Regulatory Disclosure Report for Q1 2024

of Atlantic Group

Aareal

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Regulatory Disclosure Report for Q1 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 financial information for the first quarter of 2024 and in the presentation to the Analyst Conference Call on the results of the first quarter of 2024, which is available for download from Aareal Bank's website.

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).

The Regulatory Disclosure Report implements the requirements in accordance with part 8 of Regulation (EU) 575/2013. The existing disclosure requirements are specified by the Commission Implementing Regulation (EU) 2021/637, published by the European Commission in March 2021.

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. The scope of the information that has to be disclosed on a quarterly basis is therefore based on the requirements of Article 433a (1) lit. c) of the CRR.

The details published in this condensed disclosure report are based on both the Credit Risk Standard Approach (CRSA) and the Advanced IRB Approach (Advanced Internal Ratings-Based Approach – AIRBA).

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

As the equivalent value of derivatives and the related counterparty credit risk for the purpose of regulatory reporting are determined exclusively according to the standardised approach for measuring counterparty credit risk (SA-CCR) (Article 274 et seqq. of the CRR), 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 the Bank does not use internal models for the calculation of regulatory capital requirements for market risk, the table EU MR2-B (RWA flow statements of market risk under the internal model approach) is not disclosed either.

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.

The Regulatory Disclosure Report is 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.

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".

Overview of Regulatory Key Metrics

The 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.

Given that regulatory reporting at the level of Atlantic Group was required to be submitted as at 30 June 2023 for the first time, a comparison of key metrics with the figures stated in column e is not conclusive since these figures relate to Aareal Bank Group.

EU KM1: Key metrics

		a	b	c	d	e
€ mn		31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	2,518	2,578	2,153	2,268	2,415
2	Tier 1 (T1) capital	2,804	2,864	2,453	2,568	2,715
3	Own funds	3,042	3,112	2,715	2,810	2,984
	Risk-weighted exposure amounts					
4	Risk-weighted exposure amounts (Risk-weighted assets, RWAs)	13,788	13,723	13,549	13,375	12,941
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (CET1 ratio)	18.26[1]	18.78	15.89	16.96	18.66
6	Tier 1 ratio (T1 ratio)	20.34	20.87	18.10	19.20	20.98
7	Total capital ratio (TC ratio)	22.06	22.68	20.04	21.01	23.06
	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	8.00	8.00	8.00	11.00
	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	0.54	0.52	0.58	0.48	0.38
EU 9a	Systemic risk buffer	0.02	0.02	0.02	0.02	0.03
10	Global Systemically Important Institution buffer	–	–	–	–	–
EU 10a	Other Systemically Important Institution buffer	–	–	–	–	–
11	Combined buffer requirement	3.06	3.04	3.10	3.01	2.90
EU 11a	Overall capital requirements	14.06	11.04	11.10	11.01	13.90
12	CET1 available after meeting the total SREP own funds requirements	11.06	14.28	11.39	12.46	12.06
	Leverage Ratio					
13	Total exposure measure	45,459	44,736	46,788	46,816	45,535
14	Leverage Ratio (%)	6.17	6.40	5.24	5.49	5.96

[1] Aareal Bank Group's CET1 ratio as communicated in Aareal Bank Group's interim financial information I/2024 and during the conference call on 15 May 2024 amounts to 19.7 % (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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€ mn		a 31 Mar 2024	b 31 Dec 2023	c 30 Sep 2023	d 30 Jun 2023	e 31 Mar 2023
	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[1)]					
15	Total high-quality liquid assets (HQLA) (weighted value – average)	7,344	7,084	7,198	7,539	8,273
EU 16a	Cash outflows – total weighted value	4,489	4,369	4,375	4,256	4,715
EU 16b	Cash inflows – total weighted value	816	889	877	913	725
16	Total net cash outflows (adjusted value)	3,673	3,480	3,497	3,343	3,991
17	Liquidity coverage ratio (LCR) (%)	200.78	203.73	206.11	225.52	207.31
	Net Stable Funding Ratio					
18	Total available stable funding	33,200	33,757	32,767	33,454	33,568
19	Total required stable funding	28,433	29,322	28,411	28,149	27,438
20	NSFR (%)	116.76	115.12	115.33	118.84	122.34

[1)] Following the successful closing of Atlantic BidCo GmbH's voluntary public takeover offer for Aareal Bank AG shares in the second quarter of 2023, and given the fact that reports to regulatory authorities had to be submitted at Atlantic Group level on 30 June 2023 for the first time, data disclosed as at that reporting date is equivalent to the reported values shown in column h of table EU LIQ1. Average values disclosed as at 31 March 2024 are based on the current reporting date and the nine preceding months.

Development of key metrics

Capital ratios and RWAs

Compared to the previous disclosure date of 31 December 2023, the capital ratios reported to the supervisory authorities (CET1, T1 and TC ratio) decreased by 0.55 percentage points on average. This development was due to a € 65 million increase in RWAs and a simultaneous € 70 million decline in regulatory capital.

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. In contrast to the year-end 2023, the 'higher-of' comparison with the calculation of total RWAs has not required any RWA adjustment in accordance with Article 3 of the CRR and pursuant to the currently applicable CRR II.

The main drivers for the RWA increase were the regular update of RWAs for operational risk (€ +328 million) as well as RWAs for currency risk (€ +175 million). In contrast to the situation on 31 December 2023, the sum total of the aggregate net foreign exchange position exceeded the threshold of 2 % of own funds; as a result, own funds requirements for foreign exchange risk needed to be determined.

The decline in regulatory capital was largely the result of a € 60 million reduction of CET1 capital, which was mainly attributable to the mandatory deduction of (gross) additions to loss allowance during the course of the year (€ -143 million), as well as to the increase in deductions to account for the expectations defined by regulatory and legislative authorities regarding provisioning for non-performing exposures (“prudential provisioning”) in the amount of € 38 million. By contrast, retained earnings and the capital reserves rose by € 115 million.

Leverage Ratio

Compared to 31 December 2023, the leverage ratio only marginally decreased to 6.17 %, which was due to the € 724 million increase in the total exposure measure and a simultaneous € 59 million decrease in Tier 1 capital. Key drivers for the increase in the total exposure measure were the lower aggregate amount of on-balance sheet exposures (excluding derivatives) and off-balance sheet exposures (€ +760 million in total).

Liquidity Coverage Ratio

The average Liquidity Coverage Ratio (LCR) declined compared to 31 December 2023 (203.73 %), reaching 200.78 % as at the reporting date.

Average high-quality liquid assets (HQLA) rose by € 259 million in the first quarter, which was mainly due to a stronger increase in securities available as liquidity cover, compared to the lower level of cash reserves measured at amortised cost.

Average net cash outflows increased by € 193 million compared to 31 December 2023, to € 3,673 million, largely due to maturities of own Pfandbrief instruments in the months of January and March 2024.

Net Stable Funding Ratio

Compared to 31 December 2023, the Net Stable Funding Ratio increased by 1.64 percentage points to 116.76 %, reflecting a € 889 million decline in required stable funding (RSF) and a decrease in available stable funding (ASF) in the amount of € 557 million.

The lower level of loans included in the cover assets pool (approx. € -180 million) was one of the factors influencing the decline in RSF, alongside decreases in assets carried on the statement of financial position (€ +500 million) and in non-performing loans (€ -160 million).

The decline in ASF was mainly due to the reduction in regulatory capital (€ -70 million), an increase in the volume of deposits from housing industry clients (€ +121 million) and a decrease in Treasury deposits (€ -506 million).

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 depends 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 31 March 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)

		a	b	c
			RWAs	Regulatory capital requirements
€ mn		31 Mar 2024	31 Dec 2023	31 Mar 2024
1	**Credit risk (excluding CCR)**	**11,593**	**11,920**	**927**
2	of which: Credit Risk Standard Approach (CRSA)	1,107	962	89
3	of which: Foundation IRB Approach (FIRB)	–	–	–
4	of which: slotting approach	–	–	–
EU 4a	of which: equity exposures under the simple risk-weighted approach	525	569	42
5	of which: Advanced IRB (AIRB) approach	9,961	9,930	797
6	**Counterparty Credit Risk (CCR)**	**427**	**520**	**34**
7	of which: standardised approach	296	359	24
8	of which: internal model method (IMM)	–	–	–
EU 8a	of which: exposures to a CCP	5	34	0
EU 8b	of which: credit valuation adjustment – CVA	126	127	10
9	of which: other CCR	0	0	0
15	**Settlement risk**	**0**	**–**	**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)**	**157**	**–**	**13**
21	of which: standardised approach	157	–	13
22	of which: IMA	–	–	–
EU 22a	**Large exposures**	**–**	**–**	**–**
23	**Operational risk**	**1,611**	**1,283**	**129**
EU 23a	of which: basic indicator approach	–	–	–
EU 23b	of which: standardised approach	1,611	1,283	129
EU 23c	of which: advanced measurement approach	–	–	–
24	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**510**	**487**	**41**
29	Total	13,788	13,723	1,103

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.

Regarding the causes of RWA changes during the first quarter of 2024, reference is made to the explanations in the previous chapter “Overview of regulatory key metrics”.

RWA Developments for AIRBA Exposures

The table EU CR8 provides an overview of the RWA changes and the associated causes to be analysed since 31 December 2023.

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

		a
€ mn		RWAs
1	**RWAs as at 31 December 2023**	**10,499**
2	Asset size	-177
3	Asset quality	97
4	Model updates	–
5	Methodology and policy	–
6	Acquisitions and disposals	-1
7	Foreign exchange movements	79
8	Other	-11
9	**RWAs as at 31 March 2024**	**10,486**

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.

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

At present, line 4 does not show any changes; this is due to the fact that no new models for estimating risk parameters were implemented, nor were any adjustments made to internal models already approved.

Line 5 only requires disclosure of any 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 discloses the RWA effect from the disposal of two companies that are outside the regulatory scope of consolidation and thus included as RWAs in the report pursuant to sections 10 and 10a of the German Banking Act (KWG).

Line 8 discloses the RWA reduction as a result of the regulatory consolidation of First Financial Software GmbH (formerly Aareal First Financial Solutions AG).

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (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. Following the successful closing of Atlantic BidCo GmbH's voluntary public take-over offer for Aareal Bank AG shares in the second quarter of 2023, and given the fact that reports to regulatory authorities had to be submitted at Atlantic Group level on 30 June 2023 for the first time, no comparative figures exist for Atlantic Group that would be relevant for the determination of conclusive average values. Against this background, information on Atlantic Group as at 30 June 2023 was limited to the reported values. In contrast, the average values to be disclosed as at 31 March 2024 are based on the current reporting date and the nine preceding months.

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 fulfil its Liquidity Coverage Ratio disclosure requirements at a single-entity level.

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	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
EU 1b	Number of data points used in the calculation of averages	10	7	4	1	10	7	4	1
High-quality liquid assets									
1	**Total high-quality liquid assets (HQLA)**					**7,344**	**7,084**	**7,198**	**7,539**
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	**6,432**	**6,414**	**6,358**	**6,279**	**331**	**330**	**327**	**322**
3	Stable deposits	6,194	6,178	6,129	6,059	310	309	306	303
4	Less stable deposits	204	202	197	183	21	21	21	19
5	**Unsecured wholesale funding**	**7,157**	**7,151**	**6,985**	**7,005**	**2,957**	**2,883**	**2,855**	**2,872**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,168	3,140	3,046	3,222	742	737	716	761
7	Non-operational deposits (all counterparties)	3,756	3,871	3,763	3,612	1,981	2,005	1,963	1,940
8	Unsecured debt	233	141	176	171	233	141	176	171
9	**Secured wholesale funding**					**54**	**57**	**66**	**57**

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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**	**1,945**	**1,874**	**1,798**	**1,624**	**918**	**840**	**860**	**781**
11	Outflows related to derivative exposures and other collateral requirements	687	673	658	644	666	651	648	635
12	Outflows related to loss of funding on debt products	118	48	68	42	118	48	68	42
13	Credit and liquidity facilities	1,140	1,153	1,072	939	135	141	144	104
14	**Other contractual funding obligations**	**167**	**192**	**158**	**102**	**144**	**168**	**134**	**77**
15	**Other contingent funding obligations**	**986**	**1,066**	**1,480**	**1,663**	**85**	**92**	**132**	**149**
16	**Total cash outflows**					**4,489**	**4,369**	**4,375**	**4,256**
Cash inflows									
17	Secured lending (e.g. reverse repos)	153	218	–	–	11	15	–	–
18	Inflows from fully performing exposures	884	963	949	802	640	684	700	602
19	Other cash inflows	166	190	177	311	166	190	177	311
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**	**1,202**	**1,371**	**1,127**	**1,113**	**816**	**889**	**877**	**913**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75% cap	1,202	1,371	1,127	1,113	816	889	877	913
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,344**	**7,084**	**7,198**	**7,539**
22	**Total net cash outflows**					**3,673**	**3,480**	**3,497**	**3,343**
23	**Liquidity Coverage Ratio (%)**					**200.78**	**203.73**	**206.11**	**225.52**

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)			
€ mn									
EU 1a	Quarter ending	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	**Total high-quality liquid assets (HQLA)**					**7,564**	**8,024**	**8,535**	**8,640**

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Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	**6,398**	**6,308**	**6,213**	**6,126**	**329**	**326**	**322**	**319**
3	Stable deposits	6,160	6,059	5,940	5,815	308	303	297	291
4	Less stable deposits	205	220	246	280	21	23	25	29
5	**Unsecured wholesale funding**	**7,609**	**7,683**	**8,129**	**8,527**	**3,381**	**3,400**	**3,659**	**3,832**
6	Operational deposits (all counter-parties) and deposits in networks of cooperative banks	3,190	3,325	3,657	4,147	748	784	868	990
7	Non-operational deposits (all counterparties)	4,187	4,158	4,185	4,097	2,401	2,415	2,504	2,558
8	Unsecured debt	232	200	287	284	232	201	287	284
9	**Secured wholesale funding**					**53**	**48**	**43**	**25**
10	**Additional requirements**	**1,913**	**1,892**	**1,867**	**1,897**	**998**	**991**	**1,018**	**1,057**
11	Outflows related to derivative exposures and other collateral requirements	712	733	734	700	671	670	659	628
12	Outflows related to loss of funding on debt products	117	125	145	137	117	125	145	137
13	Credit and liquidity facilities	1,084	1,034	988	1,060	209	197	213	292
14	**Other contractual funding obligations**	**151**	**150**	**114**	**136**	**134**	**131**	**94**	**116**
15	**Other contingent funding obligations**	**1,056**	**1,085**	**1,133**	**1,000**	**101**	**106**	**110**	**95**
16	**Total cash outflows**					**4,996**	**5,003**	**5,246**	**5,445**
Cash inflows									
17	Secured lending (e. g. reverse repos)	127	127	105	139	9	9	22	24
18	Inflows from fully performing exposures	761	728	676	603	544	518	477	418
19	Other cash inflows	155	149	119	151	155	149	119	151
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**	**1,043**	**1,004**	**901**	**892**	**707**	**676**	**618**	**593**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90 % cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75 % cap	1,043	1,004	901	892	707	676	618	593
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,564**	**8,024**	**8,535**	**8,640**
22	**Total net cash outflows**					**4,289**	**4,326**	**4,628**	**4,852**
23	**Liquidity Coverage Ratio (%)**					**176.92**	**184.87**	**185.22**	**179.70**

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. 86 % 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 over time

The average LCR declined by 7.95 percentage points compared to 31 December 2023 (184.87 %), reaching 176.92 % as at the reporting date.

Reduced repurchase lending transactions and expiring refinancing operations were the main cause for the overall quarter-on-quarter HQLA increase in the first quarter of this year.

Average net cash outflows decreased by only a small margin compared to 31 December 2023, to € 4,289 million.

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 private client 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 31 March 2024, Atlantic Group's largest foreign currency portfolio in USD amounted to 2.56 % of total liabilities (Aareal Bank AG: 2.45 %). 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.

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Aareal Bank Group

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