Regulatory Disclosure Report for Q3 2023

of Atlantic Group

Aareal

YOUR COMPETITIVE ADVANTAGE.

Regulatory Disclosure Report for Q3 2023

Preface

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

Regulatory indicators and further information on Aareal Bank Group are available in Aareal Bank Group's interim financial information for the third quarter of 2023 and in the presentation to the Analyst Conference Call on the results of the third quarter of 2023, which is available for download from Aareal Bank's website.

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

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

Due to its total assets of more than € 30 billion, Atlantic Group is classified as a large institution in accordance with Article 4 No. 146 lit. d) of the CRR. The scope of the information that has to be disclosed on a quarterly basis is therefore based on the requirements of Article 433a (1) lit. c) of the CRR.

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

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

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

Similarly, as the Bank does not use internal models for the calculation of regulatory capital requirements for market risk, the table EU MR2-B (RWA flow statements of market risk under the internal model approach) is not disclosed either.

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

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

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

Overview of Regulatory Key Metrics

The table EU KM1 provides an overview of the regulatory key metrics in accordance with Article 447 of the CRR. The overview also includes the additional regulatory capital required under the Supervisory Review and Evaluation Process (SREP) as applicable for Aareal Bank Group.

Given that regulatory disclosures at the level of Atlantic Group were required to be submitted as at 30 June 2023 for the first time, a comparison of key metrics with the figures for previous quarters is not conclusive since these figures relate to Aareal Bank Group.

EU KM1: Key metrics

		a	b	c	d	e
€ mn		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	2,153	2,268	2,415	2,468	2,402
2	Tier 1 (T1) capital	2,453	2,568	2,715	2,768	2,702
3	Own funds	2,715	2,810	2,984	3,065	3,027
	Risk-weighted exposure amounts					
4	Risk-weighted exposure amounts (Risk-weighted assets, RWAs)	13,549	13,375	12,941	12,782	13,031
	Capital ratios (as a percentage of risk-weighted exposure amount)[1]					
5	Common Equity Tier 1 ratio (CET1 ratio)	15.89	16.96	18.66	19.31	18.43
6	Tier 1 ratio (T1 ratio)	18.10	19.20	20.98	21.66	20.74
7	Total capital ratio (TC ratio)	20.04	21.01	23.06	23.98	23.23
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	–	–	3.00	2.75	2.75
EU 7b	of which: to be made up of CET1 capital	–	–	1.69	1.55	1.55
EU 7c	of which: to be made up of Tier 1 capital	–	–	2.25	2.07	2.07
EU 7d	Total SREP own funds requirements	8.00	8.00	11.00	10.75	10.75
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	–	–	–	–	–
9	Institution-specific countercyclical capital buffer	0.58	0.48	0.38	0.16	0.01
EU 9a	Systemic risk buffer	0.02	0.02	0.03	–	–
10	Global Systemically Important Institution buffer	–	–	–	–	–
EU 10a	Other Systemically Important Institution buffer	–	–	–	–	–
11	Combined buffer requirement	3.10	3.01	2.90	2.66	2.51
EU 11a	Overall capital requirements	11.10	11.01	13.90	13.41	13.27
12	CET1 available after meeting the total SREP own funds requirements	11.39	12.46	12.06	13.23	12.19
	Leverage Ratio[1]					
13	Total exposure measure	46,788	46,816	45,535	46,168	50,172
14	Leverage Ratio (%)	5.24	5.49	5.96	6.00	5.39

[1] The capital ratios (CET1: 19.4 %, T1: 21.6 % and TC: 23.6 %) communicated in the interim financial information and in the presentation to the Analyst Conference Call as at 30 September 2023 and the Leverage Ratio (6.3 %) refer to Aareal Bank Group and take into account both the pro-rata result and the pro-rata accrual of interest on the AT1 bond.

>

€ mn		a 30 Sep 2023	b 30 Jun 2023	c 31 Mar 2023	d 31 Dec 2022	e 30 Sep 2022
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage	–	–	–	–	–
EU 14b	of which: to be made up of CET1 capital	–	–	–	–	–
EU 14c	Total SREP leverage ratio requirements	3.00	3.00	3.00	3.00	3.00
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement	–	–	–	–	–
EU 14e	Overall leverage ratio requirement	3.00	3.00	3.00	3.00	3.00
	Liquidity Coverage Ratio[2)]					
15	Total high-quality liquid assets (HQLA) (weighted value – average)	7,198	7,539	8,273	7,662	7,175
EU 16a	Cash outflows – total weighted value	4,375	4,256	4,715	4,474	4,024
EU 16b	Cash inflows – total weighted value	877	913	725	758	713
16	Total net cash outflows (adjusted value)	3,497	3,343	3,991	3,718	3,311
17	Liquidity coverage ratio (LCR) (%)	206.11	225.52	207.31	207.42	220.42
	Net Stable Funding Ratio					
18	Total available stable funding	32,767	33,454	33,568	33,280	35,252
19	Total required stable funding	28,411	28,149	27,438	27,816	30,141
20	NSFR (%)	115.33	118.84	122.34	119.64	116.95

2) Following the successful closing of Atlantic BidCo's voluntary public takeover offer for Aareal Bank AG shares in the second quarter of this year, and given the fact that reports to regulatory authorities had to be submitted at Atlantic Group level on 30 June 2023 for the first time, data disclosed as at that reporting date is equivalent to the reported values shown in column g of table EU LIQ1. Average values disclosed as at 30 September 2023 are based on the current reporting date and the three preceding quarters.

Development of key metrics

Capital ratios and RWAs

Compared to the previous disclosure date of 30 June 2023, the capital ratios reported to the supervisory authorities (CET1, T1 and TC ratio) decreased by 1.05 percentage points on average. This development was due to a € 174 million increase in RWAs and a simultaneous € 95 million decline in regulatory capital.

The RWAs were determined in accordance with currently applicable law (CRR II), applying the partial regulation for the "output floor" in connection with commercial property lending and equity exposures, based on the European Commission's proposal dated 27 October 2021 (CRR III) for implementation of Basel IV.

The RWA increase was mainly attributable to higher new business in the Structured Property Financing segment, plus changes to the credit quality of the existing commercial property finance portfolio. In addition, the refinancing line provided by Aareal Bank to Aareon ("Hunting Line"), which had been accounted for using the Credit Risk Standard Approach, was replaced by long-term external debt.

The decline in regulatory capital was largely the result of a € 115 million reduction of CET1 capital which was due, in particular, to the mandatory deduction of (gross) additions to loss allowance during the course of the year (€ -112 million).

Leverage Ratio

Compared to 30 June 2023, the leverage ratio decreased only marginally, due to a € 28 million decrease in the total exposure measure and a simultaneous € 115 million decline in Tier I capital. Key drivers for the decrease in the total exposure measure were the lower aggregate amount of on-balance sheet exposures (excluding derivatives and securities financing transactions) and off-balance sheet exposures (€ -47 million in total).

Liquidity Coverage Ratio

The average Liquidity Coverage Ratio (LCR) declined compared to 30 June 2023 (225.52 %), reaching 206.11 % as at the reporting date.

High-quality liquid assets (HQLA) showed a marked decline in the third quarter, mainly reflecting the development of deposits with central banks and the collateralisation of the GC Pooling portfolio.

LCR was additionally burdened by higher net outflows compared to the previous quarter.

Net Stable Funding Ratio

Compared to 30 June 2023, the Net Stable Funding Ratio (NSFR) decreased by 3.51 percentage points to 115.33 %, reflecting a € 261 million increase in required stable funding (RSF) and a decrease in available stable funding (ASF) in the amount of € 687 million.

Factors influencing the higher RSF level included transfers to the cover assets pool (approx. € 237 million), alongside increases in assets carried by subsidiaries (+€ 53 million) and in non-performing loans (+€ 43 million).

The decrease in ASF is due to the shift of the targeted longer-term refinancing operations (TLTRO) into a shorter residual maturity band (€ -504 million), as well as lower Treasury deposits (€ -762 million). This was offset by higher volumes of deposits from private customers (+€ 357 million) and from housing industry clients (+€ 302 million).

Risk-weighted Assets and Regulatory Capital Requirements

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

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

and, under the AIRBA, additionally depends on

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

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

As at 30 September 2023, no risks associated with outstanding delivery as part of counterparty risks had to be taken into account when determining counterparty usage limits.

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

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

		a	b	c
			RWAs	Regulatory capital requirements
€ mn		30 Sep 2023	30 Jun 2023	30 Sep 2023
1	**Credit risk (excluding CCR)**	**11,717**	**11,605**	**937**
2	of which: Credit Risk Standard Approach (CRSA)	875	1,245	70
3	of which: Foundation IRB Approach (FIRB)	–	–	–
4	of which: slotting approach	–	–	–
EU 4a	of which: Equity exposures under the simple risk-weighted approach	662	692	53
5	of which: Advanced IRB (AIRB) approach	9,057	8,897	725
6	**CCR**	**378**	**335**	**30**
7	of which: standardised approach	210	178	17
8	of which: internal model method (IMM)	–	–	–
EU 8a	of which: exposures to a CCP	5	6	0
EU 8b	of which: credit valuation adjustment – CVA	162	150	13
9	of which: other CCR	1	–	0
15	**Settlement risk**	**–**	**–**	**–**
16	**Securitisation exposures in the banking book (after the cap)**	**–**	**–**	**–**
17	of which: SEC-IRBA approach	–	–	–
18	of which: SEC-ERBA (including IAA)	–	–	–
19	of which: SEC-SA approach	–	–	–
EU 19a	of which: 1,250 % / deduction	–	–	–
20	**Market risk (position, foreign exchange and commodity risks)**	**170**	**152**	**14**
21	of which: standardised approach	170	152	14
22	of which: IMA	–	–	–
EU 22a	**Large exposures**	**–**	**–**	**–**
23	**Operational risk**	**1,283**	**1,283**	**103**
EU 23a	of which: basic indicator approach	–	–	–
EU 23b	of which: standardised approach	1,283	1,283	103
EU 23c	of which: advanced measurement approach	–	–	–
24	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**422**	**435**	**34**
29	**Total**	**13,549**	**13,375**	**1,084**

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

Regarding the causes of RWA changes during the third quarter of 2023, reference is made to the explanations in the previous chapter “Overview of regulatory key metrics”.

RWA Developments for AIRBA Exposures

The table EU CR8 provides an overview of the RWA changes and the associated causes to be analysed since 30 June 2023.

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

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

€ mn		a RWAs
1	**RWAs as at 30 June 2023**	**9,589**
2	Asset size	166
3	Asset quality	-94
4	Model updates	–
5	Methodology and policy	–
6	Acquisitions and disposals	1
7	Foreign exchange movements	56
8	Other	–
9	**RWAs as at 30 September 2023**	**9,719**

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

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

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

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

Line 6 discloses the RWA effect from the acquisition of a company that is outside the regulatory scope of consolidation and thus included as RWAs in the report pursuant to sections 10 and 10a of the German Banking Act (KWG).

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

Liquidity Coverage Ratio

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

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

The following table is based on the requirements set out in Annex XIV of Commission Implementing Regulation (EU) 2021/637 on the disclosure of the Liquidity Coverage Ratio. Quantitative details are disclosed using the weighted and unweighted average values of the last 12 reporting days of the respective quarter. Following the successful closing of Atlantic BidCo GmbH's voluntary public takeover offer for Aareal Bank AG shares in the second quarter of this year, and given the fact that reports to regulatory authorities had to be submitted at Atlantic Group level on 30 June 2023 for the first time, no comparative figures exist for Atlantic Group that would be relevant for the determination of conclusive average values. Against this background, information on Atlantic Group as at 30 June 2023 was limited to the reported values. In contrast, the average values to be disclosed as at 30 September 2023 were determined using data for the four most recent reporting dates.

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

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

EU LIQ1: Quantitative information on LCR (Atlantic Group)

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023	Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023
€ mn									
EU 1b	Number of data points used in the calculation of averages	–	–	1	4	–	–	1	4
High-quality liquid assets									
1	**Total high-quality liquid assets (HQLA)**					**–**	**–**	**7,539**	**7,198**
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	**–**	**–**	**6,279**	**6,358**	**–**	**–**	**322**	**327**
3	Stable deposits	–	–	6,059	6,129	–	–	303	306
4	Less stable deposits	–	–	183	197	–	–	19	21
5	**Unsecured wholesale funding**	**–**	**–**	**7,005**	**6,985**	**–**	**–**	**2,872**	**2,855**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	3,222	3,046	–	–	761	716
7	Non-operational deposits (all counterparties)	–	–	3,612	3,763	–	–	1,940	1,963
8	Unsecured debt	–	–	171	176	–	–	171	176

>

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023	Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023
€ mn									
9	**Secured wholesale funding**					**–**	**–**	**57**	**66**
10	**Additional requirements**	**–**	**–**	**1,624**	**1,798**	**–**	**–**	**781**	**860**
11	Outflows related to derivative exposures and other collateral requirements	–	–	644	658	–	–	635	648
12	Outflows related to loss of funding on debt products	–	–	42	68	–	–	42	68
13	Credit and liquidity facilities	–	–	939	1,072	–	–	104	144
14	**Other contractual funding obligations**	**–**	**–**	**102**[1)]	**158**	**–**	**–**	**77**[1)]	**134**
15	**Other contingent funding obligations**	**–**	**–**	**1,663**	**1,480**	**–**	**–**	**149**	**132**
16	**Total cash outflows**					**–**	**–**	**4,256**	**4,375**
Cash inflows									
17	Secured lending (e.g. reverse repos)	–	–	–	–	–	–	–	–
18	Inflows from fully performing exposures	–	–	802[1)]	949	–	–	602	700
19	Other cash inflows	–	–	311	177	–	–	311	177
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
EU-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**Total cash inflows**	**–**	**–**	**1,113**	**1,127**	**–**	**–**	**913**	**877**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90 % cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75 % cap	–	–	1,113	1,127	–	–	913	877
						Total adjusted value			
EU-21	**Liquidity buffer**					**–**	**–**	**7,539**	**7,198**
22	**Total net cash outflows**					**–**	**–**	**3,343**	**3,497**
23	**Liquidity Coverage Ratio (%)**					**–**	**–**	**225.52 %**	**206.11 %**

1) Given an editorial error in the table EU LIQ1 (Atlantic Group and Aareal Bank AG) disclosed as at 30 June 2023, the affected items were corrected in the present Regulatory Disclosure Report. These corrections – which were only marginal – have not led to any changes in the key parameters disclosed in lines EU-21 to 23 (liqudity buffer, total net cash outflows, and Liquidity Coverage Ratio).

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

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023	Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023
€ mn									
EU 1b	Number of data points used for the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	**Total high-quality liquid assets (HQLA)**					**7,659**	**8,271**	**8,640**	**8,535**
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	**5,962**	**6,039**	**6,126**	**6,213**	**314**	**317**	**319**	**322**
3	Stable deposits	5,604	5,700	5,815	5,940	280	285	291	297
4	Less stable deposits	332	313	280	246	34	32	29	25
5	**Unsecured wholesale funding**	**8,930**	**8,885**	**8,527**	**8,129**	**3,910**	**3,945**	**3,832**	**3,659**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,864	4,614	4,147	3,657	1,170	1,106	990	868
7	Non-operational deposits (all counterparties)	3,797	3,989	4,097	4,185	2,471	2,557	2,558	2,504
8	Unsecured debt	269	282	284	287	269	282	284	287
9	**Secured wholesale funding**					**5**	**13**	**25**	**43**
10	**Additional requirements**	**1,914**	**1,997**	**1,897**	**1,867**	**1,110**	**1,178**	**1,057**	**1,018**
11	Outflows related to derivative exposures and other collateral requirements	481	634	700	734	456	582	628	659
12	Outflows related to loss of funding on debt products	39	114	137	145	39	114	137	145
13	Credit and liquidity facilities	1,394	1,249	1,060	988	615	482	292	213
14	**Other contractual funding obligations**	**140**	**137**	**136**[1)]	**114**	**121**	**117**	**116**	**94**
15	**Other contingent funding obligations**	**1,148**	**957**	**1,000**	**1,133**	**206**	**149**	**95**	**110**
16	Total cash outflows					5,666	5,720	5,445	5,246
Cash inflows									
17	Secured lending (e.g. reverse repos)	239	172	139	105	31	26	24	22
18	Inflows from fully performing exposures	654	581	603[1)]	676	453	424	418	477
19	Other cash inflows	219	206	151	119	219	206	151	119
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–

[1)] Given an editorial error in the table EU LIQ1 (Atlantic Group and Aareal Bank AG) disclosed as at 30 June 2023, the affected items were corrected in the present Regulatory Disclosure Report. These corrections – which were only marginal – have not led to any changes in the key parameters disclosed in lines EU-21 to 23 (liquidity buffer, total net cash outflows, and Liquidity Coverage Ratio).

>

Scope of consolidation	a	b	c	d	e	f	g	h
	Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023	Quarter ending on 31 Dec 2022	Quarter ending on 31 Mar 2023	Quarter ending on 30 Jun 2023	Quarter ending on 30 Sep 2023
€ mn								
EU-19b (Excess inflows from a related specialised credit institution)					–	–	–	–
20 Total cash inflows	**1,112**	**958**	**892**	**901**	**703**	**656**	**593**	**618**
EU-20a Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b Inflows subject to 90 % cap	–	–	–	–	–	–	–	–
EU-20c Inflows subject to 75 % cap	1,112	958	892	901	704	656	593	618
					Total adjusted value			
EU-21 Liquidity buffer					**7,659**	**8,271**	**8,640**	**8,535**
22 Total net cash outflows					**4,963**	**5,063**	**4,852**	**4,628**
23 Liquidity Coverage Ratio (%)					**154.60 %**	**163.88 %**	**179.70 %**	**185.22 %**

A large portion of securities held in the Treasury portfolio serve as the Bank's liquidity reserve, both from an economic and a normative perspective. 83 % of the Treasury portfolio fulfils the criteria for inclusion as high-quality liquid assets (HQLA); high quality and value stability play a decisive role in this respect.

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

Evolution of Aareal Bank AG's Liquidity Coverage Ratio over time

The average Liquidity Coverage Ratio (LCR) increased further compared to 30 June 2023 (179.70 %), reaching 185.22 % as at the reporting date.

HQLA showed a marked decline in the third quarter of 2023, mainly reflecting the development of deposits with central banks and the collateralisation of the GC Pooling portfolio. Thanks to the effects of high HQLA inventories in the first and second quarters of this year, however, the 12-month average has only fallen moderately.

Average net outflows are lower than in the previous quarter, mainly driven by the volume of expected loan repayments in the first and second quarters.

Concentration of funding sources

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

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

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

Currency mismatches in the Liquidity Coverage Ratio

Pursuant to Article 415 (2) of the CRR, Atlantic Group and Aareal Bank AG have no significant foreign currency exposure in their portfolios. As at the reporting date 30 September 2023, Atlantic Group's largest foreign currency portfolio in GBP amounts to 2.39 % of total liabilities (Aareal Bank AG: 2.09 %). We monitor the portfolio as to the existence of significant foreign currency exposures on a regular basis.

Derivatives positions and potential hedging requests

Pursuant to Article 423 (3) of the CRR, an additional liquidity outflow is to be provided for collateral which is required due to the impact of unfavourable market conditions on derivatives and financing transactions as well as on other contracts. The aim is to consider additional outflows from collateral potentially arising in an unfavourable market environment. The additional outflow is determined as per the historical look-back approach (HLBA) both at Atlantic Group and Aareal Bank AG level. The LCR calculation for Atlantic Group includes the largest absolute collateral net flow within a period of 30 days which occurred since the Group's foundation (maximum period of 24 months; the same period is used to calculate Aareal Bank AG's LCR). As at the reporting date, the annual average of additional liquidity requirements stood at € 575 million for Atlantic Group and Aareal Bank AG.

Imprint

Contents:
Aareal Bank AG, Investor Relations,
Regulatory Affairs – Regulatory Reporting
Layout/Design:
S/COMPANY · Die Markenagentur GmbH, Fulda, Germany

This report is also available in German language.

Aareal Bank Group

11/2023

Aareal

YOUR COMPETITIVE ADVANTAGE.