

# Aareal Bank AG

## 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 has resulted in a deterioration of its asset quality in the past two years. 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 two years. Impaired loan workouts and sales helped to stabilise the impaired loans ratio at end-1H25. We expect impaired loans inflows to decline in the coming quarters from their peak in 2023. This, together with active impaired loans reductions, should decrease the impaired loans ratio to below 3% in the medium term.

**Adequate, Improving Profitability:** The bank's operating profit was resilient in 1H25, despite continuing challenges in the CRE market and declining margins on its institutional housing deposits. We expect the bank to continue to achieve an operating profit above 2% of its 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 21.8% at end-1H25 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 peers' 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 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 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, 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.

## Ratings Navigator

| Aareal Bank AG        |                  |              |                      |                                 |                                  |                            | ESG Relevance:           | Banks<br>Ratings Navigator |                           |                       |
|-----------------------|------------------|--------------|----------------------|---------------------------------|----------------------------------|----------------------------|--------------------------|----------------------------|---------------------------|-----------------------|
| Operating Environment | Business Profile | Risk Profile | Financial Profile    |                                 |                                  |                            | Implied Viability Rating | Viability Rating           | Government Support Rating | Issuer Default Rating |
|                       | 20%              | 10%          | Asset Quality<br>20% | Earnings & Profitability<br>15% | Capitalisation & Leverage<br>25% | Funding & Liquidity<br>10% |                          |                            |                           |                       |
| aaa                   |                  |              |                      |                                 |                                  |                            | aaa                      | aaa                        | aaa                       | AAA                   |
| aa+                   |                  |              |                      |                                 |                                  |                            | aa+                      | aa+                        | aa+                       | AA+                   |
| aa                    |                  |              |                      |                                 |                                  |                            | aa                       | aa                         | aa                        | AA                    |
| aa-                   |                  |              |                      |                                 |                                  |                            | aa-                      | aa-                        | aa-                       | AA-                   |
| a+                    |                  |              |                      |                                 |                                  |                            | a+                       | a+                         | a+                        | A+                    |
| a                     |                  |              |                      |                                 |                                  |                            | a                        | a                          | a                         | A                     |
| a-                    |                  |              |                      |                                 |                                  |                            | a-                       | a-                         | a-                        | A-                    |
| bbb+                  |                  |              |                      |                                 |                                  |                            | bbb+                     | bbb+                       | bbb+                      | BBB+                  |
| bbb                   |                  |              |                      |                                 |                                  |                            | bbb                      | bbb                        | bbb                       | BBB Pos               |
| bbb-                  |                  |              |                      |                                 |                                  |                            | bbb-                     | bbb-                       | bbb-                      | BBB-                  |
| bb+                   |                  |              |                      |                                 |                                  |                            | bb+                      | bb+                        | bb+                       | BB+                   |
| bb                    |                  |              |                      |                                 |                                  |                            | bb                       | bb                         | bb                        | BB                    |
| bb-                   |                  |              |                      |                                 |                                  |                            | bb-                      | bb-                        | bb-                       | BB-                   |
| b+                    |                  |              |                      |                                 |                                  |                            | b+                       | b+                         | b+                        | B+                    |
| b                     |                  |              |                      |                                 |                                  |                            | b                        | b                          | b                         | B                     |
| b-                    |                  |              |                      |                                 |                                  |                            | b-                       | b-                         | b-                        | B-                    |
| ccc+                  |                  |              |                      |                                 |                                  |                            | ccc+                     | ccc+                       | ccc+                      | CCC+                  |
| ccc                   |                  |              |                      |                                 |                                  |                            | ccc                      | ccc                        | ccc                       | CCC                   |
| ccc-                  |                  |              |                      |                                 |                                  |                            | ccc-                     | ccc-                       | ccc-                      | CCC-                  |
| cc                    |                  |              |                      |                                 |                                  |                            | cc                       | cc                         | cc                        | CC                    |
| c                     |                  |              |                      |                                 |                                  |                            | c                        | c                          | c                         | C                     |
| f                     |                  |              |                      |                                 |                                  |                            | f                        | f                          | ns                        | Dor 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 below the 'a' implied category score due to the following adjustment reason: revenue diversification (negative).

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

## Company Summary and Key Qualitative Factors

### Business Profile

Aareal is a medium-sized, private equity-owned bank. It is one of the few independent pure CRE lenders in Germany, as most German CRE specialists are part of universal banking groups or are members of large institutional protection schemes. Aareal operates in two core segments: structured property finance (SPF) and banking and digital solutions (BDS).

SPF provides CRE lending in about 20 countries in Europe, Asia and North America. Target clients include property companies, institutional investors and, to a lesser extent, owners of residential property portfolios. The bank's above-average geographical diversification, with only 8% of its loan book in Germany, mitigates vulnerability to the CRE market's cyclicality. It also allows the bank to capture higher margins in foreign CRE markets versus domestically focused peers. Taking advantage of this moderate reliance on single jurisdictions, Aareal has a sound record of flexible capital allocation in response to local-market developments. The bank's expertise in structuring cross-border loans backed by multi-assets is also a competitive strength that supports its lending margins.

BDS is the leading provider of payment transaction services to the German housing industry. It generates deposits equivalent to about one-third of Aareal's funding, providing a cheap funding source for the SPF business.

Aareal's three-year strategy, announced in March 2025, focuses on growth and efficiency. The main objectives are to increase net return on equity to at least 13% by 2027 (based on a targeted fully phased-in CET1 ratio of 13.5% under final Basel III rules; 2024: 6.7%, excluding gains and costs related to the sale of Aareon) and to lower its cost/income ratio below 30%. The bank aims to grow its CRE loan book to EUR37 billion by 2027 (2024: EUR33 billion) and expand its balance-sheet-light business by about 30%, reducing business in North America while entering new asset classes such as European data centres. Aareal also targets a non-performing exposure ratio below 3% and LICs of about 45bp of gross loans.

### Risk Profile

High sector and single-name concentration characterises Aareal's risk profile. CRE exposure from hotel (end-1H25: 34%), office (26%), and retail (16%) property creates vulnerabilities to global property market stress. Aareal mainly finances ring-fenced, income-producing properties in prime locations with short average terms. Its credit standards at underwriting and the collateralisation of its loan book (average loan-to-value ratio of 56% on its performing portfolio at end-1H25) are broadly in line with market practice.

Aareal has no appetite for CRE development projects, and retains only a small legacy development project portfolio, equal to less than 1% of total loans. The bank hedges its loans and securities investments, minimising market risks.

## Financial Profile

### Asset Quality

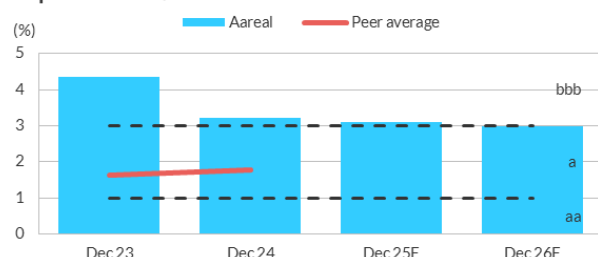
Our assessment of Aareal's asset quality factors in the cyclical performance of CRE markets and high single-borrower and sector concentration in its CRE loan book. Asset-quality metrics have been historically weaker than those of its domestically focused peers, reflecting a stronger presence in more volatile CRE markets such as southern Europe (11% of CRE loans at end-1H25) and the US (20%). Aareal has no exposure to the Chinese property market.

The US office portfolio has come under significant pressure since late 2022 due to higher interest rates and vacancies, reducing collateral valuations and borrowers' debt-servicing capacity. Aareal has taken measures including sales and workouts over the past two years to mitigate the rise in its impaired loans ratio. Nevertheless, US impaired loans still represent about 80% of total impaired loans.

Three-quarters of LICs also still relate to the US office segment, but LICs declined below 1% of gross loans in 1H25, in line with a stabilising market. The bank also reduced its management overlays, which mainly relate to US offices, to EUR17 million (end-2024: EUR85 million), due to a reallocation to Stage 3 provisions (EUR20 million) and model revisions (EUR40 million).

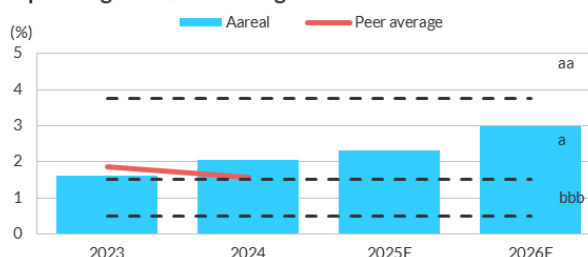
We expect more impaired loans to be resolved in the near term given Aareal's strength in workout and sales. This is supported by the bank's target of a non-performing exposure ratio of below 3% (European Banking Authority definition). Asset quality in the bank's other portfolios has remained resilient.

## Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

## Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

## Earnings and Profitability

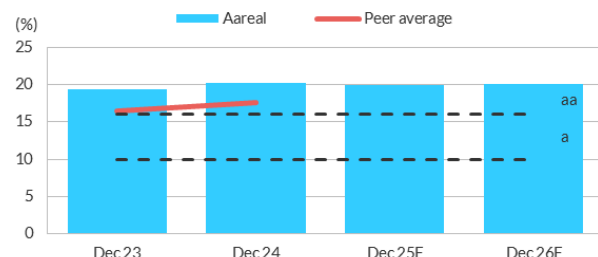
Aareal's operating profit was resilient in 1H25, despite a net interest income decline of 11%. This decline was driven by lower interest rates, which mainly affected the bank's BDS segment and treasury income. Margins and contribution from the bank's CRE loan portfolio remained stable. Revenue contribution from net fee and commission income has become insignificant, as with the sale of Aareon, the bank is paying higher commission expenses due to its strategic partnership with Aareon and First Financial Software GmbH. Nevertheless, operating profit increased by 15% as Aareal was able to stabilise costs (including non-recurring costs) and reduce its LICs by 31% to EUR112 million. The bank booked EUR15 million of non-recurring costs in 1H25, mainly relating to efficiency measures and IT investments. Aareal has a lean cost base relative to peers, with a reported cost/income ratio of 32% (adjusted for non-recurring costs).

Aareal aims for an operating profit of EUR375 million–EUR425 million in 2025 (excluding non-recurring costs of EUR20 million–EUR25 million), above the EUR294 million of 2024. Profitability is likely to improve in the next two years as LICs should moderate from 2025 as the bank reduces its impaired loans.

## Capitalisation and Leverage

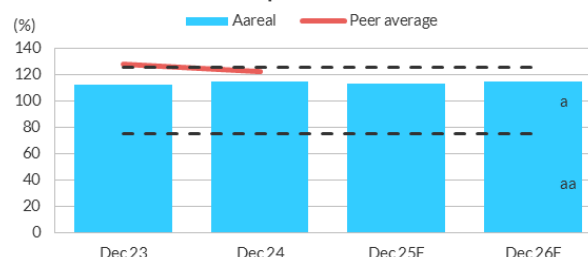
Aareal's transitional CET1 (end-1H25: 21.8%) and total capital (29.9%) ratios are a rating strength compared with peers. A high profit retention rate has boosted the bank's capital ratios in recent years, alongside the retention of EUR0.3 billion, in part from the Aareon sale. This offers room to absorb increases in the bank's RWAs from the phasing in of final Basel III rules and additional potential rating migrations. Aareal reported a fully applied final Basel III CET1 ratio of 15.5% at end-1H25. Aareal's leverage ratio of 7.1% is above the European peer average.

## CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

## Gross Loans/Customer Deposits + Covered Bonds



Source: Fitch Ratings, Fitch Solutions, banks

## Funding and Liquidity

About a third of Aareal's funding comes from its established covered bond franchise (EUR13.8 billion outstanding at end-1H25). The bank also benefits from mainly granular and stable deposits from the institutional housing sector (end-1H25: about EUR14 billion). This differentiates Aareal from its peers and lowers its long-term unsecured market funding needs (EUR7.6 billion senior preferred and non-preferred bonds outstanding at end-1H25) and overall funding costs. The institutional housing deposits are supplemented by retail deposits raised online (EUR3.3 billion at end-1H25).

The bank's market funding capacity proved solid, as Aareal was able to almost complete its full-year funding plan in 1H25. Aareal raised EUR2.1 billion on the capital market in 1H25, including three benchmark covered bonds, a benchmark additional Tier 1 (USD426 million) and EUR100 million Tier 2 issue.

Aareal's liquidity is robust and its average liquidity coverage ratio in 2Q25 remained strong at 262%. The bank holds a EUR9.2 billion bond portfolio with high credit quality, of which a part is pledged as collateral for repo transactions. The over-collateralisation in its mortgage covered bond pool of about 17% (on a present value basis) at end-1H25 provides an additional means of liquidity, in case of need.

Additional Notes on Charts and Forecasts

The forecasts in this report reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

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 will 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.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Landesbank Saar (VR: bbb-), Landesbank Baden-Wuerttemberg (bbb+), IKB Deutsche Industriebank AG (bbb-), NIBC Bank N.V. (bbb+), ASN Bank N.V. (a-) and Landesbank Hessen-Thuringen Girozentrale (bbb). Unless otherwise stated, financial year end is 31 December for all banks in this report.

## Financials

### Financial Statements

|                                        | 31 Dec 22 | 31 Dec 23 | 31 Dec 24 | 30 Jun 25 | 31 Dec 25F | 31 Dec 26F |
|----------------------------------------|-----------|-----------|-----------|-----------|------------|------------|
|                                        | 12 months | 12 months | 12 months | 1st half  | 12 months  | 12 months  |
|                                        | (EURm)    | (EURm)    | (EURm)    | (EURm)    | (EURm)     | (EURm)     |
| <b>Summary income statement</b>        |           |           |           |           |            |            |
| Net interest and dividend income       | 702       | 1,014     | 1,060     | 473       | -          | -          |
| Net fees and commissions               | 277       | 39        | -4        | 3         | -          | -          |
| Other operating income                 | 23        | -62       | -18       | 20        | -          | -          |
| Total operating income                 | 1,002     | 991       | 1,038     | 496       | 948        | 1,010      |
| Operating costs                        | 571       | 329       | 374       | 176       | 361        | 354        |
| Pre-impairment operating profit        | 431       | 662       | 664       | 320       | 588        | 655        |
| Loan and other impairment charges      | 192       | 441       | 370       | 112       | 250        | 192        |
| Operating profit                       | 239       | 221       | 294       | 208       | 338        | 463        |
| Other non-operating items (net)        | -         | -79       | 2,062     | -         | -          | -          |
| Tax                                    | 86        | 94        | 82        | 52        | -          | -          |
| Net income                             | 153       | 48        | 2,274     | 156       | 237        | 324        |
| Other comprehensive income             | 53        | -46       | 19        | -35       | -          | -          |
| Fitch comprehensive income             | 206       | 2         | 2,293     | 121       | -          | -          |
| <b>Summary balance sheet</b>           |           |           |           |           |            |            |
| <b>Assets</b>                          |           |           |           |           |            |            |
| Gross loans                            | 31,720    | 33,698    | 34,103    | 33,267    | 34,103     | 35,126     |
| – Of which impaired                    | 985       | 1,470     | 1,095     | 1,340     | -          | -          |
| Loan loss allowances                   | 487       | 424       | 398       | 421       | -          | -          |
| Net loans                              | 31,233    | 33,274    | 33,705    | 32,846    | -          | -          |
| Interbank                              | 1,914     | 2,976     | 1,522     | 1,109     | -          | -          |
| Derivatives                            | 1,825     | 1,538     | 1,144     | 1,465     | -          | -          |
| Other securities and earning assets    | 5,329     | 6,084     | 7,411     | 8,362     | -          | -          |
| Total earning assets                   | 40,301    | 43,872    | 43,782    | 43,782    | -          | -          |
| Cash and due from banks                | 5,424     | 977       | 2,605     | 2,320     | -          | -          |
| Other assets                           | 1,606     | 1,984     | 1,427     | 1,179     | -          | -          |
| Total assets                           | 47,331    | 46,833    | 47,814    | 47,281    | 48,045     | 49,373     |
| <b>Liabilities</b>                     |           |           |           |           |            |            |
| Customer deposits                      | 16,895    | 17,181    | 16,464    | 16,904    | 16,793     | 17,297     |
| Interbank and other short-term funding | 1,981     | 1,622     | 1,191     | 2,229     | -          | -          |
| Other long-term funding                | 21,050    | 20,898    | 21,758    | 22,174    | -          | -          |
| Trading liabilities and derivatives    | 3,514     | 2,683     | 2,566     | 1,864     | -          | -          |
| Total funding and derivatives          | 43,440    | 42,384    | 41,979    | 43,171    | -          | -          |
| Other liabilities                      | 633       | 1,149     | 375       | 393       | -          | -          |
| Preference shares and hybrid capital   | 300       | 300       | 300       | 407       | -          | -          |
| Total equity                           | 2,958     | 3,000     | 5,160     | 3,310     | -          | -          |
| Total liabilities and equity           | 47,331    | 46,833    | 47,814    | 47,281    | 48,045     | 49,373     |

|               |                     |                     |                     |                     |   |   |
|---------------|---------------------|---------------------|---------------------|---------------------|---|---|
| Exchange rate | USD1 =<br>EUR0.9376 | USD1 =<br>EUR0.9127 | USD1 =<br>EUR0.9622 | USD1 =<br>EUR0.8532 | - | - |
|---------------|---------------------|---------------------|---------------------|---------------------|---|---|

Source: Fitch Ratings, Fitch Solutions, Aareal Bank AG

## Key Ratios

|                                               | 31 Dec 22 | 31 Dec 23 | 31 Dec 24 | 30 Jun 25 | 31 Dec 25F | 31 Dec 26F |
|-----------------------------------------------|-----------|-----------|-----------|-----------|------------|------------|
| (%; annualised as appropriate)                |           |           |           |           |            |            |
| <b>Profitability</b>                          |           |           |           |           |            |            |
| Operating profit/risk-weighted assets         | 1.9       | 1.6       | 2.1       | 3.2       | 2.3        | 3.0        |
| Net interest income/average earning assets    | 1.7       | 2.4       | 2.5       | 2.2       | 2.2        | 2.3        |
| Non-interest expense/gross revenue            | 56.9      | 33.3      | 36.1      | 35.6      | 38.0       | 35.1       |
| Net income/average equity                     | 5.3       | 1.6       | 66.0      | 8.0       | -          | -          |
| <b>Asset quality</b>                          |           |           |           |           |            |            |
| Impaired loans ratio                          | 3.1       | 4.4       | 3.2       | 4.0       | 3.1        | 3.0        |
| Growth in gross loans                         | 0.0       | 6.2       | 1.2       | -2.5      | 0.0        | 3.0        |
| Loan loss allowances/impaired loans           | 49.4      | 28.8      | 36.4      | 31.4      | 34.9       | 35.3       |
| Loan impairment charges/average gross loans   | 0.6       | 1.4       | 1.1       | 0.7       | 0.7        | 0.6        |
| <b>Capitalisation</b>                         |           |           |           |           |            |            |
| Common equity Tier 1 ratio                    | 19.3      | 19.4      | 20.2      | 21.8      | 20.0       | 20.1       |
| Fully loaded common equity Tier 1 ratio       | -         | 13.4      | 15.2      | 15.5      | -          | -          |
| Tangible common equity/tangible assets        | 4.9       | 4.8       | 10.5      | 6.6       | -          | -          |
| Basel leverage ratio                          | 6.0       | 6.4       | 6.8       | 7.1       | -          | -          |
| Net impaired loans/common equity Tier 1       | 20.2      | 39.3      | 24.2      | 31.7      | -          | -          |
| <b>Funding and liquidity</b>                  |           |           |           |           |            |            |
| Gross loans/customer deposits                 | 187.8     | 196.1     | 207.1     | 196.8     | -          | -          |
| Gross loans/customer deposits + covered bonds | 109.3     | 112.1     | 114.2     | 108.4     | 113.0      | 114.4      |
| Liquidity coverage ratio                      | 207.4     | 203.7     | 230.0     | 262.0     | -          | -          |
| Customer deposits/total non-equity funding    | 42.0      | 43.0      | 41.5      | 40.5      | -          | -          |
| Net stable funding ratio                      | -         | 115.1     | 117.0     | 121.0     | -          | -          |

Source: Fitch Ratings, Fitch Solutions, Aareal Bank AG

## 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 weighting of each KRD in the 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, 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.

## Environmental, Social and Governance Considerations

## FitchRatings Aareal Bank AG

Banks  
Ratings Navigator  
ESG Relevance to  
Credit Rating

## Credit-Relevant ESG Derivation

Aareal Bank AG has 5 ESG potential rating drivers

- ➔ Aareal Bank AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

|                     |   |        |   |  |
|---------------------|---|--------|---|--|
| key driver          | 0 | issues | 5 |  |
| driver              | 0 | issues | 4 |  |
| potential driver    | 5 | issues | 3 |  |
| not a rating driver | 4 | issues | 2 |  |
|                     | 5 | issues | 1 |  |

## Environmental (E) Relevance Scores

| General Issues                                             | E Score | Sector-Specific Issues                                                                                                                             | Reference                                                                     | E Relevance |  |
|------------------------------------------------------------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------|--|
| GHG Emissions & Air Quality                                | 1       | n.a.                                                                                                                                               | n.a.                                                                          | 5           |  |
| Energy Management                                          | 1       | n.a.                                                                                                                                               | n.a.                                                                          | 4           |  |
| Water & Wastewater Management                              | 1       | n.a.                                                                                                                                               | n.a.                                                                          | 3           |  |
| Waste & Hazardous Materials Management; Ecological Impacts | 1       | n.a.                                                                                                                                               | n.a.                                                                          | 2           |  |
| Exposure to Environmental Impacts                          | 2       | Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations | Business Profile (incl. Management & governance); Risk Profile; Asset Quality | 1           |  |

**How to Read This Page:**  
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation table's far right column** is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

## Social (S) Relevance Scores

| General Issues                                             | S Score | Sector-Specific Issues                                                                                                                                     | Reference                                                                             | S Relevance |  |
|------------------------------------------------------------|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------|--|
| Human Rights, Community Relations, Access & Affordability  | 2       | Services for underbanked and underserved communities; SME and community development programs; financial literacy                                           | Business Profile (incl. Management & governance); Risk Profile                        | 5           |  |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3       | Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)               | Operating Environment; Business Profile (incl. Management & governance); Risk Profile | 4           |  |
| Labor Relations & Practices                                | 2       | Impact of labor negotiations, including board/employee compensation and composition                                                                        | Business Profile (incl. Management & governance)                                      | 3           |  |
| Employee Wellbeing                                         | 1       | n.a.                                                                                                                                                       | n.a.                                                                                  | 2           |  |
| Exposure to Social Impacts                                 | 2       | Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices | Business Profile (incl. Management & governance); Financial Profile                   | 1           |  |

**Classification of ESG issues** has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

## Governance (G) Relevance Scores

| General Issues         | G Score | Sector-Specific Issues                                                                                                                                                                             | Reference                                                                                             | G Relevance |  |
|------------------------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------|--|
| Management Strategy    | 3       | Operational implementation of strategy                                                                                                                                                             | Business Profile (incl. Management & governance)                                                      | 5           |  |
| Governance Structure   | 3       | Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions | Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage | 4           |  |
| Group Structure        | 3       | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership                                                                                     | Business Profile (incl. Management & governance)                                                      | 3           |  |
| Financial Transparency | 3       | Quality and frequency of financial reporting and auditing processes                                                                                                                                | Business Profile (incl. Management & governance)                                                      | 2           |  |
|                        |         |                                                                                                                                                                                                    |                                                                                                       | 1           |  |

**CREDIT-RELEVANT ESG SCALE**  
How relevant are E, S and G issues to the overall credit rating?

|   |                                                                                                                                                                                               |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.                         |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.                 |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | (Irrelevant to the entity rating but relevant to the sector.                                                                                                                                  |
| 1 | (Irrelevant to the entity rating and irrelevant to the sector.                                                                                                                                |

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/topics/esg/products#esg-relevance-scores](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).

## 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   |

## Highest ESG Relevance Scores

|               |   |
|---------------|---|
| Environmental | 2 |
| Social        | 3 |
| Governance    | 3 |

## Applicable Criteria

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

## Related Research

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

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