Interim Report Aareal Bank Group

1 January to
30 June 2026

Aareal

YOUR COMPETITIVE ADVANTAGE.

Key Indicators

	1 Jan – 30 Jun 2026	1 Jan – 30 Jun 2025
Results		
Adjusted operating profit (€ mn)[1]	208	223
Operating profit (€ mn)	199	208
Net profit (€ mn)[2,4]	126	133
Cost/income ratio (%)[3]	31.4	32.0
Earnings per ordinary share (€)[4,5]	2.12	2.23
Adjusted RoE after taxes (%)[1,4,6]	8.3	9.1

	30 Jun 2026	31 Dec 2025
Statement of Financial Position		
Property finance (€ mn)	34,414	34,336
Equity (€ mn)	3,824	3,752
Total assets (€ mn)	48,550	46,853
Regulatory Indicators[7]		
Basel IV (phase-in)		
Risk-weighted assets (€ bn)	14.2	13.1
Common Equity Tier 1 ratio (CET1 ratio) (%)	20.8	22.2
Tier 1 ratio (T1 ratio) (%)	23.7	25.3
Total capital ratio (TC ratio) (%)	28.3	30.3
Basel IV (fully phased)		
Common Equity Tier 1 ratio (CET1 ratio) (%)	15.6	15.5
Employees	1,169	1,167

	30 Jun 2026	31 Dec 2025
Moody's		
Issuer rating	Baa1	Baa1
Senior Preferred	Baa1	Baa1
Senior Non-Preferred	Baa3	Baa3
Bank deposit rating	Baa1	Baa1
Outlook	stable	stable
Mortgage Pfandbrief Rating	Aaa	Aaa
Fitch Ratings		
Issuer default rating	A-	BBB
Senior Preferred	A-	BBB+
Senior Non-Preferred	BBB	BBB
Deposit ratings	A-	BBB+
Outlook	positive	positive
ESG Ratings[8]		
MSCI	A	A
ISS-ESG	prime (C)	prime (C)
CDP	Management Level C	Management Level C

[1] Adjusted for costs for efficiency measures, IT infrastructure investments and other material non-recurring effects
[2] Consolidated net income allocated to ordinary shareholders
[3] 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.
[4] The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
[5] Without taking into account non-controlling interest income
[6] On an annualised basis
[7] 31 December 2025: including profits for 2025 less dividends (which have already been distributed) and including accrual of interest on the AT1 bond.
30 June 2026 (preliminary): including interim profits for 2026, deducting a planned dividend in line with the dividend policy and incorporating the 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 inspections.
[8] Please refer to our website (https://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

Interim Group Management Report

Report on the Economic Position

Macroeconomic environment

Even though the environment remained challenging and fraught with geopolitical tensions, the global economy as a whole proved to be resilient in the first half of 2026, albeit with clear repercussions from the conflict in the Middle East. Global economic activity was initially solid at the beginning of the year until the economic consequences of the conflict between the USA, Israel and Iran – and the resulting disruptions on the energy and transport markets – increasingly came to the fore. This was particularly the case with disrupted shipping in the Strait of Hormuz, a central transport route for fossil fuels and fertiliser. As well as this, the resulting increase in oil and energy prices impacted the global economic environment and increased price pressure along the value chains in numerous economies. Nonetheless, the broader economic effects have remained manageable to date. In addition, the sustained AI investment boom had a stabilising effect on the economic environment by cushioning the negative repercussions of the energy price shock in parts of the global economy.

The following economic data on the macroeconomic environment is based on the most recent figures available to us. For the most part, this comes 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 declined by 0.2 % in the first quarter of 2026 compared with the previous quarter, followed by a 0.4 % increase during the second quarter. All in all, economic output in the first half of 2026 was up 0.5 % year-on-year. The still-robust labour market performance helped to stabilise private consumption despite inflation-related loss of purchasing power, while geopolitical uncertainty and supply-side factors had a dampening effect on economic momentum. 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. Of the largest euro zone countries, Spain recorded the greatest year-on-year increase in economic output in the first half of 2026 with 2.7 %, followed by Italy and France with 0.8 % each. In Germany, economic output increased by a mere 0.4 % year-on-year.

Economic developments also varied in selected non-euro zone EU member states. Real economic output in Sweden increased by 2.0 % year-on-year, and by 2.0 % and 3.6 % in the Czech Republic and Poland, respectively.

The United Kingdom recorded slightly higher growth than the euro zone, due mainly to a strong first quarter. At the end of the first six months, real gross domestic product was 0.9 % higher than in the same period of the previous year. Overall, growth continued to be impacted by restrictive monetary and fiscal policies and increased inflation. Even though private consumption was stabilised by a lower savings ratio, it was still under pressure from real income losses. Investment activity remained dampened by low profitability, high financing costs and continued uncertainty.

Macroeconomic activity in the USA was robust in the first half of 2026. Economic output grew by 0.5 % in the first quarter, followed by 0.5 % in the second, while real gross domestic product in the first half of 2026 was 2.5 % higher than in the corresponding prior-year period. Here, growth was driven not only by still-solid domestic demand but above all by high investment momentum in the corporate sector. Particularly of note here is the ongoing expansion of AI-related infrastructure, which has led to a rise in equipment investments and a marked increase in expenditure on software, data centres, and research and development. Real gross domestic product in Canada stagnated in the first quarter of 2026 before increasing by 0.6 % in the second quarter. Overall, economic output in the first half of 2026 was up 0.4 % on the same period of the previous year.

Labour markets in the advanced economies remained resilient overall in the first half of 2026. The labour market in the euro zone remained robust despite geopolitical headwinds. In the year to date, there have been indications of momentum on the UK labour market slowing. This can be seen for example in the moderate decrease of job vacancies and a largely stagnating employment. The same applies to the US, where the labour market remained robust but has recently become increasingly balanced. Based on most recent data available, the unemployment rate stood at 6.2 % in the euro zone, at 4.9 % in the UK and at 4.2 % in the United States during the reporting period.

Financial and capital markets, monetary policy and inflation

In the first half of 2026, the international financial markets were significantly impacted by the conflict in the Middle East, rising energy prices and growing geopolitical uncertainty, but without any serious disruption being caused. For their part, the bond markets were dominated by ongoing inflation risks and uncertainty about the monetary policy of the major central banks. Against this background, long-term government bond yields remained high in the US in particular; in the UK, increased risk premiums and growing market uncertainty also contributed to higher yield levels. For the most part, the major central banks viewed the energy price-related increase in inflation as a supply-side shock and geared their monetary policy decisions primarily towards the medium-term effects of this shock and towards possible second-round effects. In this connection, they were generally cautious and relied heavily on data – this was reflected for example in the deferred expectations of interest rate cuts. The equity markets presented a diverse picture. While US performance was boosted by investment-driven growth in the technology sector, the weaker economic momentum and higher energy prices in Europe had a negative impact there. All in all, the financial markets remained more volatile and more sensitive to changes in the risk environment.

In the first half of 2026, the ECB Governing Council made cautious adjustments to its monetary policy in response to the increased inflationary pressure resulting from rising energy prices and to the growing uncertainty on account of the Middle East conflict. After leaving key interest rates unchanged in March and April, it decided to increase them by 25 basis points in June. At the same time, the ECB Governing Council reaffirmed its data-dependent, meeting-to-meeting approach without committing to a specific interest rate path. Interest rates for the deposit facility, main refinancing operations and the marginal lending facility were most recently increased to 2.25 %, 2.40 % and 2.65 %, respectively.

In the first six months of 2026, the US Federal Reserve (Fed) adopted a wait-and-see monetary policy approach and left the target range for its key interest rate unchanged at 3.50 % – 3.75 %. According to the Fed, this was because economic activity was still solid, the labour market remained largely stable and inflation rates were persistently high. More recently, it also emphasised the increase in energy prices worldwide and the high degree of uncertainty in connection with developments in the Middle East.

The Bank of England also left its key interest rate unchanged at 3.75 %. While the decision in February was still due above all to continued disinflation and easing price and wage pressure, supply-side shocks became increasingly important as of March, as a result of the conflict in the Middle East as well as the rising energy prices and the inflation risks arising from these.

Other major central banks also pursued different monetary policy approaches in some cases. Both the Bank of Canada and Sweden's Riksbank kept their key interest rates constant at 2.25 % and 1.75 %, respectively. By contrast, the Reserve Bank of Australia increased its key interest rate to 4.35 % in several stages.

After the first six months of 2026, short-term interest rates in most of the currency areas under review were unchanged from, or slightly above, the levels seen at the end of 2025, with more pronounced increases recorded in particular for the Australian dollar and the euro. Short-term US dollar interest rates rose, while they remained virtually unchanged for the Swedish krona and the Canadian dollar. There was no change for the British pound. Long-term interest rates showed a more mixed picture: Pound sterling and US dollar yields in particular rose, while only a slight yield increase was observed for the Australian dollar. In the euro zone, long-term yields remained virtually unchanged compared with the end of 2025. By contrast, the Swedish krona and, to a lesser extent, the Canadian dollar saw declines in long-term interest rates. In the year to date, yields on 10-year government bonds developed with interim fluctuations, some of which were substantial. All in all, the changes were limited compared with the end of 2025. While the yields on German, French, Italian and Spanish government bonds were largely on a par with the previous year, UK and US government bonds experienced noticeable increases.

Inflation in the euro zone was initially moderate in the first half of 2026 before prices began to surge as of the spring. This was due above all to the sharp increase in energy prices resulting from geopolitically related supply risks and higher procurement costs in connection with the tensions in the Middle East, which increasingly manifested themselves through import prices and supply chains.

Core inflation also increased but without the same dynamic as overall inflation; this means that the increase in inflation can be attributed for the most part to energy prices. Inflationary pressure also increased in the US in the first half of 2026. Having been moderate at the start of the year, the pace of price increases stepped up noticeably, driven primarily by the sharp rise in energy prices, especially fuel. Core inflation increased at a more moderate pace, with marked differences between individual price components. In the UK, inflationary pressure eased off somewhat compared with the beginning of the year, but still remained above the target level of 2 %. At the end of the first half of 2026, the annual inflation rate in the UK stood at 2.8 %, followed by 2.8 % in the euro zone and 3.5 % in the US.

Sector-specific developments and business performance

The differentiation and allocation of our Structured Property Financing and Banking & Digital Solutions segments are presented in the 2025 Group Management Report. There were no changes to the definition of the segments compared to 2025.

Structured Property Financing segment

The commercial property markets continued to be challenging during the first half of 2026. While the sustained high interest rates and the escalation of the war in Iran both had a negative impact, the transaction markets remained resilient at first but lost momentum in the course of the second quarter. This indicates a sensitivity to macroeconomic developments and the resulting implications for inflation and also to monetary policy uncertainty.

Global transaction volumes were up by around 12 % year-on-year in the first half of 2026. While volumes in Europe were down by around 17 %, transaction volumes in the Asia/Pacific region and North America increased by 26 % and 17 %, respectively. As regards property types, offices, logistics and retail properties increased in volume, while hotels saw slight decreases.

The closure of the Strait of Hormuz following the outbreak of the war in Iran led to a sharp increase in energy prices. This meant that central banks were faced with a challenging conflict of goals, having to choose between combating inflation and stabilising growth. The higher overall interest rate levels had a direct impact, pushing up financing costs and making conditions for investment more difficult. At the same time, increased inflation risks led to greater volatility along the yield curve. These long-term interest rate fluctuations created difficulties in the pricing process and had a dampening effect on transaction activity in the commercial property market.

The aforementioned risks were also offset by stabilising influences, as the economy as a whole remained robust and labour markets in the US and the euro zone were still stable. The decline in new construction activity in many commercial property markets also had a stabilising effect given the limited supply of new space. At the same time, the liquidity on the financing market as a whole was retained, even though the perception of risk among investors was higher. 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 that have sustainability features remained in demand.

In the office segment, there has been a significant rise in investments in key gateway cities. This indicates that investors are increasingly returning to those markets that had experienced substantial price declines in the previous cycle. Transaction dynamics in many office markets are still being significantly hampered by stubbornly challenging valuation multiples and by diverging price expectations among buyers and sellers. At the same time, there was a clear polarisation on the market, with prime properties in central locations performing well above average, while demand for lower-quality properties remained muted.

Aareal Bank generated new business of € 4.7 billion in the first half of the year, which was on a par with the previous year. New business (including renewals) is largely in line with projections and therefore likely to meet our annual forecast for 2026, which is between € 10 and 12 billion. After a quiet start to the year, new business picked up momentum in the second quarter. Newly originated loans totalled € 2.9 billion during the first half of the year (H1 2025: € 2.8 billion). Aareal Bank concluded new green financing business of around € 1.9 billion by the end of June; the portfolio volume of green financings rose by a total of € 0.9 billion to approximately € 12.2 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.

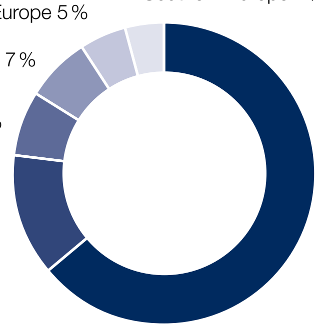
At around 86 %, the highest proportion of the new business volume was generated in Europe (H1 2025: 81 %), followed by Asia at 7 % (H1 2025: 2 %). 7 % of new business was entered into in North America during the first half of 2026 (H1 2025: 17 %).[1]

As regards property type, around 31 % of new business was attributable to hotels. Logistics and residential properties accounted for 19 % each, followed by retail properties with 16% and office properties with a share of 15 %. Logistics properties accounted for 31% of newly-originated loans, followed by hotel properties (20 %), retail properties (around 19 %) and office and residential properties, with 15% each.

New business[1] 1 Jan – 30 Jun 2026

by region, (%)

Total volume: € 4.7 bn



* Incl. Germany

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

Aareal Bank Group's commercial property finance portfolio stood at € 34.4 billion as at 30 June 2026, at a comparable level to the end of the previous year (31 December 2025: € 34.3 billion), and was therefore within the scope of our expectations. This means that we are in line with our portfolio target of around € 34 billion for 2026 as a whole, applying constant exchange rates.

Europe

Transaction volumes in Europe decreased by around 17 % year-on-year during the first half of 2026. This was also observed in individual major markets of the region such as Germany, France, Italy and the United Kingdom, while Poland, Sweden and Spain saw an increase in transaction activity compared with the same period of the previous year. All in all, transaction volumes were lower year-on-year across all property types observed, with decreases observed in office, logistics, retail and hotel properties.

Average rents in the prime office property segment rose slightly during the first half of 2026. Certain sub-markets, such as London, saw more significant increases as well, while average rents in Paris, Stockholm and Warsaw remained stable. Average vacancy rates were also stable, with only slight changes in the first half of 2026 compared with 2025 year-end levels. As before, peripheral locations in most major European cities tended to have higher vacancy rates than central locations. In the case of retail properties, average rents for Europe increased on the main shopping streets, while rents for shopping centres remained stable. Here, rent development varied between different regions and segments. For instance, prime rents on the main shopping streets of Milan enjoyed considerable growth and shopping centres in Stockholm with prime rents also saw substantial increases. Average prime rents for logistics proper-

[1] 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.

ties in Europe remained stable. At sub-market level, increases were observed in UK locations and in the greater Hamburg area. At the same time, the vacancy rates in this segment remained low on average but increased again slightly.

In the first half of 2026, the average prime yields for office buildings hardly changed at all – this was also reflected in the majority of sub-markets and, for the most part, in secondary locations as well. As regards retail properties, prime yields for both shopping centres and high-street properties in Europe remained stable on average, which was generally the case in secondary locations as well. A slight yield compression was observed in the case of shopping centres in Spanish sub-markets. On average, logistics properties in Europe also recorded stable yields, although performance tended to vary from region to region. Yields fell slightly in Helsinki but rose marginally in London and in the southwest of England.

A slight increase in overnight stays was recorded in Europe in the first half of 2026, which can be attributed in part to the rise in business travel. The European hotel sector continued to be affected by staff shortages, although there have been initial signs of improvement. The volume of overnight stays was slightly up year-on-year in most European countries, including Poland, France and Spain. In Germany, overnight stays were roughly equivalent to the same period in the previous year. 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 Madrid, Barcelona and Warsaw. Milan experienced strong growth in revenue per available room, which was mainly driven by the Winter Olympics. By contrast, key figures stagnated in Berlin and fell slightly in Brussels.

Within this challenging environment, Aareal Bank succeeded in generating strong new business volume of € 4.1 billion in Europe during the first half of the year (H1 2025: € 3.8 billion), most of which was in Western Europe with a focus on the United Kingdom. This was followed by – in descending order – Central and Eastern, Northern and Southern Europe.

North America

Transaction volumes in North America grew by around 17 % year-on-year in the first half of 2026, remaining stable for retail properties and hotels compared with the previous year, while growing significantly for office and logistics properties.

Rents offered for prime and secondary office properties in major US cities remained stable in the first half of 2026. This stability was also in evidence in relevant sub-markets such as New York, Chicago and Boston. The Miami and San Francisco office markets recorded slight increases in asking rents. Vacancy rates remained stable on average across the country – even though vacancies fell marginally in New York and San Francisco, they rose slightly in the Los Angeles office market. This means that, on the whole, vacancy rates appear to be stabilising after increasing for years. Average shopping mall rents in the USA remained stable in the first six months of 2026. While asking rents increased slightly in the Dallas sub-market, they declined in New York. 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 have remained stable in the year to date – both on the national average and in New York, San Francisco and Chicago. By contrast, a slight fall in yields was registered in Miami. The average yield for retail and logistics properties across the country remained constant.

Owing to geopolitical disruption, tighter entry conditions and the US administration's aggressive foreign policy rhetoric, there was a slight fall in the number of international tourists travelling to the USA in the first half of the year. At the same time, the weak value of the US dollar at present compared with many other currencies means that the country is a more affordable destination for overseas visitors. In the US, room prices in the luxury and upper upscale category increased on average compared with the first half of 2025, while occupancy rates remained stable. Overall, this led to solid year-on-year growth in revenue per available room in this category. A positive, albeit slightly weaker trend can also be seen in the overall market, which includes all hotel categories. In Canada, key hotel indicators grew significantly compared with the same period in the previous year. Here, too, growth in the luxury segment was higher than in the market as a whole.

In North America, new business in the amount of € 0.3 billion (H1 2025: € 0.8 billion) was generated – this refers to renewals in the US. Here, the focus was on hotels; new business with office properties was only generated on a very selective basis and exclusively in connection with existing financing arrangements.

Asia/Pacific

Transaction volumes for commercial property in the Asia/Pacific region increased by around 26 % during the first half of 2026 compared with the same period in the previous year. Likewise, transaction volumes in Australia were up by 13 %. Volume increases were evident across all major property types.

Prime rents for logistics properties in Australia increased in most sub-markets, while remaining largely stable in Sydney and Adelaide. Yields trended sideways on the whole, but with slight increases being recorded in Perth and Adelaide.

In the first half of 2026, travel within the APAC region was hampered by air travel problems and higher prices as a result of the war in Iran. At the same time, catch-up effects in Chinese foreign tourism continued to provide positive impetus, allowing many East and Southeast Asian countries to record year-on-year growth in visitor figures despite the challenging environment. By contrast, visitors to the Maldives fell by 5 % due to disrupted flight routes from Europe via hubs in the Middle East. In total, just under one million foreign tourists visited the island nation in the first half of 2026. This state of affairs has led to marked declines in occupancy rates in hotels on the Maldives, although this was offset by rising room rates. In Australia, all key markets recorded an increase in revenue per available room, usually due to higher occupancy rates and prices. This was also the case in New Zealand's hotel markets but with even higher growth.

Aareal Bank originated new business of € 0.3 billion in Asia/Pacific in the first half of the year (H1 2025: € 0.1 million).

Banking & Digital Solutions segment

For the Banking & Digital Solutions segment, the residential and commercial property sectors in Germany once again proved to be stable market segments in the first half of 2026. The rent level continued to grow in Q1 2026. However, with quarter-on-quarter growth of +0.6 % and year-on-year growth of +3.5 %, it was lower than in the previous year. The recent slightly positive trend in the number of construction permits for new homes continued in the first quarter. Here, a total of 63,500 homes were approved between January and March 2026, 14.6 % more than in the corresponding prior-year quarter.

Further initiatives from the Aareal Ambition strategy programme were also implemented during the reporting period. In the interests of stepping up internationalisation, a local team was set up to assist with sales activities in the Netherlands and a representative office was opened in Amsterdam. The market entry strategy also includes integrating the Bank's solutions into local ERP systems. A cooperation agreement with TwinQ, an ERP provider belonging to Aareon Nederlands B.V., was signed at the Provada real estate trade fair in Amsterdam. The existing strategic partnership between Aareal Bank, Aareon and First Financial Software GmbH in the German-speaking market was further intensified, meaning that the BK01 functions are now also available in the HausPerfekt and Powerhaus ERP systems and can be used by small and medium-sized property managers. The solution for tenancy bonds distributed digitally by our subsidiary PlusForta GmbH has been well received on the market and is now used by over 100,000 private customers.

We continued to offer attractive interest rates to our clients and to secure new deposit volumes (including from new clients) for various deposit categories. The segment's average volume of deposits from the housing industry increased significantly in the first half of 2026 compared with the same period of the previous year, amounting to € 14.7 billion (H1 2025: € 13.7 billion). Including retail deposits of around € 2.8 billion, average total deposit volume amounted to approximately € 17.5 billion (H1 2025: € 16.9 billion). This means that we are confident of reaching our annual forecast for 2026, i.e. an average deposit volume from the housing industry of around € 15 billion. All in all, this reflects the high level of trust that 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 numbers are continuing to grow. Operating profit in the BDS segment increased year-on-year even though the level of investment was higher due to the Aareal Ambition strategy programme.

Financial Position and Financial Performance

Financial performance

Group

Group result

€ mn	1 Jan – 30 Jun 2026	1 Jan – 30 Jun 2025
Net interest income	474	473
Net commission income	-7	3
Loan impairment charges (LICs)[1]	-127	-116
Administrative expenses (adjusted)[2]	-155	-162
Other items	23	25
Adjusted operating profit[2]	**208**	**223**
Non-recurring effects	-9	-15
Operating profit	**199**	**208**
Income taxes	-54	-52
Consolidated net income	**145**	**156**
Interest on the AT1 bond	-19	-23
Net profit[3]	**126**	**133**

[1] Including credit-related changes in the value of non-performing financial instruments (fvpl)
[2] Adjusted for costs for efficiency measures, IT infrastructure investments and other material non-recurring effects
[3] Consolidated net income allocated to ordinary shareholders

Despite on average lower interest levels, net interest income of € 474 million was in line with the previous year's level of € 473 million, which is mainly due to the year-on-year increase in the credit portfolio size and increased average deposit volumes.

Net commission income was down in the period under review compared to the previous year and resulted in a slightly negative net commission income of € -7 million (H1 2025: € 3 million), including the commission expenses for the Significant Risk Transfer (SRT) transaction executed in the second half of 2025.

Loan impairment charges (LICs) for new and existing defaults of € 127 million (loss allowance including € 27 million for NPLs recognised at fair value through profit or loss) were above the previous year's level of € 116 million but in line with expectations for the full year. This also includes a € 13 million reduction in post-model adjustments compared to year-end 2025, bringing total adjustments to € 42 million as at 30 June 2026. The reduction was due to more favourable migration patterns within the portfolio during the first half of the year; the calculation methodology applied remained unchanged compared to the end of 2025. Post-model adjustments were recognised for stage 1 and stage 2 exposures to address the persistently high level of economic uncertainty and geopolitical tensions.

Adjusted administrative expenses were reduced slightly, from € 162 million in the first half of 2025 to € 155 million in the period under review, partly because individual project and IT costs were phased to subsequent quarters. The reduction also reflects both our efficient cost management and ongoing benefits resulting from 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 € 9 million in the period under review; in the first half of 2026, these exclusively related to efficiency measures and investment in IT infrastructure. At around 31 % (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 2026 financial year, even by international standards.

Other items totalled € 23 million (H1 2025: € 25 million); this includes net derecognition gain or loss, net gain or loss from financial instruments designated at fair value through profit or loss and hedging relationships, and current results from foreclosures as well as from further subsidiaries and other entities. The prior-year figure was mainly influenced by the non-recurring income resulting from the disposal of our hotel operations in Italy.

All in all, both adjusted operating profit and operating profit for the first half of the year were below the previous year's levels, amounting to € 208 million (H1 2025: € 223 million) and € 199 million (H1 2025: € 208 million). The reduction was due in particular to the non-recurring income generated in the previous year, resulting from the disposal of our hotel operations in Italy. Based on our current assessment, these results for the first half of the year are in line with our 2026 forecast of operating profit approaching € 400 million. Taking into account tax expenses of € 54 million (H1 2025: € 52 million) and the accrual of interest on the AT1 bond, net profit was € 126 million (H1 2025: € 133 million). Consequently, adjusted RoE after taxes also decreased, from 9.1 % in the previous-year period to 8.3 % in the first half of 2026. Based on our current assessment, we remain on track to reach the annual forecast for 2026 of adjusted return on equity after taxes approaching 8 %.

Structured Property Financing segment

Segment result

€ mn	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
Net interest income	349	359
Net commission income	-1	8
Loan impairment charges (LICs)[1]	-127	-116
Administrative expenses (adjusted)[2]	-105	-114
Other items	21	24
Adjusted operating profit[2]	**137**	**161**
Non-recurring effects	-5	-13
Operating profit	**132**	**148**
Income taxes	-33	-34
Consolidated net income	**99**	**114**
Interest on the AT1 bond	-15	-18
Net profit[3]	**84**	**96**

[1] Including credit-related changes in the value of non-performing financial instruments (fvpl)
[2] Adjusted for costs for efficiency measures, IT infrastructure investments and other material non-recurring effects
[3] Consolidated net income allocated to ordinary shareholders

As a result of its annual transfer pricing review for the purposes of internal management and reporting, and consequently also for the external segment reporting, the cost of the liquidity provided by Banking and Digital Solutions to Structured Property Financing has been reduced from 1 January 2026 to better reflect economic reality. The respective segmental income, expenses and profits have been adjusted by a low two-digit million amount in favour of the Structured Property Financing segment for the full year 2025 to ensure comparability of results between years. The adjustment will result in an impact of a similar magnitude for 2026 as a whole. We also refer to our segment reporting in the Notes.

Despite lower interest levels on average, net interest income in the Structured Property Financing segment of € 349 million was only slightly below the previous year's level of € 359 million, supported by the year-on-year increase in the credit portfolio size coupled with consistently healthy margins.

Commission income and expenses nearly offset each other during the period under review, leading to slightly negative net commission income of € -1 million (H1 2025: € 8 million), including the commission expenses for the Significant Risk Transfer (SRT) transaction executed in the second half of 2025.

Loan impairment charges (LICs) for new and existing defaults of € 127 million (loss allowance including € 27 million for NPLs recognised at fair value through profit or loss) were above the previous year's level of € 116 million but in line with expectations for the full year. This also includes a € 13 million reduction in post-model adjustments compared to year-end 2025, bringing total adjustments to € 42 million as at 30 June 2026. The reduction was due to more favourable migration patterns within the portfolio during the first half of the year; the calculation methodology applied remained unchanged compared to the end of 2025. Post-model adjustments were recognised for stage 1 and stage 2 exposures to address the persistently high level of economic uncertainty and geopolitical tensions.

Adjusted administrative expenses for the segment were reduced from € 114 million in the first half of 2025 to € 105 million in the period under review. On the one hand, this was due to lower project and IT costs, some of which have been phased to, and will be incurred in, subsequent quarters. On the other hand, the reduction also reflects both our efficient cost management and ongoing benefits resulting from 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 € 5 million for the Structured Property Financing segment in the first half of the year, in the first half of 2026, for the Structured Property Financing segment, these exclusively related to efficiency measures and investment in IT infrastructure.

Other items totalled € 21 million (H1 2025: € 24 million); this includes net derecognition gain or loss, net gain or loss from financial instruments designated at fair value through profit or loss and hedging relationships, and current results from foreclosures as well as from further subsidiaries and other entities. The prior-year figure was mainly influenced by the non-recurring income resulting from the disposal of our hotel operations in Italy.

All in all, both adjusted operating profit and operating profit for the Structured Property Financing segment were below the previous year's levels in the first half of the year, amounting to € 137 million (H1 2025: € 161 million) and € 132 million (H1 2025: € 148 million), respectively. The reduction was due in particular to the non-recurring income generated in the previous year, resulting from the disposal of our hotel operations in Italy. Taking into account tax expenses of € 33 million (H1 2025: € 34 million) and the accrual of interest on the AT1 bond, net profit in the segment was € 84 million (H1 2025: € 96 million).

Banking & Digital Solutions segment

Segment result

€ mn	1 Jan – 30 Jun 2026	1 Jan – 30 Jun 2025
Net interest income	125	114
Net commission income	-6	-5
Loan impairment charges (LICs)[1]	0	0
Administrative expenses (adjusted)[2]	-50	-48
Other items	2	1
Adjusted operating profit[2]	**71**	**62**
Non-recurring effects	-4	-2
Operating profit	**67**	**60**
Income taxes	-21	-18
Consolidated net income	**46**	**42**
Interest on the AT1 bond	-4	-5
Net profit[3]	**42**	**37**

[1] Including credit-related changes in the value of non-performing financial instruments (fvpl)
[2] Adjusted for costs for efficiency measures, IT infrastructure investments and other material non-recurring effects
[3] Consolidated net income allocated to ordinary shareholders

As a result of its annual transfer pricing review, for the purposes of internal management and reporting, and consequently also for external segment reporting, the cost of the liquidity provided by Banking and Digital Solutions to Structured Property Financing has been reduced from 1 January 2026 to better reflect economic reality. The respective segmental income, expenses and profits have been adjusted, debiting the Banking & Digital Solutions segment by a low two-digit million amount for the full year 2025 to ensure comparability of results between years. The adjustment will result in an impact of a similar magnitude for 2026 as a whole. We also refer to our segment reporting in the Notes.

Net interest income in the Banking & Digital Solutions segment increased to € 125 million in the period under review (H1 2025: € 114 million), thanks to continued growth in average deposit volumes and despite the on average lower interest rate levels compared to the previous year.

Commission income and expenses resulted in slightly negative net commission income of € -6 million (H1 2025: € -5 million).

Adjusted administrative expenses for the segment were slightly higher than in the previous year (H1 2026: € 50 million; H1 2025: € 48 million). Adjustments include expenses for efficiency measures implemented within the Bank, IT infrastructure investments or other material non-recurring effects and totalled approximately € 4 million in the period under review, exclusively due to expenses relating to efficiency measures and IT infrastructure investments in the Banking & Digital Solutions segment.

Other items totalled € 2 million (H1 2025: € 1 million). They comprise current results from subsidiaries and other entities allocated to the segment.

All in all, both adjusted operating profit and operating profit for the Banking & Digital Solutions segment exceeded the previous year's levels in the first half of the year, amounting to € 71 million (H1 2025: € 62 million) and € 67 million (H1 2025: € 60 million), respectively. The increase is due to an increase in net interest income on account of higher deposit volumes. Taking into account tax expenses of € 21 million (H1 2025: € 18 million) and the accrual of interest on the AT1 bond, net profit in the segment was € 42 million (H1 2025: € 37 million).

Financial position – assets and liabilities

Consolidated total assets of Aareal Bank Group increased to € 48.6 billion as at 30 June 2026 (31 December 2025: € 46.9 billion), reflecting higher money market and capital market receivables and increased deposits from the housing industry.

Property financing portfolio

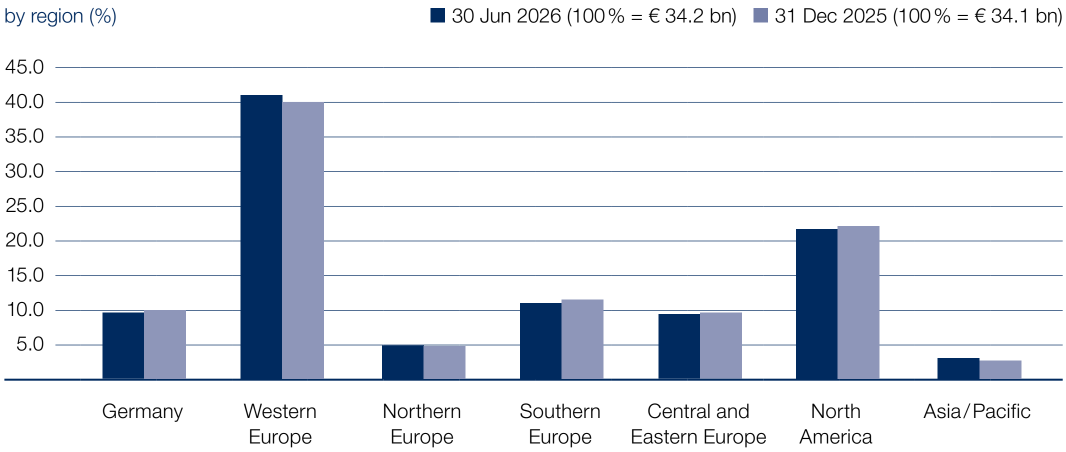
The volume of Aareal Bank Group's property financing portfolio[1] stood at € 34.2 billion as at 30 June 2026 (31 December 2025: € 34.1 billion). Including former WestImmo's local authority lending business and private client business (which are being run down), the portfolio volume amounted to € 34.4 billion and was on a comparable level as in the previous year (31 December 2025: € 34.3 billion). Subject to exchange rate fluctuations between the euro and the US dollar, we believe that we will achieve our target portfolio size of around € 34 billion at the end of 2026.

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

As at the reporting date (30 June 2026), Aareal Bank Group's property financing portfolio was composed as shown below, compared to year-end 2025:

Property financing volume[1] (amounts drawn)

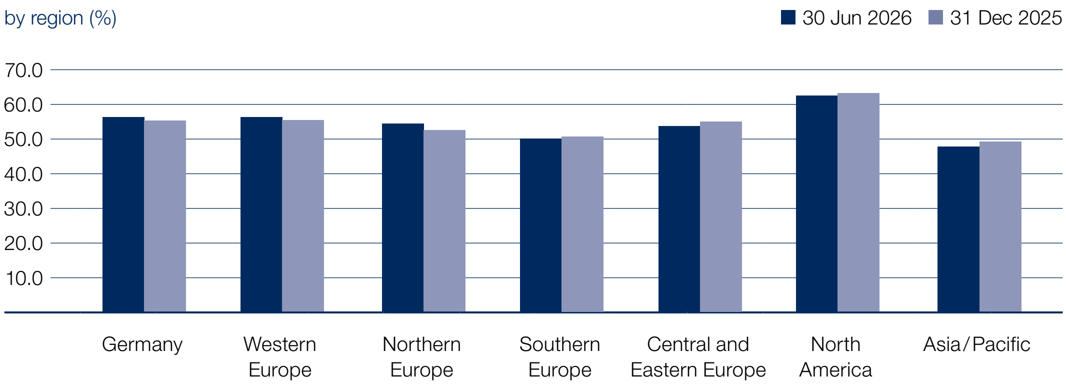
by region (%)



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

Average LTV of property financing[1]

by region (%)

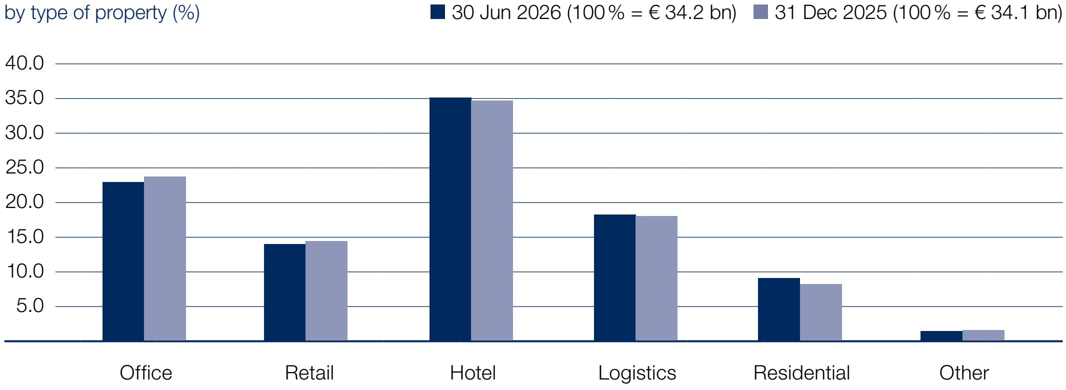


[1] Excluding former WestImmo's local authority lending business and private client business

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.

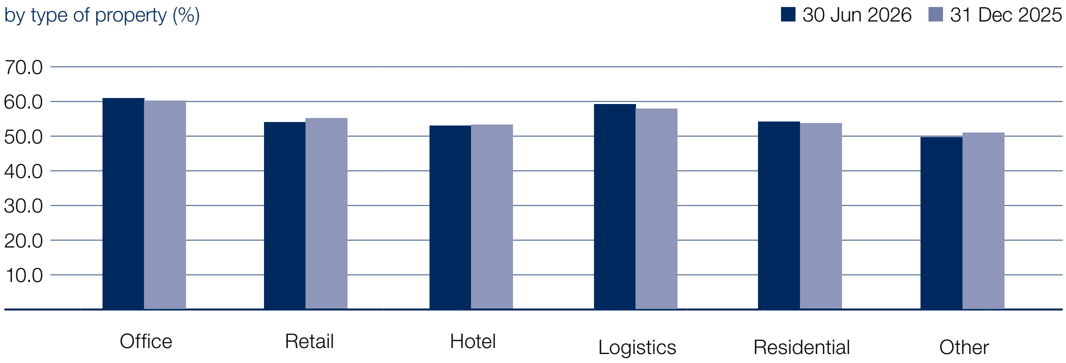
The distribution of the portfolio by region and continent only changed slightly compared to the 2025 year-end: the trend nonetheless reflects our adjusted focus of our credit portfolio. The portfolio share of exposures to Western Europe rose by approximately 1.0 percentage points while the share of exposures to North America was down by around 0.4 percentage points. It remained relatively stable for all other regions.

Property financing volume[1] (amounts drawn)
by type of property (%)



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

Average LTV of property financing[1]
by type of property (%)



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

Also, the breakdown of the portfolio by property type changed only marginally compared to the end of 2025: the share of residential property rose by approximately 0.9 percentage points while the share of office properties declined by some 0.8 percentage points. The portfolio share of all other property types has remained virtually 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 2026, the total nominal volume of the Treasury portfolio[1] was € 10.4 billion (31 December 2025: € 9.0 billion).

[1] As at 30 June 2026, the securities portfolio was carried at € 10.5 billion (31 December 2025: € 9.2 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 69%). Approximately 31 % is allocated to covered bonds.

We believe that the high credit quality requirements are also reflected in the portfolio's rating breakdown. 100% of the portfolio has an investment grade rating[1], with 86.9% 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 4.5 years.

Financial position – liquidity

Funding and equity

Funding

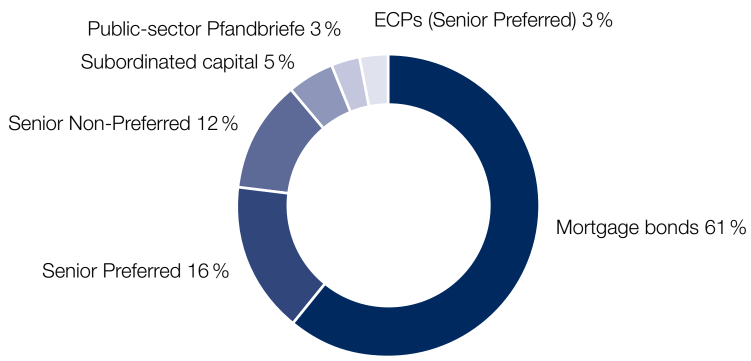
In our view, Aareal Bank Group has remained very solidly funded throughout the first half of the 2026 financial year, evidenced by its major share of long-term funding. This encompasses registered and bearer Pfandbriefe, promissory note loans, medium-term notes, other bonds and subordinated capital. 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 1 (AT1) bond.

As at 30 June 2026, the notional volume of the long-term funding portfolio was € 21.6 billion. Carrying amounts of the long-term funding portfolio totalled € 21.1 billion.

Capital market funding mix as at 30 June 2026

%

Total volume (nominal): € 21.6 bn



As at the reporting date, Aareal Bank also had € 13.7 billion at its disposal in deposits generated from the business with the housing industry (31 December 2025: € 13.2 billion). Money market liabilities amounted to € 8.4 billion (31 December 2025: € 6.7 billion). This figure also contained € 0.7 billion in deposits from institutional investors and € 2.6 billion in retail deposits.

Aareal Bank Group successfully raised approximately € 1.7 billion on the capital markets during the first six months of 2026, placing three benchmark Pfandbrief issues with a total volume of around € 1.7 billion, including a GBP 250 million Pfandbrief transaction. One of the benchmark Pfandbrief issues was placed as a green issue for the first time.

[1] The rating details are based on the composite ratings.

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 € 3,824 million as at 30 June 2026 (31 December 2025: € 3,752 million).

Please also refer to the statement of changes in equity, and to the explanations provided in Note 21 of the consolidated interim financial statements for the first half of 2026.

Regulatory indicators[1)]

€ mn	30 Jun 2026	31 Dec 2025
Basel IV (phase-in)		
Common Equity Tier 1 (CET1) capital	2,950	2,899
Tier 1 (T1) capital	3,356	3,306
Total capital (TC)	4,003	3,963
%		
Common Equity Tier 1 ratio (CET1 ratio)	20.8	22.2
Tier 1 ratio (T1 ratio)	23.7	25.3
Total capital ratio (TC ratio)	28.3	30.3
Basel IV (fully phased)		
Common Equity Tier 1 ratio (CET1 ratio)	15.6	15.5

1) Aareal Bank AG utilises the rules set out in section 2a of the KWG in conjunction with Article 7 of the CRR, pursuant to which regulatory indicators may only be determined at Group level. In this respect, the following disclosures relate to Aareal Bank Group.
31 December 2025: including profits for 2025 less dividends (which have already been distributed) and including the accrual of interest on the AT1 bond.
30 June 2026 (preliminary): including interim profits for 2026, deducting a planned dividend in line with the dividend policy and incorporating the 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 inspections.
The ECB has conducted a regular internal model investigation of the Bank's Internal Rating Based-models. While the final outcome is still pending, it is expected that the CET1 phase-in ratio will move in the direction of the fully phased CET1 ratio.

The CET1 ratio (fully phased) of 15.6 % as shown in the table above is in line with the respective full-year forecast for 2026 of approximately 15.5 % – 16 %.

Analysis of risk-weighted assets (RWAs phase-in)

€ mn	Risk-weighted assets (RWAs) 30 Jun 2026	Minimum capital requirements Total 30 Jun 2026	Risk-weighted assets (RWAs) 31 Dec 2025	Minimum capital requirements Total 31 Dec 2025
Credit risk (excluding counterparty credit risk)	11,581	927	10,563	846
Counterparty credit risk	247	20	317	25
Credit valuation adjustment risk – CVA risk[1)]	130	10	141	11
Securitisation	279	22	279	22
Market risk[2)]	0	0	0	0
Operational risk	1,916	153	1,783	143
Total	**14,153**	**1,132**	**13,083**	**1,047**

1) Credit valuation adjustment risk (CVA risk) is treated as a separate risk type within the scope of first-time application of CRR III.
2) 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.

Overall presentation of the Group's position

The Group's strong operational performance in the first half of 2026 was evidenced above all by its adjusted operating profit. Although slightly below the previous year's level, it was still in line with our expectations – especially as the previous year's figure had included a one-off gain from the sale of our hotel business in Italy. Given that the environment remained challenging, especially on the US office property market, managing non-performing exposures continued to be a key focus of business management during the year under review. In our view, both of our segments have developed well in terms of their key performance indicators. In the Structured Property Financing segment, we were able to originate new business largely as planned and achieved a portfolio size within our target range. The Banking & Digital Solutions segment also delivered impressive results, with a significant increase in average deposit volumes from the housing industry. Thanks to efficient cost control, we were able to slightly reduce administrative expenses across both segments, which in turn allowed us to keep our cost/income ratio very low.

The reporting period saw further clear shifts in the commercial property finance portfolio, which were reflected in the lower share of US exposures and in the reduced share of office properties.

As expected, the capital ratios reported at the end of the period clearly exceeded the standardised capital requirement of 13.5 %, which we see as clear evidence of the Bank's solid capitalisation.

Thanks to its strong operating performance and the resilience it has shown, Aareal Bank's results as at the reporting date are in line with its targets for 2026.

No events of particular significance occurred after the reporting date that have a material impact on the Bank's financial position and financial performance. For details, please

Risk Report

Risk Management

The Group Management Report 2025 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. The following major mid- to long-term risk factors were assessed: climate-related and environmental risks (including both physical and transition risks) as well as governance factors such as data protection and information security. The assessment also included 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. The regulatory ratios monitored are subject to limits and make up the management indicators in the normative perspective.

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

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

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

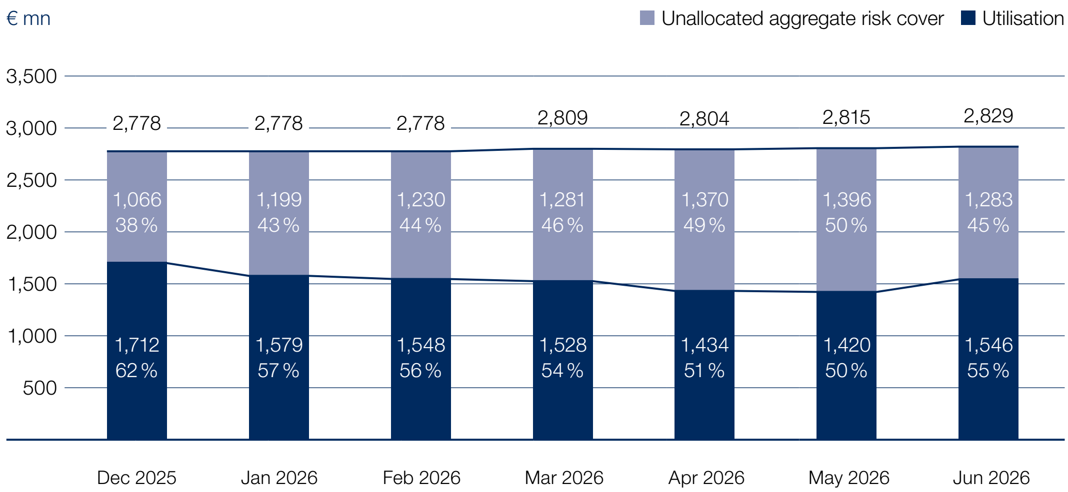
A detailed monthly report provides information regarding the utilisation of individual limits for the material types of risk, as well as on the overall limit utilisation. These are monitored as part of daily reporting. No limit breaches at the aggregate risk level were detected during the period under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

Risk-bearing capacity (ICAAP – economic perspective)

€ mn	30 Jun 2026	31 Dec 2025
Relevant Common Equity Tier 1 (CET1) capital	2,950	2,899
Economic adjustments	-121	-121
Aggregate risk cover	**2,829**	**2,778**
Utilisation of aggregate risk cover		
Loan loss risks	850	898
Interest rate risk in the banking book (IRRBB)	77	80
Pension risks	65	69
Market risks	213	286
Operational risks	154	143
Investment risks	15	20
Property risks	122	104
Business and strategic risks	50	112
Total utilisation	**1,546**	**1,712**
Utilisation (% of aggregate risk cover)	**55 %**	**62 %**

Utilisation of aggregate risk cover during the course of 2026

€ mn



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.

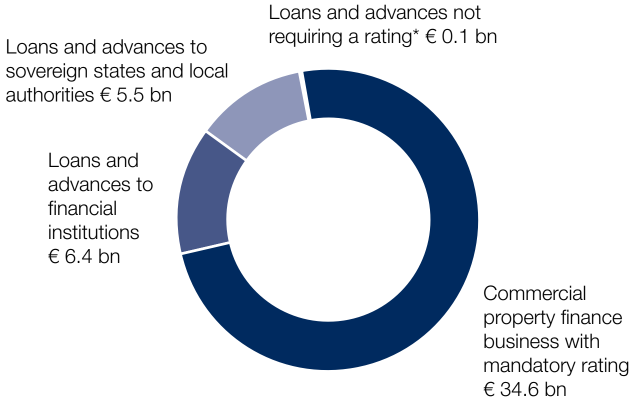
Aareal Bank employs different risk classification procedures depending on the requirements of the type of business that is subject to the initial, regular or event-driven assessment of counterparty credit risk. Forward-looking and macroeconomic information is taken into consideration for risk classification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

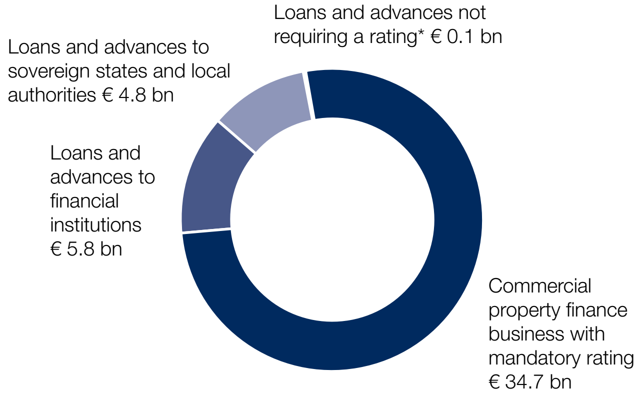
In light of geopolitical and macroeconomic uncertainty, special attention is being paid to economic forecasts. In the context of this ongoing review, we also rely on projections published by the ECB, apart from those issued by our usual data providers.

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

by rating procedure, € bn

30 Jun 2026 | 31 Dec 2025





* Including the private client business of former WestImmo

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.

On-balance sheet commercial property finance business with mandatory rating

	30 Jun 2026					31 Dec 2025				
€ mn	Stage 1	Stage 2	Stage 3[1)]	fvpl[2)]	Total	Stage 1	Stage 2	Stage 3[1)]	fvpl[2)]	Total
Class 1	0	0	0	0	**0**	0	0	0	0	**0**
Class 2	0	0	0	0	**0**	0	0	0	0	**0**
Class 3	65	0	0	0	**65**	108	0	0	0	**108**
Class 4	659	0	0	0	**659**	631	0	0	0	**631**
Class 5	1,644	0	0	0	**1,644**	3,118	18	0	76	**3,212**
Class 6	3,966	0	0	76	**4,042**	4,372	0	0	40	**4,412**
Class 7	6,635	243	0	41	**6,919**	7,123	216	0	0	**7,339**
Class 8	9,438	701	0	0	**10,139**	9,573	676	0	0	**10,249**
Class 9	4,801	901	0	103	**5,805**	2,835	1,397	0	36	**4,268**
Class 10	837	1,611	0	0	**2,448**	255	1,231	0	54	**1,540**
Class 11	72	554	0	0	**626**	225	222	0	0	**447**
Class 12	0	186	0	0	**186**	0	211	0	0	**211**
Classes 13-15	0	463	0	4	**467**	0	387	0	99	**486**
Defaulted	0	0	870	96	**966**	0	0	929	19	**948**
Total	**28,117**	**4,659**	**870**	**320**	**33,966**	**28,240**	**4,358**	**929**	**324**	**33,851**

1) Including non-current assets held for sale
2) fvpl = at fair value through profit or loss (in accordance with IFRSs); commitments for loan portions earmarked for syndication

Off-balance sheet commercial property finance business with mandatory rating

€ mn	30 Jun 2026 Stage 1	Stage 2	Stage 3[1]	fvpl[2]	Total	31 Dec 2025 Stage 1	Stage 2	Stage 3[1]	fvpl[2]	Total
Classes 1-3	5	0	0	0	**5**	5	0	0	0	**5**
Class 4	18	0	0	0	**18**	3	0	0	0	**3**
Class 5	22	0	0	0	**22**	35	0	0	0	**35**
Class 6	15	0	0	0	**15**	35	0	0	0	**35**
Class 7	62	0	0	0	**62**	63	0	0	0	**63**
Class 8	114	3	0	0	**117**	389	3	0	0	**392**
Class 9	203	3	0	0	**206**	122	27	0	0	**149**
Class 10	108	20	0	0	**128**	21	5	0	0	**26**
Class 11	0	3	0	0	**3**	77	0	0	0	**77**
Classes 12-15	0	43	0	0	**43**	0	62	0	0	**62**
Defaulted	0	0	16	15	**31**	0	0	16	20	**36**
Total	**547**	**72**	**16**	**15**	**650**	**750**	**97**	**16**	**20**	**883**

[1] Including non-current assets held for sale
[2] 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

€ mn	30 Jun 2026 Stage 1	Stage 2	Stage 3	fvpl[1]	Total	31 Dec 2025 Stage 1	Stage 2	Stage 3	fvpl[1]	Total
Class 1	1,271	0	0	0	**1,271**	981	0	0	0	**981**
Class 2	466	0	0	0	**466**	572	0	0	0	**572**
Class 3	0	0	0	0	**0**	104	0	0	0	**104**
Class 4	454	0	0	0	**454**	56	0	0	0	**56**
Class 5	534	0	0	0	**534**	752	0	0	0	**752**
Class 6	2,028	0	0	0	**2,028**	960	0	0	0	**960**
Class 7	1,240	0	0	0	**1,240**	1,965	0	0	0	**1,965**
Class 8	348	0	0	0	**348**	170	0	0	0	**170**
Class 9	75	0	0	0	**75**	201	0	0	0	**201**
Class 10	0	0	0	0	**0**	0	0	0	0	**0**
Classes 11-18	0	0	0	0	**0**	0	0	0	0	**0**
Defaulted	0	0	0	0	**0**	0	0	0	0	**0**
Total	**6,416**	**0**	**0**	**0**	**6,416**	**5,761**	**0**	**0**	**0**	**5,761**

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

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

€ mn	30 Jun 2026					31 Dec 2025				
	Stage 1	Stage 2	Stage 3	fvpl[1]	Total	Stage 1	Stage 2	Stage 3	fvpl[1]	Total
Class 1	1,909	0	0	0	**1,909**	1,569	0	0	0	**1,569**
Class 2	1,594	0	0	0	**1,594**	1,272	0	0	0	**1,272**
Class 3	594	119	0	0	**713**	478	0	0	0	**478**
Class 4	396	146	0	0	**542**	549	258	0	0	**807**
Class 5	168	22	0	0	**190**	78	22	0	0	**100**
Class 6	146	374	0	0	**520**	146	378	0	0	**524**
Class 7	1	0	0	0	**1**	1	0	0	0	**1**
Class 8	49	0	0	0	**49**	0	0	0	0	**0**
Class 9	0	0	0	0	**0**	0	0	0	0	**0**
Classes 10-20	0	0	0	0	**0**	0	0	0	0	**0**
Defaulted	0	0	0	0	**0**	0	0	0	0	**0**
Total	**4,857**	**661**	**0**	**0**	**5,518**	**4,093**	**658**	**0**	**0**	**4,751**

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

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

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

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 risks

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

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 risk.

Risk measurement and monitoring

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

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

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator. 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.

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 (about 2.5 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.

Pension risk

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

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

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

Market risk

Definition

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

For Aareal Bank, this includes:

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

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

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

Additional elements of market risk are:

- Valuation risks due to changes in credit spreads (credit spread risk)
- Risks from fluctuations in the value of fund assets (fund risk)
- Risks from adjustments to the credit valuation of OTC derivatives (CVA risk)
- 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[1]. The loss potential is determined by applying a 99.9% confidence interval.

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

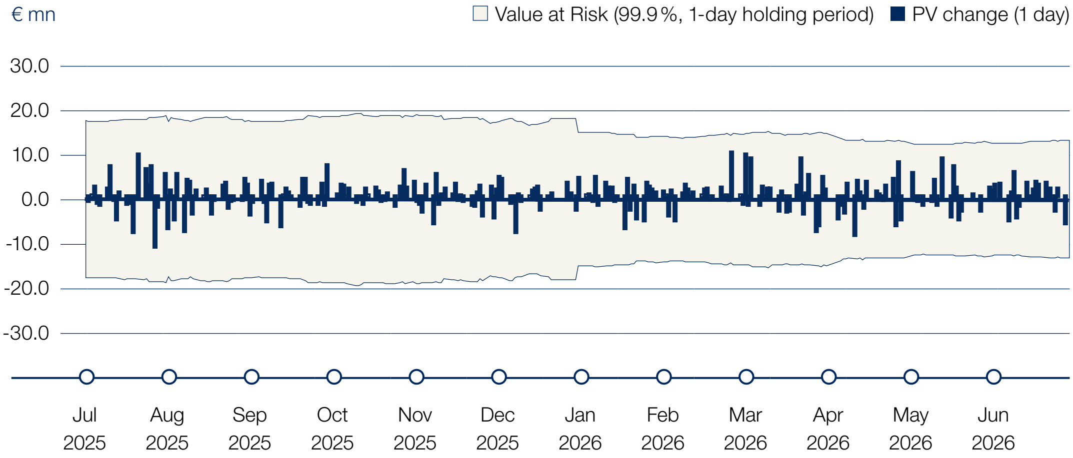
Backtesting

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

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

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

Present values and 1-day VaR during the course of 2025/2026



Operational risk

Article 4 No. 52 of the Capital Requirements Regulation (CRR) defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; this includes legal risk, modelling risks or information and communication technology (ICT) risks, but not strategic or reputational risks. The causes can be differentiated into internal (internal processes, people, systems) and external causes (external events). 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 primary purpose of the risk strategy is to provide strategic guidance on the conscious and professional handling of operational risk. The strategy covers the organisational framework as well as the fundamentals of reporting related to this topic, supplementing and specifying the existing central rules set out in the Risk Appetite Framework.

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 risk situation is regularly reported to the Bank's senior management using control instruments (as outlined in the Group Management Report 2025). Taken together, these tools for managing operational risks form an integrated control circuit that allows risks to be identified, evaluated, managed and controlled.

No significant operational loss events occurred in the first half of 2026. The financial loss incurred with all operational risk events in the first half of 2026 was markedly below the long-term average.

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 ("SMA").

As at the reporting date, the Bank recognised provisions of € 2 million (2025: € 2 million) for legal and tax risks (which form part of operational risks); by their very nature, such risks do not necessarily lead to operational losses. As regards legal risks, these involve primarily provisions for litigation risks and costs. Provisions for tax risks were recognised in connection with currently ongoing tax audits, new or amended publications by the tax authorities or recent case law on tax issues.

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.

Business and strategic risk

Business and strategic risks may lead to a deviation from corporate objectives due to a changing competitive environment, regulatory framework conditions or an unfavourable positioning in the macroeconomic environment. Essentially, this involves a deviation of operating results due to lower-than-expected income that is not caused by other material types of risk and which cannot be offset through reduced administrative expenses. Such risks may materialise, for example, due to macroeconomic and/or geopolitical developments, changes in the competitive environment, faulty planning assumptions and the associated ineffective implementation of the strategy, as well as due to regulatory or political risks. Risk is measured using a specific model that uses scenario-based assumptions to quantify potential deviations from expected returns, excluding other material types of risk. For this purpose, deviations in pre-tax results are considered which, under certain assumptions, cannot be offset by a reduction in administrative expenses over a twelve-month period.

We reviewed the methodology in the first half of 2026, as part of a regular exercise, incorporating regulatory risks as a potential risk factor. The revised methodology has been independently validated in accordance with our model governance.

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 subsequent daily distribution to the responsible Management Board member, and a contribution to the monthly risk report to the entire Management Board.

Overall presentation of the Group's risk position

The first half of the 2026 financial year was shaped by a further escalation of geopolitical tensions and rising uncertainty concerning the macroeconomic environment. The Bank has taken measures that we believe to be appropriate to counter the persistently challenging conditions on the property markets and the associated impact on its credit portfolio – including the ongoing reduction of defaulted loans. The Bank's risk policy ensured an adequate capital and liquidity position on the respective reporting dates.

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 generally 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.

The following section discusses the main opportunities and risks underlying the forecasts. Opportunities are defined as possible future developments or events that could lead to a deviation from the forecast that is favourable for the Bank. By contrast, risks are defined in the Report on Expected Developments as possible developments or events that could lead to a negative deviation from the forecast.

The following forecast economic data on the macroeconomic environment is based on the most recent projections available to us. For the most part, these come from Oxford Economics, a leading global economic consultancy.

Macroeconomic environment

Current and future macroeconomic developments are shaped by significant uncertainty. Geopolitical tensions, structural changes in the global economy, and economic policy and technological developments can all have a significant impact on market stability and global economic momentum. The risk factors outlined below refer in particular to geopolitical developments, disruptions in trade policy, institutional and fiscal frameworks, financial stability risks and structural transformations, especially in connection with the use of artificial intelligence and the transition to a net-zero economy.

Geopolitical conflicts are still a key downside risk for the global economy. The economic outlook is being dampened not only by the ongoing Russia-Ukraine war but above all by the conflict in the Middle East. Disruptions to central transport and energy routes, particularly in conjunction with the Strait of Hormuz, can lead to considerable supply shortages on the energy markets and trigger marked increases in the price of oil and gas. These affect the real economy via several channels. Rising production costs, falling real private household incomes and heightened uncertainty among companies are leading to lower consumption and investment. Additionally, ongoing geopolitical uncertainty can lead to deteriorating financing conditions, rising risk premiums and increased volatility on the financial markets. Other regions of the world also continue to face geopolitical tensions, in particular between China and the Western world as well as in the Indo-Pacific region. In addition to military conflicts, non-conventional risks are also becoming increasingly significant. These include cyber attacks, hybrid forms of conflict, terrorist activities and sabotage of critical infrastructure, all of which could potentially have significant economic implications.

The growing number of protectionist measures represent a major risk for global economic development. Higher tariffs and trade barriers increase import prices, weaken purchasing power and drive up inflation. At the same time, they can lead to higher production costs and subdued industrial activity through rising input costs and limited availability of intermediate products. There is also a danger that affected trading partners may take countermeasures, potentially leading to further fragmentation of global trade. The resulting uncertainty regarding future trading regimes is hampering investment decision-making and can weaken global demand in the long term.

Institutional uncertainties constitute a growing risk, especially in the US. Growing political polarisation and lower predictability of economic policy decisions can undermine the stability of the frameworks. Legislative blockades and potential government standstill periods also increase uncertainty and can restrict the effectiveness of economic policy measures. These developments can have negative consequences for the investment climate and the efficiency of economic governance.

Political fragmentation within Europe remains a significant source of uncertainty. Growing support for populist and EU-sceptic parties as well as unresolved conflicts in key policy areas – especially on issues of migration and fiscal policy – can make it more difficult to act on economic policy. At the same time, structural weaknesses persist in individual economies, including low levels of competitiveness and reform shortcomings. Inadequate political coordination can limit the effectiveness of European investment programmes and additionally dampen economic momentum.

The growing use of artificial intelligence is both a growth driver and a risk factor. In the short term, AI-driven investments in IT infrastructure, software and data centres support economic activities and can increase investment momentum. This is accompanied at the same time by inflationary effects, such as rising prices for semiconductors, hardware and energy. There is medium-term potential for productivity gains that can reinforce growth. However, this is offset by risks such as structural changes on the labour market, potential weakening of the employment dynamics and uncertainty regarding actual productivity gains. In addition, overly optimistic expectations of AI-driven efficiency and income can lead to mispricing in the financial markets and increased volatility.

The fiscal starting point remains tense given the high levels of public debt in many economies. Additional government spending for the purposes of mitigating economic burdens and funding geopolitical and structural adjustments increases pressure on public-sector budgets. Rising government bond yields and higher risk premiums can further increase the refinancing costs and restrict the fiscal leeway. There is also a risk that doubt about the sustainability of public finances could further distort the markets. Ongoing fiscal expansion can appear to support growth in the short term. However, it leads to greater susceptibility to interest rate increases and also to a loss of confidence on the capital markets in the medium term.

Global financial markets remain defined by increased uncertainty and structural vulnerabilities. Rising interest rates, higher risk premiums and greater volatility can lead to asset valuation adjustments and tighter financing conditions. There is also the risk of contagion within the financial system, for example through stress in the private credit market or defaults of individual financial institutions, all of which can feed through to other market segments. Market liquidity can fall in such an environment, making it difficult for important financial markets to operate.

Monetary policy continues to be faced with a pronounced conflict of goals between combating inflation and stabilising growth. Alongside the baseline scenario of careful easing, there is the risk of a more restrictive monetary policy path. A longer than expected tightening or a rapid reduction of central bank balance sheets could lead to a marked increase in capital market interest rates, falling asset prices and further tightening of financing conditions. This could have a significant adverse impact on economic activity as well as on the stability of the financial markets. At the same time, the risk remains that an overly loose monetary policy will uphold inflationary pressure for longer and impair monetary policy credibility.

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-allocate labour – both factors that will be key for a more sustainable future. At the same time, the macroeconomic impact of this transition is uncertain, and the actual effects depend on a number of factors. This structural change also entails costs that will put a burden on companies and consumers alike. For instance, decarbonising the economy not only relates to energy supply but also requires significant changes in industry, transport, construction and agriculture. In addition to the transition costs incurred in decarbonising the global economy, the costs that are directly attributable to climate change will also increase over the medium term. Extreme weather events and natural disasters could intensify over time, not only causing physical damage but also impacting the real economy – for example in the form of rising food prices, disruptions to supply chains, implications for the labour markets and higher insurance premiums for properties. The increase in physical damage will depend on how well the global community succeeds in reducing greenhouse gas emissions.

Economy

Positive economic growth is still expected for 2026 as a whole, albeit at a slower pace than in the previous year. Higher energy prices, restrictive financing conditions and persistent political uncertainty in particular continue to weigh on global growth momentum. Although geopolitical tensions in the Middle East have eased somewhat, the situation remains fragile. Against this backdrop, risks remain regarding energy price trends and the global economy.

At around 0.6 %, real gross domestic product in the euro zone is likely to be weak in 2026 and therefore remain below the long-term average. Economic momentum remains subdued, as higher energy prices dampen real income and consumer demand remains weak. As well as this, weak foreign demand and structural loss of competition are taking their toll on foreign trade.

The UK continues to anticipate positive, albeit generally weak, real economic growth for 2026 as a whole. Economic momentum is expected to remain muted over the course of the year, as higher energy prices have an adverse impact on private households and their purchasing power, while both monetary and fiscal policy remain restrictive. At the same time, the intermediate easing of tensions in the Middle East and the resulting decline in energy prices have slightly improved the inflation outlook and marginally stabilised the overall outlook. Nonetheless, the upside risks remain elevated, especially in case of a renewed spike in energy prices or ongoing political uncertainty, which could further impact the financial markets and the investment climate.

Economic growth is expected to remain positive in the US for 2026 and to gain moderate momentum over the previous year. We are seeing a slight shift in the growth structure. Private consumption is losing momentum due to a slowdown in income gains, while economic activity is being shored up in particular by investment and stronger export activity. However, higher energy prices and more restrictive financing conditions are having a dampening effect on the domestic economy.

Weak economic growth overall is anticipated in 2026 for Canada, which continues to be greatly affected by trade policy uncertainty. However, economic activity should stabilise moderately in the second half of the year, underpinned by a recovery in foreign trade and fiscal impetus.

Generally speaking, the level of uncertainty – concerning the economy, markets and the impact of said uncertainty on Aareal Bank – remains elevated. The outlook for overall economic development and monetary policy continues to depend on geopolitical risks and the consequences that these have for global energy markets. Our baseline scenario for recognising loss allowance assumes that energy production and transport in the Middle East will gradually return to normal in the second half of 2026.

In addition to our baseline scenario, we simulate further macroeconomic scenarios for the recognition of loss allowance, including a scenario with more persistent disruptions arising in connection with the war in Iran.

In line with current Group planning, our baseline scenario assumes the following macroeconomic parameters:

%	2025	2026	2027	2028
"Baseline" scenario				
Gross domestic product (in real terms, year-on-year change in %)				
Euro zone	1.5	0.4	1.5	1.7
US	2.1	2.2	2.6	2.5
UK	1.4	0.9	0.8	1.8
Unemployment (%)				
Euro zone	6.3	6.3	6.2	6.0
US	4.3	4.3	4.3	4.2
UK	4.4	4.7	5.0	4.7
Long-term interest rates (10-year government bonds) (%)				
Euro zone	3.2	3.3	3.4	3.4
US	4.3	4.3	4.2	4.2
UK	4.6	4.8	4.8	4.1
Portfolio-weighted property price development (2025 basis = 100 %)	100 %	100 %	101 %	102 %

Financial and capital markets, monetary policy and inflation

The aforementioned risks and uncertainties are also reflected in the performance of the financial and capital markets as well in monetary policy and the inflation trend. We expect global long-term bond yields to remain elevated over the forecast horizon, indicating heightened risk awareness. The economic impact from rising yields, which has been moderate to date, could increase, especially if debt levels increase further. This could potentially limit issuer access to financings, although we believe that the markets will generally remain open and accessible – and that the bonds and Pfandbrief markets relevant to Aareal Bank will remain unaffected. Potential tensions on the financial markets might hamper the Bank's funding activities on the market.

Market conditions continue to be defined by heightened uncertainty. Besides geopolitical tensions and volatile energy prices, higher capital market interest rates and persistently cautious lending practices are having a dampening effect on financing conditions, which remain tense. Restrictive credit standards are having a negative effect, particularly in the euro zone and the UK, while in the US, financing costs are driven by increased capital market interest rates in particular. At the same time, valuations on the asset markets remain susceptible to corrections, especially in case of unexpected interest rate increases or in deteriorating economic expectations. Overall, the financial markets have been stable to date, not least because the impact of the energy price shocks was limited by available supply and stock buffers. Sustained easing on the energy markets could further reduce the volatility and gradually stabilise financing conditions.

Monetary policy is still conflicted between the need to combat inflation and the need to ensure economic stabilisation. The future monetary policy stance is likely to vary and be subject to a high degree of uncertainty. While some economies have scope for easing, it might be necessary for others to continue cutting interest rates or delaying them. The monetary policy scope remains limited, due to energy-driven inflation impetus and ongoing uncertainties via second round effects. This means that central banks are continuing to exercise caution and respond to changes in inflation, expectations of inflation and real economic momentum based on data analysis. However, the current monetary environment suggests that additional interest rate increases would only be necessary under specific circumstances, so that they could be lowered gradually when inflation eases.

The inflation trend will continue to be influenced by upside impetus relating to energy prices. Inflation rates are likely to be more volatile in the second half of the year, with short-term increases possible. However, we do not expect the kind of inflation momentum seen in previous energy crises. Upside risks arise in particular from energy price developments as well as possible second-round effects that could delay the disinflation process. At the same time, a sustained easing on the energy markets offers potential for inflation to fall more quickly, as the current inflationary momentum is largely driven by temporary supply shocks.

Risks to the capital ratios may arise from the regulatory environment, e.g. from interpretation decisions taken or audits performed by a supervisory authority. If the Bank had to implement new or additional regulatory requirements or comply with discretionary decisions by banking supervisory authorities, or if new capital requirements for the banking sector were introduced, this could have a negative effect on the Bank's RWAs or lead to higher capital requirements. Future LGD/PD estimates incorporated in internal models might also be subject to discretionary decisions by regulators concerning model risks or validations, with a negative impact on the Bank's capital ratios (especially the fully phased CET1 ratio). Material macroeconomic risks for the Bank's capital ratios and RWAs may arise from deteriorating market and risk parameters in the Bank's core markets.

Sector-specific and business developments[1)]

Structured Property Financing segment

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

Demand for commercial property will continue to vary in the second half of 2026, depending on the region and property type. Against the background of a higher interest rate and financing cost environment as well as persistent geopolitical and economic uncertainties, the general conditions for the property markets remain challenging. A subdued economic development as a result of high energy prices, restrictive lending standards and high financing costs would therefore have a dampening effect on investment activity and transaction markets. 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 that have been seen since 2022 might have a delayed effect on some investors, leading to refinancing problems even in the year to come. As well as this, negative economic developments can affect the tenant market. An increase in tenant insolvencies and declining demand for space can lead to rising vacancies and falling rental revenue, which in turn can impact the financial performance of commercial properties. However, as these are also offset by stabilising factors, continued positive economic growth is expected to boost investor demand. The continued low level of new construction activity increases the potential for revenue growth on existing properties and therefore enhances their attractiveness.

The increasingly widespread use of artificial intelligence as a new key technology is also leading to greater uncertainty. Successful broad-based implementation of AI could increase productivity and, in turn, promote economic growth. However, this scenario also threatens to disrupt the labour markets. In addition, overly optimistic profit expectations at AI-related companies could lead to excessive speculative behaviour and contribute to higher levels of volatility in the financial markets. This could also impact property markets in the form of more restrictive financing conditions.

Besides macroeconomic and financial factors, the impact of ESG- and climate-related risks on commercial property markets is rising, with market values increasingly depending on the quality of the property and the fulfilment of stricter sustainability requirements. Properties that fail to meet companies' environmental and climate targets or government requirements are likely to suffer from weaker growth in value and demand over the medium term. In addition, the frequency and intensity of extreme weather events is expected to increase as a result of climate change. This might drive up insurance premiums in individual regions or restrict the insurability of certain properties in the future. With the EBA guidelines on the management of ESG risks having come into force at the beginning of 2026, the regulatory importance of these aspects is likely to increase further. Especially in Europe, properties with a high carbon footprint could become more difficult to refinance due to regulatory requirements and shifts in investor preferences.

The ongoing geopolitical challenges and higher interest rate levels will likely make conditions difficult for a sustained recovery on the commercial property markets. The stabilisation of transaction markets, which is already observed in many regions, indicates that property prices have already factored in the change in interest rates and financing conditions to a large extent. Nonetheless, renewed monetary tightening, coupled with an economic downturn, could weigh on investor sentiment and thus lead to a weakening of

[1)] Please refer to the 2025 Group Management Report for details on further material risks and opportunities for the future performance through 31 December 2026.

market dynamics. This could become a more likely scenario, particularly if a lasting ceasefire in the Middle East is not reached and if energy prices remain high. Conversely, a long-term solution to the conflict could reduce much of the uncertainty very quickly, while restored investor confidence would have a positive effect on the commercial property markets. Further uncertainty factors are related to political risks (e.g. in the form of tariffs or impediments to trade) and to material market parameters such as interest rates, property prices and rents, which are key input parameters for models employed as part of planning loss allowance. Should these parameters perform worse than expected, this might result in unplanned charges arising from additional loss allowance.

Aareal Bank believes that strong competitive pressures will persist and could even increase on the financing markets, especially in regions (and for property types) that have already experienced high demand in recent years. Tenants and investors continue to show a clearly differentiated stance vis-à-vis office property: while demand for high-quality buildings in central locations remains high, lower-quality properties and those located in peripheral locations will continue to report weaker demand and performance. As the expected level of financing costs and lending standards should counteract a marked increase in loan-to-value ratios (LTV), we assume that indicators for new business will be largely stable. Nonetheless, changes in the market environment could increase the pressure on gross and net margins or lead to moderately higher LTVs. It is fair to assume that global transaction activity will accelerate in 2026, although region-specific differences are likely to emerge. Dynamic growth in transaction volumes is expected in North America in particular.

Despite the continued widespread use of remote working, which has generally squeezed demand for space, demand for office space has stabilised somewhat recently. Many companies are increasingly asking their employees to come back to the office and “New Work” is fuelling demand for communal areas and flexible space. These developments are fending off a further decline 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. The consequences of broader AI adoption could leave its mark on the office sector, resulting in a potential drop in demand for space unless this is countered by other factors such as economic growth. 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 office properties that are in great 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 are input factors that will continue to impair commercial property valuations for the remainder of the year, which could lead to downside pressure, depending on the sub-market and property type. Nonetheless, current market developments indicate that valuation levels have stabilised in many sub-markets and that individual segments are showing signs of recovery again. Against this background, property values for 2026 as a whole are expected to remain stable on average or rise slightly at times, with the performance possibly varying depending on the sub-market and property type. This phase is expected to be followed by moderate growth momentum. Market value developments will be influenced not only by the quality and location of properties, but also more and more 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. Even though revenue forecasts in most markets are stable overall, risks still remain, particularly with regard to how discretionary consumer spending develops against the backdrop of higher energy prices. Weaker labour markets and persistent restrictive monetary policy could also lead private consumption to fall short of expectations, which in turn could have a negative impact on rental growth. However, low unemployment rates should continue to mitigate negative effects on the retail segment.

Hotels saw a significant recovery in both occupancy and income over the past few years, depending on their respective location and segment. Given the robust development of real income and the low unemployment in many relevant markets, sound fundamental data and income are expected for the industry in the near future too. However, a longer-lasting period of high energy prices might lead consumers to cut back on their discretionary spending, which could have a negative impact on hotel property revenue. In addition, high airfares and renewed disruptions to international air travel arising from military conflicts in the Middle East could lower demand for long-haul travel and therefore put pressure above all on hotel markets with a strong international focus (such as the Maldives). This might require additional loss allowance. Another increase in operating costs due to sustained high inflation rates could also weigh on free cash flow. As regards the US, higher international visitor numbers are expected at first, not least due to the FIFA World Cup.

Nonetheless, political tensions and restrictive entry requirements could lead to fewer international tourists in the medium term, burdening hotel profitability. As a risk-mitigating factor, it should be noted that international tourists account for only a relatively small percentage of hotel guests in the US, with US nationals clearly dominating the hotel market.

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 that investor interest is expected to remain 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 show a weaker trend on average compared with other property types. However, prices should see moderate growth in the medium term as market segmentation remains pronounced. We expect underperformance from properties that fail to comply with corporate environmental and sustainability goals along with government climate targets. At the same time, the trend towards more sustainable office properties also offers financiers the opportunity to be a part of the office property transformation towards a greener economy. A downside risk for this forecast lies in a potential further decline in the market values of US office properties. Given the already elevated proportion of office properties in financial distress, there is a risk that further properties will come under pressure – in which case yields would be expected to rise, driven by higher risk premiums, and market values would come under pressure accordingly.

Logistics properties continue to demonstrate strong fundamentals, with the structural demand drivers generally remaining in place. However, rental development is likely to be more moderate than in previous years. Overall demand will continue to benefit from a shift from just-in-time to just-in-case production. Companies are undertaking this shift in an attempt to counter supply chain disruptions and improve their resilience, which is generally adding to demand for warehouse space. At the same time, a possible economic downturn, rising operating and transport costs as well as slowing momentum in international trade all harbour downside risks. If the performance of major European economies remains weak, this could further dampen the demand for space. The sector benefits from the ongoing trend of many logistics companies offering additional services (such as simple product steps) alongside transport, storage and distribution. 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.

Data centres should continue to benefit from multiple structural demand drivers in the coming years, such as digitalisation, cloud computing and artificial intelligence. Both the demand for computing capacity and construction activity are expected to continue to grow strongly in the medium term, with the leading data centre locations likely to continue accounting for a large part of this growth. The limited capacity of local electricity grids is likely to restrict development activity in some locations. This means that a continued supply shortage can be expected overall – with positive effects on rent developments and investor interest.

In the Structured Property Financing segment, we continue to expect Aareal Bank Group's property finance portfolio to reach a volume of around € 34 billion at the end of the year, subject to exchange rate fluctuations between the euro and the US dollar. We affirm our new business forecast (including renewals) of € 10 billion to € 12 billion for the full year 2026. We use syndications and other instruments to manage our portfolio and risk exposure.

The forecasts are based on the assumption that the macroeconomic risks and uncertainty factors described above will not materialise to a significant extent, or only in a manageable manner: if the macroeconomic environment, market conditions or competitive environment in the markets or sectors relevant to the Bank were to deteriorate compared with the forecast, there is a fundamental risk that the volume and margin targets on which the forecast is based will not be achieved. This would be in addition to potential negative effects on the financial performance (adjusted operating profit and adjusted return on equity), loss allowance and capital ratios (especially on the fully phased CET1 ratio).

Please also refer to the Report on Expected Developments and Opportunities as at 31 December 2025 for a description of further opportunities and risks associated with the Bank's future development.

Banking & Digital Solutions segment

Germany's commercial housing and property industries are expected to continue their solid performance over the rest of 2026 in spite of the geopolitical and macroeconomic uncertainty. Demand for housing will continue to outstrip supply in conurbations, due to excess demand in some regions. Despite recent signs of an increase in the number of new building permits against the backdrop of the "construction turbo" programme, the absolute level remains low and the situation acute. This is because the interest rate environment and rising energy and transport costs are having a negative impact on new-build projects.

Notwithstanding a higher number of permits for new-build projects, we continue to anticipate further rent increases, as people are expecting to continue moving to metropolitan areas and university cities (a trend that is likely to last until at least 2035). Coupled with the low number of new building permits to date and the existing trend towards smaller households, pressure on the housing market is likely to persist.

Even though the Bank's market share in the institutional housing industry is already high in Germany, we see excellent opportunities for the rest of 2026 for acquiring new clients and intensifying existing client relationships. This is to be achieved through the various initiatives from the Aareal Ambition strategy programme. These include stepping up the long-term strategic partnership between Aareal Bank, Aareon and First Financial Software GmbH, continuing to implement the new sales collaboration with PensExpert GmbH, intensifying financing activities on the German market and also exploring suitable European markets.

We continue to anticipate an average deposit volume from the housing industry of around € 15 billion for the 2026 financial year, which will contribute significantly to consolidated net interest income. Together with retail deposits, we expect the total volume of deposits to average around € 17.5 billion at year-end.

Strategic focus

Built on Aareal Bank's market position and solid reputation, the "Aareal Ambition" strategy pursues the following four 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 focus even more resolutely on our strengths in individual asset classes and regions, and we will manage our on- and off-balance sheet portfolio accordingly. In the Banking & Digital Solutions segment, we will pool our client deposits centrally, boost our market share in Germany in existing and related client segments, rolling out our products and services to international markets in Europe. 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, deploying state-of-the-art technology. For RISK, FUNDING & CAPITAL, we will continue to optimise profitability and capital commitment in a targeted manner, while maintaining solid risk, capital and liquidity indicators. And with regards to PEOPLE, our strong pipeline of talents and improved management structure will ensure high employee performance.

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

Expected business performance and Group targets

Aareal Bank Group continues to be managed using our key financial performance indicators. For detailed information on our management system and performance indicators, please refer to our Group Management Report 2025.

The Bank's business performance forecast is based on its Group planning and reflects the Bank's assumptions and developments presented in the above section.

We expect the broader geopolitical and macroeconomic outlook to remain somewhat volatile but do not presently expect it to have a significant impact on the commercial property markets in which we operate. We will continue to orientate our business more towards Europe at this stage in the economic cycle and remain very focused on reducing our legacy non-performing loans, particularly in the US. With little prospect of interest rate reductions in the near term and our continuing focus on the control of costs, we aim to maintain the current business momentum into the second half of the year with the objective of continuing achieving full year adjusted operating profits approaching € 400 million and an adjusted[1] return on equity (RoE) approaching 8 %.

Given that new business (including renewals) in the Structured Property Financing segment was largely in line with projections, we continue to anticipate a target credit portfolio of around € 34 billion at the end of the year, subject to exchange rate fluctuations. We are also likely to achieve our new business forecast (including renewals) of € 10 billion to € 12 billion for the full year 2026. With the credit portfolio geared towards risk and return, the Bank expects slightly lower gross margins in new business and a declining US share in the credit portfolio. The Bank believes that its more conservative lending practice over recent years has had, and will continue to have, a positive effect on loan impairment charges and, in turn, on the adjusted segment result.

Growth in the average volume of deposits from the housing industry in the Banking & Digital Solutions segment is set to prevail in the second half of 2026 – leading to a year-end average housing industry deposit volume of around € 15 billion that will lead to a significant positive contribution to consolidated net interest income. This will have a positive impact on the adjusted segment operating profit.

With regard to capitalisation, we continue to expect a Basel IV fully phased CET1 ratio of approximately 15.5 % – 16 % at year-end.

[1] Costs relating to efficiency measures, IT infrastructure investments and other material non-recurring effects
[2] RoE = adjusted consolidated net income excluding consolidated net income attributable to non-controlling interests and AT1 coupon/average equity (IFRS) excluding non-controlling interests, AT1 bond and dividends

Consolidated Interim Financial Statements

Statement of Comprehensive Income

Income Statement

€ mn	Note	1 Jan-30 Jun 2026	1 Jan-30 Jun 2025
Interest income from financial instruments (ac and fvoci)		1,011	1,102
Interest income from financial instruments (fvpl)		27	19
Market-driven modification gains		0	2
Interest expenses for financial instruments (ac and fvoci)		-437	-516
Interest expenses for financial instruments (fvpl)		-124	-134
Market-driven modification losses		-3	0
Net interest income	1	**474**	**473**
Loss allowance excluding credit-driven net modification gain or loss		-100	-123
Credit-driven net modification gain or loss		0	11
Loss allowance	2	**-100**	**-112**
Commission income		22	27
Commission expenses		-29	-24
Net commission income	3	**-7**	**3**
Net gain or loss on the derecognition of financial assets (ac)		19	10
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	0
Net derecognition gain or loss	4	**19**	**10**
Net gain or loss from financial instruments (fvpl)	5	-29	-5
Net gain or loss from hedge accounting	6	6	-4
Net gain or loss from investments accounted for using the equity method		2	2
Administrative expenses	7	-164	-177
Net other operating income/expenses	8	-2	18
Operating profit		**199**	**208**
Income taxes		-54	-52
Consolidated net income		**145**	**156**
Consolidated net income attributable to:			
Non-controlling interests		0	0
Shareholders of Aareal Bank AG		145	156
Consolidated net income		**145**	**156**

Reconciliation from Consolidated Net Income to Total Comprehensive Income

€ mn	1 Jan-30 Jun 2026	1 Jan-30 Jun 2025
Consolidated net income	**145**	**156**
Items that will not be reclassified subsequently to profit or loss		
Changes in the reserve from remeasurements of defined benefit plans	**12**	**-5**
Remeasurements of defined benefit plans	17	-8
Taxes on remeasurements of defined benefit plans	-5	3
Changes in the reserve from the measurement of equity instruments (fvoci)	**0**	**0**
Gains and losses from equity instruments (fvoci)	0	0
Reclassifications to retained earnings from equity instruments (fvoci)	0	0
Taxes on gains and losses from equity instruments (fvoci)	0	0
Items that are reclassified subsequently to profit or loss		
Changes in the reserve from the measurement of debt instruments (fvoci)	**4**	**14**
Gains and losses from debt instruments (fvoci)	6	21
Reclassifications to the income statement from debt instruments (fvoci)	0	0
Taxes on gains and losses from debt instruments (fvoci)	-2	-7
Changes in the reserve from foreign currency basis spreads	**4**	**11**
Gains and losses from foreign currency basis spreads	4	17
Reclassifications to the income statement from foreign currency basis spreads	0	0
Taxes on gains and losses from foreign currency basis spreads	0	-6
Changes in currency translation reserves	**16**	**-55**
Gains and losses from translating foreign operations' financial statements	11	-39
Reclassifications to the income statement from translating foreign operations' financial statements	0	0
Taxes on gains and losses arising from translating foreign operations' financial statements	5	-16
Other comprehensive income	**36**	**-35**
Total comprehensive income	**181**	**121**
Total comprehensive income attributable to:		
Non-controlling interests	0	-1
Shareholders of Aareal Bank AG	181	122
Total comprehensive income	**181**	**121**

Statement of Financial Position

€ mn	Note	30 Jun 2026	31 Dec 2025
Assets			
Financial assets (ac)	9	**40,694**	**39,111**
Cash funds (ac)		608	328
Loan receivables (ac)		33,793	33,839
Money market and capital market receivables (ac)		6,243	4,876
Receivables from other transactions (ac)		50	68
Loss allowance (ac)	10	-467	-429
Financial assets (fvoci)	11	**5,749**	**5,371**
Money market and capital market receivables (fvoci)		5,707	5,370
Equity instruments (fvoci)		42	1
Financial assets (fvpl)	12	**1,303**	**1,619**
Loan receivables (fvpl)		320	324
Money market and capital market receivables (fvpl)		6	6
Equity instruments (fvpl)		1	0
Positive market value of designated hedging derivatives (fvpl)		348	452
Positive market value of other derivatives (fvpl)		628	837
Non-current assets held for sale	13	96	128
Investments accounted for using the equity method		73	74
Intangible assets	14	44	44
Property and equipment	15	79	23
Income tax assets		25	39
Deferred tax assets		246	216
Other assets	16	708	657
Total		**48,550**	**46,853**
Equity and liabilities			
Financial liabilities (ac)	17	**42,918**	**41,165**
Money market and capital market liabilities (ac)		28,399	27,169
Deposits from the housing industry (ac)		13,685	13,213
Liabilities from other transactions (ac)		171	60
Subordinated liabilities (ac)		663	723
Financial liabilities (fvpl)	18	**1,611**	**1,705**
Negative market value of designated hedging derivatives (fvpl)		940	988
Negative market value of other derivatives (fvpl)		671	717
Non-current liabilities held for sale	13	0	0
Provisions	19	116	152
Income tax liabilities		52	33
Deferred tax liabilities		1	1
Other liabilities	20	28	45
Equity	21	**3,824**	**3,752**
Subscribed capital		180	180
Capital reserves		721	721
Retained earnings		2,584	2,548
AT1 bond		407	407
Other reserves		-93	-129
Non-controlling interests		25	25
Total		**48,550**	**46,853**

Statement of Changes in Equity

€ mn	Subscribed capital	Capital reserves	Retained earnings	AT1 bond	Other reserves: Reserve from remeasurements of defined benefit plans	Other reserves: Reserve from the measurement of equity instruments (fvoci)	Other reserves: Reserve from the measurement of debt instruments (fvoci)	Other reserves: Reserve from changes in the value of foreign currency basis spreads	Other reserves: Currency translation reserve	Total	Non-controlling interests	Equity
Equity as at 1 January 2026	**180**	**721**	**2,548**	**407**	**-58**	**-4**	**-12**	**-14**	**-41**	**3,727**	**25**	**3,752**
Total comprehensive income for the period	0	0	145	0	12	0	4	4	16	**181**	0	**181**
Consolidated net income	0	0	145	0	0	0	0	0	0	**145**	0	**145**
Other comprehensive income	0	0	0	0	12	0	4	4	16	**36**	0	**36**
Payments to non-controlling interests	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Dividends	0	0	-110	0	0	0	0	0	0	**-110**	0	**-110**
AT1 coupon	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Increase in AT1 bond	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Decrease in AT1 bond	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Changes in ownership interests in subsidiaries	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Other changes	0	0	1	0	0	0	0	0	0	**1**	0	**1**
Equity as at 30 June 2026	**180**	**721**	**2,584**	**407**	**-46**	**-4**	**-8**	**-10**	**-25**	**3,799**	**25**	**3,824**

€ mn	Subscribed capital	Capital reserves	Retained earnings	AT1 bond	Other reserves: Reserve from remeasurements of defined benefit plans	Other reserves: Reserve from the measurement of equity instruments (fvoci)	Other reserves: Reserve from the measurement of debt instruments (fvoci)	Other reserves: Reserve from changes in the value of foreign currency basis spreads	Other reserves: Currency translation reserve	Total	Non-controlling interests	Equity
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	0	0	156	0	-5	0	14	11	-54	**122**	-1	**121**
Consolidated net income	0	0	156	0	0	0	0	0	0	**156**	0	**156**
Other comprehensive income	0	0	0	0	-5	0	14	11	-54	**-34**	-1	**-35**
Payments to non-controlling interests	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Dividends	0	0	-1,941	0	0	0	0	0	0	**-1,941**	0	**-1,941**
AT1 coupon	0	0	-35	0	0	0	0	0	0	**-35**	0	**-35**
Increase in AT1 bond	0	0	0	407	0	0	0	0	0	**407**	0	**407**
Decrease in AT1 bond	0	0	0	-300	0	0	0	0	0	**-300**	0	**-300**
Changes in ownership interests in subsidiaries	0	0	0	0	0	0	0	0	0	**0**	5	**5**
Other changes	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Equity as at 30 June 2025	**180**	**721**	**2,539**	**407**	**-66**	**-4**	**-25**	**-19**	**-41**	**3,692**	**25**	**3,717**

Statement of Cash Flows (condensed)

€ mn	2026	2025
Cash and cash equivalents as at 1 January	**328**	**2,605**
Cash flow from operating activities	471	1,390
Cash flow from investing activities	-5	113
Cash flow from financing activities	-186	-1,788
Total cash flow	**280**	**-285**
Cash and cash equivalents as at 30 June	**608**	**2,320**

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 2026 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 28 July 2026. 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 generally included in the consolidated financial statements, using the equity method; one company, however, is carried as an equity instrument (fvoci). The present interim report is based on the same consolidation methods as were applied in the consolidated financial statements 2025.

One company was added to the reporting entity structure during the period under review:

In January 2026, Aareal Bank carried out a foreclosure in the US and acquired a beneficiary interest of just over 20% in a US company established for this purpose. Even though Aareal Bank is able to exercise significant influence over the company through this non-controlling stake and the company is classified as an associate, the non-controlling stake does not meet the criteria for an investment since Aareal Bank has not acquired any equity interest and holds only equity-like rights. This means that the equity method is not eligible and the US company was therefore recognised as an equity instrument (fvoci) with a value of € 40 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 2025 were also applied in preparation of these condensed consolidated interim financial statements, including the calculation of comparative figures.

The following financial reporting standards (IASs/IFRSs) were applied for the first time in the reporting period:

- **IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments**
  The amendments provide more detailed guidance regarding the measurement of financial instruments with environmental, social and governance (ESG)-linked features, observing the SPPI criterion. This facilitates carrying such instruments at amortised cost, provided that cash flows are not materially affected by ESG-linked features. Furthermore, the amendment covers the settlement of liabilities via electronic payment systems.

- **Annual Improvements Volume 11**
  Improvements to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

- **IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity**
  The IASB has implemented amendments to IFRS 9 and IFRS 7 to clarify the accounting of electricity procurement contracts from renewable energies. The adjustments to IFRS 9 relate to the 'own-use' exemption and the accounting of hedges, including the option of including variable power volumes as hedged items. In IFRS 7, disclosure requirements have been added that require specific information on contracts referencing nature-dependent electricity, such as the type of transactions and the associated risks.

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

€ mn	1 Jan-30 Jun 2026	1 Jan-30 Jun 2025
Interest income from financial assets (ac and fvoci)	1,011	1,102
Loan receivables	893	980
Money market and capital market receivables	118	122
Interest income from financial instruments (fvpl)	27	19
Loan receivables	9	10
Other derivatives	18	9
Market-driven modification gains	0	2
Total interest and similar income	**1,038**	**1,123**
Interest expenses from financial liabilities (ac)	-437	-516
Money market and capital market liabilities	-370	-437
Deposits from the housing industry	-48	-58
Liabilities from other transactions	-1	-1
Subordinated liabilities	-18	-20
Interest expenses for financial instruments (fvpl)	-124	-134
Other derivatives	-124	-134
Market-driven modification losses	-3	0
Total interest and similar expenses	**-564**	**-650**
Total	**474**	**473**

Despite on average lower interest levels, net interest income of € 474 million was in line with the previous year's level of € 473 million, which is mainly due to the year-on-year increase in the credit portfolio size and increased average deposit volumes.

(2) Loss allowance

€ mn	1 Jan-30 Jun 2026	1 Jan-30 Jun 2025
Additions	157	242
Reversals	-71	-115
Recoveries on loans and advances previously written off	-2	-4
Loss allowance – other items	16	0
Credit-driven net modification gain or loss	0	-11
Total	**100**	**112**

Loss allowance of € 100 million for new and existing defaults was below the previous year's level of € 112 million. This also includes a € 13 million reduction in post-model adjustments compared to year-end 2025, bringing total adjustments to € 42 million as at 30 June 2026. The reduction was due to more favourable migration patterns within the portfolio during the first half of the year; the calculation methodology applied remained unchanged compared to the end of 2025. Post-model adjustments were recognised for stage 1 and stage 2 exposures to address the persistently high level of economic uncertainty and geopolitical tensions.

Model-based loss allowance (stages 1 and 2) was determined using an enhanced rating procedure, based on default forecasts, in line with the treatment at year-end 2025. The resulting effect totalled € 33 million. Final regulatory approval for these rating procedures is expected shortly. Technical implementation of the new rating model permits the model-based determination of credit ratings using the enhanced rating model.

Please also refer to Note (10).

(3) Net commission income

€ mn	1 Jan-30 Jun 2026	1 Jan-30 Jun 2025
Commission income from		
software-based services	4	6
banking business and other activities	18	21
Total commission income	**22**	**27**
Commission expenses for		
purchased services	0	0
banking business and other activities	-29	-24
Total commission expenses	**-29**	**-24**
Total	**-7**	**3**

Commission income and expenses nearly offset each other during the period under review, leading to slightly negative net commission income of € -7 million (H1 2025: € 3 million). The decrease compared to the previous year was primarily down to current commission expenses for the Significant Risk Transfer (SRT) transaction executed in the second half of 2025.

(4) Net derecognition gain or loss

€ mn	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
Net gain or loss on the derecognition of financial assets (ac)		
Loan receivables	19	10
Money market and capital market receivables	0	0
Other financial assets	0	0
Net gain or loss on the derecognition of financial liabilities (ac)		
Money market and capital market liabilities	0	0
Net gain or loss on the derecognition of financial assets (fvoci)		
Loan receivables	0	0
Money market and capital market receivables	0	0
Total	**19**	**10**

As in the previous year, the net derecognition gain of € 19 million (H1 2025: € 10 million) was mainly the result of positive market-driven effects from early loan repayments.

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

€ mn	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
Net gain or loss from loan receivables	-27	4
Net gain or loss from money market and capital market receivables	-1	0
Net gain or loss from other derivatives	-1	-4
Currency translation	0	-5
Total	**-29**	**-5**

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

(6) Net gain or loss from hedge accounting

€ mn	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
Ineffective portion of fair value hedges	6	-5
Ineffective portion of net investment hedges	0	1
Total	**6**	**-4**

As in the previous year, the net gain or loss from hedge accounting of € 6 million (H1 2025: € -4 million) was mainly due to ineffectiveness of fair value hedges, with income from hedged promissory note loans accounting for the largest share.

(7) Administrative expenses

€ mn	1 Jan–30 Jun 2026	1 Jan–30 Jun 2025
Staff expenses	88	94
Wages and salaries	74	79
Social security contributions	11	11
Pensions	3	4
Other administrative expenses	68	74
Depreciation, amortisation and impairment of property and equipment and intangible assets	8	9
Total	**164**	**177**

Administrative expenses of € 164 million were lower than in the previous year (H1 2025: € 177 million). Besides strict cost control, this also reflected the deferral of certain project and IT costs to subsequent quarters.

(8) Net other operating income/expenses

€ mn	1 Jan–30 Jun 2026	1 Jan–30 Jun 2025
Income from properties	17	16
Income from the reversal of provisions	0	1
Income from goods and services	0	0
Other operating income	7	31
Total other operating income	**24**	**48**
Expenses for properties	-21	-18
Expenses for other taxes	-2	-6
Other operating expenses	-3	-6
Total other operating expenses	**-26**	**-30**
Total	**-2**	**18**

Net other operating income/expenses amounted to € -2 million (H1 2025: € 18 million), mainly comprising current results from foreclosures as well as from further subsidiaries and other entities. The higher prior-year figure mainly reflected the non-recurring income resulting from the disposal of our hotel operations in Italy.

Notes to the Statement of Financial Position

(9) Financial assets (ac)

€ mn	30 Jun 2026	31 Dec 2025
Cash funds (ac)	**608**	**328**
Cash on hand	0	0
Balances with central banks	608	328
Loan receivables (ac)	**33,793**	**33,839**
Property loans	33,613	33,651
Public-sector loans	151	162
Other loan receivables	29	26
Money market and capital market receivables (ac)	**6,243**	**4,876**
Money market receivables	1,469	1,055
Promissory note loans	1,001	1,060
Bonds	3,773	2,761
Receivables from other transactions (ac)	**50**	**68**
Trade receivables	9	10
Other financial receivables	41	58
Total	**40,694**	**39,111**

(10) Loss allowance (ac)

€ mn	Stage 1	Stage 2	Stage 3	Receivables from other transactions (ac)	Total loss allowance (ac)
Balance as at 1 January 2026	**49**	**142**	**235**	**3**	**429**
Additions	12	28	116	0	**156**
Utilisation	0	0	-61	0	**-61**
Reversals	-16	-34	-11	0	**-61**
Transfer to Stage 1	2	-2	0	0	**0**
Transfer to Stage 2	-3	4	-1	0	**0**
Transfer to Stage 3	0	-2	2	0	**0**
Interest rate effect	0	0	2	0	**2**
Currency adjustments	0	4	8	0	**12**
Changes in the basis of consolidation	0	0	0	0	**0**
Transfers	0	0	-10	0	**-10**
Balance as at 30 June 2026	**44**	**140**	**280**	**3**	**467**

The 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.

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

(11) Financial assets (fvoci)

€ mn	30 Jun 2026	31 Dec 2025
Money market and capital market receivables (fvoci)	**5,707**	**5,370**
Promissory note loans	0	0
Bonds	5,707	5,370
Equity instruments (fvoci)	**42**	**1**
Equities and other non-fixed income securities	0	0
Other investments	42	1
Miscellaneous	0	0
Total	**5,749**	**5,371**

(12) Financial assets (fvpl)

€ mn	30 Jun 2026	31 Dec 2025
Loan receivables (fvpl)	**320**	**324**
Property loans	320	324
Money market and capital market receivables (fvpl)	**6**	**6**
Promissory note loans	0	0
Bonds	0	0
Fund units	6	6
Equity instruments (fvpl)	**1**	**0**
Other investments	1	0
Positive market value of designated hedging derivatives (fvpl)	**348**	**452**
Positive market value of fair value hedges	342	421
Positive market value of net investment hedges	6	31
Positive market value of other derivatives (fvpl)	**628**	**837**
Positive market value of economic hedging derivatives	384	565
Positive market value of miscellaneous derivatives	244	272
Total	**1,303**	**1,619**

(13) Non-current assets and obligations held for sale

A total of € 96 million of non-current assets held for sale relates to three property loans in the US, of which two are to be sold during the course of 2026. The remaining loan is to be disposed of by the end of the first half of 2027.

Our main operating property was still classified as a non-current asset held for sale at the end of 2025. The property has since been reclassified, as a sale within the specified time frame is no longer considered highly probable.

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

(14) Intangible assets

€ mn	30 Jun 2026	31 Dec 2025
Goodwill	9	9
Proprietary software	30	30
Other intangible assets	5	5
Total	**44**	**44**

(15) Property and equipment

€ mn	30 Jun 2026	31 Dec 2025
Land and buildings and construction in progress	72	15
Office furniture and equipment	7	8
Total	**79**	**23**

(16) Other assets

€ mn	30 Jun 2026	31 Dec 2025
Properties	586	568
Contract assets	0	0
Miscellaneous	122	89
Total	**708**	**657**

Property holdings as at the reporting date were unchanged compared with the end of 2025. Carrying amounts of US properties increased due to exchange rate fluctuations.

(17) Financial liabilities (ac)

€ mn	30 Jun 2026	31 Dec 2025
Money market and capital market liabilities (ac)	**28,399**	**27,169**
Money market liabilities	8,380	6,738
Promissory note loans	2,291	2,342
Mortgage Pfandbriefe	13,048	12,843
Public-sector Pfandbriefe	693	728
Other debt securities	3,985	4,515
Other financial liabilities	2	3
Deposits from the housing industry (ac)	**13,685**	**13,213**
Payable on demand	9,471	9,095
Term deposits	4,214	4,118
Liabilities from other transactions (ac)	**171**	**60**
Trade payables	15	22
Other liabilities	156	38
Subordinated liabilities (ac)	**663**	**723**
Total	**42,918**	**41,165**

(18) Financial liabilities (fvpl)

€ mn	30 Jun 2026	31 Dec 2025
Negative market value of designated hedging derivatives (fvpl)	**940**	**988**
Negative market value of fair value hedges	916	988
Negative market value of cash flow hedges	0	0
Negative market value of net investment hedges	24	0
Negative market value of other derivatives (fvpl)	**671**	**717**
Negative market value of economic hedging derivatives	120	62
Negative market value of other derivatives	551	655
Total	**1,611**	**1,705**

(19) Provisions

€ mn	30 Jun 2026	31 Dec 2025
Provisions for pensions and similar obligations	4	4
Provisions for unrecognised lending business	8	18
Other provisions	104	130
Total	**116**	**152**

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 4.35 % as at 30 June 2026 (31 December 2025: 4.24 %).

(20) Other liabilities

€ mn	30 Jun 2026	31 Dec 2025
Lease liabilities	17	18
Deferred income	0	2
Liabilities from other taxes	10	21
Contract liabilities	0	0
Miscellaneous	1	4
Total	**28**	**45**

(21) Equity

€ mn	30 Jun 2026	31 Dec 2025
Subscribed capital	180	180
Capital reserves	721	721
Retained earnings	2,584	2,548
AT1 bond	407	407
Other reserves		
Reserve from remeasurements of defined benefit plans	-46	-58
Reserve from the measurement of equity instruments (fvoci)	-4	-4
Reserve from the measurement of debt instruments (fvoci)	-8	-12
Reserve from foreign currency basis spreads	-10	-14
Currency translation reserves	-25	-41
Non-controlling interests	25	25
Total	**3,824**	**3,752**

Treasury shares

No treasury shares were held during the period under review.

Distributions

The ordinary Annual General Meeting held on 21 April 2026 resolved to pay dividends of € 109,532,591.00 (which have already been distributed) from net retained profit of € 418,030,000.00 for the 2025 financial year, as reported under the German Commercial Code (HGB), and to carry forward the remaining net retained profit of € 308,497,409.00.

In addition, on 31 July 2026, 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.

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.

(22) 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 to sell 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.

Responsibility for the measurement of financial instruments lies with the Risk Controlling division and is made as part of the risk management process. Risk Controlling continually reviews the valuations and inputs and performs the necessary updates. This also includes the review and allocation of financial instruments to the fair value hierarchy. The measurement methodologies are validated on a regular basis by cross-divisional teams.

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.

To determine the reclassification of a financial instrument, the level at the beginning of the reporting period is compared with the level at the end of the reporting period, and any changes are disclosed.

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 interest rates 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 for which no current market price is available in an active market and capital markets liabilities (including subordinated liabilities) and promissory note loans (receivables and liabilities) 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. Money market receivables and liabilities are also measured using the discounted cash flow method.

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. 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, deposits from the housing industry and liabilities from other transactions due to the short-term nature of these items.

(23) 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 2026

€ mn	Total fair value	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets (fvoci)	**5,749**	**4,959**	**748**	**42**
Money market and capital market receivables (fvoci)	5,707	4,959	748	0
Equity instruments (fvoci)	42	0	0	42
Financial assets (fvpl)	**1,303**	**2**	**976**	**325**
Loan receivables (fvpl)	320	0	0	320
Money market and capital market receivables (fvpl)	6	2	0	4
Equity instruments (fvpl)	1	0	0	1
Positive market value of designated hedging derivatives (fvpl)	348	0	348	0
Positive market value of other derivatives (fvpl)	628	0	628	0
Financial liabilities (fvpl)	**1,611**	**0**	**1,611**	**0**
Negative market value of designated hedging derivatives (fvpl)	940	0	940	0
Negative market value of other derivatives (fvpl)	671	0	671	0

31 December 2025

€ mn	Total fair value	Fair value level 1	Fair value level 2	Fair value level 3
Financial assets (fvoci)	**5,371**	**4,755**	**615**	**1**
Money market and capital market receivables (fvoci)	5,370	4,755	615	0
Equity instruments (fvoci)	1	0	0	1
Financial assets (fvpl)	**1,619**	**1**	**1,289**	**329**
Loan receivables (fvpl)	324	0	0	324
Money market and capital market receivables (fvpl)	6	1	0	5
Equity instruments (fvpl)	0	0	0	0
Positive market value of designated hedging derivatives (fvpl)	452	0	452	0
Positive market value of other derivatives (fvpl)	837	0	837	0
Financial liabilities (fvpl)	**1,705**	**0**	**1,705**	**0**
Negative market value of designated hedging derivatives (fvpl)	988	0	988	0
Negative market value of other derivatives (fvpl)	717	0	717	0

During the first six months of the financial year 2026, financial assets (fvoci) of € 54 million were transferred from Level 1 to Level 2; € 35 million 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)

€ mn	2026	2025
Fair value as at 1 January	324	381
Change in measurement	**-6**	**38**
Portfolio changes		
Additions	70	8
Derecognition	-69	-69
Deferred interest	1	0
Fair value as at 30 June	**320**	**358**

Financial instruments held in the Bank's portfolio contributed € -22 million to the net gain or loss from financial instruments (fvpl) (H1 2025: € 37 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 the non-defaulted loans, an increase/decrease by 1 % would lead to a decrease/increase of the fair value by approximately € 5 million (H1 2025: approximately € 4 million).

(24) 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:

€ mn	30 Jun 2026 Carrying amount	30 Jun 2026 Fair Value	31 Dec 2025 Carrying amount	31 Dec 2025 Fair Value
Financial assets (ac)	**40,228**	**40,371**	**38,682**	**38,931**
Cash funds (ac)	608	608	328	328
Loan receivables (ac)	33,331	33,576	33,414	33,790
Money market and capital market receivables (ac)	6,243	6,142	4,875	4,750
Receivables from other transactions (ac)	46	45	65	63
Financial assets (fvoci)	**5,748**	**5,749**	**5,371**	**5,371**
Money market and capital market receivables (fvoci)	5,706	5,707	5,370	5,370
Equity instruments (fvoci)	42	42	1	1
Financial assets (fvpl)	**1,303**	**1,303**	**1,619**	**1,619**
Loan receivables (fvpl)	320	320	324	324
Money market and capital market receivables (fvpl)	6	6	6	6
Equity instruments (fvpl)	1	1	0	0
Positive market value of designated hedging derivatives (fvpl)	348	348	452	452
Positive market value of other derivatives (fvpl)	628	628	837	837
Financial liabilities (ac)	**42,918**	**42,954**	**41,165**	**41,151**
Money market and capital market liabilities (ac)	28,399	28,403	27,169	27,123
Deposits from the housing industry (ac)	13,685	13,685	13,213	13,213
Liabilities from other transactions (ac)	171	171	60	61
Subordinated liabilities (ac)	663	695	723	754
Financial liabilities (fvpl)	**1,611**	**1,611**	**1,705**	**1,705**
Negative market value of designated hedging derivatives (fvpl)	940	940	988	988
Negative market value of other derivatives (fvpl)	671	671	717	717

Segment Reporting

(25) Segment results[1)]

	Structured Property Financing		Banking & Digital Solutions		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
€ mn								
Net interest income	349	359	125	114	0	0	474	473
Loss allowance	-100	-112	0	0	0	0	-100	-112
Net commission income	-1	8	-6	-5	0	0	-7	3
Net derecognition gain or loss	19	10	0	0	0	0	19	10
Net gain or loss from financial instruments (fvpl)	-29	-5	0	0	0	0	-29	-5
Net gain or loss from hedge accounting	6	-4	0	0	0	0	6	-4
Net gain or loss from investments accounted for using the equity method	0	0	2	2	0	0	2	2
Administrative expenses	-110	-127	-54	-50	0	0	-164	-177
Net other operating income/expenses	-2	19	0	-1	0	0	-2	18
Operating profit	**132**	**148**	**67**	**60**	**0**	**0**	**199**	**208**
Income taxes	-33	-34	-21	-18	0	0	-54	-52
Consolidated net income	**99**	**114**	**46**	**42**	**0**	**0**	**145**	**156**
Consolidated net income attributable to:								
Non-controlling interests	0	0	0	0	0	0	0	0
Shareholders of Aareal Bank AG	99	114	46	42	0	0	145	156
Consolidated net income	**99**	**114**	**46**	**42**	**0**	**0**	**145**	**156**
Employees (average)	759	779	400	399	0	0	1,159	1,178
Segment assets	**33,845**	**33,529**	**14,705**	**13,752**	**0**	**0**	**48,550**	**47,281**

1) The previous year's figures were adjusted to reflect the new transfer prices.

As a result of its annual transfer pricing review for the purposes of internal management and reporting, and consequently also for the external segment reporting, the cost of the liquidity provided by Banking and Digital Solutions to Structured Property Financing has been reduced from 1 January 2026 to better reflect economic reality. The respective segmental income, expenses and profits have been adjusted by a total of € 21 million in favour of the Structured Property Financing segment for the full year 2025 to ensure comparability of results between years. The adjustment will result in an impact of a similar magnitude for 2026 as a whole.

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 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025	1 Jan - 30 Jun 2026	1 Jan - 30 Jun 2025
€ mn								
Software-based services	0	0	4	6	0	0	4	6
Banking business and other activities	5	9	13	12	0	0	18	21
Total	**5**	**9**	**17**	**18**	**0**	**0**	**22**	**27**

Other Notes

(26) Contingent liabilities and loan commitments

	30 Jun 2026	31 Dec 2025
€ mn		
Contingent liabilities	133	146
Loan commitments	987	1,211
of which: irrevocable	753	976

(27) Employees

The number of Aareal Bank Group employees is shown below:

	30 Jun 2026	Average 1 Jan - 30 Jun 2026	31 Dec 2025	Average 1 Jan - 31 Dec 2025[1)]
Salaried employees	1,131	1,121	1,130	1,136
Executives	38	38	37	38
Total	**1,169**	**1,159**	**1,167**	**1,174**
of which: part-time employees	182	182	184	187

[1)] This number does not include 64 employees of the hotel business in Italy.

(28) Related party disclosures in accordance with IAS 24

No new transactions with related parties or related companies occurred during the reporting period.

(29) Events after the interim reporting period

There were no significant events after the reporting date that had a material impact on Aareal Bank Group's financial position and financial performance.

(29) Executive bodies of Aareal Bank AG

Supervisory Board

Jean Pierre Mustier [1) 2)]
Chairman of the Supervisory Board
Former CEO of UniCredit S.p.A. and former President of the European Banking Federation

Henning Giesecke [2) 3) 4)]
Former Chief Risk Officer of UniCredit S.p.A. and UniCredit Bank AG

Denis Hall [3) 4) 5)]
Chairman of the Audit Committee
Former Chief Risk Officer Global Consumer Banking of GE Capital EMEA

Petra Heinemann-Specht [2) 3) 4) 6)]
Deputy Chairwoman of the Supervisory Board
Aareal Bank AG

Barbara Knoflach [1) 4) 5)]
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 [1) 2) 3)]
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

Wolfgang Gaertner [1) 5)]
Chairman of the Technology and Innovation Committee
Self-employed consultant

Klaus Novatius [1) 2) 6)]
Aareal Bank AG

Maximilian Rinke [2) 3) 4)]
Senior Managing Director of Centerbridge Partners, L.P.

Sascha Schmitt [5) 6)]
Aareal Bank AG

José Sevilla Álvarez [1) 3) 4) 5)]
Chairman of the Risk Committee
Former Chief Executive Officer of Bankia S.A.

Markus Zywitza [5) 6)]
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

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

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, 28 July 2026

The Management Board

Dr Christian Ricken **Nina Babic**

Andrew Halford **Christof Winkelmann**

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 2026, 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 2026 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, 31 July 2026

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Thiede	**Peter**
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(German Public Auditor)	**(German Public Auditor)**

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Financial Calendar

5 November 2026	Publication of results as at 30 September 2026

Imprint

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S/COMPANY · Die Markenagentur GmbH

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This report is also available in German.

Aareal Bank Group

08/2026

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