

## PRESS RELEASE

### Aareal Bank posts a good start to the 2025 financial year

- **First-quarter adjusted operating profit rises by 15 per cent to € 107 million**
- **Net interest income remains high at € 249 million**
- **Loan impairment charges of € 55 million down significantly year-on-year**
- **Strong new business with good margins and conservative loan-to-value ratios**
- **Ongoing reduction of non-performing loans**
- **Strong capital ratios with a comfortable funding and liquidity position**

Wiesbaden, 15 May 2025 – Aareal Bank started the 2025 financial year on a very encouraging note. First-quarter **adjusted operating profit** was up 15 per cent to € 107 million (Q1 2024: € 93 million). Including non-recurring costs, operating profit increased by 10 per cent to € 100 million (Q1 2024: € 91 million).

**Net interest income** declined by 7 per cent to € 249 million (Q1 2024: € 268 million), which was largely due to the lower interest rate environment and increased funding activities, but remained high by historic standards thanks to the year-on-year growth in lending volume and healthy margins.

**Loan impairment charges** were down by 36 per cent year-on-year to € 55 million (Q1 2024: € 86 million). This figure includes a € 9 million addition to the management overlay, which currently totals € 94 million. In light of the growing geopolitical and macroeconomic uncertainty, Aareal Bank continues to apply a cautious risk policy.

As CEO **Dr Christian Ricken** stated: “We are very pleased with the results for the first quarter. Our strong start to the year underlines Aareal Bank’s earnings power and prudent risk management. Thanks to our pronounced operational resilience, we are well prepared for a time of volatile markets.”

The Bank succeeded in further reducing its **non-performing loan (NPL)** portfolio to € 1.3 billion at the end of the quarter (31 Dec 2024: € 1.4 billion). The non-performing exposure (NPE) ratio, as defined for the EBA Risk Dashboard, stood at 2.6 per cent at the end of March (31 Dec 2024: 2.8 per cent).

Due to prioritising specific change projects, **adjusted administrative expenses** increased slightly to € 88 million in the first quarter (Q1 2024: € 82 million). € 7 million of non-recurring costs were incurred during the quarter (Q1 2024: € 2 million).

After tax deductions and the interest payable on the AT1 bond into account, **net profit** amounted to € 60 million (Q1 2024: € 59 million). **Adjusted return on equity** after tax was stable at 8.2 percent (Q1 2024: 8.2 per cent) as the increase in adjusted operating profit was mainly compensated by higher AT1 cost and increased equity.

Capitalisation remained very solid during the first quarter. The Bank further strengthened its **Common Equity Tier 1 ratio** (CET1 ratio – Basel IV phase-in) to 20.6 per cent at the end of the quarter (31 Dec 2024: 20.2 per cent). The **fully-phased CET1 ratio under Basel IV** rose to 15.3 per cent from 15.2 per cent at the end of the previous year. The Total Capital Ratio (Basel IV phase-in ratio) was 28.5 per cent (31 Dec 2024: 26.6 per cent).

Aareal Bank's **funding activities** also proved successful: during the first quarter Aareal Bank placed bonds and Pfandbriefe totalling € 1.4 billion on the capital markets, including a € 750 million benchmark Pfandbrief and a SEK 750 million Pfandbrief issue, plus € 200 million in private placements and a € 100 million tier 2 bond. In addition, the Bank successfully replaced its existing € 300 million AT1 bond (issued in 2013) with a new AT1 bond in the amount of US\$ 425 million. This means that Aareal Bank has already largely fulfilled its funding plan for 2025 as a whole.

**Liquidity ratios** remained very healthy (LCR: 219 per cent; NSFR: 118 per cent).

### **Developments by business segment**

In the **Structured Property Financing** segment, Aareal Bank originated strong new business on favourable terms during the first quarter. At € 2.3 billion, the volume of renewals and newly acquired business markedly exceeded the previous year's level of € 0.9 billion, also thanks to higher transaction volumes in the market. Newly originated loans accounted for € 1.2 billion in the first quarter, with margins remaining healthy and loan-to-value ratios low. Here, the average gross margin was around 280 basis points, while average loan-to-value ratios were at a conservative 56 per cent.

Portfolio volume rose year-on-year to € 33.0 billion (31 Mar 2024: € 32.1 billion), but was slightly below the year-end level for 2024 (31 Dec 2024: € 33.5 billion), due to exchange rate effects. Portfolio indicators showed a conservative risk level – average loan-to-value ratios in the existing portfolio were 57 per cent, with a yield on debt of 9.7 per cent.

Aareal Bank's transactions in the first quarter included providing a refinancing of about € 600 million for a pan-European hotel portfolio comprising seven premier hotel properties in France, the Netherlands, Ireland and Sweden. The properties, which comply with exacting ESG standards, are in prime locations in Paris, Amsterdam, Dublin and Stockholm.

In the **Banking & Digital Solutions** segment, client deposits from the housing and energy industries remained at a high level of € 13.4 billion, which was also within the target range of between € 13 billion and € 14 billion. Deposits from this client segment, which comprises around 4,000 enterprises managing more than 9 million residential units between them, are a key component of Aareal Bank's funding mix.

Notwithstanding the generally lower interest rate levels, segment net interest income totalled € 59 million in the first quarter (Q1 2024: € 65 million). The business segment therefore continues to make a positive contribution to net interest income for the Bank as a whole.

## **Outlook**

The good performance during the first quarter is consistent with Aareal Bank's communicated full-year outlook, even though it will take some time until the impact of recent increases in market volatility will become apparent.

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### **About Aareal Bank**

Aareal Bank AG, 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. It 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's business strategy focuses on sustainable business success, with environmental, social and governance (ESG) aspects as an integral part of this strategy.

Aareal Bank comprises the business segments Structured Property Financing and Banking & Digital Solutions. The Structured Property Financing segment contains the property financing and refinancing 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 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 - Key indicators

	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024 <sup>1)</sup>
<b>Results</b>		
Adjusted operating profit (€ mn) <sup>2)</sup>	107	93
Operating profit (€ mn)	100	91
Net profit (€ mn) <sup>3)</sup>	60	59
Cost/income ratio (%) <sup>4)</sup>	35.0	31.3
(Net) earnings per ordinary share (€) <sup>5) 6)</sup>	1.00	0.98
Adjusted RoE after taxes (%) <sup>2) 5) 7)</sup>	8.2	8.2
	31 Mar 2025	31 Dec 2024
<b>Statement of Financial Position</b>		
Property finance portfolio (€ mn)	33,033	33,471
Equity (€ mn)	3,844	5,460
Total assets (€ mn)	46,138	47,814
<b>Regulatory indicators<sup>8)</sup></b>		
Basel IV (phase-in)		
Risk-weighted assets (€ bn)	14.0	14.3
Common Equity Tier 1 ratio (CET1 ratio) (%)	20.6	20.2
Tier 1 ratio (T1 ratio) (%)	23.5	22.3
Total capital ratio (TC capital ratio) (%)	28.5	26.6
Basel IV (fully phased-in)		
Common Equity Tier 1 ratio (CET1 ratio) (%)	15.3	15.2
<b>Employees</b>	<b>1,179</b>	<b>1,198</b>

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

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

<sup>3)</sup> Previously: consolidated net income allocated to ordinary shareholders

<sup>4)</sup> 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; costs for efficiency measures, IT infrastructure investments and other material non-recurring effects are also excluded.

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

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

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

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

31 March 2025 (provisional; the submission deadline for the regulatory report was postponed to 30 June 2025): Including interim results for 2025 less a proposed dividend and including pro rata temporis accrual of interest on the AT1 bond. The CET1 ratio, as shown in Aareal Bank's regulatory report as at 31 March 2025, amounts to 19.9%, reflecting the fact that, on that date, the Bank had not yet submitted an application for inclusion of profits to the ECB.

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

## Financial performance

	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024 <sup>1)</sup>
€ mn		
Net interest income	249	268
Net commission income	1	-2
Loan impairment charges (LICs) <sup>2)</sup>	-55	-86
Administrative expenses (adjusted) <sup>3)</sup>	-88	-82
Other items	0	-5
<b>Adjusted operating profit<sup>3)</sup></b>	<b>107</b>	<b>93</b>
Non-recurring effects	-7	-2
<b>Operating profit</b>	<b>100</b>	<b>91</b>
Income taxes	-27	-24
Interest on the AT1 bond	-13	-8
<b>Net profit<sup>4)</sup></b>	<b>60</b>	<b>59</b>

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

<sup>2)</sup> Incl. items recognised at fair value through profit and loss

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

<sup>4)</sup> Previously: consolidated net income allocated to ordinary shareholders

## Segment Results<sup>1)</sup>

	Structured Property Financing		Banking & Digital Solutions		Consolidation/ Reconciliation		Aareal Bank Group	
	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024	1 Jan – 31 Mar 2025	1 Jan – 31 Mar 2024
€ mn								
Net interest income	190	203	59	65	0	0	249	268
Loss allowance	-54	-83	0	0			-54	-83
Net commission income	1	-1	0	-1	0	0	1	-2
Net derecognition gain or loss	4	3					4	3
Net gain or loss from financial instruments (fvpl)	1	-17	0	-1			1	-18
Net gain or loss on hedge accounting	-4	8					-4	8
Net gain or loss from investments accounted for using the equity method			1				1	
Administrative expenses	-70	-60	-25	-24	0		-95	-84
Net other operating income/expenses	-3	0	0	-1	0	0	-3	-1
<b>Operating profit</b>	<b>65</b>	<b>53</b>	<b>35</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>91</b>
Income taxes	-17	-12	-10	-12			-27	-24
<b>Consolidated net income before sold operations</b>	<b>48</b>	<b>41</b>	<b>25</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>67</b>
Net income from sold operations						6		6
<b>Consolidated net income</b>	<b>48</b>	<b>41</b>	<b>25</b>	<b>26</b>	<b>0</b>	<b>6</b>	<b>73</b>	<b>73</b>
Consolidated net income attributable to non-controlling interests	0	0	0	0		2	0	2
Consolidated net income attributable to shareholders of Aareal Bank AG	48	41	25	26	0	4	73	71

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