CREDIT OPINION
3 September 2026

Update

Send Your Feedback

RATINGS

Aareal Bank AG

Domicile	Wiesbaden, Germany
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Bernhard Held, CFA +49.69.70730.973
VP-Ratings
bernhard.held@moodys.com

Michael Rohr +49.69.70730.901
SVP-Ratings
michael.rohr@moodys.com

» Contacts continued on last page

Aareal Bank AG

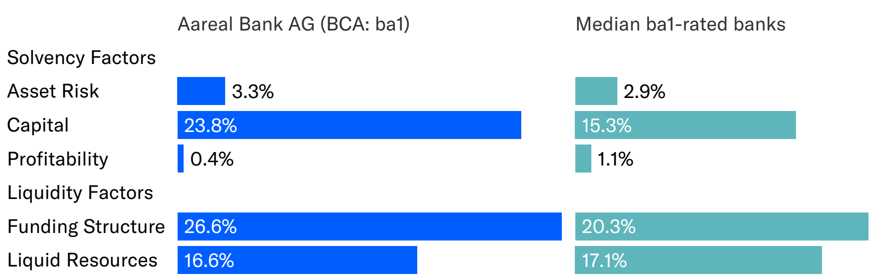
Update to credit analysis

Summary

Aareal Bank AG's (Aareal) Baa1 bank deposit and senior unsecured ratings reflect the bank's ba1 Baseline Credit Assessment (BCA) and Adjusted BCA, and three notches of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. Aareal's ratings do not benefit from government support uplift because of its small size in the context of the German banking sector.

Aareal's ba1 BCA reflects its resilient financial profile in light of a focused business model as a commercial real estate (CRE) lender. The bank's BCA takes into account its strong capitalization, improved profitability and sound management of asset risks as well as the long-date structure of its market funding. We reflect the bank's exceptionally high leverage resulting from its CRE-focused business model, which exposes it to considerable concentration risks, more prominently and outside of its financial profile.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Company reports, Moody's Ratings

Credit strengths

» Strong and improved risk-weighted capital with ample loss-absorption capacity

» Sound and stable liquidity

» Large and sticky deposits from the professional housing and commercial property industry help mitigate Aareal's wholesale funding dependence

Credit challenges

» Aareal's credit profile is constrained by very high concentration risks to CRE exposures and a short track record of earnings diversification from non-lending activities

» Persistent asset quality challenges, despite Aareal's proactive measures to reduce problematic loans

» Improved, but still only moderate profitability reflects that elevated and volatile credit costs need to be absorbed by Aareal's solid operating performance

Outlook

» The stable outlook on the long-term bank deposit, issuer and senior unsecured ratings reflects our expectation of Aareal's stable financial profile, balancing asset quality challenges for CRE exposures and solid operating performance and the benefit of increased risk protection due to higher capital.

» The stable outlook further incorporates our expectation of a broadly unchanged liability structure over the 12-18 months outlook horizon.

Factors that could lead to an upgrade

» Aareal's ratings could be upgraded in case of an upgrade of its BCA and Adjusted BCA.

» In addition, the bank's junior senior unsecured program rating may be upgraded following a significant increase in the volume of lower-ranking bail-in-able liabilities, relative to its tangible banking assets.

» Aareal's BCA could be upgraded if the bank further strengthens its funding structure by decreasing its share of confidence-sensitive, short-term borrowings which have higher flight risk.

Factors that could lead to a downgrade

» Aareal's ratings could be downgraded if its BCA is downgraded or if its loss-absorbing liabilities decline significantly and beyond our expectations, thereby resulting in fewer notches of rating uplift from our Advanced LGF analysis.

» Aareal's BCA could be downgraded if the bank fails to protect its resilient financial profile, for example because of a material and persistent weakening of asset quality or capital, or unexpected funding challenges, including deposit outflows.

Key indicators

Exhibit 2
Aareal Bank AG (Consolidated Financials) [1]

	06-26 [2]	12-25 [2]	12-24 [2]	12-23 [2]	12-22 [2]	CAGR/Avg. [3]
Total Assets (EUR Billion)	47.6	45.6	46.7	44.1	43.9	2.3 [4]
Total Assets (USD Billion)	54.4	53.6	48.4	48.7	46.9	4.4 [4]
Tangible Common Equity (EUR Billion)	3.4	3.3	5.1	2.2	2.3	10.9 [4]
Tangible Common Equity (USD Billion)	3.9	3.9	5.3	2.5	2.5	13.1 [4]
Problem Loans / Gross Loans (%)	2.6	2.8	3.4	4.6	3.3	3.3 [5]
Tangible Common Equity / Risk Weighted Assets (%)	23.8	25.2	36.1	16.3	18.4	24.0 [6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	22.7	25.0	20.1	55.1	34.7	31.5 [5]
Net Interest Margin (%)	2.1	2.1	2.4	2.2	1.5	2.0 [5]
PPI / Average RWA (%)	4.4	4.5	5.0	4.8	3.3	4.4 [6]
Net Income / Tangible Assets (%)	0.6	0.4	0.5	0.1	0.3	0.4 [5]
Cost / Income Ratio (%)	39.0	40.4	39.3	38.7	59.8	43.4 [5]
Gross Loans / Due to Customers (%)	246.9	256.1	267.0	254.3	228.3	250.5 [5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	--	16.6	16.3	--	--	--
Less-stable Funds (LCR) / Tangible Banking Assets (%)	--	26.6	24.5	--	--	--

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods. Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities.
Sources: Moody's Ratings and company filings

Profile

Aareal Bank AG is one of Germany's (Aaa stable) largest CRE lending specialist, domiciled in Wiesbaden, with total assets of €48.6 billion as of June 2026 and with an average of 1,159 employees during 1H26. Aareal caters to international corporate real estate clients, with no retail lending activities, yet it sources retail deposits via online platforms. Aareal also offers consultancy and transaction banking to professional clients in the housing and commercial property industries. Aareal is one of Germany's largest covered bond issuers, with a total issued covered bond volume of €18.1 billion as of 30 June 2026.

Following a voluntary public takeover, started in November 2021 and the subsequent squeeze-out of minority shareholders, Aareal was taken private and delisted in November 2023. Today, Aareal is wholly-owned by Atlantic BidCo GmbH, which is indirectly held by private equity funds of Advent International and Centerbridge Partners, with individual stakes of around 39% each, as well as CPP Investments (<20% stake) and Goldman Sachs funds (<5%).

Detailed credit considerations

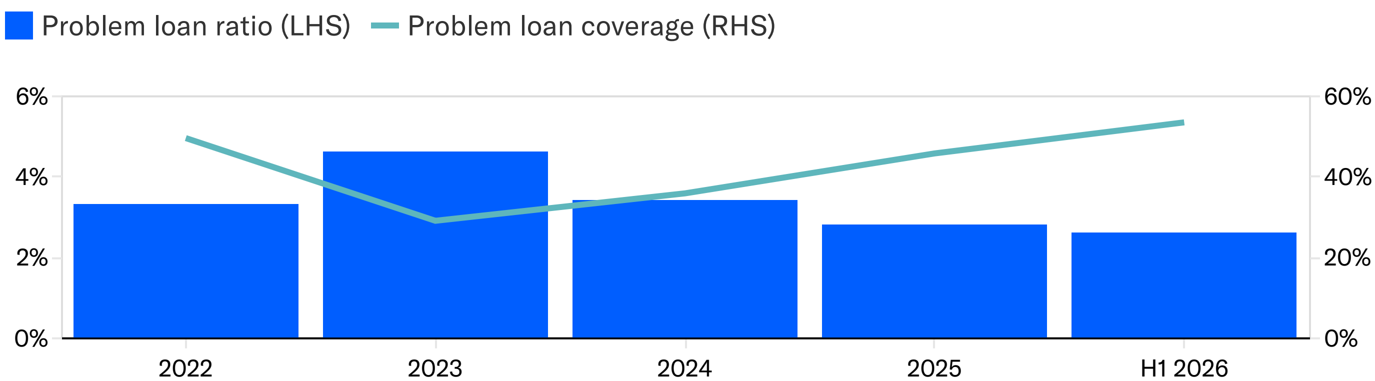
Ongoing asset quality challenges are balanced by proactive measures to reduce problematic loans

We assign a baa3 Asset Risk score that reflects our Problem Loans to Gross Loans ratio of 3.3%, yet we adjust negatively by three notches for the single-name and regional concentrations that result from the bank's exposure to cyclical CRE lending, partly mitigated by geographic diversification across multiple countries with Strong+ Macro Profiles.

Due to its focused business model, Aareal's problem loan ratio has been volatile over the past years. This reflects episodes of sector-specific performance deterioration, most recently in its US office portfolio, but also Aareal's capacity to address temporary challenges through counterbalancing measures, such as comprehensive provisioning or problem loan portfolio sales. By year-end 2026, Aareal aims for a further reduction of its problem loans to less than €1 billion, from €1.2 billion as of 30 June 2026 and €1.1 billion as of year-end 2025. Aareal's progress towards this target has mainly been driven by office loans in the restructured US business, which now represent less than half of total problem loans, yet still accounted for most of the still elevated loan loss charges during the first half of 2026.

While problem loans have trended down over the past years, we generally consider CRE markets particularly susceptible to macroeconomic and geopolitical risks. Despite signs of a tentative recovery, Aareal's asset quality could come under renewed pressure from interest-rate increases, higher and destabilizing inflation, and global trade conflicts. As an additional layer of defense against future problem loan formation, particularly the largest-volume tickets of Aareal's CRE loan book are backed by geographically diversified and cross-collateralized property portfolios, which gives Aareal access to cash flow at portfolio level, rather than just a single asset.

Exhibit 3
Aareal's problem loan ratio has been volatile



Source: Moody's Ratings

Strong and improved risk-weighted capital with ample loss absorption capacity

We assign an a3 Capital score that reflects a strong Tangible Common Equity to Risk Weighted Assets ratio of 23.8%. Our assigned score incorporates four notches of negative adjustments from the initial score, taking account of the expected decline in the bank's capital ratios because of revisions to the Basel framework that will lead to higher risk-weighted assets (RWA) over time under the Advanced Internal Rating Based (IRB) Approach Aareal uses to measure RWA. The assigned score further includes an assessment of moderate stress capital resilience under persistent adverse economic conditions.

Aareal's TCE ratio is based on €14.2 billion of risk-weighted assets, which as of 30 June 2026 would have stood at €18.9 billion on a fully-loaded basis. We consider the 3%-point gap between our TCE ratio and the bank's transitional CET1 capital ratio of 20.8% to be mainly attributable to the full inclusion of Aareal's interim profit in the TCE ratio, as well as to regulatory adjustments. Aareal aims to maintain its 2027 Common Equity Tier 1 (CET1) capital ratio at least at 13.5% on a fully-loaded basis (30 June 2026: 15.6%), significantly above the 9.3% SREP requirement.

Aareal's capital ratios benefit by about 50 basis points from the first synthetic significant risk transfer (SRT) the bank entered into in October 2025. A mix of funded and unfunded investors hedge around 7% of a €2.0 billion portfolio of performing European CRE loans. Even so, absolute capital levels still offer sound buffers as well, with both the regulatory Tier 1 leverage ratio (which includes the bank's $425 million Additional Tier 1 capital instrument) and our TCE leverage ratios exceeding 7% as of 30 June 2026.

Solid and improved operating performance, balanced by elevated and volatile credit costs

We assign a ba1 score for profitability to Aareal that reflects our Net Income to Tangible Assets ratio of 0.4%. The ba1 assigned score also considers the bank's solid net interest income generation, as well as the constraints from elevated, but manageable credit costs.

While exposed to the cyclicality of the CRE markets, Aareal's financial results have benefitted from the revenue contribution of its deposit business, which tends to be amplified in times of higher interest rates, during which challenges for the CRE segment typically rise, as the interest and debt service coverage come under pressure alongside falling property valuations. Since 2024, Aareal has been able to largely absorb resulting elevated cost of risk through solid revenue generation supported by a stronger net interest margin.

Aareal has ambitious medium-term targets. According to its strategic plan, the bank expects to improve the net return on equity to around 13% (based on a 13.5% CET1 capital ratio) by 2027, compared with a reported around 5% in 2025 (based on the higher current CET1 capital ratio). Main drivers for the improvement are expected loan growth and the normalization of credit costs, as well as additional efficiency measures.

Aareal's funding benefits from its established covered bond franchise and from deposits from the housing industry

We assign a baa1 score for funding structure that reflects our Less-stable Funds to Tangible Banking Assets ratio of 26.6% as of year-end 2025, to which we apply a one-notch negative adjustment capturing Aareal's dependence on confidence-sensitive market funding, including access to short-term interbank liabilities. Such market funding carries high refinancing risk because it is vulnerable to changes in interest rates, asset values and overall market conditions. We also consider the bank's favorable term structure with long-duration liabilities and ample buffers above regulatory MREL requirements, which reduces refinancing risks. Further, we take into account that the bank's large deposit base, making up around 30% of its liabilities, which provide an additional funding source to its CRE lending activities.

Compared with other wholesale-funded CRE lenders, Aareal's funding mix benefits from the payment and cash management services, as reported under its Banking & Digital Solutions segment. These activities provide sizeable, granular and sticky deposits to the Wiesbaden-based bank, accounting for on average €14.7 billion of liabilities during the first half of 2026, and Aareal aims raising its full year 2026 average volume to €15 billion. These deposits arise from the professional housing and commercial property industry, mainly in Germany. Most of these deposits reflect tenant security deposits or operating deposits, constituting an attractive source of funding for Aareal, in particular as interest rates normalize. More recently, deposits also include a contribution from retail term deposits, which Aareal collects via internet platforms, mainly from German savers but also in Austria and the Netherlands. At an average of around €2.8 billion during the first half of 2026, we consider these deposits as more volatile than branch-originated deposits since they are very sensitive to the initial interest rate offered.

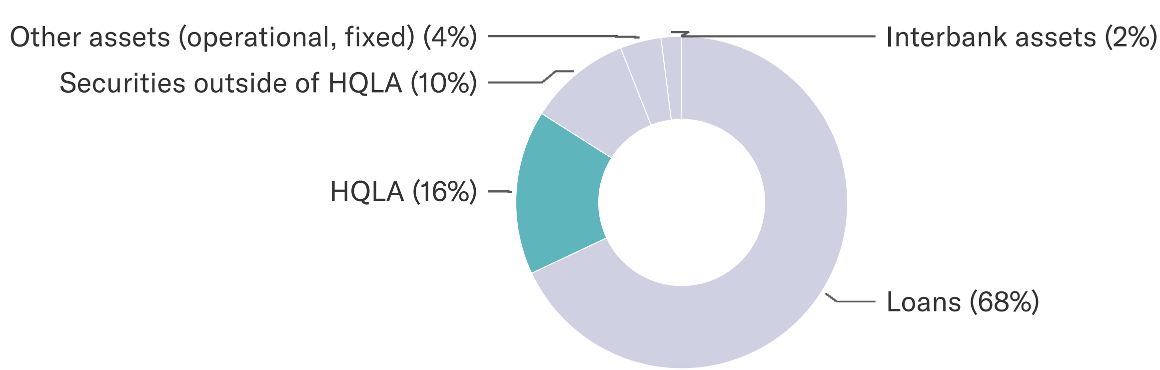
Solid liquidity reflecting sizeable high-quality financial securities

We assign a baa1 score for Liquid Resources, in-line with our initial score, that reflects our Core Banking Liquidity to Tangible Banking Assets ratio of 16.6%.

Aareal's solid liquidity mainly originates from the average[1] €7.6 billion HQLA resources held during 2025, a value that has remained fairly stable per the quarterly reporting of the bank during the 2025 and as of Q1 2026 (€7.3 billion). Aareal's regulatory Liquidity Coverage Ratio (LCR) at bank level averaged a strong 202% in 2025, and ended the year at a point-in-time value of 168%.

The nominal value before haircuts of Aareal's treasury portfolio stood at €8.2 billion as of year-end 2025 and at €9.2 billion as of 30 June 2026, and included mostly highly-rated local-currency public sector and covered bond securities with an average remaining term of 4.9 years, which we consider appropriately matched by the longer-term funding profile. We believe that Aareal can also generate some additional liquidity from its covered bond franchise.

Exhibit 4
Liquidity



Source: Moody's Ratings

Qualitative adjustment captures limited business diversification

We assign a BCA of ba1 that includes a two-notch negative qualitative adjustment for lack of business diversification because Aareal Bank derived the majority of its earnings from a single activity during an extended period, namely commercial real estate (CRE) lending. Such highly concentrated business models result in undiversified earnings streams from a single asset class, amplifying profitability challenges through a combination of reduced revenues and rising loan losses in times of asset class stress. CRE is a relatively volatile asset class with pronounced cyclicality, which can lead to significant swings in loss rates and increase sensitivity to changing market conditions. Additionally, the bank's high business leverage, reflected in its sizable CRE exposure relative to capital, further amplifies concentration risks.

Weighted Macro Profile of Strong+

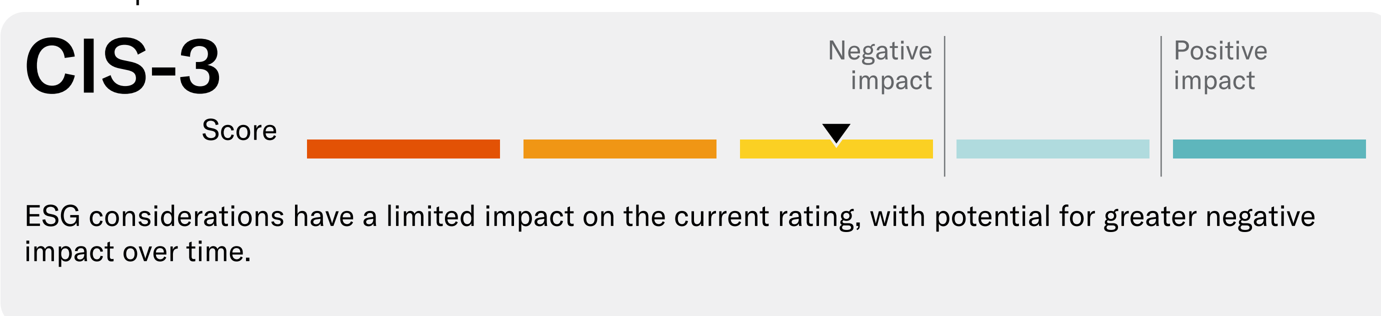
We assign a Strong+ Macro Profile to Aareal Bank, reflecting its global lending activities, which are primarily concentrated in countries with Strong+ macro profiles.

Only around 10% of Aareal's CRE financing volume stems from domestic German business, with other European markets, mainly the UK, France, Poland and Spain, accounting for the vast majority of its book. North America, with more than 20% will remain a key operating market for Aareal, a focus the bank underscored with a significant local organizational overhaul, including the appointment of a new CEO. The business mix is complemented by a small loan book contribution from Asia/Pacific, mainly Australia and hotel financing on the Maldives.

ESG considerations

Aareal Bank AG's ESG credit impact score is CIS-3

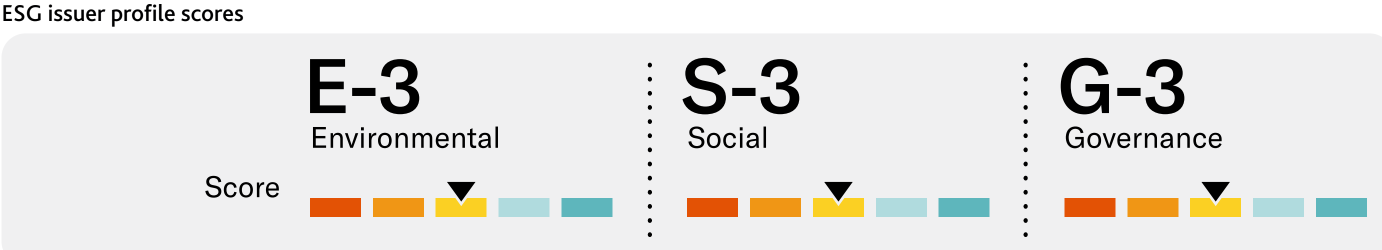
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

Aareal Bank AG's (Aareal) **CIS-3** indicates the limited impact of ESG considerations on the current rating, with potential for greater impact over time, reflecting governance considerations related to concentration risks as well as a moderate track record to improve profitability and diversification. Environmental and social risks have a limited credit impact on the rating to date.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental
Aareal faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk as a large commercial real estate lender. In line with its peers, Aareal is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Aareal is engaging in transforming its lending book towards less carbon-intensive assets and has developed a comprehensive risk management and climate risk reporting frameworks.

Social
Aareal faces moderate social risks related to regulatory and litigation risks, requiring the bank to meet high compliance standards. Customer relations risks related to mis-selling and mis-representation are lower than industry average, supported by its client mix being geared towards professional clients. Data security and customer privacy risks are also mitigated by technology solutions and organizational measures to prevent data breaches. The bank is also adapting to changing customer preferences such as digitalisation.

Governance
Aareal's governance risks are moderate, reflecting higher risk appetite and concentration risks inherent in its business model as a commercial real estate lending specialist. Aareal needs to establish a management track record of improving profitability and diversification as it executes its strategic plans. The bank's track record with regards to the management of Aareal's highly cyclical exposures is reflected in above average non-performing loans, with risk costs only recovering more slowly from the pandemic related impact and remaining at a more elevated level than peers. Aareal’s ownership by a small group of private equity firms results in governance risks related to concentrated ownership and potential outsized influence on the bank’s management and board, partly mitigated by the presence of a large number of independent board members and Germany’s developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis
Aareal Bank is domiciled in Germany, which we consider an operational resolution regime (ORR). Therefore, we apply our Advanced Loss Given Failure (LGF) analysis, using our standard assumptions. Our Advanced LGF analysis reflects that full depositor preference over senior debt creditors will be implemented in the EU by early 2028.

We consider that Aareal's junior deposits and senior unsecured debt are exposed to an extremely low loss severity in case of failure, yielding three notches of uplift from the bank's Adjusted BCA.

Our Advanced LGF analysis also indicates that Aareal Bank’s junior senior unsecured instruments are likely to face low loss-given-failure, resulting in a one-notch uplift from the bank’s Adjusted BCA.

Government support considerations
We incorporate a Low probability of government support for Aareal Bank’s deposits and senior unsecured debt, which results in no uplift. This reflects the bank’s limited systemic importance, as indicated by its modest role in the domestic deposit-taking market and payment systems, reducing the likelihood of support in a stress scenario.

Methodology and scorecard

Methodology
We use the Banks Methodology in rating Aareal.

Rating methodology and scorecard factors

Exhibit 7
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.3%	a3	↔	baa3	Geographical diversification	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	23.8%	aa2	↔	a3	Recognition of risk-weighted assets	Stress capital resilience
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↔	ba1	Expected Trend	
Combined Solvency Score		a2		baa2		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	26.6%	a3	↔	baa1	Deposit quality	Market funding quality
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	16.6%	baa1	↔	baa1	Expected trend	
Combined Liquidity Score		a3		baa1		
Financial Profile		a2		baa2		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				-2		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				-2		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa3 - ba2		
Assigned BCA				ba1		
Affiliate Support notching				0		
Adjusted BCA				ba1		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	22,552	49.5%	23,900	52.4%
Deposits	13,213	29.0%	11,865	26.0%
Preferred deposits	9,778	21.4%	9,289	20.4%
Junior deposits	3,435	7.5%	2,577	5.7%
Senior unsecured bank debt	4,010	8.8%	4,010	8.8%
Junior senior unsecured bank debt	3,312	7.3%	3,312	7.3%
Dated subordinated bank debt	728	1.6%	728	1.6%
Preference shares (bank)	407	0.9%	407	0.9%
Equity	1,368	3.0%	1,368	3.0%
Total Tangible Banking Assets	45,590	100.0%	45,590	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	27.2%	27.2%	27.2%	27.2%	3	3	3	3	0	baa1
Counterparty Risk Assessment	27.2%	27.2%	27.2%	27.2%	3	3	3	3	0	baa1 (cr)
Deposits	27.2%	12.8%	27.2%	21.6%	3	3	3	3	0	baa1
Senior unsecured bank debt	27.2%	12.8%	21.6%	12.8%	3	3	3	3	0	baa1
Junior senior unsecured bank debt	12.8%	5.5%	12.8%	5.5%	1	1	1	1	0	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	baa1	0	Baa1	Baa1
Counterparty Risk Assessment	3	0	baa1 (cr)	0	Baa1(cr)	
Deposits	3	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	3	0	baa1	0	Baa1	(P)Baa1
Junior senior unsecured bank debt	1	0	baa3	0	(P)Baa3	(P)Baa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 8

Category	Moody's Rating
AAREAL BANK AG	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured MTN	(P)Baa3
Commercial Paper -Dom Curr	P-2

Source: Moody's Ratings

Endnotes

1 Derived from the 12 latest month-end values.

REPORT NUMBER 1485845

Contacts

Niclas Gossmann
Ratings Associate

Bernhard Held, CFA
VP-Ratings