

Aareal Bank

Issuer View • 28 January 2025

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Ratings

Aareal Bank AG

	Rating	Outlook
Fitch	BBB	Stable
Moody's	Baa1	Stable
S&P	-	-

Homepage

www.aareal-bank.com

Aareal Bank AG (Aareal), headquartered in Wiesbaden, is the parent company of Aareal Bank Group and an international provider of financing and payment solutions for the commercial property sector and related industries. Following the successfully completed squeeze-out of minority shareholders in favour of the majority shareholder, Aareal Bank has been wholly owned by Atlantic BidCo GmbH since the end of October 2024. In October 2024, the Bank completed the sale of its software subsidiary and former Aareon division for net proceeds of EUR 2bn. Following the sale of Aareon, the Bank now only reports in the "Structured Property Financing" (Q3/2024: 52.1% of operating profit; SIM) and "Banking & Digital Solutions" (47.9%; BDS) segments. The SIM segment deals with the financing of commercial property and the refinancing of the Group. BDS offers customers a bundled package of advisory services relating to digitalisation, corporate banking and deposit business. Geographically, the commercial property portfolio focuses on the regions of Western Europe (Q3/2024: 40%), North America (26%), Southern Europe (9%), Central Europe (9%) and Germany (7%). By property type, hotels (37%), offices (28%) and logistics properties (16%) accounted for the majority. Aareal's funding mix consists predominantly of client deposits (Q3/2024: 45%) and Mortgage Pfandbriefe (30%). In addition to covered bonds, the Bank also issues senior bonds on the capital market. Aareal is active on the market as an issuer of green bonds under its Green Finance Framework.

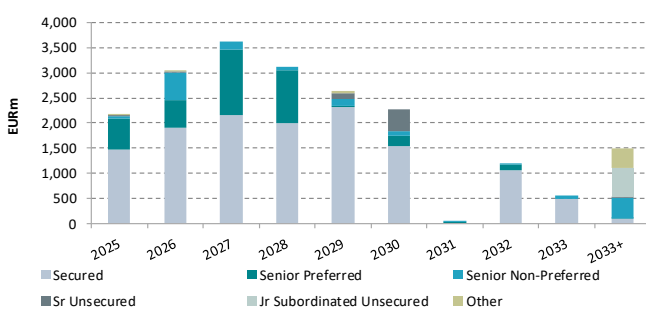
Balance Sheet

(EURm)	2022Y	2023Y	2024Q3
Net Loans to Customers	29,889	32,050	31,147
Total Securities	10,497	11,928	10,907
Total Deposits	13,115	12,669	12,530
Tier 1 Common Capital	2,468	2,661	2,741
Total Assets	47,331	46,833	46,627
Total Risk-weighted Assets	12,782	13,720	14,200

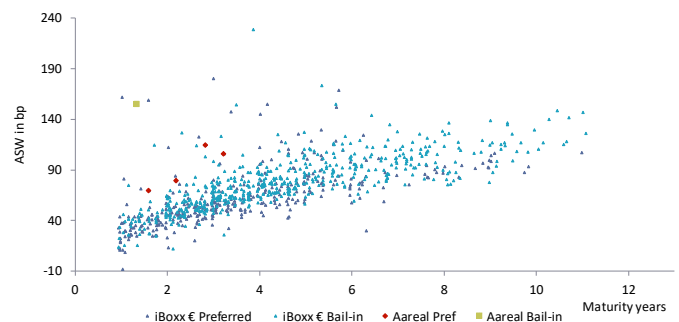
Income Statement

(EURm)	2022Y	2023Y	2024Q3
Net Interest Income	702	1,014	262
Net Fee & Commission Inc.	277	32	1
Net Trading Income	25	-45	-18
Operating Expense	559	337	73
Credit Commit. Impairment	192	441	94
Pre-tax Profit	239	221	80

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2022Y	2023Y	2024Q3	2022Y	2023Y	2024Q3
Net Interest Margin	1.44	2.17	2.37	Liquidity Coverage Ratio	210.00	-
ROAE	4.79	1.45	3.89	IFRS Tier 1 Leverage Ratio	5.71	6.13
Cost-to-Income	55.79	33.84	29.55	NPL/ Loans at Amortised Cost	3.79	5.05
Core Tier 1 Ratio	19.31	19.40	19.30	Reserves/Loans at Amort. Cost	1.62	1.32

As of 28.01.2025; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Capitalisation
- Liquidity
- Resilient deposit base

Risks / Weaknesses

- Concentration of CRE segment
- Moderate Profitability
- Moderate Asset Quality

Covered Bonds

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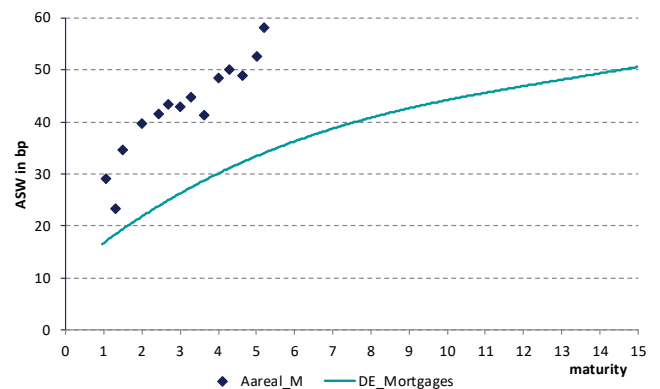
Mortgage and publicly collateralised cover pool

Aareal Bank maintains both a programme for issuing mortgage Pfandbriefe and a programme for issuing public-sector Pfandbriefe. As at the end of September 2024, the mortgage programme had outstanding bonds with a volume of EUR 14.6bn. EUR 1.1bn was attributable to publicly secured bonds, with none of the issues in the benchmark volume. The over-collateralisation ratios were 14.8% (mortgage Pfandbriefe) and 13.7% (public-sector Pfandbriefe) on the same reporting date. In the current composition of the iBoxx EUR Covered, Aareal Bank is represented by 14 Mortgage Pfandbriefe in the EUR benchmark format. The total volume outstanding here amounts to EUR 8.3bn. In addition, the issuer has one benchmark issue (<1 year), which is no longer included in the iBoxx EUR Covered due to its respective residual maturity.

Programme data

30 September 2024	Mortgage	Public Sector
Covered bonds outstanding	EUR 14,610m	EUR 980m
Cover pool volume	EUR 16,767m	EUR 1,114m
Current OC (nominal / legal)	14.8% / 2.0%	13.7% / 2.0%
Type	91% Commercial	62% Regional auth.
Country	19.3% UK	78.0% Germany
Number of borrowers	2,882	129
10 largest exposures	17.8%	80.3%
NPL	0.0%	0.0%
Fixed interest (Cover Pool / CBs)	50.4% / 69.4%	94.7% / 97.4%
WAL (Cover Pool / CBs)	2.5y / 3.9y	7.9y / 3.7y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / - / -

Spread overview (BMK) – Germany



Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Mortgage pool with predominantly commercial character

95.8% of the mortgage cover pool consists of primary cover assets. Commercial cover assets account for 91.3% of the primary cover pool volume. The utilisation type of the commercial cover values is mainly in the areas of office buildings (29.9%) and industrial buildings (19.4%), whereby the largest share (31.1%) is accounted for by the category "other buildings". A look at the geographical concentration of commercial assets shows that 17.5% of assets are attributable to the USA. Other notable shares are attributable to the United Kingdom (17.4%) and France (12%). The average LTV ratio calculated on the basis of the mortgage lending value was 55.6% as at 30 September 2024. The cover pool of the Bank's public sector Pfandbrief programme consists exclusively of primary cover. Of these, 62.2% are receivables from regional authorities, followed by receivables from central governments (20.6%) and receivables from local authorities (18.3%). The share of German debtors in the cover pool is 78%, followed by Austria (20.2%). Neither cover pool contains any non-performing loans.

Rating and regulatory treatment

While Aareal Bank's Mortgage Pfandbrief programme is rated Aaa by Moody's, no rating is available for the Public Sector Pfandbrief issuance programme. In our opinion, mortgage Pfandbriefe in Aareal Bank's EUR benchmark format are eligible as Level 1 assets in the LCR context and at the same time have a preferred risk weight of 10% in accordance with CRR. Pfandbriefe placed by the issuer from 8 July 2022 can bear the label "European Covered Bond (Premium)".

Appendix

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