

# Aareal Bank

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Aareal Bank AG (Aareal) is the parent company of Aareal Banks Group and an international provider of financing, software products and digital solutions for the commercial property sector and related industries. The acceptance period for a takeover offer for the shares of Aareal Bank AG is currently underway (term: December 17, 2021 to January 19, 2022). Aareal entered into a corresponding investment agreement with Atlantic BidCo GmbH on November 23, 2021. Atlantic BidCo is indirectly held by the financial investors Advent International Corporation and Centerbridge Partners. Other investors (including the Canadian pension fund CPPIB) are also involved in the takeover bid. According to the information provided, the bidders stand behind the strategic ambitions of the Group and aim for a long-term partnership. Based on the group-wide strategy "Aareal Next Level", Aareal intends to strengthen its position as a leading international provider of property financing as well as software, digital solutions and payment services. At EUR 155m (Q3/2021), net interest income was up more than 20% year-on-year, especially due to dynamic portfolio growth. In addition, more than 20% of the financed properties in Structured Property Financing meet the criteria of the "Aareal Green Finance Framework" implemented in 2021. The regulatory minimum requirements with regard to capital and liquidity were clearly exceeded as at September 30, 2021.

## Ratings

	Rating	Outlook
Fitch	BBB+	Negative
Moody's	A3	Negative
S&P	-	-

## Homepage

[www.aareal-bank.com](http://www.aareal-bank.com)

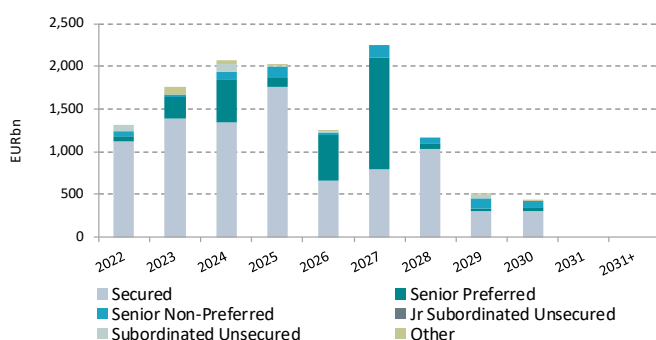
## Balance Sheet

(EURm)	2019Y	2020Y	2021Q3
Net Loans to Customers	26,453	27,552	29,286
Total Securities	12,038	11,950	10,738
Total Deposits	9,744	10,592	10,992
Tier 1 Common Capital	2,191	2,286	2,225
Total Assets	41,137	45,478	46,751
Total Risk-weighted Assets	11,195	12,138	10,803

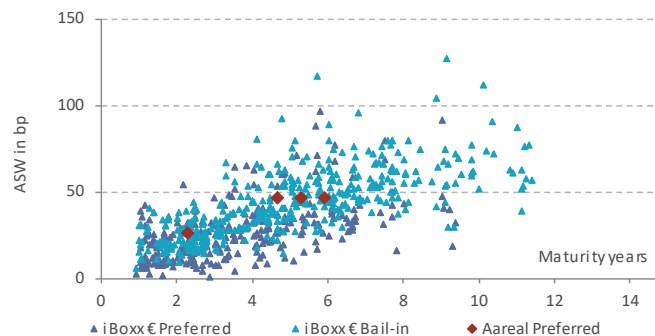
## Income Statement

(EURm)	2019Y	2020Y	2021Q3
Net Interest Income	533	512	155
Net Fee & Commission Inc,	229	234	56
Operating Expense	488	469	125
Credit Commit, Impairment	90	344	39
Pre-tax Profit	248	-75	50

## Redemption Profile



## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2019Y	2020Y	2021Q3	2019Y	2020Y	2021Q3	
Net Interest Margin	1.28	1.21	1.37	Liquidity Coverage Ratio	221.36	263.50	260.51
ROAE	5.69	-2.41	3.05	IFRS Tier 1 Leverage Ratio	5.65	5.27	4.98
Cost-to-Income	59.08	63.55	58.41	NPL/ Loans at Amortised Cost	4.27	6.15	5.03
Core Tier 1 Ratio	19.57	18.83	20.60	Reserves/Loans at Amort. Cost	1.47	2.13	1.49

As of: 03.01.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Capitalization and liquidity
- Credit quality
- Long-term strategic orientation is communicated

## Risks / Weaknesses

- Higher sensitivity in the cyclical CRE market
- Focus on wholesale funding
- Possible change in ownership structure

## Covered Bonds

Author: Dr Frederik Kunze

### Mortgage-backed as well as public-sector cover pool

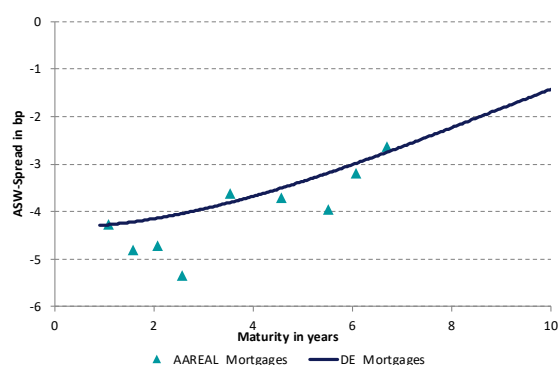
Aareal Bank maintains both a program for issuing Mortgage Pfandbriefe and one for issuing Public Pfandbriefe. The mortgage-backed program has outstanding covered bonds with a volume of around EUR 11.1bn. The volume of public-sector-backed bonds amounts to EUR 1.4bn, with none of the issues in the benchmark volume. The overcollateralization ratios are 18.7% (Mortgage Pfandbrief issuance program) and 6.0% (Public Pfandbrief program). Aareal Bank has a total of nine outstanding Mortgage Pfandbriefe in the EUR benchmark format (residual maturity > 1 year), with a total volume of EUR 5.0bn.

### Programme data

30 September 2021	Mortgage	Public Sector
Covered bonds outstanding	EUR 11,073m	EUR 1,397m
Cover pool volume	EUR 13,144m	EUR 1,481m
Current OC (nominal / legal)	18.7% / 2.0%	6.0% / 2.0%
Type	88% Commercial	61% Regional authorities
Country	25% USA	79% Germany
Number of borrowers	3,805	102
ØLTV (unindexed / indexed)	55.4% / 33.4%	- / -
Fixed interest (Cover Pool / CBs)	51.6% / 82.7%	90.2% / 84.1%
WAL (Cover Pool / CBs)	3.1y / 3.5y	8.3y / 5.7y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / - / -

Quelle: Emittent, Ratingagenturen, Bloomberg, NORD/LB Markets Strategy & Floor Research

### Spread overview (BMK) – Germany



### Mortgage pool with commercial character

The mortgage cover pool consists of 94.7% original cover assets. Commercial cover assets account for 87.7% of the total cover pool volume. The main types of use of commercial cover assets are office buildings (31.0%) and retail buildings (22.3%), with the second-largest share of 22.4% already accounted for by the "other buildings" category. A look at the geographical concentration of the assets shows that 24.8% of the cover assets are attributable to the USA. Other notable shares are attributable to the United Kingdom (14.6%), Germany (14.4%) and France (10.4%). Spain accounts for 7.0% of the cover assets. The "other" category accounts for 28.8%. The cover assets for Public Pfandbriefe are made up of 100% primary cover. Of these, 61.3% are claims on regional authorities, followed by local authorities (20.6%) and claims on central governments (16.9%). German debtors account for 78.7% of the cover pool, followed by Austria (18.6%) and Japan and Spain (both 1.35%). Neither the mortgage-backed nor the public-sector collateral pool are attributable to overdue receivables (payment arrears >90 days).

### Rating and regulatory treatment

While Aareal Bank's Mortgage Pfandbrief program is rated Aaa by Moody's, no rating is available for the Public Pfandbrief issuance program. In our opinion, the mortgage-backed bonds in benchmark format meet the requirements for Level 1 assets within the scope of LCR management and, at the same time, have a preferred risk weighting pursuant to CRR of 10%. The issues are also generally suitable as collateral in the context of the ECB Collateral Framework and are eligible for purchase under CBPP3 and PEPP.

# Appendix

## Contacts at NORD/LB

### Markets Strategy & Floor Research



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Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
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Time of going to press and last update of all market data: Monday, 03 January 2022 (11:03h)