

# Preface

# Preface

## 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,

In this Annual Report 2025, we look back on a truly challenging year that was shaped by multiple political crises and a high degree of economic uncertainty. In this challenging environment, Aareal Bank delivered a strong operating performance with an adjusted operating profit of € 326 million, which was in line with the previous year's level. Excluding management measures to recognise additional loss allowance to support the repositioning of the Bank's US business, this figure was € 381 million and therefore within our original target range.

Both business segments contributed to this good result in almost equal measure. Adjusted operating profit in the Banking & Digital Solutions business segment, which comprises our banking business with the housing and energy industries, accounted for € 152 million while our commercial property financing activities generated € 174 million. All of this shows that our business model has two strong pillars that it can rely on.

Thanks to a year-on-year increase in the credit portfolio size and to healthy margins and higher deposit volumes, consolidated net interest income remained high at € 934 million in the 2025 financial year. As expected, this fell short of the excellent prior-year figure owing to the lower interest rate environment, even though net interest income rose again in the fourth quarter of 2025.

Loan impairment charges fell by 19 per cent year on year to € 322 million. This includes additional charges from management measures totalling € 55 million. You may rest assured that we will continue to pursue a cautious and prudent risk policy in the face of heightened geopolitical and macroeconomic uncertainty.

We were also able to further reduce the volume of non-performing loans (NPLs) to € 1.1 billion as at 31 December 2025. This means that Aareal Bank has reduced its NPL portfolio by 29 per cent since 2023. Its existing NPLs are predominantly US office property loans. The additional charges from the measures taken by the Management Board are designed to help further reduce US office property loans more rapidly: the Bank's NPL portfolio is set to fall below one billion euros during the current financial year.

The strict cost discipline and the positive effects from efficiency measures within the scope of our Aareal Ambition strategy have also paid off. Adjusted administrative expenses fell significantly by 8 per cent to € 317 million. At 33 per cent (excluding non-recurring expenses), our cost/income ratio is very healthy, even by international standards.

Aareal Bank's capital position is also strong – with a Common Equity Tier 1 ratio (Basel IV CET1 fully phased) of 15.5 per cent – and so is our liquidity position.

Both segments in our client businesses were successful in the financial year under review. In the Banking & Digital Solutions segment, the volume of client deposits from the housing and energy industries increased for the fifth year in a row to an average of € 14.1 billion, a new record level. This client segment currently comprises over 4,000 companies with more than nine million residential units in total.

In the Structured Property Financing segment, we boosted new business (including renewals) to a record volume of € 12.4 billion, clearly exceeding both the previous year's figure and the original annual forecast of between € 9 billion and € 10 billion. At € 34.3 billion at the end of 2025, the portfolio volume was higher than the corresponding 2024 figure and remained within the target range, despite the weaker US dollar.

We have also made good progress in implementing our Aareal Ambition strategy. For instance, we opened a representative office for the Banking & Digital Solutions business segment in Amsterdam, where we assembled an experienced and well-connected Dutch team. The Bank also launched time value accounts as a new product for the German market. In addition, we intensified our strategic partnership with Aareon and First Financial Software GmbH.

In commercial property finance, we expanded our range of activities by including the new data centre asset class and also extended our first loan in this growth segment – for a property in Frankfurt. As well as this, Aareal Bank laid the foundations for further expansion in Asia. Having conducted in-depth market analysis and established suitable product processes, we are now ready to provide financings in Indonesia, Vietnam and Thailand.

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 throughout the year.

Of course, we have no intention of resting on our laurels, but instead are working hard to further enhance our business performance. We aim to increase the adjusted operating profit to approach € 400 million in the 2026 financial year, excluding costs for efficiency measures, investments in IT infrastructure and other significant one-off effects. This means that we expect an adjusted return on equity after taxes approaching 8 per cent. In line with our Aareal Ambition strategy, we aim to achieve an adjusted return on equity of around 13 per cent by 2027.

As you can see, we are aiming high. But I have no doubt whatsoever that we have the strength and determination that is needed to achieve these ambitious targets. We very much look forward to having you with us on this journey.

Best regards,



**Dr Christian Ricken,**  
Chairman of the Management Board