

Aareal Bank AG

Update

Key Rating Drivers

International CRE Lender: Aareal Bank AG's ratings reflect its focus on lending to the cyclical commercial real estate (CRE) sector, which resulted in a weakening of its asset quality in 2023 and 2024. The exposure to cyclical CRE markets is mitigated by the bank's broad geographical diversification and sound capitalisation. Aareal's leading domestic institutional housing deposits franchise adds funding stability and revenue diversification, underpinning its adequate funding and profitability.

Sound Workout Record: Aareal mainly finances properties in prime locations, and the credit standards of underwriting and the collateralisation of its loan book are broadly in line with market practice. The risk profile is also underpinned by its centralised, sophisticated risk-control framework and good workout record of its impaired loans, which Fitch Ratings views as crucial in navigating the cyclical conditions of real estate markets. Structural interest-rate and foreign-currency risks are modest.

Upside to Asset Quality: A significant deterioration in the bank's US office portfolio has driven Aareal's impaired loans and loan impairment charges (LICs) ratios sharply above the German banks' average in the past three years. Impaired loan workouts and sales have helped to reduce the impaired loans ratio to 2.6% at end-2025 (end-2024: 3.2%). We expect impaired loans inflows to decline further from their peak in 2023 and for the impaired loans ratio to remain below 3% in the medium term.

Adequate, Improving Profitability: The bank's operating profit was resilient in 2025, despite continuing challenges in the CRE market and declining margins on its institutional housing deposits, while loan impairment charges (LICs) fell. We expect the bank to continue to achieve an operating profit above 2% of its risk-weighted assets (RWAs) over the next two years, due to overall solid margins, lower LICs and efficient cost management.

Sound Capitalisation: Aareal's common equity Tier 1 (CET1) ratio of 22.2% at end-2025 provides an adequate cushion, considering the bank's cyclical business model with high single-borrower concentrations. We expect capital ratios to decline from 2027, alongside the phasing in of final Basel III rules, but to remain above the peer average.

Diversified Funding: The bank's funding profile is sound and benefits from its established covered bond franchise, which is its main funding source. It is supplemented by stable deposits from the institutional housing sector and retail term deposits collected through independent online platforms, which reduce the bank's reliance on unsecured debt market funding.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We could revise the Positive Outlook on the Long-Term IDR to Stable if a further deterioration in CRE markets prevented the bank from reducing its impaired loans and affected its operating profitability.

We would be likely to downgrade Aareal's ratings if the impaired loans ratio increased above 6% for an extended period with no credible reduction plan, or if heightened LICs weighed on its profitability, lowering its operating profit/RWAs ratio to below 0.5% over the long term.

A sharp increase in funding costs, which could be triggered by a material loss of deposits in the housing sector or signs of challenges in accessing the wholesale funding market, could also impair Aareal's profitability and funding and result in a downgrade.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

We would be likely to upgrade Aareal's ratings if the bank sustainably strengthened its profitability, generating an operating profit/RWAs ratio sustainably above 2%, combined with an impaired loans ratio of around 3%.

An upgrade would be contingent on the bank maintaining sound capitalisation and a disciplined risk appetite that mitigates the cyclical nature of its business model.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits: long term/short term	BBB+/F2
Senior preferred: long term/short term	BBB+/F2
Senior non-preferred	BBB
Subordinated: Tier 2 debt	BB+
Additional Tier 1 notes	BB-

Source: Fitch Ratings

Aareal's Derivative Counterparty Rating, and long-term deposit and senior preferred debt ratings are one notch above the Long-Term IDR, and the long-term senior non-preferred debt rating is aligned with the Long-Term IDR. This reflects the large and sustainable layer of senior non-preferred and junior debt that provides preferred creditors and counterparties with additional protection in a resolution.

The short-term senior preferred and deposit ratings are the lower of the two options mapping to the respective long-term ratings, reflecting Fitch's assessment of the bank's funding and liquidity.

The Tier 2 debt rating is two notches below the VR to reflect the poor recovery prospects of these instruments. The additional Tier 1 notes are rated four notches below the VR (two notches for loss severity and two for non-performance risk) to reflect our expectation that Aareal will maintain large capital buffers above the notes' mandatory coupon omission triggers.

Significant Changes from Last Review

Stable Performance in 2025

Aareal's 2025 operating profit remained broadly stable at EUR296 million. Net interest income declined by 12% to EUR934 million, mainly due to lower interest rates, which more than offset loan growth at sound margins. Administrative expenses declined by 7.5% to EUR346 million, including further transformation costs of EUR25 million (2024: EUR34 million) for efficiency measures and IT investments. The operating profit/RWAs ratio increased to 2.3%, in line with our expectations.

LICs declined by 15% to EUR314 million at end-2025 but remain heightened at 93bp of gross loans. They included an additional charge of EUR55 million to reduce impaired US office loans more quickly. The impaired loans ratio fell to 2.6% (end-2024: 3.2%), below our initial expectations, but the US office market remains challenging. More than half of the impaired loans as reported by the bank still relate to the US office market. We expect LICs to decline further over the next two years as property markets recover. Aareal has no direct exposure to the Middle East; therefore, we do not expect a significant direct effect on the bank's asset quality from the Iran conflict. Nevertheless, second-round effects related to higher energy prices and inflation could affect the markets in which the bank operates.

Aareal completed its first significant risk transfer transaction, with a volume of EUR2 billion and including a diversified portfolio of European loans, in October 2025. The bank aims to strengthen its capital efficiency and support its growth through this transaction.

Aareal amended some of its three-year strategy targets focusing on growth and efficiency measures. The bank achieved its target to increase its CRE loan book to about EUR34 billion, which was lowered from an initial target of EUR37 billion. Aareal amended its target for deposits to include retail deposits in addition to institutional housing deposits, and is aiming for deposits of above EUR18 billion by end-2027 (end-2025: EUR17 billion).

The bank is aiming for EUR40 million of cost savings by 2027 relative to 2024. It realised about EUR15 million in 2025. Aareal also aims to increase return on equity to about 13% by 2027 (post-tax, based on a standardised 13.5% CET1 ratio, Basel IV fully phased in, excluding one-offs), to have a cost/income ratio of about 30%, and to maintain a CET1 ratio above 13.5% on a Basel IV fully phased-in basis (end-2025: 15.5%). The bank targets a non-performing loans ratio below 3% (end-2025: 3.2%, which includes on- and off-balance-sheet and fair value impaired loans) and to lower its LICs/gross loans to about 45bp by 2027. We believe achievement of some of these targets remains contingent on recovery of the US CRE market.

Ratings Navigator

Aareal Bank AG				ESG Relevance:		Banks Ratings Navigator			
Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage				
	20%	10%	20%	15%	25%	10%			
aaa							aaa	aaa	AAA
aa+							aa+	aa+	AA+
aa							aa	aa	AA
aa-							aa-	aa-	AA-
a+							a+	a+	A+
a							a	a	A
a-							a-	a-	A-
bbb+							bbb+	bbb+	BBB+
bbb							bbb	bbb	BBB Pos
bbb-							bbb-	bbb-	BBB-
bb+							bb+	bb+	BB+
bb							bb	bb	BB
bb-							bb-	bb-	BB-
b+							b+	b+	B+
b							b	b	B
b-							b-	b-	B-
ccc+							ccc+	ccc+	CCC+
ccc							ccc	ccc	CCC
ccc-							ccc-	ccc-	CCC-
cc							cc	cc	CC
c							c	c	C
f							f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The earnings and profitability score of 'bbb' is assigned below the 'a' implied category score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of 'a-' is assigned below the 'aa' implied category score due to the following adjustment reason: risk profile and business model (negative).

The funding and liquidity score of 'bbb+' is assigned below the 'a' implied category score due to the following adjustment reason: non-deposit funding (negative).

Financials

Financial Statements

	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
	12 months	12 months	12 months	12 months	12 months	12 months
	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
Summary income statement						
Net interest and dividend income	702	1,014	1,060	934	-	-
Net fees and commissions	277	39	-4	4	-	-
Other operating income	23	-62	-18	18	-	-
Total operating income	1,002	991	1,038	956	978	1,011
Operating costs	571	329	374	346	338	336
Pre-impairment operating profit	431	662	664	610	640	675
Loan and other impairment charges	192	441	370	314	266	211
Operating profit	239	221	294	296	373	464
Other non-operating items (net)	-	-79	2,062	0	-	-
Tax	86	94	82	118	-	-
Net income	153	48	2,274	178	261	325
Other comprehensive income	53	-46	19	-9	-	-
Fitch comprehensive income	206	2	2,293	169	-	-
Summary balance sheet						
Assets						
Gross loans	31,720	33,698	34,103	35,223	36,104	37,006
– of which impaired	985	1,470	1,095	931	-	-
Loan loss allowances	487	424	398	425	-	-
Net loans	31,233	33,274	33,705	34,798	-	-
Interbank	1,914	2,976	1,522	1,054	-	-
Derivatives	1,825	1,538	1,144	1,289	-	-
Other securities and earning assets	5,329	6,084	7,411	8,212	-	-
Total earning assets	40,301	43,872	43,782	45,353	-	-
Cash and due from banks	5,424	977	2,605	328	-	-
Other assets	1,606	1,984	1,427	1,172	-	-
Total assets	47,331	46,833	47,814	46,853	47,964	49,071
Liabilities						
Customer deposits	16,895	17,181	16,464	17,013	17,523	18,049
Interbank and other short-term funding	1,981	1,622	1,191	2,938	-	-
Other long-term funding	21,050	20,898	21,758	21,151	-	-
Trading liabilities and derivatives	3,514	2,683	2,566	1,705	-	-
Total funding and derivatives	43,440	42,384	41,979	42,807	-	-
Other liabilities	633	1,149	375	294	-	-
Preference shares and hybrid capital	300	300	300	407	-	-

Financial Statements

	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
	12 months	12 months	12 months	12 months	12 months	12 months
	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
Total equity	2,958	3,000	5,160	3,345	-	-
Total liabilities and equity	47,331	46,833	47,814	46,853	-	-
Exchange rate	USD1 = EUR0.9376	USD1 = EUR0.9127	USD1 = EUR0.9622	USD1 = EUR0.8511	-	-

Source: Fitch Ratings, Fitch Solutions, Aareal

Key Ratios

(%)	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25	31 Dec 26F	31 Dec 27F
Profitability						
Operating profit/risk-weighted assets	1.9	1.6	2.1	2.3	2.7	3.1
Net interest income/average earning assets	1.7	2.4	2.5	2.1	2.1	2.2
Non-interest expense/gross revenue	56.9	33.3	36.1	36.3	34.6	33.2
Net income/average equity	5.3	1.6	66.0	4.8	-	-
Asset quality						
Impaired loans ratio	3.1	4.4	3.2	2.6	2.5	2.5
Growth in gross loans	0.0	6.2	1.2	3.3	2.5	2.5
Loan loss allowances/impaired loans	49.4	28.8	36.4	45.6	45.0	45.0
Loan impairment charges/average gross loans	0.6	1.4	1.1	0.9	0.7	0.6
Capitalisation						
Common equity Tier 1 ratio	19.3	19.4	20.2	22.2	22.1	21.2
Fully loaded common equity Tier 1 ratio	-	13.4	15.2	15.5	-	-
Tangible common equity/tangible assets	4.9	4.8	10.5	6.8	-	-
Basel leverage ratio	6.0	6.4	6.8	7.2	-	-
Net impaired loans/common equity Tier 1	20.2	39.3	24.2	17.5	-	-
Funding and liquidity						
Gross loans/customer deposits	187.8	196.1	207.1	207.0	-	-
Gross loans/customer deposits + covered bonds	109.3	112.1	114.2	115.2	116.1	117.0
Liquidity coverage ratio	207.4	203.7	230.0	-	-	-
Customer deposits/total non-equity funding	42.0	43.0	41.5	41.0	-	-
Net stable funding ratio	-	115.1	117.0	-	-	-

Source: Fitch Ratings, Fitch Solutions, Aareal

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the influence of each support factor in our assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher

Aareal's Government Support Rating of 'no support' (ns) reflects Fitch's view that senior creditors cannot rely on full extraordinary state support. This is driven by the EU's resolution framework that is likely to require senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving government support.

An upgrade of the Government Support Rating would require a higher propensity of sovereign support. While not impossible, the EU's resolution regime makes this highly unlikely, in Fitch's view.

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Derivative Counterparty Rating	BBB+(dcr)

Viability Rating	bbb
------------------	-----

Government Support Rating	ns
---------------------------	----

Sovereign Risk (Germany)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(March 2025\)](#)

Related Research

[Fitch Revises Aareal's Outlook to Positive; Affirms at 'BBB' \(September 2025\)](#)

[Western European Banks Outlook 2026 \(December 2025\)](#)

[Aareal Bank AG \(October 2025\)](#)

[Global Economic Outlook \(March 2026\)](#)

Analysts

Marco Diamantini

+49 69 768076 114

marco.diamantini@fitchratings.com

Caroline Herper, CFA

+49 69 768076 176

caroline.herper@fitchratings.com

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

FORECAST DISCLAIMER FOR FINANCIAL INSTITUTIONS

Any forecast(s) in this report reflect Fitch's forward view on the issuer's financial metrics. They are constructed using a proprietary internal forecasting tool and based on a combination of Fitch's own performance assumptions, macroeconomic forecasts, sector-level outlook and issuer-specific considerations. As a result, Fitch's forecasts may differ materially from the rated entity's forecasts or guidance and may not reflect the assumptions that other market participants may make. To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch may not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Fitch may update the forecasts in future reports but assumes no responsibility to do so. Original financial statement data for historical periods may be processed by affiliates of Fitch, together with certain outsourcing services. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by its employees.

Fitch's forecasts are one component used by the agency to assign a rating or determine an Outlook. The information in the forecasts reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. It cannot be used to establish a rating, and it should not be relied on for that purpose.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2026 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.
