MOODY'S RATINGS

CREDIT OPINION

7 August 2024

Update

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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.

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Aareal Bank AG

Update following outlook change to stable from negative

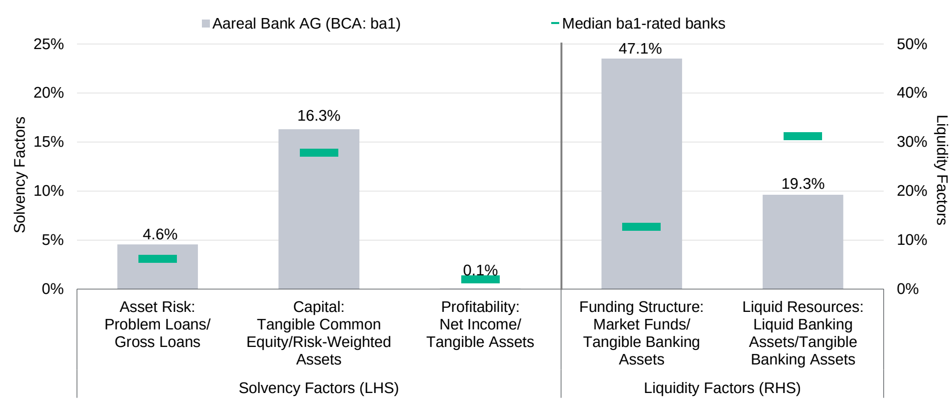
Summary

Aareal Bank AG's (Aareal) Baa1 deposits and senior unsecured debt 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 the bank's resilient credit profile, despite ongoing challenges for commercial real estate (CRE) exposures, including US office, as well as stable liquidity and strong risk-weighted capital, which further benefits from the expected capital gain associated with the sale of Aareon. Aareal's BCA is constrained by its focused business model as a CRE lender, exposing it to considerable concentration risks. Absent meaningful earnings diversification from non-lending activities, we consider Aareal to operate a monoline business model, which is further cemented by the announced sale of its software service activities.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Company reports, Moody's Ratings

Credit strengths

» Strong risk-weighted capital ratios with ample buffers over regulatory requirement, with improved near-term loss absorption because of a material expected capital gain from the sale of Aareon

» Sound and stable liquidity following repayment of majority of central bank funding

» Large and sticky deposits from the professional housing and commercial property industry which we expect to persist following the sale of Aareon and continue to mitigate Aareal's wholesale funding dependence

Credit challenges

» Aareal's credit profile is constrained by concentration risk to CRE exposure and limited earnings diversification from non-lending activitie, which is further cemented after the announced sale of Aareon, its software subsidiary

» Moderate asset quality which remains challenged by higher interest rates and structural challenges for selected CRE sectors, including office and retail

» Moderate profitability reflecting the balance of solid operating performance and volatile credit costs

Outlook

» The stable outlook on the long-term 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 resulting from the realization of capital gains due to the Aareon sale.

» 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 it maintains a materially higher capitalization following a moderate distribution of the sale proceeds to its owners, while not experiencing an unexpected deterioration of asset quality and evidencing funding stability.

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 current financial profile, for example in case of a full pay-out of the expected capital gain in combination with a higher than expected asset quality deterioration, or unexpected funding challenges, including deposit outflows.

Key indicators

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

	12-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	44.1	43.9	46.7	44.4	40.1	2.4[4]
Total Assets (USD Billion)	48.7	46.9	52.9	54.3	45.0	2.0[4]
Tangible Common Equity (EUR Billion)	2.2	2.3	2.3	2.4	2.7	(4.5)[4]
Tangible Common Equity (USD Billion)	2.5	2.5	2.6	2.9	3.0	(4.9)[4]
Problem Loans / Gross Loans (%)	4.6	3.3	5.1	5.7	3.6	4.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.3	18.4	18.0	19.8	24.1	19.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	55.1	34.7	53.8	51.8	30.4	45.2[5]
Net Interest Margin (%)	2.1	1.5	1.3	1.2	1.3	1.5[5]
PPI / Average RWA (%)	4.3	3.3	2.3	2.2	2.8	3.0[6]
Net Income / Tangible Assets (%)	0.1	0.3	0.1	-0.2	0.4	0.1[5]
Cost / Income Ratio (%)	55.5	59.8	66.9	68.1	60.6	62.2[5]
Market Funds / Tangible Banking Assets (%)	47.1	47.6	53.0	52.5	47.4	49.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	19.2	25.1	25.8	21.4	15.7	21.5[5]
Gross Loans / Due to Customers (%)	254.3	228.3	251.2	257.5	264.6	251.2[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [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.
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 reported assets of €47 billion at the end of 2023, of which €31 billion or 68% relate to loans. Aareal caters to corporate real estate clients, with no direct retail business in its lending activities. The bank also offers consultancy and transaction banking to professional clients in the housing and commercial property industries. On 24 June 2024, Aareal announced the sale of Aareon, its software subsidiary.

Following a voluntary public takeover, started in November 2021 and the ongoing squeeze-out of minority shareholders, approved during the bank's general meeting in May 2024, Aareal is majority owned by Atlantic BidCo GmbH, with a stake of around 95.5% as of 13 March 2024.[1] Atlantic BidCo GmbH is indirectly held by the private equity firms Advent International and Centerbridge Partners, with individual stakes of around 39% each.

Weighted Macro Profile of Strong

Aareal's Strong Macro Profile reflects of its global lending activities which include exposures to countries with a Strong+ Macro Profile, like the United States of America (Aaa negative, around 27% of the total as of year-end 2023), United Kingdom (Aa3 stable, 16%), France (Aa2 stable, 11%), and Germany (Aaa stable, 7%). Because of the bank's exposures to jurisdictions with lower macro profiles, including Spain (Baa1 positive), Poland (A2 stable), and Italy (Baa3 stable), Aareal's overall macro profile is one notch below that of Germany.

Detailed credit considerations

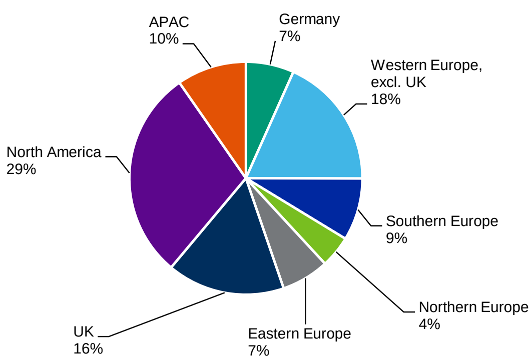
Persistent asset quality challenges are balanced by proactive measures to reduce problematic loans

Aareal's ba2 Asset Risk score is three notches below its baa2 initial score. Our sizeable negative adjustment reflects the bank's cyclical CRE lending with single-name and single-location concentrations. The bank's US office exposure remains most at risk, for example because of declining tenant demand, while retail shopping centers and hotels are also challenged by rising prices and operating costs. Our assessment, however, also takes into account Aareal's proactive measures to improve its asset quality, which resulted into lower non-performing loans during the first quarter of this year.

The sharp increase in interest rates since 2022 created challenges for CRE property markets globally, leading to declining values and makes refinancing more difficult. However, we expect that recent central bank rate cuts will stimulate a real estate investment recovery, with more transactions and recovering valuations. More stable funding costs will also improve the CRE sponsors' ability to refinance, although Aareal does not provide lending to real estate companies or development/project financing, which are financially most affected in the current environment.

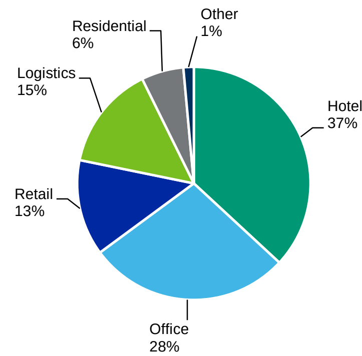
At the end of 2023, Aareal's total CRE exposure had grown by around 26% to €32.5 billion, compared with €25.9 billion in 2019 (1Q24: €31.8 billion). The bank's portfolio is strongly geared to North America (Exhibit 3), consisting of the United States (US, around €8.2 billion or 25% of total) and Canada (4%). It includes sizeable exposure to high-risk subsectors, like hotels (37%), offices (28%, of which around 44% is in the US), and retail properties (13%), while the bank's share to more stable logistics and residential lending was 15% and 6% at the end of 2023 (Exhibit 4).

Exhibit 3
Aareal's CRE exposure by region
Data as of December 2023



Source: Company reports, Moody's Ratings

Exhibit 4
Aareal's CRE exposure by segment
Data as of December 2023

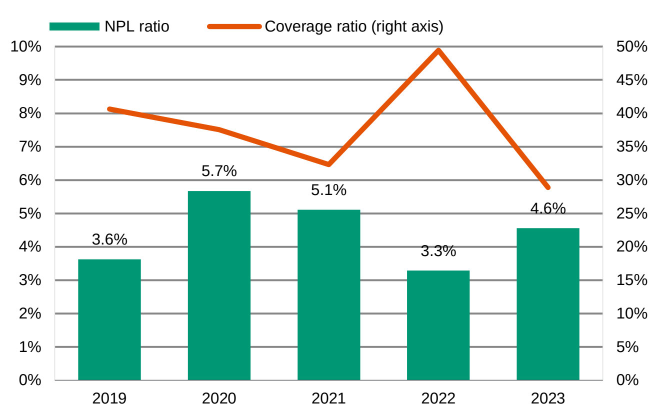


Source: Company reports, Moody's Ratings

During the pandemic and energy crisis, Aareal's non-performing loan (NPL) ratio improved to 3.3% in 2022, compared with 3.6% in 2019, reflecting broadly stable problem loans and rising gross loans (Exhibit 5). However, the ratio deteriorated to 4.6% at the end of last year, driven by mounting stress in the US, where the bank's problematic exposures increased almost five-fold to €1.1 billion, compared with €188 million at the end of 2022.

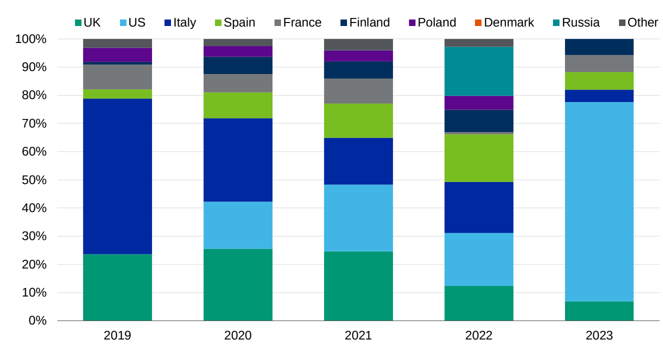
Following Aareal's successful NPL reduction measures of more than €500 million during the first quarter of 2024, which mainly relate to US office, we expect that its pro-forma problem loan ratio has declined to around 3.5%, a level broadly comparable to 2022 and 2019.

Exhibit 5
Following a recovery in 2021-22, Aareal's problem loan ratio weakened during 2023, driven by US office exposures
Data in percent



Source: Company reports, Moody's Ratings

Exhibit 6
At the end of 2023, around 70% of Aareal's problem loans were US exposure
Data in percent



Source: Company reports, Moody's Ratings

During 2023, Aareal's CRE exposures outside the US office market showed broadly stable performance, as demonstrated by an average loan-to-value ratio of 56%, in line with year-end 2022 (55%), and down from 58% in 2021 and 60% in 2020. Over the same period, the bank's income-producing properties benefited from higher yield-on-debt[2], which increased to 9.6% from 8.5% in 2022, demonstrating CRE sponsor's improving ability to manage rising financing costs.

Strong risk-weighted capital ratios with improved expected near-term loss absorption

We assign a Capital score of a2 to Aareal, which is two notches below the aa3 initial score. Our negative adjustment reflects the expected decline in the bank's capital ratios because of the upcoming revisions to the Basel framework, which will lead to risking risk-weighted assets (RWA) for Aareal.[3]

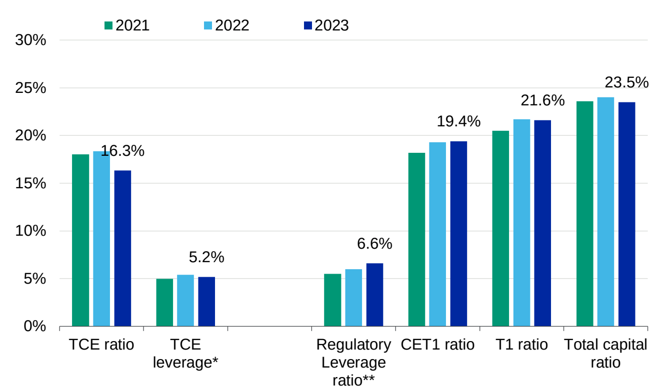
Our assessment also reflects the bank's improved near-term ability to withstand asset quality shocks because of the material expected capital gain that the bank will realize as a result of the sale of Aareon in the second half of the year. According to our estimates, Aareal's pro-forma Tangible Common Equity (TCE) ratio will improve to around 30%, compared with 16.3% at the end of 2023, a level that strongly supports its ba1 financial profile. However, the ultimate effect on Aareal's capitalization will depend on the use of the sale proceeds. We expect that at least the majority of freshly generated capital will be distributed to its owners, which is, however, subject to supervisory approval.

Our capital assessment also reflects Aareal's 5.2% TCE leverage ratio, which we consider satisfactory in the context of its risk profile. This ratio is somewhat lower than the regulatory Tier 1 leverage ratio of 6.6% at the end of 2023, because we exclude Additional Tier 1 (AT1) capital in the numerator of the ratio. At the end of March 2024, Aareal's Common Equity Tier 1 (CET1) ratio slightly improved to 19.7%, compared with 19.4% in 2023.

Exhibit 7

Aareal reports high capital ratios ...

Data in percent of risk-weighted assets, except leverage ratios*

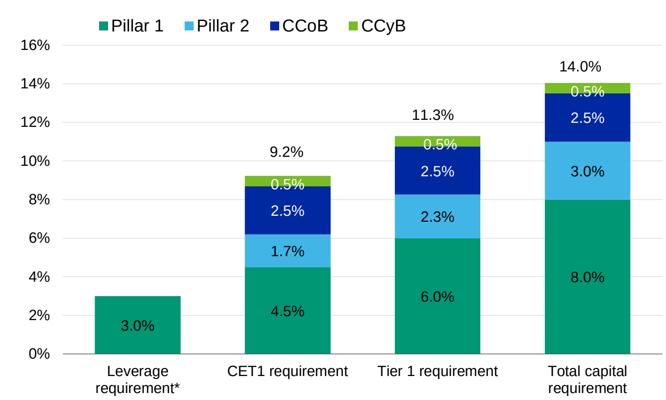


Note: TCE = Tangible Common Equity (excludes high-trigger AT1); CET1 = Common Equity Tier 1 capital; T1 ratio = Tier 1 Ratio. * Compares TCE to tangible banking assets. **Compares Tier 1 capital to exposure at default.
Source: Company reports, Moody's Ratings

Exhibit 8

... which exceed regulatory requirements by large margins

Year-end 2023 data in percent of risk-weighted assets, except leverage ratio*



Note: P2R = Pillar 2 Requirement; CCoB = Capital conservation buffer; CCyB = Countercyclical Buffer; *Compares Tier 1 capital to exposure at default.
Source: Company reports, Moody's Ratings

Robust operating performance, balanced by volatile credit costs

We assign a ba3 Profitability score to Aareal, three notches above the initial score of b3. We believe that Aareal's earnings will somewhat recover from the subdued levels in 2020-21 and 2023, reflecting robust operating performance. However, we do not expect that the bank's profitability will return to pre-pandemic levels because of persistent high credit costs.

As a dedicated CRE lender, Aareal's profitability is strongly affected by the level of credit costs. Following solid years between 2016-19, where Aareal exhibited an average annual return-on-assets (ROA) of around 45 basis points (bps), the bank faced high provisions in 2020 and reported a net loss. In 2021 and 2022, Aareal returned to moderate net profit, as expressed by ROAs of 13 bps and 32 bps, respectively.

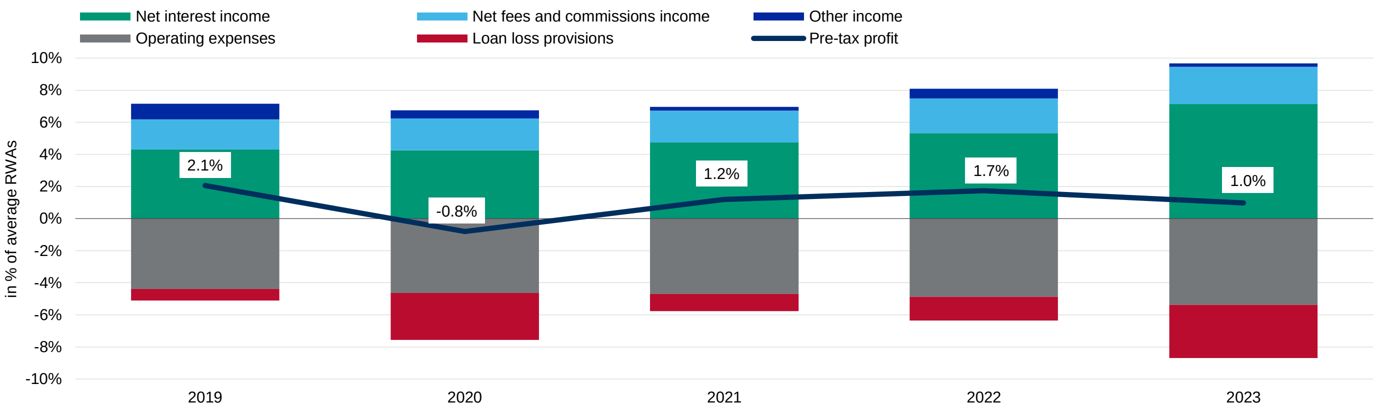
Last year, the bank benefited from a 39% increase in net interest income, driven by improving loan and deposit margins, which helped to offset large credit provisions, equivalent to 137 bps of gross loans (2022: 64 bps) and mostly related to US office, as well as higher operating expenses, including sizeable investments at Aareon. For 2023, Aareal's ROA was 6 bps.

Aareal has ambitious medium-term targets which will face challenges to achieve. However, the bank has taken proactive steps to manage its challenged asset quality. During the first quarter of 2024, Aareal reduced, via disposals and restructurings, more than €500 million of non-performing exposure, mostly related to US office, and confirmed its full-year pretax profit guidance, excluding Aareon, of €250-300 million. The announced sale of Aareon will trigger an extraordinary net gain of around €2 billion, i.e. after transaction costs, which is expected in the second half of 2024.

Exhibit 9

Aareal's rising net interest income mitigates high credit costs and provides financial flexibility to proactively reduce non-performing exposure

Data in % of average risk-weighted assets (RWA)



Source: Company reports, Moody's Ratings

Aareal's wholesale funding dependence is mitigated by large deposits from the housing industry

We assign a Funding Structure score of ba2, which is two notches above the b1 initial score. Our upward adjustment captures Aareal's favorable term structure with long-duration liabilities, which reduces refinancing risks. We also take into account that the bank's market funds are somewhat inflated because of around €1 billion remaining participation in the ECB's long-term refinancing programs (TLTRO), down from the peak of €5.3 billion in 2021.

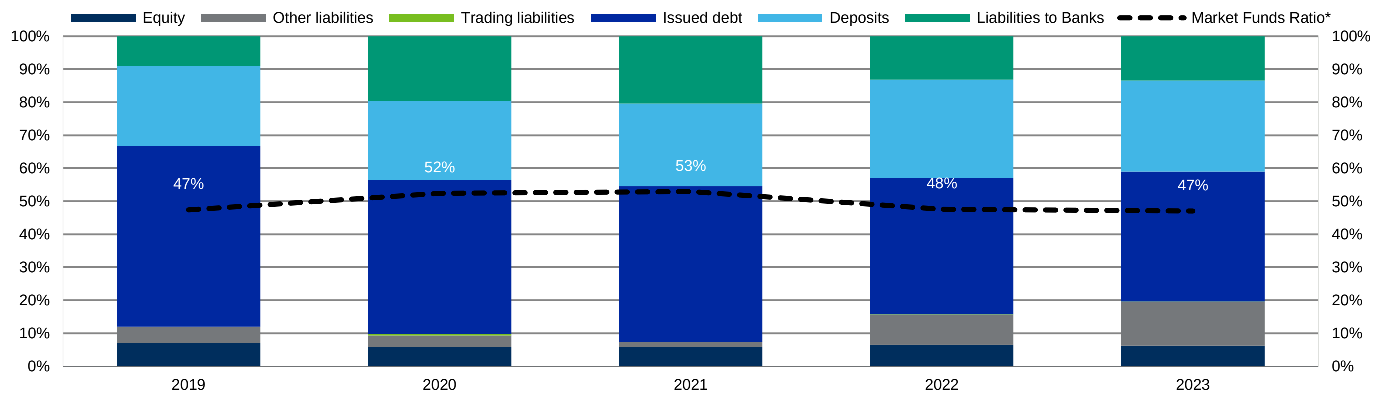
Compared with other wholesale-funded CRE lenders, Aareal's funding mix benefits from the payment and cash management services, as reported under its Banking & Digital Solutions segment. These activities provide sizeable, granular and sticky deposits to the Wiesbaden-based bank and have grown by 8.1% to €12.7 billion at end 2023, from €11.7 billion in 2021. They 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 rising share of retail term deposits, which Aareal collects via internet platforms, mainly from German savers and since 1Q24 also in Austria and Netherlands. At around €2.6 billion as of 31 December 2023 (1Q24: €3.0 billion; 2022: €0.6 billion), we consider these less sticky and volatile because the deposits are very sensitive to the interest rate offered.

We expect that Aareal's Market Funds ratio will remain stable at around 50% of tangible banking assets, as it has been since 2019 (Exhibit 10). At the end of 2023, our ratio reflects €12.9 billion covered bonds, €4.6 billion senior unsecured debt, €3.1 billion junior senior debt, and around €0.4 billion subordinated debt, excluding AT1 instruments. Aareal's senior unsecured debt and covered bond investor base is diversified and granular, and the bank benefits from the established access to institutional private placement market, including the ability to issue promissory notes, which provides further funding stability.

Exhibit 10

Aareal's high market funding dependence mainly arises from issued covered bonds and benefits from the established access to a broad and diversified investor base

Data in percent of tangible banking assets



*Market funding ratio = Market funds/tangible banking assets.
Source: Company reports, Moody's Ratings

Moderately lower but still solid liquidity reflecting sizeable high-quality financial securities, balanced by asset encumbrance

Aareal's assigned Liquid Resources score is baa3, inline with the initial score. The assessment takes into account the remaining, but strongly reduced, benefit from attractively priced central bank liquidity (TLTRO), as well as our assessment of significant assets encumbrance, including Aareal's repo activities.

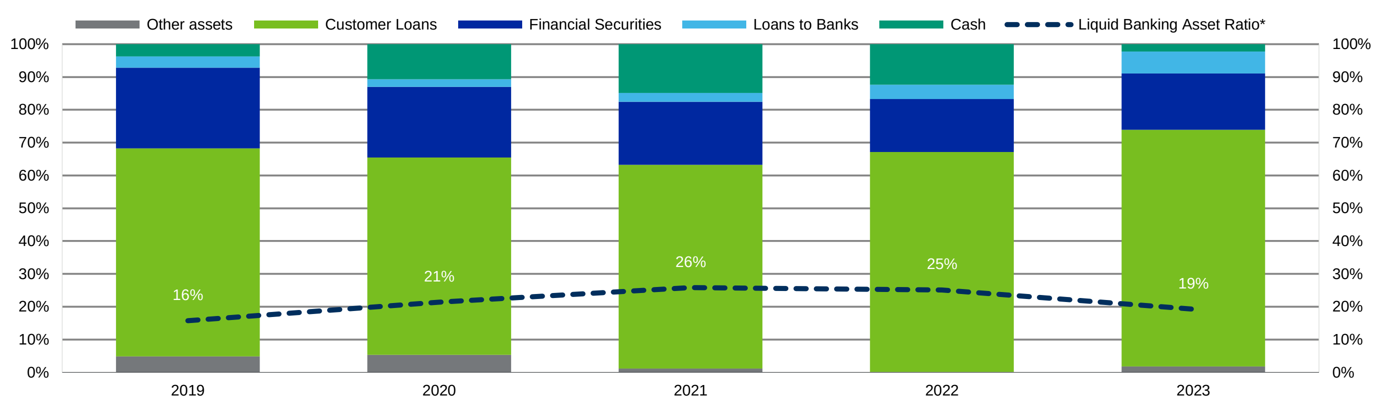
Aareal exhibits moderately lower liquidity at the end of 2023, driven by loan growth and difficult capital markets for the bank with temporarily high credit spreads, making access to liquidity difficult. During the fourth quarter of 2022, Aareal had repaid around 80% of its participation in the ECB's TLTRO program, which peaked at €5.3 billion in 2021.[4]A This trend is also visible in Aareal's regulatory Liquidity Coverage Ratios, which was 200% for the fourth quarter of 2023, compared with 205% in 4Q2022 (1Q24: 192%).

In 2023, Aareal's Liquid Banking Asset ratio decreased to 19.2% from 25.1% in 2022, reflection €1.0 billion cash (2022: €5.4 billion), €3.0 billion loans to banks (2022: €1.9 billion), as well as its €7.1 billion high-quality treasury portfolio (2022: €6.7 billion), which consisted of public-sector debtors (around 75% of the total) and covered bonds (25%).

Exhibit 11

Aareal's liquidity moderately decreased during 2023, reflecting loan growth and difficult capital markets for the banks

Data in percent of tangible banking assets



*Liquid banking assets ratio = Liquid assets/tangible banking assets.
Source: Company reports, Moody's Ratings

We believe that Aareal can generate additional liquidity through the issuance of covered bonds, if needed. This is because of the high level of over-collateralization, at 19.6% as of December 2023, based on outstanding issuances of €14.5 billion. Because the minimum over-collateralization level, consistent with a Aaa covered bond rating, was 15.5% at that time, Aareal has some leeway for using its existing mortgage cover pool to generate additional liquidity.

Qualitative adjustment captures limited business diversification, further cemented by the announced sale of Aareon

We reduce the weighted average outcome of Aareal's assigned Financial Profile factor score by one notch. This adjustment reflects Aareal's low earnings and thus negligible diversification outside its CRE lending activities. The announced sale of its software service activities housed in Aareon further cement Aareal's limited earnings diversification. We therefore continue to consider Aareal to operate a monoline business model.

Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. It is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a bank's earnings streams and its potential to absorb shocks affecting a business line.

As a dedicated CRE lending specialist, Aareal is exposed to a rather volatile banking business through the cycle. We consider CRE lending highly cyclical and, therefore, a higher-risk sector exposure. The bank's position as a specialist lender benefits its sector-specific risk management know-how, but at the same time, it naturally limits the potential for (earnings) diversification.

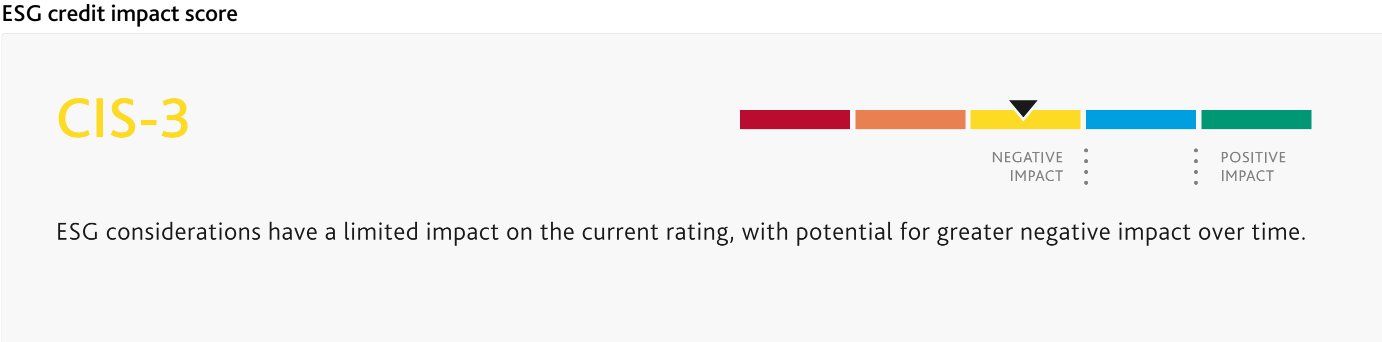
Because CRE exposures can cause high losses in times of financial market stress, Aareal's high earnings dependence from these assets exposes the bank to unexpected shocks that are likely to hurt its income statement and solvency in an adverse scenario.

ESG considerations

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

Exhibit 12

ESG credit impact score

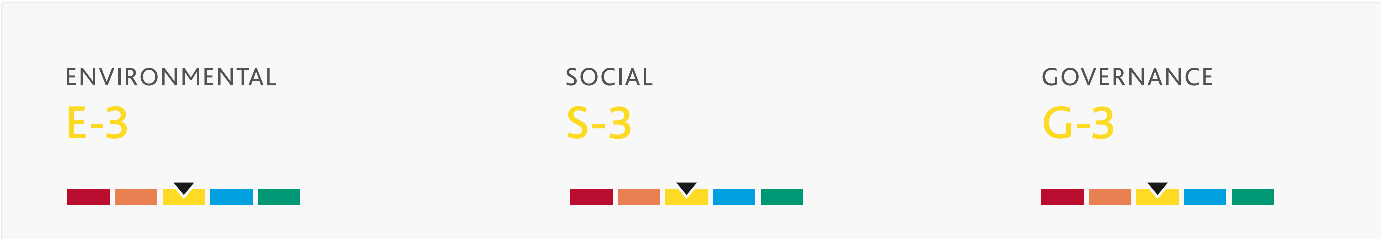


Source: Moody's Ratings

Aareal Bank AG's (Aareal) ESG Credit Impact Score is moderately negative (**CIS-3**), reflecting governance considerations related to a moderate track record to improve profitability and diversification. Environmental and social risks have a limited credit impact on the rating to date.

Exhibit 13

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 is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution, using our standard assumptions

For Aareal's Baa1 deposit, senior unsecured and issuer ratings, our LGF analysis indicates an extremely low loss given failure, leading to a three-notch uplift from the bank's ba1 Adjusted BCA.

For Aareal's (P)Baa3 junior senior unsecured program rating, our LGF analysis indicates a low loss given failure, leading to one notch of rating uplift from the bank's ba1 Adjusted BCA.

Government support considerations

We do not assign any rating uplift for Aareal from government support, reflecting our unchanged assumption of a low probability of systemic support in the event of a stress scenario, given the bank's marginal importance to the domestic deposit-taking market and local payment systems.

Methodology and scorecard

Methodology

The principal rating methodology we used in rating Aareal was the Banks Methodology, published in March 2024.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 14

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		4.6%	baa2	↔	ba2	Sector concentration	Single name concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		16.3%	aa3	↔	a2	Risk-weighted capitalisation	Expected trend
Profitability							
Net Income / Tangible Assets		0.1%	b3	↑	ba3	Return on assets	Expected trend
Combined Solvency Score			baa2		baa3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		47.1%	b1	↔	ba2	Term structure	Expected trend
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		19.2%	baa3	↔	baa3	Stock of liquid assets	Asset encumbrance
Combined Liquidity Score			ba2		ba1		
Financial Profile					baa3		
Qualitative Adjustments					Adjustment		
Business Diversification					-1		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					-1		
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	20,176	47.5%	21,468	50.5%
Deposits	12,669	29.8%	11,377	26.8%
Preferred deposits	9,375	22.1%	8,906	21.0%
Junior deposits	3,294	7.8%	2,470	5.8%
Senior unsecured bank debt	4,620	10.9%	4,620	10.9%
Junior senior unsecured bank debt	3,080	7.3%	3,080	7.3%
Dated subordinated bank debt	357	0.8%	357	0.8%
Preference shares (bank)	300	0.7%	300	0.7%
Equity	1,274	3.0%	1,274	3.0%
Total Tangible Banking Assets	42,476	100.0%	42,476	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	28.5%	28.5%	28.5%	28.5%	3	3	3	3	0	baa1
Counterparty Risk Assessment	28.5%	28.5%	28.5%	28.5%	3	3	3	3	0	baa1 (cr)
Deposits	28.5%	11.8%	28.5%	22.7%	3	3	3	3	0	baa1
Senior unsecured bank debt	28.5%	11.8%	22.7%	11.8%	3	3	3	3	0	baa1
Junior senior unsecured bank debt	11.8%	4.5%	11.8%	4.5%	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	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 15

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 -Dom Curr	Baa3
Junior Senior Unsecured MTN	(P)Baa3
Commercial Paper -Dom Curr	P-2

Source: Moody's Ratings

Endnotes

1 The remaining around 4.5 percent share is allocated to free float.

2 This ratio compares the cash flow, i.e. mostly from rental income, to the outstanding debt financing provided. Because the ratio excludes debt financing costs, it is a measure to assess the ability to digest rising interest costs.

3 Aareal calculates RWAs as the higher of i) Advanced Internal Rating Based Approach (A-IRBA) or ii) Basel 4 revised Credit Risk Standard Approach with a 50% output floor.

4 The repayment of the remaining around €1 billion is expected during 1H24.

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