

PRESS RELEASE

Aareal Bank significantly increased earnings in the 2024 financial year and sets the course for further growth

- **Net interest income increased by 5 per cent to €1.1 billion**
- **New business above 2023 levels, with good margins and conservative loan-to-values**
- **Loan impairment charges of €0.4 billion improved by 22 per cent**
- **Non-performing exposure ratio improved to 2.8 per cent (2023: 3.4 per cent)**
- **Operating profit from continuing operations increased by 33 per cent to €294 million, the best result since 2018**
- **RoE of 5.9 per cent (2023: 3.4 per cent); 6.8 per cent before one-off charges**
- **Net income of €2.2 billion including Aareon gain on sale**
- **Proposed dividend of €1.9 billion; €0.3 billion to be retained**
- **Very comfortable capital, funding and liquidity positions**
- **2025 adjusted operating profit expected to increase to €375 million to €425 million**
- **New ‘Aareal Ambition’ strategy to deliver adjusted RoE of at least 13 per cent by 2027**

Wiesbaden, 6 March 2025 – Aareal Bank significantly increased its earnings in the 2024 financial year on the back of a strong operating performance. Based on audited figures, the Bank’s operating profit rose by 33 per cent to €294 million (2023: €221 million), reaching the top end of the target range of €250-300 million despite one-off charges.

“This is Aareal Bank’s best result since 2018”, said **Dr Christian Ricken, Chief Executive Officer**. “Given the ongoing challenges in commercial property markets, this is an outstanding performance. We are in an excellent position for further growth based on our tried-and-tested risk strategy.”

The Bank’s strong earnings power allowed it to more than offset still-elevated loan impairment charges (LICs) and investments in efficiency enhancement measures. Net interest income was up by 5 per cent to €1.1 billion, reflecting good margins and credit portfolio growth, together with the Bank’s strong and stable deposit-taking business. At the same time, LICs decreased by 22 per cent to €396 million.

Operating profit of €33 million was generated in the fourth quarter (Q4 2023: €1 million). This figure is stated after incurring charges for efficiency measures, as announced.

Further growth with “Aareal Ambition”

Aareal Bank conducted a critical review of its growth, cost, and risk strategies during the fourth quarter of 2024. This review led to the launch of the new “Aareal Ambition” strategy programme, which focuses on investments in growth and technology while also introducing efficiency measures, particularly in IT and process optimisation. The goal of “Aareal Ambition”

is to increase the Bank's return on equity after taxes to at least 13 per cent by 2027, adjusted for one-off effects, and assuming a standardised CET1 ratio of 13,5 per cent (Basel IV fully-phased).

Dr Christian Ricken explained: "Aareal Bank has successfully navigated the challenges of recent years, but there remains significant potential – both in terms of profitability and costs. We will unlock this potential by strengthening our core business, expanding into new fields of business, and enhancing our efficiency. Our goal is to be amongst the best in the market in all dimensions: return on equity, cost/income ratio, client satisfaction and our appeal as an employer for high-performing top talents."

Specifically, the Bank plans to grow the credit portfolio in the Structured Property Financing segment to around €37 billion by 2027, and to expand the capital-light syndication business to approximately €9 billion. The portfolio is to be further diversified by capitalising on the Bank's existing strengths and focusing on future-oriented asset classes and regions. In the Banking & Digital Solutions segment, Aareal Bank plans to increase market penetration within the existing client base and to move into new client segments in Germany and Europe.

Overall, the Bank intends to continue its conservative risk strategy, preserving its strong liquidity and capitalisation and maintaining strict cost discipline. It will also invest in process optimisation and digitalisation – and in modernising its IT architecture to generate cost savings.

Strong performance in the 2024 financial year

As in the previous quarters, Aareal Bank reports the results for the 2024 financial year separately. This means that software subsidiary Aareon is reported as a "discontinued operation" and the banking business as a "continuing operation". The previous year's figures have been adjusted accordingly.

Aareal Bank increased **net interest income** from its banking business by 5 per cent to €1,060 million in the financial year under review (2023: €1,014 million). Fourth-quarter net interest income of €268 million (Q4 2023: €280 million) remained high despite falling interest rates.

LICs, which include loss allowance as well as valuation adjustments in net gain or loss from financial instruments (fvpl), stood at €396 million (2023: €510 million). While 22 per cent lower than in the previous year, LICs are still at an elevated level, reflecting the tense market situation for US office properties. Aareal Bank also increased its existing management overlay of €25 million at the end of 2023 to €85 million. LICs of €108 million were recognised in the fourth quarter, equivalent to roughly half of the previous year's Q4 figure of €194 million.

Thanks to active NPL portfolio management, the inventory of **non-performing loans** was reduced to €1.4 billion (31 Dec 2023: €1.6 billion). This was largely attributable to US office properties. The non-performing exposure (NPE) ratio according to EBA Risk Dashboard

definition was only 2.8 per cent at the end of December, despite the challenging market environment (31 Dec 2023: 3.4 per cent).

Administrative expenses amounted to €377 million for the full year, including one-off charges for efficiency measures totalling €34 million, most of which was recognised in the fourth quarter. Excluding these one-off costs, administrative expenses remained stable (2023: €341 million), thanks to strict cost discipline. The figure for the fourth quarter was €124 million (Q4 2023: €93 million). At 31 per cent (excluding non-recurring expenses), the Bank's cost/income ratio was very healthy even by international standards.

After factoring in taxes of €82 million, **the Bank's consolidated net income** for the 2024 financial year was €212 million, up 67 per cent (2023: €127 million). Of this, €27 million was generated in the fourth quarter (Q4 2023: €-27 million).

The **sale of Aareon**, announced in June, was closed on 1 October 2024, yielding a net gain on sale of €2 billion. **Consolidated net income** allocated to ordinary shareholders including Aareon, which also includes the gain on the Aareon sale, totalled €2.2 billion (2023: €42 million).

The Management Board and the Supervisory Board are proposing to the Annual General Meeting that it **distribute dividends** of €1.9 billion for the 2024 financial year. Consolidated equity will increase by €300 million following this distribution.

The Bank further strengthened its **Common Equity Tier 1 ratio** (CET1 ratio – Basel IV phase-in) to 20.2 per cent at the end of the financial year (31 Dec 2023: 19.4 per cent). The **fully-phased CET1 ratio under Basel IV** rose to 15.2 per cent from 13.4 per cent at the end of the previous year. The total capital ratio (Basel IV phase-in) stood at 26.6 per cent (31 Dec 2023: 23.5 per cent). This means that Aareal Bank enjoys a very solid capital base. The proposed distribution was already factored in when calculating the ratios shown above.

Aareal Bank was also highly successful in its **funding activities** throughout 2024, having placed bonds and Pfandbriefe totalling €3.3 billion on the capital markets during the financial year. These included its first ever green senior non-preferred issue and two benchmark Pfandbriefe, as well as a subordinated Tier 2 bond, which attracted great investor interest and was oversubscribed several times. Fixed-interest retail deposits sourced through platforms also developed positively during the financial year under review. Here, deposit volumes rose to €3.5 billion at year-end (31 Dec 2023: €2.6 billion), reaching the Bank's current target level.

Liquidity ratios were in a very comfortable range (LCR: 230 per cent; NSFR: 117 per cent).

Developments by business segment

In the **Structured Property Financing** segment, Aareal Bank increased its loan portfolio to €33.5 billion (31 Dec 2023: €32.9 billion), thanks to brisk new business origination. New business volume (including renewals) rose particularly strongly in the fourth quarter (€4.3

billion) and reached €10.9 billion at the end of the year (31 Dec 2023: €10.0 billion), exceeding both the previous year's figure and the original annual forecast of between €8 billion and €9 billion.

Aareal Bank continued to maintain its conservative lending policy with a solid risk-return profile, with healthy average gross margins of around 270 basis points and average loan-to-value (LTV) ratios at a conservative 54 per cent for newly originated loans. The average yield on debt (which indicates the debt servicing capacity of loans extended) remained at a respectable 9.6 per cent (unchanged from 31 Dec 2023).

Aareal Bank also continued to successfully pursue its ESG activities in the property financing business. The Bank's new business included green loans of €3.9 billion. During the financial year under review, the portfolio of green financings increased, reaching an amount of €7.6 billion as at the year-end 2024 (31 Dec 2023: €4.8 billion).

In the **Banking & Digital Solutions segment**, the volume of client deposits from the housing and energy industries averaged €13.7 billion in the financial year under review (31 Dec 2023: €13.6 billion), remaining stable at a high level and making a key contribution to consolidated net interest income. Segment net interest income rose by 13 per cent to €269 million (2023: €238 million), of which €66 million was generated in the fourth quarter (Q4 2023: €68 million).

This means that the volume of deposits was largely unaffected by the sale of the subsidiary Aareon. Moreover, the First Financial Software joint venture with Aareon has already had a positive impact on client acquisition in the past year. Related commission payments made to Aareon for the intermediated business are reflected in net commission income.

Outlook for 2025: further increase in profits expected

Aareal Bank expects to see another significant increase in operating profit to between €375 million and €425 million in the 2025 financial year, excluding expected one-off charges for efficiency enhancement measures and investments in IT-infrastructure of between €20 million and €25 million, and hence an adjusted return on equity after taxes of between 7 and 8 per cent.

The credit portfolio in the Structured Property Financing segment is set to expand to €34-35 billion in the current financial year, subject to market conditions and exchange rate fluctuations, with new business expected to be between €9 billion and €10 billion. For the Banking & Digital Solutions segment, the Bank assumes that the average volume of deposits from the housing and energy industries will be between €13 billion and €14 billion.

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About Aareal Bank Group

Aareal Bank Group, headquartered in Wiesbaden, is a leading international property specialist. The Bank uses its expertise to identify trends, challenges and opportunities at an early stage, and to exploit them for the benefit of its stakeholders. Aareal Bank Group provides financings, banking services and payments solutions for the property sector and related industries, and is present across three continents, Europe, North America and Asia. Aareal Bank Group's business strategy focuses on sustainable business success, with environmental, social and governance (ESG) aspects as an integral part of this strategy.

Aareal Bank AG comprises the business segments Structured Property Financing and Banking & Digital Solutions. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. Here, the Bank supports its clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. In the Banking & Digital Solutions segment, Aareal Bank Group supports businesses from the housing, property management and energy industries as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking.

Aareal Bank Group – Key Indicators

	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023
Results		
Operating profit from continuing operations (€ mn)	294	221
Consolidated net income from continuing operations (€ mn)	212	127
Consolidated net income (€ mn)	2,274	48
Consolidated net income allocated to ordinary shareholders (€ mn) ¹⁾	2,241	42
Cost/income ratio (%) ²⁾	31.4	29.6
Earnings per ordinary share from continuing operations (€) ^{1) 3)}	3.00	1.63
RoE after taxes from continuing operations (%) ¹⁾	5.9	3.4
	31 Dec 2024	31 Dec 2023
Statement of financial position		
Property finance (€ mn)	33,471	32,876
Equity (€ mn)	5,460	3,300
Total assets (€ mn)	47,814	46,833
Regulatory indicators⁴⁾		
Basel IV (phase-in)		
Risk-weighted assets (€ bn)	14.3	13.7
Common Equity Tier 1 ratio (CET1 ratio) (%)	20.2	19.4
Tier 1 ratio (T1 ratio) (%)	22.3	21.6
Total capital ratio (TC ratio) (%)	26.6	23.5
Basel IV (fully phased)		
Common Equity Tier 1 ratio (CET1 ratio) (%)	15.2	13.4
Employees⁵⁾	1,198	1,201

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

²⁾ Structured Property Financing and Banking & Digital Solutions segments: in line with common practice in the banking sector, bank levy and contributions to the deposit guarantee scheme are not included; one-off costs are also excluded.

³⁾ Without taking into account income of non-controlling interests

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

31 December 2024: including annual results for 2024 less a proposed dividend and including pro rata temporis accrual of interest on the AT1 bond.

The SREP recommendations concerning the NPL inventory and the ECB's NPL guidelines for the regulatory capital of new NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests were taken into account. Adjusted total risk exposure amount (in accordance with Article 3 CRR II – RWAs), using the higher of (i) total RWAs calculated in accordance with CRR II currently in force and (ii) total RWAs applying the partial regulation for the "output floor" (50% phase-in/72.5% fully phased) in connection with commercial property lending, equity exposures, CVA and OpRisk, based on the European Commission's final implementation of Basel IV, by way of Regulation (EU) 2024/1623 dated 31 May 2024 (CRR III). No such adjustment was applied to RWA calculations at the end of 2024.

⁵⁾ Excluding the Aareon sub-group

**Consolidated Income Statement of Aareal Bank Group
Results for the 2024 financial year (audited, in accordance with IFRSs)**

	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023	Change
	€ mn	€ mn	%
Net income from continuing operations			
Net interest income	1,060	1,014	5
Loss allowance	-370	-441	-16
Net commission income	-4	39	
Net derecognition gain or loss	31	23	35
Net gain or loss from financial instruments (fvpl)	-44	-71	-38
Net gain or loss from hedge accounting	3	1	200
Net gain or loss from investments accounted for using the equity method	1	3	-67
Administrative expenses	-377	-341	11
Net other operating income/expenses	-6	-6	0
Operating profit from continuing operations	294	221	33
Income taxes	-82	-94	-13
Consolidated net income from continuing operations	212	127	67
Net income from sold operations	2,062	-79	
Consolidated net income	2,274	48	4,638
Consolidated net income attributable to non-controlling interests	0	-23	
Consolidated net income attributable to shareholders of Aareal Bank AG	2,274	71	3,103

¹⁾ In accordance with IFRS 5, net income from discontinued operations is reported separately; the previous year's figures have been adjusted.

**Consolidated Income Statement¹⁾ of Aareal Bank Group
Results for the fourth quarter of 2024 (in accordance with IFRSs)**

	Q4 2024	Q4 2023	Change
	€ mn	€ mn	%
Net income from continuing operations			
Net interest income	268	280	-4
Loss allowance	-113	-179	-37
Net commission income	-3	9	
Net derecognition gain or loss	12	5	140
Net gain or loss from financial instruments (fvpl)	7	-13	
Net gain or loss from hedge accounting	1	3	-67
Net gain or loss from investments accounted for using the equity method	1	1	0
Administrative expenses	-124	-93	33
Net other operating income/expenses	-16	-12	33
Operating profit from continuing operations	33	1	3,200
Income taxes	-6	-28	-79
Net income from continuing operations	27	-27	
Net income from sold operations	2,223	-29	
Consolidated net income	2,250	-56	
Consolidated net income attributable to non-controlling interests	37	-10	
Consolidated net income attributable to shareholders of Aareal Bank AG	2,213	-46	

¹⁾ In accordance with IFRS 5, net income from discontinued operations is reported separately; the previous year's figures have been adjusted.

**Segment results¹⁾ of Aareal Bank Group
for the 2024 financial year (audited, in accordance with IFRSs)**

	Structured Property Financing		Banking & Digital Solutions		Consolidation / Reconciliation		Aareal Bank Group	
	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2024	1 Jan - 31 Dec 2023
€ mn								
Net income from continuing operations								
Net interest income	791	776	269	238	0	0	1,060	1,014
Loss allowance	-370	-441	0	0			-370	-441
Net commission income	1	6	-5	33	0	0	-4	39
Net derecognition gain or loss	31	23					31	23
Net gain or loss from financial instruments (fvpl)	-43	-71	-1	0			-44	-71
Net gain or loss from hedge accounting	3	1					3	1
Net gain or loss from investments accounted for using the equity method	0	1	1	2			1	3
Administrative expenses	-278	-231	-99	-110	0		-377	-341
Net other operating income/expenses	-5	-4	-1	-2	0	0	-6	-6
Operating profit from continuing operations	130	60	164	161	0	0	294	221
Income taxes	-30	-44	-52	-50			-82	-94
Net income from continuing operations	100	16	112	111	0	0	212	127
Net income from sold operations					2,062	-79	2,062	-79
Consolidated net income	100	16	112	111	2,062	-79	2,274	48
Consolidated net income attributable to non-controlling interests	0	-1	0	0		-22	0	-23
Consolidated net income attributable to shareholders of Aareal Bank AG	100	17	112	111	2,062	-57	2,274	71

¹⁾ Presentation in line with the structure prescribed by IFRS 5.

**Segment results¹⁾ of Aareal Bank Group
for the fourth quarter of 2024 (in accordance with IFRSs)**

	Structured Property Financing		Banking & Digital Solutions		Consolidation / Reconciliation		Aareal Bank Group	
	Q4 2024	Q4 2023	Q4 2024	Q4 2023	Q4 2024	Q4 2023	Q4 2024	Q4 2023
€ mn								
Net interest income	202	212	66	68	0	0	268	280
Loss allowance	-113	-179	0	0			-113	-179
Net commission income	-1	0	-2	9	0	0	-3	9
Net derecognition gain or loss	12	5					12	5
Net gain or loss from financial instruments (fvpl)	7	-13	0	0			7	-13
Net gain or loss from hedge accounting	1	3					1	3
Net gain or loss from investments accounted for using the equity method	0	1	1				1	1
Administrative expenses	-98	-58	-26	-35	0		-124	-93
Net other operating income/expenses	-16	-11	0	-1	0	0	-16	-12
Operating profit from continuing operations	-6	-40	39	41	0	0	33	1
Income taxes	6	-16	-12	-12			-6	-28
Consolidated net income from continuing operations	0	-56	27	29	0	0	27	-27
Net income from sold operations					2,223	-29	2,223	-29
Consolidated net income	0	-56	27	29	2,223	-29	2,250	-56
Consolidated net income attributable to non-controlling interests	0	-1	0	0	37	-9	37	-10
Consolidated net income attributable to shareholders of Aareal Bank AG	0	-55	27	29	2,186	-20	2,213	-46

¹⁾ Presentation in line with the structure prescribed by IFRS 5.