>9</b>
Net gain or loss from financial instruments (fvpl)	5	-5	-29
Net gain or loss from hedge accounting	6	-4	8
Net gain or loss from investments accounted for using the equity method		2	–
Administrative expenses	7	-177	-180
Net other operating income/expenses	8	18	8
<b>Operating profit (from continuing operations)</b>		<b>208</b>	<b>181</b>
Income taxes		-52	-53
<b>Consolidated net income (from continuing operations)</b>		<b>156</b>	<b>128</b>
Net income from sold operations	9	–	-136
<b>Consolidated net income</b>		<b>156</b>	<b>-8</b>
Consolidated net income attributable to non-controlling interests		0	-30
Consolidated net income attributable to shareholders of Aareal Bank AG		156	22

<sup>1)</sup> In accordance with IFRS 5, net income from sold operations is reported separately.

## Reconciliation from Consolidated Net Income to Total Comprehensive Income

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
<b>Consolidated net income</b>	<b>156</b>	<b>-8</b>
Items that will not be reclassified subsequently to profit or loss		
<b>Changes in the reserve from remeasurements of defined benefit plans</b>	<b>-5</b>	<b>14</b>
Remeasurements of defined benefit plans	-8	20
Taxes on remeasurements of defined benefit plans	3	-6
<b>Changes in the reserve from the measurement of equity instruments (fvoci)</b>	<b>0</b>	<b>0</b>
Gains and losses from equity instruments (fvoci)	-	-
Reclassifications to retained earnings from equity instruments (fvoci)	0	0
Taxes on gains and losses from equity instruments (fvoci)	-	-
Items that are reclassified subsequently to profit or loss		
<b>Changes in the reserve from the measurement of debt instruments (fvoci)</b>	<b>14</b>	<b>7</b>
Gains and losses from debt instruments (fvoci)	21	10
Reclassifications to the income statement from debt instruments (fvoci)	0	0
Taxes on gains and losses from debt instruments (fvoci)	-7	-3
<b>Changes in the reserve from foreign currency basis spreads</b>	<b>11</b>	<b>6</b>
Gains and losses from foreign currency basis spreads	17	9
Reclassifications to the income statement from foreign currency basis spreads	-	-
Taxes on gains and losses from foreign currency basis spreads	-6	-3
<b>Changes in currency translation reserves</b>	<b>-55</b>	<b>-1</b>
Gains and losses from translating foreign operations' financial statements	-39	-4
Reclassifications to the income statement from translating foreign operations' financial statements	-	-
Taxes on gains and losses arising from translating foreign operations' financial statements	-16	3
<b>Other comprehensive income</b>	<b>-35</b>	<b>26</b>
<b>Total comprehensive income</b>	<b>121</b>	<b>18</b>
Total comprehensive income attributable to non-controlling interests	-1	-30
Total comprehensive income attributable to shareholders of Aareal Bank AG	122	48

## Statement of Financial Position

€ mn	Note	30 Jun 2025	31 Dec 2024
<b>Assets</b>			
<b>Financial assets (ac)</b>	10	<b>39,139</b>	<b>40,428</b>
Cash funds (ac)		2,320	2,605
Loan receivables (ac)		31,826	32,611
Money market and capital market receivables (ac)		4,805	5,142
Receivables from other transactions (ac)		188	70
Loss allowance (ac)	11	-424	-402
<b>Financial assets (fvoci)</b>	12	<b>5,670</b>	<b>4,823</b>
Money market and capital market receivables (fvoci)		5,669	4,822
Equity instruments (fvoci)		1	1
<b>Financial assets (fvpl)</b>	13	<b>1,828</b>	<b>1,530</b>
Loan receivables (fvpl)		358	381
Money market and capital market receivables (fvpl)		5	5
Positive market value of designated hedging derivatives (fvpl)		581	673
Positive market value of other derivatives (fvpl)		884	471
Non-current assets held for sale	14	24	282
Investments accounted for using the equity method		74	75
Intangible assets	15	44	45
Property and equipment	16	78	79
Income tax assets		27	40
Deferred tax assets		236	274
Other assets	17	585	640
<b>Total</b>		<b>47,281</b>	<b>47,814</b>
<b>Equity and liabilities</b>			
<b>Financial liabilities (ac)</b>	18	<b>41,488</b>	<b>39,486</b>
Money market and capital market liabilities (ac)		27,879	26,557
Deposits from the housing industry (ac)		12,804	12,216
Liabilities from other transactions (ac)		54	72
Subordinated liabilities (ac)		751	641
<b>Financial liabilities (fvpl)</b>	19	<b>1,864</b>	<b>2,566</b>
Negative market value of designated hedging derivatives (fvpl)		1,000	1,057
Negative market value of other derivatives (fvpl)		864	1,509
Non-current liabilities held for sale	14	–	9
Provisions	20	153	159
Income tax liabilities		34	91
Deferred tax liabilities		1	1
Other liabilities	21	24	42
<b>Equity</b>	22	<b>3,717</b>	<b>5,460</b>
Subscribed capital		180	180
Capital reserves		721	721
Retained earnings		2,539	4,359
AT1 bond		407	300
Other reserves		-155	-121
Non-controlling interests		25	21
<b>Total</b>		<b>47,281</b>	<b>47,814</b>

## Statement of Changes in Equity

					Other reserves							
	Sub- scribed capital	Capital reserves	Retained earnings	AT1 bond	Reserve from remeasure- ments of defined benefit plans	Reserve from the measure- ment of equity instru- ments (fvoci)	Reserve from the measure- ment of debt instru- ments (fvoci)	Reserve from changes in the value of foreign currency basis spreads	Currency translation reserve	Total	Non- controlling interests	Equity
€ mn												
Equity as at 1 January 2025	180	721	4,359	300	-61	-4	-39	-30	13	5,439	21	5,460
Total comprehensive income for the period	–	–	156	–	-5	0	14	11	-54	122	-1	121
Consolidated net income	–	–	156	–	–	–	–	–	–	156	0	156
Other comprehensive income	–	–	–	–	-5	0	14	11	-54	-34	-1	-35
Payments to non- controlling interests	–	–	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	-1,941	–	–	–	–	–	–	-1,941	–	-1,941
AT1 coupon			-35	–	–	–	–	–	–	-35	–	-35
AT1 issue			–	407	–	–	–	–	–	407	–	407
AT1 repayment			–	-300	–	–	–	–	–	-300	–	-300
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	5	5
Other changes	–	–	–	–	–	–	–	–	–	–	–	–
Equity as at 30 June 2025	180	721	2,539	407	-66	-4	-25	-19	-41	3,692	25	3,717

	Sub- scribed capital	Capital reserves	Retained earnings	AT1 bond	Other reserves				Currency translation reserve	Total	Non- con- trolling interests	Equity
					Reserve from remeasure- ments of defined benefit plans	Reserve from the measure- ment of equity instru- ments (fvoci)	Reserve from the measure- ment of debt instru- ments (fvoci)	Reserve from changes in the value of foreign currency basis spreads				
€ mn												
<b>Equity as at 1 January 2024</b>	<b>180</b>	<b>721</b>	<b>2,128</b>	<b>300</b>	<b>-86</b>	<b>-4</b>	<b>-18</b>	<b>-22</b>	<b>-4</b>	<b>3,195</b>	<b>105</b>	<b>3,300</b>
Total comprehensive income for the period	–	–	22	–	13	0	7	6	0	<b>48</b>	-30	<b>18</b>
Consolidated net income	–	–	22	–	–	–	–	–	–	<b>22</b>	-30	<b>-8</b>
Other comprehensive income	–	–	–	–	13	0	7	6	0	<b>26</b>	0	<b>26</b>
Payments to non- controlling interests	–	–	–	–	–	–	–	–	–	–	-2	<b>-2</b>
Dividends	–	–	–	–	–	–	–	–	–	–	–	–
AT1 coupon	–	–	-33	–	–	–	–	–	–	<b>-33</b>	–	<b>-33</b>
AT1 issue	–	–	–	–	–	–	–	–	–	–	–	–
AT1 repayment	–	–	–	–	–	–	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	-5	–	–	–	–	–	–	<b>-5</b>	3	<b>-2</b>
<b>Equity as at 30 June 2024</b>	<b>180</b>	<b>721</b>	<b>2,112</b>	<b>300</b>	<b>-73</b>	<b>-4</b>	<b>-11</b>	<b>-16</b>	<b>-4</b>	<b>3,205</b>	<b>76</b>	<b>3,281</b>

## Statement of Cash Flows (condensed)

	2025	2024
€ mn		
<b>Cash and cash equivalents as at 1 January</b>	<b>2,605</b>	<b>977</b>
Cash flow from operating activities	1,390	733
Cash flow from investing activities	113	86
Cash flow from financing activities	-1,788	-138
<b>Total cash flow</b>	<b>-285</b>	<b>681</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>2,320</b>	<b>1,658</b>



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## Notes (condensed)

### Basis of Accounting

#### Legal framework

Aareal Bank AG is a public limited company incorporated under German law, with its registered office in Wiesbaden, Germany. It is the parent company of an international property finance and services group, and registered under no. HRB 13184 in the Commercial Register at the local court in Wiesbaden, Germany (Amtsgericht Wiesbaden). It is majority-owned by Atlantic BidCo GmbH, which in turn is a subsidiary of Lux HoldCo S.à r.l.

This half-yearly financial report for the period ended 30 June 2025 was prepared pursuant to the provisions of section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – “WpHG”) in conjunction with section 117 no. 2 of the WpHG and was approved for publication by the Management Board on 29 July 2025. It comprises the present condensed consolidated interim financial statements, as well as an interim group management report.

Aareal Bank AG prepares its condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRSs) applicable within the European Union (EU) as at the reporting date, in connection with the provisions pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch – “HGB”). In particular, the consolidated interim financial statements comply with the requirements for interim financial reporting set out in IAS 34. The reporting currency is the euro (€).

#### Reporting entity structure

Subsidiaries of Aareal Bank AG are included in the consolidated financial statements by way of full consolidation. Companies over which Aareal Bank AG may exercise a significant influence (“associates”) are included in the consolidated financial statements, using the equity method. The present interim report is based on the same consolidation methods as were applied in the consolidated financial statements 2024.

Two companies were derecognised from the reporting entity structure during the period under review.

Within the scope of the sale of its Italian hotel operations to an external investor, Aareal Bank sold 100% of its shares in the two Italian subsidiaries La Sessola S.r.l. and La Sessola Service S.r.l. in April 2025. The preliminary selling price is € 131 million.

There were no other material changes to the reporting entity structure.

#### Accounting policies

Unless specifically indicated otherwise, the accounting policies applied in preparation of the consolidated financial statements 2024 were also applied in preparation of these condensed consolidated interim financial statements, including the calculation of comparative figures.

The following amended financial reporting standard (IASs/IFRSs) was required to be applied for the first time in the reporting period:

- **IAS 21 Lack of Exchangeability**

The amendments to IAS 21 require an entity to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The new or revised standards did not have any material consequences for the consolidated financial statements of Aareal Bank Group.

## Notes to the Statement of Comprehensive Income

### (1) Net interest income

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Interest income from financial assets (ac and fvoci)	1,102	1,346
Loan receivables	980	1,179
Money market and capital market receivables	122	167
Interest income from financial liabilities (ac)	–	–
Money market and capital market liabilities	–	–
Deposits from the housing industry	–	–
Interest income from financial instruments (fvpl)	19	34
Loan receivables	10	18
Other derivatives	9	16
Market-driven modification gains	2	0
<b>Total interest and similar income</b>	<b>1,123</b>	<b>1,380</b>
Interest expenses from financial liabilities (ac)	-516	-725
Money market and capital market liabilities	-437	-639
Deposits from the housing industry	-58	-77
Liabilities from other transactions	-1	0
Subordinated liabilities	-20	-9
Interest expenses for financial assets (ac and fvoci)	–	–
Cash funds	–	–
Money market and capital market receivables	–	–
Interest expenses for financial instruments (fvpl)	-134	-125
Other derivatives	-134	-125
Market-driven modification losses	0	0
<b>Total interest and similar expenses</b>	<b>-650</b>	<b>-850</b>
<b>Total</b>	<b>473</b>	<b>530</b>

Net interest income faced a significant but expected decline compared to the previous year, mainly due to generally lower interest rate levels. However, net interest income still remained at a high level of € 473 million (H1 2024: € 530 million), thanks to healthy margins and a year-on-year increase in the credit portfolio.

### (2) Loss allowance

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Additions	242	256
Reversals	-115	-109
Recoveries on loans and advances previously written off	-4	-3
Loss allowance – other items	–	-1
Credit-driven net modification gain or loss	-11	20
<b>Total</b>	<b>112</b>	<b>163</b>

Loss allowance of € 112 million for new and existing defaults was markedly below the previous year's level of € 163 million and in line with expectations for the full year. The management overlay was not increased from the previous year's level. In fact, the existing management overlay has been reduced in a total amount of € 68 million, mostly by incorporations into upgraded underlying provisioning models during the course of the first half of the year, enabling the allocation to individual exposures in Stages 1 and 2 (€ 44 million). In addition, individual exposures have been migrated to Stage 3 loss allowance (approximately € 20 million). The remaining management overlay totals € 17 million. It is entirely related to the unprecedented, exceptional challenges for the US office property markets. To adequately reflect these difficult market conditions, the weight of the stress scenario for the calculation of loss allowance for US office financings with reduced yield on debt was adjusted from 20 % to 65 %. Furthermore, the methodology for calculating the management overlay for US office properties was reviewed, which did not give rise to any adjustments to the methodology compared to the end of 2024.

Please also refer to Note (11).

### (3) Net commission income

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Commission income from		
recurring services	6	5
non-recurring services	–	–
banking business and other activities	21	18
<b>Total commission income</b>	<b>27</b>	<b>23</b>
Commission expenses for		
purchased services	–	–
banking business and other activities	-24	-25
<b>Total commission expenses</b>	<b>-24</b>	<b>-25</b>
<b>Total</b>	<b>3</b>	<b>-2</b>

The commission income generated in the Banking & Digital Solutions segment was offset by commission expenses from the strategic partnership with Aareon and First Financial Software GmbH. Net commission income remained relatively stable and amounted to € 3 million (H1 2024: € -2 million).

### (4) Net derecognition gain or loss

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
<b>Net gain or loss on the derecognition of financial assets (ac)</b>		
Loan receivables	10	9
Money market and capital market receivables	–	–
<b>Net gain or loss on the derecognition of financial liabilities (ac)</b>		
Money market and capital market liabilities	0	0
<b>Net gain or loss on the derecognition of financial assets (fvoci)</b>		
Money market and capital market receivables	–	0
<b>Total</b>	<b>10</b>	<b>9</b>

As in the previous year, the net derecognition gain of € 10 million (H1 2024: € 9 million) was mainly the result of positive market-driven effects from early loan repayments.

**(5) Net gain or loss from financial instruments (fvpl)**

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Net gain or loss from loan receivables	4	-9
Net gain or loss from money market and capital market receivables	0	-1
Net gain or loss from other derivatives	-4	-20
Currency translation	-5	1
<b>Total</b>	<b>-5</b>	<b>-29</b>

Net gain or loss from financial instruments fvpl resulted primarily from the currency translation of financial assets and liabilities. In the previous year, credit risk-induced measurement losses of defaulted property loans, especially in the US, contributed to the result.

**(6) Net gain or loss from hedge accounting**

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Ineffective portion of fair value hedges	-5	8
Ineffective portion of net investment hedges	1	0
<b>Total</b>	<b>-4</b>	<b>8</b>

As in the previous year, the net gain or loss from hedge accounting of € -4 million (H1 2024: € 8 million) was mainly due to ineffectiveness of fair value hedges, of which promissory note loans accounted for the largest share.

**(7) Administrative expenses**

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Staff expenses	94	98
Wages and salaries	79	84
Social security contributions	11	10
Pensions	4	4
Other administrative expenses	74	74
Depreciation, amortisation and impairment of property and equipment and intangible assets	9	8
<b>Total</b>	<b>177</b>	<b>180</b>

Administrative expenses were slightly lower than in the previous year, thanks to strict cost control.

**(8) Net other operating income/expenses**

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Income from properties	16	22
Income from the reversal of provisions	1	2
Income from goods and services	–	–
Other operating income	31	26
<b>Total other operating income</b>	<b>48</b>	<b>50</b>
Expenses for properties	-18	-34
Expenses for other taxes	-6	-5
Other operating expenses	-6	-3
<b>Total other operating expenses</b>	<b>-30</b>	<b>-42</b>
<b>Total</b>	<b>18</b>	<b>8</b>

Net other operating income/expenses amounted to € 18 million (H1 2024: € 8 million) and mainly comprised the one-off gain resulting from the disposal of our own hotel operations in Italy. In the previous year the figure had included reversals of provisions.

**(9) Net income from sold operations (Aareon)<sup>1)</sup>**

	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn		
Net interest income	–	-28
Loss allowance	–	0
Net commission income	–	184
Net gain or loss from financial instruments (fvpl)	–	–
Net gain or loss from investments accounted for using the equity method	–	–
Administrative expenses	–	305
Net other operating income/expenses	–	2
<b>Operating profit</b>	<b>–</b>	<b>-147</b>
Income taxes	–	-11
<b>Net income from sold operations</b>	<b>–</b>	<b>-136</b>

The item “Net income from sold operations” shown for the previous year (€ -136 million) relates to the sale of the Aareon sub-group.

<sup>1)</sup> IFRS 5 requires the separate presentation of net income from sold operations, as well as a breakdown of revenue, expenses, profit or loss and related income taxes, in a separate note to the financial statements.

## Notes to the Statement of Financial Position

### (10) Financial assets (ac)

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Cash funds (ac)</b>	<b>2,320</b>	<b>2,605</b>
Cash on hand	0	0
Balances with central banks	2,320	2,605
<b>Loan receivables (ac)</b>	<b>31,826</b>	<b>32,611</b>
Property loans	31,582	32,391
Public-sector loans	175	198
Other loan receivables	69	22
<b>Money market and capital market receivables (ac)</b>	<b>4,805</b>	<b>5,142</b>
Money market receivables	1,109	1,523
Promissory note loans	1,083	1,111
Bonds	2,613	2,508
<b>Receivables from other transactions (ac)</b>	<b>188</b>	<b>70</b>
Trade receivables	7	8
Other financial receivables	181	62
<b>Total</b>	<b>39,139</b>	<b>40,428</b>

### (11) Loss allowance (ac)

	Stage 1	Stage 2	Stage 3	Receivables from other transactions (ac)	Total loss allowance (ac)
€ mn					
<b>Position as at 1 January 2025</b>	<b>40</b>	<b>149</b>	<b>209</b>	<b>3</b>	<b>401</b>
Additions	17	56	166	0	<b>239</b>
Utilisation	–	–	-75	0	<b>-75</b>
Reversals	-15	-83	-11	0	<b>-109</b>
Transfer to Stage 1	2	-2	–	–	<b>–</b>
Transfer to Stage 2	-3	4	-1	–	<b>–</b>
Transfer to Stage 3	–	-24	24	–	<b>–</b>
Interest rate effect	–	–	20	–	<b>20</b>
Currency adjustments	-1	-13	-23	0	<b>-37</b>
Transfers	–	–	-15	–	<b>-15</b>
<b>Position as at 30 June 2025</b>	<b>40</b>	<b>87</b>	<b>294</b>	<b>3</b>	<b>424</b>

Loss allowance for financial assets measured at amortised cost refers to loan receivables, money and capital market receivables as well as receivables from other transactions (largely trade receivables) that are measured at amortised cost.

	Stage 1	Stage 2	Stage 3	Receivables from other transactions (ac)	Total loss allowance(ac)
€ mn					
<b>Position as at 1 January 2024</b>	<b>38</b>	<b>83</b>	<b>304</b>	<b>3</b>	<b>428</b>
Additions	11	48	187	1	247
Utilisation	–	–	-138	0	-138
Reversals	-7	-38	-59	0	-104
Transfer to Stage 1	2	-2	–	–	–
Transfer to Stage 2	-2	8	-6	–	–
Transfer to Stage 3	-1	-5	6	–	–
Interest rate effect	–	–	12	–	12
Currency adjustments	0	2	8	0	10
Transfers	–	–	-48	-1	-49
<b>Position as at 30 June 2024</b>	<b>41</b>	<b>96</b>	<b>266</b>	<b>3</b>	<b>406</b>

## (12) Financial assets (fvoci)

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Money market and capital market receivables (fvoci)</b>	<b>5,669</b>	<b>4,822</b>
Bonds	5,669	4,822
<b>Equity instruments (fvoci)</b>	<b>1</b>	<b>1</b>
Equities and other non-fixed income securities	0	0
Other investments	1	1
<b>Total</b>	<b>5,670</b>	<b>4,823</b>

## (13) Financial assets (fvpl)

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Loan receivables (fvpl)</b>	<b>358</b>	<b>381</b>
Property loans	358	381
<b>Money market and capital market receivables (fvpl)</b>	<b>5</b>	<b>5</b>
Fund units	5	5
<b>Positive market value of designated hedging derivatives (fvpl)</b>	<b>581</b>	<b>673</b>
Positive market value of fair value hedges	545	673
Positive market value of net investment hedges	36	–
<b>Positive market value of other derivatives (fvpl)</b>	<b>884</b>	<b>471</b>
Positive market value of economic hedging derivatives	569	153
Positive market value of other derivatives	315	318
<b>Total</b>	<b>1,828</b>	<b>1,530</b>

**(14) Non-current assets and obligations held for sale**

€ 24 million of non-current assets held for sale are attributable to a property loan in Finland (which accounts for aggregate additions to loss allowance of € 10 million in the first half of the 2025 financial year). This loan was completely sold in July 2025, just after the reporting date.

Aareal Bank does not have any non-current liabilities held for sale following the disposal of its own hotel operations in Italy.

**(15) Intangible assets**

	30 Jun 2025	31 Dec 2024
€ mn		
Goodwill	9	9
Proprietary software	29	31
Other intangible assets	6	5
<b>Total</b>	<b>44</b>	<b>45</b>

**(16) Property and equipment**

	30 Jun 2025	31 Dec 2024
€ mn		
Land and buildings and construction in progress	70	70
Office furniture and equipment	8	9
<b>Total</b>	<b>78</b>	<b>79</b>

**(17) Other assets**

	30 Jun 2025	31 Dec 2024
€ mn		
Properties	504	550
Contract assets	–	–
Miscellaneous	81	90
<b>Total</b>	<b>585</b>	<b>640</b>

Property holdings were reduced as at the reporting date due to the disposal of several properties.



**(18) Financial liabilities (ac)**

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Money market and capital market liabilities (ac)</b>	<b>27,879</b>	<b>26,557</b>
Money market liabilities	6,329	5,439
Promissory note loans	2,473	2,617
Mortgage Pfandbriefe	12,909	12,385
Public-sector Pfandbriefe	888	1,011
Other debt securities	5,153	5,104
Other financial liabilities	127	1
<b>Deposits from the housing industry (ac)</b>	<b>12,804</b>	<b>12,216</b>
Payable on demand	8,847	8,365
Term deposits	3,957	3,851
<b>Liabilities from other transactions (ac)</b>	<b>54</b>	<b>72</b>
Trade payables	19	21
Other liabilities	35	51
<b>Subordinated liabilities (ac)</b>	<b>751</b>	<b>641</b>
<b>Total</b>	<b>41,488</b>	<b>39,486</b>

**(19) Financial liabilities (fvpl)**

	30 Jun 2025	31 Dec 2024
€ mn		
<b>Negative market value of designated hedging derivatives (fvpl)</b>	<b>1,000</b>	<b>1,057</b>
Negative market value of fair value hedges	1,000	1,022
Negative market value of net investment hedges	0	35
<b>Negative market value of other derivatives (fvpl)</b>	<b>864</b>	<b>1,509</b>
Negative market value of economic hedging derivatives	122	667
Negative market value of other derivatives	742	842
<b>Total</b>	<b>1,864</b>	<b>2,566</b>

**(20) Provisions**

	30 Jun 2025	31 Dec 2024
€ mn		
Provisions for pensions and similar obligations	25	8
Provisions for unrecognised lending business	15	19
Other provisions	113	132
<b>Total</b>	<b>153</b>	<b>159</b>

Changes in the discount rate applicable to pensions require a revaluation of the amount of obligations. This is recognised directly in other comprehensive income, under changes in the reserve from defined benefit plans. The discount rate was 3.74 % as at 30 June 2025 (31 December 2024: 3.44 %).

**(21) Other liabilities**

	30 Jun 2025	31 Dec 2024
€ mn		
Lease liabilities	13	12
Deferred income	0	1
Liabilities from other taxes	10	24
Contract liabilities	–	–
Miscellaneous	1	5
<b>Total</b>	<b>24</b>	<b>42</b>

**(22) Equity**

	30 Jun 2025	31 Dec 2024
€ mn		
Subscribed capital	180	180
Capital reserves	721	721
Retained earnings	2,539	4,359
AT1 bond	407	300
Other reserves		
Reserve from remeasurements of defined benefit plans	-66	-61
Reserve from the measurement of equity instruments (fvoci)	-4	-4
Reserve from the measurement of debt instruments (fvoci)	-25	-39
Reserve from foreign currency basis spreads	-19	-30
Currency translation reserves	-41	13
Non-controlling interests	25	21
<b>Total</b>	<b>3,717</b>	<b>5,460</b>

Equity was reduced in the period under review, reflecting the distribution of proceeds from last year's Aareon sale. The item "Reserve from the measurement of debt instruments (fvoci)" includes loss allowance of € 0 million (31 December 2024: € 0 million).

**Treasury shares**

No treasury shares were held during the period under review.

**Distributions**

The Annual General Meeting held on 7 March 2025 resolved that € 1,941,312,740.00 of the total net retained profit (Bilanzgewinn) of € 2,440,400,000.00 for the 2024 financial year, determined in accordance with German Commercial law, be distributed as dividends and that the residual amount of € 499,087,260.00 be carried forward. The distribution has been made.

In addition, on 30 April 2025, the Management Board resolved on a distribution in relation to the AT1 instruments, in accordance with the terms and conditions of the notes.

Within Aareal Bank Group's consolidated statement of financial position, a distribution on the AT1 bond reduces the retained earnings item within consolidated equity.

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## Notes to Financial Instruments

A detailed description of the system in place at Aareal Bank Group to measure, limit, and manage risks throughout the Group is presented in the Risk Report as part of the Interim Group Management Report. The disclosures on the description and the extent of risks arising from financial instruments in accordance with IFRS 7 are included (in part) in the Risk Report as well.

### (23) Determination of fair value

The determination of fair value is governed by IFRS 13 and applies to both financial instruments and non-financial assets or liabilities. In accordance with IFRS 13.9, the fair value is defined as the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction under current market conditions at the measurement date. The determination of the fair value is based on the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Another factor to be taken into account is whether Aareal Bank can enter into a transaction for the relevant asset or liability at the price in that market at the measurement date. The principal market is the market with the greatest volume and the highest level of activity for the asset or liability to which Aareal Bank has access. The most advantageous market is the market that maximises the amount that would be received to sell the asset, or minimises the amount that would be paid to transfer the liability.

#### Fair value hierarchy

In accordance with IFRS 13.72 et seqq., the fair value determination is based on the fair value hierarchy pursuant to which the inputs used are classified into various hierarchy levels on the basis of their respective market proximity and objectivity. The fair value of assets and liabilities is allocated to Level 1 of the fair value hierarchy if it is determined on the basis of unadjusted qualifying prices in active markets for identical assets or liabilities. Fair values determined using inputs other than qualifying prices included within Level 1 that are observable for the financial instrument, either directly or indirectly, are included in Level 2 of the fair value hierarchy. Fair values determined using valuation techniques where one or more material inputs are not based on observable market data are assigned to Level 3 of the fair value hierarchy. The estimation uncertainties as regards fair value measurement increase the higher the level is.

#### Measurement methods

The property and public-sector loans included in loan receivables are measured using the discounted cash flow method for the purpose of the determination of fair value. Discounting of future cash flows of a transaction is based on transaction-specific risk-adjusted interest rates. These are derived on the basis of a virtually risk-free market interest rate for each currency depending on the relevant term, taking into account add-ons for risks specific to the counterparty as well as credit costs. In the case of loans subject to fixed interest rates, the contractually agreed payments are used as future cash flows. The future cash flows for floating-rate loans are derived using the future forward interest rates, taking into account the relevant spread for customer-specific terms and conditions. In the case of defaulted loans, future cash flows are reduced by the expected losses.

Debt securities and promissory note loans for which no current market price is available in an active market are measured through an analysis of future payments using the fully-capitalised earnings value approach, where the inputs are based on observable market data to the extent possible. These approaches include the discounted cash flow (DCF) method which is used to determine the present value of contractual cash flows until the expected end of the term. The present value is determined based on the benchmark curve applicable for the relevant market, taking into account mark-ups based on credit quality and liquidity. The valuation model used for options included in the transaction is the commonly used Black-Scholes model or numerical procedures.

In the case of unquoted financial investments in equity instruments, the costs of acquisition may also be the best estimate of fair value. Their recoverability is reviewed regularly.

The fair value of OTC derivatives is determined on the basis of sector-specific standardised measurement models, such as the present value method or option pricing models. These techniques are based on inputs of active markets, such as interest rates, yield curves and credit spreads. The fair value of foreign exchange forwards is generally based on current forward exchange rates quoted on active markets. Since the derivatives are part of highly effective collateral agreements (Credit Support Annex to the ISDA Master Agreement

and Collateral Annex to the German Master Agreement on Financial Derivatives Transactions) which are each subject to a master collateralisation agreement, measurement adjustments to reflect any potential counterparty credit risk or own credit risk (CVA and DVA) are not required for reasons of materiality. The Bank uses the overnight interest rate swap curve (OIS curve) for the measurement of derivatives secured by cash collateral.

Amortised cost is an adequate estimate of fair value for cash funds, other loan receivables as well as short-term money market receivables and liabilities.

## (24) Fair value hierarchy in accordance with IFRS 13

The carrying amounts of financial instruments held by Aareal Bank Group which are reported at fair value in the statement of financial position are presented in the following table according to the three-tier fair value hierarchy pursuant to IFRS 13.72 et seq. The presentation is made for each class of financial instrument:

### 30 June 2025

	Total fair value	Fair value level 1	Fair value level 2	Fair value level 3
€ mn				
<b>Financial assets (fvoci)</b>	<b>5,670</b>	<b>5,045</b>	<b>624</b>	<b>1</b>
Money market and capital market receivables (fvoci)	5,669	5,045	624	–
Equity instruments (fvoci)	1	–	0	1
<b>Financial assets (fvpl)</b>	<b>1,828</b>	<b>1</b>	<b>1,465</b>	<b>362</b>
Loan receivables (fvpl)	358	–	–	358
Money market and capital market receivables (fvpl)	5	1	–	4
Positive market value of designated hedging derivatives (fvpl)	581	–	581	–
Positive market value of other derivatives (fvpl)	884	–	884	–
<b>Financial liabilities (fvpl)</b>	<b>1,864</b>	<b>–</b>	<b>1,864</b>	<b>–</b>
Negative market value of designated hedging derivatives (fvpl)	1,000	–	1,000	–
Negative market value of other derivatives (fvpl)	864	–	864	–

### 31 December 2024

	Total fair value	Fair value level 1	Fair value level 2	Fair value level 3
€ mn				
<b>Financial assets (fvoci)</b>	<b>4,823</b>	<b>4,741</b>	<b>81</b>	<b>1</b>
Money market and capital market receivables (fvoci)	4,822	4,741	81	–
Equity instruments (fvoci)	1	–	0	1
<b>Financial assets (fvpl)</b>	<b>1,530</b>	<b>1</b>	<b>1,144</b>	<b>385</b>
Loan receivables (fvpl)	381	–	–	381
Money market and capital market receivables (fvpl)	5	1	–	4
Positive market value of designated hedging derivatives (fvpl)	673	–	673	–
Positive market value of other derivatives (fvpl)	471	–	471	–
<b>Financial liabilities (fvpl)</b>	<b>2,566</b>	<b>–</b>	<b>2,566</b>	<b>–</b>
Negative market value of designated hedging derivatives (fvpl)	1,057	–	1,057	–
Negative market value of other derivatives (fvpl)	1,509	–	1,509	–

During the first six months of the 2025 financial year, financial assets (fvoci) of € 87 million were transferred from Level 1 to Level 2; none were transferred from Level 2 to Level 1.

The fair values of loan receivables recognised at fair value in the statement of financial position that are assigned to Level 3 of the fair value hierarchy developed as follows during the period under review:

#### Loan receivables (fvpl)

	2025	2024
€ mn		
<b>Fair value as at 1 January</b>	<b>381</b>	<b>255</b>
<b>Change in measurement</b>	<b>38</b>	<b>-4</b>
<b>Portfolio changes</b>		
Additions	8	301
Derecognition	-69	-1
Deferred interest	0	1
<b>Fair value as at 30 June</b>	<b>358</b>	<b>552</b>

Financial instruments held in the Bank's portfolio contributed € 37 million to the net gain or loss from financial assets (fvpl) (H1 2024: € -12 million).

Regarding loan receivables (fvpl), the add-ons for risks specific to the counterparty represent the material input parameter not observable in the market. Regarding non-defaulted loans, an increase/decrease by 1 % would lead to a decrease/increase of the fair value by approximately € 4 million (H1 2024: approximately € 5 million).

#### (25) Comparison of carrying amounts and fair values of financial instruments

The fair values of financial instruments are compared with their carrying amounts (including loss allowance) in the following table. The presentation is made for each class of financial instrument:

	30 Jun 2025 Carrying amount	30 Jun 2025 Fair Value	31 Dec 2024 Carrying amount	31 Dec 2024 Fair Value
€ mn				
<b>Financial assets (ac)</b>	<b>38,715</b>	<b>38,962</b>	<b>40,025</b>	<b>40,159</b>
Cash funds (ac)	2,320	2,320	2,605	2,605
Loan receivables (ac)	31,407	31,795	32,213	32,516
Money market and capital market receivables (ac)	4,804	4,664	5,141	4,973
Receivables from other transactions (ac)	184	183	66	65
<b>Financial assets (fvoci)</b>	<b>5,669</b>	<b>5,670</b>	<b>4,823</b>	<b>4,823</b>
Money market and capital market receivables (fvoci)	5,668	5,669	4,822	4,822
Equity instruments (fvoci)	1	1	1	1
<b>Financial assets (fvpl)</b>	<b>1,828</b>	<b>1,828</b>	<b>1,530</b>	<b>1,530</b>
Loan receivables (fvpl)	358	358	381	381
Money market and capital market receivables (fvpl)	5	5	5	5
Positive market value of designated hedging derivatives (fvpl)	581	581	673	673
Positive market value of other derivatives (fvpl)	884	884	471	471
<b>Financial liabilities (ac)</b>	<b>41,488</b>	<b>41,400</b>	<b>39,486</b>	<b>39,252</b>
Money market and capital market liabilities (ac)	27,879	27,780	26,557	26,315
Deposits from the housing industry (ac)	12,804	12,804	12,216	12,216
Liabilities from other transactions (ac)	54	54	72	71
Subordinated liabilities (ac)	751	762	641	650
<b>Financial liabilities (fvpl)</b>	<b>1,864</b>	<b>1,864</b>	<b>2,566</b>	<b>2,566</b>
Negative market value of designated hedging derivatives (fvpl)	1,000	1,000	1,057	1,057
Negative market value of other derivatives (fvpl)	864	864	1,509	1,509

## Segment Reporting

### (26) Segment results<sup>1)</sup>

	Structured Property Financing		Banking & Digital Solutions		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2024
€ mn								
Net interest income	353	395	120	135	0	0	473	530
Loss allowance	-112	-163	0	0		0	-112	-163
Net commission income	4	1	-1	-3	0	0	3	-2
Net derecognition gain or loss	10	9					10	9
Net gain or loss from financial instruments (fvpl)	-5	-28	0	-1			-5	-29
Net gain or loss from hedge accounting	-4	8					-4	8
Net gain or loss from investments accounted for using the equity method			2				2	
Administrative expenses	-127	-132	-50	-48	0	0	-177	-180
Net other operating income/expenses	19	9	-1	-1	0	0	18	8
<b>Operating profit (from continuing operations)</b>	<b>138</b>	<b>99</b>	<b>70</b>	<b>82</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>181</b>
Income taxes	-31	-27	-21	-26			-52	-53
<b>Consolidated net income (from continuing operations)</b>	<b>107</b>	<b>72</b>	<b>49</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>156</b>	<b>128</b>
Net income from sold operations						-136		-136
<b>Consolidated net income</b>	<b>107</b>	<b>72</b>	<b>49</b>	<b>56</b>	<b>0</b>	<b>-136</b>	<b>156</b>	<b>-8</b>
Consolidated net income attributable to non-controlling interests	0	0	0	0		-30	0	-30
Consolidated net income attributable to shareholders of Aareal Bank AG	107	72	49	56	0	-106	156	22
Allocated equity <sup>2)</sup>	2,168	1,632	371	415	642	830	3,181	2,877
RoE after taxes (%) <sup>3)4)</sup>	8.1	7.0	24.3	26.9			8.4	7.8
<b>Employees (average)</b>	<b>779</b>	<b>816</b>	<b>399</b>	<b>385</b>			<b>1,178</b>	<b>1,201</b>
<b>Segment assets</b>	<b>33,529</b>	<b>31,128</b>	<b>13,752</b>	<b>13,843</b>		<b>1,318</b>	<b>47,281</b>	<b>46,289</b>

<sup>1)</sup> Presentation in line with the structure prescribed by IFRS 5.

<sup>2)</sup> For management purposes, the allocated equity is calculated for both segments on the basis of a standardised capital requirement pursuant to Basel IV (fully phased) of 13.5 %.

<sup>3)</sup> On an annualised basis

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

Commission income from contracts with clients (revenue within the meaning of IFRS 15) is allocated to the segments as follows:

	Structured Property Financing		Banking & Digital Solutions		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024	1 Jan – 30 Jun 2025	1 Jan – 30 Jun 2024
€ mn								
Recurring services			6	5			6	5
Non-recurring services								
Banking business and other activities	9	6	12	12			21	18
<b>Total</b>	<b>9</b>	<b>6</b>	<b>18</b>	<b>17</b>			<b>27</b>	<b>23</b>

## Other Notes

### (27) Contingent liabilities and loan commitments

	30 Jun 2025	31 Dec 2024
€ mn		
Contingent liabilities	140	150
Loan commitments	1,186	1,334
of which: irrevocable	949	1,099

### (28) Employees

The number of Aareal Bank Group employees is shown below:

	30 Jun 2025 <sup>1)</sup>	Average 1 Jan – 30 Jun 2025 <sup>2)</sup>	31 Dec 2024 <sup>1)</sup>	Average 1 Jan – 31 Dec 2024 <sup>2)</sup>
Salaried employees	1,134	1,139	1,158	1,159
Executives	38	39	40	42
<b>Total</b>	<b>1,172</b>	<b>1,178</b>	<b>1,198</b>	<b>1,201</b>
of which: part-time employees	190	187	192	193

<sup>1)</sup> This number does not include 0 employees of the hotel business (31 December 2024: 57 employees).

<sup>2)</sup> This number does not include 129 employees of the hotel business (1 January to 31 December 2024: 213 employees).

### (29) Related party disclosures in accordance with IAS 24

No new transactions with related parties occurred during the reporting period. Existing transactions with related parties amounted to € 2 million, relating to a perpetual subordinated bond that was repaid during the reporting period.

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### **(30) Events after the interim reporting period**

On 11 July 2025, the upper house of German parliament (Bundesrat) approved, and as such passed, the Law for an Immediate Tax Investment Programme to Strengthen Germany as a Business Location. One material change that will also impact Aareal Bank's future financial position and performance is the gradual five-step reduction in the corporation tax rate. A one percentage point cut each year will bring down the tax rate from 15 % in the 2028 assessment period to 10 % in 2032. This will gradually lead to tax reliefs in the low single-digit millions for Aareal Bank each year from 2028 onwards. At the same time, this future tax rate adjustment already has a direct impact on the measurement of deferred taxes today, as – from the next reporting dates onwards – deferred taxes will be measured using the expected tax rate. This will lead to tax burdens in the mid-single-digit millions for Aareal Bank in 2025.

There were no other material events after the reporting period which would require reporting here.



## (30) Executive bodies of Aareal Bank AG

### Supervisory Board

#### Jean Pierre Mustier<sup>1) 2)</sup>

Chairman of the Supervisory Board  
Former CEO of UniCredit S.p.A. and former President  
of the European Banking Federation

#### Henning Giesecke<sup>2) 3) 4)</sup>

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

#### Denis Hall<sup>3) 4) 5)</sup>

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

#### Petra Heinemann-Specht<sup>2) 3) 4) 6)</sup>

Aareal Bank AG

#### Barbara Knoflach<sup>1) 4) 5)</sup>

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

#### Hans-Hermann Lotter<sup>1) 2) 3)</sup>

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<sup>1) 5)</sup>

Chairwoman of the Technology and Innovation Committee  
Former Chief Executive Officer and Managing Director  
of GFT Technologies SE

#### Klaus Novatius<sup>1) 2) 6)</sup>

Deputy Chairman of Aareal Bank AG's  
Supervisory Board

#### Maximilian Rinke<sup>2) 3) 4)</sup>

Senior Managing Director of Centerbridge Partners, L.P.

#### José Sevilla Álvarez<sup>1) 3) 4) 5)</sup>

Chairman of the Risk Committee  
Former Chief Executive Officer of Bankia S.A.

#### Sascha Schmitt<sup>5) 6)</sup>

Aareal Bank AG

#### Markus Zywitza<sup>5) 6)</sup>

Aareal Bank AG

### Management Board

#### Dr Christian Ricken

Chairman of the Management Board

#### Nina Babic

Member of the Management Board

#### Andrew Halford

Member of the Management Board

#### Christof Winkelmann

Member of the Management Board

<sup>1)</sup> Member of the Executive and Nomination Committee; <sup>2)</sup> Member of the Remuneration Control Committee; <sup>3)</sup> Member of the Audit Committee;  
<sup>4)</sup> Member of the Risk Committee; <sup>5)</sup> Member of the Technology and Innovation Committee; <sup>6)</sup> Elected by employees

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## Responsibility Statement

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

Wiesbaden, 29 July 2025

### The Management Board



Dr Christian Ricken



Nina Babic



Andrew Halford



Christof Winkelmann

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## Review Report

### To Aareal Bank AG, Wiesbaden

We have reviewed the condensed interim consolidated financial statements of the Aareal Bank AG, Wiesbaden – comprising Balance sheet as of 30 June 2025, statement of comprehensive income, statement of changes in equity, cash flow statement - condensed - and the notes - condensed - – together with the interim group management report of the Aareal Bank AG, Wiesbaden, for the period from 1 January to 30 June 2025 that are part of the semi annual (quarterly financial report) according to § 115 WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and in accordance with International Accounting Standards IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and in accordance with IAS 34, “Interim Financial Reporting Standard” as issued by the IASB, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and in accordance with IAS 34, “Interim Financial Reporting” as issued by the IASB, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt/Main, 1 August 2025

**KPMG AG**  
**Wirtschaftsprüfungsgesellschaft**

<b>Winner</b>	<b>Thiede</b>
<b>Wirtschaftsprüfer</b>	<b>Wirtschaftsprüfer</b>
<b>(German Public Auditor)</b>	<b>(German Public Auditor)</b>

# Offices

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# Financial Calendar

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13 November 2025

Publication of results as at 30 September 2025

## Imprint

### **Contents:**

Aareal Bank AG

### **Layout:**

S/COMPANY · Die Markenagentur GmbH

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This report is also available in German.



**Aareal Bank  
Group**

