

# Preface

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## Letter from the Chairman of the Management Board



from left:

**Christof Winkelmann**

Member of the Management Board

**Nina Babic**

Member of the Management Board

**Dr Christian Ricken**

Chairman of the Management Board

**Andrew Halford**

Member of the Management Board

Dear readers,

2024 was yet another year shaped by numerous geopolitical crises and significant economic uncertainties and one that demanded a great deal from us all. It was also a challenging year for Aareal Bank but, as you have come to expect from us, we rose to the occasion once again.

In the past financial year, Aareal Bank once again demonstrated its high resilience and performance capacity, increasing its operating profit even further to € 294 million. This is up 33 per cent year on year and our best result since 2018.

Given the ongoing challenges in commercial property markets, this is quite a remarkable achievement. Our strong earnings power allowed us to more than offset still-high loan impairment charges (LICs) and investments in efficiency enhancement measures. Net interest income was up by 5 per cent to € 1.1 billion. While LICs decreased by 22 per cent to € 396 million, they still remained high due to the tense market situation on the US office property market.

Through our active management, we reduced our inventory of non-performing loans to € 1.4 billion in spite of a difficult environment. The non-performing exposure (NPE) ratio was 2.8 per cent at the end of December, meeting our medium-term target of under 3 per cent.

At the same time, we have costs well under control and our cost/income ratio of 31 per cent ranks us among the best banks in Europe. Administrative expenses amounted to € 377 million for the full year, including € 34 million in one-off costs for efficiency measures. Leaving aside these one-off costs, administrative expenses remained stable thanks to our strict cost discipline.

Aareal Bank's liquidity position and capital position are equally robust. Our CET1 ratio is a very strong 20.2 per cent, well above regulatory requirements.

The sale of Aareon, announced in June, was closed successfully on 1 October 2024, yielding net sales proceeds of € 2 billion. Consolidated net income (including Aareon) allocated to ordinary shareholders was € 2.2 billion, which also includes the gain on the Aareon sale. We intend to distribute these extraordinary proceeds largely to our owners.

Given the many challenges facing us today, we cannot afford to rest on our laurels. Aareal Bank is exceptionally well positioned for further growth – growth that will remain firmly anchored in our proven risk strategy. There is still enormous potential both in terms of profitability and costs and we will unlock this by strengthening our core business, expanding into new areas and enhancing our efficiency.

To this end, we critically reviewed our growth, cost and risk strategies in the fourth quarter of 2024. This resulted in our new "Aareal Ambition" strategy programme, which focuses on investments in growth and technology while also introducing efficiency measures, particularly in IT and process optimisation. "Aareal Ambition" aims to increase the Bank's return on equity after taxes, adjusted for one-off effects, to at least 13 per cent by 2027.

Specifically, we plan to grow the credit portfolio in the Structured Property Financing segment to around € 37 billion by 2027 and to expand our capital-light syndication business to approximately € 9 billion. To further diversify our portfolio, we want to build on existing strengths while focusing more and more on future-oriented asset classes and regions. In the Banking & Digital Solutions segment, we want to increase market penetration within the existing client base and to move into new client segments in Germany and Europe.

We will continue our conservative risk strategy while also preserving our strong liquidity, robust capitalisation and strict cost discipline. At the same time, we will optimise and digitalise our processes while investing in state-of-the-art IT infrastructure to drive cost savings. Together, these measures will position Aareal Bank for the future.

I would like to take this opportunity to express my sincere thanks to our staff for their hard work and dedication, which paved the way for our strong performance over the past years – and for making me feel very welcome ever since I joined the Bank last August.

As you are well aware, we have set ourselves ambitious targets. But we also have the strength and determination to achieve them and look forward to having you with us on this journey.

Best regards,



Dr Christian Ricken,  
Chairman of the Management Board