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2017

Regulatory Disclosure Report  
for H1 2017 of Aareal Bank Group



**Aareal Bank  
Group**

# Regulatory Disclosure Report for H1 2017

## Preface

Aareal Bank Group provides its half-yearly Regulatory Disclosure Report as at the reporting date of 30 June 2017 pursuant to the Guidelines EBA/GL/2014/14, as published by the European Banking Authority (EBA) on 23 December 2014.

With total assets of € 44,113 million, Aareal Bank Group is obliged to disclose the following information on a semi-annual basis:

- regulatory capital structure;
- capital ratios;
- risk-weighted assets and capital requirements;
- exposure amounts under the Advanced IRB Approach (Advanced Internal Ratings-Based Approach – AIRBA); as well as
- the Leverage Ratio.

Aareal Bank complies with the requirements of parts 2 and 3 of Regulation 575/2013/EU (Capital Requirements Regulation – “CRR”) at a Group level, due to the fact that Aareal Bank Group has elected to use the waiver option provided by section 2a (1) sentence 1 of the KWG (in conjunction with Article 7 (3) of the CRR), 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 condensed disclosure report are based on both the Credit Risk Standard Approach (CRSA) and the Advanced IRB Approach (Advanced Internal Ratings-Based Approach – AIRBA).

## Regulatory Capital Structure and Capital Ratios

	30 Jun 2017
€ mn	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,353
Regulatory adjustments	-92
<b>Common Equity Tier 1 (CET1)</b>	<b>2,261</b>
Additional Tier 1 (AT1) capital before regulatory adjustments	480
Regulatory adjustments	-108
<b>Additional Tier 1 (AT1) capital</b>	<b>372</b>
<b>Tier 1 capital (T1)</b>	<b>2,633</b>
Tier 2 (T2) capital before regulatory adjustments	1,062
Regulatory adjustments	-12
<b>Tier 2 capital (T2)</b>	<b>1,050</b>
<b>Total capital (TC)</b>	<b>3,683</b>
in %	
Common Equity Tier 1 ratio (CET1 ratio)	16.95
Tier 1 ratio (T1 ratio)	19.74
Total capital ratio (TC ratio)	27.62

## Regulatory capital requirements

	Risk-weighted items (RWA)	Regulatory capital requirements
€ mn		
<b>IRBA exposure classes</b>	<b>9,252</b>	<b>741</b>
Institutions	438	35
Corporates	7,159	573
Equity investments	1,195	96
of which: listed	0	0
of which: private equity items in properly diversified portfolios	–	–
of which: other equity investments	1,195	96
Securitisations	–	–
Other non-credit obligation assets	460	37
<b>CRSA exposure classes</b>	<b>2,247</b>	<b>179</b>
Central governments or central banks	14	1
Regional governments and similar entities	437	35
Other public-sector entities	7	0
Multilateral development banks	–	–
International organisations	–	–
Institutions	42	3
Covered bonds	–	–
Corporates	575	46
Retail business	147	12
Exposures secured by mortgages on immovable property	941	75
Undertakings for Collective Investment (UCI)	1	0
Equity investments	–	–
Securitisations	–	–
Other exposures	0	0
Exposures in default	83	7
Exposures associated with particularly high risk	–	–
Exposures to institutions and corporates with a short-term credit assessment	–	–
<b>Risk exposure from contributions to a CCP default fund</b>	<b>0</b>	<b>0</b>
<b>Delivery and settlement risk</b>	<b>–</b>	<b>–</b>
<b>Market risk positions</b>	<b>224</b>	<b>18</b>
Foreign currency	224	18
Commodities	–	–
Related to interest rates and equity prices	–	–
Other	–	–
<b>Operational Risks</b>	<b>1,433</b>	<b>115</b>
Standardised approach	1,433	115
Basic indicator approach	–	–
<b>Risk exposure from credit valuation adjustments (CVAs)</b>	<b>189</b>	<b>15</b>
<b>Total</b>	<b>13,345</b>	<b>1,068</b>

## Breakdown of AIRBA exposure amounts

Since collateralisation is crucially important for property loans, and is directly reflected in the level of the loss given default percentage, the AIRBA exposure amounts are presented on the basis of so-called expected loss classes (EL classes). In order to ensure a uniform approach to the presentation of data, AIRBA exposures were also broken down by EL class for the portfolio of exposures to banks.

Derivatives entered into with internally-rated property clients, which are mainly used to hedge interest rate and currency risks, are not included in the presentation due to their insignificant share (less than 1 %) in the estimated exposure at borrower's default (Exposure at Default, EaD).

The default definition of the EL class "Default" follows Art. 178 CRR.

IRBA exposure class	Total amount of undrawn loan commitments		Exposure amounts				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	Corpo-rates	of which: SME
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	%	%	%	%	%	%
EL class 1	–	–	2,745	1,451	–	–	0.24	0.19	0.72	0.70	0.20	0.21
EL class 2	89	65	6,657	3,986	92	67	0.89	0.73	0.80	0.82	1.25	0.90
EL class 3	13	5	1,412	600	13	5	1.69	1.26	0.72	0.91	2.73	2.05
EL class 4	68	38	2,476	1,280	70	39	2.23	1.76	1.20	1.27	4.42	2.72
EL class 5	47	–	829	298	49	–	4.85	6.95	0.81	0.64	8.65	8.87
EL class 6	65	6	1,965	694	67	6	5.36	4.36	1.17	1.32	11.12	7.11
EL class 7	96	82	692	577	98	84	10.90	12.18	0.97	0.83	17.48	18.16
EL class 8	47	29	1,065	978	46	30	9.24	9.36	1.27	1.28	17.33	16.89
EL class 9	139	32	1,250	559	47	32	16.45	13.19	1.18	1.36	37.61	24.33
EL class 10	113	12	1,633	1,106	50	12	16.96	18.80	1.82	1.62	38.37	38.56
EL class 11	13	9	514	413	11	8	26.10	19.99	1.60	1.80	59.91	48.84
EL class 12	88	34	769	508	57	26	18.22	23.00	2.83	2.52	45.95	54.18
EL class 13	140	86	1,101	1,054	94	83	28.49	26.95	2.89	2.96	65.52	62.73
EL class 14	48	16	226	135	7	2	43.94	41.64	3.21	3.51	109.77	103.54
EL class 15	12	12	509	498	3	3	45.57	45.14	3.77	3.80	130.06	129.15
EL class 16	17	12	619	619	6	6	36.28	36.20	7.48	7.48	116.47	116.25
EL class 17	0	0	83	83	0	0	44.10	44.10	8.26	8.26	139.88	139.88
EL class 18	1	1	69	69	0	0	46.42	46.42	15.51	15.51	210.47	210.47
EL class 19	–	–	–	–	–	–	–	–	–	–	–	–
EL class 20	–	–	5	5	–	–	66.19	66.19	30.00	30.00	377.71	377.71
Default	151	33	1,788	1,332	0	0	25.03	26.01	100.00	100.00	94.28	76.88
<b>Total</b>	<b>1,147</b>	<b>472</b>	<b>26,407</b>	<b>16,245</b>	<b>710</b>	<b>403</b>	<b>9.88</b>	<b>12.08</b>	<b>8.14</b>	<b>9.80</b>	<b>26.16</b>	<b>30.40</b>

	Total amount of undrawn loan commitments	Exposure amounts		Average LGD	Average PD	Average RW
	Institutions	Exposure at default	of which: undrawn loan commitments			
	€ mn	€ mn	€ mn	%	%	%
<b>IRBA exposure class</b>						
EL class 1	–	1,032	–	27.10	0.17	0.04
EL class 2	–	151	–	10.84	0.14	3.21
EL class 3	–	430	–	16.66	0.16	7.23
EL class 4	–	436	–	32.45	0.15	15.81
EL class 5	–	72	–	23.56	0.20	18.83
EL class 6	–	485	–	29.11	0.15	39.67
EL class 7	0	59	0	45.94	0.16	56.57
EL class 8	–	112	–	36.97	0.29	49.00
EL class 9	–	31	–	48.23	0.33	79.89
EL class 10	–	8	–	44.25	0.43	85.03
EL class 11	–	0	–	66.44	0.47	103.13
EL class 12	–	–	–	–	–	–
EL class 13	–	–	–	–	–	–
EL class 14	–	–	–	–	–	–
EL class 15	–	–	–	–	–	–
EL class 16	–	–	–	–	–	–
EL class 17	–	–	–	–	–	–
EL class 18	–	–	–	–	–	–
EL class 19	–	–	–	–	–	–
EL class 20	–	1	–	65.03	30.00	368.43
Default	–	–	–	–	–	–
<b>Total</b>	<b>0</b>	<b>2,817</b>	<b>0</b>	<b>26.79</b>	<b>0.18</b>	<b>15.43</b>

## Leverage Ratio

The (phased-in) Leverage Ratio is calculated taking into account the regulatory scope of consolidation, based on the Delegated Regulation (EU) 2015/62.

	30 Jun 2017
€ mn	
Tier 1 capital	2,633
Aggregate risk exposure	42,082
Leverage Ratio	6.26%

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