Regulatory Disclosure Report for H1 2024

of Atlantic Group

Aareal

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Regulatory Disclosure Report for H1 2024

Preface

Atlantic BidCo GmbH’s voluntary public takeover offer for Aareal Bank AG was closed in June 2023. Accordingly, the Regulatory Disclosure Report has had to be prepared at the level of Atlantic Lux HoldCo Group (“Atlantic Group”) since 30 June 2023. The Group’s parent institution, which is required to consolidate Group information in accordance with Article 11 of Regulation (EU) 575/2013 (Capital Requirements Regulation – “CRR”), is Aareal Bank AG, having its registered office in Wiesbaden, Germany (LEI code EZKODONU5TYHW4PP1R34).

Since Atlantic Group is managed entirely at the level of Aareal Bank AG, Atlantic Group and Aareal Bank Group have the same risk profile. Apart from holding Aareal Bank AG shares via its subsidiary Atlantic BidCo GmbH, Atlantic Group has no other operating business.

Regulatory indicators and further information on Aareal Bank Group are available in Aareal Bank Group’s interim report on the second quarter of 2024 and in the presentation to the Analyst Conference Call on the results of the second quarter of 2024, which is available for download from Aareal Bank’s website.

This Regulatory Disclosure Report outlines the business policy standards and facts that are relevant for assessing the situation at Group level from a regulatory perspective. Besides providing a qualified description of the manner in which risks are identified, evaluated, weighted and reviewed, the Regulatory Disclosure Report also contains detailed quantitative statements about the sizes of the individual areas.

The Regulatory Disclosure Report implements the requirements in accordance with part 8 of the CRR. The existing disclosure requirements are specified by Commission Implementing Regulation (EU) 2021/637, published by the European Commission in March 2021.

Atlantic Group is classified as a significant institution within the scope of the Single Supervisory Mechanism (SSM) and is therefore subject to direct supervision by the European Central Bank (ECB).

Due to its total assets of more than € 30 billion, Atlantic Group is classified as a large institution in accordance with Article 4 No. 146 lit. d) of the CRR.

Aareal Bank AG fulfils the requirements set out in Article 4 No. 136 of the CRR for classification as a significant subsidiary of Atlantic Group. Given that Aareal Bank AG is relieved from application of regulatory requirements on a standalone basis, applying a waiver under section 2a (1) sentence 1 of the German Banking Act (Kreditwesengesetz – “KWG”) in conjunction with Article 7 (1) and (2) of the CRR, only the disclosure requirements regarding liquidity apply on a single-institution basis.

The Regulatory Disclosure Report is prepared in accordance with internal provisions and procedures applicable within Aareal Bank AG, stipulated in writing in order to fulfil disclosure requirements.

In line with the requirements of Article 431 (3) of the CRR, Aareal Bank AG has created formal procedures for Atlantic Group through disclosure guidelines, which ensure that the disclosure requirements are met. The disclosure guidelines contain rules on:

- the scope and content of the disclosure requirements,
- the principles of disclosure, in particular on appropriateness, structure of the report, locations, reporting date and frequency,
- determining the materiality, confidential information and trade secrets,
- responsibilities and organisational units involved,
- the structure of the disclosure process,
- the data sources and relevant IT systems and
- the review of the disclosure procedure.

The specific structure and implementation of the disclosure requirements is described in detail in the supplementary documents.

Aareal Bank has implemented comprehensive control mechanisms as part of the disclosure process, which are used to review the disclosed data for completeness, accuracy, and appropriateness. These control activities associated with the disclosure process are an integral component of Aareal Bank's Internal Control System (ICS). Besides the ongoing control in the course of the creation process, the control activities include an annual, central review of the following aspects:

- appropriateness of the details,
- content-related design of the disclosures,
- frequency of the disclosures,
- new regulatory requirements and adjustments.

The Regulatory Disclosure Report and the disclosure guidelines are approved by the Management Board of Aareal Bank AG. In addition, the Regulatory Disclosure Report is also subject to an approval process by Atlantic Lux HoldCo S.à r.l. as the ultimate Group parent.

In addition, compliance with the disclosure requirements is regularly reviewed by Aareal Bank AG's Internal Audit division.

Overall, the Regulatory Disclosure Report is subject to control mechanisms comparable to those used in the management report for financial reporting.

In accordance with the legal requirements, the Regulatory Disclosure Report does not require a qualified audit opinion and is therefore not audited.

The Regulatory Disclosure Report is published pursuant to Article 434 (1) of the CRR on the Aareal Bank AG website, under the menu item "Investor Relations".

Aareal Bank AG publishes the Regulatory Disclosure Report on a quarterly basis. The scope of information to be disclosed as at the respective reporting dates is based on the requirements set out in Article 433a of the CRR.

As at the reporting date, Atlantic Group holds no securitisation exposures in its portfolio: the disclosure requirements pursuant to Article 449 lit. j) to l) of the CRR therefore do not apply.

Minor differences may occur regarding the figures stated, due to rounding.

Overview of Regulatory Key Metrics

Table EU KM1 provides an overview of the regulatory key metrics in accordance with Article 447 of the CRR. The overview also includes the additional regulatory capital which has been required under the Supervisory Review and Evaluation Process (SREP) for Atlantic Group since the beginning of the year.

EU KM1: Key metrics

		a	b	c	d	e
€ mn		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	2,652	2,518	2,578	2,153	2,268
2	Tier 1 (T1) capital	2,938	2,804	2,864	2,453	2,568
3	Own funds	3,166	3,042	3,112	2,715	2,810
	Risk-weighted exposure amounts					
4	Risk-weighted exposure amounts (Risk-weighted assets, RWAs)	13,919	13,788	13,723	13,549	13,375

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€ mn		a 30 Jun 2024	b 31 Mar 2024	c 31 Dec 2023	d 30 Sep 2023	e 30 Jun 2023
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (CET1 ratio)	19.05[1)]	18.26	18.78	15.89	16.96
6	Tier 1 ratio (T1 ratio)	21.11	20.34	20.87	18.10	19.20
7	Total capital ratio (TC ratio)	22.74	22.06	22.68	20.04	21.01
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	3.00	3.00	–	–	–
EU 7b	of which: to be made up of CET1 capital	1.69	1.69	–	–	–
EU 7c	of which: to be made up of Tier 1 capital	2.25	2.25	–	–	–
EU 7d	Total SREP own funds requirements	11.00	11.00	8.00	8.00	8.00
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	–	–	–	–	–
9	Institution-specific countercyclical capital buffer	0.59	0.54	0.52	0.58	0.48
EU 9a	Systemic risk buffer	0.02	0.02	0.02	0.02	0.02
10	Global Systemically Important Institution buffer	–	–	–	–	–
EU 10a	Other Systemically Important Institution buffer	–	–	–	–	–
11	Combined buffer requirement	3.12	3.06	3.04	3.10	3.01
EU 11a	Overall capital requirements	14.12	14.06	11.04	11.10	11.01
12	CET1 available after meeting the total SREP own funds requirements	11.74	11.06	14.28	11.39	12.46
	Leverage Ratio					
13	Total exposure measure	44,152	45,459	44,736	46,788	46,816
14	Leverage Ratio (%)	6.65	6.17	6.40	5.24	5.49
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage	–	–	–	–	–
EU 14b	of which: to be made up of CET1 capital	–	–	–	–	–
EU 14c	Total SREP leverage ratio requirements	3.00	3.00	3.00	3.00	3.00
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement	–	–	–	–	–
EU 14e	Overall leverage ratio requirement	3.00	3.00	3.00	3.00	3.00
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (weighted value – average)	7,383	7,344	7,084	7,198	7,539
EU 16a	Cash outflows – total weighted value	4,436	4,489	4,369	4,375	4,256

[1)] Aareal Bank Group's CET1 ratio as communicated in Aareal Bank Group's interim financial information II/2024 and during the conference call on 08 August 2024 amounts to 20.1 % (including interim profits for 2024, deducting the pro rata dividend in line with the dividend policy, and incorporating the pro rata accrual of net interest payable on the AT1 bond).

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		a	b	c	d	e
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
€ mn						
EU 16b	Cash inflows – total weighted value	877	816	889	877	913
16	Total net cash outflows (adjusted value)	3,559	3,673	3,480	3,497	3,343
17	Liquidity coverage ratio (LCR) (%)	210.61	200.78	203.73	206.11	225.52
	Net Stable Funding Ratio					
18	Total available stable funding	34,214	33,200	33,757	32,767	33,454
19	Total required stable funding	28,232	28,433	29,322	28,411	28,149
20	NSFR (%)	121.19	116.76	115.12	115.33	118.84

Development of key metrics

Capital ratios and RWAs

Compared to the previous disclosure date of 31 March 2024, the capital ratios reported to the supervisory authorities (CET1, T1 and TC ratios) increased slightly by 0.75 percentage points on average. This slight increase was due to increased regulatory capital (€ +124 million) and simultaneously higher RWAs (€ +131 million).

The RWAs were determined in accordance with currently applicable law (CRR II), applying the partial regulation for the "output floor" in connection with commercial property lending and equity exposures, based on the European Commission's proposal dated 27 October 2021 (CRR III) for implementation of Basel IV. The 'higher-of' comparison with the calculation of total RWAs pursuant to the currently applicable CRR II has not required any RWA adjustment in accordance with Article 3 of the CRR.

The RWA increase was mainly attributable to more new business originated in the Structured Property Financing segment, along with changes to the credit quality of the existing commercial property finance portfolio as well as a higher inventory of non-performing loans. This was offset by lower RWAs from counterparty credit risk and foreign currency risk.

The increase in regulatory capital was largely due to a € 134 million increase in CET1 capital, which in turn primarily reflected a change in the OCI (€ +18 million) as well as the non-deduction of (gross) additions to loss allowance during the year (€ +144 million). This was offset by an increase in the deduction of deferred taxes on loss carryforwards (€ -11 million) and a loss to be included[1)] (€ -12 million).

Leverage Ratio

Compared to 31 March 2024, the Leverage Ratio increased by 0.48 percentage points, due to the € 1,307 million decrease in the total exposure measure and a simultaneous € 134 million increase in Tier 1 capital. The main driver for the decline in the total exposure measure was the decrease in the cash reserve measured at amortised cost.

Liquidity Coverage Ratio

Atlantic Group's Liquidity Coverage Ratio (LCR), as reported to the supervisory authorities, increased compared to 31 March 2024 (192.82 %), reaching 214.77 % as at the reporting date. This development was driven by a stronger decline in net cash outflows (€ -756 million) relative to the decline in high-quality liquid assets (HQLAs; € -710 million).

The HQLA decline was due in particular to significantly lower cash funds carried at amortised cost, reflecting the maturity of a securities repurchase transaction.

The main drivers of lower net cash outflows compared to the previous quarter are a smaller number of maturing bullet bond issues on the one hand, and a higher level of maturing loans on the other.

1) The majority of costs (around € 150 million) associated with the sale of Aareon, which already needed to be recognised in the second quarter, had a negative impact on the result from discontinued operations.

Since the disclosure of key LCR parameters is based on the weighted and unweighted averages of the past 12 reporting dates of the respective quarter, the changes outlined above do not have the same effect upon quarter-on-quarter changes as shown in Tables EU KM1 and EU LIQ1.

Net Stable Funding Ratio

Compared to 31 March 2024, the Net Stable Funding Ratio (NSFR) increased by 4.43 percentage points to 121.19%, reflecting a € 201 million decline in required stable funding (RSF) and an increase in available stable funding (ASF) in the amount of € 1,014 million.

The decline in RSF was due in particular to a lower credit portfolio.

The increase in ASF largely resulted from higher regulatory capital (€ +124 million), retail deposits (€ +538 million) and treasury deposits (€ +246 million).

Regulatory Capital

Atlantic Group has to comply with the capital adequacy requirements set out in the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD IV), the German Banking Act (Kreditwesengesetz – "KWG") and the German Solvency Regulation (Solvabilitätsverordnung – "SolvV").

Following these regulations, institutions and companies operating in the financial sector must calculate their existing regulatory capital on a regular basis, and present these detailed results thereon to the supervisory authorities on specific dates.

Strict regulatory criteria are applied to the availability and sustainability of the qualifying capital when calculating regulatory capital. These provisions are not consistent with the recognition rules for the financial statements.

While the acquisition method in accordance with IFRS 3 is applied for accounting purposes, regulatory capital is calculated based on the aggregation method stipulated in section 10a (5) of the KWG. Additional differences arise from diverging scopes of consolidation, as well as from regulatory adjustments taken into account when determining regulatory capital.

Regulatory capital is based on the items reported in the statement of financial position in accordance with IFRSs.

The disclosures in this report are based on the binding provisions for the implementation of disclosure requirements set out in Article 4 of Commission Implementing Regulation 2021/637/EU, in the interests of comparability and increased transparency pursuant to Article 437 of the CRR.

The disclosure requirements pursuant to Article 437a of the CRR are not relevant for Atlantic Group, since Aareal Bank AG, as the Group's parent institution, has been categorised as a resolution unit, but is neither a Global Systemically Important Institution (Article 92a (1) of the CRR) nor a significant subsidiary of a Global Systemically Important Institution outside the EU.

Composition of regulatory own funds

Within the scope of the ECB's Supervisory Review and Evaluation Process (SREP), Aareal Bank has to meet total SREP capital requirements (TSCR) of 11.00 %, also on a consolidated basis at the level of Atlantic Lux HoldCo S.à r.l. (Atlantic Group) in 2024. This includes the requirement to maintain additional own funds (capital buffer) for risks other than the risk of excessive leverage (Pillar 2 requirements – P2R) of 3.00 %, which must be maintained in the form of at least 56.25 % Common Equity Tier 1 (CET1) capital and 75 % Tier 1 (T1) capital, respectively. Taking into account the capital conservation buffer of 2.50 %, the applicable countercyclical capital buffer of 0.59 % and the sectoral systemic risk buffer of 0.02 %, Atlantic Group's Overall Capital Requirement (OCR) as at 30 June 2024 amounts to 14.12 %.

The average total capital ratio (TC ratio) over the current reporting date and the four last quarters amounts to 21.71 %. The comparison to the TSCR demonstrates that Atlantic Group is well capitalised to cover its risks.

The following table EU CC1 serves to fulfil the disclosure requirements set out in Article 437 lit. (a) and (d) of the CRR. The components of Common Equity Tier I, Additional Tier I and Tier 2 capital are described in the section following this table.

In order to reconcile the regulatory own funds with the balance sheet figures disclosed in column b of table EU CC2, column b references the relevant balance sheet line item.

EU CC1: Composition of regulatory own funds

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	2,013	A, B
	of which: nominal capital	43	A
2	Retained earnings	996	C
3	Accumulated other comprehensive income (and other reserves)	-87	D
EU-3a	Funds for general banking risk	–	–
4	Amount of qualifying items referred to in Article 484 (3) of the CRR and the related share premium accounts subject to phase-out from CET1	–	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	–	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,921**	**–**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-3	E
8	Intangible assets (net of related tax liability) (negative amount)	-20	F
9	–	–	–
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions of Article 38 (3) of the CRR are met) (negative amount)	-43	G
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	–	–
12	Negative amounts resulting from the calculation of expected loss amounts	-3	–
13	Increase in equity resulting from securitised assets (negative amount)	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–
15	Defined-benefit pension fund assets (negative amount)	–	–
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	–	–
17	Direct, indirect and synthetic holdings of Common Equity Tier 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
18	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
19	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
20	–	–	–
EU-20a	Exposure amount of the following items which qualify for a risk weight of 1,250 %, where the institution opts for the deduction alternative	–	–
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–
EU-20c	of which: securitisation positions (negative amount)	–	–
EU-20d	of which: free deliveries (negative amount)	–	–
21	Deferred tax assets arising from temporary differences (amount exceeding the 10 % threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met) (negative amount)	–	–
22	Amount exceeding the 17.65 % threshold (negative amount)	–	–
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–
24	–	–	–
25	of which: deferred tax assets arising from temporary differences	–	–
EU-25a	Losses for the current financial year (negative amount)	-12	–
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	–	–
26	–	–	–
27	Qualifying Additional Tier 1 deductions that exceed the AT1 items of the institution (negative amount)	–	–
27a	Other regulatory adjustments	-188	–
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) capital**	**-270**	–
29	**Common Equity Tier 1 (CET1) capital**	**2,652**	–
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	286	H
31	of which: classified as equity under applicable accounting standards	286	H
32	of which: classified as liabilities under applicable accounting standards	–	–
33	Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase-out from Additional Tier 1 (AT1) capital	–	–
EU–33a	Amount of qualifying items referred to in Article 494a (1) of the CRR subject to phase-out from Additional Tier 1 (AT1) capital	–	–
EU–33b	Amount of qualifying items referred to in Article 494b (1) CRR subject to phase-out from Additional Tier 1 (AT1) capital	–	–
34	Qualifying Tier 1 instruments included in consolidated Additional Tier 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–
35	of which: instruments issued by subsidiaries subject to phase-out	–	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**286**	**–**

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€ mn		a Amounts	b Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own Additional Tier 1 instruments (negative amount)	–	–
38	Direct, indirect and synthetic holdings of the Additional Tier 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
39	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
40	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution has a significant investment (net of eligible short positions) (negative amount)	–	–
41	–	–	–
42	Qualifying Tier 2 deductions that exceed the Tier 2 items of the institution (negative amount)	–	–
42a	Other regulatory adjustments to Additional Tier 1 (AT1) capital	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–**	**–**
44	**Additional Tier 1 (AT1) capital**	**286**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2,938**	**–**
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	162	I
47	Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase-out from Tier 2 as described in Article 486 (4) of the CRR	–	–
EU-47a	Amount of qualifying items referred to in Article 494a (2) of the CRR subject to phase-out from Tier 2	–	–
EU-47b	Amount of qualifying items referred to in Article 494b (2) of the CRR subject to phase-out from Tier 2	–	–
48	Qualifying own funds instruments included in consolidated Tier 2 capital (including minority interests and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–
49	of which: instruments issued by subsidiaries subject to phase-out	–	–
50	Credit risk adjustments	65	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**228**	**–**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own Tier 2 instruments and subordinated loans (negative amount)	–	–
53	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
54	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
54a	–	–	–

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€ mn		a Amounts	b Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
55	Direct, indirect and synthetic holdings by the institution of the Tier 2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–
56	–	–	–
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	–	–
EU-56b	Other regulatory adjustments to Tier 2 capital	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**	**–**
58	**Tier 2 (T2) capital**	**228**	**–**
59	**Own funds (TC = T1 + T2)**	**3,166**	**–**
60	**Total risk-weighted assets**	**13,919**	**–**
Capital ratios and requirements including buffers (%)			
61	CET1 ratio	19.05	–
62	Tier 1 ratio	21.11	–
63	Total capital ratio	22.74	–
64	Institution CET1 overall capital requirements	9.31	–
65	of which: capital conservation buffer requirement	2.50	–
66	of which: countercyclical capital buffer requirement	0.59	–
67	of which: systemic risk buffer requirement	0.02	–
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	–	–
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.69	–
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	11.74	–
Amounts below thresholds for deductions (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	20	–
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65 % threshold and net of eligible short positions)	–	–
74	–	–	–
75	Deferred tax assets arising from temporary differences (amount below 17.65 % threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	197	–
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–
77	Cap on inclusion of credit risk adjustments in Tier 2 under standardised approach	15	–
78	Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	191	–
79	Cap on inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach	65	–

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€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on Additional Tier 1 capital instruments subject to phase-out arrangements	–	–
83	Amount excluded from Additional Tier 1 capital due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on Tier 2 instruments subject to phase-out arrangements	–	–
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities	–	–

Common Equity Tier 1 capital

Atlantic Group's Common Equity Tier 1 (CET1) capital (€ 2,652 million) is generally limited to the items and capital instruments listed under Article 26 of the CRR, whereby the latter must meet the requirements of Article 28 of the CRR. The CET1 is composed as follows:

- subscribed capital and capital reserves,
- eligible retained earnings,
- accumulated other comprehensive income and
- regulatory adjustments.

Atlantic Lux HoldCo S.à r.l.'s subscribed capital amounted to € 43 million as at 30 June 2024.

The capital reserve of € 1,970 million consists of contributions made by Atlantic BidCo GmbH's investors.

Retained earnings – excluding the interim result recognised in CET1 capital – totalled € 996 million.

Accumulated other comprehensive income (€ -87 million) contains other reserves recognised in equity, in which the following effects are recognised directly:

- reserve from remeasurements of defined benefit plans (€ -65 million),
- reserve from the measurement of equity instruments fvoci (€ -4 million),
- reserve from the measurement of debt instruments fvoci (€ -10 million),
- other recyclable and non-recyclable reserves from companies accounted for using the equity method (€ 1 million),
- reserve from changes in the value of foreign currency basis spreads (€ -16 million), and
- currency translation reserve (€ 6 million).

The regulatory adjustments reduce the CET1 amount to € 270 million. Specifically, the following deductions were made:

- **Additional value adjustments to assets and liabilities at fair value in accordance with Article 34 of the CRR in conjunction with Article 105 of the CRR (€ -3 million)**
  In accordance with Article 34 of the CRR in conjunction with the requirements for prudent valuation under Article 105 of the CRR, those additional value adjustments that are required to adjust the fair value to the prudent valuation are to be deducted from CET1.

  As the line items at fair value amount to less than € 15 billion, the simplified approach pursuant to Article 4 of Commission Delegated Regulation (EU) No. 2016/101 applies.

- **Intangible assets as defined in Article 37 of the CRR (€ -20 million)**
  The amount comprises purchased and self-developed software classified as intangible assets. The regulatory technical standard EBA/RTS/2020/07 on the regulatory treatment of software assets is not applied.

- **Deferred tax assets dependant on future profitability (€ -43 million)**
  The only deferred tax assets considered are those that do not result from temporary differences (net of related tax liability).

- **Negative amounts resulting from the calculation of expected loss amounts (€ -3 million)**
  In accordance with Article 36 (1) lit. d) of the CRR, negative amounts resulting or remaining from the offsetting of an expected loss (EL) and credit risk adjustments (known as value adjustment deficit) as required by Article 159 of the CRR are to be deducted from CET1.

  This item includes the EL from investments. Pursuant to Article 159 of the CRR, there are no netting options for this EL within the scope of the comparison of value adjustments, meaning that the amount is directly deducted from CET1.

- **Other regulatory adjustments (€ -200 million)**

  – Deductions pursuant to Article 3 of the CRR (€ -129 million)
  This includes an additional voluntary and preventive capital deduction for regulatory uncertainties in connection with ECB reviews in the amount of € 30 million. This deduction item also accounts for the expectations defined by regulatory and legislative authorities regarding provisioning for non-performing exposures ("prudential provisioning").

  – Deductions pursuant to Article 36 (1) lit. a) and m) of the CRR (€ -23 million)

  – Other deductions from CET1 (€ -49 million)
  Aareal Bank holds irrevocable payment obligations to deposit guarantee schemes and resolution funds, for which assets were encumbered or cash collateral provided. The fact that the encumbered assets or the cash collateral provided cannot be used to cover potential current losses is taken into account by deducting them from CET1.

Additional Tier 1 capital

Additional Tier 1 (AT1) capital comprises a € 286 million Additional Tier 1 (AT1) bond (ISIN DE000A1TNDK2).[1)] Regulatory adjustments pursuant to Article 56 et seqq. of the CRR were not made.

On 13 November 2014, the Management Board of Aareal Bank Group had issued notes in an aggregate nominal amount of € 300 million with a denomination of € 200,000 and an initial interest rate of 7.625 % p.a. (valid until 30 April 2020), based on the authorisation granted by the Annual General Meeting on 21 May 2014. The rate of interest for any interest period commencing after 30 April 2020 is equal to the reference rate (one-year EUR swap rate) determined on the relevant interest determination date plus a margin of 7.18 % p.a.

The notes constitute unsecured and subordinated obligations of the issuer.

Further information on the conditions of the AT1 bond can be found in the annex to the Disclosure Report 2023 "Main Features of Capital Instruments" published on Aareal Bank AG's website.

Tier 2 capital

Aareal Bank's Tier 2 capital of € 228 million largely consists of subordinated promissory notes (€ 82 million) and subordinated bearer debt securities (€ 81 million), which are allocated to the measurement category "amortised costs". In the event of liquidation or insolvency, claims on interest and principal from these liabilities are subordinated to the claims of the other creditors, which are not subordinated themselves.

[1)] The AT1 bond issued by Aareal Bank AG in 2014 and the subordinated promissory notes and bearer debt securities are only recognised in the amount of Atlantic BidCo GmbH's shareholding in Aareal Bank AG (30 June 2024: 95.5 %).

In accordance with Article 64 (2) of the CRR, the IFRS carrying amount (instead of the nominal amount) on the first day of the final five-year period is used to calculate the eligible amount for the amortisation of Tier 2 instruments in the last five years of their contractual maturity. The IFRS carrying amount is also used for Tier 2 instruments with a residual maturity of more than five years, to ensure consistency in the measurement basis for all Tier 2 instruments.

The valuation adjustment excess (€ 65 million) determined in accordance with Article 62 lit. d) of the CRR within the scope of the comparison of value adjustments pursuant to Article 159 of the CRR is another component of Tier 2 capital.

In September 2024, Aareal Bank successfully issued a €400 million subordinated bond in order to further strengthen its total capital ratio against the backdrop of the Basel IV regulations. The Tier 2 bond has a term of 10.25 years and was rated “BB+” by Fitch. The bond carries a coupon of 5.625%, which corresponds to a spread of 325 basis points above mid-swap.

Reconciliation of regulatory own funds to balance sheet in the audited financial statements

To fulfil the disclosure requirements in accordance with Article 437 lit. a) of the CRR, the equity items of table EU CC1 are clearly allocated to the line items contained in the following table via column c. The granularity of the line items disclosed corresponds to the statement of financial position in Aareal Bank Group’s interim report.

Atlantic Group’s parent company, Atlantic Lux HoldCo S.à r.l., is not obliged to prepare a half-yearly financial report, which is why column a remains blank.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	a	b	c
	Balance sheet as at 30 June 2024		
€ mn	as in the published interim report	under regulatory scope of consolidation	Reference
Assets			
Financial assets (ac)	**–**	**37,901**	
Cash funds (ac)	–	1,658	
Loan receivables (ac)	–	31,519	
Money market and capital market receivables (ac)	–	4,652	
Receivables from other transactions (ac)	–	72	
Loss allowance (ac)	–	-405	
Financial assets (fvoci)	**–**	**4,820**	
Money market and capital market receivables (fvoci)	–	4,819	E
Equity instruments (fvoci)	–	2	E
Financial assets (fvpl)	**–**	**1,933**	
Loan receivables (fvpl)	–	552	E
Money market and capital market receivables (fvpl)	–	107	E
Positive market value of designated hedging derivatives (fvpl)	–	769	
Positive market value of other derivatives (fvpl)	–	505	
Non-current assets held for sale	–	255	
Investments accounted for using the equity method	–	77	
Intangible assets	–	27	F
Property and equipment	–	78	
Income tax assets	–	37	
Deferred tax assets	–	233	G
Other assets	–	594	
Total assets	**–**	**45,550**	

	a	b	c
	Balance sheet as at 30 June 2024		
€ mn	as in the published interim report	under regulatory scope of consolidation	Reference
Equity and liabilities			
Financial liabilities (ac)	–	**39,085**	
Money market and capital market liabilities (ac)	–	25,751	
Deposits from the housing industry (ac)	–	12,965	
Liabilities from other transactions (ac)	–	102	
Subordinated liabilities (ac)	–	267	I
Financial liabilities (fvpl)	–	**2,683**	
Negative market value of designated hedging derivatives (fvpl)	–	1,298	E
Negative market value of other derivatives (fvpl)	–	1,385	E
Provisions	–	124	
Income tax liabilities	–	158	
Non-current liabilities held for sale	–	115	
Deferred tax liabilities	–	10	
Other liabilities	–	22	
Equity	–	**3,353**	
Subscribed capital	–	43	A
Capital reserves	–	1,970	B
Retained earnings	–	1,012	C
AT1 bond	–	300	H
Other reserves	–	-87	D
Non-controlling interests	–	116	
Total liabilities	–	**45,550**	

Risk-weighted assets and regulatory capital requirements

The regulatory capital requirements for a transaction's counterparty credit risk under the CRSA are essentially based on the following:

1. the regulatory classification (balance sheet, off-balance sheet, or derivatives business);
2. the amount of the loan at the time of default (Exposure at Default – "EaD");

and, under the AIRBA, additionally depend on

3. the Probability of Default (PD); as well as
4. the Loss Given Default (LGD).

The credit conversion factors for off-balance sheet transactions are predefined by the supervisory authorities for regulatory capital requirements under the CRSA. The borrowers are subdivided into exposure classes; the exposure amounts are risk-weighted, based on their external ratings.

As at 30 June 2024, no risks associated with outstanding delivery as part of counterparty risks had to be taken into account when determining counterparty usage limits.

Based on the AIRBA or CRSA calculation approach, the following RWAs and capital requirements were determined as at the reporting date for the types of risk that are relevant for regulatory purposes.

EU OV1: Overview of risk-weighted assets (RWAs)

€ mn		a	b	c
		RWAs		Regulatory capital requirements
		30 Jun 2024	31 Mar 2024	30 Jun 2024
1	**Credit risk (excluding CCR)**	**11,839**	**11,593**	**947**
2	of which: Credit Risk Standard Approach (CRSA)	1,054	1,107	84
3	of which: Foundation IRB Approach (FIRB)	–	–	–
4	of which: slotting approach	–	–	–
EU 4a	of which: equity exposures under the simple risk-weighted approach	527	525	42
5	of which: Advanced IRB (AIRB) approach	10,258	9,961	821
6	**CCR**	**373**	**427**	**30**
7	of which: standardised approach	239	296	19
8	of which: internal model method (IMM)	–	–	–
EU 8a	of which: exposures to a CCP	7	5	1
EU 8b	of which: credit valuation adjustment (CVA)	113	126	9
9	of which: other CCR	14	0	1
15	**Settlement risk**	**–**	**0**	**–**
16	**Securitisation exposures in the banking book (after the cap)**	–	–	–
17	of which: SEC-IRBA approach	–	–	–
18	of which: SEC-ERBA (including IAA)	–	–	–
19	of which: SEC-SA approach	–	–	–
EU 19a	of which: 1,250 % / deduction	–	–	–
20	**Market risk (position, foreign exchange and commodity risks)**	**97**	**157**	**8**
21	of which: standardised approach	97	157	8
22	of which: IMA	–	–	–
EU 22a	**Large exposures**	–	–	–
23	**Operational risk**	**1,611**	**1,611**	**129**
EU 23a	of which: basic indicator approach	–	–	–
EU 23b	of which: standardised approach	1,611	1,611	129
EU 23c	of which: advanced measurement approach	–	–	–
24	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**493**	**510**	**39**
29	**Total**	**13,919**	**13,788**	**1,114**

In accordance with Annex II of Commission Implementing Regulation (EU) 2021/637, the disclosure of RWAs of deferred tax assets in line 24 is only for information, since they are already reflected in line 2 of the disclosure table.

In the following table EU CR10.5, the equity investments reported under the AIRBA and previously disclosed on a consolidated level – for which the simple risk-weighted approach is used exclusively pursuant to Article 155 (2) of the CRR – are disclosed separately according to the risk exposures determined in the Regulation.

The specialised lendings held in the portfolio as at the current disclosure date are not assigned any regulatory risk weights prescribed in accordance with Article 153 (5) of the CRR. Therefore, the tables EU CR10.1 to EU CR10.4 are not disclosed.

EU CR10.5: Equity IRB under the simple risk-weighted approach

Regulatory categories	a	b	c	d	e	f
	Equity exposures under the simple risk-weighted approach					
	On-balance sheet exposures	Off-balance sheet exposures	Risk weight	Exposure at Default	RWAs	Expected loss amount
	€ mn	€ mn	%	€ mn	€ mn	€ mn
Private equity exposures	–	–	190	–	–	–
Listed investments	–	–	290	–	–	–
Other equity investments	142	–	370	142	527	3
Total	**142**	**–**		**142**	**527**	**3**

The RWAs set out in table EU OV1 for the market risks under the standardised approach are also disclosed in table EU MR1 for the various market risk positions in accordance with Article 92 (3) lit. b) and c) of the CRR.

EU MR1: Market risk under the standardised approach

€ mn		a RWAs
	Outright products	
1	Interest rate risk (general and specific)	–
2	Equity risk (general and specific)	–
3	Foreign exchange risk	97
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus approach	–
7	Scenario approach	–
8	**Securitisation (specific risk)**	–
9	**Total**	**97**

Countercyclical Buffer

The countercyclical capital buffer (CCB) is a macroprudential tool used by banking supervisors to counteract the risk of excessive credit growth in the banking sector and to contribute building up an additional capital buffer to provide for hard times. The purpose of the capital buffer is to increase the loss-absorbing capacity of banks throughout the credit cycle. The value for the CCB usually amounts to between 0 and 2.5 %; it is determined on a quarterly basis by the national supervisory authority of the respective country, based on a variety of economic factors, in particular the ratio of lending volumes to gross domestic product.

The institution-specific countercyclical capital buffer is calculated as the weighted average of the countercyclical capital buffers applicable to the countries where the respective institution is exposed to significant credit risks. The institution is obliged to maintain this weighted average as a percentage of risk-weighted assets (RWAs) in the form of Common Equity Tier 1 capital. Significant credit risk exposures are defined in section 36 of the German Solvency Regulation (Solvabilitätsverordnung – "SolvV") and comprise exposures to corporate and private clients.

The following two disclosure tables are based on the requirements set out in Article 5 of Commission Implementing Regulation (EU) 2021/637 dated 15 March 2021.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	a	b	c	d	e	f
	General credit risk exposures		Relevant credit exposures – Market risk			
	Exposure value under the Credit Risk Standard Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures under the standardised approach	Value of trading book exposures for internal models	Securitisation exposures – Exposure value in the banking book	Total risk exposure amount
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
010 Breakdown by country						
Australia	–	1,062	–	–	–	1,062
Belgium	16	722	–	–	–	737
Denmark	104	306	–	–	–	409
Germany	1,076	3,270	–	–	–	4,345
Finland	90	531	–	–	–	622
France	449	3,642	–	–	–	4,091
UK	61	5,788	–	–	–	5,849
Guernsey	0	–	–	–	–	0
Ireland	0	58	–	–	–	58
Italy	50	957	–	–	–	1,007
Jersey	–	2	–	–	–	2
Cayman Islands	–	0	–	–	–	0
Canada	–	1,077	–	–	–	1,077
Luxembourg	0	128	–	–	–	128
Maldives	–	491	–	–	–	491
New Zealand	–	32	–	–	–	32
Netherlands	147	2,001	–	–	–	2,148
Norway	173	0	–	–	–	173
Austria	129	342	–	–	–	470
Poland	–	2,418	–	–	–	2,418
Sweden	148	846	–	–	–	995
Switzerland	–	334	–	–	–	334
Spain	39	2,010	–	–	–	2,048
Czech Republic	–	316	–	–	–	316
Turkey	–	52	–	–	–	52
Hungary	–	9	–	–	–	9
USA	44	7,574	–	–	–	7,618
Others	1	–	–	–	–	1
020 Total	**2,525**	**33,968**	**–**	**–**	**–**	**36,494**

	g	h	i	j	k	l	m
	Own funds requirements						
	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation exposures in the banking book	Total	Risk-weighted exposure amounts	Own funds requirements weights	Counter-cyclical capital buffer rate
	€ mn	€ mn	€ mn	€ mn	€ mn	%	%
010 Breakdown by country							
Australia	10	–	–	10	126	1.11	1.00
Belgium	10	–	–	10	130	1.15	0.50
Denmark	4	–	–	4	51	0.45	2.50
Germany	189	–	–	189	2,362	20.86	0.75
Finland	7	–	–	7	92	0.81	–
France	69	–	–	69	868	7.67	1.00
UK	101	–	–	101	1,262	11.14	2.00
Guernsey	0	–	–	0	0	–	–
Ireland	1	–	–	1	9	0.08	1.50
Italy	21	–	–	21	261	2.31	–
Jersey	0	–	–	0	3	0.02	–
Cayman Islands	0	–	–	0	0	0.00	–
Canada	16	–	–	16	194	1.71	–
Luxembourg	3	–	–	3	32	0.28	0.50
Maldives	13	–	–	13	166	1.47	–
New Zealand	0	–	–	0	6	0.05	–
Netherlands	35	–	–	35	433	3.83	2.00
Norway	1	–	–	1	17	0.15	2.50
Austria	7	–	–	7	83	0.73	–
Poland	40	–	–	40	506	4.47	–
Sweden	10	–	–	10	119	1.05	2.00
Switzerland	3	–	–	3	34	0.30	–
Spain	56	–	–	56	704	6.22	–
Czech Republic	4	–	–	4	44	0.39	1.75
Turkey	3	–	–	3	42	0.37	–
Hungary	0	–	–	0	5	0.05	–
USA	302	–	–	302	3,771	33.31	–
Others	0	–	–	0	1	0.01	–
020 Total	**906**	**–**	**–**	**906**	**11,321**	**100.00**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer

€ mn		a
010	Total risk exposure amount	13,919
020	Institution-specific countercyclical capital buffer rate	0.59 %
030	Institution-specific countercyclical capital buffer requirement	83

Credit Risks and Quantitative Information on Credit Risk Mitigation

Aareal Bank defines credit risk – or counterparty credit risk – as the risk of losses being incurred due to (i) a deterioration in a business partner's credit quality (migration risk); (ii) a business partner defaulting on contractual obligations; (iii) collateral being impaired; or (iv) a risk arising upon realisation of collateral. Both credit business and trading activities may be subject to counterparty credit risk. Counterparty credit risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties or issuers. Aareal Bank understands counterparty credit risk to include country risk.

The following chapters are limited to purely quantitative information on credit risk, with different levels of detail.

Credit quality of exposures

In the following tables, the breakdown of exposures and the related loss allowances required by Article 442 lit. c) – g) of the CRR, as submitted to banking supervisors in the context of the Financial Reporting framework (FINREP), are disclosed with different levels of detail. In this context, exposures resulting from counterparty credit risk exposures are not taken into account; these are disclosed separately in this report.

Aareal Bank believes that the impairment triggers provided as examples in IFRS 9 and the reasons for default set out in Article 178 of the CRR are identical in substance and can thus be applied interchangeably. Consequently, at the time of default, the risk exposure affected is allocated to Stage 3 within the loss allowance process in accordance with Article 178 of the CRR and is considered to be defaulted, and hence non-performing, for both regulatory and accounting purposes.

According to the EBA guidelines on the application of the definition of default under Article 178 of the CRR (EBA/GL/2016/07), a default can be omitted, amongst other criteria, especially after a certain grace period (3 months or 12 months). This means that even if the economic reasons for a default no longer apply (and the exposures are no longer allocated to Stage 3), the financial instruments continue to be recorded as defaulted or non-performing during the grace period for supervisory purposes.

For financial instruments of the category "measured at fair value through profit or loss (fvpl)", the default of a borrower does not lead to the recognition of loss allowance in Stage 3, but to a corresponding credit-induced fair value adjustment.

In the absence of any other reasons for default, all liabilities of a borrower that are up to 90 days past due are deemed overdue, but not defaulted.

The following information is based on the requirements set out in Annex XVI of Commission Implementing Regulation (EU) 2021/637 on the disclosure of non-performing and forborne exposures.

The NPL ratio determined in accordance with Article 8 (3) (4) of the Implementing Regulation mentioned above amounts to 4.3 % as at 30 June 2024. Since the NPL ratio had already fallen below 5 % as at the three previous quarterly reporting dates, the tables EU CQ2, EU CQ6, EU CQ8, and EU CR2a are not disclosed in accordance with Article 8 (6) of the Commission Implementing Regulation.

Table EU CQ1 provides information on the gross carrying amount of forborne exposures (i.e. exposures with forbearance measures), and on the coverage of existing risks through loss allowance as well as collateral received. In this context, the measurement of collateral received differs from the current market value of such collateral, due to the fact that a different internal realisation rate is being applied, depending on the type of property and the country where the property is located; and reflecting a cap on any collateral at the carrying amount.

EU CQ1: Credit quality of forborne exposures

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne exposures	Non-performing forborne exposures	of which: defaulted	of which: impaired	On performing forborne exposures	On non-performing forborne exposures		of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
€ mn								
005 Cash balances at central banks and other demand deposits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010 Loans and advances	**2,995**	**708**	**708**	**501**	**-47**	**-160**	**3,437**	**497**
020 Central banks	–	–	–	–	–	–	–	–
030 General governments	–	–	–	–	–	–	–	–
040 Credit institutions	–	–	–	–	–	–	–	–
050 Other financial corporations	–	7	7	7	–	-1	6	6
060 Non-financial corporations	2,995	701	701	494	-47	-159	3,431	491
070 Households	–	–	–	–	–	–	–	–
080 Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
090 Loan commitments given	**75**	**4**	**4**	**2**	**2**	**–**	**67**	**0**
100 Total	**3,070**	**712**	**712**	**503**	**-49**	**-160**	**3,504**	**497**

Table EU CR1 does not take into account financial assets held for trading. In addition to the disclosures on non-performing exposures, this table also discloses loss allowances and provisions attributable to performing exposures.

Besides information on accumulated impairment for non-performing exposures, columns j to l also require disclosure of negative changes in fair value due to credit risk. The limitation to negative changes in a borrower's credit risk is due to such negative changes being de facto equivalent to an impairment implied by fair value, whereby no impairment is recognised for assets carried at fair value through profit and loss. Accordingly, the gross carrying amount of these exposures was increased by the fair value change induced by credit quality.

In addition, columns n and o specify the collateral (property, financial collateral, deposits held with third-party institutions) and financial guarantees (as defined by the CRR) which Aareal Bank has received for the exposures analysed. However, the respective values are capped at the carrying amount of the respective exposure.

EU CR1: Performing and non-performing exposures and related provisions

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accu-mulated partial write-offs	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On per-forming exposures	On non-per-forming exposures
€ mn		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3			
005 Cash balances at central banks and other demand deposits	**3,365**	**3,355**	**10**	**–**	**–**	**–**	**-1**	**-1**	**0**	**–**	**–**	**–**	**–**	**–**	**–**
010 Loans and advances	**31,617**	**26,835**	**4,486**	**1,433**	**226**	**1,159**	**-135**	**-42**	**-93**	**-279**	**-3**	**-266**	**-134**	**29,816**	**1,062**
020 Central banks	15	15	–	–	–	–	0	0	–	–	–	–	–	–	–
030 General governments	1,434	1,434	0	–	–	–	0	0	–	–	–	–	–	–	–
040 Credit institutions	44	44	–	–	–	–	0	0	–	–	–	–	–	–	–
050 Other financial corporations	811	784	27	7	–	7	-1	-1	0	-1	-	-1	-8	789	6
060 Non-financial corporations	29,173	24,556	4,322	1,423	226	1,149	-133	-40	-92	-277	-3	-265	-126	28,920	1,054
070 of which: SMEs	21,521	17,575	3,650	1,331	135	1,149	-104	-27	-77	-276	-2	-265	-118	21,349	964
080 Households	139	2	137	3	0	3	-1	-	-1	-1	0	-1	0	108	2
090 Debt securities	**6,650**	**6,471**	**179**	**–**	**–**	**–**	**-2**	**-2**	**0**	**–**	**–**	**–**	**–**	**–**	**–**
100 Central banks	–	–	–	–	–	–	-	-	–	–	–	–	–	–	–
110 General governments	2,934	2,789	145	–	–	–	0	0	0	–	–	–	–	–	–
120 Credit institutions	3,163	3,128	34	–	–	–	-2	-2	0	–	–	–	–	–	–
130 Other financial corporations	553	553	–	–	–	–	0	0	–	–	–	–	–	–	–
140 Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150 Off-balance sheet exposures	**1,346**	**1,210**	**136**	**32**	**8**	**24**	**9**	**3**	**7**	**0**	**0**	**–**		**965**	**14**
160 Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170 General governments	0	0	–	–	–	–	–	–	–	–	–	–		–	–
180 Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–		–	–
190 Other financial corporations	27	27	–	–	–	–	0	0	–	–	–	–		21	–
200 Non-financial corporations	1,319	1,182	136	32	8	24	9	2	7	0	0	–		945	14
210 Households	0	0	0	–	–	–	0	–	0	–	–	–		–	–
220 Total	42,978	37,871	4,811	1,465	235	1,183	-147	-46	-100	-279	-3	-266	-134	30,782	1,076

Table EU CR1-A provides an overview of the net carrying amounts of loans and advances previously disclosed in table EU CR1 as well as debt securities, broken down by remaining term to maturity. The remaining term to maturity is determined on the basis of the contractually agreed term of the exposure. Column a comprises exposures due on demand.

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net carrying amount					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
€ mn							
1	Loans and advances	405	5,232	23,499	3,497	4	**32,636**
2	Debt securities	–	252	2,954	3,441	–	**6,647**
3	**Total**	**405**	**5,484**	**26,454**	**6,938**	**4**	**39,284**

In line with table EU CR1, table EU CQ4 does not take financial assets held for trading into account either. In addition to the disclosures on non-performing exposures, this table also discloses loss allowances and provisions attributable to performing exposures. The information is broken down by relevant countries. In this context, a country with an exposure of at least € 300 million is considered relevant. The allocation is based on the borrower's country of domicile. When determining the materiality threshold, care is taken to ensure that the aggregate gross carrying amount of all major countries equals at least 95 % of all on-balance sheet exposures. Exposures to supranational organisations are included in the "Other countries" line irrespective of their gross carrying amount.[1)]

EU CQ4: Credit quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
€ mn								
010	**On-balance sheet exposures**	**39,699**	**1,433**	**1,433**	**39,357**	**-407**		**-9**
020	Australia	1,047	–	–	1,047	-1		–
030	Belgium	479	–	–	479	0		–
040	Denmark	442	–	–	442	0		–
050	Germany	5,203	10	10	5,203	-10		–
060	Finland	819	90	90	819	-22		–
070	France	4,058	11	11	4,058	-35		–
080	UK	3,081	114	114	3,081	-67		–
090	Italy	1,511	62	62	1,489	-3		-9
100	Jersey	1,550	–	–	1,550	-3		–
110	Canada	1,363	27	27	1,363	-2		–
120	Luxembourg	2,069	–	–	1,952	-2		–
130	Maldives	440	–	–	440	-2		–
140	Netherlands	2,513	–	–	2,513	-3		–
150	Austria	771	–	–	771	0		–
160	Poland	2,280	–	–	2,280	-2		–
170	Sweden	969	–	–	969	-1		–
180	Spain	1,937	57	57	1,937	-21		–
190	USA	7,179	1,062	1,062	6,974	-231		–
200	Other countries	1,991	–	–	1,991	-2		–

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1) The following countries are categorised as non-material: Switzerland, Czech Republic, Guernsey, Hungary, Ireland, Japan, Cayman Islands, Norway, New Zealand, Turkey and the British Virgin Islands.

€ mn		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
210	**Off-balance sheet exposures**	**1,378**	**32**	**32**			**10**	
220	Australia	16	–	–			0	
230	Belgium	58	–	–			0	
240	Denmark	38	–	–			0	
250	Germany	394	–	–			0	
260	Finland	16	–	–			0	
270	France	172	–	–			6	
280	UK	100	2	2			0	
290	Italy	11	–	–			0	
300	Jersey	4	–	–			0	
310	Canada	8	–	–			0	
320	Luxembourg	0	–	–			–	
330	Maldives	3	–	–			0	
340	Netherlands	191	–	–			0	
350	Austria	–	–	–			–	
360	Poland	61	–	–			0	
370	Sweden	26	–	–			0	
380	Spain	115	–	–			0	
390	USA	166	30	30			3	
400	Other countries	–	–	–			–	
410	**Total**	**41,078**	**1,465**	**1,465**	**39,357**	**-407**	**10**	**-9**

In accordance with Annex XVI of Commission Implementing Regulation, table EU CQ5 only shows exposures to non-financial corporations.

The presentation by sector of economic activity corresponds to the differentiation by NACE codes in the context of the Financial Reporting framework (FINREP).

Since the Group's business is focused on commercial property financing, the real estate activities sector is by far the most relevant industry.

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

	a	b	c	d	e	f
	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: loans and advances subject to impairment		
€ mn			of which: defaulted			
010 Agriculture, forestry and fishing	–	–	–	–	–	–
020 Mining and quarrying	–	–	–	–	–	–
030 Manufacturing	–	–	–	–	–	–
040 Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
050 Water supply	2	–	–	2	0	–
060 Construction	58	58	58	40	-2	-9
070 Trading	69	–	–	69	0	–
080 Transport and storage	–	–	–	–	–	–
090 Accommodation and food service activities	1,426	0	0	1,426	-2	–
100 Information and communication	0	–	–	0	–	–
110 Financial and insurance activities	–	–	–	–	–	–
120 Real estate activities	28,964	1,364	1,364	28,639	-396	0
130 Professional, scientific and technical activities	58	–	–	58	-1	–
140 Administrative and support service activities	–	–	–	–	–	–
150 Public administration and defence; compulsory social security	–	–	–	–	–	–
160 Education	–	–	–	–	–	–
170 Health and social services	–	–	–	–	–	–
180 Arts, entertainment and recreation	–	–	–	–	–	–
190 Other services	19	0	0	19	0	–
200 Total	**30,596**	**1,423**	**1,423**	**30,253**	**-401**	**-9**

Given that Aareal Bank Group generally pursues the strategy of preventing any further losses from a loan exposure, some of the properties disclosed in table EU CQ7 are subject to re-positioning and further development and may thus be held for several years. Hence, fair value (as well as amortised cost) can be increased by value-enhancing measures. The table below does not provide any such information.

EU CQ7: Collateral obtained by taking possession and execution processes

	a	b
	Total collateral obtained by taking possession	
€ mn	Value at initial recognition	Accumulated negative changes
010 Collateral obtained by taking possession classified as PP&E	–	–
020 Collateral obtained by taking possession other than that classified as PP&E	442	-2
030 Residential immovable property	8	–
040 Commercial immovable property	434	-2
050 Movable property (auto, shipping, etc.)	–	–
060 Equity and debt instruments	–	–
070 Other collateral	–	–
080 Total	**442**	**-2**

Table EU CR2 outlines the changes within the portfolio of nonperforming exposures during the half-year under review. Besides new defaulted loans and advances (shown in line 020), the gross carrying amounts of exposures removed from the nonperforming portfolio are broken down further below by reason of the outflow:

EU CR2: Changes in the stock of non-performing loans and advances

€ mn		a Gross carrying amount
010	**Initial stock of non-performing loans and advances as at 1 January 2024**	**1,600**
020	Inflows to nonperforming portfolios	512
030	Outflows from nonperforming portfolios	-614
040	Outflows due to write-offs	-20
050	Outflow due to other situations	-594
060	**Final stock of non-performing loans and advances as at 30 June 2024**	**1,433**

Credit risk mitigation

Collateral in the total amount of € 30,878 million was applied within the scope of credit risk mitigation. This figure comprises no financial collateral included for derivatives transactions.

The following table shows all collateral eligible to collateralise loans and advances as well as debt securities. The respective values are capped at the carrying amount of the respective exposure. The real property liens relevant for Aareal Bank as an international property specialist are disclosed in column c along with the financial collateral, whereas warranties (financial guarantees) are disclosed under column d. Credit derivatives which may be used for collateralisation purposes are currently not held. Therefore, table EU CR7 (IRB approach – Effect on the Risk Weighted Exposure amounts of credit derivatives used as CRM techniques) is not disclosed.

In addition to the eligible collateral and secured exposures (column b), column a discloses the amount of all generally unsecured exposures.

EU CR3: Overview of credit risk mitigation techniques

€ mn		a Exposures unsecured	b Exposures secured	c of which: exposures secured by collateral	d of which: exposures secured by financial guarantees	e of which: exposures secured by credit derivatives
1	Loans and advances	5,123	30,878	30,865	13	–
2	Debt securities	6,647	–	–	–	
3	**Total**	**11,770**	**30,878**	**30,865**	**13**	**–**
4	of which: non-performing exposures	92	1,062	1,062	–	–
EU-5	of which: defaulted	92	1,062			

As defaulted exposures are considered non-performing, the net carrying amount reported in line EU-5 is equivalent to the amount shown in line 4. This is further described in the chapter “Credit quality of exposures” in this Disclosure Report (page 20).

The disclosure table EU CR7-A is limited to the presentation of the collateral considered for the commercial property lending portfolio subject to the Advanced IRBA. This collateral is shown for each IRBA collateral as a percentage of the respective IRBA exposure.

The relevant types of collateral are considered within the scope of the LGD estimation in accordance with Article 181 (1) lit. e) and f) of the CRR.

Column m generally remains blank, as no substitution is made within the scope of the collateralisation of exposures treated in IRBA by guarantees. If the guarantor's rating is better than the borrower's rating, the guarantor's rating reduces the LGD.

EU CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques

IRBA exposure class		a	b	c	d	e	f	g
			Credit risk mitigation techniques					
			Funded Credit Protection (FCP)					
		Total exposures	Part of exposures covered by Financial collateral	Part of exposures covered by Other eligible collateral	Part of exposures covered by Immovable property collateral	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection
		€ mn	%	%	%	%	%	%
3	Corporates	32,984	0.14	99.19	98.97	–	0.22	0.02
3.1	of which: Corporates – SMEs	2,990	0.06	98.12	96.37	–	1.75	–
3.2	of which: Corporates – Specialised lending	28,236	0.16	100.00	99.96	–	0.08	0.03
3.3	of which: Corporates – Other	1,758	0.03	87.51	87.51	–	–	–
5	**Total**	**32,984**	**0.14**	**99.19**	**98.97**	**–**	**0.22**	**0.02**

IRBA exposure class		h	i	j	k	l	m	n
		Credit risk mitigation techniques					Credit risk mitigation methods in the calculation of RWAs	
		Funded Credit Protection (FCP)			Unfunded Credit Protection (UFCP)			
		Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit derivatives	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and substitution effects)
		%	%	%	%	%	€ mn	€ mn
3	Corporates	0.02	–	–	0.03	–	–	9,473
3.1	of which: Corporates – SMEs	–	–	–	0.37	–	–	601
3.2	of which: Corporates – Specialised lending	0.03	–	–	–	–	–	7,930
3.3	of which: Corporates – Other	–	–	–	–	–	–	941
3	**Total**	**0.02**	**–**	**–**	**0.03**	**–**	**–**	**9,473**

Credit Risk Standard Approach

Identical types of collateral respond differently, depending on what transactions they can be offset against.

This is due to the composition of the CRSA exposure amount as well as the exposure categories for undrawn credit facilities and other off-balance sheet transactions (Article 111 of the CRR in conjunction with Annex I of the CRR). The credit conversion factors assigned to each exposure category ensure that lower regulatory capital requirements are calculated for loan commitments and other off-balance sheet transactions than for on-balance sheet receivables.

Cash deposits as financial collateral and warranties within the meaning of the CRR can be distinguished in terms of how they mitigate credit risk:

- Financial collateral reduces the assessment basis to which the credit conversion factor is applied. The risk weight impacts the exposure amount.
- Warranties do not impact the assessment basis, but the risk weighting. A loan collateralised through a warranty is taken into account, with the warranty amount to be included and the risk weight of the guarantor in the guarantor's exposure class.

The following table shows CRSA exposure amounts both before and after mitigating credit risk, shown separately as on- and off-balance sheet exposures. In addition, risk-weighted assets (RWAs) are disclosed for each exposure class.

EU CR4: Credit Risk Standard Approach – credit risk exposure and credit risk mitigation effects

	Exposure classes	a	b	c	d	e	f
		Exposures before CCF		Exposures post CCF and post CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		€ mn	€ mn	€ mn	€ mn	€ mn	%
1	Central governments or central banks	2,828	–	3,053	–	14	0.46
2	Regional governments or local authorities	2,422	–	2,424	–	498	20.54
3	Other public-sector entities	1,458	0	1,400	–	2	0.17
4	Multilateral development banks	213	–	213	–	–	–
5	International organisations	551	–	551	–	–	–
6	Institutions	716	–	585	–	125	21.32
7	Corporates	185	79	147	15	132	81.23
8	Retail	2	0	2	0	1	75.00
9	Secured by mortgages on immovable property	189	–	189	–	63	33.54
10	Exposures in default	3	–	3	–	3	107.53
11	Exposures associated with particularly high risk	–	–	–	–	–	–
12	Covered bonds	2,083	–	2,083	–	208	10.00
13	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
14	Collective investment undertakings (CIU)	42	–	42	–	7	17.48
15	Equity exposures	–	–	–	–	–	–
16	Other exposures	–	–	–	–	–	–
17	**Total**	**10,692**	**79**	**10,692**	**15**	**1,054**	**9.84**

Table EU CR5 shows the exposure amount after mitigating credit risk and after taking into consideration the credit conversion factors of all exposures to which the CRSA is applied, for each exposure class and broken down according to risk weight pursuant to Article 114 et seqq. of the CRR. The exposures disclosed in column q are exposures for which no external rating is used to derive the risk weight.

EU CR5: Credit Risk Standard Approach

Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Risk weight																
	0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1,250 %	Others	Total	of which: unrated
€ mn																	
1 Central governments or central banks	2,983	–	–	–	70	–	–	–	–	–	–	–	–	–	–	**3,053**	2,798
2 Regional governments or local authorities	2,203	–	–	–	24	–	–	–	–	–	–	197	–	–	–	**2,424**	2,121
3 Other public-sector entities	1,389	–	–	–	12	–	–	–	–	–	–	–	–	–	–	**1,400**	1,339
4 Multilateral development banks	213	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**213**	213
5 International organisations	551	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**551**	34
6 Institutions	–	–	–	–	559	–	26	–	–	–	–	–	–	–	–	**585**	144
7 Corporates	–	–	–	–	–	–	55	–	–	107	–	–	–	–	–	**162**	107
8 Retail	–	–	–	–	–	–	–	–	2	–	–	–	–	–	–	**2**	2
9 Secured by mortgages on immovable property	–	–	–	–	–	179	10	–	–	–	–	–	–	–	–	**189**	–
10 Exposures in default	–	–	–	–	–	–	–	–	–	2	0	–	–	–	–	**3**	3
11 Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
12 Covered bonds	–	–	–	2,083	–	–	–	–	–	–	–	–	–	–	–	**2,083**	–
13 Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
14 Collective investment undertakings (CIU)	14	–	–	–	27	–	0	–	–	–	–	–	–	0	–	**42**	42
15 Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
16 Other exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
17 Total	**7,354**	**–**	**–**	**2,083**	**692**	**179**	**91**	**–**	**2**	**110**	**0**	**197**	**–**	**0**	**–**	**10,707**	**6,802**

Advanced IRB Approach (AIRBA)

Table EU CR6, to be published on a half-yearly basis, discloses Aareal Bank Group's property financing portfolio (treated under the AIRBA), broken down by clearly-defined PD ranges. Expected loss (EL) is also reported per PD range, thus also ensuring a statement concerning the collateral quality.

Exposures subject to counterparty credit risk pursuant to Article 92 (3) lit. f) of the CRR and treated under the IRBA are not covered in the statements. They are disclosed in table EU CCR4 in the chapter "Counterparty Credit Risk".

The amount to be disclosed in columns b and c corresponds to the exposure value determined in accordance with Article 166 (1) to (7) of the CRR, in each case not taking into account the general and specific credit risk adjustments depicted in column m.

EU CR6: IRB Approach – Credit risk exposures by exposure class and PD range

IRBA exposure class	a	b	c	d	e	f	g
	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Average CCF	Exposure post CRM and post CCF	Average PD	Number of obligors
	%	€ mn	€ mn	%	€ mn	%	
Corporates – SMEs	0.00 to < 0.15	60	1	100.00	62	0.12	6
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	60	1	100.00	62	0.12	6
	0.15 to < 0.25	102	2	100.00	104	0.21	11
	0.25 to < 0.50	111	29	100.00	140	0.37	24
	0.50 to < 0.75	160	12	100.00	172	0.60	18
	0.75 to < 2.50	2,355	95	100.00	2,449	1.13	92
	0.75 to < 1.75	2,000	91	100.00	2,092	0.98	80
	1.75 to < 2.50	354	3	100.00	358	1.96	12
	2.50 to < 10.00	52	–	–	52	6.86	1
	2.50 to < 5.00	–	–	–	–	–	–
	5.00 to < 10.00	52	–	–	52	6.86	1
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	11	–	–	11	100.00	2
	Subtotal	**2,852**	**139**	**100.00**	**2,990**	**1.47**	**154**
Corporates – Specialised lending	0.00 to < 0.15	67	–	–	67	0.12	2
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	67	–	–	67	0.12	2
	0.15 to < 0.25	666	–	–	666	0.21	13
	0.25 to < 0.50	2,696	–	–	2,696	0.37	85
	0.50 to < 0.75	4,333	106	100.00	4,439	0.60	105
	0.75 to < 2.50	15,208	424	100.00	15,632	1.40	299
	0.75 to < 1.75	9,835	195	100.00	10,030	1.09	226
	1.75 to < 2.50	5,372	230	100.00	5,602	1.96	73
	2.50 to < 10.00	2,193	240	100.00	2,433	3.75	45
	2.50 to < 5.00	2,048	240	100.00	2,288	3.56	42
	5.00 to < 10.00	144	–	–	144	6.86	3
	10.00 to < 100.00	561	–	–	561	17.21	10
	10.00 to < 20.00	228	–	–	228	10.29	5
	20.00 to < 30.00	333	–	–	333	21.95	5
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	1,742	32	–	1,742	100.00	31
	Subtotal	**27,465**	**802**	**96.00**	**28,236**	**7.75**	**590**

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IRBA exposure class	a PD range	b On-balance sheet exposures	c Off-balance-sheet exposures pre-CCF	d Average CCF	e Exposure post CRM and post CCF	f Average PD	g Number of obligors
	%	€ mn	€ mn	%	€ mn	%	
Corporates – Other	0.00 to < 0.15	–	–	–	–	–	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	–	–	–	–	–	–
	0.15 to < 0.25	21	13	100.00	34	0.21	5
	0.25 to < 0.50	292	119	100.00	411	0.37	15
	0.50 to < 0.75	59	36	100.00	95	0.60	6
	0.75 to < 2.50	1,019	168	100.00	1,187	1.33	34
	0.75 to < 1.75	685	144	100.00	829	1.06	31
	1.75 to < 2.50	334	24	100.00	359	1.96	3
	2.50 to < 10.00	–	30	100.00	30	3.00	2
	2.50 to < 5.00	–	30	100.00	30	3.00	2
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–
	Subtotal	**1,392**	**366**	**100.00**	**1,758**	**1.08**	**62**
	Total	**31,709**	**1,307**	**100.00**	**32,984**	**6.82**	**806**

IRBA exposure class	a PD range	h Average LGD	i Average maturity	j Risk-weighted assets (RWAs)	k RWA density	l Expected loss amount (EL)	m Value adjustments and provisions
	%	%	Years	€ mn	%	€ mn	€ mn
Corporates – SMEs	0.00 to < 0.15	10.46	3	3	5.54	0	0
	0.00 to < 0.10	–	–	–	–	–	-
	0.10 to < 0.15	10.46	3	3	5.54	0	0
	0.15 to < 0.25	11.58	3	9	8.52	0	0
	0.25 to < 0.50	34.84	3	49	35.08	0	0
	0.50 to < 0.75	15.53	2	32	18.42	0	0
	0.75 to < 2.50	11.72	3	462	18.88	3	-3
	0.75 to < 1.75	11.93	3	389	18.60	2	-2
	1.75 to < 2.50	10.49	3	73	20.49	1	-1
	2.50 to < 10.00	29.58	2	42	80.15	1	-1
	2.50 to < 5.00	–	–	–	–	–	-
	5.00 to < 10.00	29.58	2	42	80.15	1	-1
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	109.97	–	4	32.51	12	-4
	Subtotal	**13.67**	**3**	**601**	**20.10**	**16**	**-8**

IRBA exposure class	a PD range	h Average LGD	i Average maturity	j Risk-weighted assets (RWAs)	k RWA density	l Expected loss amount (EL)	m Value adjustments and provisions
	%	%	Years	€ mn	%	€ mn	€ mn
Corporates – Specialised lending	0.00 to < 0.15	8.59	3	3	4.58	0	0
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	8.59	3	3	4.58	0	0
	0.15 to < 0.25	8.41	3	46	6.98	0	0
	0.25 to < 0.50	13.18	2	383	14.22	1	-1
	0.50 to < 0.75	11.46	3	676	15.23	3	-3
	0.75 to < 2.50	12.55	3	3,688	23.59	29	-67
	0.75 to < 1.75	11.35	3	2,003	19.97	12	-24
	1.75 to < 2.50	14.69	2	1,685	30.07	16	-43
	2.50 to < 10.00	17.88	3	1,004	41.26	17	-48
	2.50 to < 5.00	17.14	3	877	38.31	14	-46
	5.00 to < 10.00	29.69	1	127	87.98	3	-3
	10.00 to < 100.00	29.99	2	608	108.39	30	-14
	10.00 to < 20.00	26.82	2	181	79.19	6	-12
	20.00 to < 30.00	32.17	2	427	128.40	23	-2
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	23.55	–	1,522	87.34	289	-265
	Subtotal	**13.81**	**2**	**7,930**	**28.09**	**368**	**-398**
Corporates – Other	0.00 to < 0.15	–	–	–	–	–	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	–	–	–	–	–	–
	0.15 to < 0.25	33.90	3	14	42.27	0	0
	0.25 to < 0.50	30.87	3	209	50.73	0	0
	0.50 to < 0.75	43.37	2	66	69.57	0	0
	0.75 to < 2.50	17.20	4	561	47.24	2	-1
	0.75 to < 1.75	20.48	4	455	54.88	2	-1
	1.75 to < 2.50	9.61	4	106	29.60	1	-1
	2.50 to < 10.00	96.01	3	91	304.36	1	–
	2.50 to < 5.00	96.01	3	91	304.36	1	–
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–
	Subtotal	**23.48**	**4**	**941**	**53.56**	**4**	**-2**
	Total	14.32	2	9,473	28.72	389	-407

The following table EU CR8 provides an overview of the RWA changes and the associated causes to be analysed since 31 March 2024.

The starting and end balances represent the sums of figures disclosed in lines 4a and 5 of table EU OV1 for the respective reporting date. IRBA exposures subject to counterparty credit risk were not taken into account for this purpose.

EU CR8: RWA flow statements of credit risk exposures under the IRB approach

€ mn		a RWAs
1	**RWAs as at 31 March 2024**	**10,486**
2	Asset size	134
3	Asset quality	32
4	Model updates	75
5	Methodology and policy	–
6	Acquisitions and disposals	–
7	Foreign exchange movements	51
8	Other	8
9	**RWAs as at 30 June 2024**	**10,785**

Besides exposures from new business originated, the changes reported in line 2 also include RWA changes from existing exposures – where we also include investments and other non-credit related assets, except for changes purely related to exchange rate fluctuations, which are presented separately in line 7. Moreover, this line also includes the RWA change due to the change in the stock of non-performing loans.

Line 3 reports changes in risk-weighted exposures resulting from changed borrower probabilities of default (PD) or changes in expected loss given default (LGD).

The RWA effect disclosed in line 4 results from the conservative adjustment of borrower probabilities of default.

Line 5 only requires disclosure of changes resulting from a changed RWA calculation methodology – for example, where exposures previously subject to the CRSA are being included under the Advanced IRB Approach. No such changes applied as at the reporting date.

Line 6 does not show any changes, due to the fact that the Group did not acquire any new investments (or disposed of any existing investments) outside the regulatory scope of consolidation, which need to be included as RWAs in the reporting pursuant to sections 10 and 10a of the KWG.

Line 8 discloses the RWA increase from the regulatory deconsolidation of First Financial Software GmbH.

Environmental, Social and Governance Risks

In the following chapters Aareal Bank will disclose information on environmental, social and governance risks as required under Article 449a of the CRR. The detailed requirements are based on Article 18a of Commission Implementing Regulation (EU) 2021/637. This regulation not only sets out qualitative requirements with regard to the three risk dimensions but also stipulates the disclosure of ten tables with quantitative information on climate-related risks, for which first-time disclosure is staggered. For the first time, this Disclosure Report also includes information on financed emissions and alignment parameters. Disclosure requirements regarding the Banking Taxonomy Alignment Ratio (BTAR) are applicable at the earliest as of 31 December 2024.

Qualitative information on ESG risks

We define ESG risks as events or conditions relating to environmental ("E"), social ("S") or governance ("G") issues that, should they occur, could have a negative impact on the net assets, financial position and financial performance, as well as the reputation of the Bank. We identified climate-related risks, changes in stakeholder requirements, competitive and market pressure, business ethics, compliance and uncertainty regarding ESG regulations as relevant ESG risk factors for Aareal Bank Group. They affect our credit, property, business, liquidity and operational risks.

Business strategy and processes

ESG is not just seen as a risk but also as an opportunity. Environmental, social and governance aspects form an integral part of the business strategy within the Group, underlining the importance it places upon sustainable development.

Aareal Bank Group plays an important role in supporting the economic transformation underway in the property and financial industries. Banks fulfil a steering function through the funding they provide, assuming a key role in promoting and implementing sustainable development. In pursuit of climate goals, the property sector is crucial because it is responsible for a significant proportion of global energy consumption and the resulting generation of greenhouse gas emissions.

Aareal Bank Group has been accompanying and supporting the sustainable transformation of the economy and society with its systematic approach to sustainability. Taking a strategic approach to sustainability, we want to do our bit to help meet the international climate protection goals such as those set out in the Paris Agreement on Climate Change and the United Nations' Sustainable Development Goals (SDGs). Another focal point is the establishment of ESG principles as a permanent part of our decision-making processes. ESG criteria play an increasingly important role not only for our lending decisions but also on the funding side of our business, in our investment portfolio, and in our digital product portfolio.

In order to live up to our responsibility towards society and the environment in line with a sustainable business model, for example, we consider incorporating climate and environmental risks a fundamental necessity to safeguard our long-term business success. We use compliance with the ESG criteria that have been classified as relevant to our business as a tool for assessing the sustainable intrinsic value of a given property. In our investment portfolio, we apply these criteria both out of ethical conviction and from a risk perspective, so as to avoid losses in value as far as possible. At the same time, enhancing transparency for the properties we finance with respect to ESG aspects during property valuations allows us to create a basis for providing additional support to international climate protection efforts. In addition, our funding activities and securities business can have an active impact on the market. As in the past, the segment's business strategy focuses on the controlled, risk-conscious expansion of the portfolio volume within a given target range, considering ESG requirements and taking advantage of its flexible approach with regard to countries, property types and financing structures.

With every financing we provide today that helps realise an energy-efficient building or refurbishment measures to increase an existing building's energy efficiency, we are making a contribution to the transition towards a lower-carbon economy.

Since our ESG target agenda includes a commitment to further expand our green finance activities on both sides of the balance sheet, we are now aiming for a green loan volume in our financing portfolio of €6 billion to € 7 billion by 2026, up from a previous medium-term target 2026 of € 5 billion. We are also working to extend our asset pool for green funding activities. An additional € 0.5 billion in green long-term funding is pencilled in for 2024.

Around 28 % of our commercial property financing portfolio met the qualification criteria that we set out in our Green Finance Framework as per the end of the 2023 financial year, with evidence provided.

We aim to increase transparency on our portfolio's climate-related impact in the 2024 financial year, and have signed a commitment letter by the Partnership for Carbon Accounting Financials (PCAF), indicating that we will disclose the greenhouse gas emissions of our credit portfolio in line with the PCAF Standard by year-end. Amid the growing importance of climate protection for ESG investors, we also plan to publish a green bond impact report.

Conserving resources is environmental protection, and a part of our corporate philosophy. Continuously cutting energy usage and avoiding carbon emissions also plays an important role in our internal planning and optimisation measures.We completely offset the carbon emissions from our own operations for the first time in the 2023 financial year by working together with a partner for carbon compensation projects. This covers all of our Scope 1 and Scope 2 emissions, plus those Scope 3 emissions resulting from business travel.

In the Banking & Digital Solutions and Aareon business segments, our digital products and services have the potential to raise our clients' environmental awareness and make a contribution to actively and measurably cutting energy usage and carbon emissions. This will ultimately result in a reduction of negative environmental impacts, for example through more efficient, low-paper processes and less kilometres travelled.

Integration of sustainability into the organisational structure

The topic of sustainability in its various facets is considered a relevant risk driver with significant influence on the Bank's overall risk profile.

To allow for a holistic management approach, an overarching governance model has been developed which includes both Sales Units and Credit Management divisions as well as individual corporate functions.

As a rule, the Management Board is responsible for including sustainability risks in the risk strategy and risk governance. The internal supervisory bodies that monitor risks (e.g. Supervisory Board and its Risk Committee), however, play a central role in ensuring that sustainability risks are adequately taken into account in the Company's strategy and governance.

As part of the regular Management Board and Supervisory Board meetings, the full Management Board and the Supervisory Board deal with the Bank's strategic positioning on ESG issues, ESG integration into processes and structures, and the Group-wide management of sustainability activities.

Aareal Bank Group's sustainability management activities are directed by Aareal Bank AG. The Group Sustainability Officer is responsible for centrally coordinating sustainability management activities, and reports directly to Aareal Bank AG's CEO, who has overall responsibility for Aareal Bank Group's sustainability strategy. ESG-related topics and questions are also regularly addressed and discussed in Management Board and Supervisory Board meetings.

To forge ahead with the Group's sustainability activities, the "ESG & Innovation" organisational unit was created and assigned technical responsibility in this area. The unit not only serves as a central point of contact for internal and external stakeholders, it is also responsible for creating transparency regarding Aareal Bank Group's sustainability performance for clients, investors and other external stakeholder groups. ESG & Innovation also represents Aareal Bank Group in expert committees and working groups. Accounting for the growing strategic relevance of ESG issues for Aareal Bank Group's long-term business success, the ESG & Innovation organisational unit was allocated to the Group Strategy division. Experts from different Aareal Bank AG departments support the unit in its work, while the Aareon subsidiary has experts of its own to develop ESG topics. Aareal Bank AG coordinates its Group-wide sustainability activities internally via an ESG Expert Group (which generally meets once a month and is led by the ESG & Innovation organisational unit) and via the Green Finance Committee.

ESG risk governance, which forms part of the overarching governance model, is integrated into Aareal Bank's existing risk governance. The identification, assessment, management and monitoring of ESG risks is appropriately implemented and organised across the risk management cycle within the Three Lines of Defence (3LoD) model. This governance structure ensures that the relevant corporate bodies are involved, and that risk-relevant ESG aspects are embedded in the organisational structure. Aareal Bank's business/sales units (as first LoD) are responsible for identifying and managing ESG risks, taking into account the requirements of the second LoD.

As the second, central LoD, the Non Financial Risks (NFR) and Risk Control (RCO) divisions ensure that ESG risks are adequately considered and integrated throughout the risk management cycle. This includes specifying methods for managing ESG risks, monitoring measures, and ESG reporting. ESG risks are integrated into risk management using existing risk types. The second LoD is also represented by a compliance function, which assumes a control function for ESG risks regarding compliance with material legal and internal regulations.

Group Audit acts as the third LoD, ensuring an independent and objective review of the risk management framework. This includes a review of the adequacy and effectiveness of ESG risk management arrangements, the specific implementation of the risk strategy and risk appetite related to ESG risks, and internal policies, procedures and responsibilities for ESG risks.

Since all material ESG risks can be allocated to financial and non-financial risks, we refer to the chapters of the Disclosure Report 2023 detailing the management of the risk types concerned with respect to the reporting lines and reporting frequency of ESG risks.

Management of ESG risks

Sustainability risks are drivers of existing financial and non-financial risk types and are managed as an integral part of these risk types. Relevant ESG risks are quantified using different stress test scenarios. ESG risk management is based on the Minimum Requirements for Risk Management (MaRisk) and on the supervisory expectations set out in the ECB guide on climate-related and environmental risks and the EBA Guidelines on loan origination and monitoring.

To develop an understanding of sustainability risks, including physical climate-related risks and climate-related transition risks, their characteristics, as well as possible impacts on the Bank's business and risk situation, a structured identification and inventory of ESG risks is performed as part of the regular risk inventory. A questionnaire is used to assess potential ESG factors in terms of their impact on Aareal Bank. These factors are not confined to climate-related risks alone, but also encompass other environmental, social and governance risks.

The impact of the ESG risk factors on Aareal Bank is identified for the short (up to one year), medium (one to five years) and long term (more than five years).

For the short-term horizon, the climate-related physical and climate-related transition risk factors were identified as being relevant. For the medium- to long-term horizon, additional governance factors such as disclosure requirements, sustainability management and data protection (together with changes in stakeholder requirements) were identified as being ESG-relevant.

The identification of relevant ESG factors is followed by a structured assessment as to how these risk factors affect financial and non-financial risk types via the various transmission channels.

The risk types classified as ESG-relevant during the risk identification process serve as the basis for assessment and – where possible – measurement within the risk type, as well as for adequate qualitative and quantitative management, monitoring and limit setting. Risk indicators and limits for climate-related and environmental risks have already been implemented for this purpose. The system for monitoring and managing ESG risks is being continuously refined.

Acute and chronic physical risks, alongside transition risks which arise due to changes associated with the transition towards a lower-carbon and more environmentally sustainable economy, correlate with financial risks – and credit risks in particular. The main transmission channel for environmental and climate-related factors are properties used as collateral for credit exposures. Due to their location, these properties are exposed to physical climate-related and environmental risks. Natural disasters may damage buildings and their surroundings, negatively affecting market value. The resulting significant impairment of the extent to which the properties can be used may result in loss of rental income or lost cash flows in the wider sense of the word. Buildings are responsible for a large proportion of global energy consumption and carbon emissions, which is why they are particularly affected by increases in carbon prices and by refurbishment costs. Future costs for carbon emissions and energy-efficient refurbishments may impair market values and – as a result – the risk profile of financings.

Similar causalities apply to properties held in the Bank's own portfolio, whose risk is reflected in property risk. As opposed to credit risk, changes in the value of such properties have a direct impact on the balance sheet.

In the case of liquidity risk, transitional measures or physical events can lead to outflows of capital – for example, if housing companies need to repair or rebuild properties damaged or destroyed by a natural disaster. In addition, liquidity outflows may result from an increase in energy-efficient refurbishments.

In terms of market risk, repeated assessments performed when adding assets during the risk inventory process yielded no relevant interdependencies with ESG factors.

Turning to non-financial risks, transition risks impact aspects of legal risk, especially via changes in the political, legal or regulatory environment governing the transition towards a lower-carbon and more sustainable economy. As such, legal risks can arise from violations of statutory and regulatory provisions or sustainability requirements, such as measures to increase energy efficiency or reduce energy costs, or the disclosure of sustainability-related information in the course of non-financial reporting, and can materialise in corresponding fines, penalties or other sanctions imposed by the authorities – with an impact on the net assets, results of operations or liquidity situation of the institution.

The same applies to reputational risks, which can also arise from changes in statutory and regulatory provisions or sustainability requirements, and which can materialise in corresponding communications costs (e.g. for the sustainability strategy and the associated impact on the "Aareal" brand value).

The relevant short-term ESG risk factors identified are closely linked to Aareal Bank's planning horizon, average loan terms, and the analysis of risk-bearing capacity. They are integrated into the ICAAP/limit system. Since institutions' climate-related and environmental risks are primarily expected to materialise in the medium to long term, the long-term perspective adopts a forward-looking approach and is particularly relevant for designing scenario and stress tests. Integrating ESG risks in the stress testing methodology is part of the comprehensive sustainability risk management and monitoring.

To conclude, ESG risk factors are considered throughout Aareal Bank's entire risk management cycle via the identification (inventory), assessment, measurement and management of risks, and by including them in the ICAAP economic and normative perspectives. The Bank applies not only the key performance indicators defined in the business strategy but also quantitative key risk indicators (KRIs) for the ESG-relevant risk types to ensure that its ESG risk management is thorough and effective. KRIs are measurable and, where appropriate, linked to risk limits, tolerance levels or thresholds.

Climate-related and environmental risks

Definition

Climate-related risks comprise all risks resulting from, caused or exacerbated by climate change and are subdivided into physical climate-related risks and climate-related transition risks.

Physical climate-related risks describe the direct effects of climate change triggered by ongoing global warming and increasing environmental destruction. These climate change risks result directly from the consequences of changes in the climate such as a rise in global average temperatures, more frequent occurrence of natural disasters and extreme weather events such as flooding, heatwaves/droughts, storm and hail. Physical climate-related risks can also have indirect consequences (ranging from, for example, the collapse of supply chains and the abandonment of water-intensive business activities through to climate-related migration).

Climate-related transition risks are risks impacting institutions as a direct or indirect consequence of the process of adapting to a less carbon-intensive and more environmentally sustainable economy. They comprise changes in the political, legal and regulatory environment, technological developments and/or a change in investor behaviour.

Environmental risks comprise all risks caused by the destruction of the environment (for example, in the form of air and water pollution, the pollution of land surfaces, water stress, loss of biodiversity and deforestation) and are also divided into physical and transition risks. Environmental transition risks, like climate-related transition risks, are adjustment processes triggered for example by political events, technology or market participants in order to counter the destruction of the environment.

Management of climate-related and environmental risks

Credit risk is the main type of climate-related risk in the realms of structured property financing. Individual loan receivables are collateralised by the respective properties. Physical climate-related risks in connection with Aareal Bank's credit risk are effectively monitored and managed by taking out adequate insurance cover against the negative financial effects resulting from acute physical climate-related risks (e.g. extreme weather events). Article 208 (5) of the CRR stipulates that property used as collateral must be "adequately insured against the risk of damage" for the purpose of a reduced recognition of loans when determining regulatory capital requirements.

The properties that serve as collateral for our loans are exposed both to transition risks such as carbon taxes or refurbishing requirements, and to physical risks such as floods or storms. These risks are assessed in the risk inventory, and evaluated using internal stress testing methodologies. To derive physical threats, the Bank uses third-party data which forms the basis for the physical stress test and for the required insurance cover, proof of which must be supplied by the borrower.

Aareal Bank uses the publications of the Central Banks and Supervisors Network for Greening the Financial System (NGFS) and other official studies to derive transition risks. The transition stress tests yield a result that is then used to determine an ICAAP risk buffer; the transition stress test result is monitored using a limit.

It was back in 2019 that Aareal Bank started working towards creating the data infrastructure required to capture information on energy efficiency, green building certificates and energy-efficient refurbishment projects in our systems. We made further progress in terms of data gathering, capture and validation for our global portfolio in the reporting period, allowing us to calculate a number of sustainability-related KPIs for our lending business as at today. Going forward, we aim to go into greater detail and expand this to capture carbon impacts (Scope 3 emissions). Together with external experts, we developed a methodology in the reporting period for harmonising and assigning priorities to different data sets used for calculating financed carbon emissions. This methodology is designed to serve as the basis for establishing a structured process on how to use heterogeneous data of varying quality to calculate financed carbon emissions. We finance properties of lasting value that live up to our strict quality requirements. When performing property valuations, we not only focus on a building's market values but also determine the mortgage lending value and use a life cycle analysis that includes environmental aspects such as the building's technical, functional and environmental quality as standard components. We also always take marketability and third-party usability into account when looking at sustainable property use. Comprehensive, full management and monitoring of ESG risks requires not only a risk type-specific treatment of ESG risks, but also Bank-wide indicators/KPIs, in line with the ESG business strategy.

In order to assess the physical threat, the Bank has created an internal database for all relevant properties and locations containing the risk classifications for acute and chronic climate-related risks at the respective locations. The data in the database is sourced from an external insurance provider and updated at least once a year for the entire portfolio.

Aareal Bank joined forces with CredaRate GmbH and other partner banks to develop and implement an ESG score that aims to assess the ESG-related risks to which loan receivables are exposed. Based on the share of the financed property in the borrower's total assets, this methodology divides the assessment into three dimensions (environmental, social and governance) and then combines the results to produce an overall score at borrower level.

Scenario analyses and/or stress tests are important factors when it comes to measuring climate-related risks. Aareal Bank has developed internal solutions for both transition and physical climate-related risks. When determining transition risks, carbon taxes from the NGFS scenarios and potential refurbishment requirements for property valuations can be considered. Physical risks are determined by evaluating portfolio losses based on the risk data supplied by an external provider for physical shock events (e.g. floods).

The assessment and measurement of ESG factors related to liquidity risk is performed by experts who develop individual ESG-related scenarios on potential liquidity risk events, based upon which the adequacy of the ESG-related liquidity buffer is reviewed regularly. Building on the analyses performed in 2022, the existing approach was refined and developed into a liquidity-related ESG stress scenario. Deriving such a scenario requires discussion and analysis of various aspects such as energy-efficient refurbishments, natural disasters or a deterioration in the ESG rating. The potential net liquidity outflow is simulated for a selected scenario. The results form part of regular liquidity risk reporting.

In addition to the quantitative inclusion of ESG risks in the ICAAP economic and normative perspectives, the ESG stress test/scenario analyses are used to calculate the impact of climate-related and environmental risks upon Aareal Bank's risk position. These analyses are the key methods for assessing climate-related risks. They are based either on the NGFS's publicly available and recognised climate scenarios/pathways, or on internal shock scenarios. The impact of the climate stress tests and/or the "social change" scenario on Aareal Bank's capitalisation is minor when compared to the other stress test scenarios.

As an integral part of internal reporting, ESG risks are displayed transparently and they are subject to ongoing monitoring. The main topics covered are the results of the stress test analyses, along with operational risks (particularly those associated with ESG aspects), portfolio transparency (green buildings), and monitoring the use of proceeds for green bonds.

Current and future investment activities to achieve environmental objectives

Since 2021 the Bank has been offering "green loans" (as defined in its Green Finance Framework – Lending) to help its clients achieve their business goals and hence to boost the property industry's contribution to more sustainability. We have defined environmental sustainability criteria for commercial property based on our valuation expertise, our many years of experience, our property market knowledge and existing market standards such as the Loan Market Association's Green Loan Principles. These criteria form the basis for our Green Finance Framework – Lending. Qualification criteria for green loans include the existence of certain high-quality building certificates, as well as compliance with minimum energy efficiency requirements and with the building requirements that meet the strict standards set out in the EU Taxonomy. This definition was developed together with internal experts with the goal of applying it to financings around the world. Sustainalytics reviewed the developed framework within a second-party opinion as to the ambition, market conformity and suitability of the qualification criteria, rating the framework as "credible and impactful". This independently certified model serves as the basis for extending green loans and thus successively aligns the Bank's credit portfolio with sustainable criteria. We also received a second-party opinion from Sustainalytics for our green definition (an Aareal-specific definition of "green" for (a) buildings and (b) energy-efficient refurbishments of buildings), underscoring Aareal Bank's credible and robust approach to sustainability.

The green funding offering supplements our green lending activities, which allowed us to offer relevant products on the assets and the liabilities side to ESG-conscious clients during the reporting period. The suitability criteria for liability-side products and their classification as "green" are similar to the existing Green Finance Framework – Lending. The resulting Green Finance Framework – Liabilities was also subjected to a second-party opinion review by Sustainalytics and was classified as "market-conforming, credible and impactful". At the same time as the first green funding products were introduced, the Green Finance Committee (GFC) was established to manage and monitor the green asset pool.

The Bank's Treasury portfolio is subjected to an annual issuer-based ESG screening, allowing it to be analysed and assessed from an ESG perspective. Factors that are taken into account include social criteria such as freedom of the press and the Corruption Index.

Social risks

Definition

Social risks refer to issues such as occupational health and safety, employment law standards and working environment, diversity and social involvement. Social risks are also characterised by a negative impact on a company's stakeholders.

Social aspects include human rights violations, income inequality and discrimination.

Management of social risks

Many risks that are typical for the property sector are of only minor relevance to us, since Aareal Bank AG mainly provides financing for buildings that have already been completed. Since we focus on office buildings, hotels, shopping centres and logistics facilities, our portfolio does not contain any potentially controversial industrial facilities or other properties that might be considered problematic.

ESG topics, and hence social matters as well, are taken into account directly by Group Strategy in its development and management of our business strategy, and by the Management Board in its business decisions.

We examine the following social aspects when performing property valuations related to lending decisions:

- functional quality, e.g. transport infrastructure, accessibility, and barrier-free access;
- life-cycle quality, e.g. as demonstrated by opportunities for flexible use, the ability to re-let properties, third-party usability and appropriate expenditure on value preservation measures;
- sociocultural quality, e.g. high-quality architecture, the quality of town planning and potential tenants.

We consider respect for human rights to be an inalienable part of our responsibility as a global enterprise. This is why we have undertaken not only to strictly comply with all applicable legal requirements but also to uphold human rights within our sphere of influence.

Breaches of human rights – including along our value chain – must be prevented for humanitarian reasons in the first instance. Above and beyond this, though, any infringements could have far-reaching economic consequences for the Group. Reputational damage and financial penalties can lead to long-term risks for the company involved that should not be underestimated. Managing these risks comprehensively and responsibly is a particularly important task. This is why we have established guidelines and mandatory codes of conduct that apply throughout the Group, so as to uphold and strengthen human rights in our international business to the best of our ability.

We have introduced contractual rules relating to the Code of Conduct for Suppliers in our Purchasing and Procurement operations in order to combat the risk of human rights violations among our suppliers. These rules underline our commitment to comply with certain standards. The Code of Conduct is mandatory and forms the basis for business relationships between Group companies and suppliers/service providers. It ensures on the one hand that the Bank's business partners respect human rights, while on the other it protects the Bank against potential risks arising from failures to comply with environmental or social standards in the supply chain that would reflect negatively on Aareal Bank Group.

New regulatory requirements that could lead to obligations for the Bank with respect to the observance of human rights in the Group (such as the revised EBA Guidelines on internal governance) are reviewed regularly for their relevance and for any need to take action. In addition, the Bank tracks new legislation such as the German Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz – "LKSG"), identifying potential implications for Aareal Bank Group at an early stage.

At the level of the workforce, complyiance with the German General Equal Treatment Act (Allgemeines Gleichstellungsgesetz – "AGG"), in other words the ban on discrimination (e.g. treating staff differently on the basis of diversity aspects, or inappropriate or unfair remuneration), is a key issue. Unethical behaviour of this kind would negatively impact teamwork and hence results, lead to inefficient working processes, and demotivate talented employees. As such, it would cause economic damage.

Our Code of Conduct for employees summarises the values and convictions that make us – Aareal Bank Group – what we are. Its principles are designed to ensure a culture of integrity and mutual trust throughout the Group. In line with this, the Code of Conduct covers the topics of equal opportunities and diversity, fairness and protecting human rights, among other things. It goes without saying that we respect and comply with the laws and regulations of the countries in which we operate and that we respect human rights, focusing in particular on the abolition of all forms of forced and child labour. The Management Board has expressly undertaken to respect human rights in our Code of Conduct, which applies to the entire Group, and to observe the principles of diversity and equal treatment. Our reporting on our respect for human rights is used to inform the Management Board of the measures implemented, their effectiveness, any infringements and the actions taken to penalise such infringements. The Code of Conduct is based on the requirements of the EBA Guidelines on internal governance and international industry standards such as the Universal Declaration of Human Rights, the conventions drawn up by the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the UN Global Compact's Ten Principles.

We disclose information on employee-related and social matters, along with respect for human rights, on an annual basis within our non-financial reporting which also comprises details on how we handle social risks within Aareal Bank Group's operational and business environment.

In addition, relevant topics relating to social risks are discussed at Management Board and top management level – in various corporate bodies and on a regular basis.

The employees' representative body responsible exercises its right of co-determination in the case of appointments at our German locations. In addition, we also report annually on the proportion of women in management positions and the proportion of women in the Bank's global workforce.

We define "women in management" as all female non-pay scale employees at the Company who exercise a professional management role or who have the right to issue instructions to employees.

To ensure that the increased importance of ESG aspects for our corporate strategy is also reflected in remuneration paid, the Annual General Meeting 2022 resolved a remuneration system. Under this system, performance criteria comprise a Group component and a strategic component. One of the four targets at the Group component level and one of three equally-weighted targets at the strategic component level is an ESG target. The system continues to permit both qualitative and quantitative targets. Incorporating ESG targets in both components ensures that ESG aspects are better reflected within remuneration.

In line with section 25d (12) of the KWG, Aareal Bank's Supervisory Board has established a Remuneration Control Committee, which ensures that the remuneration systems for the Management Board and employees are appropriately structured. The remuneration systems and the underlying remuneration inputs are reviewed for appropriateness at least once a year with the assistance of Group Human Resources & Infrastructure, the Remuneration Officer and other relevant control instances.

We have our salary structures reviewed regularly by external specialists. The results of the most recent analysis confirmed that there were no significant differences in remuneration within Aareal Bank AG between men and women in comparable positions.

Within our comprehensive sustainability risk monitoring and management activities, our stress test scenarios focus on climate-related and environmental risks as well as on changes in the world of work and in travel patterns. An analysis of societal change performed in this context increasingly highlights social and governance risks, and assesses their impact on financial and non-financial risks alike.

Governance risks

Definition

Governance risks are defined as the risks resulting from (un-)sustainable corporate governance. They focus on the areas of actions that are either fraudulent or perceived as negative by society, on compliance with privacy requirements and sustainability-related disclosure obligations.

Management of governance risks

Aareal Bank Group's risk management includes the definition of permissible transactions (for example, it does not operate correspondent banking business, and it defines permissible industries). The Group does not execute business in non-permissible areas such as nuclear power or arms production. Non-permissible business mainly covers actions perceived negatively by society and/or fraudulent acts within the meaning of our "governance" ESG risk inventory factor (e.g. tax evasion, corruption, bribery, prostitution). The Group uses qualitative standards as operational risk management guidelines and bases its qualitative guidelines mainly on the Wolfsberg Questionnaire, an international correspondent banking standard, which is also disclosed vis-à-vis business partners. Aareal Bank Group has restricted certain business activities to reduce risk. For example, the Wolfsberg Questionnaire lists additional transactions that are only permissible at the Bank on a case-by-case decision by the Management Board.

We expect our business partners to handle (ESG) risks in a similarly responsible manner. Business partners involved in ongoing legal proceedings related to fraud, bribery, corruption, environmental offences, etc. warrant increased caution, including a compulsory and regular screening for negative news. In addition, business partners undertake to comply with Aareal Bank Group's Code of Conduct. This mandatory policy forms the basis for the business relationships between Group companies and suppliers/service providers. It ensures on the one hand that our business partners respect human rights, while on the other it protects us against potential risks in the supply chain arising from failures to comply with environmental or social standards that would reflect negatively on Aareal Bank Group. New suppliers or service providers with an order volume in excess of € 100,000 are checked using commercial credit agency reports. Primary suppliers are examined regularly using a supplier evaluation system that assesses their reliability and compliance with the terms and conditions of their contracts, among other things. If functions (particularly material ones) are outsourced, the division performing the outsourcing must ensure the service provider's suitability using a selection and assessment procedure, and must review this regularly. Factors that must be examined during due diligence are defined in detail in Group-wide procedural guidelines. Additional requirements apply when outsourcing material functions.

At Group level, the Framework Directive on Preventing Corruption and the Procedural Guidelines on the Prevention of White-collar Crime serve as the basis for raising awareness among our employees and provide a benchmark for acting correctly. They are supplemented by fraud prevention measures and by Aareal Bank AG's whistle-blowing procedures, which serve to prevent corruption risks, and by a Conflicts of Interest Policy which sets out how conflicts of interest are to be dealt with. The goal is to help avoid and manage any conflicts of interest as far as possible.

In addition, employees receive training on the Company's compliance and fraud prevention requirements and on the potential consequences of any breaches. More specifically, the training courses designed to raise employee awareness of compliance requirements comprise individual modules on general compliance requirements, on the Code of Conduct, on the prevention of money laundering and terrorist financing, and on the prevention of corruption and fraud. A confidential (and anonymous) whistle-blowing channel also exists that can be used to report suspected breaches of the rules, fraudulent behaviour or white-collar crime. This guarantees confidentiality and protection for the employee reporting the issue. Employees can use this voluntary, confidential reporting system to raise concerns online or by phone – including anonymously, if desired.

Quantitative information on ESG risks

Table 1 below discloses the gross carrying amounts of loans and advances, debt securities and equity instruments to non-financial corporations, by economic activity sector. It does not include financial assets held for trading. The exposures are also presented by residual maturity, based on the contractually agreed maturity.

The presentation by sector of economic activity corresponds to the differentiation by NACE codes in the context of the Financial Reporting framework (FINREP).

Since the Group's business is focused on commercial property financing, the real estate activities sector is by far the most relevant industry. We are making use of the option as per Article 19 (1) of Commission Implementing Regulation (EU) 2021/637 and are disclosing only the sectors relevant to us, not altering the numbering of rows.

Column b comprises exposures towards non-financial companies that are excluded from the EU Paris-aligned Benchmarks pursuant to Article 12 (1) lit. d) to g) and Article 12 (2) of Commission Delegated Regulation (EU) 2020/1818 ("Minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks"). In contrast to 31 December 2022, as at the reporting date Aareal Bank had no exposures towards companies which, based on their sector keys, were classified as "excluded from the EU Paris-aligned Benchmarks".

Columns f to h are to be used to disclose information on loss allowances and provisions relating to performing and non-performing exposures.

Columns i to k contain information on greenhouse gas emissions for the first time.

The Scope 1 and Scope 2 emissions financed by Aareal Bank in the commercial property financing portfolio are collected at the level of the counterparty (in this context: the financed building), based on the globally recognised standard established by the Partnership for Carbon Accounting Financials (PCAF). PCAF is a global group of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the carbon emissions associated with loans and investments.

According to the PCAF standard, the financed carbon emissions are allocated to the financial institutions based on defined and consistent carbon accounting rules. The PCAF standard requires financial institutions to book and disclose the carbon emissions resulting from loans and investments at a fixed point in time and in line with the applicable financial accounting periods. By signing the PCAF commitment letter, Aareal Bank has made a voluntary statement indicating that it will collect and disclose the greenhouse gas emissions associated with its lending business under application of the PCAF principles.

The carbon emissions data disclosed in this report has already been collected in close alignment with the requirements set out in the PCAF standard. A substantial part of the data was provided by the counterparty (almost all of which via European Energy Performance Certificates), and data gaps were closed using a fallback procedure, based on scientifically backed databases such as the PCAF European building emission factor database or the Building Performance Database (BPD). The approximation was carried out taking various building-specific characteristics into consideration, such as asset class, geographical location and energy efficiency.

Due to the general absence of a central database for building-specific Scope 3 emissions, and the commensurate difficulties faced by financial institutions when accessing this data, Aareal Bank has used scientific studies to collect the data and derived a mean value suitable for the specific financing portfolio; this mean value allows us to break down the Scope 3 emissions caused by construction, maintenance and dismantling or demolition to an annualised level, taking building-specific useful lives into consideration.

ESG table 1: Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which: exposures towards comanies excluded from EU Paris-aligned Benchmarks in accordance with Article 12 (1), lit. d) to g) and Article 12 (2) of Commission Delegated Regulation (EU) 2020/1818	of which: environmentally sustainable	of which: Stage 2	of which: non-performing		of which: Stage 2	of which: non-performing
		€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
1	**Exposures towards sectors that highly contribute to climate change**	**30,519**	**–**	**0**	**4,495**	**1,423**	**-400**	**-95**	**-268**
9	**C – Manufacturing**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
30	C.30 – Manufacture of other transport equipment	–	–	–	–	–	–	–	–
39	**E – Water supply: sewerage, waste management and remediation activities**	**2**	**–**	**–**	**–**	**–**	**0**	**–**	**–**
40	**F – Construction**	**58**	**–**	**–**	**–**	**58**	**-2**	**–**	**-2**
41	F.41 – Construction of buildings	58	–	–	–	58	–2	–	–2
44	**G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	**69**	**–**	**–**	**–**	**–**	**0**	**–**	**–**
45	**H – Transportation and storage**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
49	H.52 – Warehousing and support activities for transportation	–	–	–	–	–	–	–	–
51	**I – Accommodation and food service activities**	**1,426**	**–**	**–**	**79**	**0**	**-2**	**0**	**0**
52	**L – Real estate activities**	**28,964**	**–**	**0**	**4,416**	**1,364**	**-396**	**-94**	**-266**
53	**Exposures towards sectors other than those that highly contribute to climate change**	**81**	**–**	**–**	**53**	**0**	**-1**	**-1**	**0**
54	**K – Financial and insurance activities[1]**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
55	Exposures to other sectors (NACE codes J, M-U)	81	–	–	53	0	-1	-1	0
56	Total	30,600	–	0	4,548	1,423	-401	-95	-268

[1] In line with EBA Q&A 2022_6600, EBA believes that line 54 should also contain exposures to sector K financial counterparties. Aareal Bank considers EBA Q&A to serve as guidelines for clarifying interpretation issues. According to our understanding, Implementing Regulation (EU) 2022/2453 clearly states that ESG table 1 may only include exposures to non-financial corporations. In this specific case, applying the EBA Q&A would lead to non-compliance with the legal basis. Due to this contradiction, Aareal Bank refrains from including financial corporations, referring to the clear wording in Implementing Regulation (EU) 2022/2453. Examples for non-financial corporations allocated to sector K are investment companies that are also classified as non-financial corporations. The Bank held no exposures to such counterparties as at 30 June 2024.

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		i	j	k	l	m	n	o	p
		GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty)		GHG emissions: gross carrying amount percentage of the portfolio derived from company-specific reporting	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Average maturity
			of which: Scope 3 financed emissions						
		Thousand tonnes of CO_2 equivalent		%	€ mn	€ mn	€ mn	€ mn	€ mn
1	**Exposures towards sectors that highly contribute to climate change**	**760**	**122**	**26.48**	**28,187**	**2,094**	**147**	**92**	**3**
9	**C – Manufacturing**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
30	C.30 – Manufacture of other transport equipment	–	–	–	–	–	–	–	–
39	**E – Water supply: sewerage, waste management and remediation activities**	**–**	**–**	**–**	**0**	**2**	**–**	**–**	**7**
40	**F – Construction**	**5**	**2**	**20.27**	**58**	**–**	**–**	**–**	**–**
41	F.41 – Construction of buildings	5	2	20.27	58	–	–	–	–
44	**G – Wholesale and retail trade; repair of motor vehicles and motorcycles**	**1**	**0**	**–**	**69**	**–**	**–**	**–**	**1**
45	**H – Transportation and storage**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
49	H.52 – Warehousing and support activities for transportation	–	–	–	–	–	–	–	–
51	**I – Accommodation and food service activities**	**26**	**3**	**25.84**	**1,424**	**1**	**–**	**0**	**2**
52	**L – Real estate activities**	**729**	**117**	**26.58**	**26,634**	**2,091**	**147**	**92**	**3**
53	**Exposures towards sectors other than those that highly contribute to climate change**				**80**	**1**	**–**	**0**	**2**
54	**K – Financial and insurance activities**[1]				–	–	–	–	–
55	Exposures to other sectors (NACE codes J, M-U)				80	1	–	0	2
56	Total	760	122	26.41%	28,267	2,095	147	92	3

[1] In line with EBA Q&A 2022_6600, EBA believes that line 54 should also contain exposures to sector K financial counterparties. Aareal Bank considers EBA Q&A to serve as guidelines for clarifying interpretation issues. According to our understanding, Implementing Regulation (EU) 2022/2453 clearly states that ESG table 1 may only include exposures to non-financial corporations. In this specific case, applying the EBA Q&A would lead to non-compliance with the legal basis. Due to this contradiction, Aareal Bank refrains from including financial corporations, referring to the clear wording in Implementing Regulation (EU) 2022/2453. Examples for non-financial corporations allocated to sector K are investment companies that are also classified as non-financial corporations. The Bank holds no exposures to such counterparties as at 30 June 2024.

Table 2 discloses the gross carrying amount of loans collateralised by commercial and residential immovable property and the gross carrying amount of repossessed real estate collateral, broken down into defined levels of energy efficiency (in kWh/m²) and energy performance certificate ("EPC") labels.

The gross carrying amount of financings with multiple property collateral is broken down into the energy efficiency levels and the EPC labels, using the ratio of the mortgage lending value of a property to the total mortgage lending value for all properties.

Property loans with no EPC label pertaining to the collateral are disclosed in column o. Column p shows the share of property loans with no EPC label (as indicated in column o), for which the Bank has estimated the energy performance score (EPS) for the property collateral. In line with the EBA's Q&A ID 2022_6625, the EPS was deemed "not estimated" only for properties for which an EPC label was available. For some of these properties, EPCs or similar certificates indicating an energy efficiency level in kWh/m² are available, but they have not earned an EPC label. This means that the share of exposures relying on estimates instead of real data is smaller than depicted in column p. This procedure also applies to the exposures reported in rows 5 and 10.

For the collateral whose energy efficiency levels were actually based on estimates, the calculation was based on the PCAF Standard, taking the location and type of financed properties into account. Estimates were made for all properties where such an estimate was appropriate; this includes all property types with the exception of undeveloped sites.

Given that Aareal Bank generally pursues the strategy of preventing any further losses from a loan exposure, some of the properties disclosed in rows 4 and 9 are subject to re-positioning and further development and may thus be held for several years.

ESG table 2: Indicators of potential climate change transition risk:
Loans collateralised by immovable property – Energy efficiency of the collateral

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount															
		Level of energy efficiency (EP score – in kWh/m²) of collateral							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			of which: 0 ≤ 100	of which: > 100 ≤ 200	of which: > 200 ≤ 300	of which: >300 ≤ 400	of which: > 400 ≤ 500	of which: > 500	A	B	C	D	E	F	G		of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated
€ mn																	%
1	**Total EU area**	**16,765**	**4,041**	**5,295**	**4,679**	**979**	**221**	**1,248**	**1,561**	**1,751**	**1,546**	**1,279**	**609**	**29**	**101**	**9,890**	**50,42**
2	of which: collateralised by commercial immovable property	15,789	3,611	5,039	4,639	979	221	1,248	1,406	1,727	1,521	1,266	607	29	97	9,137	51,98
3	of which: collateralised by residential immovable property	824	423	256	8	–	–	–	155	24	25	12	2	0	4	601	32,85
4	of which: collateral obtained by taking possession (residential and commercial immovable properties)	151	7	–	32	–	–	–	–	–	–	–	–	–	–	151	25,54
5	of which: level of energy efficiency estimated	5,740	710	1,183	2,622	432	–	793								4,989	100,00
6	**Total non-EU area**	**15,145**	**547**	**1,476**	**5,023**	**2,679**	**915**	**4,503**	**458**	**1,583**	**903**	**775**	**445**	**–**	**15**	**10,966**	**98,95**
7	of which: collateralised by commercial immovable property	13,447	547	461	4,809	2,437	737	4,453	284	1,280	883	746	434	–	15	9,805	98,83
8	of which: collateralised by residential immovable property	1,344	–	1,014	94	8	178	50	174	303	21	30	11	–	–	807	100,00
9	of which: collateral obtained by taking possession (residential and commercial immovable properties)	355	–	–	120	235	–	–	–	–	–	–	–	–	–	355	100,00
10	of which: level of energy efficiency estimated	11,450	23	1,016	4,688	2,354	540	3,184								10,905	100,00

ESG Table 3 is intended to provide an overview of efforts to reduce greenhouse gas emissions in the property sector to meet the climate protection objectives under the Paris Climate Agreement, taking into account the alignment metrics defined by the International Energy Agency (IEA) for the Net Zero Emissions by 2050 Scenario (NZE 2050). The scope is limited to loans and advances, debt securities and equity instruments to non-financial corporations in the banking book.

Aareal Bank holds no exposures to corporates operating in the sectors listed in lines 1 to 8 as set out in Implementing Regulation (EU) 2022/2453. Due to its business model, the commercial property financing sector is pivotal. It is represented by NACE sectors F, G, I, and L, with NACE sector L (division 68 according to the statistical classification of economic activities in the European Community – NACE Rev. 2) being particularly significant, as it accounts for approximately 95 % of the gross carrying amount of the aforementioned NACE sectors.

ESG table 3: Indicators of potential climate change transition risk: Alignment metrics

		b	c	d	e	f	g
		NACE sectors	Portfolio gross carrying amount	Alignment metric	Year of reference	Distance to IEA NZE2050*	Target (year of reference + 3 years)
			€ mn	kg CO_2/m²		%	kg CO_2/m²
9	Commercial property financing	68	30,243	57.04	2023	164.67	57.04

The Bank is currently developing a transition plan by setting a decarbonisation pathway and the respective targets for its portfolio. This process is expected to be completed by the second half of 2025. The information on the alignment metrics, the distance to the IEA decarbonisation pathway for 2030 (column f) and the 2026 target (column g) are therefore only provisional figures and may change in future Regulatory Disclosure Reports.

The commercial property finance market deems the ratio of carbon emissions to square metres (CO_2/m²) to be a suitable alignment metric for commercial property finance. This ratio has also established general acceptance within the industry itself. Aareal Bank chose the Carbon Risk Real Estate Monitor (CCREM) – instead of the IEA NZE 2050 decarbonisation pathway – for the commercial property financing portfolio because it offers a more granular breakdown of property types and country combinations.

Aareal Bank has not yet chosen a decarbonisation pathway, meaning that we cannot set a target; however, we strive to at least maintain the current portfolio value. The Bank's target of a green loan volume of € 6 billion to € 7 billion cannot be measured in carbon emission reductions at the moment, which is why the current portfolio value is used as the 2026 target.

Table 4 below discloses exposures to counterparties that are among the top 20 carbon-intensive firms in the world. When reviewing our portfolio of loans and advances, debt securities and equity instruments, we used the currently available data from the Climate Accountability Institute's Carbon Majors Database (i.e. data from 2018 published in 2020).

The gross carrying amount disclosed in the table refers to commercial property financings extended to two special purpose entities belonging to a counterparty listed in the Carbon Major Database. However, the share of these financings in the aggregate gross carrying amount of the portfolio in question only amounts to 0.21 %.

Since the Bank refrained from performing a look-through of SPV financing structures when collecting the Taxonomy KPIs, it was unable to identify a Taxonomy-aligned building in the reporting period. As such, the two loans under consideration must be classified as not environmentally sustainable under the Taxonomy Regulation.

ESG table 4: Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)	of which: environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
	€ mn	%	€ mn		
1	89	0.21	–	2	1

Table 5 gives an overview of exposures subject to chronic and acute physical climate-related risks. Physical climate-related risks are considered to be acute if they arise as a result of extreme events, such as drought, flooding or storms. Where physical climate-related risks result from gradual changes (e.g. rising temperatures, rising sea levels, water stress, biodiversity loss, changes in the use of land, destruction of natural habitats and resource scarcity), they are classified as chronic.

For the sake of transparency, we have restricted our presentation by geographical areas impacted by physical climate-related risks resulting from climate change to a breakdown of exposures at “EU” and “non-EU” level.

Information on physical climate-related risks related to the commercial property financing portfolio is supplied by an external data provider in the form of risk scores which present vulnerabilities to natural hazards on a vulnerability scale and also supply additional information from which vulnerabilities can be derived. Information about both current and future vulnerabilities associated with the location, among other things, is taken into account when determining the risk score. The methodology used to derive the physical risk to a property is conservative in that it also takes risks into account that will not directly cause damage to a building (e.g. drought). The methodology used to derive the physical vulnerability to natural hazards will be examined this year together with the external data provider; it will then be adjusted based on the results of the review.

Column b contains the gross carrying amount of all exposures that must be considered pursuant to Annex II of Commission Implementing Regulation (EU) 2022/2453, regardless of whether they are subject to physical climate-related risks or not. By contrast, the information on maturity buckets and loss allowance disclosed in the following columns is limited to exposures that are subject to acute and/or physical climate-related risks.

While the exposures that must be disclosed by sector of economic activity are limited to non-financial corporations, the information in rows 10 and 11 also considers loans to other counterparties that are collateralised by residential and/or commercial immovable property.

ESG table 5: Indicators of potential climate change physical risks: Exposures subject to physical risk (EU)

		b	c	d	e	f	g	h	i
		Gross carrying amount							
			of which: exposures sensitive to impact from climate change physical events						
			Breakdown by maturity bucket						
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	≥ 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events
€ mn									
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	2	–	–	–	–	–	–	–
6	F – Construction	58	58	–	–	–	–	–	–
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	69	69	–	–	–	1	–	–
8	H – Transportation and storage	–	–	–	–	–	–	–	–
9	L – Real estate activities	14,564	8,970	1,332	48	24	3	422	6,963
10	Loans collateralised by residential immovable property	681	259	24	47	24	7	–	133
11	Loans collateralised by commercial immovable property	14,245	9,077	1,309	0	0	3	441	7,015
12	Repossessed collateral	151	–	–	–	151	–	–	–
13	Other relevant sectors	280	239	1	–	–	1	19	186

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€ mn		j	k	l	m	n	o
		Gross carrying amount of which: exposures sensitive to impact from climate change physical events					
		of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2	of which: non-performing	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	of which: Stage 2	of which: non-performing
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–
6	F – Construction	58	–	58	-2	–	-2
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	69	–	–	0	–	–
8	H – Transportation and storage	–	–	–	–	–	–
9	L – Real estate activities	2,989	482	124	-65	-21	-32
10	Loans collateralised by residential immovable property	220	8	4	0	0	0
11	Loans collateralised by commercial immovable property	2,932	482	179	-67	-21	-34
12	Repossessed collateral	151	–	–	–	–	–
13	Other relevant sectors	36	8	–	0	0	–

ESG table 5: Indicators of potential climate change physical risks: Exposures subject to physical risk (non-EU)

€ mn		b	c	d	e	f	g	h	i
		Gross carrying amount	of which: exposures sensitive to impact from climate change physical events						
			Breakdown by maturity bucket						
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	≥ 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–	–	–
6	F – Construction	–	–	–	–	–	–	–	–
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–	–	–
8	H – Transportation and storage	–	–	–	–	–	–	–	–
9	L – Real estate activities	14,371	9,093	187	–	–	2	1,724	959

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€ mn	b	c	d	e	f	g	h	i
	Gross carrying amount							
		of which: exposures sensitive to impact from climate change physical events						
		Breakdown by maturity bucket						
		≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	≥ 20 years	Average weighted maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events
10 Loans collateralised by residential immovable property	1,344	633	9	–	–	2	93	82
11 Loans collateralised by commercial immovable property	14,199	9,092	178	–	–	2	1,682	877
12 Repossessed collateral	355	–	–	–	355	–	–	–
13 Other relevant sectors	1,227	632	–	–	–	2	52	–

€ mn	j	k	l	m	n	o
	Gross carrying amount					
	of which: exposures sensitive to impact from climate change physical events					
				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which: exposures sensitive to impact both from chronic and acute climate change events	of which: Stage 2	of which: non-performing		of which: Stage 2	of which: non-performing
1 A – Agriculture, forestry and fishing	–	–	–	–	–	–
2 B – Mining and quarrying	–	–	–	–	–	–
3 C – Manufacturing	–	–	–	–	–	–
4 D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
5 E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–
6 F – Construction	–	–	–	–	–	–
7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–
8 H – Transportation and storage	–	–	–	–	–	–
9 L – Real estate activities	6,597	3,278	1,088	-235	-66	-164
10 Loans collateralised by residential immovable property	467	84	25	-1	0	–
11 Loans collateralised by commercial immovable property	6,711	3,259	1,063	-235	-66	-164
12 Repossessed collateral	355	–	–	-2	–	–
13 Other relevant sectors	581	65	–	-1	0	–

ESG table 6 provides an overview of the key performance indicators (KPIs) set out in Regulation (EU) 2020/852 (hereinafter referred to as the “Taxonomy Regulation”) and was calculated on the basis of ESG tables 7 and 8.

The main indicator disclosed is the Green Asset Ratio (GAR), which was determined in line with the Taxonomy Regulation and Commission Delegated Regulations (EU) 2021/2178 and (EU) 2023/2486 supplementing Regulation (EU) 2020/852. The GAR shows the Taxonomy-aligned assets as a proportion of total assets relevant for the GAR. In accordance with Article 1 No. 2 of Commission Delegated Regulation (EU) 2021/2178 and, in addition, in accordance with Regulation (EU) 2023/2486, economic activities are considered to be Taxonomy-aligned if they meet the requirements set out in Article 3 of the Taxonomy Regulation.

Aareal Bank AG's business activities are largely classified as Taxonomy non-eligible or Taxonomy non-aligned. This is due to the large proportion of Aareal Bank Group activities in non-EU countries and exposures to non-NFRD/non-CSRD companies, which result in a lower GAR compared to other banking groups that are solely active in EU countries and have a large proportion of private housing exposures in their portfolios.

While Article 8 of the Taxonomy Regulation stipulates disclosure of a turnover-based GAR and a CapEx-based GAR, ESG tables 6, 7 and 8 as set out in Commission Implementing Regulation (EU) 2022/2453 only require disclosure of the GAR using turnover-based Taxonomy information ("turnover GAR" KPI).

The data used to screen for Taxonomy eligibility and Taxonomy alignment was based on the last non-financial reports published by counterparties and on properties that were analysed at individual transaction level, and building-specific information such as the year of construction, energy performance certificates, expert opinions and physical risk analyses. In the reporting period, Aareal Bank AG's assets identified as Taxonomy-aligned result from debt securities to non-financial companies.

High client requirements regarding the structuring of cross-portfolio and cross-border financing transactions mean that the majority of Aareal Bank's economic activities is attributable to what is referred to as SPV financing and as such to clients whose size, structure and/or legal form exempt them from the obligation to prepare a non-financial statement within the meaning of the Non-Financial Reporting Directive (NFRD). Section 1.1.2 of Annex V to Commission Delegated Regulation (EU) 2021/2178 excludes exposures to business partners that are not obliged to publish non-financial information in accordance with the NFRD from the coverage of the GAR. As such, traditional SPV financing is not included in the GAR numerator.

The following assumptions were made when determining the GAR:

- Exposures to local governments were classified as "Taxonomy non-eligible", since none of the loans are dedicated to public housing financing or other Taxonomy-eligible specialised lending.

- Aareal Bank did not perform a look-through of non-NFRD companies (i) because the legal term "portfolios of investments and assets" is vague and (ii) because Article 7 (3) of Commission Delegated Regulation (EU) 2021/2178 sets out the contradictory requirement of excluding "exposures to undertakings that are not obliged to publish non-financial information" (non-NFRD companies) from the numerator.

- Exposures lacking sufficient information to determine their Taxonomy eligibility were disclosed as "Taxonomy non-eligible".

- To analyse exposures for the "GAR flow" KPI, the Bank focused on the start date of the exposure in the reporting period, for the sake of simplicity only including exposures recognised in the statement of financial position as at the end of the reporting period. In other words, Aareal Bank only analysed exposures that were "newly" entered into during the financial year 2023.

- In terms of derivatives, Aareal Bank differentiated between trading and non-trading derivatives in accordance with the Taxonomy Regulation. The Bank generally does not hold any derivatives for trading or in the regulatory trading book pursuant to Article 104 of the CRR (e.g. realisation of gains, short-term holding period, etc.). However, under IFRS 9 and the Financial Reporting framework (FinRep), derivatives that are not in a designated hedging relationship must be classified and disclosed as "held for trading".

- Exposures to households comprise financing for residential immovable properties. Aareal Bank AG classifies this portfolio as discontinued business and is of the opinion that capturing the necessary information to assess Taxonomy alignment at individual transaction level would require unreasonable effort. In this context and given the small size of this sub-portfolio when compared to the Bank's commercial property financing portfolio, Aareal Bank refrains from carrying out an assessment at individual transaction level.

- Where the purpose of the financings was unknown, the GAR numerator included the published Taxonomy KPIs (based on turnover) for the identified NFRD companies. Where NFRD companies only disclosed turnover-related information, only this information was used to calculate the turnover GAR.

ESG table 6: Summary of key performance indicators (KPIs) on Taxonomy-aligned exposures

	Key performance indicators (KPIs)			
	Climate change mitigation	Climate change adaptation	Total (climate change mitigation and climate change adaptation)	% coverage (over total assets)
%				
GAR stock	0.11	0.00	0.11	5.93
GAR flow	0.32	0.00	0.32	15.17

ESG table 7 discloses the gross carrying amount of the loans and advances, debt securities and equity instruments that were used for the GAR calculation in ESG table 6, broken down by counterparty type. The transitional activities considered in columns e and o generally comprise economic activities that make a substantial contribution to climate change mitigation pursuant to Article 10 of the Taxonomy Regulation. Enabling activities are specified in Article 16 of the Taxonomy Regulation and comprise economic activities that enable other economic activities to make a substantial contribution to climate change mitigation. Environmentally sustainable exposures contributing substantially to climate change adaptation to be disclosed in columns j and o are currently irrelevant for Aareal Bank since the Bank allocated all financed economic activities to the "climate change mitigation" environmental objective – as already described for ESG table 6.

The Bank did not hold any environmentally sustainable specialised lending exposures pursuant to Article 147 (8) of the CRR in its portfolio as at the reporting date.

ESG table 7: Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount	Climate change mitigation (CCM)					Climate change adaptation (CCA)					Total (CCM + CCA)				
			of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)						of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)				of which: towards Taxonomy-relevant sectors (Taxonomy-eligible				
				of which: environmentally sustainable (Taxonomy-aligned)						of which: environmentally sustainable (Taxonomy-aligned)				of which: environmentally sustainable (Taxonomy-aligned)			
					of which: specialised lending	of which: transitional	of which: enabling				of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional / adaptation	of which: enabling
€ mn																	
	GAR – Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	2,219	764	41	–	3	2	0	0	–	–	–	765	41	–	3	2
2	**Financial corporations**	**2,040**	**584**	**41**	**–**	**3**	**2**	**0**	**0**	**–**	**–**	**–**	**585**	**41**	**–**	**3**	**2**
3	Credit institutions	1,984	571	41	–	3	2	0	0	–	–	–	572	41	–	3	2
4	Loans and advances	30	6	0	–	0	0	0	–	–	–	–	6	0	–	0	0
5	Debt securities, including UoP	1,954	565	41	–	3	2	0	0	–	–	–	565	41	–	3	2
6	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
7	Other financial corporations	55	13	0	–	0	0	0	0	–	–	–	13	0	–	0	0
8	of which: investment firms	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
12	of which: management companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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€ mn		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount	Climate change mitigation (CCM)					Climate change adaptation (CCA)					Total (CCM + CCA)				
			of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)					of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)					of which: towards Taxonomy-relevant sectors (Taxonomy-eligible				
				of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
					of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/adaptation	of which: enabling
14	Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
16	of which: insurance undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18	Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**38**	**38**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38**	**0**	**–**	**–**	**–**
21	Loans and advances	38	38	0	–	–	–	–	–	–	–	–	38	0	–	–	–
22	Debt securities, including UoP	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
23	Equity instruments	–	–	–		–	–	–	–		–	–	–	–		–	–
24	**Households**	**142**	**142**	**–**	**–**	**–**	**–**						**142**	**–**	**–**	**–**	**–**
25	of which: loans collateralised by residential immovable property	142	142	–	–	–	–						142	–	–	–	–
26	of which: building renovation loans	–	–	–	–	–	–						–	–	–	–	–
27	of which: motor vehicle loans	–	–	–	–	–	–						–	–	–	–	–
28	**Local governments financing**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
29	Housing financing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
30	Other local governments financing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**508**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
32	**Total GAR assets**	**2,727**	**764**	**41**	**–**	**3**	**2**	**0**	**0**	**–**	**–**	**–**	**765**	**41**	**–**	**3**	**2**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**16,065**															
34	Loans and advances	16,019															
35	Debt securities	–															
36	Equity instruments	46															
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**14,547**															
38	Loans and advances	14,539															
39	Debt securities	–															
40	Equity instruments	8															
41	Derivatives	769															
42	On demand interbank loans	1,707															
43	Cash and cash-related assets	0															

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount	Climate change mitigation (CCM)					Climate change adaptation (CCA)					Total (CCM + CCA)				
		of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)					of which: towards Taxonomy-relevant sectors (Taxonomy-eligible)					of which: towards Taxonomy-relevant sectors (Taxonomy-eligible				
			of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)					of which: environmentally sustainable (Taxonomy-aligned)			
				of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling
€ mn																
44 Other assets (e.g. goodwill, commodities, etc.)	3,380															
45 Total assets in the denominator (GAR)	**39,196**															
Other assets excluded from both the numerator and the denominator for GAR calculation																
46 Sovereigns	4,368															
47 Central banks exposures	1,674															
48 Trading book	723															
49 Total assets excluded from numerator and denominator	**6,764**															
50 Total assets	**45,960**															

Table 8 below discloses the GAR calculated in accordance with the Taxonomy Regulation and Commission Delegated Regulations (EU) 2021/2178 and (EU) 2023/2486 supplementing Regulation (EU) 2020/852 on the basis of the information provided in ESG table 7. While the data provided in columns a to p relates to the proportion of existing eligible assets funding Taxonomy-relevant sectors, columns q to af focus on new eligible assets funding Taxonomy-relevant sectors.

ESG table 8: GAR (%)

	a	b	c	d	e	f	g	h	i	j
	Key performance indicators (KPIs) on stock									
	Climate change mitigation (CCM)					Climate change adaptation (CCA)				
	Proportion of eligible assets funding Taxonomy-relevant sectors					Proportion of eligible assets funding Taxonomy-relevant sectors				
		of which: environmentally sustainable					of which: environmentally sustainable			
			of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling
%*										
1 GAR	**1.95**	**0.11**	**–**	**0.01**	**0.00**	**0.00**	**0.00**	**–**	**–**	**–**
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	1.95	0.11	–	0.01	0.00	0.00	0.00	–	–	–
3 Financial corporations	1.49	0.11	–	0.01	0.00	0.00	0.00	–	–	–
4 Credit institutions	1.46	0.10	–	0.01	0.00	0.00	0.00	–	–	–
5 Other financial corporations	0.03	0.00	–	0.00	0.00	0.00	0.00	–	–	–
6 of which: investment firms	–	–	–	–	–	–	–	–	–	–
7 of which: management companies	–	–	–	–	–	–	–	–	–	–
8 of which: insurance undertakings	–	–	–	–	–	–	–	–	–	–
9 Non-financial corporations subject to NFRD disclosure obligations	0.10	0.00	–	–	–	–	–	–	–	–
10 Households	0.36	–	–	–	–					

* compared to total assets covered in the denominator

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		a	b	c	d	e	f	g	h	i	j
		Key performance indicators (KPIs) on stock									
		Climate change mitigation (CCM)					Climate change adaptation (CCA)				
		Proportion of eligible assets funding Taxonomy-relevant sectors					Proportion of eligible assets funding Taxonomy-relevant sectors				
			of which: environmentally sustainable					of which: environmentally sustainable			
				of which: specialised lending	of which: transitional	of which: enabling			of which: specialised lending	of which: adaptation	of which: enabling
%*											
11	of which: loans collateralised by residential immovable property	0.36	–	–	–	–					
12	of which: building renovation loans	–	–	–	–	–					
13	of which: motor vehicle loans	–	–	–	–	–					
14	Local governments financing	–	–	–	–	–					
15	Housing financing	–	–	–	–	–					
16	Other local governments financing	–	–	–	–	–	–	–	–	–	–
17	Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–					

* compared to total assets covered in the denominator

		k	l	m	n	o	p	q	r	s	t	u
		Key performance indicators (KPIs) on stock						Key performance indicators (KPIs) on flows				
		Total (CCM + CCA)						Climate change mitigation (CCM)				
		Proportion of eligible assets funding Taxonomy-relevant sectors					Proportion of total assets covered	Proportion of new eligible assets funding Taxonomy-relevant sectors				
			of which: environmentally sustainable						of which: environmentally sustainable			
				of which: specialised lending	of which: transitional/ adaptation	of which: enabling				of which: specialised lending	of which: transitional	of which: enabling
%*												
1	**GAR**	**1.95**	**0.11**	**–**	**0.01**	**0.00**	**5.93**	**6.20**	**0.32**	**–**	**0.01**	**0.01**
2	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	1.95	0.11	–	0.01	0.00	4.83	4.09	0.32	–	0.01	0.01
3	Financial corporations	1.49	0.11	–	0.01	0.00	4.44	4.09	0.32	–	0.01	0.01
4	Credit institutions	1.46	0.10	–	0.01	0.00	4.32	4.09	0.32	–	0.01	0.01
5	Other financial corporations	0.03	0.00	–	0.00	0.00	0.12	–	–	–	–	–
6	of which: investment firms	–	–	–	–	–	–	–	–	–	–	–
7	of which: management companies	–	–	–	–	–	–	–	–	–	–	–
8	of which: insurance undertakings	–	–	–	–	–	–	–	–	–	–	–
9	Non-financial corporations subject to NFRD disclosure obligations	0.10	0.00	–	–	–	0.08	0.00	0.00	–	–	–
10	Households	0.36	–	–	–	–	0.31	–	–	–	–	–
11	of which: loans collateralised by residential immovable property	0.36	–	–	–	–	0.31	–	–	–	–	–
12	of which: building renovation loans	–	–	–	–	–	–	–	–	–	–	–
13	of which: motor vehicle loans	–	–	–	–	–	–	–	–	–	–	–
14	Local governments financing	–	–	–	–	–	–	–	–	–	–	–
15	Housing financing	–	–	–	–	–	–	–	–	–	–	–
16	Other local governments financing	–	–	–	–	–	–	–	–	–	–	–
17	Collateral obtained by taking possession: residential and commercial immovable properties	–	–	–	–	–	1.10	2.11	–	–	–	–

* compared to total assets covered in the denominator

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		v	w	x	y	z	aa	ab	ac	ad	ae	af
		Key performance indicators (KPIs) on flows										
		Climate change adaptation (CCA)					Total (CCM + CCA)					
		Proportion of new eligible assets funding Taxonomy-relevant sectors					Proportion of new eligible assets funding Taxonomy-relevant sectors					Proportion of total new assets covered
			which: environmentally sustainable					which: environmentally sustainable				
%*				of which: specialised lending	of which: adaptation	of which: enabling			of which: specialised lending	of which: transitional/ adaptation	of which: enabling	
1	**GAR**	**0.00**	**0.00**	**–**	**–**	**–**	**6.20**	**0.32**	**–**	**0.01**	**0.01**	**15.17**
2	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	0.00	0.00	–	–	–	4.09	0.32	–	0.01	0.01	13.17
3	Financial corporations	0.00	0.00	–	–	–	4.09	0.32	–	0.01	0.01	13.17
4	Credit institutions	0.00	0.00	–	–	–	4.09	0.32	–	0.01	0.01	13.17
5	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–
6	of which: investment firms	–	–	–	–	–	–	–	–	–	–	–
7	of which: management companies	–	–	–	–	–	–	–	–	–	–	–
8	of which: insurance undertakings	–	–	–	–	–	–	–	–	–	–	–
9	Non-financial corporations subject to NFRD disclosure obligations	–	–	–	–	–	0.00	0.00	–	–	–	0.00
10	Households						–	–	–	–	–	–
11	of which: loans collateralised by residential immovable property						–	–	–	–	–	–
12	of which: building renovation loans						–	–	–	–	–	–
13	of which: motor vehicle loans						–	–	–	–	–	–
14	Local governments financing						–	–	–	–	–	–
15	Housing financing						–	–	–	–	–	–
16	Other local governments financing	–	–	–	–	–	–	–	–	–	–	–
17	Collateral obtained by taking possession: residential and commercial immovable properties						2.11	–	–	–	–	2.00

* compared to total assets covered in the denominator

Table 10 below looks at loans and advances held as assets that do not qualify as environmentally sustainable pursuant to Article 3 of the Taxonomy Regulation and are therefore not Taxonomy-aligned, but that support the transition to a lower-carbon and more sustainable economy within the meaning of the "climate change mitigation" and "climate change adaptation" environmental objectives.

Given poor data availability and the staggered timing of disclosure obligations in accordance with Article 10 of Commission Delegated Regulation (EU) 2021/2178, the number of Taxonomy-aligned investment products available on the market is still rather low. As a result, we refrained from performing a look-through of the green bond frameworks when reviewing Taxonomy alignment, assuming that the green bonds in the portfolio cannot be classified as Taxonomy-aligned exposures. We use Bank-specific criteria to classify green products and have integrated ESG principles into the investment standards applicable to our securities portfolio, including social criteria such as freedom of the press and the Corruption Index.

The issuance proceeds for green bonds are used to finance different eligible projects in line with the review of the issuers' green bond frameworks. Examples in this context include financings in the realms of renewable energy, sustainable buildings and low-carbon transport infrastructure. These actions primarily mitigate transition risks, but also climate change physical risks.

We have defined environmental sustainability criteria for commercial property based on our valuation expertise, our many years of experience, our property market knowledge, and existing market standards. These form the basis for our Green Finance Framework – Lending. Qualification criteria for green loans include the existence of certain high-quality building certificates, as well as compliance with minimum energy efficiency requirements and with the requirements for Taxonomy-aligned buildings. This definition was developed together with Aareal Bank AG experts with the goal of applying it to financings around the world. Sustainalytics GmbH reviewed the developed framework within a second-party opinion as to the ambition, market conformity and suitability of the qualification criteria, rating the framework as "credible and impactful". This independently certified model serves as the basis for extending green loans and thus successively aligns the Bank's credit portfolio with sustainable criteria.

Aareal Bank AG defines loans as green if they are used to finance environmentally sustainable and/or sustainably operated properties. This includes loans for building stock, refurbished buildings and new builds, as well as loans for modernisation/refurbishment measures (including renovations/refurbishments or ADC financing) that will allow buildings to reach the Bank-specific green building standards or increase their energy efficiency to a defined minimum level. As such, green loans are aimed at reducing the climate change transition risk.

The gross carrying amounts of loans for which not all commercial properties serving as collateral meet the green loan qualification criteria (known as "partial green loans") are included in the table in proportion to the mortgage lending values or market values of the green properties.

ESG table 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

		b	c	d	e
		Type of counterparty	Gross carrying amount	Type of risk mitigated	
				Climate change transition risk	Climate change physical risk
€ mn					
1	Bonds	Financial corporations	376	X	X
2		Non-financial corporations	–		
3		of which: loans collateralised by commercial immovable property	–		
4		Other counterparties	151	X	X
5	Loans	Financial corporations	136	X	
6		Non-financial corporations	5,654	X	
7		of which: loans collateralised by commercial immovable property	5,479	X	
8		Households	–		
9		of which: loans collateralised by residential immovable property	–		
10		of which: building renovation loans	–		
11		Other counterparties	–		

Counterparty Credit Risk

The counterparty credit risk results from derivatives and securities financing transactions, the risk being that the transaction's counterparty defaults – in which case the transaction cannot be settled as intended.

Derivatives are defined for regulatory purposes as "…unconditional forward transactions or option contracts (including financial contracts for differences) that are structured as a purchase, exchange or other acquisition of an underlying instrument, whose value is determined by reference to the underlying instrument and whose value may change in future for at least one counterparty due to future settlement" (section 19 (1a) of the KWG).

The derivatives positions have substantially been entered into in order to hedge interest rate and currency risk exposure, and for funding purposes.

For the purpose of regulatory reporting, the equivalent value of derivatives and the related counterparty credit risk are determined according to the standardised approach for measuring counterparty credit risk (SA-CCR) (Article 274 et seqq. of the CRR). For this reason, disclosure of table EU CCR7 (RWA flow statements of credit risk exposures, the counterparty credit risks of which are measured taking the internal model method into consideration) is not required.

Similarly, as Aareal Bank AG currently does not hold any credit derivatives, disclosure of the information under Article 439 lit. j) of the CRR in table EU CCR6 is not required either.

Aareal Bank AG enters into repo transactions both on a bilateral basis and via Eurex Clearing AG as a central counterparty. For repo transactions, depending on the counterparty, payment or delivery netting is agreed upon on a single transaction level. Master agreements for repo transactions generally contain provisions on close-out netting. Aareal Bank AG does not use the option permitted by regulatory authorities to reduce capital requirements for repo transactions.

Pursuant to Article 439 of the CRR, institutions shall disclose details on the methods of calculating the exposure value, and on the methods to include financial collateral for securities financing transactions (SFTs), as set out in table EU CCR1. However, this excludes trades concluded with a central counterparty (CCP) or CCP-related transactions, as well as capital requirements for credit valuation adjustment (CVA). These transactions are analysed in the following tables.

EU CCR1: Analysis of CCR exposures by approach

		a	b	c	d	e	f	g	h
€ mn		Replacement cost	Potential future exposure	Effective expected positive exposure (EEPE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
EU-1	EU – Original exposure method (for derivatives)	–	–		1.4	–	–	–	–
EU-2	EU – Simplified SA-CCR (for derivatives)	–	–		1.4	–	–	–	–
1	SA-CCR (for derivatives)	25	226		1.4	1,053	351	351	239
2	IMM (for derivatives and SFTs)			–	1.4	–	–	–	–
2a	of which: securities financing transactions netting sets			–		–	–	–	–
2b	of which: derivatives and long settlement transactions netting sets			–		–	–	–	–
2c	of which: from contractual cross-product netting sets			–		–	–	–	–
3	Financial collateral simple method (for SFTs)					–	–	–	–
4	Financial collateral comprehensive method (for SFTs)					232	27	27	14
5	VaR for SFTs					–	–	–	–
6	**Total**					**1,285**	**379**	**379**	**253**

The following table, EU CCR2, gives an overview of the credit valuation adjustment (CVA) calculations, resulting in additional capital requirements aimed at absorbing the risk of a negative change in the market value of OTC derivatives in case of a decline in the counterparty's credit quality. Atlantic Group uses the standard method pursuant to Article 384 of the CRR for calculating the CVA charge.

EU CCR2: Transactions subject to own funds requirements for CVA risk

€ mn		a EAD	b RWAs
1	Transactions subject to the advanced method	–	–
2	i) VaR component (including the 3x multiplier)		–
3	ii) Stressed VaR component (sVaR, including the 3x multiplier)		–
4	Transactions subject to the standardised method	305	113
EU-4	Transactions subject to the alternative approach (based on the original exposure method)	–	–
5	**Total transactions subject to own funds requirements for CVA risk**	**305**	**113**

Table EU CCR8 discloses the exposure value and risk-weighted exposure (RWA) for exposures to central counterparties. As at the reporting date, Eurex Clearing AG (in short: Eurex) and LCH Limited (which are both qualified counterparties) acted as central counterparties to Aareal Bank. In accordance with Article 306 (2) of the CRR, for the purpose of solvency reporting, an exposure value of zero is assigned to initial margin pledged to Eurex and LCH Limited.

EU CCR8: Exposures to CCPs

€ mn		a EAD	b RWAs
1	**Exposures to QCCPs (total)**		**3**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	123	0
3	(i) OTC derivatives	10	0
4	ii) Exchange-traded derivatives	–	–
5	iii) SFTs	114	0
6	iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	37	
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	14	3
10	Unfunded default fund contributions	–	–
11	**Exposures to non-QCCPs (total)**		**3**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	6	3
13	(i) OTC derivatives	6	3
14	ii) Exchange-traded derivatives	–	–
15	iii) SFTs	–	–
16	iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

Table EU CCR3 discloses the exposure amount after mitigating credit risk of all counterparty credit risk exposures to which the CRSA is applied, by analogy with table EU CR5 for each exposure class, and broken down according to risk weight pursuant to Article 114 et seqq. of the CRR.

EU CCR3: Credit Risk Standard Approach – CCR exposures by regulatory exposure class and risk weights

Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Other	Total
€ mn													
1	Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	–
2	Regional governments or local authorities	–	–	–	–	–	–	–	–	–	–	–	–
3	Public-sector entities	–	–	–	–	–	–	–	–	–	–	–	–
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	–	13	–	–	81	245	–	–	–	–	–	338
7	Corporates	–	–	–	–	–	6	–	–	–	–	–	6
8	Retail	–	–	–	–	–	–	–	–	–	–	–	–
9	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures	–	–	–	–	–	–	–	–	–	–	–	–
11	Total	–	13	–	–	81	251	–	–	–	–	–	345

The following table EU CCR4 shows the derivative exposures treated in AIRBA – by analogy with the table EU CR6 within clearly-defined PD classes. The IRBA exposures classified as specialised lending as at the reporting date do not comprise any derivative exposures.

Certain derivatives fulfil the conditions set out in Article 274 (5) of the CRR; as a result, they are shown with a zero risk exposure value.

The derivatives held by Aareal Bank, and entered into with internally rated property clients whose share in EaD after mitigating the credit risk of the entire AIRBA client portfolio is below 1 %, are mainly used to hedge interest rate and currency risks. As the available collateral is fully considered within the scope of determining the LGD of the respective property financing, a default LGD of 90 % is used for calculating the expected loss.

EU CCR4: IRB approach – CCR exposures by exposure class and PD scale

Exposure class	PD scale	a	b	c	d	e	f	g
		Exposure value	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
		€ mn	%		%	Years	€ mn	%
Corporates – SMEs	0.00 to < 0.15	–	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–	–
	0.25 to < 0.50	–	–	–	–	–	–	–
	0.50 to < 0.75	2	0.60	3	90.00	3	2	113.93
	0.75 to < 2.50	20	1.29	13	90.00	2	29	142.54
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.0 (Default)	–	–	–	–	–	–	–
	Subtotal	**22**	**1.24**	**16**	**90.00**	**2**	**31**	**140.57**

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Exposure class	PD scale	a Exposure value	b Average PD	c Number of obligors	d Average LGD	e Average maturity	f RWAs	g RWA density
		€ mn	%		%	Years	€ mn	%
Corporates – Others	0.00 to < 0.15	–	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–	–
	0.25 to < 0.50	–	–	–	–	–	–	–
	0.50 to < 0.75	5	0.60	5	90.00	3	9	174.46
	0.75 to < 2.50	26	1.96	5	90.00	4	74	288.61
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.0 (Default)	–	–	–	–	–	–	–
	Subtotal	**31**	**1.73**	**10**	**90.00**	**4**	**84**	**269.22**
	Total	53	1.53	26	90.00	3	115	215.91

Pursuant to Article 439 lit. e) of the CRR, Aareal Bank is obliged to disclose information on collateral received or posted in table EU CCR5. For this purpose, this collateral must be broken down by type of financial instrument, and by segregated and non-segregated collateral. Collateral is deemed to be segregated if client assets are bankruptcy-remote as defined in Article 300 no. 1 of the CRR.

EU CCR5: Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
€ mn									
1	Cash – domestic currency	–	85	0	1,389	–	–	–	–
2	Cash – other currencies	44	100	8	–	–	–	–	–
3	Domestic sovereign debt	–	–	–	–	–	–	–	–
4	Other sovereign debt	–	–	3	–	–	–	–	–
5	Government agency debt	–	–	69	–	–	–	–	102
6	Corporate bonds	–	–	–	–	–	–	–	–
7	Equity securities	–	–	–	–	–	–	–	–
8	Other collateral	–	–	–	–	–	–	–	244
9	Total	44	184	81	1,389	–	–	–	346

As we currently do not hold any credit derivatives, disclosure of the information required under Article 439 lit. j) of the CRR in table EU CCR6 is not included.

Liquidity Risk

Liquidity risk in the narrower sense is defined as the risk that payment obligations cannot be met in full or on time. Liquidity risk management within Aareal Bank Group ensures that sufficient cash and cash equivalents are held to honour any payment obligations at any future point in time. The risk management processes have been designed to cover not only the liquidity risk in the narrower sense (insolvency risk), but also market liquidity risk and refinancing risk, including cost risk which is measured and limited accordingly as a component of the IRRBB.

As a significant subsidiary of Atlantic Group, Aareal Bank AG is not exempt from meeting liquidity requirements on a stand-alone basis under Article 8 of the CRR, and is obliged to disclose its liquidity requirements at single-entity level.

The statements below comprise information to be disclosed on the Liquidity Coverage Ratio (LCR) and on the Net Stable Funding Ratio (NSFR) in accordance with Article 451a (2) and (3) of the CRR.

Liquidity Coverage Ratio

The LCR helps to measure whether the liquidity buffer of an institution is high enough. Pursuant to Article 412 (1) of the CRR, the Liquidity Coverage Ratio is calculated as the ratio of the liquidity buffer relative to net outflows during a stress phase of 30 calendar days. The LCR must amount to at least 100%.

The calculation of the LCR is based on the market values of liquid assets and cash flows from all asset and liability items.

The following table is based on the requirements set out in Annex XIV of Commission Implementing Regulation (EU) 2021/637 on the disclosure of the Liquidity Coverage Ratio. Quantitative details are disclosed using the weighted and unweighted average values of the last 12 reporting days of the respective quarter.

The table EU LIQ1 contains all positions that Aareal Bank, as managing entity of Atlantic Group, deems relevant for its liquidity profile.

EU LIQ1: Quantitative information on LCR (Atlantic Group)

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
EU 1a	Quarter ending on	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
EU 1b	Number of data points used in the calculation of averages	12	10	7	4	12	10	7	4
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					7,383	7,344	7,084	7,198
	Cash outflows								
2	**Retail deposits and deposits from small business customers, of which:**	**6,481**	**6,432**	**6,414**	**6,358**	**334**	**331**	**330**	**327**
3	Stable deposits	6,238	6,194	6,178	6,129	312	310	309	306
4	Unsecured wholesale funding	208	204	202	197	22	21	21	21
5	**Less stable deposits**	**7,081**	**7,157**	**7,151**	**6,985**	**2,929**	**2,957**	**2,883**	**2,855**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,247	3,168	3,140	3,046	760	742	737	716
7	Non-operational deposits (all counterparties)	3,581	3,756	3,871	3,763	1,916	1,981	2,005	1,963
8	Unsecured debt	253	233	141	176	253	233	141	176
9	**Secured wholesale funding**					**51**	**54**	**57**	**66**

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Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
10	**Additional requirements**	**1,930**	**1,945**	**1,874**	**1,798**	**892**	**918**	**840**	**860**
11	Outflows related to derivative exposures and other collateral requirements	683	687	673	658	662	666	651	648
12	Outflows related to loss of funding on debt products	96	118	48	68	96	118	48	68
13	Credit and liquidity facilities	1,151	1,140	1,153	1,072	135	135	141	144
14	**Other contractual funding obligations**	**177**	**167**	**192**	**158**	**154**	**144**	**168**	**134**
15	**Other contingent funding obligations**	**899**	**986**	**1,066**	**1,480**	**77**	**85**	**92**	**132**
16	**Total cash outflows**					**4,436**	**4,489**	**4,369**	**4,375**
	Cash inflows								
17	Secured lending (e.g. reverse repos)	127	153	218	–	9	11	15	–
18	Inflows from fully performing exposures	1,021	884	963	949	716	640	684	700
19	Other cash inflows	152	166	190	177	152	166	190	177
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
EU-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**Total cash inflows**	**1,300**	**1,202**	**1,371**	**1,127**	**877**	**816**	**889**	**877**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75% cap	1,300	1,202	1,371	1,127	877	816	889	877
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,383**	**7,344**	**7,084**	**7,198**
22	**Total net cash outflows**					**3,559**	**3,673**	**3,480**	**3,497**
23	**Liquidity Coverage Ratio (%)**					**210.61**	**200.78**	**203.73**	**206.11**

EU LIQ1: Quantitative information on LCR (Aareal Bank AG)

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ m									
EU 1a	Quarter ending on	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
EU 1b	Number of data points used in the calculation of averages	12	12	9	6	12	12	9	6
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					7,383	7,564	8,024	8,535
	Cash outflows								
2	**Retail deposits and deposits from small business customers, of which:**	**6,481**	**6,398**	**6,308**	**6,213**	**334**	**329**	**326**	**322**
3	Stable deposits	6,238	6,160	6,059	5,940	312	308	303	297
4	Unsecured wholesale funding	208	205	220	246	22	21	23	25

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Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
5	**Less stable deposits**	**7,539**	**7,609**	**7,683**	**8,129**	**3,360**	**3,381**	**3,400**	**3,659**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,247	3,190	3,325	3,657	760	748	784	868
7	Non-operational deposits (all counterparties)	4,040	4,187	4,158	4,185	2,347	2,401	2,415	2,504
8	Unsecured debt	252	232	200	287	252	232	201	287
9	**Secured wholesale funding**					**51**	**53**	**48**	**43**
10	**Additional requirements**	**1,970**	**1,913**	**1,892**	**1,867**	**1,051**	**998**	**991**	**1,018**
11	Outflows related to derivative exposures and other collateral requirements	686	712	733	734	663	671	670	659
12	Outflows related to loss of funding on debt products	96	117	125	145	96	117	125	145
13	Credit and liquidity facilities	1,188	1,084	1,034	988	292	209	197	213
14	**Other contractual funding obligations**	**169**	**151**	**150**	**114**	**154**	**134**	**131**	**94**
15	**Other contingent funding obligations**	**880**	**1,056**	**1,085**	**1,133**	**75**	**101**	**106**	**110**
16	**Total cash outflows**					**5,024**	**4,996**	**4,892**	**4,853**
	Cash inflows								
17	Secured lending (e.g. reverse repos)	127	127	127	105	9	9	9	22
18	Inflows from fully performing exposures	877	761	728	676	608	544	518	477
19	Other cash inflows	150	155	149	119	150	155	149	119
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
EU-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**Total cash inflows**	**1,154**	**1,043**	**1,004**	**901**	**766**	**707**	**676**	**618**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75% cap	1,154	1,043	1,004	901	766	707	676	618
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,383**	**7,564**	**8,024**	**8,535**
22	**Total net cash outflows**					**4,257**	**4,289**	**4,326**	**4,628**
23	**Liquidity Coverage Ratio (%)**					**174.78**	**176.92**	**184.87**	**185.22**

A large portion of securities held in the Treasury portfolio serve as the Bank's liquidity reserve, both from an economic and a normative perspective. 87.4% of the Treasury portfolio fulfils the criteria for inclusion as high-quality liquid assets (HQLA); high quality and value stability play a decisive role in this respect.

The HQLA predominantly comprise the asset class "public-sector borrowers" and deposits with central banks. Key drivers impacting LCR results are largely related to changes in our asset portfolio, as well as outflows connected with housing industry business.

Evolution of Aareal Bank AG's Liquidity Coverage Ratio

Aareal Bank AG's Liquidity Coverage Ratio (LCR), as reported to the supervisory authorities, increased compared to 31 March 2024 (165.41%), reaching 172.34% as at the reporting date. This development was driven by a lower decline in net cash outflows (€ -607million) relative to the decline in high-quality liquid assets (HQLAs; € -710 million).

The HQLA decline was due in particular to significantly lower cash funds carried at amortised cost, reflecting the maturity of a securities repurchase transaction.

The main drivers of lower net cash outflows compared to the previous quarter are a smaller number of maturing bullet bond issues on the one hand, and a higher level of maturing loans on the other.

Since the disclosure of key LCR parameters is based on the weighted and unweighted averages of the past 12 reporting dates of the respective quarter, the drivers outlined above do not have the same effect upon quarter-on-quarter changes as shown in Table and EU LIQ 1.

Concentration of funding sources

In addition to the issuance of Pfandbriefe, which make up a significant share of its long-term funding, Aareal Bank uses a wide range of other refinancing tools, including senior preferred and senior non-preferred bonds, as well as other promissory notes and bonds. Depending on market conditions, the Bank places large-sized public issues or private placements. In the Banking & Digital Solutions segment, the Bank also generates deposits from the housing industry, which represent a strategically important additional source of funding. Furthermore, it has recourse to institutional money market investor deposits and to retail deposits.

Diversifying the Bank's funding profile by type of investor, and by product, represents a key aspect to Aareal Bank's approach to liquidity risk management. Besides the pure measurement of risk indicators, the concentrations of funding sources are also monitored. For this purpose, the percentage share of the ten largest counterparties and/or positions in relation to the total portfolio is determined.

A limit is set for each indicator in order to restrict the dependencies upon individual positions or counterparties.

Currency mismatches in the Liquidity Coverage Ratio

Pursuant to Article 415 (2) of the CRR, Atlantic Group and Aareal Bank AG have no significant foreign currency exposure in their portfolios. As at the reporting date of 30 June 2024, Atlantic Group's largest foreign currency portfolio in USD amounts to 2.49 % of total liabilities (Aareal Bank AG: 2.43 %). We monitor the portfolio as to the existence of significant foreign currency exposures on a regular basis.

Derivatives positions and potential hedging requests

Pursuant to Article 423 (3) of the CRR, an additional liquidity outflow is to be provided for collateral which is required due to the impact of unfavourable market conditions on derivatives and financing transactions as well as on other contracts. The aim is to consider additional outflows from collateral potentially arising in an unfavourable market environment. The additional outflow is determined as per the historical look-back approach (HLBA) both at Atlantic Group and Aareal Bank AG level. The LCR calculation for Atlantic Group includes the largest absolute collateral net flow within a period of 30 days which occurred since the Group's foundation (maximum period of 24 months; the same period is used to calculate Aareal Bank AG's LCR). As at the reporting date, the annual average of additional liquidity requirements stood at € 592 million for both Atlantic Group and Aareal Bank AG.

Net Stable Funding Ratio

As opposed to the LCR, the focus of the NSFR – to be disclosed as at the reporting date – is exclusively on holdings of assets and liabilities as well as on off-balance sheet items (contingent liabilities). The fundamental idea of the NSFR is that the repayment structure of an institution's asset and liability items should largely correspond to each other so that the institution is able to refinance less liquid asset items using the respective non-current liabilities, even under stress conditions.

To calculate the NSFR, the available stable funding (ASF) is set in relation to the required stable funding (RSF).

In addition to liquid assets, the LCR only includes items that are due within 30 days, while the NSFR comprises all of the institution's balance sheet holdings according to their remaining term. In contrast to the LCR, which is based on the market values of liquid assets and cash flows from all asset and liability items, the NSFR calculation uses the balance sheet as a reference and is therefore generally based on the carrying amounts.

In accordance with Article 451a (3) lit. a) of the CRR, the quarter-end figures shall be published for each quarter of the relevant disclosure period. As a large institution, Atlantic Group is bound to disclose its NSFR information on a semi-annual basis. Therefore, in principle, the Bank shall publish its figures for the respective current disclosure date as well as for the previous quarter.

The following table EU LIQ2 generally discloses the carrying amount as the unweighted value by residual maturity (columns a to d). However, derivatives at fair value are excluded from this. The weighted value of stable funding disclosed in column e is the product of the unweighted value and the factors defined in the CRR for individual asset and liability items.

The available stable funding items disclosed in column a ("no maturity") are either unlimited or have no maturity specifications.

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 30 June 2024

		a	b	c	d	e
		Unweighted value by residual maturity				
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	3,037	**2**	**1**	**288**	3,325
2	Own funds	3,037	2	1	225	3,262
3	Other capital instruments		–	–	63	63
4	**Retail deposits**		**6,627**	**4**	**–**	**6,288**
5	Stable deposits		6,406	4	–	6,090
6	Less stable deposits		221	–	–	199
7	**Wholesale funding**		**9,662**	**2,904**	**19,228**	**24,332**
8	Operational deposits		3,675	–	–	281
9	Other wholesale funding		5,987	2,904	19,228	24,051
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**126**	**400**	**7**	**265**	**268**
12	NSFR derivative liabilities	126				
13	All other liabilities and capital instruments not included in the above categories		400	7	265	268
14	**Total available stable funding (ASF)**					**34,214**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**449**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**21**	**77**	**14,376**	**12,303**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**3,504**	**2,180**	**11,965**	**12,704**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		387	18	286	334

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€ mn		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		3,094	2,156	10,899	12,190
21	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		8	6	607	736
22	Performing residential mortgages, of which:		23	6	580	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		11	5	485	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		–	–	200	180
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**2,220**	**3**	2,014	2,591
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	89	75
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1,525			76
31	All other assets not included in the above categories		695	3	1,925	2,440
32	**Off-balance sheet items**		**180**	**126**	**1,508**	**184**
33	**Total RSF**					**28,232**
34	**Net Stable Funding Ratio (%)**					**121.19**

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 31 March 2024

€ mn		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,905**	**1**	**4**	**301**	**3,205**
2	Own funds	2,905	1	4	241	3,146
3	Other capital instruments		–	–	60	60
4	**Retail deposits**		**6,507**	**8**	**–**	**6,178**
5	Stable deposits		6,283	8	–	5,977
6	Less stable deposits		223	–	–	201
7	**Wholesale funding**		**11,736**	**2,700**	**18,919**	**23,680**
8	Operational deposits		3,254	–	–	244
9	Other wholesale funding		8,482	2,700	18,919	23,436
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**82**	**321**	**9**	**132**	**137**
12	NSFR derivative liabilities	82				
13	All other liabilities and capital instruments not included in the above categories		321	9	132	137
14	**Total available stable funding (ASF)**					**33,200**

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		a	b	c	d	e
		Unweighted value by residual maturity				
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**418**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**46**	**824**	**14.377**	**12.959**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**3.795**	**1.119**	**12.094**	**12.401**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		534	25	195	261
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		3.246	1.090	11.146	11.943
21	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		174	5	411	671
22	Performing residential mortgages, of which:		15	4	532	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		14	4	452	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		–	–	221	198
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**2.392**	**43**	**1.719**	**2.508**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	96	81
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1.396			70
31	All other assets not included in the above categories		996	43	1.623	2.357
32	**Off-balance sheet items**		**226**	**85**	**1.633**	**146**
33	**Total RSF**					**28.433**
34	**Net Stable Funding Ratio (%)**					**116,76**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 30 June 2024

		a	b	c	d	e
		Unweighted value by residual maturity				
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,098**	**2**	**1**	**308**	**2,406**
2	Own funds	2,098	2	1	233	2,330
3	Other capital instruments		–	–	75	75
4	**Retail deposits**		**6,627**	**4**	**0**	**6,288**
5	Stable deposits		6,406	4	0	6,090
6	Less stable deposits		221	0	–	199
7	**Wholesale funding**		**10,001**	**2,940**	**23,390**	**28,538**
8	Operational deposits		3,675	–	–	281
9	Other wholesale funding		6,325	2,940	23,390	28,258
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**130**	**2,104**	**10**	**296**	**301**
12	NSFR derivative liabilities	130				
13	All other liabilities and capital instruments not included in the above categories		2,104	10	296	301
14	Total available stable funding (ASF)					37,534
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**465**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**40**	**20**	**14,353**	**12,251**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**3,179**	**2,129**	**16,580**	**17,031**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		238	17	2,893	2,926
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2,886	2,105	9,005	10,535
21	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		7	6	526	767
22	Performing residential mortgages, of which:		24	7	688	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		11	6	613	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		31	–	3,994	3,571
25	**Interdependent assets**		**–**	**–**	**–**	**–**

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€ mn		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
26	**Other assets**	**–**	**1,999**	**2**	**2,232**	**2,615**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	91	78
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1,530			76
31	All other assets not included in the above categories		469	2	2,141	2,461
32	**Off-balance sheet items**		**498**	**113**	**1,353**	**144**
33	**Total RSF**					**32,507**
34	**Net Stable Funding Ratio (%)**					**115.46**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 31 March 2024

€ mn		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,154**	**0**	**4**	**337**	**2,491**
2	Own funds	2,154	0	4	240	2,394
3	Other capital instruments		–	–	98	98
4	**Retail deposits**		**6,507**	**8**	**0**	**6,178**
5	Stable deposits		6,283	8	0	5,977
6	Less stable deposits		223	0	–	201
7	**Wholesale funding**		**12,120**	**2,768**	**22,988**	**27,822**
8	Operational deposits		3,254	–	–	244
9	Other wholesale funding		8,866	2,768	22,988	27,578
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**89**	**1,947**	**22**	**145**	**156**
12	NSFR derivative liabilities	89				
13	All other liabilities and capital instruments not included in the above categories		1,947	22	145	156
14	**Total available stable funding (ASF)**					**36,647**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**432**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**68**	**585**	**14,521**	**12,898**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**3,193**	**1,270**	**16,682**	**16,817**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–

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€ mn		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		196	26	3,181	3,214
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2,950	1,229	9,035	10,029
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		173	4	327	565
22	Performing residential mortgages, of which:		17	5	443	–
23	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		16	4	372	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		30	10	4,022	3,574
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**2,080**	**28**	**1,972**	**2,497**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	99	84
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1,403			70
31	All other assets not included in the above categories		677	28	1,873	2,344
32	**Off-balance sheet items**		**545**	**83**	**1,493**	**165**
33	**Total RSF**					**32,809**
34	**Net Stable Funding Ratio (%)**					**111.70**

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book (IRRBB) is defined as the risk exposure of instruments held in the banking book which are sensitive to changes in interest rates, caused by yield curve shifts.

Specifically, for Aareal Bank this includes:

- risks arising from maturity transformation in the event of yield curve shifts (gap risk),
- risks from cash flows which are sensitive to interest rates, in terms of spreads to the general yield curve (basis risk),
- risks from explicit and implied options (option risk), and
- risks from changes in Aareal Bank's specific funding spreads (funding risk).

Risks arising from fluctuations in the value of fund assets (fund risk) have been reclassified to be included in other market risks. Work in the context of the benchmark reform has been completed: for all currencies affected, the so-called risk-free rate of the respective currency is the reference for measuring interest rate risk.

The following table is based on the requirements set out in Article 16a of Commission Implementing Regulation (EU) 2021/637. In accordance with these requirements, present value changes and net interest income are disclosed in this table in case of a change in the yield curves for the interest rate shock scenarios presented in EBA/GL/2018/02 (Guidelines on the management of interest rate risk arising from non-trading book activities).

Table EU IRRBB1 includes information on interest rate risk in the banking book as reported by Aareal Bank Group to the German banking supervisors pursuant to section 6 (1) in conjunction with annex 13 of the German Financial and Internal Capital Adequacy Information Regulation (Finanz- und Risikotragfähigkeitsinformationenverordnung – "FinaRisikoV"), since interest-bearing activities are conducted at Aareal Bank AG.

EU IRRBB1: Interest rate risk in the banking book

		a	b	c	d
		Changes of EVE		Changes of NII	
		30 Jun 2024	31 Dec 2023	30 Jun 2024	31 Dec 2023
€ mn					
1	Parallel up	-48	-35	42	76
2	Parallel down	24	18	-41	-81
3	Steepener	6	-2		
4	Flattener	-23	-13		
5	Short rates up	-43	-32		
6	Short rates down	14	1		

The change in economic value of equity (EVE) corresponds to the present value change resulting from a change in interest rates in relation to all non-trading book positions sensitive to interest rates, assuming that these positions will expire at a later date.

Net interest income (NII) including changes in market value is an indicator that reflects changes in the income statement or equity. The earnings risk is measured based on the changes in net interest income of the next twelve months or the market values impacting the balance sheet after twelve months as a result of a parallel shift of the yield curve by 200 basis points. The behaviour of clients and competitors assumed is based on models reflecting an idealisation.

The change in EVE compared to 31 December 2023 mainly resulted from the Bank's active positioning and general market and interest rate developments. The two short-term rates shock scenarios are impacted in particular by changes in the positioning at the short end of the yield curve.

Key drivers for the scenario effects under the NII perspective are the deposits from the Bank's housing industry clients due to their relatively low interest rate sensitivity. A material part of such client deposits is generated through payments services and other offerings on Aareal Bank's platform, where interest rates are of minor importance. This is a major factor influencing interest rate sensitivity: if interest rates rise, NII rises as well, while it drops when interest rates are cut. Changes between reporting dates are due, in particular, to a regulatory development according to which no longer only potential changes in the net interest income accounting category are taken into account but all earnings effects of a changed interest rate environment. The newly-included resulting measurement effects offset the risks for current net interest income and hence reduce the net exposure.

Leverage Ratio

The Bank manages the risk of excessive leverage on a quarterly basis, within the scope of forecasting own funds. For this purpose, both Tier 1 capital and total assets are forecast for the year-end dates of the current and the two following years, after the end of each quarter. In this context, the minimum 3 % Leverage Ratio, as set out in Article 92 (1) lit. d) of the CRR, must be complied with at any time. The information is then submitted to senior management.

The Leverage Ratio to be disclosed is determined, taking into account the regulatory scope of consolidation, based on the requirements set out in the CRR.

The following disclosure tables are based on the requirements set out in the Implementing Regulation (EU) 2021/637 dated 15 March 2021.

EU LR1: Summary reconciliation of accounting assets and leverage ratio exposures

€ mn		a Applicable amount
1	**Total assets as per published financial statements**	**46,407**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-863
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
4	Adjustment for temporary exemption of exposures to central banks (if applicable)	–
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with Article 429a (1) lit. i) of the CRR	–
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustments for derivative financial instruments	-809
9	Adjustment for securities financing transactions (SFTs)	18
10	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	560
11	Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	–
EU-11a	Adjustment for exposures exempted from the total exposure measure in accordance with Article 429a (1) lit. c) of the CRR	–
EU-11b	Adjustment for exposures exempted from the total exposure measure in accordance with Article 429a (1) lit. j) of the CRR	–
12	Other adjustments	-1,160
13	**Total exposure measure**	**44,152**

EU LR2: Leverage Ratio common disclosure

€ mn		CRR leverage ratio exposures 30 Jun 2024	 31 Dec 2023
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	44,561	43,415
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-1,372	-1,255
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
5	(General credit risk adjustments to on-balance sheet items)	–	–
6	(Asset amounts deducted in determining Tier 1 capital)	-77	-77
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**43,112**	**42,084**
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions under SA-CCR (i. e. net of eligible cash variation margin)	40	86
EU-8a	Derogation for derivatives: Replacement costs contributions under the simplified standardised approach	–	–
9	Add-on amounts for potential future exposure value associated with SA-CCR derivatives transactions	423	449
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	–	–
EU-9b	Exposure determined under Original Exposure Method	–	–
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	–
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	–	–
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	–	–
11	Adjusted effective notional amount of written credit derivatives	–	–
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
13	**Total derivatives exposures**	**463**	**534**

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€ mn		CRR leverage ratio exposures 30 Jun 2024	CRR leverage ratio exposures 31 Dec 2023
	SFT exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–	1,525
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
16	Counterparty credit risk exposure for SFT assets	18	–
EU-16a	Derogation for SFTs: Counterparty credit risk exposure pursuant to Article 429e (5) and Article 222 of the CRR	–	–
17	Agent transaction exposures	–	–
EU-17a	(Exempted CCP leg of client-cleared SFT exposures)	–	–
18	**Total SFT exposures**	**18**	**1,525**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	1,386	1,447
20	(Adjustments for conversion to credit equivalent amounts)	-827	-854
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	–	–
22	**Total other off-balance sheet exposures**	**560**	**592**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with Article 429a (1) lit. c) of the CRR)	–	–
EU-22b	(Excluded exposures of public development banks (or units) – public-sector investments)	–	–
EU-22c	(Excluded exposures of public development banks (or units) – public-sector investments)	–	–
EU-22d	(Excluded exposures of public development banks (or units) – promotional loans)	–	–
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	–	–
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	–	–
EU-22g	(Excluded excess collateral deposited at triparty agents)	–	–
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with Article 429a (1) lit. o) of the CRR)	–	–
EU-22i	(Excluded CSD related services of designated institutions in accordance with Article 429a (1) lit. p) of the CRR)	–	–
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	–	–
EU-22k	**Total exempted exposures**	**–**	**–**
	Tier 1 capital and total exposure measure		
23	**Tier 1 capital**	**2,938**	**2,864**
24	**Total exposure measure**	**44,152**	**44,736**
	Leverage Ratio		
25	Leverage Ratio (%)	6.65	6.40
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.65	6.40
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.65	6.40
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	–	–
EU-26b	of which: to be made up of CET1 capital	–	–
27	Leverage ratio buffer requirement (%)	–	–
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully implemented	Fully implemented
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	–	89
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	–	1,525

€ mn		CRR leverage ratio exposures 30 Jun 2024	CRR leverage ratio exposures 31 Dec 2023
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	44,152	43,300
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	44,152	43,300
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.65	6.61
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.65	6.61

The following table provides a breakdown of on-balance sheet risk exposures (excluding derivatives, securities financing transactions, and exempted risk exposures).

EU LR3: Split-up of on-balance sheet exposures

€ mn		a CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**43,189**
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	43,189
EU-4	Exposures in the form of covered bonds	2,083
EU-5	Exposures treated as sovereigns	7,403
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	70
EU-7	Exposures to institutions	730
EU-8	Exposures secured by mortgages on immovable properties	29,801
EU-9	Retail exposures	2
EU-10	Exposures to corporates	400
EU-11	Exposures in default	1,318
EU-12	Other exposures (e. g. equity, securitisations, and other non-credit obligation assets)	1,383

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Aareal Bank Group

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10/2024