# Regulatory Disclosure Report for H1 2023

of Atlantic Group

Aareal

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# Regulatory Disclosure Report for H1 2023

# Preface

Atlantic BidCo GmbH's voluntary public takeover offer for Aareal Bank AG was closed in June 2023. Accordingly, the Regulatory Disclosure Report must be prepared at the level of Atlantic Group for the first time. The Group's parent institution, which is required to consolidate Group information in accordance with Article 11 of Regulation (EU) 575/2013, is Aareal Bank AG, having its registered office in Wiesbaden, Germany (LEI code EZKODONU5TYHW4PP1R34).

Regulatory indicators and further information on Aareal Bank Group are available in Aareal Bank Group's interim report 2023 and in the presentation to the Analyst Conference Call on the results of the second quarter of 2023, 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 Regulation (EU) 575/2013 (Capital Requirements Regulation – "CRR"). The existing disclosure requirements are specified by the Commission Implementing Regulation (EU) 2021/637, published 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 Article 7 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.

Atlantic Group 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 Atlantic Group'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 Internal Audit of Aareal Bank AG.

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 the information to be disclosed as at the respective reporting dates is based on the requirements set out in Article 433a of the CRR.

Since Atlantic Group is obliged to fulfil regulatory disclosure requirements as at 30 June 2023 for the first time (which, in turn, form the basis for quantitative information provided in the various disclosure tables), it will not be possible to provide comparative figures in the disclosure tables concerned, with very few exceptions. For this reason, the present Regulatory Disclosure Report also does not contain any explanations on the development of key metrics within the chapter “Overview of Regulatory Key Metrics”.

## 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 required under the Supervisory Review and Evaluation Process (SREP) as applicable for Aareal Bank Group.

Whilst the regulatory key metrics shown in columns b to e refer to Aareal Bank Group, the key metrics in column a relate to Atlantic Group and are disclosed for the first time. A comparison with the previous quarters is therefore not conclusive.

**EU KM1: Key metrics**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | 30 Jun 2023 | 31 Mar 2023 | 31 Dec 2022 | 30 Sep 2022 | 30 Jun 2022 |
| € mn | | | | | | |
| | **Available own funds** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 2,268 | 2,415 | 2,468 | 2,402 | 2,579 |
| 2 | Tier 1 (T1) capital | 2,568 | 2,715 | 2,768 | 2,702 | 2,879 |
| 3 | Own funds | 2,810 | 2,984 | 3,065 | 3,027 | 3,208 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Risk-weighted exposure amounts (Risk-weighted assets, RWAs) | 13,375 | 12,941 | 12,782 | 13,031 | 10,094 |

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| € mn | | a<br>30 Jun 2023 | b<br>31 Mar 2023 | c<br>31 Dec 2022 | d<br>30 Sep 2022 | e<br>30 Jun 2022 |
|---|---|---|---|---|---|---|
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (CET1 ratio) | 16.96 | 18.66 | 19.31 | 18.43 | 25.55 |
| 6 | Tier 1 ratio (T1 ratio) | 19.20 | 20.98 | 21.66 | 20.74 | 28.52 |
| 7 | Total capital ratio (TC ratio) | 21.01 | 23.06 | 23.98 | 23.23 | 31.78 |
| | **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 | 2.75 | 2.75 | 2.75 |
| EU 7b | of which: to be made up of CET1 capital | – | 1.69 | 1.55 | 1.55 | 1.55 |
| EU 7c | of which: to be made up of Tier 1 capital | – | 2.25 | 2.07 | 2.07 | 2.07 |
| EU 7d | Total SREP own funds requirements | 8.00 | 11.00 | 10.75 | 10.75 | 10.75 |
| | **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 | 0.48 | 0.38 | 0.16 | 0.01 | 0.01 |
| EU 9a | Systemic risk buffer | 0.02 | 0.03 | – | – | – |
| 10 | Global Systemically Important Institution buffer | – | – | – | – | – |
| EU 10a | Other Systemically Important Institution buffer | – | – | – | – | – |
| 11 | Combined buffer requirement | 3.01 | 2.90 | 2.66 | 2.51 | 2.51 |
| EU 11a | Overall capital requirements | 11.01 | 13.90 | 13.41 | 13.27 | 13.26 |
| 12 | CET1 available after meeting the total SREP own funds requirements | 12.46 | 12.06 | 13.23 | 12.19 | 19.50 |
| | **Leverage Ratio** | | | | | |
| 13 | Total exposure measure | 46,816 | 45,535 | 46,168 | 50,172 | 48,802 |
| 14 | Leverage Ratio (%) | 5.49 | 5.96 | 6.00 | 5.39 | 5.90 |
| | **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 |

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| € mn | | a<br>30 Jun 2023 | b<br>31 Mar 2023 | c<br>31 Dec 2022 | d<br>30 Sep 2022 | e<br>30 Jun 2022 |
|---|---|---|---|---|---|---|
| | **Liquidty Coverage Ratio**[1] | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (weighted value – average) | 7,539 | 8,273 | 7,662 | 7,175 | 6,750 |
| EU 16a | Cash outflows – total weighted value | 4,256 | 4,715 | 4,474 | 4,024 | 3,634 |
| EU 16b | Cash inflows – total weighted value | 913 | 725 | 758 | 713 | 672 |
| 16 | Total net cash outflows (adjusted value) | 3,343 | 3,991 | 3,718 | 3,311 | 2,961 |
| 17 | Liquidity coverage ratio (LCR) (%) | 225.52 | 207.31 | 207.42 | 220.42 | 231.23 |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 33,454 | 33,568 | 33,280 | 35,252 | 35,166 |
| 19 | Total required stable funding | 28,149 | 27,438 | 27,816 | 30,141 | 30,901 |
| 20 | NSFR (%) | 118.84 | 122.34 | 119.64 | 116.95 | 113.80 |

# 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.

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.

## Composition of regulatory own funds

No additional total own funds requirements resulting from the ECB's Supervisory Review and Evaluation Process (SREP) applied at Atlantic Group level as at 30 June 2023.

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 1, Additional Tier 1 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.

[1] Following the successful closing of Atlantic BidCo's voluntary public takeover offer for Aareal Bank AG shares at the beginning of June 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 the reporting date is limited to the reported values shown in table EU LIQ1, column h.

**EU CC1: Composition of regulatory own funds**

| € mn | | a<br>Amounts | b<br>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 | 327 | A, B |
| | of which: shares | – | – |
| 2 | Retained earnings | 2,345 | C |
| 3 | Accumulated other comprehensive income (and other reserves) | -73 | 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 | 38 | E |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **2,637** | **–** |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | |
| 7 | Additional value adjustments (negative amount) | -3 | F |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -27 | G |
| 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) | -9 | H |
| 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 | -4 | – |
| 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) | – | – |
| 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) | – | – |

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| € mn | | a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 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) | – | – |
| 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 | -326 | – |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1) capital** | **-369** | **–** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **2,268** | **–** |
| **Additional Tier 1 (AT1) capital: Instruments** | | | |
| 30 | Capital instruments and the related share premium accounts | 300 | I |
| 31 | of which: classified as equity under applicable accounting standards | 300 | I |
| 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) of the 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** | **300** | **–** |
| **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) | – | – |

| € mn | | a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 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** | **300** | **–** |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **2,568** | **–** |
| **Tier 2 (T2) capital: instruments** | | | |
| 46 | Capital instruments and the related share premium accounts | 218 | J |
| 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 | 25 | – |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **242** | **–** |
| **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 | – | – | – |
| 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** | **242** | **–** |

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| € mn | | a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| **59** | **Own funds (TC = T1 + T2)** | **2,810** | **–** |
| **60** | **Total risk-weighted assets** | **13,375** | **–** |
| **Capital ratios and requirements including buffers** | | | |
| 61 | CET1 ratio | 16.96 % | – |
| 62 | Tier 1 ratio | 19.20 % | – |
| 63 | Total capital ratio | 21.01 % | – |
| 64 | Institution CET1 overall capital requirements | 7.51 % | – |
| 65 | of which: capital conservation buffer requirement | 2.50 % | – |
| 66 | of which: countercyclical capital buffer requirement | 0.48 % | – |
| 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 | 0.00 % | – |
| 68 | Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements | 12.46 % | – |
| **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 % thresholds 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) | 174 | – |
| **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 | 17 | – |
| 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) | 25 | – |
| 79 | Cap on inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach | 58 | – |
| **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 (€2,268 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.a.r.l.'s subscribed capital amounted to €38 million as at 30 June 2023.

The capital reserve of €289 million consists of deposits made by Atlantic BidCo GmbH's investors.

Retained earnings – including the interim result recognised in CET1 capital – totalled €2,383 million.

Accumulated other comprehensive income (€-73 million) contains other reserves recognised in equity, in which the following effects are recognised directly:

- reserve from remeasurements of defined benefit plans (€-66 million),
- reserve from the measurement of equity instruments fvoci (€-4 million),
- reserve from the measurement of debt instruments fvoci (€-4 million),
- other recyclable and non-recyclable reserves from companies accounted for using the equity method (€-4 million),
- reserve from changes in the value of foreign currency basis spreads (€1 million), and
- currency translation reserve (€4 million).

The regulatory adjustments reducing the CET1 amount to €369 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 (€-27 million)**
  The amount largely comprises purchased and self-developed software classified as intangible assets (€24 million). 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 (€-9 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 (€-4 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 (€-326 million)**
  This takes into account in particular the following deduction items:

  - **Deductions pursuant to Article 3 of the CRR (€-221 million)**
    This includes an additional voluntary and preventive capital deduction for regulatory uncertainties in connection with ECB reviews in the amount of €95 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 lit. m) of the CRR (€-25 million)**

  - **Other deductions from CET1 (€-41 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 €300 million Additional Tier 1 (AT1) bond (ISIN DE000A1TNDK2). 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 2022 "Main Features of Capital Instruments" published on Aareal Bank AG's website.

### Tier 2 capital

Aareal Bank's Tier 2 capital of €242 million largely consists of subordinated promissory notes (€ 107 million) and subordinated bearer debt securities (€ 110 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.

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 in the calculation of 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 (€25 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.

## 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.a.r.l., is not obliged to prepare a half-yearly financial report. Due to this reason, 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 2023 | | |
| | as in the published interim report | under regulatory scope of consolidation | Reference |
| € mn | | | |
| **Assets** | | | |
| **Financial assets (ac)** | **–** | **42,331** | |
| Cash funds (ac) | – | 6,248 | |
| Loan receivables (ac) | – | 31,411 | |
| Money market and capital market receivables (ac) | – | 4,617 | |
| Receivables from other transactions (ac) | – | 56 | |
| Loss allowance (ac) | – | -367 | |
| **Financial assets (fvoci)** | **–** | **3,561** | |
| Money market and capital market receivables (fvoci) | – | 3,559 | F |
| Equity instruments (fvoci) | – | 2 | F |
| **Financial assets (fvpl)** | **–** | **2,249** | |
| Loan receivables (fvpl) | – | 283 | F |
| Money market and capital market receivables (fvpl) | – | 103 | F |
| Positive market value of designated hedging derivatives (fvpl) | – | 1,081 | |
| Positive market value of other derivatives (fvpl) | – | 782 | |
| Non-current assets held for sale | – | 68 | |
| Investments accounted for using the equity method | – | 181 | |
| Intangible assets | – | 27 | G |
| Property and equipment | – | 190 | |
| Income tax assets | – | 30 | |
| Deferred tax assets | – | 214 | H |
| Other assets | – | 437 | |
| **Total assets** | **–** | **48,920** | |
| **Equity and liabilities** | | | |
| **Financial liabilities (ac)** | **–** | **42,165** | |
| Money market and capital market liabilities (ac) | – | 29,307 | |
| Deposits from the housing industry (ac) | – | 12,416 | |
| Liabilities from other transactions (ac) | – | 60 | |
| Subordinated liabilities (ac) | – | 382 | J |

>

| € mn | a | b | c |
|---|---|---|---|
| | Balance sheet as at 30 June 2023 | | |
| | as in the published interim report | under regulatory scope of consolidation | Reference |
| **Financial liabilities (fvpl)** | **–** | **3,214** | |
| Negative market value of designated hedging derivatives (fvpl) | – | 1,616 | F |
| Negative market value of other derivatives (fvpl) | – | 1,598 | F |
| Provisions | – | 149 | |
| Income tax liabilities | – | 67 | |
| Deferred tax liabilities | – | 20 | |
| Other liabilities | – | 41 | |
| **Equity** | **–** | **3,263** | |
| Subscribed capital | – | 38 | A |
| Capital reserves | – | 289 | B |
| Retained earnings | – | 2,392 | C, E |
| AT1 bond | – | 300 | I |
| Other reserves | – | -73 | D |
| Non-controlling interests | – | 317 | |
| **Total liabilities** | **–** | **48,920** | |

## 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 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 2023, 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 2023 | 31 Mar 2023 | 30 Jun 2023 |
| **1** | **Credit risk (excluding CCR)** | **11,605** | **–** | **928** |
| 2 | of which: Credit Risk Standard Approach (CRSA) | 1,245 | – | 100 |
| 3 | of which: Foundation IRB Approach (FIRB) | – | – | – |
| 4 | of which: slotting approach | – | – | – |
| EU 4a | of which: Equity exposures under the simple risk-weighted approach | 692 | – | 55 |
| 5 | of which: Advanced IRB (AIRB) approach | 8,897 | – | 712 |
| **6** | **CCR** | **335** | **–** | **27** |
| 7 | of which: standardised approach | 178 | – | 14 |
| 8 | of which: internal model method (IMM) | – | – | – |
| EU 8a | of which: exposures to a CCP | 6 | – | 1 |
| EU 8b | of which: credit valuation adjustment – CVA | 150 | – | 12 |
| 9 | of which: other CCR | 0 | – | 0 |
| **15** | **Settlement risk** | **–** | **–** | **–** |
| **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)** | **152** | **–** | **12** |
| 21 | of which: standardised approach | 152 | – | 12 |
| 22 | of which: IMA | – | – | – |
| **EU 22a** | **Large exposures** | – | – | – |
| **23** | **Operational risk** | **1,283** | **–** | **103** |
| EU 23a | of which: basic indicator approach | – | – | – |
| EU 23b | of which: standardised approach | 1,283 | – | 103 |
| EU 23c | of which: advanced measurement approach | – | – | – |
| **24** | **Amounts below the thresholds for deduction (subject to 250 % risk weight)** | **435** | **–** | **35** |
| **29** | **Total** | **13,375** | **–** | **1,070** |

In accordance with Annex II of Commission Implementing Regulation (EU) 2021/637, the disclosure of RWA 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 value | RWAs | Expected loss amount |
| € mn | | | | | | |
| Private equity exposures | – | – | 190 % | – | – | – |
| Listed investments | – | – | 290 % | – | – | – |
| Other equity investments | 187 | – | 370 % | 187 | 692 | 4 |
| **Total** | **187** | **–** | | **187** | **692** | **4** |

The RWAs set out in table EU OV1 for the market risks under the standardised approach are also disclosed in the 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**

| | | a |
|---|---|---|
| | | RWAs |
| € mn | | |
| | **Outright products** | |
| 1 | Interest rate risk (general and specific) | – |
| 2 | Equity risk (general and specific) | – |
| 3 | Foreign exchange risk | 152 |
| 4 | Commodity risk | – |
| | **Options** | |
| 5 | Simplified approach | – |
| 6 | Delta-Plus method | – |
| 7 | Scenario approach | – |
| **8** | **Securitisation (specific risk)** | – |
| **9** | **Total** | **152** |

## 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 | – | 953 | – | – | – | 953 |
| Belgium | – | 416 | – | – | – | 416 |
| China | – | 331 | – | – | – | 331 |
| Denmark | 80 | 208 | – | – | – | 288 |
| Germany | 1,237 | 3,538 | – | – | – | 4,775 |
| Estonia | – | 44 | – | – | – | 44 |
| Finland | 16 | 534 | – | – | – | 551 |
| France | 333 | 3,448 | – | – | – | 3,782 |
| United Kingdom | 44 | 5,027 | – | – | – | 5,071 |
| Guernsey | 2 | – | – | – | – | 2 |
| Ireland | – | 58 | – | – | – | 58 |
| Italy | – | 1,209 | – | – | – | 1,209 |
| Cayman Islands | – | 2 | – | – | – | 2 |
| Canada | – | 1,359 | – | – | – | 1,359 |
| Luxembourg | – | 151 | – | – | – | 151 |
| Maldives | – | 485 | – | – | – | 485 |
| Netherlands | 91 | 1,433 | – | – | – | 1,524 |
| Norway | 101 | – | – | – | – | 101 |
| Austria | 63 | 336 | – | – | – | 399 |
| Poland | – | 1,753 | – | – | – | 1,753 |
| Russia | – | 43 | – | – | – | 43 |
| Sweden | 98 | 839 | – | – | – | 937 |
| Switzerland | – | – | – | – | – | – |
| Spain | 28 | 1,580 | – | – | – | 1,608 |
| Czech Republic | – | 249 | – | – | – | 249 |
| Turkey | – | 53 | – | – | – | 53 |
| Hungary | – | 9 | – | – | – | 9 |
| USA | 45 | 8,615 | – | – | – | 8,659 |
| **020 Total** | **2,141** | **32,759** | **–** | **–** | **–** | **34,900** |

| | g | h | i | j | k | l | m |
|---|---|---|---|---|---|---|---|
| | Regulatory capital 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 | Weightings of regulatory capital requirements | Counter-cyclical capital buffer ratio |
| | € mn | € mn | € mn | € mn | € mn | % | % |
| **010 Breakdown by country** | | | | | | | |
| Australia | 11 | – | – | 11 | 138 | 1.29 | 1.00 |
| Belgium | 6 | – | – | 6 | 77 | 0.72 | – |
| China | 3 | – | – | 3 | 38 | 0.35 | – |
| Denmark | 3 | – | – | 3 | 37 | 0.35 | 2.50 |
| Germany | 247 | – | – | 247 | 3,087 | 28.73 | 0.75 |
| Estonia | 1 | – | – | 1 | 9 | 0.09 | 1.00 |
| Finland | 7 | – | – | 7 | 87 | 0.81 | – |
| France | 76 | – | – | 76 | 953 | 8.86 | 0.50 |
| United Kingdom | 112 | – | – | 112 | 1,397 | 13.00 | 1.00 |
| Guernsey | – | – | – | – | 2 | 0.02 | – |
| Ireland | 1 | – | – | 1 | 10 | 0.09 | 0.50 |
| Italy | 43 | – | – | 43 | 538 | 5.01 | – |
| Cayman Islands | – | – | – | – | 2 | 0.02 | – |
| Canada | 16 | – | – | 16 | 194 | 1.81 | – |
| Luxembourg | 5 | – | – | 5 | 59 | 0.55 | 0.50 |
| Maldives | 11 | – | – | 11 | 135 | 1.26 | – |
| Netherlands | 28 | – | – | 28 | 353 | 3.28 | 1.00 |
| Norway | 1 | – | – | 1 | 10 | 0.09 | 2.50 |
| Austria | 6 | – | – | 6 | 80 | 0.01 | – |
| Poland | 38 | – | – | 38 | 473 | 4.40 | – |
| Russia | 1 | – | – | 1 | 14 | 0.13 | – |
| Sweden | 9 | – | – | 9 | 117 | 1.09 | 2.00 |
| Switzerland | – | – | – | – | – | – | – |
| Spain | 31 | – | – | 31 | 383 | 3.57 | – |
| Czech Republic | 4 | – | – | 4 | 45 | 0.42 | 2.50 |
| Turkey | 3 | – | – | 3 | 41 | 0.39 | – |
| Hungary | 1 | – | – | 1 | 6 | 0.06 | – |
| USA | 193 | – | – | 193 | 2,418 | 22.50 | – |
| **020 Total** | **860** | **–** | **–** | **860** | **10,747** | **100.00** | |

**EU CCyB2: Amount of institution-specific countercyclical capital buffer**

| € mn | | a |
|---|---|---|
| 010 | Total risk exposure amount | 13,375 |
| 020 | Institution-specific countercyclical capital buffer rate | 0.48 % |
| 030 | Institution-specific countercyclical capital buffer requirement | 65 |

## 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. Country risk is also defined as a form of counterparty credit 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 Financial Reporting (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 do 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 for 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 the 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 3.9 % as at 30 June 2023. Since the NPL ratio had already fallen below 5 % 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 | | | On performing forborne exposures | On non-performing forborne exposures | | of which: collateral and financial guarantees received on non-performing exposures with forbearance measures |
| | | | | of which: defaulted | of which: impaired | | | | |
| € mn | | | | | | | | | |
| **005** | **Cash balances at central banks and other demand deposits** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **010** | **Loans and advances** | **3,481** | **686** | **686** | **498** | **-28** | **-144** | **3,919** | **495** |
| 020 | Central banks | – | – | – | – | – | – | – | – |
| 030 | General governments | – | – | – | – | – | – | – | – |
| 040 | Credit institutions | – | – | – | – | – | – | – | – |
| 050 | Other financial corporations | 67 | – | – | – | 0 | – | 66 | – |
| 060 | Non-financial corporations | 3,414 | 686 | 686 | 498 | -28 | -144 | 3,853 | 495 |
| 070 | Households | – | 0 | 0 | 0 | – | 0 | – | – |
| **080** | **Debt securities** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **090** | **Loan commitments given** | **28** | **7** | **7** | **2** | **0** | **0** | **28** | **0** |
| **100** | **Total** | **3,509** | **693** | **693** | **500** | **-28** | **-144** | **3,947** | **495** |

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 | | | | | | | 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 | | | | | |
| € 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 | Accumulated partial write-offs | On performing exposures | On non-performing exposures |
| **005 Cash balances at central banks and other demand deposits** | **8,010** | **7,999** | **11** | **–** | **–** | **–** | **-1** | **-1** | **0** | **–** | **–** | **–** | **–** | **–** | **–** |
| **010 Loans and advances** | **31,447** | **25,633** | **5,814** | **1,291** | **143** | **1,102** | **-105** | **-42** | **-62** | **-266** | **-1** | **-261** | **-250** | **29,137** | **966** |
| 020 Central banks | 7 | 7 | – | – | – | – | 0 | 0 | – | – | – | – | – | – | – |
| 030 General governments | 1,564 | 1,564 | 0 | – | – | – | 0 | 0 | 0 | – | – | – | – | – | – |
| 040 Credit institutions | 50 | 50 | – | – | – | – | 0 | 0 | – | – | – | – | – | – | – |
| 050 Other financial corporations | 948 | 785 | 163 | 2 | – | 0 | -2 | -1 | -1 | 0 | – | 0 | – | 920 | 0 |
| 060 Non-financial corporations | 28,689 | 23,219 | 5,470 | 1,287 | 143 | 1,099 | -101 | -41 | -60 | -265 | -1 | -260 | -249 | 28,068 | 964 |
| 070 of which: SMEs | 20,258 | 15,233 | 5,026 | 1,219 | 143 | 1,054 | -77 | -22 | -55 | -260 | -1 | -255 | -249 | 20,087 | 902 |
| 080 Households | 188 | 8 | 180 | 3 | 0 | 2 | -2 | 0 | -2 | -1 | 0 | -1 | -1 | 149 | 1 |
| **090 Debt securities** | **5,190** | **5,190** | **–** | **–** | **–** | **–** | **-1** | **-1** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 100 Central banks | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 110 General governments | 2,829 | 2,829 | – | – | – | – | 0 | 0 | – | – | – | – | – | – | – |
| 120 Credit institutions | 2,054 | 2,054 | – | – | – | – | -1 | -1 | – | – | – | – | – | – | – |
| 130 Other financial corporations | 307 | 307 | – | – | – | – | 0 | 0 | – | – | – | – | – | – | – |
| 140 Non-financial corporations | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **150 Off-balance sheet exposures** | **1,247** | **990** | **257** | **13** | **5** | **7** | **6** | **2** | **4** | **0** | **0** | **–** | | **911** | **2** |
| 160 Central banks | – | – | – | – | – | – | – | – | – | – | – | – | | – | – |
| 170 General governments | 0 | 0 | 0 | – | – | – | 0 | – | 0 | – | – | – | | – | – |
| 180 Credit institutions | – | – | – | – | – | – | – | – | – | – | – | – | | – | – |
| 190 Other financial corporations | 22 | 15 | 7 | – | – | – | 0 | 0 | 0 | – | – | – | | 22 | – |
| 200 Non-financial corporations | 1,225 | 974 | 251 | 13 | 5 | 7 | 6 | 2 | 4 | 0 | 0 | – | | 889 | 2 |
| 210 Households | 0 | 0 | 0 | – | – | – | 0 | – | 0 | – | – | – | | – | – |
| **220 Total** | **45,893** | **39,811** | **6,082** | **1,304** | **149** | **1,109** | **-112** | **-46** | **-66** | **-266** | **-1** | **-261** | **-250** | **30,048** | **967** |

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 | | | | | |
| € mn | | On demand | <= 1 year | > 1 year | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 370 | 5,431 | 22,226 | 5,775 | 8 | **33,810** |
| 2 | Debt securities | – | 417 | 2,126 | 2,645 | – | **5,188** |
| **3** | **Total** | **370** | **5,848** | **24,353** | **8,420** | **8** | **38,998** |

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.

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

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Gross carrying/nominal amount | | | | | | |
| | | | of which: non-performing | | | | | |
| € mn | | | | of which: defaulted | of which: subject to impairment | 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 |
| **010** | **On-balance sheet exposures** | **37,927** | **1,291** | **1,291** | **37,881** | **-368** | | **-4** |
| 020 | Germany | 5,490 | 2 | 2 | 5,490 | -15 | | – |
| 030 | France | 3,607 | 11 | 11 | 3,607 | -14 | | – |
| 040 | Netherlands | 1,956 | – | – | 1,956 | –5 | | – |
| 050 | Austria | 693 | – | – | 693 | 0 | | – |
| 060 | United Kingdom | 2,277 | 106 | 106 | 2,277 | -40 | | – |
| 070 | Luxembourg | 2,022 | – | – | 2,022 | –2 | | – |
| 080 | Finland | 726 | 92 | 92 | 726 | -10 | | – |
| 090 | Denmark | 315 | – | – | 315 | 0 | | – |
| 100 | Sweden | 927 | – | – | 927 | -1 | | – |
| 110 | Italy | 1,715 | 211 | 211 | 1,693 | -85 | | -4 |
| 120 | Spain | 1,569 | 102 | 102 | 1,569 | -24 | | – |
| 130 | Poland | 1,660 | 0 | 0 | 1,660 | –2 | | 0 |
| 140 | Canada | 1,451 | 28 | 28 | 1,451 | –4 | | – |
| 150 | USA | 8,383 | 735 | 735 | 8,360 | -150 | | – |
| 160 | Australia | 933 | – | – | 933 | -1 | | – |
| 170 | Maldives | 435 | – | – | 435 | -2 | | – |
| 180 | Jersey | 1,657 | 1 | 1 | 1,657 | -9 | | – |
| 190 | Japan | 317 | – | – | 317 | 0 | | – |
| 200 | Other countries | 1,796 | 2 | 2 | 1,795 | -4 | | – |

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| € mn | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | Gross carrying/nominal amount | | | | | | |
| | | of which: non-performing | | | | | |
| | | | of which: defaulted | of which: subject to impairment | 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 |
| **210 Off-balance sheet exposures** | **1,259** | **13** | **13** | **–** | **–** | **6** | **–** |
| 220 Germany | 449 | – | – | – | – | 0 | – |
| 230 France | 234 | – | – | – | – | 2 | – |
| 240 Netherlands | 84 | – | – | – | – | 0 | – |
| 250 Austria | 25 | – | – | – | – | 0 | – |
| 260 United Kingdom | 123 | 2 | 2 | – | – | 2 | – |
| 270 Luxembourg | 3 | – | – | – | – | 0 | – |
| 280 Finland | 26 | – | – | – | – | 0 | – |
| 290 Denmark | 43 | – | – | – | – | 0 | – |
| 300 Sweden | 47 | – | – | – | – | 0 | – |
| 310 Italy | 7 | – | – | – | – | 0 | – |
| 320 Spain | 29 | – | – | – | – | 0 | – |
| 330 Poland | 21 | – | – | – | – | 0 | – |
| 340 Canada | 12 | – | – | – | – | 0 | – |
| 350 USA | 132 | 11 | 11 | – | – | 1 | – |
| 360 Australia | 20 | – | – | – | – | 0 | – |
| 370 Jersey | 6 | – | – | – | – | 0 | – |
| 380 Other countries | – | – | – | – | – | 0 | – |
| **360 Total** | **39,187** | **1,304** | **1,304** | **37,881** | **-368** | **6** | **-4** |

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

The presentation based on industries corresponds to the differentiation by NACE codes in the context of Financial Reporting (FINREP).

As 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**

| € mn | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | | |
| | | | of which: non-performing | | | | |
| | | | | of which: defaulted | of which: loans and advances subject to impairment | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| 010 | Agriculture, forestry and fishing | – | – | – | – | – | – |
| 020 | Mining and quarrying | – | – | – | – | – | – |
| 030 | Manufacturing | 28 | – | – | 28 | 0 | – |
| 040 | Electricity, gas, steam and air conditioning supply | 0 | – | – | 0 | 0 | – |
| 050 | Water supply | 2 | – | – | 2 | 0 | – |
| 060 | Construction | 76 | 75 | 75 | 58 | -11 | -4 |
| 070 | Trading | 75 | – | – | 75 | 0 | – |
| 080 | Transport and storage | 1 | – | – | 1 | 0 | – |
| 090 | Accommodation and food service activities | 1,688 | 0 | 0 | 1,688 | -4 | – |
| 100 | Information and communication | – | – | – | – | – | – |
| 110 | Financial and insurance activities | – | – | – | – | – | – |
| 120 | Real estate activities | 27,669 | 1,211 | 1,211 | 27,642 | -340 | 0 |
| 130 | Professional, scientific and technical activities | 417 | – | – | 417 | –6 | – |
| 140 | Administrative and support service activities | 2 | – | – | 2 | 0 | – |
| 150 | Public administration and defence; compulsory social security | – | – | – | – | – | – |
| 160 | Education | – | – | – | – | – | – |
| 170 | Health and social services | – | – | – | – | – | – |
| 180 | Arts, entertainment and recreation | 0 | – | – | 0 | – | – |
| 190 | Other services | 19 | 0 | 0 | 19 | 0 | – |
| **200** | **Total** | **29,976** | **1,287** | **1,287** | **29,931** | **-362** | **-4** |

Given that Atlantic Group generally pursues the strategy of preventing any further losses from a loan exposure, some of the properties disclosed in table EU CQ7 are investments, some of which are subject to re-positioning and further development, and which may thus be held over several years. Hence, fair value (as well as the carrying amount) 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 | 89 | – |
| 020 Collateral obtained by taking possession other than that classified as PP&E | 305 | – |
| 030 Residential immovable property | 8 | – |
| 040 Commercial immovable property | 297 | – |
| 050 Movable property (auto, shipping, etc.) | – | – |
| 060 Equity and debt instruments | – | – |
| 070 Other collateral | – | – |
| **080 Total** | **394** | **–** |

Table EU CR2 outlines the changes within the portfolio of non-performing 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 non-performing portfolio are broken down further below by reason of the outflow:

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

| | a |
|---|---|
| € mn | Gross carrying amount |
| **010 Initial stock of non-performing loans and advances as at 1 Jan 2023** | **1,217** |
| 020 Inflows to non-performing portfolios | 638 |
| 030 Outflows from non-performing portfolios | -564 |
| 040 Outflows due to write-offs | -36 |
| 050 Outflow due to other situations | -528 |
| **060 Final stock of non-performing loans and advances as at 30 Jun 2023** | **1,291** |

## Credit risk mitigation

Collateral in the total amount of €30,102 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. Aareal Bank currently does not hold any credit derivatives which may be used for collateralisation purposes. 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**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Exposures unsecured | Exposures secured | of which: secured by collateral | of which: secured by financial guarantees | of which: secured by credit derivatives |
| € mn | | | | | | |
| 1 | Loans and advances | 10,274 | 30,102 | 30,087 | 15 | – |
| 2 | Debt securities | 5,188 | – | – | – | |
| 3 | **Total** | **15,462** | **30,102** | **30,087** | **15** | **–** |
| 4 | of which: non-performing exposures | 59 | 966 | 966 | – | – |
| EU-5 | of which: defaulted | 59 | 966 | | | |

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 19).

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. These are shown for each IRBA collateral as a percentage of the respective IRBA exposure.

Aareal Bank considers the relevant types of collateral within the scope of its LGD estimation in accordance with Article 181 (1) lit. e) and f) of the CRR.

Column m generally remains blank, as Aareal Bank does not make any substitution within the scope of the collateralisation of its exposures treated in AIRBA 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 | 31,933 | 0.04 | 100.22 | 99.68 | – | 0.53 | 0.17 |
| 3.1 | of which: Corporates – SMEs | 787 | 0.16 | 89.03 | 82.31 | – | 6.72 | – |
| 3.2 | of which: Corporates – Specialised lending | 28,718 | 0.04 | 101.37 | 100.96 | – | 0.41 | – |
| 3.3 | of which: Corporates – Other | 2,428 | 0.00 | 90.22 | 90.22 | – | – | 2.28 |
| 5 | **Total** | **31,933** | **0.04** | **100.22** | **99.68** | **–** | **0.53** | **0.17** |

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| IRBA exposure class | | h | i | j | k | l | m | n |
|---|---|---|---|---|---|---|---|---|
| | | Credit risk mitigation techniques | | | | | Credit risk mitigation techniques 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 | – | 0.17 | – | 0.04 | – | – | 8,275 |
| 3.1 | of which: Corporates – SMEs | – | – | – | 1.53 | – | – | 244 |
| 3.2 | of which: Corporates – Specialised lending | – | – | – | 0.00 | – | – | 6,870 |
| 3.3 | of which: Corporates – Other | – | 2.28 | – | 0.00 | – | – | 1,161 |
| **3** | **Corporates** | **–** | **0.17** | **–** | **0.04** | **–** | **–** | **8,275** |

## 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 on the assessment basis, but on 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 | 7,604 | – | 7,809 | – | 14 | 0.18 |
| 2 | Regional governments or local authorities | 2,556 | – | 2,559 | – | 440 | 17.20 |
| 3 | Other public-sector entities | 1,032 | 0 | 974 | 0 | 1 | 0.09 |
| 4 | Multilateral development banks | 170 | – | 170 | – | – | – |
| 5 | International organisations | 331 | – | 331 | – | – | – |
| 6 | Institutions | 616 | – | 485 | – | 105 | 21.74 |
| 7 | Corporates | 497 | 86 | 476 | 20 | 474 | 95.63 |
| 8 | Retail | 3 | 0 | 3 | 0 | 2 | 75.00 |
| 9 | Secured by mortgages on immovable property | 239 | – | 239 | – | 82 | 34.33 |
| 10 | Exposures in default | 3 | – | 3 | – | 4 | 125.33 |
| 11 | Exposures associated with particularly high risk | – | – | – | – | – | – |
| 12 | Covered bonds | 1,156 | – | 1,156 | – | 116 | 10.00 |
| 13 | Claims on institutions and corporates with a short-term credit assessment | – | – | – | – | – | – |
| 14 | Collective investment undertakings (CIU) | 41 | – | 41 | – | 6 | 15.51 |
| 15 | Equity exposures | – | – | – | – | – | – |
| 16 | Other exposures | – | – | – | – | – | – |
| **17** | **Total** | **14,247** | **86** | **14,247** | **20** | **1,245** | **8.73** |

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 | 7,739 | – | – | – | 70 | – | – | – | – | – | – | – | – | – | – | **7,809** | 7,550 |
| 2 | Regional governments or local authorities | 2,362 | – | – | – | 24 | – | – | – | – | – | – | 174 | – | – | – | **2,559** | 2,385 |
| 3 | Other public-sector entities | 970 | – | – | – | 5 | – | – | – | – | – | – | – | – | – | – | **975** | 916 |
| 4 | Multilateral development banks | 170 | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **170** | 170 |
| 5 | International organisations | 331 | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **331** | 28 |
| 6 | Institutions | – | – | – | – | 457 | – | 28 | – | – | – | – | – | – | – | – | **485** | 76 |
| 7 | Corporates | – | – | – | – | – | – | 37 | – | – | 459 | – | – | – | – | – | **496** | 459 |
| 8 | Retail | – | – | – | – | – | – | – | – | – | 3 | – | – | – | – | – | **3** | 3 |
| 9 | Secured by mortgages on immovable property | – | – | – | – | – | 219 | 20 | – | 3 | – | – | – | – | – | – | **239** | – |
| 10 | Exposures in default | – | – | – | – | – | – | – | – | – | 2 | 2 | – | – | – | – | **3** | 3 |
| 11 | Exposures associated with particularly high risk | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **–** | – |
| 12 | Covered bonds | – | – | – | 1,156 | – | – | – | – | – | – | – | – | – | – | – | **1,156** | – |

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| 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 | | | | | | | | | | | | | | | | | |
| 13 Claims on institutions and corporates with a short-term credit assessment | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **–** | – |
| 14 Collective investment undertakings (CIU) | 14 | – | – | – | 27 | – | – | – | – | – | – | – | – | 0 | – | **41** | 41 |
| 15 Equity exposures | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **–** | – |
| 16 Other exposures | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **–** | – |
| **17 Total** | **11,585** | **–** | **–** | **1,156** | **582** | **219** | **85** | **–** | **3** | **461** | **2** | **174** | **–** | **0** | **–** | **14,267** | **11,631** |

## Advanced IRB Approach (AIRBA)

Atlantic Group's property lending portfolio (treated under the AIRBA) shall be disclosed in the table EU CR6 to be published on a half-yearly basis, which considers 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 the 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 | 37 | – | – | 37 | 0.12 | 2 |
| | 0.00 to < 0.10 | – | – | – | – | – | – |
| | 0.10 to < 0.15 | 37 | – | – | 37 | 0.12 | 2 |
| | 0.15 to < 0.25 | 103 | 13 | 100.00 | 116 | 0.20 | 17 |
| | 0.25 to < 0.50 | 202 | 25 | 100.00 | 227 | 0.36 | 26 |
| | 0.50 to < 0.75 | 92 | 12 | 100.00 | 104 | 0.59 | 16 |
| | 0.75 to < 2.50 | 166 | 6 | 100.00 | 172 | 1.06 | 16 |
| | 0.75 to < 1.75 | 156 | 6 | 100.00 | 162 | 1.01 | 15 |
| | 1.75 to < 2.50 | 9 | – | – | 9 | 1.91 | 1 |
| | 2.50 to < 10.00 | 120 | – | – | 120 | 4.57 | 3 |
| | 2.50 to < 5.00 | 67 | – | – | 67 | 2.91 | 2 |
| | 5.00 to < 10.00 | 53 | – | – | 53 | 6.67 | 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 | – | 100.00 | 11 | 100.00 | 4 |
| | **Subtotal** | **731** | **55** | **100.00** | **787** | **2.60** | **84** |

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| 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 – Specialised lending** | 0.00 to < 0.15 | 120 | – | – | 120 | 0.08 | 3 |
| | 0.00 to < 0.10 | 82 | – | – | 82 | 0.06 | 2 |
| | 0.10 to < 0.15 | 38 | – | – | 38 | 0.12 | 1 |
| | 0.15 to < 0.25 | 634 | – | – | 634 | 0.20 | 16 |
| | 0.25 to < 0.50 | 3,264 | 59 | 100.00 | 3,323 | 0.36 | 103 |
| | 0.50 to < 0.75 | 3,637 | 35 | 100.00 | 3,672 | 0.59 | 101 |
| | 0.75 to < 2.50 | 16,091 | 452 | 100.00 | 16,543 | 1.41 | 318 |
| | 0.75 to < 1.75 | 9,570 | 199 | 100.00 | 9,769 | 1.06 | 232 |
| | 1.75 to < 2.50 | 6,521 | 253 | 100.00 | 6,774 | 1.91 | 86 |
| | 2.50 to < 10.00 | 2,777 | 205 | 100.00 | 2,982 | 3.30 | 58 |
| | 2.50 to < 5.00 | 2,759 | 205 | 100.00 | 2,964 | 3.28 | 57 |
| | 5.00 to < 10.00 | 18 | – | – | 18 | 6.67 | 1 |
| | 10.00 to < 100.00 | – | – | – | – | – | – |
| | 10.00 to < 20.00 | – | – | – | – | – | – |
| | 20.00 to < 30.00 | – | – | – | – | – | – |
| | 30.00 to < 100.00 | – | – | – | – | – | – |
| | 100.00 (Default) | 1,443 | 13 | 100.00 | 1,443 | 100.00 | 33 |
| | **Subtotal** | **27,966** | **764** | **100.00** | **28,718** | **6.30** | **632** |
| **Corporates – Others** | 0.00 to < 0.15 | – | – | – | – | – | – |
| | 0.00 to < 0.10 | – | – | – | – | – | – |
| | 0.10 to < 0.15 | – | – | – | – | – | – |
| | 0.15 to < 0.25 | 21 | 19 | 100.00 | 40 | 0.20 | 5 |
| | 0.25 to < 0.50 | 356 | 87 | 100.00 | 444 | 0.36 | 19 |
| | 0.50 to < 0.75 | 9 | 53 | 100.00 | 61 | 0.59 | 6 |
| | 0.75 to < 2.50 | 1,684 | 199 | 100.00 | 1,883 | 1.18 | 56 |
| | 0.75 to < 1.75 | 1,246 | 138 | 100.00 | 1,384 | 0.92 | 44 |
| | 1.75 to < 2.50 | 438 | 61 | 100.00 | 499 | 1.91 | 12 |
| | 2.50 to < 10.00 | – | – | – | – | – | – |
| | 2.50 to < 5.00 | – | – | – | – | – | – |
| | 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** | **2,071** | **357** | **100.00** | **2,428** | **1.00** | **86** |
| | Total | 30,768 | 1,177 | 100.00 | 31,933 | 5.80 | 802 |

| IRBA exposure class | a | h | i | j | k | l | m |
|---|---|---|---|---|---|---|---|
| | PD range | Average LGD | Average maturity | Risk-weighted assets (RWAs) | RWA density | Expected loss amount (EL) | Value adjust-ments and provisions |
| | % | % | Years | € mn | % | € mn | € mn |
| **Corporates – SMEs** | 0.00 to < 0.15 | 10.22 | 3 | 2 | 5.43 | 0 | 0 |
| | 0.00 to < 0.10 | – | – | – | – | – | – |
| | 0.10 to < 0.15 | 10.22 | 3 | 2 | 5.53 | 0 | 0 |
| | 0.15 to < 0.25 | 18.83 | 3 | 16 | 13.71 | 0 | 0 |
| | 0.25 to < 0.50 | 19.33 | 2 | 44 | 19.22 | 0 | 0 |
| | 0.50 to < 0.75 | 47.38 | 2 | 58 | 55.23 | 0 | 0 |
| | 0.75 to < 2.50 | 14.81 | 2 | 40 | 23.33 | 0 | 0 |
| | 0.75 to < 1.75 | 13.81 | 3 | 34 | 20.77 | 0 | 0 |
| | 1.75 to < 2.50 | 32.12 | 3 | 6 | 67.44 | 0 | 0 |
| | 2.50 to < 10.00 | 29.95 | 3 | 81 | 67.61 | 2 | -2 |
| | 2.50 to < 5.00 | 30.14 | 3 | 39 | 59.05 | 1 | -1 |
| | 5.00 to < 10.00 | 29.72 | 3 | 41 | 78.42 | 1 | -2 |
| | 10.00 to < 100.00 | – | – | – | – | – | – |
| | 10.00 to < 20.00 | – | – | – | – | – | – |
| | 20.00 to < 30.00 | – | – | – | – | – | – |
| | 30.00 to < 100.00 | – | – | – | – | – | – |
| | 100.00 (Default) | 102.49 | – | 4 | 32.56 | 11 | -4 |
| | **Subtotal** | **24.39** | **2** | **244** | **30.99** | **14** | **-7** |
| **Corporates – Specialised lending** | 0.00 to < 0.15 | 8.33 | 3 | 4 | 3.44 | 0 | 0 |
| | 0.00 to < 0.10 | 8.31 | 2 | 3 | 3.05 | 0 | 0 |
| | 0.10 to < 0.15 | 8.37 | 3 | 2 | 4.29 | 0 | 0 |
| | 0.15 to < 0.25 | 11.57 | 3 | 60 | 9.44 | 0 | 0 |
| | 0.25 to < 0.50 | 15.23 | 3 | 558 | 16.80 | 2 | –2 |
| | 0.50 to < 0.75 | 11.17 | 3 | 612 | 16.68 | 2 | –3 |
| | 0.75 to < 2.50 | 11.79 | 3 | 3,722 | 22.50 | 28 | -51 |
| | 0.75 to < 1.75 | 11.40 | 3 | 1,953 | 19.99 | 12 | -21 |
| | 1.75 to < 2.50 | 12.36 | 2 | 1,769 | 26.12 | 16 | -30 |
| | 2.50 to < 10.00 | 16.96 | 2 | 1,138 | 38.17 | 17 | -39 |
| | 2.50 to < 5.00 | 16.92 | 2 | 1,124 | 37.91 | 16 | -38 |
| | 5.00 to < 10.00 | 23.44 | 1 | 15 | 81.78 | – | –1 |
| | 10.00 to < 100.00 | – | – | – | – | – | – |
| | 10.00 to < 20.00 | – | – | – | – | – | – |
| | 20.00 to < 30.00 | – | – | – | – | – | – |
| | 30.00 to < 100.00 | – | – | – | – | – | – |
| | 100.00 (Default) | 24.66 | – | 776 | 53.74 | 294 | -256 |
| | **Subtotal** | **13.27** | **3** | **6,870** | **24.26** | **343** | **-351** |
| **Corporates – Others** | 0.00 to < 0.15 | – | – | – | – | – | – |
| | 0.00 to < 0.10 | – | – | – | – | – | – |
| | 0.10 to < 0.15 | – | – | – | – | – | – |
| | 0.15 to < 0.25 | 38.63 | 3 | 18 | 45.21 | 0 | 0 |
| | 0.25 to < 0.50 | 27.54 | 3 | 218 | 49.01 | 0 | 0 |
| | 0.50 to < 0.75 | 81.35 | 3 | 88 | 143.30 | 0 | 0 |
| | 0.75 to < 2.50 | 15.99 | 4 | 837 | 44.45 | 4 | -4 |
| | 0.75 to < 1.75 | 12.73 | 4 | 447 | 32.30 | 2 | -1 |
| | 1.75 to < 2.50 | 25.02 | 4 | 390 | 78.13 | 2 | -2 |

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| IRBA exposure class | a<br>PD range | h<br>Average LGD | i<br>Average maturity | j<br>Risk-weighted assets (RWAs) | k<br>RWA density | l<br>Expected loss amount (EL) | m<br>Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|
| | % | % | Years | € mn | % | € mn | € mn |
| | 2.50 to < 10.00 | – | – | – | – | – | – |
| | 2.50 to < 5.00 | – | – | – | – | – | – |
| | 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** | **20.12** | **4** | **1,161** | **47.79** | **5** | **-4** |
| | **Total** | **14.07** | **3** | **8,275** | **25.91** | **361** | **-361** |

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

| € mn | | a<br>RWAs |
|---|---|---|
| **1** | **RWAs as at 31 March 2023** | **8,885** |
| 2 | Asset size | 247 |
| 3 | Asset quality | 269 |
| 4 | Model updates | 163 |
| 5 | Methodology and policy | – |
| 6 | Acquisitions and disposals | -2 |
| 7 | Foreign exchange movements | 27 |
| 8 | Other | – |
| **9** | **RWAs as at 30 June 2023** | **9,589** |

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 continued reduction 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).

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.

The RWA effect from the disposal of immaterial investments is disclosed in line 6.

No figures are shown in line 8 since we were able to assign RWA changes within Atlantic Group to the aforementioned categories.

# 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 the 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; their first-time disclosure, however, is staggered. For instance, first-time disclosure of information related to the Green Asset Ratio (GAR) and the Banking Book Taxonomy Alignment Ratio (BTAR) is not required before the end of 2023 and 30 June 2024, respectively.

## Qualitative information on ESG risks

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

### 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.

Atlantic Group has been accompanying and supporting the sustainable transformation of the economy and society for years with its systematic 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). This is because, as a financial services provider and partner to the property industry, we are active in two sectors that are instrumental as the economy transforms. The property sector accounts for a significant proportion of global energy consumption and resulting greenhouse gas emissions. As a result, this sector has a responsibility to realise the potential savings in this area, which are substantial in some cases – a responsibility that politicians are also reminding it of. ESG criteria play an increasingly important role not only in lending but also on the funding side of our business, in our investment portfolio, and in our digital product portfolio.

As is the case with most financial institutions, the environmental impacts of our financing activities are largely indirect. However, we are convinced that we need to systematically align our activities and our work with sustainability requirements in order to live up to our responsibility to society in this area of business and to ensure that our business model remains viable in the future. We therefore consider the inclusion of environmental risks as a fundamental necessity for ensuring our long-term business success. We use compliance with the ESG criteria that have been classified as relevant to our business as a key tool for assessing properties' sustainable intrinsic value. In our investment portfolio, we apply these criteria both out of ethical conviction and from a risk perspective, so as to avoid any 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 for 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 its portfolio volume within its target range, taking ESG requirements into account and taking advantage of its flexible approach with regard to countries, property types and financing structures.

In the Banking & Digital Solutions and Aareon segments, our products and services raise our clients' environmental awareness and enable them to use digital, mobile solutions to actively and measurably cut carbon emissions, and hence reduce negative environmental impacts. For example, they contribute to more efficient processes, a drop in the number of kilometres travelled and lower paper usage. In addition to time and cost savings and efficiency gains, our solutions can also contribute to greater transparency and an improved environmental footprint. In this way, we are helping our clients cut carbon emissions and save energy.

Conserving resources is environmental protection and part of our corporate philosophy. Continuously cutting energy usage and avoiding carbon emissions also play an important role in our internal planning and optimization measures. For the 2023 financial year, we have set ourselves the goal to achieve -carbon-neutral operations in line with the "avoid, reduce, offset" principle. This will allow us to play our part as a company in protecting the climate.

### Integrating 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 individual corporate functions.

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

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

Atlantic Group's sustainability management activities are directed by Aareal Bank AG, which is considered a significant subsidiary of Atlantic Group. At an organisational level, central Sustainability Management is assigned to the Group Strategy division. 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 Atlantic Group's sustainability strategy. This emphasises sustainability's strategic importance for the Group's corporate philosophy and ensures that relevant ESG information is included in our communication with stakeholders. Sustainability Management is supported in its work by contacts from various divisions. Aareon AG has its own contacts who are responsible for progressing the topic area together with Aareal Bank AG's Sustainability team. The ESG Expert Group, which meets at regular intervals, and the Green Finance Committee helped to ensure internal coordination and liaison in the period under review.

ESG risk governance, as part of the overarching governance model, is integrated into Aareal Bank's existing risk governance. Along the risk management cycle, the identification, assessment, management, and monitoring of ESG risks is adequately implemented through a three-lines-of-defence model (3LoD). This governance structure ensures that the relevant bodies are involved, and that risk-relevant ESG aspects are reflected 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 part of their risk management function, the Non-Financial Risks (NFR) and Risk Control (RCO) divisions, as the central 2nd LoD, ensure that ESG risks are adequately considered and integrated along the risk management cycle. This includes specifying methods for managingESG risks, monitoring measures, and ESG reporting. ESG risks are integrated into risk management via existing risk types. The second LoD is also represented by a compliance function, which assumes a control function in relation to ESG risks with regard to compliance with material legal and internal regulations.

In its role as third LoD, Group Audit is expected to provide an independent and objective review of the risk management framework. This includes a review of the adequacy and effectiveness of ESG risk governance arrangements, the specific implementation of the risk strategy and risk appetite related to ESG risks, and internal policies, procedures and responsibilities for 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 fundamentally based on the regulatory requirements – as set out in the ECB guide and the BaFin guidance notice on managing sustainability risks, along with the EBA's guidelines on loan origination and monitoring.

To develop an understanding of sustainability risks, including physical and transitional climate-related 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 and their impact on Aareal Bank. These factors are not confined to climate issues but encompass the three areas of environmental, social and governance matters.

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).

Next to physical climate-related risks, the transition risk of changed investor behaviour was identified as a relevant factor for the short-term horizon. For the medium- to long-term horizon, additional transition risks (regulatory environment, technology, investors) and governance factors such as fraudulent acts, sustainability management, and data protection, were identified as relevant ESG factors.

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.

Acute and chronic physical risks, alongside risks pertaining to the transition to a lower-carbon and more environmentally sustainable economy, are associated with relevant effects on financial risks and credit risk in particular. The main transmission channel for environmental and climate factors are properties used as collateral for credit exposures. Depending on their location, these properties may be exposed to physical climate-related and environmental risks. Natural disasters may damage buildings and negatively affect their market value. They may also damage the area where the buildings are located, significantly impairing the extent to which the properties can be used. This may lead to rent defaults or losses of cash flow in a broader sense. Buildings are responsible for a large portion of worldwide energy consumption and $CO_2$ emissions, which is why they are particularly affected by rising $CO_2$ prices and refurbishment costs. Future costs for $CO_2$ and energy-efficient refurbishments may impair the market values and – as a result – the risk profile of the financings.

Similar causalities apply to properties held in the 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.

Liquidity risk may be affected as transition measures or physical events may lead to a liquidity outflow, for example, if housing companies need to repair or rebuild properties damaged or destroyed by a natural disaster. In addition, liquidity outflows may also occur as a result of an increase in energy-efficient refurbishments.

Regarding non-financial risks, transition risks mainly arise due to changes in the political, legal or regulatory environment governing the transition to a lower-carbon and more environmentally sustainable economy. Compliance risks may then arise from violations of legal or regulatory provisions and 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 from authorities with an impact on the net assets, results of operations or liquidity situation of the institution.

This also applies to reputational risks which may also arise from changes in statutory and regulatory provisions and requirements in connection with sustainability, such as those relating to the sustainability strategy and the associated impact on the "Aareal" brand value, and which may materialise in corresponding costs for communication measures.

The identified relevant short-term ESG risk factors are closely linked to Aareal Bank's planning horizon, the average loan terms, and the risk-bearing capacity. They are integrated into the ICAAP and limit systems.

Since it is expected that climate-related and environmental risks for institutions will primarily take effect in the medium to long term, the longer perspective assumes a future-oriented approach and is particularly relevant for stress test scenario design. 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 along Aareal Bank's entire risk management cycle by identifying (inventory), assessing, measuring and managing risks, and assessing them from an economic perspective as part of the ICAAP. To this end, management and monitoring of ESG risks is consistently and continuously being refined.

## Climate-related and environmental risks

### Definition

Climate-related risks comprise all risks caused or exacerbated by climate change and are subdivided into physical climate-related risks and transitional climate-related risks.

Physical climate-related risks describe the direct effects of climate change triggered by continuous global warming and progressive 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, heat waves/droughts, storm and hail. Physical climate-related risks can also have indirect consequences (for example, collapse of supply chains, abandonment of water-intensive business activities through to climate-related migration.

Transitional climate-related risks are risks caused to institutions as a direct or indirect consequence of the process of becoming a less carbon-intensive and more ecologically sustainable economy. They comprise changes in the political, legal and regulatory framework conditions and 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 transitional environmental risks. Transitional environmental risks, in line with transitional climate-related risks, are adjustment processes triggered by politics, technology or market participants in order to counter the destruction of the environment.

### Management of climate-related and environmental risks

Regarding climate-related risks, the credit risk is the material risk type in the Structured Property Financing segment. Individual credit receivables are collateralised by the respective properties. Physical climate-related risks with a view to Aareal Bank's climate-related risks are effectively monitored and managed by taking out adequate insurance cover against negative financial effects resulting from acute physical risks (such as extreme weather events). In accordance with Article 208 (5) of the CRR, property used as collateral must be adequately insured against damage for the purpose of a reduced consideration of loans in the capital adequacy requirements.

The property collateral of our loans is exposed both to transitional risks such as a carbon tax or refurbishing requirements, and to physical risks such as flooding or storm. These risks are assessed in the risk inventory and evaluated using the internal stress testing methodology. Data from an external data provider is used to derive physical threats which forms the basis for the physical stress test, as well as for the required insurance cover that the borrower has to substantiate.

Aareal Bank created the data infrastructure required for capturing information on energy efficiency, green building certificates and energy-efficient refurbishment projects in our systems as early as 2019. Once again, progress was made with data gathering, capture and validation for our global portfolio in the reporting period. This already allows us to calculate a number of sustainability-related KPIs for our lending business. In the future, we aim to go into greater detail and expand this to capture $CO_2$ 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 to calculating financed carbon emissions. This methodology is designed to serve as the basis for establishing a structured process for using heterogeneous data of varying quality to calculated 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 the buildings' fair values but also determine the mortgage lending value and use a lifecycle analysis that includes environmental aspects such as the buildings' 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. To safeguard a comprehensive and overall management and monitoring of ESG risks, it is essential to develop and implement Bank-wide indicators and metrics for ESG aspects in addition to the risk type-specific treatment of ESG risks, taking into account the specified 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 with regard to acute and chronic climate-related risks at the respective locations. The data is sourced from an external insurance provider and updated at least annually for the entire portfolio.

To assess the threat for loan receivables posed by ESG factors, Aareal Bank has developed an ESG Score together with CredaRate GmbH and further partner banks, which was implemented in 2022. Within the framework of this methodology, the three dimensions of environmental, social and governance are assessed depending on the share of the financed property in the borrower's total assets, which are then combined into an overall score at borrower level. In 2023, Aareal Bank's portfolio is therefore going to be systematically scored with regard to ESG aspects.

When measuring climate-related risks, scenario analyses and/or stress tests play an important role. The Bank has developed internal tools both for transitional and physical climate-related risks. The tool for transitional risks can take $CO_2$ levies from NGFS scenarios ("Network for Greening the Financial System") and possible refurbishment projects into account when assessing a building. The tool for assessing physical risks can determine portfolio losses based on exposure data from an external provider for physical shock events (e.g. flood).

The assessment and measurement of ESG factors related to liquidity risk is expert-based by developing individual ESG-related scenarios on potential liquidity risk events. An expert-based review in 2022 demonstrated that ESG factors associated with liquidity risk do not result in material net liquidity outflows or a material reduction in the liquidity buffer. Based on this review, scenarios have been developed for a scenario calculation in liquidity risk. The most severe scenario from Aareal Bank's point of view is quantified in the regular liquidity stress calculation.

In addition to the quantitative consideration of ESG risks in the economic ICAAP perspective, a calculation of the effects of climate-related and environmental risks on Aareal Bank's risk situation is carried out within the framework of ESG-related stress test and scenario analyses. These analyses are the principal methods for assessing climate-related risks. They are based on the scenarios/climate pathways set out in the NGFS or on internal shock scenarios. Compared to the other stress test scenarios, the impact of the climate stress test or the "Changes in social values" scenario on Aareal Bank Group's capitalisation is mild.

As an integral part of the internal reporting system, ESG risks are continuously displayed and monitored in a transparent manner. Aside from the results of the stress test analyses, the main content relates in particular to operational risks associated with ESG aspects, the presentation of portfolio transparency (green buildings) and the review of the use of proceeds for green bonds.

### Current and future investment activities to achieve environmental objectives

Since the second quarter of 2021, the Bank as been offering  green loans (in accordance with the definition of the "Green Finance Framework – Lending") in order to help its clients reach their business objectives and thus boost the property sector's contribution to increase 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. These form the basis for our "Green Finance Framework – Lending". In addition to meeting minimum energy efficiency standards and the existence of certain high-quality building certificates, the requirements for Taxonomy-aligned buildings serve as qualification criteria for green loans. This definition was developed together with internal experts with the goal of applying it to around the world. A second-party opinion by Sustainalytics GmbH (Sustainalytics) then reviewed the framework developed in this way for the ambition, market conformity and suitability of the qualification criteria, and rated it as "credible and impactful". This third-party certified model serves as the basis for extending green loans and hence is successively aligning the Bank's credit portfolio with sustainable criteria. Sustainalytics also provided a second opinion concerning our internal taxonomy (Aareal-specific definition of "green" for (a) buildings and (b) energy-efficient refurbishments of buildings), which underlines Aareal Bank's sustainability approach as being both credible and robust.

The green funding offering supplements the green lending activities, allowing it to offer ESG-oriented clients products in both the asset and the liability areas of the business in the reporting period. The suitability criteria for liability-side products and for classifying them as "green" have been designed in a similar way 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.

With regard to the Bank's Treasury portfolio, an annual issuer-based ESG screening is carried out to analyse and evaluate the portfolio from an ESG perspective. Among other things, social criteria such as the freedom of the press and the Corruption Index are taken into account here.

## 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 social 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 plant 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 take the following sustainability criteria into account during property valuations performed in association with lending decisions:

- functional quality, e.g. transport infrastructure, accessibility, and barrier-free access;
- life-cycle quality, e.g. 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 a binding foundation for business relationships between Group companies and suppliers or service providers. It ensures on the one hand that our 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 Atlantic Group.

New regulatory requirements that could lead to obligations with respect to the observance of human rights at the Group are reviewed regularly for their relevance and for any need to take action. This includes, inter alia, the revised EBA Guidelines on internal governance. In addition, the Bank follows new legislation closely, for example, the Act on Corporate Due Diligence in Supply Chains, identifying potential implications for Atlantic Group at an early stage.

At the level of the workforce, complying with the German General Equal Treatment Act (Allgemeines Gleichstellungsgesetz – AGG) and 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 damage teamwork and hence results, lead to inefficient working processes, demotivate talented employees and cause economic damage as a result.

Our Code of Conduct summarises the values and convictions that make us – Atlantic 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 is a matter of course for us 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 them. 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 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 Atlantic Group's operational and business environment. Relevant topics within the context of social risks are discussed at Management Board and top management level, in various corporate bodies and on a regular basis.

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

ESG targets were included in the individual component of the overall target achievement for Aareal Bank AG's Management Board members in the 2022 financial year, in order to ensure that the increased importance of ESG aspects to our corporate strategy was also reflected in the remuneration paid. The minimum weighting was 15 %. The use of quantitative ESG targets allows a high level of transparency regarding Aareal Bank AG's ESG focal areas and at the same time creates targeted incentives for a long-term sustainable strategy. From the 2023 financial year onwards, the emphasis put on ESG targets in Management Board remuneration has been increased: the 2022 Annual General Meeting approved a revised remuneration system for the members of the Management Board under which targets will also be set for ESG aspects at the Group component level in future. In other words, the minimum weighting for ESG targets in future will be 25 % of the overall targets. For further information on the revised remuneration system, please see the agenda for the 2022 Ordinary Annual General Meeting.

In line with section 25d (12) of the German Banking Act (Kreditwesengesetz – 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, our stress test scenarios focus on climate-related and environmental risks as well as on changes in the working environment and travel behaviour. An analysis of the change in society increasingly highlights social and governance risks, assessing their impact on financial and non-financial risks alike.

## Governance risks

### Definition

Governance risks means 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

Atlantic Group also manages its risks by defining permissible transactions (for example, it does not operate correspondent banking business, and it defines permissible industries). It 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 the “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. Atlantic Group has restricted certain business activities to reduce risk. The Wolfsberg Questionnaire lists other transactions that are only permissible at Aareal 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 Atlantic 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 Atlantic Group. New suppliers and 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 Aareal Bank AG’s whistle-blowing procedure, which act as preventive measures against the threat of corruption, as well as the Conflict of Interest Policy, which generally manages conflicts of interest. This should 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 preventing money laundering and terrorist financing, and on preventing 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 the employee reporting the issue confidentiality and protection. Employees can use this voluntary, confidential reporting system to raise concerns online or by phone – including anonymously, if desired.

## Quantitative information on ESG risks

The following table 1 shows the gross carrying amounts of loans and advances, debt securities and equity instruments to non-financial corporations, by sector of economic activities. It does not take into account 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 Financial Reporting (FINREP).

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

Column b includes exposures towards non-financial corporations that are excluded from the EU Paris-aligned benchmarks as specified in Article 12(1), points (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. In contrast to 31 December 2022, we had no exposure towards a corporation, which, in line with the sector breakdown, is classified as excluded from the EU Paris-aligned benchmarks as at the reporting date.

The gross carrying amount of environmentally sustainable exposures under the objective of contributing to climate change mitigation is to be reported in column c, with first disclosure reference date as of 31 December 2023, for exposures included in the numerator of the Green Asset Ratio ("GAR"). The gross carrying amount of those environmentally sustainable exposures included in the numerator of the Banking Book Taxonomy Alignment Ratio ("BTAR") but not in the numerator of the GAR will be indicated in this column, with first disclosure reference date as of 31 December 2024.

Loss allowances and provisions attributable to performing and non-performing exposures are to be disclosed in columns f to h.

Information on greenhouse gas emissions is to be given in columns i to k, with first disclosure reference date as of 30 June 2024.

**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 |
|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | |
| € mn | | | of which: exposures towards companies excluded from EU Paris-aligned Benchmarks as specified in Article 12(1), points (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818. | of which: environ-mentally sustainable | of which: Stage 2 | of which: non-performing |
| **1** | **Exposures towards sectors that highly contribute to climate change** | **29,538** | **–** | **–** | **5,580** | **1,286** |
| **9** | **C – Manufacturing** | **28** | **–** | **–** | **–** | **–** |
| 30 | C.30 - Manufacture of other transport equipment | 28 | – | – | – | – |
| **39** | **E – Water Supply: sewerage, waste management and remediation activities** | **2** | **–** | **–** | **–** | **–** |
| **40** | **F – Construction** | **76** | **–** | **–** | **1** | **75** |
| 41 | F.41 – Construction of buildings | 76 | – | – | 1 | 75 |
| **44** | **G – Wholesale and retail trade; repair of motor vehicles and motorcycles** | **75** | **–** | **–** | **–** | **–** |
| **45** | **H – Transport and storage** | **1** | **–** | **–** | **1** | **–** |
| 49 | H.52 – Warehousing and support activities for transportation | 1 | – | – | 1 | – |
| **51** | **I – Accommodation and food service activities** | **1,688** | **–** | **–** | **–** | **0** |
| **52** | **L – Real estate activities** | **27,669** | **–** | **–** | **5,578** | **1,211** |
| **53** | **Exposures towards sectors other than those that highly contribute to climate change** | **443** | **–** | **–** | **56** | **0** |
| 55 | Exposures to other sectors (NACE codes J, M – U) | 443 | – | – | 56 | 0 |
| 56 | Total | 29,981 | – | – | 5,636 | 1,287 |

| € mn | | f | g | h | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|
| | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | | |
| | | | of which: Stage 2 | of which: non-performing | ≤ 5 years | > 5 years ≤ 10 years | > 10 years ≤ 20 years | > 20 years | Average maturity |
| **1** | **Exposures towards sectors that highly contribute to climate change** | **-355** | **-59** | **-261** | **27,373** | **1,790** | **297** | **78** | **3** |
| **9** | **C – Manufacturing** | **0** | **–** | **–** | **28** | **–** | **–** | **–** | **3** |
| 30 | C.30 - Manufacture of other transport equipment | 0 | – | – | 28 | – | – | – | 3 |
| **39** | **E – Water Supply: sewerage, waste management and remediation activities** | **0** | **–** | **–** | **0** | **2** | **–** | **–** | **8** |
| **40** | **F – Construction** | **-11** | **0** | **-11** | **75** | **–** | **0** | **1** | **0** |
| 41 | F.41 – Construction of buildings | -11 | 0 | -11 | 75 | – | 0 | 1 | 0 |
| **44** | **G – Wholesale and retail trade; repair of motor vehicles and motorcycles** | **0** | **–** | **–** | **75** | **–** | **–** | **–** | **2** |
| **45** | **H – Transport and storage** | **0** | **0** | **–** | **–** | **1** | **–** | **–** | **7** |
| 49 | H.52 – Warehousing and support activities for transportation | 0 | 0 | – | – | 1 | – | – | 7 |
| **51** | **I – Accommodation and food service activities** | **-4** | **–** | **0** | **1,688** | **–** | **–** | **0** | **2** |
| **52** | **L – Real estate activities** | **-340** | **-59** | **-250** | **25,507** | **1,788** | **297** | **77** | **3** |
| **53** | **Exposures towards sectors other than those that highly contribute to climate change** | **-6** | **-2** | **0** | **441** | **2** | **–** | **–** | **1** |
| 55 | Exposures to other sectors (NACE codes J, M – U) | -6 | -2 | 0 | 441 | 2 | – | – | 1 |
| 56 | Total | -361 | -61 | -261 | 27,814 | 1,792 | 297 | 78 | 3 |

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

Gross carrying amounts for financings with more than one collateral are distributed across energy efficiency levels and EPC labels according to the share the gross carrying amount of a given property has in the total gross carrying amount of all properties.

Property loans with no EPC label pertaining to the collateral are disclosed in column o. The share of property loans with no EPC label (as indicated in column o), but with energy performance scores estimated by the Bank ("EPS") is disclosed in column p. In line with the EBA's Q&A ID 2022_6625, the EPS was deemed "not estimated" only for properties for which there was an EPC label. 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; as a consequence, the share of exposures relying on estimates instead of real data is smaller than depicted in column p. The same procedure was applied to the exposures in rows 5 and 10.

For the collateral whose EPC labels are actually based on estimated values, the calculation was based on the Partnership for Carbon Accounting Financials' standards ("PCAF") taking the location and type of the properties that are to be financed 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 which may thus be held over 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: estimated level of energy efficiency of collateral (EP score – in kWh/m²) |
| € mn | | | | | | | | | | | | | | | | | % |
| **1** | **Total EU** | **15,286** | **3,444** | **3,855** | **5,243** | **372** | **598** | **1,375** | **803** | **1,024** | **668** | **609** | **240** | **18** | **81** | **11,844** | **51.64** |
| 2 | of which: collateralised by commercial immovable property | 14,294 | 3,148 | 3,414 | 5,102 | 371 | 598 | 1,375 | 803 | 1,005 | 661 | 604 | 239 | 18 | 79 | 10,885 | 52.40 |
| 3 | of which: collateralised by residential immovable property | 738 | 288 | 441 | 6 | 0 | – | 0 | – | 20 | 6 | 4 | 0 | 0 | 2 | 705 | 38.31 |
| 4 | of which: collateral obtained by taking possession (residential and commercial immovable properties) | 254 | 7 | – | 134 | – | – | – | – | – | – | – | – | – | – | 254 | 55.67 |
| 5 | of which: level of energy efficiency estimated | 6,859 | 671 | 1,100 | 3,690 | 88 | 249 | 1,060 | | | | | | | | 6,186 | 100.00 |
| **6** | **Total non-EU** | **15,579** | **330** | **1,437** | **5,117** | **2,725** | **623** | **4,737** | **421** | **1,146** | **577** | **158** | **5** | – | **13** | **13,259** | **90.83** |
| 7 | of which: collateralised by commercial immovable property | 14,065 | 288 | 504 | 4,893 | 2,725 | 365 | 4,677 | 226 | 829 | 577 | 158 | 5 | – | 13 | 12,256 | 90.08 |
| 8 | of which: collateralised by residential immovable property | 1,300 | 42 | 932 | 9 | – | 257 | 59 | 195 | 317 | – | – | – | – | – | 788 | 100.00 |
| 9 | of which: collateral obtained by taking possession (residential and commercial immovable properties) | 214 | – | – | 214 | – | – | – | – | – | – | – | – | – | – | 214 | 100.00 |
| 10 | of which: level of energy efficiency estimated | 12,754 | 74 | 1,069 | 2,757 | 2,543 | 220 | 3,925 | | | | | | | | 12,096 | 100.00 |

The following table 4 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 most recent available data from the Climate Accountability Institute's Carbon Majors Database (i.e. data from 2018 published in 2020).

The gross carrying amount reported in the table refers to commercial property financings of two special purpose entities belonging to a counterparty listed in the Carbon Major Database. The share of these financings in the aggregate gross carrying amount of the portfolio to be reviewed is a mere 0.18 %.

The aggregate gross carrying amount of exposures which are environmentally sustainable under the objective of climate-change mitigation[1] are to be disclosed in column c, with first disclosure reference date as of 31 December 2023.

[1] Please refer to Article 3 of Regulation (EU) 2020/852 for details on the criteria for classifying an investment as environmentally sustainable ("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 | 84 | 0,18 | – | 3 | 1 |

Table 5 gives an overview of exposures to chronic and acute climate-related risks of a physical nature. A physical climate-related risk is considered to be acute if it materialises due to extreme events, such as drought, flooding or storms. If it is the result of 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), it is classified as chronic.

For ease of reference, we limit the presentation by geographies affected by physical climate-related risks resulting from climate change to an exposure breakdown by EU and non-EU geographies.

Information on physical climate-related risks is supplied by an external data provider in the form of risk scores that depict the environmental hazard on a scale and further information from which exposure can be derived. The risk scores take the current and future hazards to the location into account, amongst others. 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 environmental risk is being reviewed this year, together with the external data provider; it will then be adjusted based on the results of the review.

Column b includes 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. However, the information on maturity breakdown and loss allowance contained in the following columns is limited to exposures 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 | 28 | – | – | – | – | – | – | – |
| 4 | D – Electricity, gas, steam and air conditioning supply | 0 | – | – | – | – | – | – | – |
| 5 | E – Water supply; sewerage, waste management and remediation activities | 2 | – | – | – | – | – | – | – |
| 6 | F – Construction | 76 | 75 | – | – | – | 0 | – | – |
| 7 | G – Wholesale and retail trade; repair of motor vehicles and motorcycles | 75 | 70 | – | – | – | 2 | – | 1 |
| 8 | H – Transport and storage | 1 | – | – | – | – | – | – | – |
| 9 | L – Real estate activities | 13,012 | 6,743 | 986 | 190 | 30 | 3 | 190 | 5,272 |
| 10 | Loans collateralised by residential immovable property | 739 | 102 | 27 | 55 | 30 | 10 | – | 146 |
| 11 | Loans collateralised by commercial immovable property | 13,371 | 7,485 | 966 | 136 | 0 | 3 | 221 | 5,381 |
| 12 | Repossessed collateral | 254 | – | – | – | – | – | – | – |
| 13 | Other relevant sectors | 646 | 249 | 1 | – | – | 2 | 19 | 190 |

| € 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 | 75 | – | 75 | -11 | – | -11 |
| 7 | G – Wholesale and retail trade; repair of motor vehicles and motorcycles | 69 | – | – | 0 | – | – |
| 8 | H – Transport and storage | – | – | – | – | – | – |
| 9 | L – Real estate activities | 2,487 | 1,114 | 306 | -116 | -8 | -100 |
| 10 | Loans collateralised by residential immovable property | 67 | 5 | 4 | 0 | 0 | 0 |
| 11 | Loans collateralised by commercial immovable property | 2,985 | 1,268 | 377 | -128 | -9 | -111 |
| 12 | Repossessed collateral | – | – | – | – | – | – |
| 13 | Other relevant sectors | 40 | 1 | 0 | 0 | 0 | 0 |

**ESG table 5: Indicators of potential climate change physical risks: Exposures subject to physical risk (non-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 | – | – | – | – | – | – | – | – |
| 6 | F – Construction | – | – | – | – | – | – | – | – |
| 7 | G – Wholesale and retail trade; repair of motor vehicles and motorcycles | – | – | – | – | – | – | – | – |
| 8 | H – Transport and storage | – | – | – | – | – | – | – | – |
| 9 | L – Real estate activities | 14,657 | 9,104 | 80 | – | – | 2 | 1,822 | 952 |
| 10 | Loans collateralised by residential immovable property | 1,300 | 499 | – | – | – | 3 | 25 | 115 |
| 11 | Loans collateralised by commercial immovable property | 14,988 | 9,711 | 80 | – | – | 2 | 1,852 | 881 |
| 12 | Repossessed collateral | 214 | – | – | – | – | – | – | – |
| 13 | Other relevant sectors | 1,485 | 863 | – | – | – | 2 | 55 | – |

| | | 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 | | |
| € mn | | 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 – Transport and storage | – | – | – | – | – | – |
| 9 | L – Real estate activities | 6,411 | 3,040 | 730 | -118 | -36 | -75 |
| 10 | Loans collateralised by residential immovable property | 358 | 23 | 23 | 0 | – | – |
| 11 | Loans collateralised by commercial immovable property | 7,058 | 3,017 | 707 | -120 | -36 | -75 |
| 12 | Repossessed collateral | – | – | – | – | – | – |
| 13 | Other relevant sectors | 808 | – | – | -2 | – | – |

The following table 10 includes loans and advances held as assets that do not qualify as environmentally sustainable pursuant to Article 3 of the Taxonomy Regulation and therefore are not taxonomy-aligned, but that support the transition to low-carbon and sustainable economy under the objectives of climate change mitigation and climate change adaptation.

With poor data availability and disclosure obligations entering into force pursuant to Article 10 of Delegated Regulation (EU) 2021/2178 progressively, there are relatively few taxonomy-aligned investment products available in the market at present. It is against this background that we refrained from reviewing green bond frameworks when checking for taxonomy alignment, assuming that the green bonds in the portfolio are not taxonomy-aligned exposures. Our classification is institution-specific. The investment standards applicable to our securities portfolio include ESG principles, including social criteria such as freedom of the press and the corruption index, amongst others.

Green bond proceeds 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 serve to reduce transitional risks in particular, but also climate change physical risks.

Based on the valuation expertise, the many years of experience and the property market knowledge as well as the existing market standards, environmental sustainability criteria were defined for the ecological value of commercial property. These form the basis for our "Green Finance Framework – Lending". In addition to the fulfilment of minimum energy efficiency requirements, the existence of certain building certificates of corresponding quality, the requirements for taxonomy-compliant buildings are also considered a qualifying feature of a green loan. This definition was developed together with Aareal Bank AG experts with the goal of applying it to financings around the world. Sustainalytics reviewed the developed framework as part of a second opinion with regard to its claim, market conformity and suitability of the qualification criteria, rating the framework as "credible and impactful". This independently certified framework provides the basis for the extension of green loans and thus successively aligns the Bank's loan portfolio with sustainable criteria.

Aareal Bank AG defines loans as green if they are being 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 or ADC financings) that will allow buildings to reach green building standards or increase their energy efficiency to a defined minimum. As such, green loans are aimed at reducing the climate change transition risk.

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

| | | b | c | d | e |
|---|---|---|---|---|---|
| | | | | Type of risk mitigated | |
| € mn | | Type of counterparty | Gross carrying amount | Climate change transition risk | Climate change physical risk |
| 1 | Bonds | Financial corporations | 113 | X | X |
| 2 | | Non-financial corporations | – | | |
| 3 | | of which: loans collateralised by commercial immovable property | – | | |
| 4 | | Other counterparties | 109 | X | X |
| 5 | Loans | Financial corporations | 107 | X | X |
| 6 | | Non-financial corporations | 2,851 | X | |
| 7 | | of which: loans collateralised by commercial immovable property | 2,814 | 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. Thus, the transaction could not 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).

Atlantic Group's 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 Atlantic Group 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. 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) | 18 | 244 | | 1.4 | 1,432 | 366 | 366 | 178 |
| 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) | | | | | 260 | 1 | 1 | 0 |
| 5 | VaR for SFTs | | | | | – | – | – | – |
| **6** | **Total** | | | | | **1,693** | **367** | **367** | **179** |

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<br>EAD | b<br>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 | 352 | 150 |
| EU4 | Transactions subject to the alternative approach (based on the original exposure method) | – | – |
| **5** | **Total transactions subject to own funds requirements for CVA risk** | **352** | **150** |

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. There were no exposures to non-qualified CCPs as at the reporting date of 30 June 2023. In accordance with Article 306 (2) of the CRR, for the purpose of solvency reporting, we assign an exposure value of zero to initial margin pledged to Eurex and LCH Limited.

### EU CCR8: Exposures to CCPs

| € mn | | a<br>EAD | b<br>RWAs |
|---|---|---|---|
| **1** | **Exposures to QCCPs (total)** | | **6** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which: | 2,295 | 3 |
| 3 | (i) OTC derivatives | 29 | 1 |
| 4 | ii) Exchange-traded derivatives | – | – |
| 5 | iii) SFTs | 2,266 | 2 |
| 6 | iv) Netting sets where cross-product netting has been approved | – | – |
| 7 | Segregated initial margin | 150 | |
| 8 | Non-segregated initial margin | – | – |
| 9 | Pre-funded default fund contributions | 15 | 4 |
| 10 | Unfunded default fund contributions | – | – |
| **11** | **Exposures to non-QCCPs (total)** | | **–** |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which: | – | – |
| 13 | (i) OTC derivatives | – | – |
| 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 | – | 130 | – | – | 96 | 251 | – | – | – | – | – | **476** |
| 7 Corporates | – | – | – | – | – | 7 | – | – | 1 | – | – | **8** |
| 8 Retail | – | – | – | – | – | – | – | – | – | – | – | – |
| 9 Institutions and corporates with a short-term credit assessment | – | – | – | – | – | – | – | – | – | – | – | – |
| 10 Other exposures | – | – | – | – | – | – | – | – | – | – | – | – |
| **11 Total** | **–** | **130** | **–** | **–** | **96** | **257** | **–** | **–** | **1** | **–** | **–** | **484** |

The following table EU CCR4 shows the derivative exposures treated in AIRBA – by analogy with the table EU CR6 within clearly-defined PD classes. IRBA exposures classified as specialised lending as at the reporting date under review do not include 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 Atlantic Group, 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 | 0.36 | 1 | 90.00 | 3 | 0 | 84.57 |
| | 0.50 to < 0.75 | 1 | 0.59 | 2 | 90.00 | 3 | 1 | 105.42 |
| | 0.75 to < 2.50 | 2 | 1.49 | 9 | 90.00 | 2 | 3 | 144.28 |
| | 2.50 to < 10.00 | – | – | – | – | – | – | – |
| | 10.00 to < 100.00 | – | – | – | – | – | – | – |
| | 100.0 (Default) | – | – | – | – | – | – | – |
| | **Subtotal** | **4** | **1.06** | **12** | **90.00** | **2** | **5** | **124.65** |

>

| Exposure class | PD scale | a<br>Exposure value | b<br>Average PD | c<br>Number of obligors | d<br>Average LGD | e<br>Average maturity | f<br>RWAs | g<br>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 | 2 | 0.59 | 1 | 90.00 | 4 | 4 | 208.23 |
| | 0.75 to < 2.50 | 8 | 0.86 | 4 | 90.00 | 5 | 21 | 249.48 |
| | 2.50 to < 10.00 | – | – | – | – | – | – | – |
| | 10.00 to < 100.00 | – | – | – | – | – | – | – |
| | 100.0 (Default) | – | – | – | – | – | – | – |
| | **Subtotal** | **10** | **0.81** | **5** | **90.00** | **5** | **25** | **241.98** |
| | **Total** | **14** | **0.88** | **17** | **90.00** | **4** | **30** | **211.16** |

Pursuant to Article 439 lit. e) of the CRR, Atlantic Group 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 | – | 186 | 0 | 1,484 | – | – | – | – |
| 2 | Cash – other currencies | 122 | 175 | 22 | – | – | – | – | – |
| 3 | Domestic sovereign debt | – | – | – | – | – | – | – | – |
| 4 | Other sovereign debt | – | – | 118 | – | – | – | – | 421 |
| 5 | Government agency debt | – | – | 32 | – | – | – | – | 1,050 |
| 6 | Corporate bonds | – | – | – | – | – | – | – | – |
| 7 | Equity securities | – | – | – | – | – | – | – | – |
| 8 | Other collateral | – | – | – | – | – | – | – | 1,055 |
| **9** | **Total** | **122** | **361** | **173** | **1,484** | **–** | **–** | **–** | **2,526** |

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 current or future payment obligations cannot be met in full or on time. Liquidity risk management within Atlantic 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. Following the successful closing of Atlantic BidCo GmbH's voluntary public takeover offer for Aareal Bank AG shares at the beginning of June 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 the reporting date is limited to the reported values shown in columns d and h.

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) | | | |
| | | Quarter ending on 30 Sep 2022 | Quarter ending on 31 Dec 2022 | Quarter ending on 31 Mar 2023 | Quarter ending on 30 Jun 2023 | Quarter ending on 30 Sep 2022 | Quarter ending on 31 Dec 2022 | Quarter ending on 31 Mar 2023 | Quarter ending on 30 Jun 2023 |
| € mn | | | | | | | | | |
| EU 1b | Number of data points used for the calculation of averages | – | – | – | 1 | – | – | – | 1 |
| **High-quality liquid assets** | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | – | – | – | 7,539 |
| **Cash outflows** | | | | | | | | | |
| **2** | **Retail deposits and deposits from small business customers, of which:** | **–** | **–** | **–** | **6,279** | **–** | **–** | **–** | **322** |
| 3 | Stable deposits | – | – | – | 6,059 | – | – | – | 303 |
| 4 | Less stable deposits | – | – | – | 183 | – | – | – | 19 |
| **5** | **Unsecured wholesale funding** | **–** | **–** | **–** | **7,005** | **–** | **–** | **–** | **2,872** |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | – | – | – | 3,222 | – | – | – | 761 |
| 7 | Non-operational deposits (all counterparties) | – | – | – | 3,612 | – | – | – | 1,940 |
| 8 | Unsecured debt | – | – | – | 171 | – | – | – | 171 |
| **9** | **Secured wholesale funding** | | | | | **–** | **–** | **–** | **57** |
| **10** | **Additional requirements** | **–** | **–** | **–** | **1,624** | **–** | **–** | **–** | **781** |
| 11 | Outflows related to derivative exposures and other collateral requirements | – | – | – | 644 | – | – | – | 635 |
| 12 | Outflows related to loss of funding on debt products | – | – | – | 42 | – | – | – | 42 |
| 13 | Credit and liquidity facilities | – | – | – | 939 | – | – | – | 104 |
| **14** | **Other contractual funding obligations** | **–** | **–** | **–** | **101** | **–** | **–** | **–** | **76** |
| **15** | **Other contingent funding obligations** | **–** | **–** | **–** | **1,663** | **–** | **–** | **–** | **149** |
| **16** | **Total cash outflows** | | | | | **–** | **–** | **–** | **4,256** |
| **Cash inflows** | | | | | | | | | |
| 17 | Secured lending (e. g. reverse repos) | – | – | – | – | – | – | – | – |
| 18 | Inflows from fully performing exposures | – | – | – | 794 | – | – | – | 602 |
| 19 | Other cash inflows | – | – | – | 311 | – | – | – | 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** | **–** | **–** | **–** | **1,113** | **–** | **–** | **–** | **913** |
| EU-20a | Fully exempt inflows | – | – | – | – | – | – | – | – |
| EU-20b | Inflows subject to 90 % cap | – | – | – | – | – | – | – | – |
| EU-20c | Inflows subject to 75 % cap | – | – | – | 1,113 | – | – | – | 913 |
| | | | | | | Total adjusted value | | | |
| **EU-21** | **Liquidity buffer** | | | | | **–** | **–** | **–** | **7,539** |
| **22** | **Total net cash outflows** | | | | | **–** | **–** | **–** | **3,343** |
| **23** | **Liquidity Coverage Ratio (%)** | | | | | **–** | **–** | **–** | **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) | | | |
| | | Quarter ending on 30 Sep 2022 | Quarter ending on 31 Dec 2022 | Quarter ending on 31 Mar 2023 | Quarter ending on 30 Jun 2023 | Quarter ending on 30 Sep 2022 | Quarter ending on 31 Dec 2022 | Quarter ending on 31 Mar 2023 | Quarter ending on 30 Jun 2023 |
| € mn | | | | | | | | | |
| EU 1b | Number of data points used for the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **High quality liquid assets** | | | | | | | | | |
| 1 | Total high quality liquid assets (HQLA) | | | | | 7,173 | 7,659 | 8,271 | 8,640 |
| **Cash outflows** | | | | | | | | | |
| **2** | **Retail deposits and deposits from small business customers, of which:** | **5,891** | **5,962** | **6,039** | **6,126** | **311** | **314** | **317** | **319** |
| 3 | Stable deposits | 5,520 | 5,604 | 5,700 | 5,815 | 276 | 280 | 285 | 291 |
| 4 | Less stable deposits | 341 | 332 | 313 | 280 | 35 | 34 | 32 | 29 |
| **5** | **Unsecured wholesale funding** | **8,383** | **8,930** | **8,885** | **8,527** | **3,543** | **3,910** | **3,945** | **3,832** |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 4,845 | 4,864 | 4,614 | 4,147 | 1,166 | 1,170 | 1,106 | 990 |
| 7 | Non-operational deposits (all counterparties) | 3,345 | 3,797 | 3,989 | 4,097 | 2,184 | 2,471 | 2,557 | 2,558 |
| 8 | Unsecured debt | 193 | 269 | 282 | 284 | 193 | 269 | 282 | 284 |
| **9** | **Secured wholesale funding** | | | | | **–** | **5** | **13** | **25** |
| **10** | **Additional requirements** | **1,860** | **1,914** | **1,997** | **1,897** | **1,105** | **1,110** | **1,178** | **1,057** |
| 11 | Outflows related to derivative exposures and other collateral requirements | 346 | 481 | 634 | 700 | 341 | 456 | 582 | 628 |
| 12 | Outflows related to loss of funding on debt products | 13 | 39 | 114 | 137 | 13 | 39 | 114 | 137 |
| 13 | Credit and liquidity facilities | 1,501 | 1,394 | 1,249 | 1,060 | 751 | 615 | 482 | 292 |
| **14** | **Other contractual funding obligations** | **139** | **140** | **137** | **135** | **120** | **121** | **117** | **116** |
| **15** | **Other contingent funding obligations** | **1,396** | **1,148** | **957** | **1,000** | **246** | **206** | **149** | **95** |
| **16** | **Total cash outflows** | | | | | **5,325** | **5,666** | **5,720** | **5,445** |
| **Cash inflows** | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 133 | 239 | 172 | 139 | 9 | 31 | 26 | 24 |
| 18 | Inflows from fully performing exposures | 604 | 654 | 581 | 601 | 422 | 453 | 424 | 418 |
| 19 | Other cash inflows | 230 | 219 | 206 | 151 | 230 | 219 | 206 | 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** | **967** | **1,112** | **958** | **892** | **661** | **703** | **656** | **593** |
| EU-20a | Fully exempt inflows | – | – | – | – | – | – | – | – |
| EU-20b | Inflows subject to 90 % cap | – | – | – | – | – | – | – | – |
| EU-20c | Inflows subject to 75 % cap | 968 | 1,112 | 958 | 892 | 661 | 704 | 656 | 593 |
| | | | | | | **Total adjusted value** | | | |
| **EU-21** | **Liquidity buffer** | | | | | **7,173** | **7,659** | **8,271** | **8,640** |
| **22** | **Total net cash outflows** | | | | | **4,663** | **4,963** | **5,063** | **4,852** |
| **23** | **Liquidity Coverage Ratio (%)** | | | | | **154.99 %** | **154.60 %** | **163.88 %** | **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. 82% 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 Liquidity Coverage Ratio (LCR) increased further compared to 31 March 2023 (163.88%), reaching 179.70% as at the reporting date.

The 12-month HQLA average continued to increase in the second quarter of the current financial year, mainly thanks to relatively high deposits with central banks.

At the same time, average net cash outflows declined, driven by the volume of expected loan repayments in the second quarter; yet, the funding inventory was also smaller than in the previous quarters.

### 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.

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 30 June 2023, Atlantic Group's largest foreign currency portfolio in GBP amounts to 2.19% of total liabilities (Aareal Bank AG: 2.07%). 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 Atlantic Group (€545 million for 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, Aareal Bank 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 2023**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | |
| | | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | Weighted value |
| € mn | | | | | | |
| **Available stable funding (ASF) Items** | | | | | | |
| **1** | **Capital items and instruments** | 2,637 | **1** | **11** | **289** | 2,925 |
| 2 | Own funds | 2,637 | 1 | 11 | 230 | **2,867** |
| 3 | Other capital instruments | | – | – | 58 | 58 |
| **4** | **Retail deposits** | | **6,276** | **7** | **0** | **5,960** |
| 5 | Stable deposits | | 6,087 | 6 | 0 | 5,788 |
| 6 | Less stable deposits | | 190 | 1 | – | 171 |
| **7** | **Wholesale funding** | | **13,299** | **3,244** | **18,586** | **24,436** |
| 8 | Operational deposits | | 3,222 | – | – | 213 |
| 9 | Other wholesale funding | | 10,076 | 3,244 | 18,586 | 24,223 |
| **10** | **Interdependent liabilities** | | **–** | **–** | **–** | **–** |
| **11** | **Other liabilities** | **116** | **234** | **9** | **129** | **133** |
| 12 | NSFR derivative liabilities | 116 | | | | |
| 13 | All other liabilities and capital instruments not included in the above categories | | 234 | 9 | 129 | 133 |
| **14** | **Available stable funding (ASF)** | | | | | 33,454 |

>

| | | 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)** | | | | | **417** |
| **EU-15a** | **Assets encumbered for a residual maturity of one year or more in a cover pool** | | **491** | **934** | **12,711** | **12,016** |
| **16** | **Deposits held at other financial institutions for operational purposes** | | **–** | **–** | **–** | **–** |
| **17** | **Performing loans and securities** | | **2,968** | **1,704** | **13,260** | **13,200** |
| 18 | Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut | | – | – | – | – |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 709 | 3 | 244 | 316 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 2,210 | 1,696 | 11,944 | 12,625 |
| 21 | with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 8 | 293 | 245 | 787 |
| 22 | Performing residential mortgages, of which: | | 49 | 5 | 788 | – |
| 23 | with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk | | 38 | 4 | 688 | – |
| 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 | | – | – | 284 | 258 |
| **25** | **Interdependent assets** | | **–** | **–** | **–** | **–** |
| **26** | **Other assets** | **–** | **2,072** | **515** | 1,486 | 2,308 |
| 27 | Physically traded commodities | | | | – | – |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | – | – | 180 | 153 |
| 29 | NSFR derivative assets | | – | | | – |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | 1,626 | | | 81 |
| 31 | All other assets not included in the above categories | | 446 | 515 | 1,307 | 2,074 |
| **32** | **Off-balance sheet items** | | **70** | **85** | **2,449** | **208** |
| **33** | **Total RSF** | | | | | 28,149 |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **118.84%** |

**EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 30 June 2023**

| | | 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** | **2,093** | **1** | **10** | **305** | **2,398** |
| 2 | Own funds | 2,093 | 1 | 10 | 230 | 2,322 |
| 3 | Other capital instruments | | – | – | 76 | 76 |
| **4** | **Retail deposits** | | **6,276** | **7** | **0** | **5,960** |
| 5 | Stable deposits | | 6,087 | 6 | 0 | 5,788 |
| 6 | Less stable deposits | | 190 | 1 | – | 171 |
| **7** | **Wholesale funding** | | **13,613** | **3,328** | **22,094** | **28,019** |
| 8 | Operational deposits | | 3,222 | – | – | 213 |
| 9 | Other wholesale funding | | 10,391 | 3,328 | 22,094 | 27,806 |
| **10** | **Interdependent liabilities** | | **–** | **–** | **–** | **–** |
| **11** | **Other liabilities** | **127** | **1,506** | **59** | **155** | **185** |
| 12 | NSFR derivative liabilities | 127 | | | | |
| 13 | All other liabilities and capital instruments not included in the above categories | | 1,506 | 59 | 155 | 185 |
| **14** | **Available stable funding (ASF)** | | | | | **36,561** |
| **Required stable funding (RSF) Items** | | | | | | |
| **15** | **Total high-quality liquid assets (HQLA)** | | | | | **411** |
| **EU-15a** | **Assets encumbered for a residual maturity of one year or more in a cover pool** | | **96** | **941** | **13,027** | **11,954** |
| **16** | **Deposits held at other financial institutions for operational purposes** | | **–** | **–** | **–** | **–** |
| **17** | **Performing loans and securities** | | **4,830** | **2,832** | **13,203** | **14,106** |
| 18 | Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut | | – | – | – | – |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 2,452 | 1,377 | 344 | 1,278 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 2,325 | 1,430 | 9,421 | 10,339 |
| 21 | with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 7 | 270 | 197 | 638 |
| 22 | Performing residential mortgages, of which: | | 51 | 5 | 658 | – |
| 23 | with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk | | 39 | 4 | 523 | – |
| 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 | | 2 | 20 | 2,779 | 2,489 |

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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 |
| **25** | **Interdependent assets** | | **–** | **–** | **–** | **–** |
| **26** | **Other assets** | **–** | **2,038** | **370** | **1,897** | **2,565** |
| 27 | Physically traded commodities | | | | – | – |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | – | – | 160 | 136 |
| 29 | NSFR derivative assets | | – | | | – |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | 1,637 | | | 82 |
| 31 | All other assets not included in the above categories | | 402 | 370 | 1,737 | 2,347 |
| **32** | **Off-balance sheet items** | | **103** | **78** | **2,374** | **223** |
| **33** | **Total RSF** | | | | | **29,259** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **124.95%** |

**EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 31 March 2023**

| € 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** | **2,200** | **2** | **15** | **333** | **2,533** |
| 2 | Own funds | 2,200 | 2 | 15 | 247 | 2,446 |
| 3 | Other capital instruments | | – | – | 87 | 87 |
| **4** | **Retail deposits** | | **6,148** | **4** | **0** | **5,834** |
| 5 | Stable deposits | | 5,949 | 3 | 0 | 5,655 |
| 6 | Less stable deposits | | 199 | 1 | – | 180 |
| **7** | **Wholesale funding** | | **12,011** | **3,823** | **22,283** | **27,945** |
| 8 | Operational deposits | | 3,290 | – | – | 249 |
| 9 | Other wholesale funding | | 8,721 | 3,823 | 22,283 | 27,695 |
| **10** | **Interdependent liabilities** | | **–** | **–** | **–** | **–** |
| **11** | **Other liabilities** | **103** | **1,543** | **24** | **211** | **223** |
| 12 | NSFR derivative liabilities | 103 | | | | |
| 13 | All other liabilities and capital instruments not included in the above categories | | 1,543 | 24 | 211 | 223 |
| **14** | **Total available stable funding (ASF)** | | | | | **36,535** |
| **Required stable funding (RSF) Items** | | | | | | |
| **15** | **Total high-quality liquid assets (HQLA)** | | | | | **448** |
| **EU-15a** | **Assets encumbered for a residual maturity of one year or more in a cover pool** | | **39** | **995** | **12,890** | **11,835** |
| **16** | **Deposits held at other financial institutions for operational purposes** | | **–** | **–** | **–** | **–** |

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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 |
| **17** | **Performing loans and securities** | | **1,595** | **4,249** | **14,145** | **15,146** |
| 18 | Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut | | – | – | – | – |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 109 | 2,260 | 1,450 | 2,591 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 1,307 | 1,927 | 9,644 | 10,112 |
| 21 | with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 50 | 250 | 221 | 578 |
| 22 | Performing residential mortgages, of which: | | 179 | 50 | 320 | – |
| 23 | with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 157 | 38 | 272 | – |
| 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 | | – | 12 | 2,731 | 2,443 |
| **25** | **Interdependent assets** | | **–** | **–** | **–** | **–** |
| **26** | **Other assets** | **–** | **2,022** | **228** | **1,920** | **2,420** |
| 27 | Physically traded commodities | | | | – | – |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | – | – | 341 | 290 |
| 29 | NSFR derivative assets | | – | | | – |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | 1,598 | | | 80 |
| 31 | All other assets not included in the above categories | | 424 | 228 | 1,579 | 2,050 |
| **32** | **Off-balance sheet items** | | **284** | **83** | **1,655** | **156** |
| **33** | **Total RSF** | | | | | **30,004** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **121.77 %** |

## 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 (so-called gap risk), which, in turn, are broken down into:
  - risks from cash flows which are sensitive to interest rates, relative to the general yield curve (interest rate risk or repricing risk);
  - risks arising from the valuation of future cash flows, relative to the general yield curve (yield curve 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);

- risks from fluctuations in the value of fund assets (fund risk); and
- risks from changes in Aareal Bank's specific funding spreads (funding 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).

The table 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 | |
| € mn | | 30 Jun 2023 | 31 Dec 2022 | 30 Jun 2023 | 31 Dec 2022 |
| 1 | Parallel shock up | -10 | -28 | 40 | -10 |
| 2 | Parallel shock down | -15 | 4 | -40 | 9 |
| 3 | Steepener shock | -11 | 7 | | |
| 4 | Flattener shock | 1 | -24 | | |
| 5 | Short rates shock up | -9 | -29 | | |
| 6 | Short rates shock down | -20 | 22 | | |

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) is a metric based on the income statement. The earnings risk is measured based on the changes in net interest income of the next twelve months as a result of a parallel shift of the yield curve by 200 basis points. In this context, assumptions regarding client behaviour and the competitive environment in such a scenario are especially subject to idealised model parameters.

The change in EVE compared to 31 December 2022 mainly resulted from the structure of exposures 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 our 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 primarily due to market interest rate changes in the base scenario.

# Leverage Ratio

The monitoring of excessive leverage is carried out 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. Due to the first-time disclosure at Atlantic Group level, column b of table EU LR2 does not contain any comparative figures.

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

| € mn | | a<br>Applicable amount |
|---|---|---|
| **1** | **Total assets as per published financial statements** | **49,065** |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | -167 |
| 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 | -1,337 |
| 9 | Adjustment for securities financing transactions (SFTs) | 35 |
| 10 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 516 |
| 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 | -1,296 |
| **13** | **Total exposure measure** | **46,816** |

**EU LR2: Leverage Ratio common disclosure**

| € mn | | a | b |
|---|---|---|---|
| | | CRR leverage ratio exposures | |
| | | 30 Jun 2023 | 31 Dec 2022 |
| | **On-balance sheet exposures (excluding derivatives and SFTs)** | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 47,314 | – |
| 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) | -1,463 | – |
| 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) | -66 | – |
| **7** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **45,785** | **–** |
| | **Derivative exposures** | | |
| 8 | Replacement cost associated with all derivatives transactions under SA-CCR (i.e. net of eligible cash variation margin) | 45 | – |
| 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 | 474 | – |
| 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** | **520** | **–** |
| | **SFT exposures** | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjusting for transactions posted as sales | – | – |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | – | – |
| 16 | Counterparty credit risk exposure for SFT assets | 35 | – |
| 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** | **35** | **–** |
| | **Other off-balance sheet exposures** | | |
| 19 | Off-balance sheet exposures at gross notional amount | 1,263 | – |
| 20 | (Adjustments for conversion to credit equivalent amounts) | -787 | – |
| 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** | **476** | **–** |
| | **Excluded exposures** | | |
| EU-22a | (Exposures excluded from the total exposure measure in accordance with Article 429a (1) lit. c) of the CRR) | – | – |
| EU-22b | (Exposures exempted in accordance with Article 429a (1) lit. j) of the CRR (on- and off-balance sheet)) | – | – |
| EU-22c | (Excluded exposures of public development banks (or units) – public-sector investments) | – | – |

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| € mn | | a<br>CRR leverage ratio exposures<br>30 Jun 2023 | b<br><br>31 Dec 2022 |
|---|---|---|---|
| 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** | **2,568** | **–** |
| **24** | **Total exposure measure** | **46,816** | **–** |
| | **Leverage Ratio** | | |
| 25 | Leverage Ratio (%) | 5.49 % | – |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 5.49 % | – |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 5.49 % | – |
| 26 | Regulatory minimum leverage ratio requirement (%) | 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 % | – |
| | **Choice on transitional arrangements and relevant exposures** | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | 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 receivable | – | – |
| 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 | – | – |
| 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) | 46,816 | – |
| 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) | 46,816 | – |
| 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) | 5.49 % | – |
| 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) | 5.49 % | – |

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<br>CRR leverage ratio exposures |
|---|---|---|
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **45,851** |
| EU-2 | Trading book exposures | – |
| EU-3 | Banking book exposures, of which: | 45,851 |
| EU-4 | Exposures in the form of covered bonds | 1,156 |
| EU-5 | Exposures treated as sovereigns | 11,663 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 61 |
| EU-7 | Exposures to institutions | 683 |
| EU-8 | Exposures secured by mortgages on immovable properties | 29,119 |
| EU-9 | Retail exposures | 3 |
| EU-10 | Exposures to corporates | 807 |
| EU-11 | Exposures in default | 1,173 |
| EU-12 | Other exposures (e.g. equity, securitisations, and other non-credit obligation assets) | 1,185 |

## Imprint

**Contents:**
Aareal Bank AG, Investor Relations,
Regulatory Affairs – Regulatory Reporting
**Layout/Design:**

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This report is also available in German language.

Aareal Bank Group

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