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2014

Regulatory Disclosure Report for the
2014 financial year of Aareal Bank Group



**Aareal Bank
Group**

Regulatory Disclosure Report for the 2014 financial year

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Preface

In addition to the details contained in the Aareal Bank Group Annual Report, this Regulatory Disclosure Report explains the business policy standards and facts that are relevant for assessing our situation from a regulatory perspective. Besides providing a qualified description of the manner in which our risks are identified, evaluated, weighted and reviewed, the report also contains detailed quantitative statements about the sizes of the individual areas.

The Regulatory Disclosure Report is prepared in accordance with Bank-internal provisions and procedures stipulated in writing in order to fulfil disclosure requirements.

Regarding the remuneration policy disclosure requirements pursuant to article 450 of Regulation 575/2013/EU (Capital Requirements Regulation – "CRR"), please refer to Aareal Bank Group's Annual Report.¹⁾ Since the remuneration of employees affected by the statutory regulations (risk takers) can only be determined after publication of the Aareal Bank Group Annual Report, the quantitative disclosures regarding such employees will be published in a separate document on our website by the end of June 2015.

As a consequence of the classification of COREALCREDIT BANK AG (Corealcredit), acquired as at 31 March 2014, as a significant subsidiary, Corealcredit has to fulfil the disclosure requirements pursuant to article 13 (1) of the CRR on an individual basis. This information will be published in a separate disclosure report on Corealcredit's website.

Summary

Aareal Bank Group is subject to disclosure pursuant to sections 10 and 10a of the German Banking Act (Kreditwesengesetz – "KWG") in the 2014 financial year. This is due to the fact that Aareal Bank Group has elected to use the waiver option provided by section 2a (5) of the KWG, whereby

the reports for financial holding companies or banking groups may be prepared on a consolidated basis. Aareal Bank AG, whose registered office is in Wiesbaden, Germany, is the parent institution of the Group.

The details we have published in this disclosure report are based on both the Credit Risk Standard Approach (CRSA) and the advanced IRB Approach (Advanced Internal Rating Based Approach – AIRBA). We only mention the disclosure requirements explicitly relevant for us.

In accordance with section 434 (1) of the CRR, we only reported those facts that were not already disclosed in the Group's Annual Report. If facts are already described in our Annual Report, we refer specifically to the information included in the corresponding source references.

Regulatory Capital

Aareal Bank 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 the existing regulatory capital on a regular basis, and present these detailed results to the supervisory authority 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 pursuant to the German Commercial Code (Handelsgesetzbuch, HGB) or IFRSs.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Remuneration Report" in the Notes to the consolidated financial statements

The regulatory capital, as well as the equity capital disclosed in Aareal Bank Group's annual report, are based on the items reported in the statement of financial position according to IFRSs; there are differences between items disclosed for regulatory and reporting purposes which are due to different scopes of consolidation as well as adjustments to the Group's regulatory capital.

For the first time, Aareal Bank AG considered in this Disclosure Report the provisions for the implementation of disclosure requirements set out in the Commission Implementing Regulation 1423/2013/EU, in the interests of comparability and increased transparency pursuant to Art. 437 of the CRR.

Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014

Data in the Disclosure Report is presented in accordance with the regulatory report (the Common Reporting or "CoRep" disclosure).

For the reporting date of 31 December 2014, the capital ratios determined for the CoRep disclosure did not yet include any positive effects from the financial statements. This was due to the fact that the deadline for CoRep disclosure regarding the reporting date of 31 December 2014 was 11 February 2015 – a date on which the following requirements for inclusion of positive effects from the financial statements were not yet fulfilled:

- According to BaFin (as set out in BaFin's letter BA 53-FR 2161-2014/0021), profits may only be included in regulatory capital once the external auditors have issued their auditors' opinion or, in the case of interim reports, following their review and approval by the regulatory authorities.
- The auditors' opinion for the financial statements as at 31 December 2014 (the reporting date for disclosure) was issued at the beginning of March 2015. Therefore, the Bank was not allowed to include profits as at year-end 2014

in its CoRep disclosure submitted on 11 February 2015; at this point, disclosure had to be based on audited results as at 30 June 2014.

- The same principle applies concerning the inclusion of credit risk adjustments required under article 1 (1) of Delegated Regulation (EU) No. 183/2014: the respective disclosure is based on data as at 30 June 2014.

The capital ratios shown in the Annual Report include the positive effects from the audited financial statements. This is indicated by way of a footnote.

Comparison of indicators

| | Annual Report ¹⁾ | Regulatory reporting ²⁾ |
|---|-----------------------------|------------------------------------|
| € mn | | |
| Common Equity Tier 1 (CET1) | 2,109 | 2,024 |
| Tier 1 | 2,735 | 2,625 |
| Total capital | 3,826 | 3,692 |
| % | | |
| Common Equity Tier 1 ratio (CET1 ratio) | 13.6 | 13.06 |
| Tier 1 ratio (T1 ratio) | 17.7 | 16.94 |
| Total capital ratio (TC ratio) | 24.7 | 23.92 |

¹⁾ After confirmation of Aareal Bank AG's financial statements for 2014. The calculation of regulatory capital takes into account the Management Board's proposal for the appropriation of net profit for the financial year 2014. The appropriation of profits is subject to approval by the Annual General Meeting.

²⁾ Figures reported to the supervisory authorities as at the reporting date of 31 December 2014.

Main features of capital instruments

The following overview (p. 5-37) is limited to the capital instruments issued. Shares as well as reserves attributable to Common Equity Tier I capital are not considered since they are covered in position I of the table under section "Disclosure of own funds during the transitional period".

| | | | | |
|-----------------------------|---|---|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | DE0001615557 | DE0002733409 | DE0002733417 |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 2 mn | € 5 mn | € 15 mn |
| 9 | Nominal amount of instrument | € 3 mn | € 5 mn | € 15 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 14 Mar 2003 | 10 Apr 2001 | 4 May 2001 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 14 Mar 2018 | 10 Apr 2026 | 4 May 2026 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | n/a | n/a | n/a |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Floating | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 9.05 * (30y CMS - 2y CMS) Cap: 7.750 % Floor: 0.000 % | 6.470 % | 6.570 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | DE0003252821 | DE000A0A3UV2 | DE000A1TNC86 |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 19 mn | € 0 mn | € 80 mn |
| 9 | Nominal amount of instrument | € 20 mn | € 1 mn | € 80 mn |
| 9a | Issue price | 93.80 % | 98.65 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 28 Oct 2002 | 15 Mar 2005 | 19 Feb 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 28 Oct 2022 | 15 Mar 2017 | 19 Feb 2024 |
| 14 | Issuer call subject to prior supervisory approval | No | No | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | n/a | n/a | At nominal amount, by way of declaration vis-à-vis creditors, if bonds are phased-out from Tier 2 capital due to changes in applicable regulatory provisions |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Floating | Floating | Fixed |
| 18 | Coupon rate and any related reference index | 10y CMS Cap 7.000 % | 3M Euribor +0.70 % | 4.250 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | DE000A1TNC94 | DE000A1TND2F | DE000A1TNDG0 |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 300 mn | € 10 mn | € 30 mn |
| 9 | Nominal amount of instrument | € 300 mn | € 10 mn | € 30 mn |
| 9a | Issue price | 99.64 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 18 Mar 2014 | 22 May 2014 | 20 Jun 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 18 Mar 2026 | 22 May 2029 | 20 Jun 2029 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | Optional call date 18 March 2021, at nominal amount, as well as at nominal amount, by way of declaration vis-à-vis creditors, if bonds are phased-out from Tier 2 capital due to changes in applicable regulatory provisions | At nominal amount, by way of declaration vis-à-vis creditors, if bonds are phased-out from Tier 2 capital due to changes in applicable regulatory provisions | Optional call date 20 June 2024, at nominal amount, as well as at nominal amount, by way of declaration vis-à-vis creditors, if bonds are phased-out from Tier 2 capital due to changes in applicable regulatory provisions |
| 16 | Subsequent call dates, if applicable | No | n/a | No |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Currently fixed, later floating | Fixed | Currently fixed, later floating |
| 18 | Coupon rate and any related reference index | 4.25 %, later 5y euro mid-swap rate + 2.900 % | 4.180 % | 3.125 %, later 5y euro mid-swap rate + 1.500 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | |
|-----------------------------|---|---|
| 1 | Issuer | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | DE000A1TNDK2 |
| 3 | Governing law(s) of the instrument | German law |
| Regulatory treatment | | |
| 4 | Transitional CRR rules | Additional Tier 1 capital |
| 5 | Post-transitional CRR rules | Additional Tier 1 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | AT1 bond |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 300 mn |
| 9 | Nominal amount of instrument | € 300 mn |
| 9a | Issue price | 100.00 % |
| 9b | Redemption price | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost |
| 11 | Original date of issuance | 20 Nov 2014 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | 30 Apr 2020 |
| 16 | Subsequent call dates, if applicable | Callable annually after first call date (30 April 2020) |
| Coupons/dividends | | |
| 17 | Fixed or floating dividend/coupon payments | Currently fixed, later floating |
| 18 | Coupon rate and any related reference index | 7.625 %, later 1y euro mid-swap rate + 7.180 % |
| 19 | Existence of a "dividend stopper" | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Partially discretionary; in case of disbursement: payout date is 30 April of given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary |
| 21 | Existence of step-up features, or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a |
| 25 | If convertible: fully or partially | n/a |
| 26 | If convertible: conversion rate | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a |
| 30 | Write-down features | Yes |
| 31 | If write-down: write-down trigger(s) | Automatic write-down of capital amount in case of trigger event (CET1 ratio falling below 7 % on Group level), before instruments with a lower CET1 trigger and after instruments with a higher CET1 trigger |
| 32 | If write-down: full or partial | Pro-rata with other AT1 instruments until CET1 ratio of 7 % is restored |
| 33 | If write-down: permanent or temporary | Permanent; Management Board may determine write-up |
| 34 | If temporary write-down: description of write-up mechanism | At the discretion of issuer, write-up pari passu with other AT1 instruments, MDA pursuant to CRR must not be exceeded |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Instruments fully subordinated to (i) third-party claims from non-subordinated liabilities, (ii) claims from Tier 2 instruments as well as (iii) receivables pursuant to section 39 (1) Nos. 1 to 5 of the German Insolvency Statute ("InsO") |
| 36 | Non-compliant transitioned features | n/a |
| 37 | If yes, specify non-compliant features | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | DE000A1TNDW7 | XS0184410040 | XS0191410710 |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 50 mn | € 8 mn | € 35 mn |
| 9 | Nominal amount of instrument | € 50 mn | € 10 mn | € 40 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 14 Oct 2014 | 29 Jan 2004 | 14 May 2004 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 14 Oct 2022 | 29 Jan 2019 | 14 May 2019 |
| 14 | Issuer call subject to prior supervisory approval | Yes | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount, by way of declaration vis-à-vis creditors, if bonds are phased-out from Tier 2 capital due to changes in applicable regulatory provisions | n/a | n/a |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Floating |
| 18 | Coupon rate and any related reference index | 2.500 % | 5.330 % | 10y CMS Cap 7.000 % Floor: 3.000 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 135669BF | 135671BF | 146567BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital with phase-out | Tier 2 capital with phase-out | Tier 2 capital |
| 5 | Post-transitional CRR rules | No inclusion | No inclusion | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Profit-sharing right | Profit-sharing right | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 3 mn | € 3 mn | € 0 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 5 mn | € 10 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 1 Jul 2002 | 1 Jul 2002 | 29 Jan 2003 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 3 Jul 2017 | 3 Jul 2017 | 29 Jan 2015 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | Only in case of tax law changes, if disbursements would trigger an income tax burden | Only in case of tax law changes, if disbursements would trigger an income tax burden | None |
| 16 | Subsequent call dates, if applicable | None | None | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 7.220 % | 7.220 % | 5.360 % |
| 19 | Existence of a "dividend stopper" | Yes | Yes | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Payout date is 1 July of any given year | Payout date is 3 July of any given year | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Cumulative | Cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | Yes | Yes | n/a |
| 31 | If write-down: write-down trigger(s) | Recognition of net accumulated loss or capital reduction | Recognition of net accumulated loss or capital reduction | n/a |
| 32 | If write-down: full or partial | Full or partial | Full or partial | n/a |
| 33 | If write-down: permanent or temporary | Temporary | Temporary | n/a |
| 34 | If temporary write-down: description of write-up mechanism | Write-up in case of net income | Write-up in case of net income | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 154750BF | 156958BF | 156961BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital with phase-out | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | No inclusion | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Profit-sharing right | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 4 mn | € 0 mn | € 1 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 1 mn | € 5 mn |
| 9a | Issue price | 99.93 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 1 Jul 2003 | 8 Aug 2003 | 8 Aug 2003 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 2 Jul 2018 | 7 Aug 2015 | 7 Aug 2015 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | Only in case of tax law changes, if disbursements would trigger an income tax burden | None | None |
| 16 | Subsequent call dates, if applicable | None | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 6.310 % | 5.450 % | 5.450 % |
| 19 | Existence of a "dividend stopper" | Yes | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Payout date is 2 July of any given year | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | Yes | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | Recognition of net accumulated loss or capital reduction | n/a | n/a |
| 32 | If write-down: full or partial | Full or partial | n/a | n/a |
| 33 | If write-down: permanent or temporary | Temporary | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | Write-up in case of net income | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 156964BF | 158421BF | 158423BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 1 mn | € 5 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 10 mn | € 5 mn | € 5 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 8 Aug 2003 | 5 Sep 2003 | 5 Dec 2003 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 7 Aug 2015 | 5 Sep 2023 | 5 Sep 2023 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | None | None | None |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.450 % | 6.030 % | 6.030 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 161143BF | 168187BF | 168486BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital with phase-out | Tier 2 capital with phase-out |
| 5 | Post-transitional CRR rules | Tier 2 capital | No inclusion | No inclusion |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Profit-sharing right | Profit-sharing right |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 9 mn | € 1 mn | € 0 mn |
| 9 | Nominal amount of instrument | € 26 mn | € 10 mn | € 2 mn |
| 9a | Issue price | 99.80 % | 100.00 % | 99.50 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 28 Oct 2003 | 9 Mar 2004 | 12 Mar 2004 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 28 Oct 2016 | 30 Jun 2015 | 30 Jun 2015 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | None | Only in case of tax law changes, if disbursements would trigger an income tax burden | Only in case of tax law changes, if disbursements would trigger an income tax burden |
| 16 | Subsequent call dates, if applicable | n/a | None | |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.450 % | 5.750 % | 5.470 % |
| 19 | Existence of a "dividend stopper" | No | Yes | Yes |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Payout date is 30 June of any given year | Payout date is 30 June of any given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Cumulative | Cumulative |
| 23 | Convertible or non-convertible | Convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | Yes | Yes |
| 31 | If write-down: write-down trigger(s) | n/a | Recognition of net accumulated loss or capital reduction | Recognition of net accumulated loss or capital reduction |
| 32 | If write-down: full or partial | n/a | Full or partial | Full or partial |
| 33 | If write-down: permanent or temporary | n/a | Temporary | Temporary |
| 34 | If temporary write-down: description of write-up mechanism | n/a | Write-up in case of net income | Write-up in case of net income |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 168489BF | 173972HW | 173984BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital with phase-out | Tier 2 capital | Tier 2 capital with phase-out |
| 5 | Post-transitional CRR rules | No inclusion | Tier 2 capital | No inclusion |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Profit-sharing right | Subordinated liability | Profit-sharing right |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 1 mn | € 3 mn | € 10 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 10 mn | € 20 mn |
| 9a | Issue price | 99.50 % | 99.78 % | 99.73 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 1 Apr 2004 | 21 Jun 2004 | 21 Jun 2004 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 30 Jun 2015 | 21 Jun 2016 | 30 Jun 2017 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | Only in case of tax law changes, if disbursements would trigger an income tax burden | None | Only in case of tax law changes, if disbursements would trigger an income tax burden |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.480 % | 5.240 % | 5.950 % |
| 19 | Existence of a "dividend stopper" | Yes | No | Yes |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Payout date is 30 June of any given year | Mandatory | Payout date is 30 June of any given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Cumulative | Non-cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | Yes | n/a | Yes |
| 31 | If write-down: write-down trigger(s) | Recognition of net accumulated loss or capital reduction | n/a | Recognition of net accumulated loss or capital reduction |
| 32 | If write-down: full or partial | Full or partial | n/a | Full or partial |
| 33 | If write-down: permanent or temporary | Temporary | n/a | Temporary |
| 34 | If temporary write-down: description of write-up mechanism | Write-up in case of net income | n/a | Write-up in case of net income |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 175198BF | 176457BF | 177761BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital with phase-out |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | No inclusion |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Profit-sharing right |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 1 mn | € 3 mn | € 3 mn |
| 9 | Nominal amount of instrument | € 3 mn | € 10 mn | € 5 mn |
| 9a | Issue price | 99.61 % | 99.93 % | 99.72 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 8 Jul 2004 | 30 Jul 2004 | 23 Aug 2004 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 26 Jul 2016 | 29 Jul 2016 | 30 Jun 2017 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | None | None | Only in case of tax law changes, if disbursements would trigger an income tax burden |
| 16 | Subsequent call dates, if applicable | n/a | n/a | None |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.080 % | 5.160 % | 5.380 % |
| 19 | Existence of a "dividend stopper" | No | No | Yes |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Payout date is 30 June of any given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | Yes |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | Recognition of net accumulated loss or capital reduction |
| 32 | If write-down: full or partial | n/a | n/a | Full or partial |
| 33 | If write-down: permanent or temporary | n/a | n/a | Temporary |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | Write-up in case of net income |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 180610BF | 183421BF | 185396BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital with phase-out |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | No inclusion |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Profit-sharing right |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 2 mn | € 20 mn | € 4 mn |
| 9 | Nominal amount of instrument | € 3 mn | € 20 mn | € 6 mn |
| 9a | Issue price | 98.99 % | 99.74 % | 98.95 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 4 Nov 2004 | 9 Dec 2004 | 18 Jan 2005 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 4 Nov 2019 | 9 Dec 2019 | 2 Jul 2018 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | None | None | Only in case of tax law changes, if disbursements would trigger an income tax burden |
| 16 | Subsequent call dates, if applicable | n/a | n/a | None |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.250 % | 5.050 % | 5.830 % |
| 19 | Existence of a "dividend stopper" | No | No | Yes |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Payout date is 2 July of any given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | Yes |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | Recognition of net accumulated loss or capital reduction |
| 32 | If write-down: full or partial | n/a | n/a | Full or partial |
| 33 | If write-down: permanent or temporary | n/a | n/a | Temporary |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | Write-up in case of net income |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 190882BF | 192398BF | 192661BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 1 mn | € 1 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 1 mn | € 1 mn | € 10 mn |
| 9a | Issue price | 99.69 % | 99.57 % | 99.95 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 4 May 2005 | 7 Jun 2005 | 13 Jun 2005 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 4 May 2018 | 3 Jan 2019 | 13 Jun 2017 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | None | None | None |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.500 % | 4.350 % | 4.165 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 195394BF | 195396BF | 274930BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 3 mn | € 1 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 1 mn | € 5 mn |
| 9a | Issue price | 99.89 % | 99.59 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 3 Aug 2005 | 3 Aug 2005 | 25 Apr 2012 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 3 Aug 2017 | 3 Aug 2017 | 25 Apr 2022 |
| 14 | Issuer call subject to prior supervisory approval | No | No | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | None | None | At nominal amount if regulatory capital requirements are no longer fulfilled |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.250 % | 4.210 % | 5.180 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 275201BF | 275205BF | 275222BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 8 mn | € 2 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 8 mn | € 2 mn |
| 9a | Issue price | 99.60 % | 98.60 % | 99.05 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 11 May 2012 | 11 May 2012 | 16 May 2012 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 11 May 2022 | 11 May 2022 | 16 May 2022 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.500 % | 5.320 % | 5.320 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 275232BF | 275263BF | 275270BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 30 mn | € 15 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 30 mn | € 15 mn |
| 9a | Issue price | 100.00 % | 99.23 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 23 May 2012 | 16 May 2012 | 24 May 2012 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 23 May 2022 | 16 May 2022 | 24 May 2022 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.150 % | 5.120 % | 5.125 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 275515BF | 275585BF | 275617BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 10 mn | € 5 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 10 mn | € 5 mn | € 5 mn |
| 9a | Issue price | 99.30 % | 99.40 % | 99.15 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 13 Jun 2012 | 15 Jun 2012 | 20 Jun 2012 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 13 Jun 2022 | 15 Jun 2022 | 20 Jun 2022 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if regulatory capital requirements are no longer fulfilled |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.720 % | 4.850 % | 4.800 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 275618BF | 276152BF | 276299BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 10 Mio € | € 5 Mio € | € 5 Mio € |
| 9 | Nominal amount of instrument | € 10 Mio € | € 5 Mio € | € 5 Mio € |
| 9a | Issue price | 99.60 % | 99.22 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 20 Jun 2012 | 6 Sep 2012 | 26 Sep 2012 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 20 Jun 2022 | 6 Sep 2022 | 26 Sep 2025 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if regulatory capital requirements are no longer fulfilled | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4,900 % | 4,620 % | 5,000 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 277175BF | 277539BF | 277864BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 1 mn | € 5 mn | € 40 mn |
| 9 | Nominal amount of instrument | € 1 mn | € 5 mn | € 40 mn |
| 9a | Issue price | 99.47 % | 99.60 % | 99.30 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 19 Dec 2012 | 31 Jan 2013 | 2 Apr 2013 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 19 Dec 2022 | 31 Jan 2028 | 3 Apr 2028 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.100 % | 4.800 % | 5.000 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 278520BF | 278528BF | 278530BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 5 mn | € 10 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 5 mn | € 10 mn |
| 9a | Issue price | 99.62 % | 100.00 % | 99.25 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 25 Jul 2013 | 25 Jul 2013 | 25 Jul 2013 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 25 Jul 2023 | 25 Jul 2023 | 25 Jul 2023 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.320 % | 4.355 % | 4.350 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 278591BF | 278630BF | 278710BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 10 mn | € 5 mn | € 2 mn |
| 9 | Nominal amount of instrument | € 11 mn | € 5 mn | € 2 mn |
| 9a | Issue price | 100.00 % | 99.90 % | 99.30 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 13 Aug 2013 | 21 Aug 2013 | 3 Sep 2013 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 13 Aug 2029 | 21 Aug 2026 | 3 Sep 2024 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.250 % | 5.100 % | 4.750 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

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|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 278732BF | 279019BF | 279103BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 3 mn | € 7 mn | € 2 mn |
| 9 | Nominal amount of instrument | € 3 mn | € 8 mn | € 2 mn |
| 9a | Issue price | 99.38 % | 98.95 % | 99.76 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 5 Sep 2013 | 29 Oct 2013 | 13 Nov 2013 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 5 Sep 2025 | 29 Oct 2025 | 13 Nov 2023 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.000 % | 5.050 % | 4.550 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

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|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 279310BF | 279394BF | 281117BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 3 mn | € 1 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 3 mn | € 1 mn |
| 9a | Issue price | 98.90 % | 100.00 % | 99.84 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 11 Dec 2013 | 20 Dec 2013 | 13 Feb 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 11 Dec 2028 | 20 Dec 2023 | 13 Feb 2024 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.400 % | 4.590 % | 4.620 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 281195BF | 281209BF | 282022BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 5 mn | € 50 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 5 mn | € 50 mn |
| 9a | Issue price | 99.73 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 27 Feb 2014 | 28 Feb 2014 | 20 May 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 27 Feb 2026 | 3 Mar 2026 | 20 May 2026 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.020 % | 5.050 % | 4.304 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 282060BF | 282066BF | 283721BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 5 mn | € 5 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 5 mn | € 5 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 22 May 2014 | 16 May 2014 | 8 Oct 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 22 May 2029 | 16 May 2029 | 8 Oct 2029 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.400 % | 4.260 % | 4.380 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 283731BF | 283745BF | 283978BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 10 mn | € 6 mn | € 10 mn |
| 9 | Nominal amount of instrument | € 10 mn | € 6 mn | € 10 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 8 Oct 2014 | 8 Oct 2014 | 29 Oct 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 8 Oct 2024 | 8 Oct 2024 | 29 Oct 2024 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 3.720 % | 3.745 % | 3.732 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 284054BF | 284109BF | 284122BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 15 mn | € 3 mn | € 5 mn |
| 9 | Nominal amount of instrument | € 15 mn | € 3 mn | € 5 mn |
| 9a | Issue price | 100.00 % | 98.94 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 5 Nov 2014 | 12 Nov 2014 | 12 Nov 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 5 Nov 2029 | 12 Nov 2029 | 12 Nov 2029 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.300% | 4.170% | 4.280% |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|---|---|---|
| 1 | Issuer | Aareal Bank AG | Aareal Bank AG | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 284141BF | 284170BF | 284192BF |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level | Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 2 mn | € 10 mn | € 6 mn |
| 9 | Nominal amount of instrument | € 2 mn | € 10 mn | € 6 mn |
| 9a | Issue price | 100.00 % | 100.00 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 13 Nov 2014 | 14 Nov 2014 | 18 Nov 2014 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 13 Nov 2029 | 14 Nov 2029 | 18 Nov 2024 |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital | At nominal amount if no longer recognised as Tier 2 capital |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.080 % | 4.080 % | 3.430 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | n/a | n/a | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

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|-----------------------------|---|--|--|--|
| 1 | Issuer | COREALCREDIT BANK AG | COREALCREDIT BANK AG | COREALCREDIT BANK AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 280438CR | 280446CR | 280447CR |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Single-entity and Group level | Single-entity and Group level | Single-entity and Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 2 mn | € 4 mn | € 0 mn |
| 9 | Nominal amount of instrument | € 6 mn | € 10 mn | € 2 mn |
| 9a | Issue price | 99.37 % | 99.78 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 4 Nov 2004 | 10 Jan 2005 | 7 Jan 2005 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 4 Nov 2016 | 10 Jan 2017 | 7 Jan 2015 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | No | No | No |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.300 % | 5.050 % | 4.900 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | n/a | n/a | n/a |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | No | No | No |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

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|-----------------------------|---|--|--|--|
| 1 | Issuer | COREALCREDIT BANK AG | COREALCREDIT BANK AG | COREALCREDIT BANK AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 280448CR | 280449CR | 280450CR |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Single-entity and Group level | Single-entity and Group level | Single-entity and Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 4 mn | € 5 mn | € 0 mn |
| 9 | Nominal amount of instrument | € 10 mn | € 5 mn | € 2 mn |
| 9a | Issue price | 100.00 % | 99.60 % | 99.83 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 7 Jan 2005 | 20 Jan 2005 | 17 Jan 2005 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 7 Feb 2017 | 20 Nov 2020 | 16 Jan 2015 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | No | No | No |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 5.020 % | 5.000 % | 4.780 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | n/a | n/a | n/a |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | No | No | No |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|--|
| 1 | Issuer | COREALCREDIT BANK AG | COREALCREDIT BANK AG | COREALCREDIT BANK AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 280451CR | 280453CR | 280454CR |
| 3 | Governing law(s) of the instrument | German law | German law | German law |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Single-entity and Group level | Single-entity and Group level | Single-entity and Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Subordinated liability |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 0 mn | € 0 mn | € 2 mn |
| 9 | Nominal amount of instrument | € 5 mn | € 1 mn | € 3 mn |
| 9a | Issue price | 99.77 % | 99.90 % | 99.63 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 4 Feb 2005 | 21 Feb 2005 | 1 Mar 2005 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | Fixed maturity |
| 13 | Original maturity date | 4 Feb 2015 | 23 Feb 2015 | 1 Mar 2018 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates, and redemption amount | No | No | No |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.700 % | 4.740 % | 5.070 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | n/a | n/a | n/a |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | No | No | No |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | | | |
|-----------------------------|---|--|--|---|
| 1 | Issuer | COREALCREDIT BANK AG | COREALCREDIT BANK AG | Aareal Capital Funding LLC |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 280556CR | 280557CR | XS0138973010 |
| 3 | Governing law(s) of the instrument | German law | German law | Delaware law (USA) |
| Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Tier 2 capital | Tier 2 capital | Additional Tier 1 capital with phase-out; Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Single-entity and Group level | Single-entity and Group level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Subordinated liability | Subordinated liability | Class B preferred securities |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 0 mn | € 0 mn | € 242 mn |
| 9 | Nominal amount of instrument | € 10 mn | € 10 mn | € 250 mn |
| 9a | Issue price | 99.85 % | 99.85 % | 100.00 % |
| 9b | Redemption price | 100.00 % | 100.00 % | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost | Liability – measured at amortised cost | Liability – measured at amortised cost |
| 11 | Original date of issuance | 6 Jan 2005 | 6 Jan 2005 | 15 Nov 2001 |
| 12 | Perpetual or dated | Fixed maturity | Fixed maturity | without a specified maturity |
| 13 | Original maturity date | 6 Jan 2015 | 6 Jan 2015 | n/a |
| 14 | Issuer call subject to prior supervisory approval | No | No | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | No | No | Quarterly, by end of quarter |
| 16 | Subsequent call dates, if applicable | n/a | n/a | n/a |
| Coupons/dividends | | | | |
| 17 | Fixed or floating dividend/coupon payments | Fixed | Fixed | Fixed |
| 18 | Coupon rate and any related reference index | 4.910 % | 4.910 % | 7.135 % |
| 19 | Existence of a "dividend stopper" | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No | No | No |
| 22 | Non-cumulative or cumulative | n/a | n/a | n/a |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a | n/a | n/a |
| 25 | If convertible: fully or partially | n/a | n/a | n/a |
| 26 | If convertible: conversion rate | n/a | n/a | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a | n/a | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a | n/a | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a | n/a | n/a |
| 30 | Write-down features | No | No | n/a |
| 31 | If write-down: write-down trigger(s) | n/a | n/a | n/a |
| 32 | If write-down: full or partial | n/a | n/a | n/a |
| 33 | If write-down: permanent or temporary | n/a | n/a | n/a |
| 34 | If temporary write-down: description of write-up mechanism | n/a | n/a | n/a |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Junior to non-subordinated liabilities | Junior to non-subordinated liabilities | Subordinated to all senior creditors and pari passu with all subordinated creditors |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a |

| | | |
|-----------------------------|---|---|
| 1 | Issuer | Aareal Bank AG |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | 164191BF |
| 3 | Governing law(s) of the instrument | German law |
| Regulatory treatment | | |
| 4 | Transitional CRR rules | Additional Tier 1 capital with phase-out; Tier 2 capital |
| 5 | Post-transitional CRR rules | Tier 2 capital |
| 6 | Eligible at single-entity / (sub-)consolidated / single-entity & (sub-)consolidated level | Group level |
| 7 | Instrument type (types to be specified by each jurisdiction) | Silent participation |
| 8 | Amount recognised in regulatory capital (currency in millions, as at the most recent reporting date) | € 180 mn |
| 9 | Nominal amount of instrument | € 180 mn |
| 9a | Issue price | 100.00 % |
| 9b | Redemption price | 100.00 % |
| 10 | Accounting classification | Liability – measured at amortised cost |
| 11 | Original date of issuance | 8 Oct 2002 |
| 12 | Perpetual or dated | without a specified maturity |
| 13 | Original maturity date | n/a |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | Full amount; given BaFin's consent: term of 2 years until end of the financial year and term of 2 years until end of month in case of material changes to tax or regulatory treatment; at any time with a term of 2 months if no longer recognised as liable equity |
| 16 | Subsequent call dates, if applicable | n/a |
| Coupons/dividends | | |
| 17 | Fixed or floating dividend/coupon payments | Floating |
| 18 | Coupon rate and any related reference index | 12m Euribor + 2.1014 % |
| 19 | Existence of a "dividend stopper" | No profits entitlement if disbursement would implement net accumulated loss. If the Bank distributes dividends nonetheless, or makes other payments based on Tier 1 capital instruments, and the Bank's solvency ratio reaches 9 %, the Bank may reverse retained earnings and make disbursements on the silent participation |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Mandatory on 30 April of any given year |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Mandatory |
| 21 | Existence of step-up features, or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non-convertible |
| 24 | If convertible: conversion trigger(s) | n/a |
| 25 | If convertible: fully or partially | n/a |
| 26 | If convertible: conversion rate | n/a |
| 27 | If convertible: mandatory or optional conversion | n/a |
| 28 | If convertible: specify instrument type convertible into | n/a |
| 29 | If convertible: specify issuer of instrument it converts into | n/a |
| 30 | Write-down features | Yes |
| 31 | If write-down: write-down trigger(s) | Existence of net loss |
| 32 | If write-down: full or partial | Full |
| 33 | If write-down: permanent or temporary | Temporary |
| 34 | If temporary write-down: description of write-up mechanism | Write-up in subsequent financial years, provided that this does not cause a net loss. Write-up senior to share capital, shareholders, and creation of reserves, pari passu with other Tier 1 capital instruments and subordinated to profit-participation certificates |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinated to all creditors of the Bank (including profit-participation certificates, Tier 2 instruments, and liabilities according to section 10 (5), (5a), and (7) of the KWG – old) |
| 36 | Non-compliant transitioned features | No |
| 37 | If yes, specify non-compliant features | n/a |

Disclosure of own funds during the transitional period¹⁾

| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU |
|---|--------------------------------|--|--|
| € mn | | | |
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | | |
| 1 Capital instruments and the related share premium accounts | 899 | 26 (1), 27, 28, 29, EBA index pursuant to section 26 (3) | - |
| of which: ordinary shares | 180 | EBA index pursuant to section 26 (3) | - |
| 2 Retained earnings | 1,028 | 26 (1) (c) | - |
| 3 Accumulated other comprehensive income (and other reserves designated to account for unrealised gains and losses according to applicable accounting standards) | -69 | 26 (1) | -50 |
| 3a Funds for general banking risks | - | 26 (1) (f) | - |
| 4 Amount of qualifying items referred to in Art. 484 (3) and the related share premium accounts subject to phase out from CET1 | - | 486 (2) | - |
| Governmental capital contributions with grandfathering rights until 1 Jan 2018 | - | 483 (2) | - |
| 5 Minority interests (amount allowed in consolidated CET1) | - | 84, 479, 480 | - |
| 5a Independently reviewed interim profits net of any foreseeable charge or dividend | 152 | 26 (2) | - |
| 6 Common Equity Tier 1 (CET1) capital before regulatory adjustments | 2,010 | | - |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 Additional value adjustments (negative amount) | -14 | 34, 105 | - |
| 8 Intangible assets (net of related tax liability) (negative amount) | -2 | 36 (1) (b), 37, 472 (4) | -8 |
| 9 Empty set in the EU | - | | - |
| 10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions of Art. 38 (3) are met) (negative amount) | -5 | 36 (1) (c), 38, 472 (5) | -19 |
| 11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments | 2 | 33 (a) | - |
| 12 Negative amounts resulting from the calculation of expected loss amounts | -14 | 36 (1) (d), 40, 159, 472 (6) | -57 |
| 13 Increase in equity resulting from securitised assets (negative amount) | - | 32 (1) | - |
| 14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | - | 33 (b) | - |
| 15 Defined-benefit pension fund assets (negative amount) | - | 36 (1) (e), 41, 472 (7) | - |
| 16 Direct and indirect holdings of own Common Equity Tier 1 instruments (negative amount) | - | 36 (1) (f), 42, 472 (8) | - |
| 17 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) | - | 36 (1) (g), 44, 472 (9) | - |

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¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU |
|---|--------------------------------|--|--|
| € mn | | | |
| 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 hold a material interest (amount above 10 % threshold and net of eligible short positions) (negative amount) | - | 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) | - |
| 19 Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution holds a material interest (amount above 10 % threshold and net of eligible short positions) (negative amount) | - | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11) | - |
| 20 Empty set in the 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 | - | 36 (1) (k) | - |
| 20b of which: qualifying holdings outside the financial sector (negative amount) | - | 36 (1) (k) (i), 89 to 91 | - |
| 20c of which: securitisation positions (negative amount) | - | 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 | - |
| 20d of which: free deliveries (negative amount) | - | 36 (1) (k) (iii), 379 (3) | - |
| 21 Deferred tax assets dependant on future profitability arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions of Article 38 (3) are met) (negative amount) | -3 | 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) | -14 |
| 22 Amount exceeding the 15 % threshold (negative amount) | - | 48 (1) | - |
| 23 of which: direct and indirect holdings of Common Equity Tier 1 instruments of financial sector entities in which the institution holds a significant interest | - | 36 (1) (i), 48 (1) (b), 470, 472 (11) | - |
| 24 Empty set in the EU | - | | - |
| 25 of which: deferred tax assets dependant on future profitability arising from temporary differences | - | 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) | - |
| 25a Losses for the current financial year (negative amount) | - | 36 (1) (a), 472 (3) | - |
| 25b Foreseeable tax charges relating to Common Equity Tier 1 items (negative amount) | - | 36 (1) (l) | - |
| 26 Regulatory adjustments to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment | - | | - |
| 26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 | 50 | | - |
| of which: filters and deductions applied to unrealised losses 2 (investments) | 2 | 467 | - |
| of which: filters and deductions applied to unrealised losses 3 (defined benefit plans) | 69 | 467 | - |
| of which: filters and deductions applied to unrealised gains 1 (afs securities) | -16 | 468 | - |
| of which: filters and deductions applied to unrealised gains 4 (conversion differences) | -5 | 468 | - |
| 26b Amount to be added to or deducted from Common Equity Tier 1 capital in respect of additional filters and deductions, as well as deductions required for items subject to regulatory provisions before application of the CRR | - | 481 | - |
| 27 Qualifying Additional Tier 1 deductions exceeding the Additional Tier 1 capital of the institution (negative amount) | - | 36 (1) (j) | - |
| 28 Total regulatory adjustments to Common Equity Tier 1 (CET1) capital | 13 | | - |
| 29 Common Equity Tier 1 (CET1) capital | 2,024 | | - |

| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU |
|--|--------------------------------|--|--|
| € mn | | | |
| Additional Tier 1 (AT1) capital: instruments | | | |
| 30 | 300 | 51, 52 | - |
| 31 | 300 | | - |
| 32 | - | | - |
| 33 | 422 | 486 (3) | - |
| | - | 483 (3) | - |
| 34 | - | 85, 86, 480 | - |
| 35 | - | 486 (3) | - |
| 36 | 722 | | - |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | |
| 37 | - | 52 (1) (b), 56 (a), 57, 475 (2) | - |
| 38 | - | 56 (b), 58, 475 (3) | - |
| 39 | - | 56 (c), 59, 60, 79, 475 (4) | - |
| 40 | - | 56 (d), 59, 79, 475 (4) | - |
| 41 | -84 | | - |
| 41a | -36 | 472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 72 (9), 472 (10) (a), 472 (11) (a) | - |
| | -8 | | - |
| | -28 | | - |
| 41b | - | 477, 477 (3), 477 (4) (a) | - |

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| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU | |
|--|---|--|--|----------|
| € mn | | | | |
| 41c | Amount to be added or deducted from Additional Tier 1 capital in respect of additional filters and deductions, as well as deductions required for items subject to regulatory provisions before application of the CRR | - | 467, 468, 481 | - |
| 42 | Amount of items required to be deducted from Additional Tier 1 items exceeding the Additional Tier 1 capital of the institution (negative amount) | - | 56 (e) | - |
| 43 | Total regulatory adjustments to Additional Tier 1 (AT1) capital | -121 | | - |
| 44 | Additional Tier 1 (AT1) capital | 601 | | - |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 2,625 | | - |
| Tier 2 (T2) capital: instruments and reserves | | | | |
| 46 | Capital instruments and related share premium accounts | 1,073 | 62, 63 | - |
| 47 | Amount of qualifying items referred to in Art. 484 (5) and the related share premium accounts subject to phase out from T2 | 27 | 486 (4) | 5 |
| | Governmental capital contributions with grandfathering rights until 1 Jan 2018 | - | 483 (4) | - |
| 48 | Qualifying own funds instruments included in consolidated Tier 2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties | - | 87, 88, 480 | - |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | 486 (4) | - |
| 50 | Credit risk adjustments | - | 62 (c) and (d) | - |
| 51 | Tier 2 (T2) capital before regulatory adjustments | 1,100 | | - |
| Tier 2 (T2) capital: regulatory adjustments | | | | |
| 52 | Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans (negative amount) | - | 63 (b) (i), 66 (a), 67, 477 (2) | - |
| 53 | Holdings of 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) | - | 66 (b), 68, 477 (3) | - |
| 54 | Direct and indirect holdings of Tier 2 instruments and subordinated loans of financial sector entities in which the institution does not hold a material interest (amount above 10 % threshold and net of eligible short positions) (negative amount) | - | 66 (c), 69, 70, 79, 477 (4) | - |
| 54a | of which: new positions not subject to transitional provisions | - | | - |
| 54b | of which: positions that existed before 1 January 2013 and subject to transitional provisions | - | | - |
| 55 | Direct and indirect holdings by the institution of Tier 2 instruments and subordinated loans of financial sector entities in which the institution holds a material interest (net of eligible short positions) (negative amount) | - | 66 (d), 69, 79, 477 (4) | - |
| 56 | Regulatory T2 adjustments in respect of amounts subject to regulatory provisions before application of the CRR as well as transitional period arrangements, to which phasing out regulations pursuant to Regulation 575/2013/EU apply (i.e. CRR residual amounts) | -5 | | - |

| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU |
|--|--------------------------------|--|--|
| € mn | | | |
| 56a Residual amounts to be deducted from Tier 2 capital in relation to items not deducted from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation 575/2013/EU | -28 | 472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a) | - |
| of which: value adjustment deficit/expected losses from investments | -28 | | - |
| 56b Residual amounts to be deducted from Tier 2 capital in relation to items not deducted from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation 575/2013/EU | - | 475, 475 (2) (a), 475 (3), 475 (4) (a) | - |
| 56c Amount to be added or deducted from Tier 2 capital in connection with additional filters and deductions, as well as deductions required in respect of amounts subject to regulatory provisions before application of the CRR | - | 467, 468, 481 | - |
| 57 Total regulatory adjustments to Tier 2 (T2) capital | -33 | | - |
| 58 Tier 2 (T2) capital | 1,067 | | - |
| 59 Own funds (TC = T1 + T2) | 3,692 | | - |
| 59a Risk-weighted assets in respect of amounts subject to regulatory provisions before application of the CRR as well as transitional period regulations, to which phasing out regulations pursuant to Regulation 575/2013/EU apply (i.e. CRR residual amounts) | - | | - |
| of which: ... items not to be deducted from Common Equity Tier 1 capital (Regulation 575/2013/EU, residual amounts) | 224 | 472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b) | - |
| Deferred tax assets dependant on future profitability | 19 | | - |
| Deferred tax assets dependant on future profitability and resulting from temporary differences (deferred tax assets on loss carryforwards, position 490 from CA1) | 205 | | - |
| of which: ... items not to be deducted from Additional Tier 1 capital (Regulation 575/2013/EU, residual amounts) | - | 475, 475 (2) (b), 475 (2) (c), 475 (4) (b) | - |
| of which: ... items not to be deducted from Tier 2 capital (Regulation 575/2013/EU, residual amounts) | - | 477, 477 (2) (b), 477 (2) (c), 477 (4) (b) | - |
| 60 Total risk-weighted assets | 15,492 | | - |
| Capital ratios and buffers | | | |
| 61 Common Equity Tier 1 capital (as a percentage of total risk exposure amount) | 13.06 % | 92 (2) (a), 465 | - |
| 62 Tier 1 capital (as a percentage of total risk exposure amount) | 16.94 % | 92 (2) (b), 465 | - |
| 63 Total capital (as a percentage of total risk exposure amount) | 23.82 % | 92 (2) (c), | - |
| 64 Institution-specific buffer requirement (minimum CET1 ratio in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer within the buffer for systemically important institutions (G-SII or O-SII), expressed as a percentage of total risk exposure amount) | - | CRD 128, 129, 130 | - |
| 65 of which: capital conservation buffer requirement | - | | - |
| 66 of which: countercyclical buffer requirement | - | | - |
| 67 of which: systemic risk buffer requirement | - | | - |

| | Amount as at 31 Dec 2014 | Reference to applicable section of Regulation 575/2013/EU | Amounts to be recognised before the application of Regulation 575/2013/EU or residual amounts according to Regulation 575/2013/EU |
|---|--------------------------------|--|--|
| € mn | | | |
| 67a of which: buffer for Global Systemically Important Institution (G-SII) or Other Systemically Important Institutions (O-SII) | – | CRD 131 | – |
| 68 Common Equity Tier 1 capital available to meet buffers (as a percentage of total risk exposure amount) | 8.56 % | CRD 128 | – |
| Capital ratios and buffers | | | |
| 72 Direct and indirect holdings of capital instruments of financial sector entities in which the institution does not hold a material interest (amount below 10 % threshold and net of eligible short positions) | 13,544 | 36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) | – |
| 73 Direct and indirect holdings of Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions) | – | 36 (1) (i), 45, 48, 470, 472 (11) | – |
| 74 Empty set in the EU | – | | – |
| 75 Deferred tax assets dependant upon future profitability arising from temporary differences (amount below 10 % threshold and net of related tax liability where the conditions of Art. 38 (3) are met) | 204 | (36) (1) (c), 38, 48, 470, 472 (5) | – |
| 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) | – | 62 | – |
| 77 Cap on inclusion of credit risk adjustments in Tier 2 under standardised approach | – | 62 | – |
| 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) | – | 62 | – |
| 79 Cap on inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach | – | 62 | – |
| Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022) | | | |
| 80 Current cap on CET1 instruments subject to phase out arrangements | – | 484 (3), 486 (2) and (5) | – |
| 81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | – | 484 (3), 486 (2) and (5) | – |
| 82 Current cap on AT1 instruments subject to phase out arrangements | 338 | 484 (4), 486 (3) and (5) | – |
| 83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | 84 | 484 (4), 486 (3) and (5) | – |
| 84 Current cap on T2 instruments subject to phase out arrangements | 22 | 484 (5), 486 (4) and (5) | – |
| 85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | 5 | 484 (5), 486 (4) and (5) | – |

**Reconciliation from equity, as disclosed in the Statement of Financial Position
to regulatory capital¹⁾**

| | Equity according to reporting scope of consolidation | Equity according to regulatory scope of consolidation | Regulatory capital according to regulatory scope of consolidation |
|---|--|---|--|
| € mn | | | |
| Subscribed capital | 180 | 180 | 180 |
| Capital reserves | 721 | 720 | 720 |
| Retained earnings | 1,357 | 1,312 | 1,180 |
| AT1 bond²⁾ | 300 | 300 | - |
| Other reserves | -77 | -69 | -69 |
| Reserve from remeasurements of defined benefit plans | -95 | -86 | -86 |
| Revaluation reserve | 15 | 14 | 14 |
| Hedging reserve | -1 | -2 | -2 |
| Currency translation reserve | 4 | 5 | 5 |
| Non-controlling interests³⁾ | 242 | 242 | - |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 2,723 | 2,685 | 2,011 |
| Regulatory adjustments | - | - | 14 |
| Amounts to be deducted | - | - | -122 |
| Other intangible assets | -44 | -7 | -10 |
| Deferred tax assets dependant on future profitability not resulting from temp. differences | - | - | -24 |
| IRB deficit | - | - | -71 |
| Qualified investment outside the financial sector (alternative risk weighting 1.250 %) | - | - | 0 |
| Deductible deferred tax assets dependant on future profitability and resulting from temp. differences | - | - | -17 |
| Prudential Filters | - | - | -12 |
| Hedging reserve | - | - | 2 |
| Prudent valuation allowances | - | - | -14 |
| Adjustments (transitional arrangements) | - | - | 148 |
| Common Equity Tier 1 (CET1) capital | - | - | 2,025 |
| AT1 bond | - | - | 300 |
| AT1 capital instruments with grandfathering rights | - | - | 338 |
| Non-controlling interests | - | - | 194 |
| Contributions by silent partners | - | - | 144 |
| Amounts to be deducted | - | - | -36 |
| Other intangible assets | - | - | -8 |
| IRB deficit | - | - | -28 |
| Additional Tier 1 (AT1) capital | - | - | 601 |

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¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

²⁾ Consideration within Additional Tier 1 (AT1) capital.

³⁾ Consideration based on percentage ratio within Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

| | Equity according to reporting scope of consolidation | Equity according to regulatory scope of consolidation | Regulatory capital according to regulatory scope of consolidation |
|--|--|---|---|
| € mn | | | |
| Capital instruments and subordinated loans eligible as Tier 2 capital | 1,416 | 1,416 | 1,072 |
| Subordinated liabilities | 1,222 | 1,222 | 988 |
| Non-controlling interests | – | – | 48 |
| Contributions by silent partners | 194 | 194 | 36 |
| T2 capital instruments with grandfathering rights | 73 | 73 | 22 |
| Profit-participation certificates | 73 | 73 | 22 |
| Amounts to be deducted | – | – | -28 |
| IRB deficit | – | – | -28 |
| Tier 2 (T2) capital | – | – | 1,066 |
| Total capital (TC) | – | – | 3,692 |

Group Structure

Aareal Bank AG, whose registered office is in Wiesbaden, Germany, and is the parent institution of the Group, prepares this disclosure report in accordance with section 10a (1) of the KWG.

Aareal Bank Group is a leading international property specialist. We have been offering financing, advice and other services to the housing and commercial property industries in the highest quality for as long as nine decades. We support our clients in Germany, and in more than 20 different countries across three continents, as a financing partner and service provider. Our business model comprises two pillars:

In the Structured Property Financing segment, we finance commercial property – in particular, office buildings, hotels, shopping centres as well as logistics properties and residential property – in Germany, Europe, North America and Asia. We focus on financing existing buildings. Our particular strength lies in the success we have in combining local market expertise and sector-specific know-how.

In the Consulting/Services segment, we offer specialised banking services to clients from the housing and commercial property industries in our core market of Germany. Through Aareon AG, the leading consultancy and systems house to the property industry, we offer IT consulting, software and IT services in several European countries.

Consolidated companies

The entities within the Group are consolidated for accounting and regulatory monitoring purposes. Applicable accounting and regulatory rules differ in some areas in relation to their specifications and objectives.

Hence, the scope of consolidation created on the basis of the legal requirements differs, in terms of the number of consolidated entities, as well as regarding the method of consolidation.

The following consolidation matrix (p. 46) lists all subsidiaries, joint ventures and associates of Aareal Bank Group for each of the two operating segments which are consolidated on the basis of regulatory aspects or which are included in

consolidated financial reporting as at the reporting date, since their equity capital amounts to at least € 1 million. Smaller companies included in

consolidated financial reporting only for accounting purposes are not listed, as they are deemed immaterial.

| | Regulatory treatment | | | | Consolidation in accordance with FRSs | |
|---|----------------------|----------|---------------------|---------------------------|---------------------------------------|-----------|
| | Consolidation full | pro-rata | Deduction treatment | Risk-weighted investments | voll | at equity |
| Structured Property Financing segment | | | | | | |
| Aareal Bank Asia Ltd., Singapore | X | | | | X | |
| Aareal Capital Corporation, Wilmington | X | | | | X | |
| Aareal Bank Capital Funding LLC, Wilmington | X | | | | X | |
| Aareal Estate AG, Wiesbaden | X | | | | X | |
| Aareal Gesellschaft für Beteiligungen und Grundbesitz Erste mbH & Co. KG, Wiesbaden | X | | | | X | |
| Aareal Immobilien Beteiligungen GmbH, Wiesbaden | X | | | | X | |
| Aareal Property Services B.V., Amsterdam | | | | X | X | |
| Aareal Valuation GmbH, Wiesbaden | X | | | | X | |
| Aqvatrium AB, Stockholm | X | | | | X | |
| arsago Alternative Investments SPC, Grand Cayman | X | | | | X | |
| BauContact Immobilien GmbH, Wiesbaden | | | | X | X | |
| BVG – Grundstücks- und Verwertungs-gesellschaft mbH, Frankfurt/Main | X | | | | X | |
| COREALCREDIT BANK AG, Frankfurt/Main | X | | | | X | |
| Deutsche Structured Finance GmbH, Frankfurt/Main | X | | | | X | |
| DSF Vierte Verwaltungsgesellschaft mbH, Wiesbaden | X | | | | X | |
| GEV GmbH, Wiesbaden | X | | | | X | |
| GVN – Grundstücks- und Vermögensverwaltungs-gesellschaft mbH, Frankfurt/Main | X | | | | X | |
| IMMO Consulting S.r.l., Rome | X | | | | X | |
| IV Beteiligungsgesellschaft für Immobilieninvestitionen mbH, Wiesbaden | X | | | | X | |
| Izalco Spain S.L., Madrid | X | | | | X | |
| Jomo S.p.r.l., Brussels | X | | | | X | |
| La Sessola Holding GmbH, Wiesbaden | X | | | | X | |
| La Sessola S.r.l., Rome | X | | | | X | |
| La Sessola Service S.r.l., Rome | | | | X | X | |
| Main Triangel GmbH, Frankfurt/Main | X | | | | X | |
| Mercadea S.r.l., Rome | X | | | | X | |
| Mirante S.r.l., Rome | X | | | | X | |
| Real Verwaltungsgesellschaft mbH, Schönefeld | | | | X | X | |
| Terrain-Aktiengesellschaft Herzogpark, Wiesbaden | X | | | | X | |
| DBB Inka, Dusseldorf | | | | 1) | X | |

¹⁾ The fund reported under the AIRBA is treated using the Simple Risk Weight Approach pursuant to article 155 (2) of the CRR.

| | Regulatory treatment | | | Consolidation in accordance with FRSs | | |
|--|----------------------|----------|---------------------|---------------------------------------|------|-----------|
| | Consolidation full | pro-rata | Deduction treatment | Risk-weighted investments | voll | at equity |
| Consulting/Services segment | | | | | | |
| Aareon AG, Mainz | X | | | | X | |
| Aareon Deutschland GmbH, Mainz | | | | X | X | |
| Aareon France S.A.S., Meudon-La-Forêt | | | | X | X | |
| Aareon Nederland B.V., Emmen | | | | X | X | |
| Aareon UK Ltd., Coventry | | | | X | X | |
| Aareal First Financial Solutions AG, Mainz | X | | | | X | |
| Aareal Finanz und IT Beteiligungen GmbH, Wiesbaden | X | | | | X | |
| BauSecura Versicherungsmakler GmbH, Hamburg | | | | X | X | |
| CredaRate Solutions GmbH, Cologne | | | | X | | X |
| Deutsche Bau- und Grundstücks-Aktiengesellschaft, Berlin | | | | X | X | |
| Incit AB, Mölndal | | | | X | X | |
| 1st Touch Ltd., Southampton | | | | X | X | |

Undercapitalised entities

At present, none of the banks or financial services providers within Aareal Bank Group are undercapitalised, which would require a deduction of the holding from the parent company's liable equity.

Utilisation of the "waiver" regulation

Aareal Bank has opted for the waiver according to section 2a (1) sentence 1 of the KWG in conjunction with article 7 (3) of the CRR. This so-called parent waiver allows parent companies to fulfil the requirements of parts 2 to 5 and 8 of the CRR on a consolidated basis only.

Aareal Bank AG's participatory interests in its subsidiaries allow it to transfer capital from subordinated subsidiaries to Aareal Bank AG, if necessary. This can be achieved, for example, through distributions to Aareal Bank AG or by capital decreases at the subsidiaries. The Bank can also request its subsidiaries to repay their liabilities.

Accordingly, there are no burdens (neither legal, nor materially factual) as per article 7 (3) lit. a) of the CRR to the immediate transfer of capital or repayment of liabilities by the subsidiaries to Aareal Bank AG.

As the parent institution of the Group, Aareal Bank AG operates a central risk management system for the banking group of which it forms a part. This means that the prerequisites stated in section 7 (3) lit. b) of the CRR regarding the combined supervision of risk assessment, risk measurement and risk control procedures are fulfilled.

Aareal Bank AG carries out event-driven reviews to ensure it continues to fulfil the prerequisites of article 7 (3) of the CRR.

Risk Management

Risk management deals with identifying, assessing, limiting and managing risks. Therefore, risk management is an essential part of corporate governance.

Risk strategy

The framework for Aareal Bank Group's risk management is the business strategy as determined by the Management Board, endorsed by the Supervisory Board, and described in the Annual Report.¹⁾

Building on the business strategy, detailed strategies have been defined for managing risk types considered material (counterparty and credit risk, market price risk, liquidity risk and investment risk as well as operational risk), always taking into consideration the Group's risk-bearing capacity. Taken together, these represent the Group's risk strategy. The strategies are designed to ensure a professional and conscious management of risks. Accordingly, these strategies include general policies, to ensure a uniform understanding of risks across all parts of the Bank, and providing a cross-sectional, binding framework applicable to all divisions. The Bank has implemented adequate risk management and risk control processes to implement these strategies, and to safeguard the Bank's risk-bearing capacity. During the financial year under review, risk strategies as well as the Bank's business strategy were adapted to the changed environment; the new strategies were adopted by the Management Board and discussed by the Supervisory Board.

Processes and organisational structure of risk management

Aareal Bank Group's organisational structures and workflows are consistently geared towards effective and professional risk management. Processes in the credit and trading businesses are designed to consistently respect the clear functional division of Sales and Credit Management units (in line with the Minimum Requirements for Risk Management

in Banks (MaRisk), up to and including senior management level. Both the functional separation in the two business segments and the respective process requirements and risk reporting are described in detail in the Annual Report.²⁾

Risk management and risk monitoring

Overall responsibility for risk management and risk monitoring remains with the Management Board and the Supervisory Board of Aareal Bank AG. The overview included in the Annual Report³⁾ shows the responsibilities assigned to the respective organisational units regarding the risk types material to the Bank.

Measures taken by the Supervisory Board to ensure an efficient performance of its control functions include the establishment of a Risk Committee. The Risk Committee deals with all types of risk Aareal Bank is exposed to in its business activities. The committee is also responsible for reviewing the contents of the risk strategy, in accordance with the MaRisk. The submission of the credit risk strategy to the plenary meeting of the Supervisory Board remains unaffected by this function, as is intended by the MaRisk. The Risk Committee has assumed the duties assigned to it in accordance with section 25d (8) of the KWG with effect from 1 January 2014; these tasks are largely identical to those previously performed by the Risk Committee. Please refer to the Report of the Supervisory Board provided in the Annual Report for further information on the work of the Risk Committee and the number of committee meetings during the period under review. The report also includes details on the flow of information towards the Supervisory Board.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Fundamental Information about the Group" in the Group Management Report.

²⁾ Aareal Bank Group 2014 Annual Report: chapters "Lending business" and "Trading activities" in the Risk Report of the Group Management Report.

³⁾ Aareal Bank Group 2014 Annual Report: chapters "Risk management – scope of application and areas of responsibility" in the Risk Report of the Group Management Report.

Internal capital management

Our overall risk strategy represents the framework for risk limitation. A deciding factor for risk limits is the Bank's underlying risk-bearing capacity. The overall risk shall at no time exceed the risk-bearing capacity.

The assumptions underlying the risk-bearing capacity approach, plus the concrete procedure for creating and monitoring the aggregate risk cover, plus the general management of internal capital, are all described in the Annual Report.¹⁾

Management body declarations

For the first time, Aareal Bank AG was obliged to disclose a declaration on the adequacy of risk management arrangements as at 31 December 2014. Moreover, Aareal Bank has to disclose a risk statement pursuant to article 435 (2) lit. f) of the CRR, "...succinctly describing the institution's overall risk profile associated with the business strategy". Both the declaration on the adequacy of risk management arrangements and the risk statement are subject to Management Board and Supervisory Board approval.

Given the references made to the Responsibility Statement and the Auditors' Report as well as to the Report of the Supervisory Board provided in the Aareal Bank Group Annual Report, we consider the disclosure requirements fulfilled.

Risk Types

The following section illustrates the comments made above with regard to risk management in relation to the types of risk material to the Group.

Credit Risks

Aareal Bank defines credit risk – or counterparty credit risk – as the risk of losses being incurred due to (i) a business partner defaulting on con-

tractual obligations; (ii) collateral being impaired; or (iii) 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.

Credit risk strategy

Within the framework of the three-continent strategy pursued in the Structured Property Financing segment, Aareal Bank Group aims to build a balanced business property finance portfolio, in terms of regions, products, types of property and client groups. Dependencies as well as risk concentrations are reduced through diversification.

The credit risk strategy sets the material aspects of Aareal Bank's credit risk management and policies. The Bank's credit risk strategy comprises the Group credit risk strategy (as a general guideline) plus individual sub-strategies called Lending Policies. Given the hierarchical structure of the credit risk strategy, the Group Credit Risk Strategy overrides individual sub-strategies. These rules serve as a guideline for generating new business. The organisational structure and workflows tailored towards credit risk management as well as the implemented procedures used for measuring, managing and monitoring risk exposure are described in detail in the Annual Report.²⁾ The Annual Report also includes descriptions of strategies and processes used to monitor the current effectiveness of the measures taken for risk protection and risk mitigation.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Risk-bearing capacity and risk limits" in the Risk Report of the Group Management Report.

²⁾ Aareal Bank Group 2014 Annual Report: chapter "Credit risks" in the Risk Report of the Group Management Report.

Regulatory assessment

Calculation approaches

Article 107 (1) of the CRR allows different approaches to be taken when calculating the risk-weighted exposure amounts in relation to counterparty credit risk.

We follow the Advanced Internal Ratings-Based Approach (AIRBA) to determine the risk-weighted exposure amounts in relation to counterparty credit risk for property finance – our main business segment – within the "Corporates" exposure class. This was approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") in February 2011, with retrospective effect as at 31 December 2010.

Aareal Bank AG employs the internal rating procedure for banks to assess the credit quality of institutions. With effect from 29 November 2013, BaFin authorised the Bank to apply the Advanced IRB Approach to determine the regulatory capital requirements for customers rated using the internal rating procedures for banks.

The Credit Risk Standard Approach (CRSA) continues to be used within the framework of the partial-use method (article 150 of the CRR). This partial-use method covers the following CRSA exposure classes on a continuous basis:

- central governments or central banks,
- regional governments and similar entities,
- other public-sector entities,
- multilateral development banks,
- international organisations,
- corporates (only non-core business, legacy business),
- retail lending business (discontinued business, legacy business),
- exposures secured by mortgages on immovable property (only non-core business, legacy business), and
- exposures in default (only non-core business, legacy business).

Moreover, Corealcredit exclusively applies the CRSA for the valuation of its risk-weighted positions.

Under the CRSA, parameters defined by the regulatory framework are used to determine risk-weighted exposure amounts. Only specific collateral defined by the regulatory framework may be used to mitigate credit risk.

External rating for CRSA items

A key element of the economic and regulatory assessment is the borrower's credit rating. This rating is determined by rating agencies recognised by the regulatory authorities. These agencies' assessments and valuations facilitate a uniform classification of borrowers across all banks. The ratings of governments, banks and exchange-listed companies, as well as investment fund units and securitisations are generally assessed externally.

We have retained three agencies: Fitch Ratings, Moody's Investors Service, and Standard & Poor's, to classify borrowers and guarantors in accordance with article 138 of the CRR. The ratings determined by these three agencies apply for all the aforementioned rating-related exposure classes in relation to the Credit Risk Standard Approach. Assessments by export credit insurance agencies are not used.

Exposures rated by at least one rating agency are deemed as "rated" CRSA exposures pursuant to article 138 of the CRR. The "unrated" items are rated in accordance with article 139 (2) of the CRR. In line with our business model, most of our exposures are in the "Corporates" exposure class under the AIRBA. Legacy business from the non-core business remains included in the "Corporates" and "mortgages on immovable property" exposure classes, which are reported as unrated CRSA exposures with the prescribed standard risk weighting.

At present, we have neither transactions for which an issue rating has been migrated to receivables, nor any for which a comparable rating is determined pursuant to section 45 (2) of the SolvV.

Internal rating systems

Aareal Bank decided to adopt the Advanced IRB Approach (AIRBA) to determine the regulatory capital requirements for exposures to institutions. This requires the Bank to make internal estimates of the probability of default (PD), and to determine the expected loss given default (LGD) as well as credit conversion factors; the latter are not relevant for loans and advances to institutions.

The portfolio of exposures to banks (counterparties in the exposure class "Institutions") is a so-called low default portfolio where internal defaults are non-existent or very rare indeed. As a consequence, the Bank had no possibility to develop an internal rating system on the basis of an internal default history. To deal with this "problem", Aareal Bank decided to build an internal rating system using a so-called shadow rating method, in order to achieve the best possible distinction between counterparties and issuers with strong and weak credit quality.

Likewise, the Bank had no option when developing its LGD procedure to build a process that delivers empirical estimates of LGD values on the basis of a default history. The model was therefore based on expert estimates, which were supplemented or verified using market data and/or external data sources to the greatest extent possible.

In this context, LGD estimates are essentially based on two components: a quantitative analysis of the Bank's assets and a qualitative assessment of counterparties' strategies, processes and business policy. This analysis is carried out on a case-by-case basis by rating analysts within the Treasury Credit Management unit.

The internal rating procedure used by the Bank for borrowers in the large-sized property financing business consists of a two-stage rating process. A borrower's probability of default (PD) is determined in the first stage. The expected loss given the borrower's default (LGD) is determined in the second step.

Within the framework of this PD rating and LGD procedure, a rating is established for large-sized commercial lending business (our core business) with a total exposure of at least € 2.5 million, and for the commercial housing industry with a total exposure of at least € 750,000.

The contractual positions relevant for reporting duties are maintained in the relevant Sales unit systems, while the assignment of IRBA items and borrowers to the IRBA exposure classes "Corporates" and "Institutions" is made fully automatically on the basis of the characteristics of the transaction and the customer.

The internal rating procedure used by the Bank to determine a customer's probability of default consists of two main components: a property rating and a corporate rating. The relative impact of the two components on the rating result is determined by the structure of the exposure concerned. The client's probability of default is determined based on specific financial indicators, together with qualitative aspects and expert knowledge. The result of the rating process is reflected in the classification of the borrower into one of the rating classes. The Bank currently uses 15 rating classes – within the rating procedure for large-sized commercial property financing – for borrowers that are not deemed to have defaulted pursuant to the CRR criteria. Borrowers in default pursuant to the CRR are allocated to a special rating class. Within the framework of the Bank's external reporting, the borrower rating is reconciled to a master scale.

The Credit Management division is responsible for the determination of the borrower rating; this responsibility is regulated in the Bank's credit manuals. The relevant authorised person makes a decision on the rating which ensures an independent rating allocation from a process view.

The second step involves the calculation of the expected loss given a borrower's default for the internally rated large-sized commercial property financings under the AIRBA approach.

The LGD is determined based on a bottom-up approach, where the components relevant for the LGD level and their driving factors – in the form of recovery rates, waivers of principal and interest as well as direct and indirect costs – are estimated.

The LGD determination is based on the definition of economic loss (article 5 (2) of the CRR). As the future development of a borrower cannot be anticipated in case of a borrower's default, the alternatives – recovery, restructuring and re-ageing – are included in the LGD calculation using weightings based on the respective probability. The LGD is driven primarily by the expected proceeds from the realisation of collateral and from unsecured portions of loans and advances. The proceeds from property-related collateral are determined based on the recovery rate in the form of a haircut applied to a previously forecast market value. For financings of domestic properties, recovery rates are taken from a pool of data used across the Bank, whilst recovery rates for international properties are derived using an internal approach, given the low number of realisations. An internal projection model based on macroeconomic inputs has been developed by the Bank for market value outlooks.

In addition to the nature and extent of the collateralisation of a financing, the estimated exposure at the borrower's default (Exposure at Default, EaD) is the second major parameter for the LGD calculation.

The determination methodology for the credit conversion factors was approved by the supervisory authorities (approval notification from 29 November 2013) and applied accordingly.

Distribution by IRBA exposure amounts

Since collateralisation is crucially important for property loans and is directly reflected in the level of the loss given default percentage, the IRBA exposure amounts are presented on the basis of so-called expected loss classes (EL classes). Collateral attributable to the portfolio of exposures to banks (treated under the AIRBA) has not affected

loss given default. In order to ensure a uniform approach to the presentation of data, IRBA exposures were also broken down by EL class for the portfolio of exposures to banks.

In case of the EL class "Default" within the IRBA "Corporates" exposure class, all financings of borrowers are taken into account where the borrower has defaulted within the meaning of the default definition of the CRR (article 178 of the CRR).

The derivatives held by Aareal Bank Group and entered into with internally rated property customers, which are mainly used to hedge interest rate and currency risks, are not included in the presentation due to their insignificant share in EaD (less than 1.10 %).

For the first time, the average probability of default (PD) and loss given default (LGD) values for each relevant geographical location of credit exposures had to be disclosed at the reporting date. The disclosure is based on our three-continent strategy, which covers Europe, North America and Asia, and features a breakdown of the average values by major geographical markets, as explained in our Annual Report. The average values are allocated based on the location of the property used as collateral. The information provided includes property finance in default according to the CRR.

| | Total amount undrawn loan commitments | | Exposure amounts ¹⁾ | | | | Average LGD | | Average PD | | Average RW | |
|------------------------------|---------------------------------------|------------------|--------------------------------|---------------------------------------|------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|--------------|
| | Corpo- rates | of which: SME | Exposure at Default | of which: undrawn loan commitments | | Corpo- rates | of which: SME | Corpo- rates | of which: SME | Corpo- rates | of which: SME | |
| | € mn | € mn | € mn | € mn | € mn | % | % | % | % | % | % | |
| IRBA exposure classes | | | | | | | | | | | | |
| EL class 1 | 44 | – | 1,851 | 627 | 45 | – | 0.17 | 0.21 | 0.55 | 0.62 | 0.24 | 0.27 |
| EL class 2 | 276 | 124 | 8,806 | 5,596 | 231 | 128 | 0.61 | 0.52 | 1.06 | 1.16 | 1.01 | 0.81 |
| EL class 3 | 85 | 19 | 1,139 | 680 | 87 | 20 | 1.13 | 1.22 | 1.25 | 1.22 | 1.99 | 1.74 |
| EL class 4 | 78 | 12 | 3,382 | 1,691 | 80 | 13 | 1.90 | 1.93 | 1.29 | 1.25 | 3.55 | 3.01 |
| EL class 5 | 40 | 1 | 698 | 245 | 41 | 1 | 8.75 | 1.75 | 1.31 | 2.15 | 8.05 | 3.64 |
| EL class 6 | 57 | 19 | 1,779 | 1,134 | 59 | 20 | 8.22 | 4.08 | 1.09 | 1.35 | 13.60 | 9.04 |
| EL class 7 | 0 | 0 | 425 | 289 | 0 | 0 | 7.31 | 6.66 | 1.14 | 1.32 | 15.53 | 12.34 |
| EL class 8 | 50 | 27 | 1,592 | 803 | 45 | 24 | 7.42 | 6.96 | 1.82 | 1.90 | 17.45 | 14.11 |
| EL class 9 | 12 | 2 | 519 | 418 | 2 | 0 | 15.26 | 13.51 | 1.11 | 1.08 | 28.52 | 22.55 |
| EL class 10 | 127 | 11 | 1,882 | 982 | 60 | 2 | 20.90 | 18.65 | 1.50 | 1.71 | 43.19 | 35.73 |
| EL class 11 | 27 | 11 | 320 | 294 | 6 | 1 | 35.16 | 34.54 | 2.53 | 2.66 | 66.79 | 65.14 |
| EL class 12 | 112 | 25 | 707 | 473 | 26 | 13 | 22.51 | 19.13 | 3.11 | 3.68 | 59.32 | 45.20 |
| EL class 13 | 131 | 39 | 1,140 | 530 | 55 | 8 | 30.07 | 36.48 | 3.10 | 2.64 | 70.86 | 78.21 |
| EL class 14 | 82 | 47 | 923 | 829 | 31 | 26 | 32.46 | 30.78 | 4.18 | 4.33 | 85.49 | 78.27 |
| EL class 15 | 33 | 13 | 319 | 189 | 6 | 3 | 41.53 | 51.80 | 5.70 | 4.51 | 122.87 | 140.21 |
| EL class 16 | 15 | 15 | 635 | 635 | 9 | 9 | 37.33 | 37.31 | 7.05 | 7.05 | 128.05 | 128.02 |
| EL class 17 | – | – | – | – | – | – | – | – | – | – | – | – |
| EL class 18 | 2 | 2 | 149 | 143 | 2 | 2 | 41.79 | 40.60 | 15.52 | 15.52 | 174.28 | 167.12 |
| EL class 19 | 1 | 1 | 22 | 22 | 0 | 0 | 43.61 | 43.61 | 29.94 | 29.94 | 207.93 | 207.93 |
| EL class 20 | 1 | 1 | 0 | 0 | 0 | 0 | 143.58 | 144.88 | 30.00 | 30.00 | 630.14 | 632.99 |
| Default | – | – | 1,406 | 1,090 | – | – | 23.90 | 23.72 | 100.00 | 100.00 | 181.42 | 174.80 |
| Total | 1,173 | 369 | 27,694 | 16,670 | 785 | 270 | 9.58 | 10.43 | 6.72 | 8.44 | 29.36 | 33.31 |

| | Exposure amounts ¹⁾ | | Average LGD | | Average PD | |
|------------------------------|--------------------------------|------------------|-------------|------------------|-------------|------------------|
| | Corporates | of which: SME | Corporates | of which: SME | Corporates | of which: SME |
| | € mn | € mn | % | % | % | % |
| IRBA exposure classes | | | | | | |
| Germany | 2,554 | 1,627 | 10.32 | 7.90 | 6.67 | 8.05 |
| Western Europe | 10,696 | 5,505 | 4.87 | 6.24 | 2.16 | 3.38 |
| Northern Europe | 2,293 | 1,581 | 8.77 | 8.76 | 11.70 | 14.51 |
| Southern Europe | 4,546 | 2,959 | 23.01 | 22.97 | 21.45 | 23.12 |
| Eastern Europe | 1,840 | 1,689 | 9.32 | 9.50 | 5.94 | 6.37 |
| North America | 5,264 | 2,916 | 5.67 | 5.95 | 1.92 | 2.21 |
| Asia | 501 | 393 | 30.52 | 29.21 | 1.13 | 1.03 |
| Total | 27,694 | 16,670 | 9.58 | 10.43 | 6.72 | 8.44 |

¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

| | Total amount undrawn loan commitments | Exposure amounts ¹⁾ | | Average LGD | Average PD | Average RW |
|------------------------------|---------------------------------------|-------------------------------------|---|--------------|--------------|--------------|
| | Institutions | Exposure at Default Institutions | of which: undrawn loan commitments Institutions | Institutions | Institutions | Institutions |
| | € mn | € mn | € mn | % | % | % |
| IRBA exposure classes | | | | | | |
| EL class 1 | - | 1,576 | - | 28.57 | 0.09 | 0.01 |
| EL class 2 | - | 964 | - | 20.16 | 0.08 | 6.20 |
| EL class 3 | - | 173 | - | 26.27 | 0.13 | 10.31 |
| EL class 4 | - | 2,050 | - | 23.70 | 0.07 | 8.00 |
| EL class 5 | - | 68 | - | 31.84 | 0.10 | 37.72 |
| EL class 6 | - | 389 | - | 35.63 | 0.15 | 38.56 |
| EL class 7 | - | 1 | - | 36.59 | 0.18 | 66.28 |
| EL class 8 | - | 218 | - | 30.90 | 0.33 | 54.51 |
| EL class 9 | - | - | - | - | - | - |
| EL class 10 | - | 74 | - | 37.44 | 0.70 | 120.70 |
| EL class 11 | - | - | - | - | - | - |
| EL class 12 | - | - | - | - | - | - |
| EL class 13 | - | - | - | - | - | - |
| EL class 14 | - | - | - | - | - | - |
| EL class 15 | - | - | - | - | - | - |
| EL class 16 | - | - | - | - | - | - |
| EL class 17 | - | - | - | - | - | - |
| EL class 18 | - | - | - | - | - | - |
| EL class 19 | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Total | - | 5,513 | - | 26.04 | 0.13 | 11.95 |

| | Exposure amounts ¹⁾ | Average LGD | Average PD |
|------------------------------|--------------------------------|--------------|--------------|
| | Institutions | Institutions | Institutions |
| | € mn | % | % |
| IRBA exposure classes | | | |
| Germany | 2,354 | 26.68 | 0.08 |
| Western Europe | 1,968 | 26.08 | 0.10 |
| Northern Europe | 292 | 17.13 | 0.07 |
| Southern Europe | 653 | 23.74 | 0.28 |
| Eastern Europe | 0 | 35.00 | 0.26 |
| North America | 246 | 35.08 | 0.17 |
| Total | 5,513 | 26.04 | 0.13 |

¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

Expected loss vs. loss actually incurred

| | Actual loss | | | | Expected loss ¹⁾ | | | |
|----------------------------|-------------|------------|------------|------------|-----------------------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2012 | 2011 | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2011 | 31 Dec 2010 |
| € mn | | | | | | | | |
| IRBA exposure class | | | | | | | | |
| Institutions | – | – | – | – | – | – | – | – |
| Corporates | 126 | 142 | 111 | 120 | 148 | 262 | 167 | 115 |
| Total | 126 | 142 | 111 | 120 | 148 | 262 | 167 | 115 |

¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

The table above compares the expected loss (EL) for the commercial property lending business, which was treated under the AIRBA as at 31 December 2013 and for which actual losses had been determined, with the losses actually incurred in 2014. Aareal Bank defines the loss actually incurred as the sum total of additions and reversals of specific allowances for credit losses and provisions plus direct write-offs, and less recoveries on loans and advances previously written off.

The comparability of the juxtaposed indicators warrants a thorough assessment, as the methods differ. Within the framework of determining expected loss, the LGD calculation takes into account all losses incurred until final settlement, while the actually incurred loss, by definition, only includes the amounts recognised in one period.

Additional uses of internal estimates

The internally-estimated risk parameters are central factors for the Bank's lending process, the Treasury processing chain, and its risk management. The market-related credit risk strategies in the form of lending policies are based – with regard to their specific requirements – on the rating and the parameters underlying the LGD. The basic prerequisite and foundation for the loan approval is a detailed risk evaluation of each lending exposure of a borrower. The risk evaluation includes the borrower's creditworthiness, as well as the risks and collateral underlying the lending exposure. The resulting risk classification is subject to approval powers with regard to approval and prolongation of

lending exposures. The extent of monitoring activities depends on the risk classification. The basis for granting a commitment is the preparation of a borrower rating.

The credit documentation includes the collateral influencing the LGD as well as assessments of this collateral.

The relevant authorised person approves the credit application and the determination of the borrower rating.

The rating result is one of the many indicators within the framework of early risk identification to classify an exposure as on-watch, risk-prevention, restructuring or recovery exposure.

In addition, the risk parameters are a major element of our internal and external reporting. The Bank's reporting comprises various portfolio analyses based on the rating procedures used in the Bank. Accordingly, the MaRisk report (as the central risk report for credit risks) includes comprehensive information on the development of the credit portfolio, e.g. by rating classes and their changes. Compliance with rating updates and property monitoring is reported on a monthly basis.

The Bank uses credit risk models above all to monitor concentration and diversification effects on portfolio level. Both expected and unexpected loss can be derived. The basis for determining the relevant values are the risk parameters PD, LGD and EaD.

During the estimating phase of the acquisition process, risk costs and capital requirements are determined using the risk parameters PD and LGD, and are then included as parameters for risk-adjusted pricing. The individual financings are subjected to an economic assessment for the current profit centre calculation (accounting for individual transactions/final costing). This economic assessment takes into account the parameters PD and LGD via capital and standard risk costs.

Control mechanisms

The relevant Credit Management unit is responsible for the correct and regular determination of the rating results as well as for the data quality within the IT and rating systems. The rating is prepared using the principle of dual control. The authorities for determining the rating are based on the authority regulations for lending and monitoring decisions.

The uniformity of the rating for a borrower or a guarantor is ensured through a number of measures. All rating users are trained to become familiar with the procedure, and there is also documentation dealing with interpretation issues in the context of the rating preparation.

In the main business segment property financing, manual adjustments may be made within the scope of overruling, and are documented subsequently in the rating system. The adjustments made within the scope of overruling require the approval of the central rating desk.

Overrulings are also permitted for institutions, in individual cases.

The internal rating procedure to determine a borrower-specific probability of default for large-sized property financing is validated, based on the underlying data pool, by CredaRate Solutions GmbH (CredaRate) once per year, in close cooperation with the banks participating in data pooling. The validation covers all measures required pursuant to the CRR. The further development of the rating procedure is also made under the umbrella of

CredaRate, in consultation with the participating banks.

The procedures used by the Bank for determining LGD and EaD are also validated on an annual basis. As these procedures represent Bank-internal developments, validation is made by the Bank itself. Exceptions to this are parameters used within the LGD calculation process (recovery rates and settlement periods for properties located in Germany). These parameters are determined by a data pool established under the umbrella of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – "vdp"). The validation of these parameters is carried out by vdp.

Furthermore, internal ratings procedures for banks to determine PD and LGD are validated internally, once a year.

The loss given default percentage and the EaD for property financings are derived automatically in the system on the basis of the transaction and collateral data stored in the system where data is maintained. The provision of data is subject to strict quality standards for data entries of the system where data is maintained; these quality standards are set out in quality manuals. The necessary reviews with regard to information on collateral are the responsibility of the Credit Management division.

The Internal Audit division, as a process-independent unit, reviews the adequacy of the internal rating systems on a regular basis, including compliance with the minimum requirements for using rating systems.

Regulatory capital requirements

The 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 (EaD)

and, under the AIRBA, additionally depends on

3. the probability of default as well as
4. the loss given default percentage.

The credit conversion factor for off-balance sheet transactions is predefined by the BaFin 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 31 December 2014, risks associated with outstanding delivery in the amount of a risk-weighted exposure of € 33 million had to be taken into account when determining counterparty usage limits.

Based on the AIRBA and the CRSA calculation approaches, the following regulatory capital requirements¹⁾ from counterparty risk exposures were determined as at the reporting date, by exposure class. The regulatory capital requirement for the risks associated with outstanding delivery in the amount of € 3 million is included in the IRBA "Institutions" exposure class.

The simple risk weight method is exclusively used to determine the capital requirements of the equity investments reported under the AIRBA.

Items allocated to the IRBA exposure class "Other non-credit obligation assets" are not subject to risks resulting from creditworthiness issues and are therefore not taken into consideration for the management of counterparty credit risks.

Volume of loans and advances

The information to be disclosed in this chapter pursuant to article 442 lit. c) to f) of the CRR does not relate to the data reported to the banking regulators. Instead, the IFRS carrying amounts – as reported in the consolidated statement of financial position – are taken as the basis.

Collateral and specific allowances for credit losses are not taken into account in the reported volume of loans and advances. Thus we follow

€ mn

| IRBA exposure classes | 890 |
|--|------------|
| Institutions | 53 |
| Corporates | 693 |
| Equity investments | 102 |
| of which: listed | – |
| of which: private equity items in properly diversified portfolios | – |
| of which: other equity investments | 102 |
| Securitisations | 1 |
| Other non-credit obligation assets | 41 |
| CRSA exposure classes | 205 |
| Central governments or central banks | 1 |
| Regional governments and similar entities | 42 |
| Other public-sector entities | 0 |
| Multilateral development banks | – |
| International organisations | – |
| Institutions | 7 |
| Covered bonds | – |
| Corporates | 52 |
| Retail business | 1 |
| Exposures secured by mortgages on immovable property | 85 |
| Undertakings for Collective Investment (UCI) | 0 |
| Equity investments | 0 |
| Securitisations | 8 |
| Other exposures | 1 |
| Exposures in default | 7 |
| Exposures associated with particularly high risk | – |
| Exposures to institutions and corporates with a short-term credit assessment | – |
| Settlement risk | – |

the accounting in accordance with IFRSs, pursuant to which the allowance for credit losses is shown in a separate line item of Aareal Bank Group's consolidated statement of financial position.

The data neither includes items of the statement of financial position nor does it take into account all subsidiaries of Aareal Bank AG's scope of consolidation. This restriction only has minor effects on the informational value of the disclosed volume of loans and advances in the amount of € 50,481 million, since more than 98 % of the

¹⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

assets reported in the statement of financial position, including contingent liabilities and loan commitments, are covered.

We focus on the following items as regards the volume of loans and advances reported in the statement of financial position and the derivatives volume:

- Cash funds,
- Loans and advances to banks,
- Loans and advances to customers,
- Positive market values of derivative hedging instruments,
- Trading assets,
- Non-trading assets as well as
- Income tax assets.

The disclosures regarding off-balance sheet transactions are based on the contingent liabilities and loan commitments of the subsidiaries covered, as described in the Annual Report.¹⁾

With regard to the companies of Aareal Bank Group we consider material in this context, we focus on Aareal Bank AG, Aareal Capital Corporation and Cerealcredit Bank AG.

Breakdown by major geographical segments

The presented breakdown of the volume of loans and advances by major geographical markets is based on our three-continent strategy, which covers Europe, North America and Asia, as explained in our

| | Germany | Western Europe | Northern Europe | Southern Europe | Eastern Europe | North America | Asia | Other | Total | Average |
|--|--------------|----------------|-----------------|-----------------|----------------|---------------|------------|------------|---------------|---------------|
| € mn | | | | | | | | | | |
| IRBA exposure classes | 6,196 | 12,811 | 2,659 | 5,223 | 1,823 | 5,491 | 459 | 448 | 35,110 | 34,943 |
| Institutions | 3,269 | 2,534 | 313 | 682 | 1 | 282 | 74 | – | 7,155 | 7,121 |
| Corporates | 2,927 | 10,261 | 2,346 | 4,541 | 1,822 | 5,209 | 385 | 448 | 27,939 | 27,806 |
| Securitisations | – | 16 | – | – | – | – | – | – | 16 | 16 |
| Other non-credit obligation assets | 0 | – | – | – | – | – | – | – | 0 | 0 |
| CRSA exposure classes | 8,065 | 4,111 | 62 | 2,629 | 224 | 16 | 263 | 1 | 15,371 | 15,299 |
| Central governments or central banks | 624 | 1,396 | – | 2,046 | 224 | – | 230 | – | 4,520 | 4,499 |
| Regional governments and similar entities | 2,852 | 404 | 1 | 422 | – | 0 | 33 | – | 3,712 | 3,694 |
| Other public-sector entities | 1,645 | 75 | – | 37 | – | – | – | – | 1,757 | 1,749 |
| Multilateral development banks | – | – | – | – | – | – | – | – | – | – |
| International organisations | – | 559 | – | – | – | – | – | – | 559 | 556 |
| Institutions | 515 | 606 | – | – | – | – | – | – | 1,121 | 1,116 |
| Covered bonds | – | – | – | – | – | – | – | – | – | – |
| Corporates | 81 | 945 | 49 | 42 | – | 0 | – | 1 | 1,118 | 1,113 |
| Retail business | 49 | 1 | 0 | 2 | – | 0 | 0 | – | 52 | 52 |
| Exposures secured by mortgages on immovable property | 2,292 | 97 | 8 | 7 | – | – | – | – | 2,404 | 2,393 |
| Undertakings for Collective Investment (UCI) | – | – | – | – | – | – | – | – | – | – |
| Securitisations | – | 28 | – | 69 | – | 16 | – | – | 113 | 112 |
| Other exposures | 0 | – | – | – | – | – | – | – | – | 0 |
| Exposures in default | 7 | – | 4 | 4 | – | – | – | – | 15 | 15 |

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Other notes", Note (91) in the Notes to the consolidated financial statements.

Annual Report. The breakdown criterion used is the relevant country of domicile of the counterparty.

Breakdown by borrower group

We monitor the borrower groups by assigning counterparties into five groups, using the industry code defined by Deutsche Bundesbank.

Since Aareal Bank's lending business is focused on commercial property finance, we do not believe that a further breakdown of the "Corporates" borrower group would provide any additional information.

| | Institutions | Public-sector entities | Companies | Other | Total | Average |
|--|--------------|------------------------|---------------|-----------|---------------|---------------|
| € mn | | | | | | |
| IRBA exposure classes | 7,155 | 1 | 27,953 | 1 | 35,110 | 34,943 |
| Institutions | 7,155 | – | – | – | 7,155 | 7,121 |
| Corporates | – | 1 | 27,937 | 1 | 27,939 | 27,806 |
| of which: SME | – | 1 | 16,568 | – | 16,569 | 16,490 |
| Securitisations | – | – | 16 | – | 16 | 16 |
| Other non-credit obligation assets | 0 | – | – | – | 0 | 0 |
| CRSA exposure classes | 1,121 | 10,548 | 3,624 | 78 | 15,371 | 15,299 |
| Central governments or central banks | – | 4,520 | – | – | 4,520 | 4,499 |
| Regional governments and similar entities | – | 3,712 | – | 0 | 3,712 | 3,694 |
| Other public-sector entities | – | 1,757 | 0 | – | 1,757 | 1,749 |
| Multilateral development banks | – | – | – | – | – | – |
| International organisations | – | 559 | – | – | 559 | 556 |
| Institutions | 1,121 | – | – | – | 1,121 | 1,116 |
| Covered bonds | – | – | – | – | – | – |
| Corporates | 0 | 0 | 1,094 | 24 | 1,118 | 1,113 |
| of which: SME | – | – | 52 | – | 52 | 52 |
| Retail business | – | – | 6 | 46 | 52 | 52 |
| of which: SME | – | – | 1 | – | 1 | 1 |
| Exposures secured by mortgages on immovable property | – | – | 2,400 | 4 | 2,404 | 2,393 |
| of which: SME | – | – | 81 | – | 81 | 81 |
| Undertakings for Collective Investment (UCI) | – | – | – | – | – | – |
| Securitisations | – | – | 113 | – | 113 | 112 |
| Other exposures | 0 | – | – | – | 0 | 0 |
| Exposures in default | – | – | 11 | 4 | 15 | 15 |
| of which: SME | – | – | 9 | – | 9 | 9 |

Breakdown by remaining term to maturity

| | payable on demand | up to 3 months | more than 3 months / up to 1 year | more than 1 year / up to 5 years | more than 5 years | Total | Average |
|--|-------------------|----------------|-----------------------------------|----------------------------------|-------------------|---------------|---------------|
| € mn | | | | | | | |
| IRBA exposure classes | 3,574 | 2,190 | 2,233 | 18,660 | 8,453 | 35,110 | 34,943 |
| Institutions | 1,511 | 1,449 | 305 | 1,717 | 2,173 | 7,155 | 7,121 |
| Corporates | 2,063 | 741 | 1,928 | 16,940 | 6,267 | 27,939 | 27,806 |
| Securitisations | – | – | – | 3 | 13 | 16 | 16 |
| Other non-credit obligation assets | 0 | – | – | – | – | 0 | 0 |
| CRSA exposure classes | 778 | 530 | 533 | 5,104 | 8,426 | 15,371 | 15,299 |
| Central governments or central banks | 184 | 51 | 26 | 709 | 3,550 | 4,520 | 4,499 |
| Regional governments and similar entities | 31 | 135 | 100 | 1,189 | 2,257 | 3,712 | 3,694 |
| Other public-sector entities | 1 | 36 | 0 | 958 | 762 | 1,757 | 1,749 |
| Multilateral development banks | – | – | – | – | – | – | – |
| International organisations | – | 41 | – | 81 | 437 | 559 | 556 |
| Institutions | 236 | 78 | 267 | 278 | 262 | 1,121 | 1,116 |
| Covered bonds | – | – | – | – | – | – | – |
| Corporates | 106 | 45 | 44 | 596 | 327 | 1,118 | 1,113 |
| Retail business | 5 | 1 | 1 | 6 | 39 | 52 | 52 |
| Exposures secured by mortgages on immovable property | 213 | 143 | 94 | 1,284 | 670 | 2,404 | 2,393 |
| Undertakings for Collective Investment (UCI) | – | – | – | – | – | – | – |
| Securitisations | – | – | – | – | 113 | 113 | 112 |
| Other exposures | 0 | – | – | – | – | 0 | 0 |
| Exposures in default | 2 | – | 1 | 3 | 9 | 15 | 15 |

The remaining term to maturity is determined on the basis of the contractually agreed term of all on-balance sheet and derivative transactions. The classification of off-balance sheet transactions as "payable on demand" results from the fact that payment obligations may be incurred for Aareal Bank from the loan commitments and guarantees.

Allowance for credit losses

The best way to provide for risks is to carefully review such risks before granting a loan. We embrace this fundamental principle by adopting a multi-level review process, using (amongst others) our well-trained, experienced employees in the credit divisions.

As a property finance specialist, we not only focus on the borrower's credit rating but also carry out an in-depth analysis of the value and profitability of the property pledged as collateral.

Despite all the due care taken, events occasionally occur that can lead to impairment or even default. Our credit management teams are obliged to follow certain rules for these receivables when the first signs emerge that a loan might become impaired.

Our specialised and high-volume business requires us to maintain close contact with clients. Apart from events that can be determined objectively, such as when a loan is in arrears, or when a borrower fails to meet disclosure duties, the first signs of potential problems comprise a series of soft factors.

The responsible loan manager is informed of such soft factors, for example, by analysing performance reports. If there is evidence of events that could hamper the continuity of payments, the exposure is flagged in line with the risks involved.

The intensity of the attendant measures to be taken depends on the extent of the potential default, the internal assessment of the borrower/property, plus time-related and legal issues. All events are examined on a case-by-case basis.

Definition of terms and allowance process

The concept of "impaired" loans is commonly used in a financial reporting context, albeit not in our credit organisation. We have therefore translated the requirements of article 442 lit. a) of the CRR to our internal processes. All loans that are more than nine days in arrears are declared to be in default.

Specific allowances for credit losses are recognised where expected future cash flows fall below the carrying amount of a loan receivable. This is the case when it is probable (due to observable criteria) that not all interest and principal payments can be made as contractually agreed. The estimated recoverable amount is determined on the basis of the present values of expected future cash flows from the asset (taking into account the marketability of collateral provided). If debt servicing can be made from the borrower's other assets on an ongoing basis, a cash flow deficit in relation to the financed project does not justify the recognition of allowances for credit losses. If the loan cannot be repaid upon maturity as contractually agreed, a reorganisation – including renewal – is possible when the cash flow from the project or the borrower's other assets enable the borrower to meet future interest and principal payments.

Property loans for which allowances have been recognised are referred to internally as non-performing loans. The loans remain in this category until problems have been fully remedied, or the loan has been settled. Uncollectable (residual) receivables are written off against specific allowances for

credit losses recognised previously, or written off directly.

In the context of assets measured at amortised cost and not subject to specific allowances for credit losses, portfolio-based allowances for credit losses are recognised for risks which have already materialised, but which cannot be allocated to individual loans and advances due to lack of knowledge. For this purpose, groups of financial assets with comparable default risk profiles are combined in portfolios. The allowances are calculated using a formula-based procedure, based on the following Basel III parameters used in the Advanced IRB Approach: expected loss given default (LGD), probability of default (PD) and the LIP factor. The LIP factor is a correction factor to adjust the one-year probability of default (used in Basel III) to the estimated time period, between the date the loss is incurred and the identification of the actual loss. The LIP factor, uniformly applied across all asset classes, was 1.

Provisions for loans are set aside for commitments to third parties if utilisation is probable and the amount of the commitment can be reasonably estimated. Provisions are measured on the basis of the best estimate of the expenditure required to settle the obligation, in accordance with IAS 37.36. If utilisation in the short term, i.e. within twelve months, from the obligation is not expected, the provision will be recognised at present value.

In addition to the allowance process for property lending, the Annual Report¹⁾ includes a description of the impairment process for securities belonging to the IFRS categories "Available for Sale" (AFS), "Held to Maturity" (HtM) and "Loans and Receivables" (LaR).

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Accounting Policies", Note (6) in the Notes to the consolidated financial statements.

Quantitative disclosures

The breakdown of past due and impaired loans and advances and the related allowances by important regions, borrower groups and contractual maturities as required by article 442 lit. g) and h) of the CRR is fully included in the Annual Report.¹⁾ The amounts stated therein relate to the consolidated financial statements in accordance with IFRSs.

As at 31 December 2014, property financings under management²⁾ with a total volume of € 986 million were subject to specific allowance for credit losses, which amounted to € 343 million. Portfolio-based allowances for credit losses on loans and advances to customers amounted to € 147 million as of the reporting date.

99.3 % of the borrowers are assigned to the Corporates asset class. Since Aareal Bank Group's lending business is focused on commercial property finance, we do not believe that a further breakdown of the "Corporates" borrower group would provide any additional information.

Allowances for country risks were not necessary in the financial year 2014. We also did not recognise any specific valuation allowances for derivatives,

since these are recognised at fair value through profit or loss pursuant to IFRSs.

Development of allowances for credit losses and provisions

Allowances for credit losses and provisions in accordance with IFRSs developed during the course of the year as shown in the overview below.

Derivatives

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

The bulk of Aareal Bank Group's derivatives positions have been entered into in order to hedge interest rate and currency risk exposure, and for refinancing purposes.

| | Specific valuation allowance | Portfolio impairment allowance | Provisions in the lending business for unrecognised items |
|--|------------------------------|--------------------------------|---|
| € mn | | | |
| Allowance for credit losses as at 1 January | 296 | 65 | 10 |
| Additions | 126 | 64 | 4 |
| Write-downs | 45 | – | 2 |
| Reversals | 31 | – | 1 |
| Unwinding | 14 | – | – |
| Changes in basis of consolidation | – | 18 | 7 |
| Currency adjustments | 1 | 0 | 0 |
| Balance as at 31 December 2014 | 333 | 147 | 18 |

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Notes to Financial Instruments", Notes (68) and (69) in the Notes to the consolidated financial statements.

²⁾ The figure for property finance under management includes property loans managed on behalf of DEPPFA Deutsche Pfandbriefbank AG.

Internal capital allocation

Within the framework of the economic capital model for credit risks, derivatives are taken into account in the amount of their positive market value plus the regulatory add-on, determined depending on the type and term of the transaction. The netting framework agreements concluded by the Bank to reduce counterparty credit risks within the trading business are taken into account in the calculation. This also applies to additional agreements on the furnishing of collateral.

Internal limitation of risks from derivative transactions

To assess counterparty credit risk from derivative transactions, Operations prepares an internal rating for all counterparties on a regular or event-driven basis. The internal rating, along with the external ratings from Fitch Ratings, Moody's and Standard & Poor's, together represent an important indicator for determining counterparty-specific limits for the derivatives business.

Collateral and allowance for credit losses

The procedures for accepting collateral are described in the Group Annual Report.¹⁾ No allowance for credit losses was recognised for derivatives, since these are recognised at fair value through profit or loss pursuant to IFRSs.

Impact of a rating downgrade on collateral to be furnished

In general, the collateral agreements concluded provide for rating-independent allowance amounts as well as rating-independent minimum transfer amounts. In individual cases, the collateral agreements the Bank has entered into may require that a higher amount of collateral be provided in the event of a downgrade of the Bank's external rating. However, the risk is immaterial due to the low volume and in relation to liquidity.

Valuation approach

The equivalent value of derivatives and the related counterparty credit risk are determined using the mark-to-market method (article 274 of the CRR) for the purpose of regulatory reporting.

Regulatory capital requirements

The aggregate positive replacement value for our derivatives contracts subject to reporting requirements stood at € 3,065 million at year-end 2014. This amount is reduced to € 641 million through netting framework agreements (see chapter "Credit risk mitigation") in the amount of € 1,811 million and the deduction of collateral provided in the amount of € 613 million.

The following overview shows the effects of netting and collateral eligible for inclusion on positive replacement values, broken down by type of contract relevant for the Bank.

| | Before netting | Reduction through netting | Reduction through collateral | After netting |
|-----------------------------------|----------------|---------------------------|------------------------------|---------------|
| € mn | | | | |
| Positive replacement value | 3,065 | 1,811 | 613 | 641 |
| Interest | 2,989 | – | – | – |
| Currency | 76 | – | – | – |
| Equities / index | – | – | – | – |

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Credit risk mitigation" in the Risk Report of the Group Management Report.

The counterparty credit risk for all contracts remaining after netting framework agreements and collateral amounted to € 1,610 million as at 31 December 2014.

At present, we neither use credit derivatives to hedge individual contracts, nor do we act as a broker or a buyer of credit derivatives. We sold credit default swaps, which serve to hedge items included in the "central governments or central banks" exposure class, in a nominal volume of around € 65 million.

Credit risk mitigation

The Bank's Credit Manual contains further details regarding collateral to be used within the Bank. The regulatory inclusion of the collateral reflects our conservative hedging strategy. The collateral employed fulfils the extensive impairment checks and enforcement reviews that are part of the credit process.

For the purpose of the internal estimation of the loss ratio in the case of a borrower default, only collateral that can be allocated to the following categories is taken into account:

- property-related collateral,
- warranties, and
- financial collateral.

The legal minimum requirements regarding collateral and the security interest are reviewed by the Credit Management units in cooperation with the Legal Department. The internal estimation of the loss ratio only uses collateral that is included in Bank-internal approved lists. These security interests are always enforceable. A Bank-internal process ensures that the legal enforceability of all CRR-relevant collateral is subjected to permanent legal monitoring in the jurisdictions relevant for us. If this results in changes, corresponding measures are initiated.

Any collateral must be reviewed in the case of new business, loan extensions, material changes

to the collateral structure as well as at certain time intervals and upon certain events. The review covers the legal minimum requirements and the value of the collateral.

In addition to the inclusion of real property liens, we developed a methodology in cooperation with external law firms. This methodology is used to assess other property-related security interests for international financings, including pledges of unlisted shares in a property company or special-purpose entity. On this basis, the rights are taken into consideration for the purpose of the internal loss ratio estimation.

In contrast to the AIRBA, only certain types of impersonal collateral, indemnities and guarantees as well as financial collateral may be used under the CRSA. Commercial property collateral is eligible for inclusion in accordance with the Credit Risk Standard Approach, albeit not for mitigating credit risk. Loans secured by a real property lien are included instead in a separate exposure class with a preferable risk weight.

All collateral values in foreign currency are translated into euro on a daily basis, using the official foreign currency rates.

Regulatory haircuts based on mismatches related to term/lifetime or currencies are applied during netting of collateral.

Property-related collateral

As an international property lender, Aareal Bank focuses on property in the context of collateralisation. Real property liens – or any equivalent security interests in terms of quality depending on the location of the property – are the main types of security interests used for the internal loss ratio estimations for property loans.

Market or fair values are set in accordance with the responsibilities for decision-making on lending, and form an integral part of the lending decision.

Valuation reports are used for property-related collateral. The provisions of article 208 (3) of the CRR are complied with during the valuation. The property's market or fair value is subjected to a defined monitoring and review process:

Step 1: Monitoring

The property values are monitored using statistical methods. The annual monitoring for properties located in Germany is based on a Bank-internal procedure as well as on the market fluctuations concept pursued by bank associations vdp and VÖB. Properties located abroad are monitored exclusively on the basis of a Bank-internal procedure. In addition to regular monitoring, a review is initiated as soon as there are indications of substantial value fluctuations for the relevant property types.

Step 2: Review

The properties identified in Step 1 are analysed more closely. This review is made by an independent valuer, or a loan manager with applicable expertise. In addition, all properties have to be reviewed every twelve months if the market value and the exposure reach a certain threshold. Event-driven reviews are carried out immediately.

Step 3: Revaluation

In Step 3, the properties identified in Step 2 are generally revalued when the assumptions underlying the most recent valuation would lead to a reduction in value, considering the current market situation.

Warranties

Warranties include indemnities and guarantees. The guarantors include rated customers from the segments "Sovereign states", "Regional governments" and "Local authorities" as well as "Institutions" and "Corporates". Credit risk mitigation focuses on the creditworthiness of the guarantor. In the case of large-sized property lending, if a warranty is provided, the guarantor has to be rated using the applicable rating procedure when the lending decision is based (among other things) upon the creditworthiness of the guarantor. The rating process for guarantors is subject to the

same requirements applicable to the borrower. Assigned life insurances are only included under the AIRBA and are treated – by analogy with assigned balances held at third-party institutions – like warranties.

Financial collateral

Pledged balances held at the Bank are included as financial collateral. Financial collateral in the form of pledged securities play a minor role. Their current market values are included for credit risk mitigation purposes, adjusted for haircuts.

We use the comprehensive method for financial collateral under the CRSA.

Collateralising loans through balances saved under home loan and savings contracts and fund units is insignificant in our business model.

Collateral eligible for inclusion

Collateral in the amount of € 24,303 million was applied within the scope of credit risk mitigation. This figure includes € 613 million of financial collateral included for derivatives transactions.

As Aareal Bank is an international property specialist, the real property liens used to mitigate credit risk under the AIRBA is the relevant parameter, with a share of almost 91 %. Financial collateral, warranties and other guarantees only represent a minor portion in the collateralisation volume.

Under the AIRBA, the exposure classes "Corporates" and "Institutions" are collateralised by an overall volume amounting to € 23.6 billion.

The following table (p. 66) shows the proceeds from the corresponding types of collateral used under the AIRBA for the purposes of the collateralisation effect; the overview also includes collateral posted for the portfolio of exposures to banks (treated under the AIRBA).

| | Total of collateralised exposure amounts | Property | Other property-related collateral | Warranties | Other warranties | Financial collateral |
|----------------------------|--|---------------|-----------------------------------|------------|------------------|----------------------|
| € mn | | | | | | |
| IRBA exposure class | 23,640 | 21,475 | 174 | 81 | 5 | 1,905 |
| Corporates | 21,757 | 21,475 | 174 | 81 | 5 | 22 |
| Institutions | 1,883 | – | – | – | – | 1,883 |

Eligible warranties under the CRSA comprise guarantees or indemnities provided by various guarantors and cash deposits with third parties.

The effect of such collateral in terms of credit risk mitigation on their risk weightings pursuant to article 114 et seq. of the CRR is shown below, broken down by CRSA exposure class:

| | Total of collateralised exposure amounts | Financial collateral | Warranties |
|--------------------------------------|--|----------------------|------------|
| € mn | | | |
| CRSA exposure class | 663 | 113 | 550 |
| Institutions | 49 | 49 | – |
| Corporates | 13 | 13 | – |
| Central governments or central banks | 544 | – | 544 |
| Regional governments | 57 | 51 | 6 |
| Other public-sector entities | – | – | – |

In addition, the CRSA exposure class "Exposures secured by mortgages on immovable property" includes real property liens at a volume of € 2,512 million.

Risk concentrations

The qualitative and quantitative processes to assess and control risk concentrations are described in the Annual Report.¹⁾ Due to the large importance of property used as collateral, we refer to the graphic breakdown of the property finance volume by region and by property type.¹⁾

Impact of collateral included under the CRSA

Identical types of collateral react 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 percentage value assigned to each exposure category ensures that lower regulatory capital requirements are calculated for loan commitments and other off-balance sheet transactions than for on-balance sheet receivables.

The following table (p. 67) shows CRSA exposure amounts²⁾ by risk weight, both before and after mitigating credit risk.

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

- Cash deposits reduce 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.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Credit risks" (here: "Risk measurement and monitoring") in the Risk Report of the Group Management Report.

²⁾ Please refer to the section "Explanations regarding differences in the indicators disclosed in the regulatory reporting and in the Annual Report 2014" in the chapter "Regulatory Capital".

| | | Risk weights | | | | | | | | |
|---|--|--------------|------------|--------------|-----------|------------|-----------|------------|----------|-------|
| | | 0 % | 20 % | 35 % | 50 % | 75 % | 100 % | 150 % | 250 % | Other |
| € mn | | | | | | | | | | |
| Exposure classes | | | | | | | | | | |
| CRSA exposure amounts before credit risk mitigation | Central governments or central banks | 4,866 | - | - | - | - | - | - | - | - |
| | Regional governments and similar entities | 3,495 | 45 | - | - | - | - | - | 204 | - |
| | Other public-sector entities | 1,751 | 26 | - | - | - | 37 | - | - | - |
| | Multilateral development banks | 333 | - | - | - | - | - | - | - | - |
| | International organisations | 568 | - | - | - | - | - | - | - | - |
| | Institutions | - | 369 | - | 66 | - | - | - | - | - |
| | Corporates | - | 312 | - | 79 | - | 655 | - | - | 2 |
| | Retail business | - | - | - | - | 18 | - | - | - | - |
| | Exposures secured by mortgages on immovable property | - | - | 738 | 1,613 | - | - | - | - | - |
| | Exposures in default | - | - | - | - | - | 22 | 44 | - | - |
| | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - |
| | Covered bonds | - | - | - | - | - | - | - | - | - |
| | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - |
| | Undertakings for Collective Investment (UCI) | - | - | - | - | - | 4 | - | - | - |
| | Equity investments | - | - | - | - | - | 1 | - | - | - |
| Other exposures | - | - | - | - | - | 18 | - | - | - | |
| Total | 11,013 | 752 | 738 | 1,758 | 18 | 737 | 44 | 204 | 2 | |
| CRSA exposure amounts after credit risk mitigation | Central governments or central banks | 5,335 | 74 | - | - | - | - | - | - | - |
| | Regional governments and similar entities | 3,468 | 45 | - | - | - | - | - | 204 | - |
| | Other public-sector entities | 1,751 | 26 | - | - | - | - | - | - | - |
| | Multilateral development banks | 333 | - | - | - | - | - | - | - | - |
| | International organisations | 568 | - | - | - | - | - | - | - | - |
| | Institutions | - | 368 | - | 24 | - | - | - | - | - |
| | Corporates | - | - | - | 79 | - | 614 | - | - | - |
| | Retail business | - | - | - | - | 18 | - | - | - | - |
| | Exposures secured by mortgages on immovable property | - | - | 738 | 1,613 | - | - | - | - | - |
| | Exposures in default | - | - | - | - | - | 22 | 42 | - | - |
| | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - |
| | Covered bonds | - | - | - | - | - | - | - | - | - |
| | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - |
| | Undertakings for Collective Investment (UCI) | - | - | - | - | - | 4 | - | - | - |
| | Equity investments | - | - | - | - | - | 1 | - | - | - |
| Other exposures | - | - | - | - | - | 18 | - | - | - | |
| Total | 11,455 | 513 | 738 | 1,716 | 18 | 659 | 42 | 204 | - | |

Netting framework agreement

To reduce counterparty credit risk in Aareal Bank's trading business, the master agreements for financial derivatives¹⁾ and master agreements for securities repurchase transactions (repos) used by the Bank provide for various credit risk mitigation techniques, via mutual netting framework agreements.

The master agreements for financial derivatives used by the Bank contain netting framework agreements at a single transaction level (so-called "payment netting"), and arrangements for the termination of individual transactions under a master agreement (so-called "close-out netting").²⁾ In general, all master agreements are based on the principle of a common agreement. This means that, in the case of a termination, the individual claims are netted, and that only such net amount can and may be claimed with regard to the defaulted counterparty. This claim must not be affected by any insolvency, i.e. it must be legally valid and enforceable. This, in turn, means that the jurisdictions concerned must recognise the concept of a common agreement which protects the net amount of the claim from imminent access by the insolvency administrator.

Above all, the close-out netting is subject to (international) legal risks. The Bank reviews these legal risks by evaluating the statements included in legal opinions commissioned by national and international associations and prepared by recognised law firms regarding the validity and enforceability of mutual netting framework agreements in the case of a counterparty's insolvency, based on criteria such as product type, jurisdiction of the registered office and branch office of the counterparty, individual contract supplements and other criteria. In doing so, the Bank decides for each individual transaction whether or not netting is

possible. The Bank uses eligible bilateral netting framework agreements within the meaning of the CRR for all transactions with financial institutions; in many cases there are additional collateral agreements which further reduce the relevant credit risk. In contrast, the Bank does not use netting relevant for regulatory purposes with other counterparties (e.g. collateral transactions with borrowers).

For repo transactions, depending on the counterparty, "payment or delivery netting" is agreed upon; contract documentation for repo transactions also generally provides for close-out netting. However, the Bank does not use the option permitted by regulatory authorities to reduce capital requirements for repo transactions.

Securitisation

An institution can act as originator, sponsor or investor of a securitised transaction. The relevant role in the securitised transaction can have different consequences for regulatory purposes.

Acting as originator, an institution securitises a limited portion of its assets, which it places on the capital market as tranches that are structured by (credit) quality.

As the investor, an institution buys securitised assets from other banks. Given that the issuer can default, and interest and principal payments are therefore not guaranteed, this risk requires a regulatory calculation and must be backed by equity.

Roles in the securitisation process

Aareal Bank Group is currently not acting as an originator of securitised transactions, but is involved solely as an investor on the market.

¹⁾ Any comments below referring to the German Master Agreement on Financial Derivatives (Deutscher Rahmenvertrag für Finanztermingeschäfte – "DRV") also comprise the master agreement issued by the International Swaps and Derivatives Association Inc. (ISDA) (the so-called "ISDA Master Agreement"). Both agreements are standardised agreements recommended by leading associations – among others, by the Association of German Banks (Bundesverband deutscher Banken – "BdB").

²⁾ A "Termination following a Termination Event" within the meaning of the ISDA Master Agreement is based on an event outside the control of the counterparty (e.g. changes in tax laws), while the "termination following an Event of Default" is based on a violation of the agreement on the part of the counterparty – such as a payment default or insolvency.

Investment principles

In the past, we invested exclusively in mortgage-backed securities (MBS) and asset-backed securities (ABS), within the scope of traditional securitisations that have an excellent external rating. These securities are held as medium- to long-term investments within the framework of our liquidity strategy. In 2014, no securitisation exposures were sold, whilst two exposures were repaid.

We did not invest directly or indirectly in the US sub-prime market. We also have no collateralised debt obligations (CDO) or US Residential Mortgage-Backed Securities (RMBS) on our books; it is these securities in particular that have resulted in significant write-downs for other banks. Furthermore, we hold no securities which are backed by monoline insurers.

The selection of ABS securities underlies strict criteria which were defined in a directive by Aareal Bank Group's Management Board. If a bond fulfils the criteria, a due diligence process is performed in order to determine whether the potential asset meets the overall quality standards of our ABS portfolio. This valuation process is based on an assessment of the collateral pool, a structure and documentation audit, a cash flow model for residential mortgage-backed securities (RMBS), as well as an assessment of the servicers/originators/counterparties of the respective securitisation transaction. In addition, third-party assessments from external investment analysts, employees of rating agencies, and other employees of Aareal Bank Group are taken into account. Assumptions used within the RMBS cash flow model are being reviewed annually, and adjusted if necessary in order to make sure they represent the current market environment.

A broad range of instruments and data sources is used to manage and monitor the ABS portfolio. One of the main tasks in supervising and controlling the portfolio is to gather current and precise information in a timely manner, focusing particularly on specific information on the securities concerned. The main sources for this type of information are transaction-specific trustee reports. Alert

systems have been implemented, ready to provide news on the latest pool performance of individual transactions or rating updates. All ABS securities are being monitored on a regular basis (depending on the frequency of specific data publication; either on a monthly, quarterly or semi-annual basis), focusing on redemption payments as well as payment delays and defaults. The objective of the monitoring process is to register any deterioration in the performance of the underlying collateral pool or any rating update. Transactions are included in the watch list if their original rating was downgraded by a rating agency, or if the rating outlook is negative (negative watch). Further included in the watch list are all RMBS transactions that fail cash flow model testing. All watch list items are reviewed formally for loss in value at the end of each quarter.

All of the securities are carried on the balance sheet, and are allocated to the "Loans and Receivables" measurement category. Please refer to the Annual Report for information on the valuation method used.¹⁾ Every ABS security currently carried on the balance sheet and reported for regulatory purposes has an external rating from one of the retained rating agencies (Fitch Ratings, Moody's Investors Service, or Standard & Poor's).

Regulatory assessment

As at 31 December 2014, our portfolio of purchased securitised exposures exclusively held in the banking book is comprised as follows:

| | CRSA | | AIRBA | |
|---------------|-----------------|---------------------------------|-----------------|---------------------------------|
| | Exposure amount | Regulatory capital requirements | Exposure amount | Regulatory capital requirements |
| € mn | | | | |
| CMBS | – | – | 16 | 2 |
| RMBS | 97 | 8 | – | – |
| Student loans | 16 | 0 | – | – |
| Total | 113 | 8 | 16 | 2 |

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Notes to Financial Instruments", Note (65) in the Notes to the consolidated financial statements.

Risk-weighted exposure amounts are treated as default risk exposures on the statement of financial position, and calculated primarily in line with the Credit Risk Standard Approach.

The CRSA exposure amounts pursuant to article 246 of the CRR totalled € 113 million on 31 December 2014. Given that these solely comprise securities rated by a rating agency approved by the regulatory authorities, the risk weightings for assessed CRSA securitisation exposures are calculated according to article 251 of the CRR.

Only CMBS are covered under the AIRBA, since the underlying portfolios without collateralisation would also have to be included under the AIRBA. The risk weights for the CMBS are determined based on the ratings-based approach (article 261 of the CRR).

Total exposure is broken down by the current risk assessment as follows:

| | CRSA | | AIRBA | |
|-----------------------|-----------------|---------------------------------|-----------------|---------------------------------|
| | Exposure amount | Regulatory capital requirements | Exposure amount | Regulatory capital requirements |
| € mn | | | | |
| Up to 20% | 30 | 0 | – | – |
| Between 20% and 50% | 44 | 2 | 13 | 0 |
| Between 50% and 100% | 26 | 2 | – | – |
| Between 100% and 350% | 13 | 4 | – | – |
| Between 350% and 650% | – | – | 3 | 1 |
| Total | 113 | 8 | 16 | 2 |

We currently hold no re-securitisation exposure.

Investment Risks

Investment risk strategy

Aareal Bank Group acquires equity investments strictly for the purpose of positioning the Group as an international property financing specialist and provider of property-related services. While the

standard banking risks mainly exist within Aareal Bank AG and the equity investments in banks, the other subsidiaries are frequently exposed to other risks. Due to their special character, these risks cannot be measured and managed using the same methods and processes. These risks are centralised in a separate risk category called "Investment risks" and included in the centralised risk management system through an investment risk controlling concept.

In general, all types of investments contribute to investment risk. The main focus of investment risk controlling, however, is on operating non-bank shareholdings, since these companies have business models different from that of Aareal Bank AG. The statistical methods and procedures applied in the banking business – such as VaR models – are generally not suitable to assess the risks of these companies. For this reason, we pursue a qualitative approach for investment risk control which attempts to estimate the risk content on the basis of the balance sheet and income statement analyses conducted within the scope of investment risk controlling. The investments covered are classified into different risk classes. Each risk class has specific risk weightings, which are used to translate the carrying amount of the investment into a risk equivalent value. Based on this risk equivalent value, Risk Controlling monitors compliance with the limits for investment risks.

Based on the type, scope, complexity and risk level of transactions, processes should be set up for the early identification of risk potential and for controlling and monitoring these risks in accordance with the Minimum Requirements for Risk Management (MaRisk) within the lending business.

This requirement is complied with through a risk-adequate investment controlling system within the framework of implementing the investment strategy, where the different autonomy requirements of investments are accounted for.

The controlling philosophy of Aareal Bank Group defines to which extent the business activities of

the investments are influenced, and who exercises this influence. The controlling philosophy also determines the structure for controlling equity investments. A distinction has to be made between a direct and indirect influence on the investments. The more important the investment is, the more direct influence will be taken and regulatory reporting will be required; the Group's head office will be involved in material business decisions. In case of an indirect influence, the investments have more discretion (autonomy) as regards business decisions. The carrying amount underlying these companies, in aggregate, is insignificant when measured against the total carrying amount of all subsidiaries.

Pursuant to MaRisk, risks from investments have to be included as part of Aareal Bank AG's overall risk reporting. For this purpose, the investment risks are determined and assessed by the Acquisitions & Subsidiaries division. The Risk Controlling division reports to the Management Board as regards investment risks within the framework of regular risk reporting, also on a quarterly basis.

Moreover, risk control and risk monitoring is supplemented by various reviews which the department or the companies are subjected to.

Pursuant to the MaRisk, the equity investment management has to be reviewed in reasonable time intervals by Internal Audit. This also involves system reviews (organisational structures and workflows, risk management and controlling, internal control system), taking into consideration the principles for a risk-oriented review. In addition, the investments themselves are subjected to a review, performed by the Group Audit division of Aareal Bank AG.

In accordance with MaRisk, the auditor has to get an overview of equity investment management and its organisation, the related risks as well as the internal control systems and procedures – and has to assess the appropriateness and effectiveness of the processes and procedures. Furthermore, material subsidiaries are also subjected to a review by an auditor.

In our business model, we make a distinction between the two segments, Structured Property Financing and Consulting/Services. Our equity investments reflect the medium to long-term strategic objectives of our business model.

Structured Property Financing

- We enter into strategic investments to support our property financing activities, particularly abroad.
- Special-purpose entities within the scope of foreclosed assets are used to secure real property liens.

Consulting/Services

- Strategic investments allow us to offer the housing industry and commercial property sector in Germany – as well as in selected European countries – services and products for managing residential property portfolios and processing payment flows.
- Investments in companies that provide the Group and third parties with other property or IT services.

Regulatory assessment

The statements below exclusively refer to investments that are included as risk-weighted assets in the report pursuant to sections 10, 10a of the KWG.

From a regulatory perspective, all investments of Aareal Bank AG are covered by the Advanced IRB Approach. The Simple Risk Weight Approach, pursuant to article 155 of the CRR, is used for the determination of the risk-weighted exposure amounts. However, within Corealcredit Bank AG, investments are recognised on the basis of their carrying amounts with a 100 % risk weighting, in line with the Credit Risk Standard Approach pursuant to article 133 of the CRR.

Measurement and accounting policies

Aareal Bank AG includes the majority of the companies concerned in its IFRS consolidated financial statements (full consolidation) since it controls the financial and operating policies of these companies as the parent entity of the Group.

Companies over which Aareal Bank AG may exercise a material influence, but has no control of (associates), are measured using the equity method. Moreover, Aareal Bank AG holds interests in joint ventures, which are also measured using the equity method. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments that are not consolidated under IFRSs are allocated within Aareal Bank Group to the "Available for Sale" (AfS) measurement category, and are recognised under non-trading assets in the statement of financial position.

Further information on measurement and accounting principles is provided in our Annual Report.¹⁾

Valuations

The table below shows aggregate investments in relation to their strategic objective, excluding investments consolidated for regulatory purposes.

The overview compares the carrying amounts with fair values. Since it is not necessary from an accounting perspective to determine the carrying amounts and the fair values for the fully-consolidated companies, the carrying amount and the fair value of the majority of these companies are derived from their equity capital for disclosure purposes.

Goodwill is considered as a shareholding in a non-Group company and is not taken into account in the overview.

Since the prerequisites set out in article 155 (2) of the CRR are met, the simple risk weight for all equity investments treated under the AIRBA is 370 %. On the basis of this risk weight, the IRBA exposure amount is € 344 million.

Result from equity instruments

During the year under review, we sold or wound up five companies. This resulted in gains on disposal of € 2 million.

Other investments held comprise unrealised revaluation gains totalling € 0.5 million, calculated in accordance with the IFRSs. These do not impact on tier 1 capital or tier 2 capital.

| | Carrying amount | Fair value |
|---|-----------------|------------|
| € mn | | |
| Structured Property Financing | 211 | 211 |
| of which: private equity items in properly diversified portfolios | – | – |
| of which: other equity investments | 211 | 211 |
| Consulting/Services | 134 | 134 |
| of which: private equity items in properly diversified portfolios | – | – |
| of which: other equity investments | 134 | 134 |

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Accounting Policies" in the Notes to the consolidated financial statements.

Market Price Risks

Market price risk is broadly defined as the threat of losses due to changes in market parameters. Aareal Bank's market price risk exposure predominantly comprises interest rate risks, whilst currency risks are largely eliminated through hedges. Hence, the primary market price risk exposures are related to the risk parameters for interest rates, equity prices, and exchange rates.

Risk Controlling uses the latest methods and tools for the measurement and analysis of market risks. Up-to-date reporting to management on the Group's risk profile provides decisive input for all short, medium and long-term investment decisions. Value-at-risk (VaR) has established itself as the method for measuring general market price risk. This concept, as well as stress testing and sensitivity analysis used as further methods to measure market risks, are described in detail in the Annual Report.¹⁾

Risk management, especially with regard to market and interest rate risks of the banking book, is performed within the Treasury division and supported by the Risk Controlling division through risk reports and risk assessments. Based on the daily market risk report, all changes of the present value in all currencies are analysed on a daily basis; if necessary, risk-reducing measures are taken. In addition, the general interest rate and market risk situation is discussed during weekly meetings of the Transaction Committee. The Transaction Committee comprises the Management Board member responsible for Treasury, the Head of Treasury as well as the department heads of Treasury. The Transaction Committee makes decisions as regards the general approach with respect to the management of market and interest rate risks.

In the area of market price risks, we monitor and control concentration risks, in particular with respect to the relevant risk factors (interest rate risks, currency risks, etc.), products and individual companies of Aareal Bank Group.

Market risk strategy

Our exposure to the capital market is based on a responsible and sustained strategy. Identified risks are offset, for example, through hedging agreements.

Interest rate positions from the current lending and refinancing business, which are intended to be hedged, are closed out using interest rate derivatives. Generally, we use one-to-one hedges to meet IFRS hedge accounting criteria. Macro hedges, where IFRS hedge accounting cannot be used, are an exception to this.

In line with our strategy, we ensure that a largely neutral position is maintained in each currency. The aggregate foreign currency position is therefore well below the threshold of 2 % of regulatory capital stipulated in article 351 of the CRR on a regular basis. The reporting requirement arises, among other things, due to the fact that the aggregate of asset and liability items in all foreign currencies exceeds capital when translated into euros.

The lending and refinancing business in foreign currencies is managed using money market transactions and FX swaps in the respective currency. The currency positions from accumulated lending and refinancing margins are reviewed regularly and closed out on a timely basis. Basic risks from differing fixing dates are largely avoided for each currency by selecting suitable roll dates.

We do not invest in precious metals, other commodities and raw materials. Similarly, there are currently no amounts to be included for net equity or equity index positions. We calculate the regulatory capital requirements for foreign currency risk based on the rights and obligations as well as investments in foreign currencies.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Market price risks" in the Risk Report of the Group Management Report.

Regulatory assessment

We do not use an internal model for the regulatory assessment of market risk, but employ standard regulatory procedures instead.

The option provided in article 340 of the CRR, as well as the duration-based approach, are used to calculate general risks.

We do not apply any lump-sum weighting amounts for investment fund units in accordance with article 348 (1) of the CRR.

The following overview shows the own funds requirements for the different market risk positions in accordance with article 92 (3) lit. c) of the CRR:

| € mn | |
|------------------------------|-----------|
| Market risk positions | 13 |
| Foreign exchange risk | 13 |
| Settlement risk | – |
| Commodities risk | – |
| Other | – |

Interest rate risk in the banking book

Whilst the net interest position is calculated to determine regulatory capital requirements for market risk, the calculation of interest rate risk in the banking book does not impact on the capital representation for regulatory purposes.

Interest rate risk is broadly defined as the threat of losses due to changes in market parameters. From an economic perspective, interest rate risk represents a key variable for observing market price risk.

Measurement method and basic assumptions

Aareal Bank uses the VaR concept to measure interest rate risks in the banking book. The VaR for market price risks quantifies the exposure as a negative divergence from the current aggregate value of the Bank's financial transactions.

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator on a daily basis. Statistical parameters used in the VaR model are calculated directly from 250-day historical data maintained within the Bank. The loss potential is determined applying a 95 % confidence interval and a 250-day holding period.

By their very nature, VaR calculations are based on assumptions regarding the future development of the business, and the related cash flows. Key assumptions used include current account balances which are factored into calculations for a period of two years, using the average residual amount of deposits observed in the past. Loans are taken into account using their fixed-interest period (for fixed-rate exposures), or using their expected maturity (variable-rate exposures). Aareal Bank's equity is not taken into account as a risk-mitigating item. This tends to overstate VaR, demonstrating the conservative approach adopted in our risk measurement processes – together with considering only contractual maturities.

Based on the daily market risk report, all changes of the present value in all currencies are analysed; if necessary, risk-reducing measures are taken. In addition, the general interest rate situation is discussed during the weekly meetings of the Transaction Committee. The Transaction Committee makes decisions as regards the general approach with respect to the management of interest rate risks.

Impact of an interest rate shock on profit or loss

The underlying interest rate shock scenarios stipulated by the banking regulators for external reporting purposes (including parallel shifts by 200 basis points, under the exclusion of negative nominal interest rates as shift results) resulted in a present-value change of € -208.0 million and € +139.2 million, respectively, for all currencies as at 31 December 2014.¹⁾

¹⁾ The calculation was carried out for Aareal Bank Group.

| | Interest rate shock | | Present value change | |
|--------------|---------------------|-------|----------------------|--------------|
| | + | - | Decrease | Increase |
| | bp | bp | € mn | € mn |
| EUR | 200.0 | 200.0 | -173.4 | 173.9 |
| USD | 200.0 | 200.0 | -15.2 | -15.2 |
| GBP | 200.0 | 200.0 | -5.2 | -5.2 |
| Other | 200.0 | 200.0 | -14.2 | -14.2 |
| Total | | | -208.0 | 139.2 |

Of the currencies reviewed in the table above, the euro is the most important individual currency for us, with a € -173.4 million/€ +173.9 million change in present value.

The ratio of the sum of all currencies relative to Aareal Bank Group's regulatory capital (in accordance with section 10a of the KWG) for these interest rate shock scenarios is 5.7 % as at the reporting date. As in the previous years, this figure is well below the maximum limit of 20 %.

Operational Risks

Operational risk is defined for regulatory purposes as the risk of losses resulting from inadequate or failed internal processes or systems, from human error, or from external events. This definition also includes legal and model risks. In contrast, strategic, reputational and systematic risks are not included.

Ultimately, in contrast to other risk types, operational risks always represent the disruption of the production process. If the components of the production process change, the situation as regards operational risks within the company changes as well.

Risk Controlling is responsible for the central coordination of all aspects related to controlling operational risks, including the authority to select methods for identifying and monitoring of risks and loss events. This also includes risk reporting.

Strategy for the treatment of operational risks

The strategy pursued by the Bank, which is based on specialised and individualised businesses, results in less standardised and mechanised processes and workflows when compared with institutions that focus on standardised businesses. The consequence of this for Aareal Bank is that the operational risk is more strongly characterised by the categories People/Employees and Processes, and less strongly by the categories Systems/Technology and External Events.

The insights described herein result in a conscious and rigorous risk strategy in connection with the treatment of operational risks. Within the framework of this risk strategy, a decision is made with regard to avoiding (including relevant risk mitigation strategies), accepting/entering into, or transferring/hedging risk positions. Deciding factors for the related decisions are both the economic reasonableness of the decisions and the Bank's risk appetite. The aim of all these efforts is to generate a balanced risk profile on the basis of a regularly applied risk analysis.

Against the background of this risk environment, we generally avoid a concentration of operational risk exposure. This is achieved, among other things, via adequate long-term measures as well as through the consistent implementation of a precisely defined set of controlling instruments for the identification and monitoring of operational risks and resulting loss events. These instruments are tailored to the Bank and its specific risk profile.

Instruments used to control operational risks

Operational risks and the resulting loss events are systematically identified, assessed, monitored and addressed, if necessary, using controlling measures within Aareal Bank under the framework of a regular cycle. Risk identification is made via the instruments Self Assessment (early risk identification), risk inventories (risk identification and monitoring), as well as via maintaining and monitoring a loss database.

Stress testing

Suitable and plausible stress tests are conducted at Aareal Bank in the context of operational risks. These are hypothetical scenarios and sensitivity analyses on the risk inventories. The results of the stress tests are reported regularly to the Management Board and serve as an indicator for potential developments within the risk type "Operational risks" that could jeopardise the continued existence of the Group.

Backtesting

Annual back-testing is performed for the risks as part of risk identification and risk monitoring. This involves determining the relation between loss events expected from individual risks and reported incidents of such loss events. Based on the results from backtesting, adjustments are made to the controlling instruments used to manage operational risks.

Regulatory assessment

As a rule, the capital charge for the Group's operational risks is calculated according to the so-called "Standardised Approach" (STA) pursuant to article 317 et seq. of the CRR. Aareal Bank AG uses the approach provided in article 314 (4) of the CRR for disclosures on Group level in the context of integrating Corealcredit Bank AG.

As an international property specialist, we limit our operations to trading and sales, commercial

banking, retail banking, plus payment and settlement provided within the scope of the Standardised Approach.¹⁾

The results that are taken into consideration are based on the segment reporting at the end of the financial year and the quarterly results in accordance with IFRSs. The details as at 31 December 2014 are therefore based on Q4/2011 up to and including Q3/2014.

Article 317 (2) of the CRR defines regulatory risk weights (so-called "beta factors") for the individual business lines forming the basis of the Standardised Approach. We use these defined weightings rather than exercising the option to apply proprietary beta factors.

The "commercial banking" business line accounts for 89 % of the relevant indicator.

As segment reporting is not in line with the breakdown of business lines pursuant to the CRR or Basel II, the individual items of the segment report are re-allocated on the basis of factually logical arguments. Statistical values are partially used as further supporting data (such as the ratio of private vs. commercial loans).

On average, the grouped and quantified positions of the last three years that are weighted by the respective beta factor result in regulatory capital requirements totalling €105 million for operational risks.

Liquidity Risks

Liquidity risk describes the risk that it might not be possible to meet current and future payment obligations in full or in good time.

¹⁾ Due to the fact that the CRR does not provide for a separate adequate business line for the operating segment "Consulting/Services", the relevant income of that segment is weighted using the highest beta factor (18 %, corresponding, inter alia, to the beta factor for the trading and sales business).

The aim of liquidity risk management, which is the responsibility of the Treasury division, is to hold, at any time, liquid funds to be able to meet future payment obligations. The risk management and monitoring processes have been designed to cover refinancing and market liquidity risks in addition to liquidity risk in the narrower sense.

Liquidity risk strategy

In general, Aareal Bank has a low risk tolerance, ensuring the ability to generate a considerable amount of liquidity in the short term, even in a tight market environment or a crisis scenario, and to prevent liquidity squeezes. For this purpose, we hold a large amount of liquid and high-quality securities.

Within the framework of the refinancing strategy¹⁾, various money and capital market instruments are used to achieve a broadly-diversified range of funding vehicles. We can rely mainly on three sources: the German Pfandbrief, uncovered funding, and deposits from institutional investors and housing industry clients.

Instruments of liquidity controlling and management

Liquidity management (intraday and in the short and medium term) is assigned to Treasury and conducted based on the concepts of liquidity balance sheets and cash flow analyses, which are constantly developed. To analyse both the maturity structure and the quality of the individual money market and capital market products, the cash flows from the various refinancing sources are divided into different liquidity classes which are incorporated differently into the assessment of liquidity risk. The various properties, such as rollover probability, collateralisation, or ability to liquidate, are thus accounted for, thereby allowing the possible liquidity risks to be selectively quantified. The overall liquidity situation is broken down into several maturity ranges, taking into account possible stress scenarios. We generally consider the full with-

drawal of clients' current account balances as being the most significant scenario. Even in this stress scenario, liquidity is sufficient to cover the expected liquidity needs under stress conditions.

Managing and monitoring risk concentrations in the area of liquidity risks focuses on liquidity providers (composition of the liquidity reserve), the instruments used to raise liquidity, as well as on any concentrations of liquidity needs which may arise over time.

Risks are communicated by means of daily reporting to Treasury and to the members of the Management Board responsible for Treasury and monitoring. As part of monthly reporting, the entire Management Board is also briefed on the situation as regards liquidity risks. In addition, we notify further units if required.

Encumbered and Unencumbered Assets

The Asset Encumbrance provides an overview of the degree of asset encumbrance and – derived from this overview – an assessment of the Bank's ability to meet its financial obligations. The Asset Encumbrance Ratio, a key indicator of asset encumbrance, presents total encumbered assets and total collateral reused in proportion to total assets and total collateral received.

Assets are considered encumbered or used if they are not freely available to the institution. This is always the case if an asset is pledged or subject to lending arrangements or any form of arrangement to secure, collateralise or credit-enhance any originated loans or potential commitments from derivative transactions or any on-balance-sheet or off-balance-sheet transactions.

¹⁾ For more information on refinancing, please refer to the Aareal Bank Group 2014 Annual Report, chapter "Financial position" in the Group Management Report.

The information provided below is based on the EBA guidelines on disclosure of encumbered and unencumbered assets (EBA/GL/2014/03) and the corresponding reporting forms.

Assets

| | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|--|--------------------------------------|---------------------------------|--|-----------------------------------|
| € mn | | | | |
| Assets of reporting institution | 21,936 | | 27,689 | |
| Equity instruments | – | – | 333 | 392 |
| Debt instruments | 3,458 | 3,376 | 8,503 | 8,396 |
| Other assets | 2,071 | | 1,863 | |

Collateral received

| | Fair value of encumbered collateral received or issued debt instruments | Fair value of collateral received or issued debt instruments eligible for encumbrance |
|--|---|---|
| € mn | | |
| Reporting institution: collateral received | – | 1,317 |
| Equity instruments | – | – |
| Debt instruments | – | 1,317 |
| Other collateral received | – | – |
| Other issued debt instruments than own Pfandbriefe or ABS | – | – |

Encumbered assets/collateral received and associated liabilities

| | Coverage of liabilities, contingent liabilities or borrowed securities | Assets, collateral received and other issued debt instruments than encumbered Pfandbriefe and ABS |
|--|--|---|
| € mn | | |
| Carrying amount of selected liabilities | 11,652 | 12,377 |

Information on importance of encumbrance

For Aareal Bank, the main sources of encumbrance were the cover assets pool, derivatives transactions, and securities repurchase agreements (repos). On a group level, no structure of encumbrance between entities within Aareal Bank Group existed, due to consolidation. A significant over-collateralisation only applied to the cover assets pool. Collateral is provided and accepted predominantly on the basis of standardised agreements on securities repurchase transactions and on the collateralisation of forward transactions. Derivatives transactions are generally entered into only on the basis of the German Master Agreement for Financial Derivatives, or the ISDA Master Agreements. Such master agreements provide for the netting of claims and liabilities in the event of insolvency or counterparty default, and thus further reduce counterparty risk. The item "Other assets, carrying amount of unencumbered assets" mainly contains assets available for encumbrance in the normal course of business.

since it is only required for the Supervisory Board according to section 25d (11) no. 2 of the KWG.

Please refer to the list of offices held in the Annual Report for an overview of the number and nature of management and supervisory functions held by members of the Management Board and Supervisory Board pursuant to section 285 (11) of the HGB.¹⁾

Corporate Governance Regulations

As a publicly listed company, Aareal Bank is obliged to include a corporate governance statement in its Annual Report according to section 289a of the HGB. This statement includes the corporate governance report, disclosures regarding corporate governance standards as well as a description of the management body's functioning.

Disclosures on the recruitment policy for the selection of members of the management body as well as on the policy on diversity are currently restricted to the Supervisory Board. For information required under Article 435 (2) lit. a) and b) of the CRR, please refer to the Corporate Governance Statement in the Annual Report. Regarding the Management Board, the Bank does not currently intend the implementation of a policy on diversity,



Imprint

Contents:

Aareal Bank AG, Investor Relations,
Finance – Regulatory Reporting

Design / Layout:

S/COMPANY · Die Markenagentur GmbH,
Fulda, Germany

This report is also available in German language.

¹⁾ Aareal Bank Group 2014 Annual Report: chapter "Other Notes", Note (105) in the Notes to the consolidated financial statements.

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04/2015



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