Regulatory Disclosure Report for the 2025 financial year
of Atlantic Group

Aareal
YOUR COMPETITIVE ADVANTAGE.

Regulatory Disclosure Report for the 2025 financial year

Preface

The Regulatory Disclosure Report is prepared at the level of Atlantic Lux HoldCo Group ("Atlantic Group"). The Group's parent institution, which is required to consolidate Group information in accordance with Article 11 of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), is Aareal Bank AG, having its registered office in Wiesbaden, Germany (LEI code EZKODONU5TYHW4PP1R34).

Since Atlantic Group is managed entirely at the level of Aareal Bank AG, Atlantic Group and Aareal Bank Group have the same risk profile. Apart from holding Aareal Bank AG shares via its subsidiary Atlantic BidCo GmbH, Atlantic Group has no other operating business. This is why this Regulatory Disclosure Report is prepared from Aareal Bank Group's perspective.

Regulatory indicators and further information on Aareal Bank Group are available in Aareal Bank Group's Annual Report 2025 and in the presentation to the Analyst Conference Call on the 2025 results, which is available for download from Aareal Bank's website.

This Regulatory Disclosure Report outlines the business policy standards and facts that are relevant for assessing the situation at Group level from a regulatory perspective. Besides providing a qualified description of the manner in which risks are identified, evaluated, weighted and reviewed, the Regulatory Disclosure Report also contains detailed quantitative statements about the sizes of the individual areas.

The Regulatory Disclosure Report implements the requirements in accordance with part 8 of the CRR. The existing disclosure requirements are specified by Commission Implementing Regulation (EU) 2024/3172, published by the European Commission in November 2024.

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

Due to its total assets of more than € 30 billion, Atlantic Group is classified as a large institution in accordance with Article 4 No. 146 lit. d) of the CRR.

Summary

Aareal Bank AG fulfils the requirements set out in Article 4 (1) No. 147 of the CRR for classification as a large subsidiary of Atlantic Group. Hence, pursuant to Article 13 (1) sub-section 2 of the CRR, it is obliged to disclose certain information on an individual basis. Given that Aareal Bank AG is relieved from application of regulatory requirements on a standalone basis, applying a waiver under section 2a (1) sentence 1 of the German Banking Act (Kreditwesengesetz – "KWG") in conjunction with Article 7 (1) and (2) of the CRR, only the disclosure requirements regarding liquidity apply on a single-institution basis.

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

In line with the requirements of Article 431 (3) of the CRR, Aareal Bank AG has created formal procedures for Atlantic Group through disclosure guidelines, which ensure that the disclosure requirements are met. The disclosure guidelines contain rules on:

- the scope and content of the disclosure requirements,
- the principles of disclosure, in particular on appropriateness, structure of the report, locations, reporting date and frequency,
- determining the materiality, confidential information and trade secrets,
- responsibilities and organisational units involved,
- the structure of the disclosure process,
- the data sources and relevant IT systems and
- the review of the disclosure procedure.

The specific structure and implementation of the disclosure requirements is described in detail in the supplementary documents.

Aareal Bank has implemented comprehensive control mechanisms as part of the disclosure process, which are used to review the disclosed data for completeness, accuracy, and appropriateness. These control activities associated with the disclosure process are an integral component of Aareal Bank's Internal Control System (ICS). Besides the ongoing control in the course of the creation process, the control activities include an annual, central review of the following aspects:

- appropriateness of the details,
- content-related design of the disclosures,
- frequency of the disclosures,
- new regulatory requirements and adjustments.

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

In addition, compliance with the disclosure requirements is regularly reviewed by Aareal Bank AG's Internal Audit division.

Overall, the Regulatory Disclosure Report is subject to control mechanisms comparable to those used in the management report for financial reporting.

In accordance with the legal requirements, the Regulatory Disclosure Report does not require a qualified audit opinion and is therefore not audited.

The Regulatory Disclosure Report is published pursuant to Article 434 (1) of the CRR on the Aareal Bank AG website, under the menu item "Investors". The Regulatory Disclosure Report and all the tables included are also published on the Pillar 3 Data Hub, which can be accessed via the European Banking Authority's central web portal (the European Data Access Portal, EDAP).

Aareal Bank AG publishes the Regulatory Disclosure Report on a quarterly basis. The scope of information to be disclosed as at the respective reporting dates is based on the requirements set out in Article 433a of the CRR.

The details in this Regulatory Disclosure Report are based on both the Credit Risk Standard Approach (CRSA) and the approaches using internal models to calculate RWAs. Only the relevant disclosure requirements for Atlantic Group are explicitly addressed.

This Regulatory Disclosure Report does not yet disclose aggregate exposure to shadow banking entities as defined in Article 449b of the CRR in conjunction with Article 394 (2) of the CRR because the necessary standardised disclosure obligations have not yet been finalised within the scope of the implementing technical standards to be published by the EBA. First-time disclosure is scheduled for 31 December 2026, taking into account consultation paper EBA/CP/2025/07.

Aareal Bank also refrains from disclosing information on crypto-asset exposures pursuant to Article 451b of the CRR because the Bank holds no such exposures.

The disclosure tables have been derived from regulatory reports, applying the allocation rules published by the European Banking Authority (EBA) in accordance with Article 434 (1) of the CRR.

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

The entry into force of CRR III on 1 January 2025 has brought about extensive changes to regulatory requirements. Against this background, the figures reported in this Regulatory Disclosure Report are only comparable to a limited extent with the corresponding figures as at reporting dates prior to 1 January 2025.

For the reasons mentioned above, Atlantic Group does not disclose the tables listed in the overview as at 31 December 2025.

	Reasons
EU PV1: Adjustments in accordance with the principle of prudent valuation (prudent valuation adjustments – "PVAs")	Aareal Bank uses the simplified approach to determine additional valuation adjustments.
EU CR7: IRB approach – Effect on the Risk Weighted Exposure amounts of credit derivatives used as CRM techniques	Aareal Bank held no credit derivatives that can be used for collateralisation purposes as at the reporting date.
EU CR9.1: IRB Approach – Backtesting of PD per exposure class	When determining internal credit ratings and default rates, the Bank does not use assessments by external rating agencies as stipulated in Article 180 (1) lit. f) of the CRR.
EU CR10.1 to EU CR10.4: Specialised lending exposures and equity exposures	The specialised lendings held in the portfolio as at the reporting date are not assigned any regulatory risk weights prescribed in accordance with Article 153 (5) of the CRR.
EU CCR6: Credit derivatives exposures	Aareal Bank held no credit derivatives as at the reporting date.
EU CCR7: RWA flow statements of CCR exposures under the IMM	For the purpose of regulatory reporting, the equivalent value of derivatives and the related counterparty credit risk are determined according to the standardised approach pursuant to Articles 274 et seqq. of the CRR (SA-CCR).
EU SEC2: Securitisation exposures in the trading book	Securitisation exposures are held only in the non-trading book.
EU SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor	Aareal Bank assumes only the originator role when implementing securitisations.
EU MR1: Market risk under the standardised approach	Since the sum total of the aggregate net foreign exchange position does not exceed the threshold of 2 % of own funds, the Bank has neither determined own funds requirements for foreign exchange risk, nor reported these to the supervisory authorities. Accordingly, this table is not disclosed.
EU MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models	No internal models are used to calculate regulatory capital requirement for market risk.
EU MR2-A: Market risk under the internal Model Approach (IMA)	No internal models are used to calculate regulatory capital requirement for market risk.
EU MR2-B: RWEA flow statement of market risk exposures under the internal models approach (IMA)	No internal models are used to calculate regulatory capital requirement for market risk.
EU MR3: IMA values for trading portfolios	No internal models are used to calculate regulatory capital requirement for market risk.
EU MR4: Comparison of VaR estimates with gains/losses	No internal models are used to calculate regulatory capital requirement for market risk.
EU CVAB: Qualitative disclosure requirements related to CVA risk for institutions using the Standardised Approach	Aareal Bank uses a reduced basic approach under Article 384 of the CRR that does not include any hedges for calculating the regulatory capital requirements for CVA risks.
EU CVA2: Credit valuation adjustment risk under the Full Basic Approach (F-BA)	Aareal Bank uses a reduced basic approach under Article 384 of the CRR that does not include any hedges for calculating the regulatory capital requirements for CVA risks.
EU CVA3: Credit valuation adjustment risk under the standardised approach (SA)	Aareal Bank uses a reduced basic approach under Article 384 of the CRR that does not include any hedges for calculating the regulatory capital requirements for CVA risks.
EU CVA4: RWA flow statements of credit valuation adjustment risk under the standardised approach (SA)	Aareal Bank uses a reduced basic approach under Article 384 of the CRR that does not include any hedges for calculating the regulatory capital requirements for CVA risks.
EU CAE1: Exposures to crypto-assets	Aareal Bank holds no crypto-asset exposures.
EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries	The NPL ratio was below 5 % as at the reporting date and as at the three last quarterly reporting dates.
EU CQ2: Quality of forbearance	The NPL ratio was below 5 % as at the reporting date and as at the three last quarterly reporting dates.
EU CQ6: Collateral valuation – loans and advances	The NPL ratio was below 5 % as at the reporting date and as at the three last quarterly reporting dates.
EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	The NPL ratio was below 5 % as at the reporting date and as at the three last quarterly reporting dates.
ESG table 4: Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-emitting companies	As at the reporting date under review, Aareal Bank held no exposures to counterparties that are among the top 20 carbon-emitting companies in the world.
ESG table 6: Summary of key performance indicators (KPIs) on Taxonomy-aligned exposures	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 6 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
ESG table 7: Mitigating actions: Assets for the calculation of GAR	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 7 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.

	Reasons
ESG table 8: GAR (%)	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 8 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
ESG table 9.1: Mitigating actions: Assets for the calculation of BTAR	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 9.1 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
ESG table 9.2: BTAR in %	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 9.2 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
ESG table 9.3: BTAR in %	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 9.3 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
ESG table 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852	Aareal Bank is following the recommendation published by the EBA in a no-action letter on 6 August 2025 and is suspending the disclosure of ESG Table 10 as part of the revision of disclosure requirements in accordance with Article 449a of the CRR.
EU iLAC: Internal loss-absorbing capacity – internal MREL	Table EU iLAC only needs to be disclosed by enterprises that are significant subsidiaries of non-EU G-SRIs and that are not themselves resolution entities.
EU TLAC2a: Creditor ranking – non-resolution entity	Table EU TLAC2a only needs to be disclosed by enterprises that are significant subsidiaries of non-EU G-SRIs and that are not themselves resolution entities.
EU TLAC2b: Creditor ranking – non-resolution entity	Table EU TLAC2b only needs to be disclosed by enterprises that are not significant subsidiaries of non-EU G-SRIs and that are not themselves resolution entities.
EU TLAC3a: Creditor ranking – resolution entity	Table EU TLAC3a only needs to be disclosed by enterprises classified as resolution entities that are G-SRIs or part of a G-SRI.

Overview of Regulatory Key Metrics

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 for Atlantic Group under the Supervisory Review and Evaluation Process (SREP).

As at the reporting date, the output floor had no impact on the RWAs applicable for regulatory capital requirements, and hence on the capital ratios, because the RWAs determined using internal models and considering the partial-use method as per Article 150 of the CRR ("U-TREA") are higher than the 50 %-weighted RWAs determined exclusively according to standardised approaches (output floor).

EU KM1: Key metrics

		a	b	c	d	e
€ mn		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	2,934	2,863	2,921	2,797	2,892
2	Tier 1 (T1) capital	3,341	3,270	3,328	3,204	3,192
3	Own funds	3,999	3,900	4,006	3,905	3,808
	Risk-weighted exposure amounts					
4	Risk weighted exposure amounts (RWAs)	13,089	12,834	13,313	13,605	14,268
4a	Total risk exposure (unfloored)	13,089	12,821	13,313	13,605	–
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (CET1 ratio)	22.41	22.31	21.94	20.56	20.27
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	22.41	22.33	21.94	20.56	–

€ mn		a 31 Dec 2025	b 30 Sep 2025	c 30 Jun 2025	d 31 Mar 2025	e 31 Dec 2024
6	Tier 1 ratio (T1 ratio)	25.52	25.48	24.99	23.55	22.37
6b	Tier 1 ratio considering unfloored TREA (%)	25.52	25.50	24.99	23.55	–
7	Total capital ratio (TC ratio)	30.55	30.39	30.09	28.70	26.69
7b	Total capital ratio considering unfloored TREA (%)	30.55	30.42	30.09	28.70	–
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage	3.00	3.00	3.00	3.00	3.00
EU 7e	of which: to be made up of CET1 capital	1.69	1.69	1.69	1.69	1.69
EU 7f	of which: to be made up of Tier 1 capital	2.25	2.25	2.25	2.25	2.25
EU 7g	Total SREP own funds requirements	11.00	11.00	11.00	11.00	11.00
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	–	–	–	–	–
9	Institution-specific countercyclical capital buffer	0.73	0.73	0.65	0.65	0.59
EU 9a	Systemic risk buffer	0.01	0.01	0.01	0.01	0.02
10	Global Systemically Important Institution buffer	–	–	–	–	–
EU 10a	Other Systemically Important Institution buffer	–	–	–	–	–
11	Combined buffer requirement	3.24	3.24	3.15	3.16	3.11
EU 11a	Overall capital requirements	14.24	14.23	14.15	14.16	14.11
12	CET1 available after meeting the total SREP own funds requirements	16.23	16.12	15.75	14.37	14.08
	Leverage Ratio					
13	Total exposure measure	45,869	46,426	46,230	45,183	46,683
14	Leverage Ratio (%)	7.28	7.04	7.20	7.09	6.84
	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					
15	Total high-quality liquid assets (HQLA) (weighted value – average)	7,572	7,711	7,624	7,401	7,605
EU 16a	Cash outflows – total weighted value	3,927	3,945	4,059	4,119	4,289
EU 16b	Cash inflows – total weighted value	671	729	943	1,032	983
16	Total net cash outflows (adjusted value)	3,256	3,216	3,116	3,087	3,306
17	Liquidity coverage ratio (LCR) (%)	233,70	240,61	245,70	241,46	234,96
	Net Stable Funding Ratio					
18	Total available stable funding	34,502	35,466	35,623	34,897	35,193
19	Total required stable funding	30,360	29,385	28,882	29,693	29,971
20	NSFR (%)	113,64	120,69	123,34	117,53	117,43

Development of key metrics

Capital ratios and RWAs

Compared to the previous disclosure date of 30 September 2025, the capital ratios reported to the supervisory authorities (CET1, T1 and TC ratios) increased slightly by 0.11 percentage points on average. This increase was due to higher regulatory capital (€ +99 million) and higher RWAs (€ +268 million).

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. However, the RWA increase was partially offset by the synthetic securitisation transaction implemented in October 2025. The RWAs associated with deferred tax assets reported under the CRSA rose compared to 30 September 2025.

The increase in regulatory capital was largely due to a € 71 million increase in CET1 capital. This development was mainly due to the fact that the IRB shortfall calculated as at 30 September 2025 in accordance with Article 159 of the CRR (€ +23 million) was no longer deducted, that the additional voluntary and preventive capital deduction in connection with ECB inspections decreased by € 23 million and that deferred tax assets dependant on future profitability were lower (€ +20 million).

Leverage Ratio

Compared to 30 September 2025, the Leverage Ratio increased by 0.24 percentage points, due to the € 71 million increase in Tier 1 capital and a simultaneous € 557 million decrease in the total exposure measure. The main driver for the decline in the total exposure measure was the decrease in the cash funds measured at amortised cost.

Liquidity Coverage Ratio

Atlantic Group's Liquidity Coverage Ratio (LCR), as reported to the supervisory authorities, decreased compared to 30 September 2025 (250.52 %), reaching 197.41 % as at the reporting date. The development was driven by the decrease in high-quality liquid assets (HQLAs; € -1,792 million) and in net cash outflows (€ -48 million).

The decline in HQLA was due in particular to the disbursement of new loans.

Main driver of the quarter-on-quarter decline in net cash outflows was a lower volume of non-operational deposits.

Since the disclosure of key LCR parameters is based on the weighted and unweighted averages of the past 12 reporting dates of the respective quarter, the changes outlined above do not have the same effect upon quarter-on-quarter changes as shown in tables EU KM1 and EU LIQ1.

Net Stable Funding Ratio

Compared to 30 September 2025, the Net Stable Funding Ratio (NSFR) decreased by 7.05 percentage points to 113.64 %, reflecting a € 975 million increase in required stable funding (RSF) and a decrease in available stable funding (ASF) in the amount of € 964 million.

The RSF increase was mainly due to growth in the loan portfolio (€ +1.2 billion).

The ASF decrease largely resulted from lower deposit volumes from housing industry clients (€ -170 million) and lower retail deposits (€ -177 million). In addition, the covered bonds volume was down by € 146 million quarter-on-quarter. Another factor reducing the ASF inventory was the reclassification of covered bonds and securities lending transactions into shorter maturity bands (€ -472 million).

Risk Management

Atlantic Group's management also makes use of Aareal Bank Group's risk management system: descriptions are identical with the exception of risk-bearing capacity, carrying amounts for credit default risk and liquidity risk indicators.

The ability to assess risks correctly and manage them strategically is a core skill in banking. This means that being able to control risks in all their relevant variations is central to a bank's long-term commercial success. This economic motivation for a highly developed risk management system increases continually as regulatory requirements for risk management become more and more far-reaching.

Aareal Bank reviews the appropriateness and effectiveness of its corporate governance systems (including risk governance systems) on a regular basis.

The Bank's risk management activities also incorporate sustainability risks, i. e. ESG risks relating to environmental, social and governance factors. Aareal Bank considers sustainability risks to include overarching risks or risk drivers whose occurrence may have an actual or potentially negative impact on the Bank's financial position, financial performance or reputation. Such risks manifest themselves in existing financial and non-financial risk types, which means that they are managed implicitly according to the risk types under which they are classified. ESG risks are a component of the regular risk inventory process. The following major mid- to long-term risk factors were assessed: climate-related and environmental risks (including both physical and transition risks) as well as governance factors such as data protection and information security. The assessment also included changing market behaviour as an overarching factor. The management and monitoring of ESG risks are optimised on an ongoing basis, with various risk indicators and limits being integrated into the risk management cycle.

According to section 25a (1) of the KWG in conjunction with the specifications provided in the Minimum Requirements for Risk Management (MaRisk), credit institutions are obliged to implement appropriate and effective risk management to ensure their risk-bearing capacity.

With regard to the disclosure requirements pursuant to Article 435 of the CRR, the Management Board confirms that Aareal Bank Group's risk management system is appropriate regarding the risk strategies, which were derived from and are consistent with the business strategy, as well as with the risk profile identified as part of the risk inventory.

Risk management – scope of application and areas of responsibility

Aareal Bank AG has implemented extensive systems and procedures for monitoring and managing the Group's risk exposure.

Uniform methods and procedures are using across all entities of Aareal Bank Group to monitor material risks that are generally associated with banking business. Specific risk-monitoring methods tailored to suit the relevant risk exposure at the individual entities are deployed here. In addition, risk monitoring for these entities is carried out at Group level via the relevant control bodies of the respective entity and via equity investment risk controlling.

Overall responsibility for Aareal Bank Group's risk management and risk monitoring lies with the Management Board and – in its function of monitoring the Management Board – with the Supervisory Board of Aareal Bank AG. The diagram below provides an overview of the responsibilities assigned to the respective organisational units.

Type of risk	Risk management	Risk monitoring
Overall responsibility: Management Board and Supervisory Board of Aareal Bank AG		
Loan loss risks		
Property Financing	Loan Markets & Syndication Credit Management Credit Portfolio Management Capital Markets Management Workout	Risk Controlling
Treasury business	Treasury	Risk Controlling
Country risks	Treasury Credit Management Capital Markets Management	Risk Controlling
Interest rate risk in the banking book (IRRBB)	Treasury, Asset-Liability Committee	Risk Controlling Finance & Controlling
Pension risks	Asset-Liability Commitee	Risk Controlling
Market risk	Treasury, Asset-Liability Committee	Risk Controlling
Operational risk	Process owners	Non-Financial Risks
Investment risk	Group Strategy	Risk Controlling Finance & Controlling Controlling bodies
Property risks	Workout	Risk Controlling
Business and strategic risk	Group Strategy	Risk Controlling
Liquidity risk	Treasury	Risk Controlling
Process-independent monitoring: Internal Audit		

The Management Board formulates the business and risk strategies, as well as what is known as the Risk Appetite Framework. For this purpose, "risk appetite" means the maximum risk exposure that is not expected to threaten the Bank's continued existence, even if the risks in question are assumed to materialise. For individual business units (the "First Line of Defence"), the Risk Appetite Framework defines guidelines for handling risks independently and responsibly.

The risk monitoring function (the "Second Line of Defence") regularly measures the utilisation of risk limits, and reports on the risk situation. In this context, the Management Board is assisted by the Risk Executive Committee (RiskExCo), which develops proposals for resolutions in line with delegated tasks, and promotes risk communication and a healthy risk culture within the Bank. In line with regulatory requirements, the risk management system was supplemented by a recovery plan that defined threshold values for key indicators – both from an economic and a normative perspective. These are designed to ensure that any negative market developments with an impact on our business model are identified at an early stage and that suitable steps are taken to safeguard continued business operations in the long term. Risk Controlling is responsible for monitoring financial risks at portfolio level, while the Non-Financial Risks division performs this function for non-financial risks. Both divisions report directly to the Chief Risk Officer (CRO).

In addition, Group Internal Audit (as the "Third Line of Defence") reviews the organisational structure and procedures and the risk processes – including the Risk Appetite Framework – and assesses whether these are appropriate. Internal processes also ensure that the Compliance function is involved whenever there are matters relating to compliance.

In order to perform its control function efficiently, the Supervisory Board established a Risk Committee that is responsible above all for risk strategies and for managing and monitoring all material types of risk.

There were no personnel changes at division head level in the Risk Controlling, Internal Audit and Compliance & Non-Financial Risks divisions.

Strategies

The business policy set by the Management Board and duly acknowledged by the Supervisory Board provides the conceptual framework for Aareal Bank Group's risk management. The Risk Appetite Framework, which also outlines the key elements of the risk culture put into practice, is consistent with the business strategy and builds on the defined risk appetite. Taking the Risk Appetite Framework as a basis and carefully factoring in the Bank's risk-bearing capacity, we formulated detailed strategies for managing each material type of risk, in terms of both capital and liquidity. Taken together, these represent the Group's risk strategy. These strategies are designed to ensure that risks are managed professionally and carefully. Accordingly, they include general definitions and specifications to ensure a uniform understanding of risks throughout the Group. The strategies also provide a cross-sectional, binding framework that applies to all divisions. The Bank has implemented adequate risk management and risk control processes to implement these strategies and to safeguard its risk-bearing capacity.

The business strategy, Risk Appetite Framework and risk strategies are reviewed on an ongoing basis and updated if necessary. Besides the regular review of the business strategy (with any necessary adjustments) and in turn, of the Group risk strategy, an independent validation of the Bank's risk-bearing capacity and its material risk models is conducted at least once a year. This involves above all examining the appropriateness of risk measurement methods, processes and risk limits. During the financial year under review, the strategies were adopted by the Management Board, duly noted, and approved by the Supervisory Board.

The Bank has defined escalation and decision-making processes for dealing with limit breaches. Risk Controlling prepares independent risk reports for the management in good time.

Aareal Bank Group maintains a decentralised Internal Control System (ICS), i. e. the respective control activities are outlined in the Written Set of Procedural Rules for the individual processes of divisions, subsidiaries or other units. Internal controls may run upstream, downstream or parallel to workflows; this applies to automatic control and monitoring functions and also to corresponding manual steps. Accordingly, the ICS covers all control activities and aims to ensure that qualitative and quantitative standards are adhered to (compliance with legal or regulatory requirements, compliance with limits, etc.).

The appropriateness and effectiveness of controls are reviewed by the respective divisions or subsidiaries on an event-driven basis, but at least every six months. The findings are discussed with the corresponding units within the Second and Third Lines of Defence (Risk Controlling, Compliance and Internal Audit), validated by a central ICS coordination unit, and reported to the Management Board and the Supervisory Board. In the event of any irregularities or violations, the Management Board – and in some cases, depending on the severity of the event, the Supervisory Board as well – must be notified without delay so that adequate measures or audit activities can be initiated at an early stage.

Risk-bearing capacity and risk limits

The Bank's ability to carry and sustain risk (as determined within the framework of the Internal Capital Adequacy Assessment Process (ICAAP)) is a key factor determining the structure of its risk management system. To ensure risk-bearing capacity at all times, Aareal Bank Group has adopted a dual management approach comprising two complementary perspectives: the normative and the economic perspective.

The normative perspective aims to ensure that Aareal Bank Group is able to fulfil all of its regulatory requirements over a multi-year period. Accordingly, this perspective accounts for all material risks that may impact upon relevant regulatory indicators over the multi-year planning period.

The normative ICAAP perspective is incorporated in Aareal Bank Group's planning process, which includes above all capital planning. Group planning covers three planning years, comprising both baseline and adverse scenarios. The Group planning results are shown as a projected consolidated income statement for Aareal Bank Group. Planning also covers the balance sheet structure, key regulatory indicators and additional internal management indicators.

Besides the planning process itself, intra-year computation adjustments to Aareal Bank Group's planning process included the monitoring of management indicators on an ongoing basis and checking whether limits[1] in the normative perspective were being complied with. A number of different regulatory ratios make up the management indicators in the normative perspective and these are monitored with specified limits.

We use the ICAAP economic perspective, the purpose of which is to safeguard Aareal Bank Group's economic substance and above all to protect creditors against economic losses. The procedures and methods are part of the Supervisory Review and Evaluation Process (SREP) and are applied in order to identify and quantify economic risks, and to determine the required capital backing.

The purpose of internal capital is to serve as a risk-bearing component under the economic perspective. Within Aareal Bank Group, the current regulatory Common Equity Tier 1 (CET1) capital forms the basis for determining economic aggregate risk cover. Additional Tier 1 (AT1) capital is not added to internal capital. Tier 2 capital and projected results to be incurred during the risk analysis horizon are not factored in.

Moreover, the value-oriented approach adopted under the economic perspective requires suitable adjustments to be made to regulatory Tier 1 capital in order to bring aggregate risk cover in line with the economic assessment. Specifically, this may entail adjustments regarding conservative valuation, hidden encumbrances or a management buffer (including adjustments for climate risks) Aareal Bank Group consistently applies a period of one year (or 250 trading days) as a risk analysis horizon; this also serves as the holding period as part of risk models under the economic perspective. The independent validation of the corresponding risk models and parameters verifies the appropriateness of model assumptions.

Looking at correlation effects between material types of risk within the framework of the economic ICAAP perspective, Aareal Bank Group has prudently to aggregate risk levels, i.e. accordingly, no risk-mitigating correlation effects are being taken into account. Where we measure risks on the basis of quantitative risk models for the purposes of calculating risk-bearing capacity, these are based on a confidence interval of 99.9%.

Limits for specific risk types are determined in such a way that aggregate limits do not exceed economic aggregate risk cover less a risk buffer. This risk buffer is designed, among other things, to account for risks that are not explicitly covered by limits and to also absorb other fluctuations of internal capital over time. Individual limits are set on the basis of existing risk exposures and historical levels of potential risks, provided that these are in line with the Bank's business and risk strategy. Specific limits have been set so that each limit can be used in line with planned business development and for common market fluctuations.

A detailed monthly report provides information regarding the utilisation of individual limits for the material types of risk, as well as on the overall limit utilisation. These are monitored as part of daily reporting. No limit breaches at the aggregate risk level were detected during the period under review.

[1] In accordance with the more detailed requirements regarding Article 435 (1) of the CRR as stipulated in Annex IV of Commission Implementing Regulation (EU) 2024/3172, institutions are also required to disclose approved limits for risks they are exposed to. According to Aareal Bank, this information was classified as a trade secret based on EBA guidelines 2014/14 because the information is competitively sensitive. Instead, the Bank discloses information regarding the utilisation of individual limits and of aggregate risk cover.

Risk-bearing capacity (ICAAP – economic perspective)

€ mn	31 Dec 2025	31 Dec 2024
Relevant Common Equity Tier 1 (CET1) capital	2,899	2,737
Economic adjustments	-121	-167
Aggregate risk cover	**2,778**	**2,570**
Utilisation of aggregate risk cover		
Loan loss risks	898	746
Interest rate risk in the banking book (IRRBB)	80	90
Pension risks	69	92
Market risks	286	288
Operational risks	143	129
Investment risks	20	40
Property risks	104	109
Business and strategic risks	112	90
Total utilisation	**1,712**	**1,584**
Utilisation (% of aggregate risk cover)	**62**	**62**

Since risk cover potential is not an adequate means to assessing the risk-bearing capacity when it comes to monitoring the Bank's ability to meet its payment obligations (liquidity risk in the narrower sense), we have defined special tools within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP) for managing and monitoring this type of risk.

Stress testing

Within the scope of ICAAP and ILAAP, scenario analyses are carried out in all perspectives as a core element of our risk management system. This involves conducting stress tests for all material risks, using both historical parameters as well as hypothetical stress-testing scenarios. So that we can also assess cross-relationships between the various types of risk, we have defined multi-factor stress scenarios, known as "global" stress tests. For instance, the impact that the 2007 financial and economic crisis had on individual types of risk and aggregate risk is analysed within the scope of a historical scenario. In the hypothetical scenario, current potential developments are derived from factors such as political developments and are combined with significant macroeconomic deterioration. The stress-testing methodology that is implemented also takes into account the impact of any risk concentrations. Stress scenarios are analysed both from an economic and a normative perspective, factoring in the respective cross-relationships. This means that any economic risks that may materialise (from a normative view) over the analysis period are incorporated in the normative perspective unless they are sufficiently covered already. ESG risks are integrated into the stress-testing methodology and ESG-related stress test calculations include climate change scenarios, together with a scenario relating to change in society.

The Management Board and the Supervisory Board are informed of the results of the stress analyses on a quarterly basis.

Credit business

Division of functions and voting

Aareal Bank Group's structural organisation and business processes reflect regulatory requirements regarding the organisational structure and procedures in the credit business.

Processes in the credit business are designed to respect the clear functional division of Sales units ("Markt") and Credit Management ("Marktfolge") up to and including senior management level. In addition, the Risk Controlling division, which is not involved in making lending decisions, is responsible for monitoring all material risks while ensuring an adequate and target-oriented risk reporting system at portfolio level.

Lending decisions regarding credit business classified as relevant for the Bank's risk exposure require two approving votes, one submitted by a Sales unit and one by a Credit Management unit. The Bank's Schedule of Powers clearly defines the relevant lending authorities within Sales units and Credit Management. If authorised persons are unable to come to a unanimous lending decision, the loan in question cannot be approved or must be submitted to the next-highest decision-making level for a decision.

We have implemented and documented the clear separation of Sales and Credit Management processes across all relevant divisions.

Process requirements

The credit process comprises the credit approval and further processing phases, each governed by a control process. Credit exposures subject to increased risks involve supplementary processes for intensified handling, for handling problem loans, and – if necessary – for recognising allowance for credit losses. The corresponding processing principles are laid down in the Bank's standardised rules and regulations. Key factors determining the counterparty credit risk of a credit exposure are identified and assessed on a regular basis, taking into account sector risks and, in some cases, country risks. Critical factors regarding an exposure are highlighted and analysed assuming different scenarios where appropriate.

Suitable risk classification procedures are applied to evaluate risks for lending decisions, as well as for regular or event-driven monitoring of exposures. This classification scheme is reviewed at least once a year; depending on the risk situations, the review cycle may be shortened significantly. The findings of the risk assessment also influence pricing.

The organisational guidelines contain provisions governing escalation procedures and further handling in the event that limits are breached or that individual risk parameters deteriorate. Measures involved may include providing extra collateral or conducting an impairment test.

Early risk detection procedures

Early identification of credit risk exposure, using individual or combined (early warning) criteria is a core element of our risk management approach.

In particular, the procedures applied for detecting risks early on serve the purpose of identifying, in good time, borrowers or exposures for which higher risks are beginning to emerge. For this purpose, we generally monitor individual exposures and the parties involved (such as borrowers or guarantors) regularly throughout the credit term, assessing quantitative and qualitative factors, with the aid of instruments such as periodic monitoring and internal ratings. The intensity of the ongoing assessments is based on the risk level and size of the exposure. The Group's risk management processes ensure that counterparty credit risk is assessed at least once a year.

Extensive IT resources are deployed to identify risk positions and also to monitor and assess risks. Overall, the existing set of tools and methods enables the Bank to adopt risk management measures at an early stage wherever required.

One crucially important factor in this context is actively managing client relationships, i.e. approaching clients in time to jointly develop a solution to any problems that may arise. Wherever necessary, we enlist expert assistance from the independent restructuring and recovery functions.

Risk classification procedures

Aareal Bank's risk classification procedures are tailored to the requirements of the respective asset class for the initial, regular or event-driven assessment of counterparty credit risk. Responsibility for development, quality assurance and monitoring with regard to the implementation of risk classification procedures – and also for annual validation – lies with two separate divisions outside the Sales units, which are independent of one another.

The ratings determined using internal risk classification procedures are an integral element of the Bank's approval, monitoring, and management processes.

Property financing business

The Bank employs a two-level risk classification procedure for large commercial property finance exposures, specifically designed to match the requirements of this type of business.

First of all, the client's probability of default (PD) is determined using a rating procedure. The method used here comprises 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 in question. The client's current and future default probability is determined based on specific financial indicators, together with qualitative aspects and expert knowledge.

The second step involves calculating the loss given default (LGD). The LGD estimates the extent of the economic loss in the event of a borrower defaulting. In simple terms, this is the amount of the claim not covered by the proceeds from the realisation of collateral.

When evaluating collateral, haircuts are applied or recovery rates used, depending on the type of collateral involved and specific realisation factors. Where domestic properties are to be financed, recovery rates are taken from a pool of data used across the Bank, while recovery rates for international properties are derived using statistical methods, given the low number of realisations.

In this context, PD and LGD procedures are also applied for accounting purposes, i. e. for determining model-based loss allowance. Concerning the scenario analyses to be taken into account when determining individual LGDs, an updated scenario mix is applied to the customary process and model. This probability-weighted scenario mix reflects the uncertainty of future developments and supplements our baseline scenario by adding divergent developments. These scenarios are also applied to modelling scenario-driven PDs, since technical implementation in the models applied in a production environment has yet to be finalised.

The expected loss (EL) in the event of an exposure defaulting is determined as the product of PD, LGD and EAD. As a risk parameter related to the financing, EL is used as an input factor for the tools used to manage the property financing business.

Financial institutions

Aareal Bank Group uses an internal rating procedure for financial institutions to classify the risk exposure to banks, financial services providers, securities firms, public-sector development banks and insurance companies. This procedure takes into account qualitative and quantitative factors and our client's group affiliation. By assessing relevant financial indicators and factoring in expert knowledge, the Group assigns financial institutions to a specific rating grade.

Sovereign states and local authorities

Aareal Bank Group also employs internal rating methods for sovereign borrowers and regional governments and for local and other public-sector entities. In this context, rating grades are assigned using clearly defined risk factors, such as fiscal flexibility or the level of debt. Our rating analysts' expert knowledge also influences the rating.

In general, the risk classification procedures employed by the Bank are dynamic methods that are constantly adapted to changing risk structures and market conditions.

Trading activities

Functional separation

We have implemented a consistent functional separation between Sales units and Credit Management along the entire process chain for concluding, settling and monitoring trading transactions.

On the Sales side, the process chain comprises the Treasury division, while Credit Management tasks are carried out by the independent Capital Markets Operations and Risk Controlling divisions. Beyond this, Finance and Audit are responsible for tasks that are not directly related to processes.

We have laid down organisational guidelines providing for binding definitions of roles and responsibilities along the process chain, with clearly defined change processes in place as well.

The detailed assignment of responsibilities is outlined below.

Treasury is responsible for risk management and trading activities as defined by the Minimum Requirements for Risk Management ("MaRisk"). Treasury is also responsible for asset/liability management, and for managing the Bank's market and liquidity risk exposures. In addition, we have established an Asset-Liability Committee (ALCO) to develop strategies for the Bank's asset/liability management and proposals for implementing these strategies. The ALCO meets at least monthly and comprises the CEO, the CFO, the CRO and other members appointed by the Management Board.

Capital Markets Management is responsible for controlling trading activities, confirming trades to counterparties, and for trade settlement. The division is also responsible for verifying that trades that have been entered into are in line with prevailing market conditions. Legal performs the legal assessment of non-standard agreements and of new standard/master agreements.

To assess counterparty credit risk in the trading business, a rating is prepared for all counterparties and issuers on a regular or event-driven basis. The rating is a key indicator used to determine the limit for the relevant counterparty or issuer.

The Risk Controlling division is responsible for identifying, quantifying and monitoring market price, liquidity and counterparty credit risk exposure from trading activities and also for providing prompt, independent risk reporting to senior management.

Process requirements

Processes are geared towards ensuring end-to-end risk management, from concluding the trade to monitoring portfolio risk. The monitoring and reporting function comprises deploying adequate risk measurement systems, deriving limit systems and ensuring that Aareal Bank Group's overall risk exposure from trading activities is transparent in terms of scope and structure.

Change processes (as defined in Section AT 8 of the MaRisk) are managed consistently via Group-wide framework directives. As well as this, processes and systems are designed in such a way that new products can be incorporated into the risk monitoring system quickly and effectively so that the Sales units can ble flexible in their business activities.

A standardised process exists for intensified handling of counterparties and issuers and also for dealing with problems. This process involves identifying early warning indicators, applying them for the purposes of risk analysis and determining any further action to be taken. In the event of counterparty or issuer default, the RiskExCo will be involved in devising a plan of action together with the Bank's divisions that are involved.

Escalation and decision-making processes have been defined to deal with limit breaches.

Investment risks

Definition

Aareal Bank defines investment risk as the threat of unexpected losses incurred due to an impairment of the investment's carrying amount, or due to a default of loans extended to investees. The concept of investment risk also encompasses additional risks arising from contingencies vis-à-vis the relevant Group entities.

Risk measurement and monitoring

The investment risk model breaks down investments outside the regulatory scope of consolidation into two groups, whereby risk-equivalent exposures are determined for material investments using the regulatory IRB formula. The latter was modified to include a concentration risk component to account for the eventuality of individual equity investments representing a significant concentration risk from an overall bank perspective. For non-material investments, equity coverage is determined using the simple risk weight function for investments in accordance with the CRR. Risk exposure for investments within the regulatory scope of consolidation is measured using the look-through principle, based on the assets of the respective investment.

The existing procedures used to measure and monitor risk exposure are supplemented by subjecting the equity portfolio to regular stress testing.

Strategy and Corporate Development, as well as Performance Management and Risk Controlling, are responsible for measuring and monitoring investment risk exposure.

Risk Controlling submits a quarterly equity investment risk report to the Bank's Management Board.

Property risks

Definition

We define property risk as the threat of unexpected losses arising from changes in the value of property held by the Bank or by fully consolidated subsidiaries.

Due to the special character of property risk (e.g. marketing risks), special methods and procedures are employed to deal with this type of risk. All relevant property holdings are subjected to regular audits, including a review and assessment of their risk situation.

Risk measurement and monitoring

In order to measure and monitor risks, property yields are analysed for different regions and property types, and over the time horizons available: on this basis, potential yield increases for different regions and property types over a one-year horizon are determined by applying a 99.9 % confidence interval. A property's risk contribution results from the difference between the current market value and the property value adjusted for the yield increase.

The property risk level is measured on a monthly basis and presented in detail in the monthly risk report to the Management Board. Limit utilisation under the ICAAP is monitored as part of daily risk reporting.

The model also factors in idiosyncratic shock events for each property, which may occur independently of general market developments.

Property holdings were reduced as at the reporting date due to the sale of our Italian hotel operations and the disposal of three additional properties in Italy and Spain.

Country risks

Our comprehensive approach to risk management also includes measuring and monitoring country risk exposure. When defining country risk, Aareal Bank considers – in addition to the risk of sovereign default or default of state entities – the risk that a counterparty could, despite being willing and able to pay, find itself unable to meet its payment obligations as a result of government action, due to restrictions being imposed on making payments to creditors (transfer risk). Country risk exposure is managed using a cross-divisional process. The respective country limits are determined on the basis of a country risk assessment by the Bank's senior management. The Risk Controlling division is responsible for monitoring country limits and limit utilisation on an ongoing basis and also for periodical reporting.

Business and strategic risks

Definition

Business and strategic risks are defined as risks that may potentially prevent corporate objectives from being achieved. For example, these may result from changes in the competitive environment or from an unsuitable strategic positioning in the macroeconomic environment. We distinguish between allocation risk and investment risk. Allocation risk is defined as a divergence of operating results due to lower-than-expected income from allocated capital that cannot be offset through reductions in costs or administrative expenses. Investment risk is defined as the risk of the Bank being unable to compensate for any divergence in operating results through activities or investments in alternative business segments that generate results to the same or a similar extent.

Risk measurement and monitoring

As allocation risk is already covered by various planning scenarios, it is incorporated in aggregate risk cover.

Investment risk is measured across segments. It is quantified based on the assumption that additional upfront investment is required to establish an investment opportunity that was previously unavailable. This upfront investment is assumed to represent potential risk.

Pension risks

Pension risks arise from measuring pension obligations that have been entered into and plan assets that are held under pension plans. Risk is mitigated by structuring plan assets – essentially a special investment fund held in trust – accordingly.

VaR, which requires sensitivity data for risk factors (representing exposure) and a covariance matrix of these risk factors (volatility and correlation) to map market dynamics, is calculated as the simplest stochastic model in the delta-normal approach.

Pension risks are managed directly by the Asset-Liability Committee (ALCO); for this purpose, the ALCO has also assumed the function of Investment Committee for the plan assets. It sets out the investment objectives and strategy, which form the essential basis for pension risk management, in the investment guidelines. The ALCO can always respond to changing market conditions by making adjustments to the portfolio in accordance with the investment guidelines, thereby actively managing pension risk while adhering to the specified limits. Pension obligations and plan assets are subject to regular risk reviews and assessments.

Information about Corporate Governance Regulations

The disclosures required pursuant to Article 435 (2) of the CRR are outlined below.

Management and supervisory functions of the Management Board and the Supervisory Board

The following tables show the number of management and supervisory functions held by members of the Management Board and Supervisory Board.

	Number of management or supervisory functions actually exercised	Number of directorships taking into account the privileged status pursuant to section 25c (2) of the KWG
Management Board		
Dr Christian Ricken	4	3
Andy Halford	3	3
Nina Babic	4	3
Christof Winkelmann	3	1

>

	Number of management or supervisory functions actually exercised	Number of directorships taking into account the privileged status pursuant to section 25d (3) of the KWG
Supervisory Board		
Jean Pierre Mustier	4	3
Wolfgang Gaertner[1]	8	4
Henning Giesecke	3	3
Denis Hall	4	4
Petra Heinemann-Specht	1	1
Barbara Knoflach	7	5[2]
Hans-Hermann Lotter	7	4
Marika Lulay[3]	4	4
Klaus Novatius	1	1
Maximilian Rinke	2	2
Sascha Schmitt	1	1
José Sevilla Álvarez	2	2
Markus Zywitza	1	1

1) The Annual General Meeting elected Mr Gaertner to the Supervisory Board on 21 April 2026.
2) The ECB approved that Ms Knoflach holds an additional Supervisory Board office.
3) Ms Lulay retired from the Supervisory Board at the close of the Annual General Meeting on 21 April 2026.

Guidelines for selecting members of the Management Board and the Supervisory Board

Aareal Bank's Supervisory Board is convinced that the Management Board and the Supervisory Board are adequately staffed if all members are in a position to perform their duties (professional qualification), commit the time necessary to perform these and possess the integrity to be guided by the ethical principles of Aareal Bank Group when performing their duties (with respect to personal reliability, including potential conflict of interest and independence aspects). The composition of the Supervisory Board and the Management Board, respectively, shall facilitate, in its entirety, cooperation and the widest possible diversity of opinions and knowledge (the concept of diversity).

The Supervisory Board has defined concrete requirements and processes to incorporate these criteria when evaluating Management Board and Supervisory Board members, as well as when selecting candidates for appointment to the Management Board, or shareholder representatives to the Supervisory Board. When establishing these processes, it took into account the provisions of the AktG and the KWG, the recommendations of the German Corporate Governance Code, and the regulatory guidelines of the European Central Bank and the European Banking Authority on adequacy and internal governance. Besides the Supervisory Board, the European Central Bank also reviews the suitability of the respective candidates, using what is known as the "fit & proper" approach.

Personal reliability

The principles of personal reliability apply equally for all members of the Management Board and the Supervisory Board. The members of the Management Board and the Supervisory Board must demonstrate honesty, integrity and independence of mind. They should live by the ethical principles of Aareal Bank Group, as set out in the Code of Conduct, and dedicate sufficient time to performing their duties. The time commitment of every Management Board and Supervisory Board member is calculated; an annual review reveals whether they are dedicating sufficient time to exercising the mandate. The Supervisory Board takes care to ensure compliance with the requirements for the maximum number of additional offices, pursuant to sections 25c (2) and 25d (3) of the KWG.

Conflicts of interest in the Management Board

Dr Ricken, Ms Babic, Mr Halford and Mr Winkelmann are subject to a potential conflict of interest due to their investments in the Atlantic Co-Investment Programme. This, however, is immaterial and does not affect their work on the Management Board. Dr Ricken is also subject to various material and immaterial conflicts of interest as a result of his previous position as a member of LBBW's Board of Managing Directors. However, all of these conflicts of interest are temporary and will no longer exist after 30 June 2026. If Aareal Bank's Management Board deals with an issue that presents a conflict of interest for a Management Board member, the Management Board member in question will abstain from any related discussions and from voting on the resolution.

Independence of Supervisory Board members

Special rules apply to the Supervisory Board over and above the Group-wide Conflicts of Interest Policy. Acting in the interests of the Company means making judgements free from extraneous influence. In line with this, the Supervisory Board attaches particular importance to the handling and disclosure of actual, potential, temporary or permanent conflicts of interest that could, for example, impact the independence of the Supervisory Board.

In the Management Board's and Supervisory Board's Conflicts of Interest Policy, which has been specifically designed for these two bodies, the Supervisory Board has laid down procedures on how to handle conflicts of interest affecting members of the Management Board or the Supervisory Board. In accordance with this Policy, individual Management Board and Supervisory Board members must transparently declare any potential conflicts of interest.

The Supervisory Board has also defined the circumstances under which the independence of shareholder representatives is no longer ensured. At least once a year it carries out a review of whether the independence of individual members is no longer ensured, or may be compromised. The Supervisory Board usually assumes that independence is not ensured in the event of the following circumstances:

- a material, and not just temporary, conflict of interest materialises within the meaning of the Management Board's and Supervisory Board's Conflicts of Interest Policy;
- if the member of the Supervisory Board has served on the Supervisory Board or Management Board of Aareal Bank AG for twelve consecutive years or longer;
- if less than five years have elapsed between their service on the management board of an institution included in the scope of prudential consolidation and their membership on Aareal Bank AG's Supervisory Board;
- if less than three years have elapsed between their serving as a senior manager at the top management level below the Management Board at Aareal Bank AG or another entity included in the scope of prudential consolidation and their membership on the Supervisory Board of Aareal Bank AG;
- if the member of the Supervisory Board is a controlling shareholder of Aareal Bank AG, as defined in Article 22 (1) of Directive 2013/34/EU, or if they represent the interests of a controlling shareholder;
- if the member of the Supervisory Board has a material financial or business relationship with the relevant institution;
- if the Supervisory Board member is an employee of, or otherwise affiliated with, a controlling shareholder of Aareal Bank AG;
- if the member of the Supervisory Board has been the owner of a significant professional advisor or external auditor or have themselves been a significant advisor to Aareal Bank AG or any other entities included in the scope of prudential consolidation within a three-year period;
- if the member of the Supervisory Board is, or was in the previous year, a significant supplier or client of Aareal Bank AG or any other entity included in the scope of prudential consolidation, or had any other material business relationship with, or is a senior executive (leitende(r) Angestellte(r)) of, a significant supplier, client or commercial enterprise that has a significant business relationship, or is otherwise directly or indirectly related to such significant supplier, client or commercial enterprise;
- if the member of the Supervisory Board receives significant remuneration or other benefits from Aareal Bank AG or another entity included in the scope of prudential consolidation over and above the remuneration for their activities as a member of the Supervisory Board or any remuneration for activities performed in connection with any significant financial or business relationship with Aareal Bank AG; or

- if the Supervisory Board member is a close relative of a member of the Management Board of Aareal Bank AG or of a management board member or managing director of another entity included in the scope of prudential consolidation.

The Supervisory Board may deviate from this principle if it is determined in a specific individual case that the Supervisory Board member's ability to make objective and balanced judgements and independent decisions is not impaired due to the circumstance jeopardising independence.

Furthermore, all Supervisory Board members are subject to the statutory limitations laid out in section 100 (2) nos. 2 to 4 of the AktG and in section 25d (3) sentence 1 of the KWG. Unlike the criteria listed above, the statutory limitations are mandatory, which means that they prevent the nomination of a potential candidate, or require the resignation of the affected board member.

Effective 31 December 2025, the Supervisory Board believes, reflecting the above definition, that seven of eight shareholder representatives – specifically, Mr Mustier, Mr Giesecke, Mr Hall, Ms Knoflach, Ms Lulay, Mr Lotter and Mr Sevilla Álvarez – are independent, whereas Mr Rinke is not considered independent in line with the above definition due to his position as Senior Managing Director of Centerbridge Partners L.P.

Professional qualification

Every member of an executive body must possess the knowledge, ability and experience to properly perform their duties. This means that they must at least be able to understand and assess the Company's material business activities and the associated material risks, the control and monitoring system established in this regard, as well as the corresponding accounting and financial reporting systems. This also requires being familiar with the underlying material legal requirements. Each member of the Supervisory Board must be in a position to perform the duties incumbent on the Supervisory Board in its entirety.

When chairing a committee, Supervisory Board members should possess extensive expertise in the topics covered by that committee. The Chairman of the Audit Committee, for example, must be an expert on accounting/financial reporting issues and internal control and risk management systems, while the Chairman of the Risk Committee must be an expert in assessing the efficacy of risk management systems in credit institutions.

Overall, with regard to its collective composition, the Supervisory Board further decided that the following additional expertise be adequately represented:

- Experience in sectors and financial markets which are material to Aareal Bank Group
- Digitalisation and transformation
- Strategic planning
- Design and assessment of risk management systems, internal control systems and corporate governance frameworks
- Accounting/financial reporting and audit matters
- ESG
- M&A

The skills matrix below provides an overview of the implementation status of the collective profile of required skills and expertise as at 31 December 2025.

Member of the Supervisory Board	Material sector and financial markets expertise	Digitalisation and transformation	Strategic planning	Design and assessment of RMS, ICS and CG frameworks	Accounting/ financial reporting and auditing	ESG	M&A
Jean Pierre Mustier	X	X	X	X	X	X	X
Henning Giesecke	X		X	X	X		
Denis Hall	X	X		X	X	X	X
Petra Heinemann-Specht*	X			X			
Barbara Knoflach	X	X	X			X	X
Hans-Hermann Lotter	X		X	X	X		X
Marika Lulay	X	X	X			X	X
Klaus Novatius*	X			X			
Maximilian Rinke	X	X	X	X	X	X	X
Sascha Schmitt*		X					
José Sevilla Álvarez	X		X	X	X		X
Markus Zywitza*		X					

* Employee representative

The following Audit Committee members are experts in the areas of accounting/financial reporting and auditing: Mr Giesecke, Mr Hall, Mr Sevilla Álvarez and Mr Lotter. Mr Rinke possesses expertise in the area of accounting.

Please refer to Aareal Bank's website for the curricula vitae of the members of the Management Board (www.aareal-bank.com/en/about-us/company-profile/the-management-board) and of the Supervisory Board (www.aareal-bank.com/en/about-us/company-profile/supervisory-board).

Diversity concept

The Management Board and the Supervisory Board pursue the objective of ensuring that the bodies are as diverse as possible with regard to gender, age, internationality and professional experience. Where there are several equally suitable candidates, these factors are taken into account when making selection to avoid "herd mentality" and to draw together the broadest possible spectrum of different points of view so the best decision for Aareal Bank can be made. The Management Board ensures that these aspects of diversity are also taken into consideration at the management levels it controls to facilitate succession based on this diversity concept. The Supervisory Board has set objectives for the diversity aspects mentioned above, both for itself and the Management Board, and presents implementation progress annually. It views these objectives as establishing a minimum base level; there is no reason why they cannot be exceeded.

Gender diversity

The Supervisory Board sets specific targets – including concrete implementation deadlines – for the share of female members on the Supervisory Board and the Management Board. Likewise, the Management Board defines such targets for the two management levels immediately below the Management Board (refer to the principles of diversity). The target share for female members on the Supervisory Board is 33.0 % by 30 June 2027. The status quo is 25.0 % (2024: 33.3 %). On the Management Board, by 30 June 2027 at least 25.0 % of positions are to be held by women. The status quo is 25.0 % (2024: 25.0 %).

Age diversity

The Supervisory Board has set out targets for the age structure of the Management Board and the Supervisory Board to safeguard the continuous development of both bodies. At the time of (re)election to the Supervisory Board, candidates should be less than 70 years old. Furthermore, half of the Supervisory Board members should be younger than 60 years. Members of the Management Board should not exceed the upper age limit of 70 years when they are appointed to the Management Board. In addition, the Supervisory Board must ensure that the Management Board is as diverse as possible in terms of its members' age. These targets are currently being met, with the exception of the average age of Supervisory Board members.

International profile
Given Aareal Bank Group's international business activities, the Supervisory Board has set itself and the Management Board the goal of having the broadest possible international experience; this can be demonstrated by nationality or at least three years of relevant professional experience gained in another country. For the Management Board, the figure is currently at 75.0 % (2024: 75.0 %), for the Supervisory Board it is at 58.3 % (2024: 66.7 %).

Diversity of professional skills
The Supervisory Board pursues the objective of maximum professional diversity when selecting the members of the Management Board and the Supervisory Board. However, the demanding professional requirements for members of the management board and the supervisory board of "significant credit institutions" limit the opportunities for achieving this objective: for instance, regulatory rules require in principle that members of the Management Board have extensive experience in the lending business and in risk management. In accordance with section 100 (5) of the AktG, the Management Board members in their entirety must be familiar with the sector in which the Company operates. The Supervisory Board's aim of ensuring that not all members have gained most of their professional experience at a credit institution is currently met.

Risk Committee
The Supervisory Board has established five committees, including the Risk Committee, in order to perform its supervisory duties in an efficient manner. The Risk Committee monitors Aareal Bank's material risks, comprising financial and non-financial types of risk alike, including IT-related risks. The Committee is also responsible for reviewing the contents of the risk strategies in accordance with the Minimum Requirements for Risk Management in Banks ("MaRisk"), for checking conformity with the business strategy, and preparing the corresponding Supervisory Board resolutions. It furthermore advises the Management Board on how to design an appropriate and effective risk management system, making sure that the Bank's risk-bearing capacity is adequate. To that end, the Committee monitors the Management Board, especially as regards determining risk appetite and the corresponding limits.

The Risk Committee held four meetings during the financial year under review. It regularly received reports on the Bank's risk situation, which were explained by the Management Board and then discussed with the Committee members. The meetings focused on the Bank's strategies and risks, including credit and country risks, market risks, liquidity risks, operational risks, reputational risks and IT risks. The Committee also examined Aareal Bank's risk-bearing capacity and its capital ratios as well as its liquidity status, liquidity management and funding. Other topics included the results of the risk management system review carried out by the external auditors and the main focus of the ECB's supervisory activities during the 2025 financial year. The regulatory reviews and other regulatory publications and amendments were also presented during the meetings, including the preliminary results of the SREP 2025. In addition, all material risks were outlined and discussed, and the risk inventory was presented.

The Management Board submitted detailed reports on the property finance markets and securities portfolios, which were discussed in depth. The Risk Committee also talked about measures for reducing high-risk exposures and was provided with the latest information on recovery planning and other risk management measures. As well as this, all Risk Committee meetings addressed the banking and regulatory environment. Specific meetings focused on current topics such as certain risk types and the performance of all of the Bank's portfolios, and especially critical developments in individual markets. This also included an in-depth analysis of the portfolio of office properties in the US and identifying necessary measures for reducing or restructuring related exposures.

Other topics discussed by the Risk Committee in the financial year under review included the remuneration strategy, which was subjected to a regular review against the background of the Company's risk, capital and liquidity structure. The Risk Committee also took a close look at steering measures for existing pension obligations. In addition, the Committee conducted its scheduled review of the terms and conditions in client business. The Risk Committee further discussed the implementation of regulatory requirements related to the Digital Operational Resilience Act (DORA) during the 2025 financial year. Together with the Technology and Innovation Committee, it also concerned itself with ICT risks at every meeting.

Mr Sevilla Álvarez is the Chairman of the Risk Committee.

Flow of information towards the Management Board and the Supervisory Board

Reporting to the Management Board and the Supervisory Board is described in the section "Risk management" of this Regulatory Disclosure Report as well as in the relevant sections addressing the risk types that are relevant for disclosure.

The Chairman of the Supervisory Board regularly discusses questions regarding the strategy, performance, risk situation, risk management, and personnel- and remuneration-related matters with the Chairman of the Management Board. The Chairman of the Risk Committee goes into detail – especially with the Chief Risk Officer – on topics such as the risk situation, risk management, and risk strategies.

Scope of Application of the Regulatory Framework

The Group's strategic business activities are commercial property financing, payments processes, corporate banking services and tenant deposit solutions for the German property sector and related industries.

Aareal Bank Group comprises two business segments: Structured Property Financing and Banking & Digital Solutions.

In the Structured Property Financing segment, Aareal Bank facilitates property investments for its domestic and international clients, and is active in Europe, North America and the Asia/Pacific region. Aareal Bank finances commercial property investments, especially hotels, alternative living (student housing, micro-living, etc.) retail, logistics, office and residential properties, with a focus on existing buildings. Aareal Bank's sales operations combine local market expertise with specific know-how for the hotel, logistics, retail and alternative living sectors, providing its clients with specialist teams in the Group's head office located in Wiesbaden. The industry experts work closely with the local teams, ensuring that the full scope of requisite know-how is available for every transaction. This allows Aareal Bank to offer financing concepts that meet the special requirements of its domestic and international clients, as well as conclude structured portfolio and cross-border financings.

In the Banking & Digital Solutions segment, Aareal Bank Group provides sector-specific payments processes to its clients from the institutional housing industry, the commercial property sector, as well as to the energy and utilities industry. Aareal Bank helps its clients structure their core business processes more efficiently so they are fit for purpose for the long term. It does so in combination with the BK@01 software suite provided by First Financial Software GmbH, which facilitates integrated payment flow processing between ERP systems and the Bank's accounts platform. Aareal Bank, First Financial Software GmbH and Aareon (formerly owned by Aareal Bank) have entered into a strategic partnership for this purpose. Wherever the property sector and the energy industry cross over, Aareal Bank and its partners contribute to optimising payments and adjacent business processes. In connection with the payment transactions processed via Aareal Bank's account systems (BK@1), deposits are generated from the property and energy industries, which contribute to Aareal Bank Group's funding, among other things. The digital tenant deposit solutions and selected financing products enhance the range of services the segment offers the German property sector. Aareal Bank's investment offerings for property and energy industry companies support clients to actively manage their investments and cash.

Comparison of the scopes of consolidation

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 table EU LI3 lists all parent companies, subsidiaries and associates of Atlantic Group that are consolidated on the basis of regulatory aspects and included in consolidated financial reporting as at the reporting date. Furthermore, the table includes all companies included only in consolidated financial reporting with absolute equity amounting to at least € 1 million.

With regard to the description of the respective company to be disclosed in column h, the Bank follows the definitions listed in Article 4 of the CRR and section 1 of the KWG, whereby companies which are consolidated on the basis of regulatory aspects are classified depending on their principal activity, including as credit institutions, providers of ancillary services or financial institutions. Shareholdings classified as other companies comprise only those included in consolidated financial reporting and for which classification pursuant to CRR does not apply.

Investments that are outside the regulatory scope of consolidation are allocated to the "at equity" measurement category, and are reported in the "Investments accounted for using the equity method" line item. These investments are not consolidated, nor are they deducted from regulatory capital; instead, they are taken into account when determining RWAs.

EU LI3: Outline of the differences in the scopes of consolidation

a	b	c	d	e	f	g	h
Name of the organisation	Method of accounting consolidation	Method of prudential consolidation					Description of the organisation
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Parent companies							
1. Atlantic Lux HoldCo S.à r.l., Luxembourg	Full consolidation	X					Financial holding company
2. Atlantic BidCo GmbH, Frankfurt/Main	Full consolidation	X					Financial holding company
Structured Property Financing							
3. Aareal Bank AG, Wiesbaden	Full consolidation	X					Credit institution
4. Aareal Bank Asia Ltd., Singapore	Full consolidation	X					Credit institution
5. Chronos Beteiligungen GmbH (formerly: Aareal Beteiligungen AG), Frankfurt/Main	Full consolidation	X					Financial institution
6. Aareal Capital Corporation, Wilmington	Full consolidation	X					Financial institution
7. Aareal Gesellschaft für Beteiligungen und Grundbesitz Erste mbH & Co. KG, Wiesbaden	Full consolidation	X					Financial institution
8. Aareal Holding Realty LP, Wilmington	Full consolidation	X					Financial institution
9. Aareal Immobilien Beteiligungen GmbH, Wiesbaden	Full consolidation	X					Financial institution
10. Apex Owner NY LLC, Wilmington	Full consolidation	X					Financial institution
11. Cave Nuove S.p.A., Rome	Full consolidation	X					Ancillary services undertaking
12. DBB Inka, Dusseldorf	Full consolidation				X		Other
13. Deutsche Structured Finance GmbH, Wiesbaden	Full consolidation				X		Other
14. Galleria City Holding Company LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
15. Galleria Manager Realty LLC, Wilmington	Full consolidation	X					Financial institution
16. Galleria City Partners LP, Wilmington	Full consolidation	X					Financial institution
17. Manager Realty LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
18. Mercadea S.r.l., Rome	Full consolidation				X		Other
19. Met Manager Realty LLC, Wilmington	Full consolidation	X					Financial institution
20. Met Tower Owner LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
21. Met Tower Venture LP, Wilmington	Full consolidation	X					Financial institution
22. Mount Street Group Ltd., London	Full consolidation				X		Other
23. Northpark Realty LP, Wilmington	Full consolidation	X					Ancillary services undertaking
24. Participation Achte Beteiligungs GmbH, Wiesbaden	Full consolidation	X					Financial institution
25. Participation Zehnte Beteiligungs GmbH, Wiesbaden	Full consolidation				X		Other
26. PropTech1 Fund I GmbH & Co. KG, Berlin	No consolidation				X		Other
27. RSP Owner LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
28. Summit Holdings NY LLC, Wilmington	Full consolidation	X					Financial institution
29. Terrain Beteiligungen GmbH, Wiesbaden	Full consolidation	X					Financial institution
30. Terrain Herzogpark GmbH & Co. KG, Wiesbaden	Full consolidation	X					Ancillary services undertaking
31. Terrain Management GmbH, Wiesbaden	Full consolidation	X					Financial institution
32. Tintoretto Rome S.r.l., Rome	Full consolidation	X					Ancillary services undertaking

>

a	b	c	d	e	f	g	h
Name of the organisation	Method of accounting consolidation	Method of prudential consolidation					Description of the organisation
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
33. Westdeutsche Immobilien Servicing AG, Mainz	Full consolidation	X					Financial institution
34. 1015 15TH Street DC LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
35. 146 Geary CA LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
36. 220 Post CA LLC, Wilmington	Full consolidation	X					Ancillary services undertaking
Banking & Digital Solutions							
37. collect Artificial Intelligence GmbH	Full consolidation				X		Other
38. First Financial Software GmbH, Mainz	At Equity				X		Ancillary services undertaking

Undercapitalised entities

Currently, there are no Atlantic Group subsidiaries failing to meet capital adequacy requirements whose participation is deducted from the liable equity capital of the parent institution.

Utilisation of the "waiver" regulation

As a subsidiary of Atlantic BidCo GmbH, a financial holding company within the meaning of Article 4 (1) no. 20 of the CRR, Aareal Bank is exempted pursuant to section 2a (1) sentence 1 of the KWG in conjunction with Article 7 (1) and (2) of the CRR. This waiver allows for the fulfilment of the requirements set out in Article 6 (1) of the CRR on a consolidated basis only. Moreover, Aareal Bank is exempt under section 2a (2) of the KWG from meeting the requirements with regard to the risk control function (with the exception of liquidity risk at single-entity level) as set out in section 25a (1) sentence 3 nos. 1, 2 and 3 lit. b) and c) of the KWG.

Due to the size of its shareholding in Aareal Bank, Atlantic BidCo GmbH is able to transfer excess capital to Aareal Bank if required, e.g. by means of a capital increase.

There are no material practical or legal impediment as per Article 7 (1) lit. a) of the CRR to the prompt transfer of own funds to Aareal Bank or the assumption of the obligation to repay Aareal Bank's liabilities by Atlantic BidCo GmbH.

The continued fulfilment of the prerequisites of Article 7 (1) and (2) of the CRR is reviewed on an event-driven basis and the results are documented in writing.

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories to regulatory risk categories

For each of the line items in the annual financial statements, the following table shows the differences between the scope of accounting consolidation and the regulatory scope of consolidation within Atlantic Group. Furthermore, for the line items shown, the table outlines the allocation to relevant risk categories for regulatory capital requirements.

The carrying values shown in table EU LI1 are calculated using financial reporting principles in accordance with the IFRSs. Allocation to risk categories is in line with the regulatory scope of consolidation; this also encompasses those line items which are generally exempt from regulatory capital requirements (such as liabilities), or which are deducted when determining regulatory capital requirements.

For regulatory purposes, consolidation at Atlantic Group level is based on carrying amounts in accordance with section 10a (4) of the KWG. This is a simplified method for determining own funds requirements in accordance with section 10a (5) of the KWG (old version;

"aggregation method"). This method aggregates the balance sheet assets and liabilities of the separate financial statements of the parent institution and the companies belonging to the regulatory group (IFRS carrying amounts of Aareal Bank Group).

Accounting consolidation, on the other hand, is based on IFRS 3 ("acquisition method"), according to which all identifiable assets and liabilities of the acquired company are measured at their fair value at the time of acquisition. These fair values also represent the amounts recognised on initial consolidation.

Differences between the carrying amounts shown are also due to the different scopes of consolidation and the resulting consolidation postings. In this context, there are overlaps between the corporate entities included in the respective scope of consolidation. For further details, please refer to the comparison of scopes of consolidation in table EU LI3.

Please note that the sum of the amounts shown in columns c) to g) is not identical to the amounts disclosed in column b); this is due to the fact that several line items are subject to capital requirements for credit or counterparty credit risk, as well as to capital requirements for market risk.

EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories to regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
€ mn		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets							
1	**Financial assets (ac)**	**38,744**	**39,116**	**37,116**	**–**	**2,000**	**16,023**	**–**
1a	Cash funds (ac)	328	328	328	–	–	0	–
1b	Loan receivables (ac)	33,562	33,839	31,839	–	2,000	15,511	–
1c	Money market and capital market receivables (ac)	4,787	4,885	4,885	–	–	502	–
1d	Receivables from other transactions (ac)	66	64	64	–	–	11	–
2	Loss allowance (ac)	-395	-428	-425	–	-3	-353	–
3	**Financial assets (fvoci)**	**5,371**	**5,356**	**5,356**	**–**	**–**	**33**	**–**
3a	Money market and capital market receivables (fvoci)	5,370	5,355	5,355	–	–	33	–
3b	Equity instruments (fvoci)	1	1	1	–	–	–	–
4	**Financial assets (fvpl)**	**1,643**	**1,725**	**436**	**1,289**	**–**	**902**	**–**
4a	Loan receivables (fvpl)	349	324	324	–	–	206	–
4b	Money market and capital market receivables (fvpl)	6	111	111	–	–	–	–
4c	Positive market value of designated hedging derivatives (fvpl)	452	452	–	452	–	66	–
4d	Positive market value of other derivatives (fvpl)	837	837	–	837	–	629	–
5	Non-current assets held for sale	128	128	128	–	–	69	–
6	Investments accounted for using the equity method	74	114	92	–	–	0	22
7	Intangible assets	706	28	9	–	–	3	20
8	Property and equipment	23	22	22	–	–	13	–
9	Income tax assets	39	39	39	–	–	16	–
10	Deferred tax assets	98	218	147	–	–	–	80
11	Other assets	716	657	657	–	–	442	–
12	**Total assets**	**47,149**	**46,975**	**43,576**	**1,289**	**1,997**	**17,148**	**121**

>

€ mn	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Equity and liabilities							
12 Financial liabilities (ac)	**40,897**	**41,255**	**–**	**–**	**–**	**1,232**	**40,023**
12a Money market and capital market liabilities (ac)	26,898	27,232	–	–	–	1,205	26,027
12b Deposits from the housing industry (ac)	13,213	13,243	–	–	–	–	13,243
12c Liabilities from other transactions (ac)	61	57	–	–	–	27	30
12d Subordinated liabilities (ac)	726	723	–	–	–	–	723
13 Financial liabilities (fvpl)	**1,705**	**1,705**	**–**	**1,705**	**–**	**202**	**–**
13a Negative market value of designated hedging derivatives (fvpl)	988	988	–	988	–	54	–
13b Negative market value of other derivatives (fvpl)	717	717	–	717	–	147	–
14 Non-current liabilities held for sale	–	–	–	–	–	–	–
15 Provisions	215	148	–	–	–	95	53
16 Income tax liabilities	60	59	–	–	–	10	49
17 Deferred tax liabilities	85	1	–	–	–	–	1
18 Other liabilities	44	43	–	–	–	12	31
19 Equity	**4,143**	**3,764**	**–**	**–**	**–**	**–**	**3,764**
19a Subscribed capital	43	43	–	–	–	–	43
19b Capital reserves	1,541	1,541	–	–	–	–	1,541
19c Retained earnings	2,185	1,876	–	–	–	–	1,876
19d AT1 bond	407	407	–	–	–	–	407
19e Other reserves	-59	-127	–	–	–	–	-127
19f Non-controlling interests	25	25	–	–	–	–	25
20 Total liabilities	**47,149**	**46,975**	**–**	**1,705**	**–**	**1,551**	**43,921**

Main sources of differences between regulatory risk exposure amounts and carrying values in financial statements

Whilst the focus of table EU LI1 is on the reconciliation of carrying amounts in the financial statements under IFRSs to the regulatory scope of consolidation, and on the allocation to regulatory risk categories, table EU LI2 reconciles carrying amounts with the regulatory risk exposure (Exposure at Default – "EaD"), in line with the scope of prudential consolidation.

In this context, table EU LI2 identifies the main sources of differences between the carrying amounts/values shown, and exposures at default used for regulatory purposes.

EU LI2: Main sources of differences between regulatory exposure amounts and carrying amounts in financial statements

		a	b	c	d	e
			Items subject to			
€ mn		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value under the scope of prudential consolidation (as per table EU LI1)**	**46,854**	**43,576**	**1,997**	**1,289**	**17,148**
2	**Liabilities carrying value under the scope of prudential consolidation (as per table EU LI1)**	**3,054**	**–**	**–**	**1,705**	**1,551**
3	**Total net amount under the scope of prudential consolidation**	**43,800**	**43,576**	**1,997**	**-416**	**15,597**
4	**Off-balance sheet amounts**	**1,239**	**1,239**	**–**	**–**	
5	Differences in valuations	–	–	–	–	
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	
7	Differences due to consideration of provisions	533	533	–	–	
8	Differences due to the use of credit risk mitigation techniques	-1	69	-70	–	
9	Differences due to credit conversion factors	-667	-667	–	–	
10	Differences due to securitisation with risk transfer	-67	–	-67	–	
11	Other differences	-1,654	-1,003	–	-651	
12	**Exposure amounts considered for regulatory purposes**	**46,246**	**43,748**	**1,860**	**638**	**–** [1]

1) Since the sum total of the aggregate net foreign exchange position was below the threshold of 2 % of own funds, own funds requirements for foreign exchange risk were not determined.

As at the reporting date, none of the financial assets and financial liabilities meet the offsetting requirements for accounting purposes. In accordance with Annex VI to Implementing Regulation (EU) 2024/3172, the amounts shown in line 3 of table EU LI2 correspond to the difference between the figures shown in lines 1 and 2.

Line 4 shows off-balance sheet exposures not carried on the statement of financial position, which must be supplemented for regulatory purposes. Off-balance sheet exposures are shown before application of credit conversion factors (CCFs) and credit risk mitigation techniques.

There are no values reported in line 5 as the additional value adjustments of the assets and liabilities measured at fair value in accordance with Article 34 of the CRR in conjunction with Article 105 of the CRR (Prudent Valuation)[2] are included in own funds and do not affect EaD determination.

Line 7 reflects credit risk adjustments used for the regulatory comparison of Expected Loss (EL) and credit risk adjustments of exposures under the AIRBA as they have already been deducted from the carrying amounts shown in line 1. EaD for IRBA exposures is determined prior to deduction of credit risk adjustments; hence, credit risk adjustments already deducted from the carrying value must be supplemented.

Line 8 only shows credit risk mitigants in relation to the exposure value disclosed in line 12 for risk exposures reported under the CRSA. This also encompasses financial guarantees covering two first-loss tranches that mitigate default risk as part of substitution. The collateral available under the AIRBA is fully taken into account in the determination of the LGD of the respective property financing.

2) Since the determination of the additional value adjustments is not based on the core approach set out in Chapter III of Delegated Regulation (EU) 2016/101, but on the simplified approach, table EU PV1 (Prudent valuation adjustments) is not disclosed.

Line 9 comprises the effect on the EaD of the off-balance sheet risk exposures reported in line 4, which results from the consideration of the CCF.

Line 10 incorporates the first-loss tranche secured via a credit-linked note (CLN) (less the loss allowance shown in column e of table EU LI1). The CLN reduces the exposure at default by the portion of the securitised credit portfolio for which the default risk has been transferred to a third party via the CLN.

The amounts shown in line 11 include adjustments to the exposure value resulting from applying the SA-CCR calculation logic for derivatives transactions and the variation margins paid for them. This line item also includes the carrying amounts of the initial margins due from central counterparties Eurex and LCH Limited, which are recorded as financial assets. In accordance with section 306 (2) of the CRR, Aareal Bank assigns an EaD of zero to the assets pledged as collateral.

Regulatory Capital

Atlantic Group has to comply with the capital adequacy requirements set out in the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD), the German Banking Act (Kreditwesengesetz – "KWG") and the German Solvency Regulation (Solvabilitätsverordnung – "SolvV").

Following these regulations, institutions and companies operating in the financial sector must calculate their existing regulatory capital on a regular basis, and present these detailed results thereon to the supervisory authorities on specific dates.

Strict regulatory criteria are applied to the availability and sustainability of the qualifying capital when calculating regulatory capital. These provisions are not consistent with the recognition rules for the financial statements.

While the acquisition method in accordance with IFRS 3 is applied for accounting purposes, regulatory capital is calculated based on the aggregation method stipulated in section 10a (5) of the KWG (old version).[1] Additional differences arise from diverging scopes of consolidation, as well as from regulatory adjustments taken into account when determining regulatory capital.

Regulatory capital is based on the items reported in the statement of financial position in accordance with IFRSs.

The disclosures in this report are based on the binding provisions for the implementation of disclosure requirements set out in Article 4 of Commission Implementing Regulation 2024/3172/EU, in the interests of comparability and increased transparency pursuant to Article 437 of the CRR.

The disclosure requirements pursuant to Article 437a of the CRR are not relevant for Atlantic Group, since Aareal Bank AG, as the Group's parent institution, has been categorised as a resolution unit, but is neither a Global Systemically Important Institution (Article 92a (1) of the CRR) nor a significant subsidiary of a Global Systemically Important Institution outside the EU.

Main features of capital instruments

The main features of capital instruments of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital are described by using the table EU CCA, which is published on Aareal Bank's website as an annex to this Regulatory Disclosure Report.

[1] These two methods are further described in the chapter "Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories to regulatory risk categories" in this Regulatory Disclosure Report (pages 26 et seqq.).

In addition, Article 437 lit. c) of the CRR requires to Group to disclose the full terms and conditions of all Common Equity Tier I, Additional Tier I and Tier 2 instruments. These terms and conditions of issue presented in the table EU CCA are fully published on Aareal Bank's website, as an attachment to the Regulatory Disclosure Report, in the section "Investors › Financial Information › Terms and Conditions of Issue pursuant to Article 437 lit. c) of the CRR".

Composition of regulatory own funds

Within the scope of the ECB's Supervisory Review and Evaluation Process (SREP), Aareal Bank has to meet total SREP capital requirements (TSCR) of 11.00 % on a consolidated basis at the level of Atlantic Lux HoldCo S.à r.l. (Atlantic Group) in 2025. This includes the requirement to maintain additional own funds (capital buffer) for risks other than the risk of excessive leverage (Pillar 2 requirements – P2R) of 3.00 %, which must be maintained in the form of at least 56.25 % Common Equity Tier I (CET1) capital and 75 % Tier I (T1) capital, respectively. Taking into account the capital conservation buffer of 2.50 %, the applicable countercyclical capital buffer of 0.73 % and the sectoral systemic risk buffer of 0.01 %, Atlantic Group's Overall Capital Requirement (OCR) as at 31 December 2025 amounts to 14.24 %.

The average total capital ratio (TC ratio) over the current reporting date and the four last quarters amounts to 29.28 %. The comparison to the TSCR demonstrates that Atlantic Group is well capitalised to cover its risks.

The following table EU CC1 serves to fulfil the disclosure requirements set out in Article 437 lit. (a) and (d) of the CRR. The components of Common Equity Tier I, Additional Tier I and Tier 2 capital are described in the section following this table.

In order to reconcile the regulatory own funds with the balance sheet figures disclosed in column b of table EU CC2, column b references the relevant balance sheet line item.

EU CC1: Composition of regulatory own funds

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1,584	A, B
	of which: nominal capital	43	A
	of which: capital reserves	1,541	B
2	Retained earnings	1,727	C
3	Accumulated other comprehensive income (and other reserves)	-127	D
EU-3a	Funds for general banking risks	–	–
4	Amount of qualifying items referred to in Article 484 (3) of the CRR and the related share premium accounts subject to phase-out from CET1	–	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	22	E
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3,205**	**–**

>

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-2	F
8	Intangible assets (net of related tax liability) (negative amount)	-41	G, L
9	–	–	–
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions of Article 38 (3) of the CRR are met) (negative amount)	-80	H
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	–	–
12	Negative amounts resulting from the calculation of expected loss amounts	–	–
13	Increase in equity resulting from securitised assets (negative amount)	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–
15	Defined-benefit pension fund assets (negative amount)	-1	I
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	–	–
17	Direct, indirect and synthetic holdings of Common Equity Tier 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
18	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
19	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
20	–	–	–
EU-20a	Exposure amount of the following items which qualify for a risk weight of 1,250 %, where the institution opts for the deduction alternative	–	–
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–
EU-20c	of which: securitisation positions (negative amount)	–	–
EU-20d	of which: free deliveries (negative amount)	–	–
21	Deferred tax assets arising from temporary differences (amount exceeding the 10 % threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met) (negative amount)	–	–
22	Amount exceeding the 17.65 % threshold (negative amount)	–	–
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–
24	–	–	–
25	of which: deferred tax assets arising from temporary differences	–	–
EU-25a	Losses for the current financial year (negative amount)	–	–
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	–	–
26	–	–	–
27	Qualifying Additional Tier 1 deductions that exceed the AT1 items of the institution (negative amount)	–	–
27a	Other regulatory adjustments	-147	–
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) capital**	**-271**	**–**
29	**Common Equity Tier 1 (CET1) capital**	**2,934**	**–**

>

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	407	J
31	of which: classified as equity under applicable accounting standards	407	J
32	of which: classified as liabilities under applicable accounting standards	–	–
33	Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase-out from Additional Tier 1 (AT1) capital	–	–
EU-33a	Amount of qualifying items referred to in Article 494a (1) of the CRR subject to phase-out from Additional Tier 1 (AT1) capital	–	–
EU-33b	Amount of qualifying items referred to in Article 494b (1) of the CRR subject to phase-out from Additional Tier 1 (AT1) capital	–	–
34	Qualifying Tier 1 instruments included in consolidated Additional Tier 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–
35	of which: instruments issued by subsidiaries subject to phase-out	–	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**407**	**–**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own Additional Tier 1 instruments (negative amount)	–	–
38	Direct, indirect and synthetic holdings of the Additional Tier 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
39	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution does not have a significant investment (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–
40	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities in which the institution has a significant investment (net of eligible short positions) (negative amount)	–	–
41	–	–	–
42	Qualifying Tier 2 deductions that exceed the Tier 2 items of the institution (negative amount)	–	–
42a	Other regulatory adjustments to Additional Tier 1 (AT1) capital	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–**	**–**
44	**Additional Tier 1 (AT1) capital**	**407**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,341**	**–**
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	601	K
47	Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase-out from Tier 2 as described in Article 486 (4) of the CRR	–	–
EU-47a	Amount of qualifying items referred to in Article 494a (2) of the CRR subject to phase-out from Tier 2	–	–
EU-47b	Amount of qualifying items referred to in Article 494b (2) of the CRR subject to phase-out from Tier 2	–	–
48	Qualifying own funds instruments included in consolidated Tier 2 capital (including minority interests and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–
49	of which: instruments issued by subsidiaries subject to phase-out	–	–
50	Credit risk adjustments	57	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**658**	**–**

>

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own Tier 2 instruments and subordinated loans (negative amount)	–	–
53	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
54	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–
54a	–	–	–
55	Direct, indirect and synthetic holdings by the institution of the Tier 2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–
56	–	–	–
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	–	–
EU-56b	Other regulatory adjustments to Tier 2 capital	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**	**–**
58	**Tier 2 (T2) capital**	**658**	**–**
59	**Own funds (TC = T1 + T2)**	**3,999**	**–**
60	**Total risk-weighted assets**	**13,089**	**–**
	Capital ratios and requirements including buffers		
61	CET1 ratio	22.41	–
62	Tier 1 ratio	25.52	–
63	Total capital ratio	30.55	–
64	Institution CET1 overall capital requirements	9.43	–
65	of which: capital conservation buffer requirement	2.50	–
66	of which: countercyclical capital buffer requirement	0.73	–
67	of which: systemic risk buffer requirement	0.01	–
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	–	–
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.69	–
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	16.23	–
	Amounts below thresholds for deductions (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	4	–
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65 % threshold and net of eligible short positions)	44	–
74	–	–	–
75	Deferred tax assets arising from temporary differences (amount below 17.65 % threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	147	–

>

€ mn		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–
77	Cap on inclusion of credit risk adjustments in Tier 2 under standardised approach	17	–
78	Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	82	–
79	Cap on inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach	57	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on Additional Tier 1 capital instruments subject to phase-out arrangements	–	–
83	Amount excluded from Additional Tier 1 capital due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on Tier 2 instruments subject to phase-out arrangements	–	–
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities	–	–

Common Equity Tier 1 capital

Atlantic Group's Common Equity Tier 1 (CET1) capital (€ 2,934 million) is generally limited to the items and capital instruments listed under Article 26 of the CRR, whereby the latter must meet the requirements of Article 28 of the CRR. The CET1 is composed as follows:

- subscribed capital and capital reserves,
- eligible retained earnings,
- accumulated other comprehensive income and
- regulatory adjustments.

Atlantic Lux HoldCo S.à r.l.'s subscribed capital amounted to € 43 million as at 31 December 2025.

The capital reserves of € 1,541 million consist of contributions made by Atlantic BidCo GmbH's investors.

Retained earnings – including consolidated net retained profit recognised in CET1 capital – totalled € 1,748 million.

Accumulated other comprehensive income (€ -127 million) contains other reserves recognised in equity, in which the following effects are recognised directly:

- reserve from remeasurements of defined benefit plans (€ -58 million),
- reserve from the measurement of equity instruments fvoci (€ -5 million),
- reserve from the measurement of debt instruments fvoci (€ -12 million),
- other recyclable and non-recyclable reserves from companies accounted for using the equity method (€ 3 million),
- reserve from changes in the value of foreign currency basis spreads (€ -14 million), and
- currency translation reserve (€ -41 million).

The regulatory adjustments reduce the CET1 amount by € 271 million. Specifically, the following deductions were made:

- **Additional value adjustments to assets and liabilities at fair value in accordance with Article 34 of the CRR in conjunction with Article 105 of the CRR (€ -2 million)**
  In accordance with Article 34 of the CRR in conjunction with the requirements for prudent valuation under Article 105 of the CRR, those additional value adjustments that are required to adjust the fair value to the prudent valuation are to be deducted from CET1.

  As the line items at fair value amount to less than € 15 billion, the simplified approach pursuant to Article 4 of Commission Delegated Regulation (EU) No. 2016/101 applies.

- **Intangible assets as defined in Article 37 of the CRR (€ -41 million)**
  The amount comprises purchased and self-developed software classified as intangible assets, net of related tax liability (€ -20 million). The regulatory technical standard EBA/RTS/2020/07 on the regulatory treatment of software assets is not applied. In addition, the goodwill of First Financial Software GmbH is recognised in the amount of € 22 million.

- **Deferred tax assets dependant on future profitability (€ -80 million)**
  The only deferred tax assets considered are those that do not result from temporary differences (net of related tax liability).

- **Defined benefit pension fund assets (€ -1 million)**
  This deductible is based on Article 36 (1) lit. e) of the CRR in conjunction with Article 41 of the CRR.

- **Other regulatory adjustments (€ -147 million)**

  - **Deductions pursuant to Article 3 of the CRR (€ -75 million)**
    This includes an additional voluntary and preventive capital deduction for regulatory uncertainties in connection with ECB inspections in the amount of € 7 million. This deduction item also accounts for the expectations defined by regulatory and legislative authorities regarding provisioning for non-performing exposures ("prudential provisioning").

  - **Deductions pursuant to Article 36 (1) lit. a) and m) of the CRR (€ -20 million)**

  - **Other deductions from CET1 (€ -52 million)**
    Aareal Bank holds irrevocable payment obligations to deposit guarantee schemes and resolution funds, for which assets were encumbered or cash collateral provided. The fact that the encumbered assets or the cash collateral provided cannot be used to cover potential current losses is taken into account by deducting them from CET1.

Additional Tier 1 capital

Additional Tier 1 (AT1) capital comprises a € 407 million Additional Tier 1 (AT1) bond (ISIN XS2971584813). Regulatory adjustments pursuant to Article 56 et seqq. of the CRR were not made.

The AT1 bond was issued in January 2025, in the form of perpetual subordinated notes with a total nominal amount of USD 425 million, a denomination of USD 200,000 and an initial interest rate of 9.875 % p.a.

Further information on the conditions of the AT1 bond can be found in the annex to the Regulatory Disclosure Report 2025 "Main Features of Capital Instruments" published on Aareal Bank AG's website.

Tier 2 capital

Aareal Bank's Tier 2 capital of € 658 million largely consists of subordinated promissory notes (€ 71 million) and subordinated bearer debt securities (€ 530 million), which are allocated to the measurement category "amortised costs". In the event of liquidation or insolvency, claims on interest and principal from these liabilities are subordinated to the claims of the other creditors, which are not subordinated themselves.

In accordance with Article 64 (2) of the CRR, the IFRS carrying amount (instead of the nominal amount) on the first day of the final five-year period is used to calculate the eligible amount for the amortisation of Tier 2 instruments in the last five years of their contractual maturity. The IFRS carrying amount is also used for Tier 2 instruments with a residual maturity of more than five years, to ensure consistency in the measurement basis for all Tier 2 instruments.

The valuation adjustment excess (€ 57 million) determined in accordance with Article 62 lit. d) of the CRR within the scope of the comparison of value adjustments pursuant to Article 159 of the CRR is another component of Tier 2 capital.

Reconciliation of regulatory own funds to balance sheet in the audited financial statements

To fulfil the disclosure requirements in accordance with Article 437 lit. a) of the CRR, the equity items of table EU CC1 are clearly allocated to the line items contained in the following table via column c. The granularity of the line items disclosed corresponds to the statement of financial position in Atlantic Lux HoldCo S.à r.l.'s annual report.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	a	b	c
	Balance sheet as at 31 December 2025		
	as in the published annual report	under regulatory scope of consolidation	Reference
€ mn			
Assets			
Financial assets (ac)	**38,744**	**39,116**	
Cash funds (ac)	328	328	
Loan receivables (ac)	33,562	33,839	
Money market and capital market receivables (ac)	4,787	4,885	
Receivables from other transactions (ac)	66	64	
Loss allowance (ac)	-395	-428	
Financial assets (fvoci)	**5,371**	**5,356**	
Money market and capital market receivables (fvoci)	5,370	5,355	F
Equity instruments (fvoci)	1	1	F
Financial assets (fvpl)	**1,643**	**1,725**	
Loan receivables (fvpl)	349	324	F
Money market and capital market receivables (fvpl)	6	111	F
Positive market value of designated hedging derivatives (fvpl)	452	452	
Positive market value of other derivatives (fvpl)	837	837	
Non-current assets held for sale	128	128	
Investments accounted for using the equity method	74	114	L
Intangible assets	706	28	G
Property and equipment	23	22	
Income tax assets	39	39	
Deferred tax assets	98	218	H
Other assets	716	657	I
Total assets	**47,149**	**46,975**	

>

€ mn	a	b	c
	Balance sheet as at 31 December 2025		
	as in the published annual report	under regulatory scope of consolidation	Reference
Equity and liabilities			
Financial liabilities (ac)	**40,897**	**41,255**	
Money market and capital market liabilities (ac)	26,898	27,232	
Deposits from the housing industry (ac)	13,213	13,243	
Liabilities from other transactions (ac)	61	57	
Subordinated liabilities (ac)	726	723	K
Financial liabilities (fvpl)	**1,705**	**1,705**	
Negative market value of designated hedging derivatives (fvpl)	988	988	F
Negative market value of other derivatives (fvpl)	717	717	F
Non-current liabilities held for sale	–	–	
Provisions	215	148	
Income tax liabilities	60	59	
Deferred tax liabilities	85	1	
Other liabilities	44	43	
Equity	**4,143**	**3,764**	
Subscribed capital	43	43	A
Capital reserves	1,541	1,541	B
Retained earnings	2,185	1,876	C, E
AT1 bond	407	407	J
Other reserves	-59	-127	D
Non-controlling interests	25	25	
Total liabilities	**47,149**	**46,975**	

Risk-weighted Assets and Regulatory Capital Requirements

The following table EU OV1, disclosed in accordance with Article 438 lit. d) of the CRR, presents the risk-weighted exposure amounts (RWAs or TREA) and regulatory capital requirements by relevant risk category.

As at 31 December 2025, 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 calculation approaches under the A-IRBA, F-IRBA and CRSA and taking the output floor into consideration, the following RWAs and capital requirements were determined as at the reporting date for the types of risk that are relevant for regulatory purposes.

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

€ mn		a	b	c
		RWAs		Regulatory capital requirements
		31 Dec 2025	30 Sep 2025	31 Dec 2025
1	**Credit risk (excluding counterparty credit risk)**	**10,565**	**10,542**	**845**
2	of which: Credit Risk Standard Approach (CRSA)	1,193	1,269	95
3	of which: foundation IRB (F-IRB) approach	25	42	2
4	of which: slotting approach	–	–	–
EU 4a	of which: equity exposures under the simple risk-weighted approach	–	–	–
5	of which: advanced IRB (A-IRB) approach	9,346	9,231	748
6	**Counterparty credit risk**	**317**	**339**	**25**
7	of which: standardised approach	222	244	18
8	of which: internal model method (IMM)	–	–	–
EU 8a	of which: exposures to a CCP	3	3	0
9	of which: other CCR	92	92	7
10	**Credit valuation adjustment risk – CVA risk**	**141**	**153**	**11**
EU 10a	of which: standardised approach (SA)	–	–	–
EU 10b	of which: foundation approach (F-BA and R-BA)	141	153	11
EU 10c	of which: simplified approach	–	–	–
15	**Settlement risk**	**–**	**–**	**–**
16	**Securitisation exposures in the banking book (after the cap)**	**279**	**–**	**22**
17	of which: SEC-IRBA	279	–	22
18	of which: SEC-ERBA (including IAA)	–	–	–
19	of which: SEC-SA	–	–	–
EU 19a	of which: 1,250% / deduction	–	–	–
20	**Position, foreign exchange and commodity risks (market risk)**	**–**	**–**	**–**
21	of which: alternative standardised approach (A-SA)	–	–	–
EU 21a	of which: simplified standardised approach (S-SA)	–	–	–
22	of which: alternative internal model approach (A-IMA)	–	–	–
EU 22a	**Large exposures**	**–**	**–**	**–**
23	**Reclassifications between trading and non-trading books**	**–**	**–**	**–**
24	**Operational risk**	**1,787**	**1,787**	**143**
EU 24a	**Exposures to crypto-assets**	**–**	**–**	**–**
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**476**	**324**	**38**
26	**Output floor applied (%)**	**50.00**	**50.00**	
27	**Floor adjustment (before application of transitional cap)**	**–**	**13**	
28	**Floor adjustment (after application of transitional cap)**	**–**	**13**	
29	**Total**	**13,089**	**12,834**	**1,047**

In accordance with Annex II of Commission Implementing Regulation (EU) 2024/3172, the disclosure of RWAs of deferred tax assets in line 25 is only for information, since they are already reflected in line 2 of the disclosure table.

Regarding the causes of RWA changes during the fourth quarter of 2025, reference is made to the explanations in the chapter “Overview of regulatory key metrics”.

Table EU CR10.5 below shows the equity investments treated under the CSRA. The table only lists equity investments with a 250 % risk weighting because Atlantic Group applies Art. 133 (3) of the CRR.

The specialised lendings held in the portfolio as at the current disclosure date are not assigned any regulatory risk weights prescribed in accordance with Article 153 (5) of the CRR. Therefore, the tables EU CR10.1 to EU CR10.4 are not disclosed.

EU CR10.5: Equity exposures

Categories	a	b	c	d	e	f
	Equity exposures under Art. 133 (3)-(6) and Art. 495a (3) of the CRR					
	On-balance sheet exposures	Off-balance sheet exposures	Risk weight	Exposure at Default	RWAs	Expected loss amount
	€ mn	€ mn	%	€ mn	€ mn	€ mn
Total	**93**	**–**	**250**	**93**	**233**	**–**

Output Floor

Line 28 of table EU OV1 (page 39) shows that the output floor had no impact on the RWAs applicable for regulatory capital requirements as at the reporting date because the RWAs determined using internal models and considering the partial-use method as per Article 150 of the CRR (U-TREA) are higher than the 50 %-weighted RWAs determined exclusively according to standardised approaches (output floor).

The following two tables serve to fulfil the disclosure requirements set out in Article 438 lit. d) and da) of the CRR.

Table EU CMS1 compares RWAs determined using internal models with RWAs determined using standardised calculation approaches, broken down by risk categories. While column a discloses the RWAs of the commercial property finance portfolio treated under the IRB approaches, column b contains the RWAs for exposures calculated using standardised approaches.

Column c summarises the RWAs reported in columns a and b, with the figure disclosed in line 8 corresponding to the RWAs before adjustment of the output floor (U-TREA).

Columns d and EU d show the RWAs of all exposures calculated exclusively according to standardised approaches (referred to as S-TREA). In line with the provisions stipulated, column EU d takes account of the transitional arrangements pursuant to Article 465 of the CRR, where column d does not.

The RWAs disclosed in line 8 of table EU CMS1 in column EU d are used to calculate the output floor.

EU CMS1: Comparison of modelled and standardised risk-weighted exposure amounts at risk level

€ mn		a RWAs for modelled approaches that banks have supervisory approval to use	b RWAs for portfolios where standardised approaches are used	c Total actual RWAs (a + b)	d RWAs calculated using full standardised approach	EU d RWAs that is the base of the output floor
1	Credit risk (excluding counterparty credit risk)	9.372	1.193	10.565	23.042	23.042
2	Counterparty credit risk	128	188	317	261	261
3	Credit valuation adjustment		141	141	141	141
4	Securitisation exposures in the banking book	279	–	279	627	279
5	Market risk	–	–	–	–	–
6	Operational risk		1.787	1.787	1.787	1.787
7	Other risk weighted exposure amounts		–	–	–	–
8	**Total**	**9.779**	**3.311**	**13.089**	**25.858**	**25.511**

Column a of table EU CMS2 below lists the RWAs for the credit risk (excluding counterparty credit risk) determined using internal models, broken down by the exposure classes set out in Article 112 of the CRR. Column b lists the RWAs for the portfolio treated under IRBA using the Credit Risk Standard Approach (CRSA).

Columns a and b show that larger part of the commercial property finance portfolio treated in IRBA is allocated to the CSRA exposure class “secured by mortgages on immovable properties and ADC exposures in SA” (line EU 7a).

The actual RWAs disclosed in column c of table EU CMS2 include both IRBA and CSRA exposures.

EU CMS2: Comparison of modelled and standardised risk-weighted exposure amounts for credit risk at asset class level

		a	b	c	d	EU d
		Risk weighted exposure amounts (RWAs)				
€ mn		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
1	Central governments and central banks	–	–	33	33	33
EU 1a	Regional governments or local authorities	–	–	372	372	372
EU 1b	Public-sector entities	–	–	1	1	1
EU 1c	Categorised as Multilateral Development Banks in SA	–	–	–	–	–
EU 1d	Categorised as international organisations in SA	–	–	–	–	–
2	Institutions	–	–	73	73	73
3	Equity[1)]	–	–	233	233	233

[1)] Line 3 (“Equity”) includes equity investments treated under the CRSA.

>

€ mn		a	b	c	d	EU d
		Risk weighted exposure amounts (RWAs)				
		RWAs for modelled approaches that institutions have supervisory approval to use	RWAs for column (a) if re-computed using the standardised approach	Total actual RWAs	RWAs calculated using full standardised approach	RWAs that is the base of the output floor
5	**Corporates**	**341**	**69**	**429**	**156**	**156**
5.1	of which: F-IRB is applied[2]	25	24	–	24	24
5.2	of which: A-IRB is applied[2]	8,614	21,092	–	21,092	21,092
EU 5a	of which: Corporates – General	341	69	429	156	156
EU 5b	of which: Corporates – Specialised lending	–	–	–	–	–
EU 5c	of which: Corporates – Purchased receivables	–	–	–	–	–
6	**Retail**	**–**	**–**	**1**	**1**	**1**
6.1	of which: Retail – Qualifying revolving	–	–	–	–	–
EU 6.1a	of which: Retail – Purchased receivables	–	–	–	–	–
EU 6.1b	of which: Retail – Other	–	–	–	–	–
6.2	of which: Retail – Secured by residential real estate	–	–	85	–	–
EU 7a	**Categorised as secured by mortgages on immovable properties and ADC exposures in SA**	**7,244**	**19,276**	**7,339**	**19,371**	**19,371**
EU 7b	**Collective investment undertakings (CIU)**	**–**	**–**	**35**	**35**	**35**
EU 7c	**Categorised as exposures in default in SA**	**1,054**	**1,771**	**1,057**	**1,774**	**1,774**
EU 7d	**Categorised as subordinated debt exposures in SA**	**–**	**–**	**–**	**–**	**–**
EU 7e	**Categorised as covered bonds in SA**	**–**	**–**	**259**	**259**	**259**
EU 7f	**Categorised as claims on institutions and corporates with a short-term credit assessment in SA**	**–**	**–**	**–**	**–**	**–**
8	**Other non-credit obligation assets**	**733**	**733**	**733**	**733**	**733**
9	**Total**	**9,372**	**21,848**	**10,565**	**23,042**	**23,042**

[2] Columns b, d and EU d are populated primarily based on EBA mapping in accordance with Art. 434 (1) of the CRR, which is used to derive the amounts to be disclosed from regulatory reports. For this reason, the sum of the two items does not correspond to the amount shown in line 5, as lines 5.1 and 5.2 also include exposures collateralised by immovable property and defaulted exposures, which are reported based on the CRSA exposure classes in the lines EU 7a and EU 7c.

Minimum Requirements for Own Funds and Eligible Liabilities

Compliance with Minimum Requirements for Own Funds and Eligible Liabilities (MREL) is aimed at ensuring sufficient loss-absorbing and recapitalisation capacity. A key element in achieving this is the bail-in, i. e. the participation of a credit institution's shareholders and creditors in covering its losses and in its recapitalisation. As a prerequisite, sufficient capital instruments and liabilities must be available for a bail-in. To safeguard capacities, the competent resolution authority defines the institution-specific minimum requirements.

Aareal Bank pursues a resolution strategy that is based on a Single Point of Entry (SPE).

MREL disclosure requirements are based on Article 45i(3) of the Directive 2014/59/EU (Bank Recovery and Resolution Directive (BRRD)) in conjunction with Article 10 et seqq. and Annex V of Implementing Regulation (EU) No. 2021/763. As Atlantic Lux HoldCo S.à r.l.

has not been categorised as a resolution unit, MREL disclosure is made at Aareal Bank Group level (resolution group) and Aareal Bank AG (resolution unit). Aareal Bank AG is not classified as a Global Systemically Important Institution (G-SII). Accordingly, the additional disclosure requirements for G-SII are waived. Therefore, only the tables EU KM2, EU TLAC1 and EU TLAC3b are disclosed below. The lines and columns contained in these tables that relate to G-SII-relevant information are not taken into account.

Table EU KM2 provides an overview of the key metrics included in the calculation of MREL as at the reporting date. In addition to own funds (Tier 1 capital, Additional Tier 1 capital and Tier 2 capital) and eligible liabilities, these include Aareal Bank Group's risk-weighted exposure amounts (RWA) and the total exposure measure (Leverage Ratio exposure – "LRE"). The own funds do not match the values shown in table EU KM1, as the key metrics in table EU KM1 relate to Atlantic Group.

EU KM2: Key metrics – MREL

€ mn		a Minimum requirement for own funds and eligible liabilities (MREL) 31 Dec 2025
	Own funds and eligible liabilities, ratios and components	
1	Regulatory capital and eligible liabilities	8,748
EU-1a	of which: own funds and subordinated liabilities	6,406
2	Risk-weighted exposure amounts (Risk-weighted assets, RWAs) of the resolution group	13,083
3	Own funds and eligible liabilities as a percentage of RWAs	66.86 %
EU-3a	of which: own funds and subordinated liabilities	48.96 %
4	Total exposure measure of the resolution group	45,860
5	Own funds and eligible liabilities as a percentage of total exposure measure	19.08 %
EU-5a	of which: own funds or subordinated liabilities	13.97 %
6a	Does the subordination exemption in Article 72b (4) of Regulation (EU) No 575/2013 apply? (5 % exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b (3) of Regulation (EU) No 575/2013 is applied (max. 3.5 % exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)	
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL expressed as a percentage of RWAs	24.56 %
EU-8	of which: to be met with own funds or subordinated liabilities	24.56 %
EU-9	MREL expressed as a percentage of the total exposure measure	7.61 %
EU-10	of which: to be met with own funds or subordinated liabilities	7.61 %

Aareal Bank Group has to fulfil a subordinated MREL requirement of 24.56 % for RWAs and of 7.61 % for the total exposure measure (LRE). The requirement for RWAs takes into account a combined buffer requirement (CBR) of 3.24 %. As at 31 December 2025, the subordinated MREL ratio was at 48.96 % of RWAs and at 13.97 % of LRE. This comfortably meets the subordinated MREL requirements as at the reporting date.

Table EU TLAC1 shows the composition of own funds and eligible liabilities.

EU TLAC1: Composition – MREL

€ mn		a Minimum requirement for own funds and eligible liabilities (MREL)
	Own funds and eligible liabilities and adjustments	
1	Common Equity Tier 1 (CET1) capital	2,899
2	Additional Tier 1 (AT1) capital	407
3	In the EU: empty set	
4	In the EU: empty set	
5	In the EU: empty set	
6	Tier 2 (T2) capital	658
7	In the EU: empty set	
8	In the EU: empty set	
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	3,963
	Own funds and eligible liabilities: non-regulatory capital elements	
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	296
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	–
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)	2,288
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	58
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	2,861
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	–
14	Amount of non subordinated eligible liabilities instruments, where applicable after application of Article 72b (3) CRR	2,861
15	In the EU: empty set	
16	In the EU: empty set	
17	Eligible liabilities items before adjustments	5,503
EU-17a	of which: subordinated liabilities items	2,642
	Own funds and eligible liabilities: adjustments to non-regulatory capital elements	
18	Own funds and eligible liabilities items before adjustments	9,467
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	719
21	In the EU: empty set	
22	Own funds and eligible liabilities after adjustments	8,748
EU-22a	of which: own funds and subordinated liabilities	6,406
	Risk-weighted exposure amount and leverage exposure measure of the resolution group	
23	Risk-weighted exposure amounts (Risk-weighted assets, RWAs)	13,083
24	Total exposure measure	45,860
	Ratio of own funds and eligible liabilities	
25	Own funds and eligible liabilities as a percentage of RWAs	66.86 %
EU-25a	of which: own funds and subordinated liabilities	48.96 %
26	Own funds and eligible liabilities as a percentage of total exposure measure	19.08 %
EU-26a	of which: own funds and subordinated liabilities	13.97 %

>

€ mn		a Minimum requirement for own funds and eligible liabilities (MREL)
27	CET1 (as a percentage of RWAs) available after meeting the resolution group's requirements	15.97 %
28	Institution-specific combined buffer requirement	
29	of which: capital conservation buffer	
30	of which: countercyclical capital buffer requirement	
31	of which: systemic risk buffer	
EU-31a	of which: buffer for Global Systemically Important Institution (G-SII) or Other Systemically Important Institutions (O-SII)	
	Memorandum items	
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013	

The following table EU TLAC3b discloses the own funds and eligible liabilities that fulfil the requirements of Article 45 BRRD, taking into account the maturity profile and insolvency ranking at the level of Aareal Bank AG. The number of insolvency ranks depends on the set of liabilities of a bank. The ranks are presented from the most junior to the most senior.

EU TLAC3b: Creditor ranking – resolution entity

		Insolvency ranking					
€ mn		1 (most junior)	2	3	11	12 (most senior)	Total
1	Description of insolvency rank	Common Equity Tier 1 instruments	Additional Tier 1 capital instruments	Tier 2 capital instruments	Non-preferred claims from non-subordinated, unsecured, non-structured debt instruments	Other claims of insolvency creditors	
2	In the EU: empty set						
3	In the EU: empty set						
4	In the EU: empty set						
5	Own funds and liabilities potentially eligible for meeting MREL	3,169	407	659	2,584	2,861	**9,681**
6	of which: residual maturity ≥ 1 year < 2 years	–	–	–	154	1,213	**1,367**
7	of which: residual maturity ≥ 2 year < 5 years	–	–	151	585	939	**1,675**
8	of which: residual maturity ≥ 5 year < 10 years	–	–	503	511	395	**1,409**
9	of which: residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	1,334	314	**1,648**
10	of which: perpetual securities	3,169	407	–	–	–	**3,576**

Countercyclical Capital Buffer

The countercyclical capital buffer (CCyB) is a macroprudential tool used by banking supervisors to counteract the risk of excessive credit growth in the banking sector and to contribute building up an additional capital buffer to provide for hard times. The purpose of the capital buffer is to increase the loss-absorbing capacity of banks throughout the credit cycle. The value for the CCyB usually amounts to between 0 and 2.5 %; it is determined on a quarterly basis by the national supervisory authority of the respective country, based on a variety of economic factors, in particular the ratio of lending volumes to gross domestic product.

The institution-specific countercyclical capital buffer is calculated as the weighted average of the countercyclical capital buffers applicable to the countries where the respective institution is exposed to significant credit risks. The institution is obliged to maintain this weighted average as a percentage of risk-weighted assets (RWAs) in the form of Common Equity Tier 1 capital. Significant credit risk exposures are defined in section 36 of the German Solvency Regulation (Solvabilitätsverordnung – "SolvV") and comprise exposures to corporate and private clients.

The following two disclosure tables are based on the requirements set out in Article 5 of Commission Implementing Regulation (EU) 2024/3172 dated 29 November 2024.

Reporting of the securitisation exposures under the "Other" item in table EU CCyB1 follows the solvency reporting procedure.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	a	b	c	d	e	f
	General credit risk exposures		Relevant credit exposures – Market risk		Securitisation exposures – Exposure value in the banking book	Total risk exposure amount
	Exposure value under the Credit Risk Standard Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures under the standardised approach	Value of trading book exposures for internal models		
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
010 Breakdown by country						
Australia	–	453	–	–	–	453
Belgium	51	438	–	–	–	489
Denmark	94	331	–	–	–	425
Germany	1,273	4,158	–	–	–	5,431
Finland	72	540	–	–	–	612
France	493	3,817	–	–	–	4,310
UK	38	6,432	–	–	–	6,470
Ireland	36	131	–	–	–	168
Italy	124	1,257	–	–	–	1,381
Jersey	–	6	–	–	–	6
Canada	–	1,157	–	–	–	1,157
Luxembourg	0	139	–	–	–	139
Maldives	–	388	–	–	–	388
New Zealand	–	39	–	–	–	39
Netherlands	208	1,639	–	–	–	1,847
Norway	186	–	–	–	–	186
Austria	182	274	–	–	–	456
Poland	–	2,679	–	–	–	2,679
Portugal	118	–	–	–	–	118
Sweden	154	643	–	–	–	797
Switzerland	0	245	–	–	–	245
Spain	40	1,947	–	–	–	1,986
Czech Republic	–	196	–	–	–	196
Turkey	–	45	–	–	–	45
Hungary	–	33	–	–	–	33
USA	1	6,398	–	–	–	6,399
Other	–	–	–	–	1,860	1,860
020 Total	**3,069**	**33,388**	**–**	**–**	**1,860**	**38,317**

>

	g	h	i	j	k	l	m
	Own funds requirements				Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical capital buffer rate
	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation exposures in the banking book	Total			
	€ mn	€ mn	€ mn	€ mn	€ mn	%	%
010 Breakdown by country							
Australia	6	–	–	6	77	0.73	1.00
Belgium	8	–	–	8	97	0.92	1.00
Denmark	5	–	–	5	57	0.54	2.50
Germany	173	–	–	173	2,167	20.64	0.75
Finland	8	–	–	8	104	0.99	–
France	92	–	–	92	1,154	11.00	1.00
UK	100	–	–	100	1,248	11.89	2.00
Ireland	5	–	–	5	62	0.59	1.50
Italy	28	–	–	28	351	3.34	–
Jersey	1	–	–	1	9	0.09	–
Canada	24	–	–	24	294	2.80	–
Luxembourg	3	–	–	3	39	0.37	0.50
Maldives	8	–	–	8	100	0.95	–
New Zealand	0	–	–	0	6	0.05	–
Netherlands	28	–	–	28	356	3.39	2.00
Norway	2	–	–	2	19	0.18	2.50
Austria	7	–	–	7	81	0.77	–
Poland	57	–	–	57	714	6.80	1.00
Portugal	1	–	–	1	12	0.11	–
Sweden	9	–	–	9	108	1.03	2.00
Switzerland	4	–	–	4	49	0.47	–
Spain	34	–	–	34	429	4.09	0.50
Czech Republic	3	–	–	3	37	0.35	1.25
Turkey	1	–	–	1	14	0.14	–
Hungary	1	–	–	1	13	0.13	1.00
USA	210	–	–	210	2,622	24.98	–
Other	–	–	22	22	279	2.66	–
020 Total	**817**	**–**	**22**	**840**	**10,497**	**100.00**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer

€ mn		a
1	Total risk exposure amount	13,089
2	Institution-specific countercyclical capital buffer rate	0.73 %
3	Institution-specific countercyclical capital buffer requirement	96

Credit Risk and General Information on Credit Risk Mitigation

Management of credit risk

Definition

Aareal Bank defines credit risk – or counterparty credit risk – as the risk of losses being incurred due to (i) a deterioration in a business partner's credit quality; (ii) a business partner defaulting on contractual obligations; (iii) collateral being impaired; or (iv) a risk arising upon realisation of collateral. Both credit business and trading activities may be subject to counterparty credit risk. Counterparty credit risk exposure from trading activities may refer to risk exposure vis-à-vis counterparties or issuers. Aareal Bank defines country risk and the risk from the NPL inventory as forms of counterparty credit risk as well.

Credit risk strategy

Based on the Bank's overall business strategy, Aareal Bank's credit risk strategy sets out all material aspects of the Group's credit risk management and policies. The credit risk strategy serves as a strategic guideline for dealing with each relevant category of risk within Aareal Bank Group and also provides a binding, overarching framework applicable to all divisions.

The credit risk strategy will be reviewed, at least once a year to determine whether it is still suitable for the Bank's risk-bearing capacity and its business environment; amendments will be made as necessary. In this context, we also incorporate ESG criteria to assess the sustainable intrinsic value of the properties in question. The relevant process is initiated by senior management and implemented by Risk Controlling, which submits to senior management a proposal that has been agreed upon with all divisions. Following this, the adopted credit risk strategy is discussed by the Supervisory Board.

Essentially designed for a medium-term horizon, the credit risk strategy is adapted whenever necessary to reflect material changes in the Group's credit risk and business policies, or in the Group's business environment.

Risk measurement and monitoring

Regulatory requirements are taken into account when organising Aareal Bank's operations and workflows in the credit and trading businesses.

Processes in the credit and trading businesses are designed to respect the clear functional division of Sales units ("Markt") and Credit Management ("Marktfolge") up to and including senior management level. The independent Risk Controlling division is responsible for identifying, quantifying and monitoring all material risks at portfolio level, and for maintaining a target-oriented risk reporting system.

Aareal Bank employs different risk classification procedures depending on the requirements of the type of business that is subject to the initial, regular or event-driven assessment of counterparty credit risk. Forward-looking and macroeconomic information is taken into consideration for risk classification procedures and when valuing collateral. These procedures and parameters are subject to regular review and adjustment. The Sales units are not responsible for development quality assurance or for monitoring the implementation of procedures.

In light of geopolitical and macroeconomic uncertainty, special attention is being paid to economic forecasts. In this ongoing review, we also rely on projections published by the ECB in addition to those issued by our usual data providers.

We use a credit portfolio model to measure, control and monitor concentration and diversification effects for default risk on a portfolio level, supplemented by limits at individual and sub-portfolio level to facilitate operating management. Separate models are used to measure migration and realisation risks in the NPL portfolio. For all models, potential losses are determined using a 99.9 % confidence interval and a one-year risk horizon. Based on these instruments, the Bank's decision-makers are regularly informed of the performance and risk content of property financing exposures, and of business with financial institutions. Above all, the models in question allow the Bank to include rating changes and correlation effects when assessing risk concentrations.

Within the process-oriented monitoring of individual exposures, the Bank uses various tools to monitor exposures on an ongoing basis. Besides the tools already described, this includes rating reviews, the monitoring of payment arrears, and the regular, individual analysis of the largest exposures. The intensity of loan monitoring is based on the credit risk exposure.

Monthly reporting covers the material aspects of credit risk, including detailed information on specific credit portfolio developments (broken down by country, property and product type, risk classes, collateral categories, etc.). Risk concentrations are also a key factor here.

Trading activities are restricted to counterparties for whom the requisite limits are in place. All trades are immediately taken into account for the purposes of borrower-related limits. Compliance with limits is monitored in real time by Risk Controlling. Persons who are responsible for positions are informed regularly and without delay about relevant limits and their current usage.

In principle, Aareal Bank pursues a “buy and manage” strategy in managing its credit portfolio – with the primary objective of holding the majority of loans extended on its balance sheet until maturity; at the same time, targeted exit measures are deployed for actively managing the portfolio and the risks involved.

In summary: during the period under review, the existing set of tools and methods continued to enable the Bank to adopt suitable risk management or risk mitigation measures where required, without any undue delay.

Loss allowance

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

Regulatory disclosure follows accounting policies in accordance with IFRS 9. The loss allowance to be recognised in this context is based on the internal staging and expected credit loss (ECL/EL) model of Aareal Bank. For this purpose, financial instruments of the categories “measured at amortised cost” (ac) and “measured at fair value through other comprehensive income” (fvoci) as well as irrevocable loan commitments and financial guarantees are allocated to various stages at both initial recognition and subsequent measurement. The related loss allowances are recognised in the amount of the twelvemonth or the lifetime expected credit loss (lifetime ECL or LEL).

Stage 1: All financial instruments without impairment trigger are allocated to this stage at initial recognition. Any disposal and addition involving a substantial modification does not result in a change of allocation. If the counterparty credit risk is not significantly increased, the financial instrument has to remain in Stage 1 for subsequent measurement. Loss allowances are recognised in the amount of the losses expected from defaults occurring in the following twelve months and interest income is calculated on the basis of the gross carrying amount, applying the effective interest method. Loss allowances have to be recognised on a present value basis.

Stage 2: All financial instruments where credit risk has increased significantly since initial recognition are allocated to this stage. The determination of the significance threshold is a key judgement. Loss allowances are recognised in the amount of the losses expected for the entire remaining term of the instrument and interest income is calculated on the basis of the gross carrying amount, applying the effective interest method. Loss allowances have to be recognised on a present value basis. The significant increase in credit risk for the allocation to Stage 2 is determined using the so-called expected downgrade bank-internal staging model and taking into consideration quantitative and qualitative criteria. These criteria are the client's credit rating, the intensity of client handling (intensified handling), the existence of forbearance measures and/or payment defaults for more than 30 days. If the significant increase in credit risk no longer applies, the financial instrument is re-transferred to Stage 1.

Stage 3: This stage includes all financial instruments where there is objective evidence of impairment (impairment trigger or credit impaired). Loss allowances are recognised in the amount of the losses of the lifetime expected credit loss, and interest income is calculated on the basis of the net carrying amount (i.e. gross carrying amount less loss allowance) using the effective interest method. The lifetime expected credit loss in Stage 3 is determined as the difference between the gross carrying amount and the present value of expected future cash flows (discounted using the original effective interest). If the impairment triggers no longer apply, the financial instrument is re-transferred to Stage 1 or 2.

POCI (purchased or originated credit impaired): This category includes all financial instruments that were subject to an impairment trigger at initial recognition. The loss allowance is recorded in the amount of the lifetime expected credit loss.

The expected credit loss is generally determined by Aareal Bank using a model-based procedure where, depending on the stage, one- or multi-year parameters are used. The calculation of the expected loss in Stage 1 and of lifetime expected credit loss in Stage 2 is based on the one-year or lifetime probability of default (PD), respectively, the loss given default (LGD), the expected exposure at default (EAD), a discount factor (DF) and the expected contractual term. Current and expected country-specific economic conditions such as the GDP, long-term interest rates, the property price developments and unemployment rate are included in the LGD by means of a scenario-weighted market value forecast, for the purpose of interpreting forward-looking information. This probability-weighted scenario mix reflects uncertainty concerning geopolitical and macroeconomic estimates and supplements our baseline scenario through the addition of divergent developments over an observation period of three years. In addition, the economic outlook is taken into consideration implicitly in the estimation of the future development of the borrowers' financial position and performance and the expected property cash flows and, hence, in the probability of default (PD).

Intensified handling triggers recognition of loss allowance, in the amount of lifetime expected credit loss for the financial instrument concerned (Stage 2). The same applies for financings for which a forbearance measure has been granted.

Model-based calculations of loss allowance may involve specific aspects related to the reporting date which require adjustments to the calculation (post-model adjustments). These may be related to known model weaknesses, technical processing issues or data deficiencies, as well as expert estimates of risks designed to remedy possible gaps in the model. Post-model adjustments – to the extent there were required as at the reporting date – are described in Note (34) Loss allowance of Aareal Bank Group's Annual Report 2025.[1)]

A period of not more than twelve months is assessed for Stage 1, while the expected contractual term of the financial instrument has to be taken into account for Stages 2 and 3 (and, in addition, the expected term for repayment of the financial instrument in Stage 3).

1) "Aareal Bank Group 2025 Annual Report": chapter "Notes to the Statement of Comprehensive Income", Note (34) in the Notes to the consolidated financial statements, pages 202 et seqq.

The expected loss in Stage 3 is usually determined on the basis of individually estimated cash flows (ECF procedure) in three probability-weighted scenarios. The amount of the loss allowance is determined as being the difference between the gross carrying amount of the asset and the present value of the expected future cash flows from realising the collateral provided. Discounting is based on the original effective interest rate applicable at initial recognition. For variable-rate financial instruments, the most recent interest rate fixing is used. Collateral is largely provided in the form of land charges or mortgages; these are measured at fair value of the respective scenario which is generally based on either the income capitalisation approach or the discounted cash flow method. The net carrying amount of the asset therefore corresponds to the present value of the expected future cash flows of the collateral provided.

According to the Bank's criteria for default, a debtor has defaulted if:

- the Bank considers it unlikely that the debtor will settle their liabilities in full without the Bank resorting to measures such as the realisation of collateral and/or
- a material liability of the debtor is more than 90 days past due.

The following criteria are indications that item a. is met and that the debtor is unlikely to settle their liability:

- waiving contractually agreed interest payments;
- specific credit risk adjustments;
- disposal of the liability at a significant credit-induced economic loss;
- crisis-related restructuring where this is likely to lead to a reduction in the debtor's liabilities through a significant waiver or forbearance;
- insolvency filing by the debtor or comparable measures taken against the debtor, preventing or delaying repayment;
- other indications that suggest that it is unlikely that the liabilities will be settled.

When assessing the criteria, the Bank includes other financial indicators such as the debt servicing capacity. Nevertheless, the assessment is subject to estimation uncertainty.

Once the default criteria no longer apply and the exposures are no longer allocated to Stage 3, the debtor is deemed to have been restored to financial health. For supervisory purposes, the financial instruments continue to be recorded as defaulted or non-performing for a specified grace period (3 months or 12 months).

The loss allowance for debt instruments measured at amortised cost is reported in the item "Loss allowance (ac)", for debt instruments measured at fair value through other comprehensive income in the item "Reserve from the measurement of debt instruments (fvoci)" and for loan commitments and financial guarantees under provisions. Debt instruments reported under POCI are accounted for on a net basis, i.e. without any loss allowance. Changes in loss allowance are reflected by increasing or decreasing the carrying amount through other loss allowance.

If the receivables are not recoverable, the corresponding loss allowance is utilised and the receivable is written off. Direct write-offs are not made.

The loss allowance for receivables from other transactions is determined using a simplified procedure in the amount of the lifetime expected credit losses.

To the extent that receivables are hedged via the Significant Risk Transfer (SRT), expenses for loss allowance are reduced by any refund claims. The premium for the hedge is recognised in commission expenses.

The Bank does not use the option to recognise certain financial instruments as having a low default risk.

Aareal Bank believes that the impairment triggers provided as examples in IFRS 9 and the reasons for default set out in Article 178 of the CRR are identical in substance and can thus be applied interchangeably. Consequently, at the time of default, the risk exposure affected is allocated to Stage 3 within the loss allowance process in accordance with Article 178 of the CRR and is considered to be defaulted, and hence non-performing, for both regulatory and accounting purposes.

For financial instruments of the category “measured at fair value through profit or loss (fvpl)”, the default of a borrower does not lead to the recognition of loss allowance in Stage 3, but to a creditinduced fair value adjustment.

In the absence of any other reasons for default, all liabilities of a borrower that are up to 90 days past due are deemed overdue, but not defaulted.

Forbearance

“Forbearance” means concessions in the form of contractual amendments vis-à-vis a debtor which is in financial difficulty (or would be in financial difficulty, at the time of the contractual amendments, without the forbearance measure), enabling the debtor to continue or resume to meet its payment obligations. Such a modification of the loan agreement is deemed to constitute a significant increase in credit risk since the recognition of the financial instrument. The financial instrument is allocated to Stage 2 from the time it is granted until the end of a period of good conduct, and loss allowance is recognised in the amount of the lifetime expected credit loss.

Credit quality of exposures

In the following tables, the breakdown of exposures and the related loss allowances required by Article 442 lit. c) – g) of the CRR, as submitted to banking supervisors in the context of the Financial Reporting framework (FINREP), are disclosed with different levels of detail. In this context, exposures resulting from counterparty credit risk exposures are not taken into account; these are disclosed separately in this report.

The following information is based on the requirements set out in Annex XVI of Commission Implementing Regulation (EU) 2024/3172 on the disclosure of non-performing and forborne exposures.

The NPL ratio determined in accordance with Article 9 (2) (3) of the Commission Implementing Regulation mentioned above amounts to 3.9 % as at 31 December 2025. Since the NPL ratio had already fallen below 5 % as at the three previous quarterly reporting dates, the tables EU CQ2, EU CQ6, EU CQ8, and EU CR2a are not disclosed in accordance with Article 9 (5) of the Commission Implementing Regulation.

Table EU CQ1 provides information on the gross carrying amount of forborne exposures (i.e. exposures with forbearance measures), and on the coverage of existing risks through loss allowance as well as collateral received. In this context, the measurement of collateral received differs from the current market value of such collateral, due to the fact that a different internal realisation rate is being applied, depending on the type of property and the country where the property is located; and reflecting a cap on any collateral at the carrying amount.

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
€ mn				of which: defaulted	of which: impaired				
005	**Cash balances at central banks and other demand deposits**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**2,751**	**1,009**	**1,009**	**542**	**-55**	**-145**	**3,525**	**834**
020	Central banks	–	–	–	–	–	–	–	–
030	General governments	–	–	–	–	–	–	–	–
040	Credit institutions	–	–	–	–	–	–	–	–
050	Other financial corporations	18	7	7	7	0	-4	21	3
060	Non-financial corporations	2,733	1,002	1,002	535	-55	-141	3,504	831
070	Households	–	–	–	–	–	–	–	–
080	**Debt securities**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
090	**Loan commitments given**	**37**	**34**	**34**	**34**	**2**	**8**	**17**	**2**
100	**Total**	**2,788**	**1,043**	**1,043**	**576**	**-57**	**-154**	**3,542**	**836**

Table EU CR1 does not take into account financial assets held for trading. In addition to the disclosures on non-performing exposures, this table also discloses loss allowances and provisions attributable to performing exposures.

Besides information on accumulated impairment for non-performing exposures, columns j to l also require disclosure of negative changes in fair value due to credit risk. The limitation to negative changes in a borrower's credit risk is due to such negative changes being de facto equivalent to an impairment implied by fair value, whereby no impairment is recognised for assets carried at fair value through profit and loss. Accordingly, the gross carrying amount of these exposures was increased by the fair value change induced by credit quality.

In addition, columns n and o specify the collateral (property, financial collateral, deposits held with third-party institutions) and financial guarantees (as defined by the CRR) which Aareal Bank has received for the exposures analysed. However, the respective values are capped at the carrying amount of the respective exposure.

EU CR1: Performing and non-performing exposures and related provisions

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accu-mulated partial write-offs	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On per-forming exposure	On non-performing exposures
€ mn		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3			
005 Cash balances at central banks and other demand deposits	**850**	**850**	**–**	**–**	**–**	**–**	**0**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010 Loans and advances	**34,225**	**30,129**	**4,001**	**1,399**	**443**	**931**	**-132**	**-51**	**-81**	**-301**	**-60**	**-235**	**-130**	**32,070**	**1,019**
020 Central banks	-	-	–	–	–	–	–	–	–	–	–	–	–	–	–
030 General governments	1,286	1,286	0	–	–	–	0	0	0	–	–	–	–	3	–
040 Credit institutions	61	61	–	–	–	–	0	0	–	–	–	–	–	–	–
050 Other financial corporations	2,053	2,027	26	7	–	7	-3	-3	0	-4	–	-4	0	1,554	3
060 Non-financial corporations	30,740	26,756	3,889	1,389	443	922	-129	-48	-81	-296	-60	-230	-130	30,446	1,014
070 of which: SMEs	24,057	20,743	3,219	1,389	443	922	-111	-39	-72	-296	-60	-230	-130	23,850	1,014
080 Households	86	–	86	3	–	3	0	–	0	-1	–	-1	0	68	2
090 Debt securities	**8,117**	**7,459**	**658**	**–**	**–**	**–**	**-1**	**0**	**0**	**–**	**–**	**–**	**–**	**–**	**–**
100 Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110 General governments	3,415	2,757	658	–	–	–	-1	0	0	–	–	–	–	–	–
120 Credit institutions	4,156	4,156	–	–	–	–	0	0	–	–	–	–	–	–	–
130 Other financial corporations	546	546	–	–	–	–	0	0	–	–	–	–	–	–	–
140 Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150 Off-balance sheet exposures	**1,186**	**1,089**	**98**	**36**	**–**	**36**	**10**	**6**	**4**	**8**	**–**	**8**		**426**	**4**
160 Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170 General governments	5	5	–	–	–	–	0	0	–	–	–	–		–	–
180 Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–		–	–
190 Other financial corporations	25	25	–	–	–	–	0	0	–	–	–	–		10	–
200 Non-financial corporations	1,157	1,059	98	36	–	36	10	6	4	8	–	8		416	4
210 Households	0	0	0	–	–	–	0	0	0	–	–	–		–	–
220 Total	**44,378**	**39,527**	**4,756**	**1,435**	**443**	**967**	**-143**	**-57**	**-85**	**-309**	**-60**	**-243**	**-130**	**32,497**	**1,022**

Table EU CR1-A provides an overview of the net carrying amounts of loans and advances previously disclosed in table EU CR1 as well as debt securities, broken down by remaining term to maturity. The remaining term to maturity is determined on the basis of the contractually agreed term of the exposure. Column a comprises exposures due on demand.

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
€ mn							
1	Loans and advances	747	4,606	26,452	3,359	28	**35,192**
2	Debt securities	–	650	4,647	2,819	–	**8,116**
3	**Total**	**747**	**5,256**	**31,099**	**6,178**	**28**	**43,307**

Past-due financial assets held for trading shown in table EU CQ3 (whether impaired or not) are broken down across specified past-due maturity bands. For a definition of “past due”, please refer to the statements in the chapter “Loss allowance” (page 49).

EU CQ3: Credit quality of performing and non-performing exposures by past due days

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
€ mn												
005 Cash balances at central banks and other demand deposits	**850**	**850**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010 Loans and advances	**34,225**	**33,593**	**632**	**1,399**	**777**	**281**	**82**	**143**	**68**	**–**	**48**	**1,399**
020 Central banks	–	–	–	–	–	–	–	–	–	–	–	–
030 General governments	1,286	1,286	–	–	–	–	–	–	–	–	–	–
040 Credit institutions	61	61	–	–	–	–	–	–	–	–	–	–
050 Other financial corporations	2,053	2,053	0	7	–	7	–	–	–	–	–	7
060 Non-financial corporations	30,740	30,107	632	1,389	775	274	82	143	68	–	48	1,389
070 of which: SMEs	24,057	23,539	518	1,389	775	274	82	143	68	–	48	1,389
080 Households	86	86	–	3	3	0	–	–	0	–	–	3
090 Debt securities	**8,117**	**8,117**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100 Central banks	–	–	–	–	–	–	–	–	–	–	–	–
110 General governments	3,415	3,415	–	–	–	–	–	–	–	–	–	–
120 Credit institutions	4,156	4,156	–	–	–	–	–	–	–	–	–	–
130 Other financial corporations	546	546	–	–	–	–	–	–	–	–	–	–
140 Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
150 Off-balance sheet exposures	**1,186**			**36**								**36**
160 Central banks	–			–								–
170 General governments	5			–								–
180 Credit institutions	–			–								–
190 Other financial corporations	25			–								–
200 Non-financial corporations	1,157			36								36
210 Households	0			–								–
220 Total	**44,378**	**42,560**	**632**	**1,435**	**777**	**281**	**82**	**143**	**68**	**–**	**48**	**1,435**

In line with table EU CR1, table EU CQ4 does not take financial assets held for trading into account either. In addition to the disclosures on non-performing exposures, this table also discloses loss allowances and provisions attributable to performing exposures. The information is broken down by relevant countries. In this context, a country with an exposure of at least € 300 million is considered relevant. The allocation is based on the borrower's country of domicile. When determining the materiality threshold, care is taken to ensure that the aggregate gross carrying amount of all major countries equals at least 95 % of all on- (including cash balances at central banks and other demand deposits) and off-balance sheet exposures. Exposures to supranational organisations are included in the "Other countries" line irrespective of their gross carrying amount.[1)]

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

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing					
€ mn				of which: defaulted	of which: subject to impairment			
010	**On-balance sheet exposures**	**44,591**	**1,399**	**1,399**	**44,471**	**-428**		**-5**
020	Australia	453	–	–	453	-1		–
030	Belgium	351	–	–	351	0		–
040	Denmark	488	–	–	488	-1		–
050	Germany	7,379	17	17	7,378	-11		–
060	Finland	917	–	–	917	-1		–
070	France	4,679	127	127	4,679	-47		–
080	UK	3,644	–	–	3,644	-5		–
090	Italy	2,110	40	40	2,110	-4		–
100	Jersey	1,952	–	–	1,952	-3		–
110	Canada	1,545	–	–	1,545	-1		–
120	Luxembourg	3,094	–	–	3,094	-5		–
130	Maldives	335	–	–	335	-1		–
140	Netherlands	2,521	11	11	2,521	-5		–
150	Austria	767	–	–	767	0		–
160	Poland	3,032	–	–	3,032	-5		–
170	Sweden	798	–	–	798	-1		–
180	Spain	2,275	–	–	2,275	-3		–
190	USA	6,136	1,204	1,204	6,017	-331		-5
200	Other countries	2,115	–	–	2,115	-2		–

>

1) The following countries are categorised as non-material: Switzerland, Czech Republic, Guernsey, Gibraltar, Hong Kong, Hungary, Ireland, Japan, Norway, New Zealand, Portugal, Singapore, Slovenia, Turkey and the British Virgin Islands.

€ mn		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
210	**Off-balance sheet exposures**	**1,222**	**36**	**36**			**18**	
220	Australia	–	–	–			–	
230	Belgium	0	–	–			–	
240	Denmark	6	–	–			0	
250	Germany	363	–	–			3	
260	Finland	7	–	–			0	
270	France	270	–	–			3	
280	UK	193	–	–			1	
290	Italy	84	–	–			0	
300	Jersey	4	–	–			0	
310	Canada	12	–	–			0	
320	Luxembourg	35	–	–			0	
330	Maldives	4	–	–			0	
340	Netherlands	29	–	–			0	
350	Austria	14	–	–			0	
360	Poland	32	–	–			0	
370	Sweden	–	–	–			–	
380	Spain	45	–	–			0	
390	USA	97	36	36			10	
400	Other countries	28	–	–			0	
410	**Total**	**45,813**	**1,435**	**1,435**	**44,471**	**-428**	**18**	**-5**

In accordance with Annex XVI of Commission Implementing Regulation (EU) 2024/3172, table EU CQ5 only shows exposures to non-financial corporations.

The presentation by sector of economic activity corresponds to the differentiation by NACE codes in the context of the Financial Reporting framework (FINREP).

Since the Group's business is focused on commercial property financing, the real estate activities sector is by far the most relevant industry.

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

€ mn		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	–	–	–	–	–	–
020	Mining and quarrying	–	–	–	–	–	–
030	Manufacturing	–	–	–	–	–	–
040	Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
050	Water supply	1	–	–	1	0	–
060	Construction	40	40	40	40	0	–
070	Trading	–	–	–	–	–	–
080	Transport and storage	–	–	–	–	–	–
090	Accommodation and food service activities	1,362	47	47	1,362	-7	–
100	Information and communication	–	–	–	–	–	–
110	Financial and insurance activities	–	–	–	–	–	–
120	Real estate activities	30,645	1,301	1,301	30,526	-411	-5
130	Professional, scientific and technical activities	46	–	–	46	-1	–
140	Administrative and support service activities	–	–	–	–	–	–
150	Public administration and defence; compulsory social security	–	–	–	–	–	–
160	Education	–	–	–	–	–	–
170	Health and social services	15	–	–	15	0	–
180	Arts, entertainment and recreation	0	–	–	0	–	–
190	Other services	19	–	–	19	0	–
200	**Total**	**32,128**	**1,389**	**1,389**	**32,009**	**-419**	**-5**

Given that Aareal Bank Group generally pursues the strategy of preventing any further losses from a loan exposure, some of the properties disclosed in table EU CQ7 are subject to re-positioning and further development and may thus be held for several years. Hence, fair value (as well as amortised cost) can be increased by value-enhancing measures. The table below does not provide any such information.

EU CQ7: Collateral obtained by taking possession and execution processes

€ mn		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Collateral obtained by taking possession classified as PP&E	–	–
020	Collateral obtained by taking possession other than that classified as PP&E	535	-42
030	Residential immovable property	0	–
040	Commercial immovable property	535	-42
050	Movable property (auto, shipping, etc.)	–	–
060	Equity and debt instruments	–	–
070	Other collateral	–	–
080	**Total**	**535**	**-42**

Table EU CR2 outlines the changes within the portfolio of non-performing exposures during the year 2025. Besides new defaulted loans and advances (shown in line 020), the gross carrying amounts of exposures removed from the non-performing portfolio are broken down further below by reason of the outflow:

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

€ mn		a Gross carrying amount
010	**Initial stock of non-performing loans and advances as at 1 Jan 2025**	**1,261**
020	Inflows to non-performing portfolios	776
030	Outflows from non-performing portfolios	-638
040	Outflows due to write-offs	-44
050	Outflow due to other situations	-594
060	**Final stock of non-performing loans and advances as at 31 Dec 2025**	**1,399**

General information on credit risk mitigations

Aareal Bank's Credit Manual contains further details regarding collateral to be used within the Bank. The regulatory inclusion of the collateral reflects the Bank's 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 legal counsels. 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, Aareal Bank 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.

The following requirements must be met for properties to be recognised as collateral:

- the value of the property does not materially depend on the debtor's credit quality (default independence),
- the borrower's risk does not materially depend on the property's performance, but rather on their ability to repay their debts from other sources; repayment does not depend on the cash flows generated by the property (cash flow independence). This cash flow independence is deemed to exist if the hard test is fulfilled,
- the requirements of Article 208 of the CRR are met (including monitoring of property values, legal enforceability and adequate insurance cover),
- the requirements for the valuation of the property pursuant to Article 229 (1) of the CRR are met.

In contrast to the IRBA, only certain types of impersonal collateral, indemnities and guarantees as well as financial collateral may be used under the CRSA. Commercial and residential property collateral is eligible for inclusion in accordance with the CRSA, 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 of the property are set in accordance with the respective lending authority, and form an integral part of the lending decision.[1]

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 values are subjected to a defined internal monitoring and review process:

Step 1: Monitoring
The regular monitoring of collateral values in the commercial property finance business (Real Estate Structured Finance, RSF) for properties located in Germany and abroad is carried out by the internal valuer on an annual basis. Furthermore, the Banking & Digital Solutions ("BDS") segment monitors residential properties located in Germany on the basis of the vdp/VÖB market fluctuation concept. In addition to regular monitoring, collateral values are reviewed immediately in both the RSF business and the BDS business if there are indications of substantial value fluctuations or if case- or property-specific characteristics emerge from credit monitoring.

Step 2: Review
In the RSF business, all property values are reviewed by the internal valuer at least once a year. In addition to this, properties identified in Step 1 in the BDS business are subject to an event-driven review, which is carried out by an independent valuer or a loan manager with applicable expertise. It is also ensured that the collateral value of the properties in the BDS segment is regularly reviewed at least every three years. Event-driven reviews are carried out immediately.

Step 3: Revaluation
In Step 3, all properties in the RSF business are generally revalued at least every three years. A revaluation is carried out both in the RSF business and in the BDS business for the properties identified from Step 2 if the underlying assumptions since the last valuation would lead to a decline in value taking into account current market conditions.

Guarantees

Warranties include indemnities and guarantees. The guarantors include rated clients 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 insurance policies are only included under the AIRBA and are treated – by analogy with assigned balances held at third-party institutions – like warranties.

---

[1] The revision of the CRR ("CRR III") has introduced the concept of "property value" alongside market value and mortgage lending value, subject to the transition periods set out in Article 495f of the CRR. Property value is a prudent, conservative and sustainable valuation of a property that must not exceed the property's market value but is generally higher than the mortgage lending value. Property value must meet the requirements set out in Article 229 (1)(b) of the CRR and is used to determine RWAs under the Credit Risk Standard Approach and the IRB foundation approach.

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 taken into account as credit risk mitigation, also applying 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.

Credit risk mitigation

Collateral in the total amount of € 33,089 million was applied within the scope of credit risk mitigation. This figure comprises no financial collateral included for derivatives transactions.

The following table shows all collateral eligible to collateralise loans and advances as well as debt securities. The respective values are capped at the carrying amount of the respective exposure. The real property liens relevant for Aareal Bank as an international property specialist are disclosed in column c along with the financial collateral, whereas warranties (financial guarantees) are disclosed under column d. Credit derivatives which may be used for collateralisation purposes are currently not held. Therefore, table EU CR7 (IRB approach – Effect on the Risk Weighted Exposure amounts of credit derivatives used as CRM techniques) is not disclosed.

In addition to the eligible collateral and secured exposures (column b), column a discloses the amount of all generally unsecured exposures.

EU CR3: Overview of credit risk mitigation techniques

		a	b	c	d	e
			Exposures secured – Carrying amount			
€ mn		Exposures unsecured – Carrying amount		of which: secured by collateral	of which: secured by financial guarantees	of which: secured by credit derivatives
1	Loans and advances	2,953	33,089	33,079	10	–
2	Debt securities	8,116	–	–	–	
3	**Total**	**11,069**	**33,089**	**33,079**	**10**	**–**
4	of which: non-performing exposures	80	1,019	1,019	–	–
EU-5	of which: defaulted	80	1,019			

As defaulted exposures are considered non-performing, the net carrying amount reported in line EU-5 is equivalent to the amount shown in line 4. This is further described in the chapter “Credit quality of exposures” in this Regulatory Disclosure Report (pages 52 et seqq.).

The disclosure table EU CR7-A is limited to the presentation of the collateral considered for the commercial property lending portfolio subject to the Advanced and Foundation IRB approach. This collateral is shown for each IRBA collateral as a percentage of the respective IRBA exposure. Aareal Bank also exercises the option provided for in Article 25 (1) of Implementing Regulation (EU) 2024/3172 and only discloses those exposure classes that are relevant to it (adhering to the specified line numbering).

The relevant types of collateral are considered within the scope of the LGD estimation in accordance with Article 181 (1) lit. e) and f) of the CRR.

Column m generally remains blank, as no substitution is made within the scope of the collateralisation of exposures treated in IRBA by guarantees. If the guarantor’s rating is better than the borrower’s rating, the guarantor’s rating reduces the LGD.

EU CR7-A: A-IRB approach – Disclosure of the extent of the use of CRM techniques

A-IRBA exposure class	a	b	c	d	e	f
		Credit risk mitigation techniques				
		Funded Credit Protection (FCP)				
			Part of exposures covered by Other eligible collateral			
	Total exposures	Part of exposures covered by Financial collateral		Part of exposures covered by Immovable property collateral	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral
	€ mn	%	%	%	%	%
5 Corporates	32,515	0.01	99.34	98.91	–	0.43
5,1 of which: Corporates – General	1,707	0.06	87.48	87.48	–	–
5,2 of which: Corporates – Specialised lending	30,809	0.00	99.99	99.54	–	0.46
7 Total	**32,515**	**0.01**	**99.34**	**98.91**	**–**	**0.43**

A-IRBA exposure class	g	h	i	j	k	l	m	n
	Credit risk mitigation techniques						Credit risk mitigation methods in the calculation of RWAs	
	Funded Credit Protection (FCP)				Unfunded Credit Protection (UFCP)			
	Part of exposures covered by Other funded credit protection							
		Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit derivatives	RWAs without substitution effects (reduction effects only)	RWAs with substitution effects (both reduction and substitution effects)
	%	%	%	%	%	%	€ mn	€ mn
5 Corporates	0.00	0.00	–	–	0.03	–	–	8,614
5,1 of which: Corporates – General	–	–	–	–	0.50	–	–	715
5,2 of which: Corporates – Specialised lending	0.00	0.00	–	–	–	–	–	7,899
7 Total	**0.00**	**0.00**	**–**	**–**	**0.03**	**–**	**–**	**8,614**

EU CR7-A: F-IRB approach – Disclosure of the extent of the use of CRM techniques

F-IRBA exposure class	a	b	c	d	e	f
		Credit risk mitigation techniques				
		Funded Credit Protection (FCP)				
			Part of exposures covered by Other eligible collateral			
	Total exposures	Part of exposures covered by Financial collateral		Part of exposures covered by Immovable property collateral	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral
	€ mn	%	%	%	%	%
5 Corporates	55	–	52.64	52.64	–	–
5,1 of which: Corporates – General	55	–	52.64	52.64	–	–
5,2 of which: Corporates – Specialised lending	–	–	–	–	–	–
6 Total	**55**	**–**	**52.64**	**52.64**	**–**	**–**

>

F-IRBA exposure class	g	h	i	j	k	l	m	n
	Credit risk mitigation techniques						Credit risk mitigation methods in the calculation of RWAs	
	Funded Credit Protection (FCP)				Unfunded Credit Protection (UFCP)			
	Part of exposures covered by Other funded credit protection							
		Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit derivatives	RWAs without substitution effects (reduction effects only)	RWAs with substitution effects (both reduction and substitution effects)
	%	%	%	%	%	%	€ mn	€ mn
5 Corporates	–	–	–	–	–	–	–	25
5,1 of which: Corporates – General	–	–	–	–	–	–	–	25
5,2 of which: Corporates – Specialised lending	–	–	–	–	–	–	–	–
6 Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**

Risk concentrations

According to the statements in the previous chapter, real property liens represent the major portion of the Bank's eligible collateral. However, risk concentrations are minimised through diversification by countries and types of property.

The qualitative and quantitative processes to assess and control risk concentrations are described in the chapter "Management of credit risk" (pages 48 et seqq.).

Netting framework agreements

The netting framework agreements used at Aareal Bank are presented in the chapter "Credit risk mitigation for trading activities" in this Regulatory Disclosure Report (pages 100 et seqq.).

Qualitative information on the use of the IRB Approach

The approaches using internal models are applied to determine the risk-weighted exposure amounts in relation to counterparty credit risk for the large-sized commercial property lending business within the "Corporates" exposure class. This was approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – „BaFin") for the first time in February 2011, with retrospective effect as at 31 December 2010. As part of the Targeted Review of Internal Models (TRIM), the European Central Bank granted the Bank permission to continue using its internal models in 2019.

Exposures relating to financial sector entities or large companies (except specialised lending) must be treated under the Foundation IRB Approach (FIRBA), requiring the regulatory LGD values to be used. Pursuant to Article 142 (1) (5a) of the CRR, "large corporate" means any corporate undertaking having consolidated annual sales of more than € 500 million or belonging to a group where the total annual sales for the consolidated group is more than € 500 million.

Internal rating systems

In the Advanced Internal Ratings-Based Approach (AIRBA), the Bank is required to make internal estimates of the probability of default (PD) and to determine the expected loss given default (LGD) as regards the internal models used to determine the regulatory capital requirements for exposures, while in the FIRBA, the required estimates are limited to the PD.[1] One risk model per risk parameter has been approved for Aareal Bank's exposures vis-à-vis corporates. Additional approved models do not exist.

The internal rating procedure for borrowers is approved by the supervisory authorities and determines a borrower's probability of default (PD). In addition, the Bank uses an approved procedure to determine the loss given default (LGD) for the "Corporates" exposure class.

Within the framework of this rating 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 Bank's relevant Sales unit systems, while the assignment of IRBA items and borrowers to the IRBA exposure classes "Corporates – General" and "Corporates – Specialised lending" is fully automated, based on the characteristics of the transaction and the client.

The internal rating procedure to determine a client'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 in question. The borrower's current and future default probability 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 separate rating class.

When determining internal credit ratings and default rates, the Bank does not use assessments by external rating agencies as stipulated in Article 180 (1) lit. f) of the CRR. Hence, there is no relation between internal and external credit assessments.

Credit Management 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 AIRB approach. The LGD estimates the extent of the economic loss in the event of a borrower defaulting. In simple terms, this is the amount of the claim not covered by the proceeds from the realisation of collateral.

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 – resolution, recovery/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 the market value under downturn conditions. Where domestic properties are to be financed, recovery rates are taken from a pool of data used across the Bank, while recovery rates for international properties are derived using statistical methods, 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.

[1] The credit conversion factors (CCFs) determined under the Credit Risk Standard Approach must also be used under FIRBA and AIRBA. The CCF for credit lines extended to housing industry clients is generally set at 100%.

Reporting

In addition, the risk parameters are a major element of Aareal Bank's internal and external reporting. The 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. The Management Board receives regular information on compliance with rating updates and property monitoring via the monthly risk report.

Additional uses of internal estimates

The internally-estimated risk parameters are central factors for the Bank's lending process, the recognition of loss allowance, and its risk management. The credit risk strategy incorporates the rating; it is based – with regard to its specific requirements – on the rating and the parameters underlying the LGD, among other things. 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.

Within the scope of early risk identification, the rating result is one of the many indicators used to classify an exposure with early warning indicators as intensive-handling, restructuring, or recovery exposure.

The Bank primarily uses a credit risk model to monitor concentration and diversification effects on a 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.

PD and LGD procedures are applied for accounting purposes in the context of determining model-based loss allowance. Concerning the scenario analyses to be taken into account when determining individual LGDs, an updated scenario mix is applied to the customary process. This probability-based scenario mix relies on various differently weighted macroeconomic scenarios.

Control mechanisms

The Credit Management unit is responsible for the correct and regular determination of the rating results as well as for 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 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.

Manual adjustments may be made during the rating preparation (overrulings) and are documented in the rating system thereafter.

The internal rating procedure to determine a borrower-specific probability of default for large-sized property financing is validated, both on the basis of the underlying data pool and through internal validation of Aareal Bank's portfolio, once a year and on an ad-hoc basis. The validation covers all measures required pursuant to the CRR. The further development of the rating procedure is made under the umbrella of CredaRate Solutions GmbH, on behalf of – and with the participation of – the banks involved.

The procedures applied by the Bank for determining the LGD parameter are also validated annually and on an ad-hoc basis. As these procedures represent Bank-internal developments, validation is made mostly by the Bank itself. Exceptions to this are the parameters used within the LGD calculation process (recovery rates and settlement periods for properties in Germany). A two-stage process takes effect here. The data gathered for Germany within the scope of pooling under the umbrella of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – "vdp") is the basis. The central validation of these parameters for the entire pool is carried out by vdp. Aareal Bank draws on the already centrally validated pool data for its own validation of these parameters.

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 Aareal Bank's quality manuals. The necessary reviews with regard to information on collateral are the responsibility of Credit Management.

Irrespective of the treatment of the bank portfolio under the CRSA, applicable internal rating procedures to determine PD and LGD continue to be carried out internally, once a year.

Risk Controlling is responsible for developing rating models, whilst Compliance & Non-Financial Risks (which is independent from Risk Controlling) is responsible for validating all rating models. The validation results are discussed within and adopted by the Risk Management Committee (RiskMCo). Reports on the results of the validation are submitted to the Management Board.

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.

Quantitative information on the use of the IRB Approaches

The property lending portfolio (treated under the AIRBA and FIRBA) shall be disclosed in the EU CR6 table to be published on a half-yearly basis, which considers clearly-defined PD classes. Expected loss (EL) is also reported per PD class, thus also ensuring a statement concerning the collateral quality.

Exposures subject to counterparty credit risk pursuant to Article 271 et seqq. of the CRR and treated under the IRBA are not covered in the statements. They are disclosed in table EU CCR4 in the chapter "Counterparty Credit Risk".

The amount to be disclosed in columns a and b corresponds to the exposure value determined in accordance with Article 166 (1) to (7) of the CRR, in each case not taking into account the general and specific credit risk adjustments depicted in column l.

Aareal Bank Group holds no purchased corporate receivables in its portfolio which is why table EU CR6 discloses only the "Corporates – General" and "Corporates – Specialised lending" exposure classes. Contrary to Commission Implementing Regulation (EU) 2021/637, which Aareal Bank Group had to base its disclosures on until 31 December 2024, exposures to corporates – SMEs no longer have to be disclosed separately. SMEs that are not allocated to the "Corporates – Specialised lending" exposure class are reported under the "Corporates – General" exposure class.

EU CR6: Advanced IRB approach – Credit risk exposures by exposure class and PD range

A-IRBA exposure class	PD range	a On-balance sheet exposures	b Off-balance sheet exposures pre-CCF	c Exposure-weighted average CCF	d Exposure post CCF and post CRM	e Exposure-weighted average PD	f Number of obligors
	%	€ mn	€ mn	%	€ mn	%	
Corporates – General	0.00 to < 0.15	13	5	45.08	15	0.13	4
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	13	5	45.08	15	0.13	4
	0.15 to < 0.25	120	27	100.00	148	0.22	23
	0.25 to < 0.50	122	71	97.68	192	0.39	33
	0.50 to < 0.75	77	15	100.00	92	0.63	17
	0.75 to < 2.50	1,184	56	94.47	1,237	1.11	45
	0.75 to < 1.75	1,030	47	93.41	1,074	0.97	37
	1.75 to < 2.50	154	9	100.00	163	2.04	8
	2.50 to < 10.00	–	15	100.00	15	3.11	1
	2.50 to < 5.00	–	15	100.00	15	3.11	1
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	8	–	–	8	100.00	2
	Subtotal	**1,524**	**190**	**96.02**	**1,707**	**1.39**	**125**
Corporates – Specialised lending	0.00 to < 0.15	67	–	–	67	0.13	3
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	67	–	–	67	0.13	3
	0.15 to < 0.25	493	–	–	493	0.22	8
	0.25 to < 0.50	2,642	30	40.00	2,654	0.39	71
	0.50 to < 0.75	3,707	35	40.00	3,722	0.63	100
	0.75 to < 2.50	19,561	594	40.00	19,799	1.36	474
	0.75 to < 1.75	15,655	445	40.00	15,833	1.19	419
	1.75 to < 2.50	3,906	149	40.00	3,966	2.04	55
	2.50 to < 10.00	1,884	121	40.00	1,932	3.87	34
	2.50 to < 5.00	1,673	104	40.00	1,714	3.46	30
	5.00 to < 10.00	211	17	40.00	218	7.13	4
	10.00 to < 100.00	487	45	40.00	505	10.69	5
	10.00 to < 20.00	487	45	40.00	505	10.69	5
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	1,623	36	40.00	1,638	100.00	30
	Subtotal	**30,464**	**861**	**40.00**	**30,809**	**6.72**	**725**
	Total	**31.988**	**1.051**	**50,12**	**32.515**		**849**

>

A-IRBA exposure class	PD range	g Exposure-weighted average LGD	h Exposure-weighted average maturity	i RWAs after supporting factors	j RWA density	k Expected loss amount (EL)	l Value adjustments and provisions
	%	%	Years	€ mn	%	€ mn	€ mn
Corporates – General	0.00 to < 0.15	28.87	2.5	2	13.96	0	0
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	28.87	2.5	2	13.96	0	0
	0.15 to < 0.25	29.20	2.7	37	25.36	0	0
	0.25 to < 0.50	56.87	3.5	153	80.04	0	0
	0.50 to < 0.75	35.46	2.4	45	49.20	0	0
	0.75 to < 2.50	17.79	3.4	435	35.20	3	-2
	0.75 to < 1.75	18.00	3.6	375	34.95	2	-1
	1.75 to < 2.50	16.38	2.2	60	36.83	1	0
	2.50 to < 10.00	104.81	1.0	39	259.05	0	0
	2.50 to < 5.00	104.81	1.0	39	259.05	0	0
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	117.70	–	2	28.63	9	-4
	Subtotal	25.44	3.3	715	41.88	13	-7
Corporates – Specialised lending	0.00 to < 0.15	10.00	2.5	3	5.18	0	0
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	10.00	2.5	3	5.18	0	0
	0.15 to < 0.25	10.07	3.4	49	9.84	0	0
	0.25 to < 0.50	13.45	2.7	367	13.83	1	-1
	0.50 to < 0.75	12.53	2.5	612	16.45	3	-3
	0.75 to < 2.50	13.09	2.8	4,571	23.09	35	-60
	0.75 to < 1.75	12.83	2.8	3,426	21.64	24	-28
	1.75 to < 2.50	14.13	2.6	1,145	28.87	11	-31
	2.50 to < 10.00	21.57	2.5	879	45.48	16	-68
	2.50 to < 5.00	21.46	2.5	747	43.60	12	-56
	5.00 to < 10.00	22.38	2.4	131	60.35	3	-12
	10.00 to < 100.00	23.78	1.8	367	72.69	13	-14
	10.00 to < 20.00	23.78	1.8	367	72.69	13	-14
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	27.63	–	1,051	64.20	368	-380
	Subtotal	14.48	2.6	7,899	25.64	437	-525
	Total		**2.6**	**8,614**	**26.49**	**450**	**-532**

EU CR6: Foundation IRB approach – Credit risk exposures by exposure class and PD range

F-IRBA exposure class	PD range	a On-balance sheet exposures	b Off-balance sheet exposures pre-CCF	c Exposure-weighted average CCF	d Exposure post CCF and post CRM	e Exposure-weighted average PD	f Number of obligors
	%	€ mn	€ mn	%	€ mn	%	
Corporates – General	0.00 to < 0.15	–	–	–	–	–	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–
	0.25 to < 0.50	21	44	29.77	34	0.39	2
	0.50 to < 0.75	–	25	40.00	10	0.63	1
	0.75 to < 2.50	7	38	10.00	11	1.47	3
	0.75 to < 1.75	7	20	10.00	9	1.36	2
	1.75 to < 2.50	–	18	10.00	2	2.04	1
	2.50 to < 10.00	–	–	–	–	–	–
	2.50 to < 5.00	–	–	–	–	–	–
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–
	Subtotal	28	107	25.14	55	0.65	6
	Total	**28**	**107**	**25.14**	**55**		**6**

F-IRBA exposure class	PD range	g Exposure-weighted average LGD	h Exposure-weighted average maturity	i RWAs after supporting factors	j RWA density	k Expected loss amount (EL)	l Value adjustments and provisions
	%	%	Years	€ mn	%	€ mn	€ mn
Corporates – General	0.00 to < 0.15	–	–	–	–	–	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–
	0.25 to < 0.50	24.64	2.5	11	33.82	0	0
	0.50 to < 0.75	40.00	2.5	7	68.35	0	0
	0.75 to < 2.50	26.84	2.5	7	62.93	0	-1
	0.75 to < 1.75	24.29	2.5	5	55.25	0	0
	1.75 to < 2.50	40.00	2.5	2	102.67	0	0
	2.50 to < 10.00	–	–	–	–	–	–
	2.50 to < 5.00	–	–	–	–	–	–
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	–	–	–	–	–	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–
	Subtotal	27.88	2.5	25	46.02	0	-1
	Total		**2.5**	**25**	**46.02**	**0**	**-1**

RWA Developments for IRBA Exposures

The table EU CR8 provides an overview of the RWA changes and the associated causes to be analysed since 30 September 2025.

The starting and end balances represent the sums of figures disclosed in lines 3 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 September 2025**	**9,273**
2	Asset size	-126
3	Asset quality	219
4	Model updates	–
5	Methodology and policy	–
6	Acquisitions and disposals	–
7	Foreign exchange movements	6
8	Other	–
9	**RWAs as at 31 December 2025**	**9,372**

Besides exposures from new business originated, the changes reported in line 2 also include RWA changes from existing exposures – where we also include other non-credit related assets, except for changes purely related to exchange rate fluctuations, which are presented separately in line 7. Moreover, this line also includes the RWA shift due to the change in the inventory of non-performing loans.

The amounts shown in line 3 include, among others, changes resulting from changed borrower probabilities of default (PD) or changes in expected loss given default (LGD). In addition, line 3 includes large parts of the RWA effect resulting from the synthetic securitisation transaction implemented in October 2025.

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 changes resulting from a changed RWA calculation methodology – for example, where exposures previously subject to the CRSA are being included under the Foundation or Advanced IRB Approach. No such changes applied as at the reporting date.

Line 6 generally does not show any RWA changes; this is because equity investments that do not fall within the regulatory scope of consolidation (with the related RWAs being included in the reporting pursuant to sections 10 and 10a of the KWG) have exclusively been treated under the CRSA since application of the CRR III.

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

Coverage ratio

The coverage ratio represents the portion of all on-balance sheet and off-balance sheet exposures in the portfolio of a credit institution for which the regulatory own funds requirement is determined using the IRB approach.

In the following table, the exposures addressed under the CRSA and the IRBA are allocated to the exposure classes set out in this table, with counterparty credit risks and securitisation exposures not being taken into account. While the exposure value of IRBA exposures has to be disclosed in column a without taking into account specific credit risk adjustments, column b shows the exposure values of all CRSA and IRBA exposures taking into account specific credit risk adjustments.

EU CR6-A: Scope of the use of IRB and CRS approaches

		a	b	c	d	e
		Exposure value as defined in Article 166 of the CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the CRSA and to the IRBA	Percentage of total exposure value subject to the permanent partial use of the CRSA from column b	Percentage of total exposure value subject to IRBA from column b	Percentage of total exposure value subject to a roll-out plan from column b
		€ mn	€ mn	%	%	%
1	Central governments or central banks		2,437	100.00	–	–
2	Regional governments or local authorities	–	2,553	100.00	–	–
3	Public-sector entities	–	1,962	100.00	–	–
4	Institutions		3,049	100.00	–	–
5	Corporates	33,175	34,013	0.37	99.63	–
5,1	of which: Corporates – General	–	1,925	6.57	93.43	–
5,2	of which: Corporates – Specialised lending		32,088	–	100.00	–
5.2.1	of which: Corporates – Specialised lending, excluding slotting approach		32,088	–	100.00	–
5.2.2	of which: Corporates – Specialised lending under slotting approach		–	–	–	–
5,3	of which: Corporates – Purchased receivables	–	–	–	–	–
6	Retail	–	89	100.00	–	–
6,1	of which: Retail – Qualifying revolving		–	–	–	–
6,2	of which: Retail – Collateralised by residential immovable property		87	100.00	–	–
6,3	of which: Retail – Purchased receivables		–	–	–	–
6,4	of which: Retail – Other retail exposures		2	100.00	–	–
7	Equity	–	93	100.00	–	–
EU 7a	Collective investment undertakings (CIU)	–	111	100.00	–	–
8	Other non-credit obligation assets	733	733	–	100.00	–
9	**Total**	**33,907**	**45,040**	**23.14**	**76.86**	**–**

Therefore, the IRB approaches covered 76.86 % of the total exposure value as at 31 December 2025. Apart from the commercial property financings and the other non-credit obligation assets, Atlantic Group does not hold any further exposures in its portfolio for which a sequential implementation of the IRB approach in accordance with Article 148 of the CRR is planned at the moment.

The variation in the exposure values to be disclosed in columns a and b mainly results from the variation in the handling of the specific credit risk adjustments (see above) as well as from valuation differences between the carrying amounts under IFRSs and EaD for on-balance sheet exposures disclosed in column a. This is attributable to adjustments due to the methodology for determining EaD for credit risk exposures under the IRBA.

Backtesting of default probabilities

The following section compares the PDs used for the commercial property lending portfolio subject to the IRBA with the effective default rates of borrowers. The average historical annual default rate for the past five years is used for comparison.

In accordance with the requirements set out in Annex XXII of Commission Implementing Regulation (EU) 2024/3172, counterparty credit risk exposures and securitisation exposures are outside the observed IRBA exposure classes.

In accordance with the information disclosed in table EU CR6, the RWAs of the commercial property financing portfolio, which was subjected to backtesting of the probability of default (PD), amounted to € 8,639 million as at the reporting date, most of which (91.43 %) is attributable to the AIRBA exposure class "Corporates – specialised lending".

The PD ranges do not correspond to Aareal Bank's internal master scale – comprised of 16 PD classes (15 rating classes for borrowers not subject to default, one default class). Instead, the granularity corresponds to the breakdown in table EU CR6.

When determining internal credit ratings and default rates, the Bank does not use assessments by external rating agencies as stipulated in Article 180 (1) lit. f) of the CRR. Because of this, the Bank does not disclose table EU CR9.1.

The observed average PD to be disclosed in column e of table EU CR9 is consistent with the one-year default rate pursuant to Article 4 (1) no. 78 of the CRR, which represents the percentage share of obligors defaulted in 2025 out of the total number of all obligors assigned to a PD range as at 31 December 2025. Calculation of the observed average default rate is based on non-overlapping one-year windows.

While column f shows an EaD-weighted PD average, the average PD disclosed in column g is weighted for the number of obligors. Where a PD range includes only one credit rating of the internal master scale, the figures disclosed in the columns mentioned above are consistent.

In 2025, a total of 15 borrowers defaulted pursuant to Article 178 of the CRR. All of the borrowers who defaulted had already been financed as at the end of the previous reporting period. There are restrictions to the interpretation of comparing average PD to historical average annual default rates as shown in the table; this is due to the small number of defaults in few rating classes.

As at 31 December 2025, Aareal Bank's portfolio contained 190 borrowers with short-term contracts (mostly in the IRBA exposure class "Corporates – specialised lending"). Short-term contracts are contracts with a remaining term of less than twelve months.

EU CR9: Advanced IRB Approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h
		Number of obligors at the end of previous year					
A-IRBA exposure class	PD range		of which: number of obligors which defaulted in the year	Observed average PD	Exposures weighted average PD	Average PD	Average historical annual default rate
	%			%	%	%	%
Corporates – General	0.00 to < 0.15	8	–	–	0.13	0.12	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	8	–	–	0.13	0.12	–
	0.15 to < 0.25	23	–	–	0.22	0.21	–
	0.25 to < 0.50	29	–	–	0.39	0.37	–
	0.50 to < 0.75	25	–	–	0.63	0.60	–
	0.75 to < 2.50	106	–	–	1.11	1.23	–
	0.75 to < 1.75	89	–	–	0.97	1.10	–
	1.75 to < 2.50	17	–	–	2.04	1.96	–
	2.50 to < 10.00	3	–	–	3.11	4.28	–
	2.50 to < 5.00	2	–	–	3.11	3.00	–
	5.00 to < 10.00	1	–	–	–	6.86	–
	10.00 to < 100.00	1	–	–	–	21.95	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	1	–	–	–	21.95	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	2	–	–	100.00	100.00	–

a	b	c	d	e	f	g	h
		Number of obligors at the end of previous year					
A-IRBA exposure class	PD range		of which: number of obligors which defaulted in the year	Observed average PD	Exposures weighted average PD	Average PD	Average historical annual default rate
	%			%	%	%	%
Corporates – Specialised lending	0.00 to < 0.15	3	–	–	0.13	0.12	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	3	–	–	0.13	0.12	–
	0.15 to < 0.25	7	–	–	0.22	0.21	–
	0.25 to < 0.50	87	–	–	0.39	0.37	–
	0.50 to < 0.75	79	1	1.27	0.63	0.60	0.64
	0.75 to < 2.50	366	3	0.82	1.36	1.25	2.13
	0.75 to < 1.75	304	1	0.33	1.19	1.11	1.73
	1.75 to < 2.50	62	2	3.23	2.04	1.96	2.48
	2.50 to < 10.00	44	8	18.18	3.87	3.70	7.91
	2.50 to < 5.00	40	7	17.50	3.46	3.39	7.02
	5.00 to < 10.00	4	1	25.00	7.13	6.86	16.67
	10.00 to < 100.00	9	3	33.33	10.69	18.06	10.67
	10.00 to < 20.00	3	2	66.67	10.69	10.29	13.33
	20.00 to < 30.00	6	1	16.67	–	21.95	8.33
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	26	–	–	100.00	100.00	–

EU CR9: Foundation IRB Approach – Backtesting of PD per exposure class

a	b	c	d	e	f	g	h
		Number of obligors at the end of previous year					
F-IRBA exposure class	PD range		of which: number of obligors which defaulted in the year	Observed average PD	Exposures weighted average PD	Average PD	Average historical annual default rate
	%			%	%	%	%
Corporates – General	0.00 to < 0.15	–	–	–	–	–	–
	0.00 to < 0.10	–	–	–	–	–	–
	0.10 to < 0.15	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–
	0.25 to < 0.50	1	–	–	0.39	0.37	–
	0.50 to < 0.75	1	–	–	0.63	0.60	–
	0.75 to < 2.50	4	–	–	1.47	1.10	–
	0.75 to < 1.75	4	–	–	1.36	1.10	–
	1.75 to < 2.50	–	–	–	2.04	–	–
	2.50 to < 10.00	–	–	–	–	–	–
	2.50 to < 5.00	–	–	–	–	–	–
	5.00 to < 10.00	–	–	–	–	–	–
	10.00 to < 100.00	1	–	–	–	21.95	–
	10.00 to < 20.00	–	–	–	–	–	–
	20.00 to < 30.00	1	–	–	–	21.95	–
	30.00 to < 100.00	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–

Qualitative information on the use of the Credit Risk Standard Approach

Article 107 (1) of the CRR allows internal models or the Credit Risk Standard Approach (CRSA) to be applied when calculating the risk-weighted exposure amounts in relation to counterparty credit risk.

The CRSA is used for exposures addressed under the following CRSA exposure classes:

- institutions,
- central governments or central banks,
- regional governments and local authorities,
- public-sector entities,
- multilateral development banks,
- international organisations,
- corporates,
- subordinated debt exposures and equity,
- retail,
- secured by mortgages on immovable property and ADC exposures (land acquisition, development and construction),
- exposures in default, and
- collective investment undertakings (CIU).

In line with Aareal Bank AG's business model, regulatory capital requirements for large part of the exposures (large-sized commercial property financing) is determined using the internal ratings-based approaches. Legacy business and business from Aareal Bank AG's non-core business is included in the "Corporates" and "Secured by mortgages on immovable property and ADC exposures" CSRA exposure classes. Receivables related to companies and special purpose entities for land acquisition, development and construction (ADC exposures), which are assigned a risk weight of 150 %, are of minor significance to Aareal Bank.

Under the CRSA, risk 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 exposures

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, are generally assessed externally.

Three agencies have been retained (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.

When external credit ratings are used, they must be subject to internal due diligence in accordance with Article 113 (1) of the CRR. If the internal credit quality assessment is more conservative than the external rating, the risk weight must be increased by at least one rating grade.

Exposures rated by at least one rating agency are deemed "rated" CRSA exposures pursuant to Article 138 of the CRR. The "unrated" CRSA exposures are rated in accordance with Article 139 (2) of the CRR.

No issue ratings are currently used to determine the risk weight of loan receivables.

The external credit ratings are allocated to the risk weights pursuant to Article 114 et seqq. of the CRR using the regulatory standardised approach as set out in the Implementing Regulation (EU) 2016/1799.

Subordinated risk exposures that fall under Article 128 of the CRR and are not deducted from regulatory capital are excluded from the application of external ratings; instead, they are assigned a risk weight of 150% and reported in a CRSA exposure class of their own.

For exposures to unrated institutions, the risk weight is no longer extrapolated from the external rating of the country of domicile. Instead, the grading approach pursuant to Article 121 of the CRR is applied, which uses qualitative and quantitative criteria to derive credit quality steps (or "grades") and assigns regulatory risk weights to these grades.

Equity investments are exclusively reported under the CRSA with a risk weight of 250 %.

Determining the risk weights of exposures collateralised by immovable property

Exposures discussed in the CRSA that are collateralised by immovable property are split into two categories: income producing real estate (IPRE), where loan repayments depend on cash flows generated by the residential and commercial immovable property financed, and non-income producing real estate (non-IPRE). Risk weights are determined using risk-sensitive approaches (loan splitting vs. exposure to value). Loan-splitting can be used in particular if the hard test[1] in the country where the properties are located is deemed to be fulfilled; failing that, the exposure-to-value method is applied.

---

[1] Hard tests ensure that low loss rates justify the lower risk weightings of exposures collateralised by immovable property; the hard testing provisions are governed by Article 124 (9) of the CRR.

The property value is the decisive factor for both loan splitting and the exposure-to-value (EtV) determination. This new property value must be determined using sufficiently cautious conservative valuation criteria and must not exceed the property's market value.

Loan splitting

The loan splitting method separates exposures secured by immovable property into several parts, in the proportion of loan-to-value ratio to property valuation; each part is assigned its own risk weight.

Non-IPRE exposures and IPRE exposures for which the hard test is fulfilled are generally subject to the loan splitting approach pursuant to Article 125 (1) and Article 126 (1) of the CRR.

Where the exposure is secured by residential property, the part of the exposure up to 55 % of the property value is assigned a risk weight of 20 %, and where the exposure is secured by commercial immovable property, the part of the exposure up to 55 % of the property value is assigned a risk weight of 60 %.

Exposure to value (EtV)

IPRE exposures for which the hard test is not fulfilled are generally subject to the EtV approach pursuant to Article 125 (2) and Article 126 (2) of the CRR.

Where the IPRE exposure is secured by a mortgage on residential property, it is assigned one of the risk weights set out in table 1 of Article 125 (2) of the CRR depending on the EtV.

Where the exposure is secured by a mortgage on commercial immovable property, the risk weights are determined based on table 1 of Article 126 (2) of the CRR, depending on the EtV.

The EtV ratio is calculated by dividing the gross exposure amount by the property value.

Quantitative information on the use of the Credit Risk Standard Approach

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

- Financial collateral reduces the assessment basis to which the credit conversion factor is applied. The risk weight impacts the exposure amount.
- Warranties do not impact the assessment basis, but the risk weighting. A loan collateralised through a warranty is taken into account, with the warranty amount to be included and the risk weight of the guarantor in the guarantor's exposure class.

The following table shows CRSA exposure amounts both before and after mitigating credit risk, shown separately as on- and off-balance sheet exposures. In addition, risk-weighted assets (RWAs) are disclosed for each exposure class.

EU CR4: Credit Risk Standard Approach – credit risk exposure and credit risk mitigation effects

	Exposure classes	a	b	c	d	e	f
		Exposures before CCF		Exposures post CCF and post CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		€ mn	€ mn	€ mn	€ mn	€ mn	%
1	Central governments or central banks	1,674	–	1,954	–	33	1.70
2	Non-central government public-sector entities	4,530	5	4,448	0	373	8.38
EU 2a	Regional governments or local authorities	2,569	–	2,569	–	372	14.46
EU 2b	Public-sector entities	1,961	5	1,879	0	1	0.06
3	Multilateral development banks	231	–	231	–	–	–
EU 3a	International organisations	532	–	532	–	–	–
4	Institutions	412	–	289	–	73	25.30
5	Covered bonds	2,579	–	2,579	–	259	10.03
6	Corporates	78	72	62	85	88	59.63
6,1	of which: Specialised lending	–	–	–	–	–	–
7	Subordinated debt exposures and equity	152	–	93	–	233	250.00
EU 7a	Subordinated debt exposures	59	–	–	–	–	–
EU 7b	Equity	93	–	93	–	233	250.00
8	Retail	1	0	1	0	1	100.00
9	Secured by mortgages on immovable property and ADC exposures	118	3	118	1	95	79.90
9,1	Secured by mortgages on residential immovable property – non-IPRE	109	1	109	0	89	81.48
9,2	Secured by mortgages on residential immovable property – IPRE	4	–	4	–	1	15.94
9,3	Secured by mortgages on commercial immovable property – non-IPRE	0	1	0	0	0	100.00
9,4	Secured by mortgages on commercial immovable property – IPRE	5	2	5	1	5	96.98
9,5	Acquisition, development and construction (ADC)	–	–	–	–	–	–
10	Exposures in default	2	–	2	–	3	135.55
EU 10a	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–
EU 10b	Collective investment undertakings (CIU)	49	–	49	–	35	71.73
EU 10c	Other items	–	–	–	–	–	–
12	**Total**	**10,358**	**80**	**10,358**	**87**	**1,193**	**11.43**

Table EU CR5 shows the exposure amount after mitigating credit risk and after taking into consideration the credit conversion factors of all exposures to which the CRSA is applied, for each exposure class and broken down according to risk weight pursuant to Article 114 et seqq. of the CRR. The exposures disclosed in column aa are exposures for which no external rating is used to derive the risk weight.

EU CR5: Credit Risk Standard Approach

Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa
		Risk weight																										
		0 %	2 %	4 %	10 %	20 %	30 %	35 %	40 %	45 %	50 %	60 %	70 %	75 %	80 %	90 %	100 %	105 %	110 %	130 %	150 %	250 %	370 %	400 %	1.250 %	Others	Total	Un-rated
€ mn																												
1	Central governments or central banks	1,788	–	–	–	166	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**1,954**	–
2	Non-central government public-sector entities	4,271	–	–	–	31	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	147	–	–	–	–	**4,449**	148
EU 2a	Regional governments or local authorities	2,397	–	–	–	26	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	147	–	–	–	–	**2,569**	147
EU 2b	Public-sector entities	1,874	–	–	–	6	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**1,880**	1
3	Multilateral development banks	231	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**231**	–
EU 3a	International organisations	532	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**532**	34
4	Institutions	–	0	–	–	245	0	–	–	–	42	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	**289**	2
5	Covered bonds	–	–	–	2,563	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	15	**2,579**	–
6	Corporates	–	–	–	–	35	–	–	–	–	60	–	–	–	–	–	52	–	–	–	–	–	–	–	–	–	**147**	122
6,1	of which: Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
7	Subordinated debt exposures and equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	93	–	–	–	–	**93**	93
EU 7a	Subordinated debt exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
EU 7b	Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	93	–	–	–	–	**93**	93
8	Retail exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–	–	–	–	–	–	–	–	**1**	1
9	Secured by mortgages on immovable property and ADC exposures	–	–	–	–	29	–	–	–	–	–	2	–	–	–	–	85	–	–	–	3	–	–	–	–	–	**119**	115
9,1	Secured by mortgages on residential immovable property – non-IPRE	–	–	–	–	25	–	–	–	–	–	–	–	–	–	–	85	–	–	–	–	–	–	–	–	–	**109**	109
9.1.1	without loan splitting	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	84	–	–	–	–	–	–	–	–	–	**84**	84
9.1.2	with loan splitting (collateralised exposures)	–	–	–	–	25	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**25**	25
9.1.3	with loan splitting (uncollateralised)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	–	–	–	–	–	**0**	0
9,2	Secured by mortgages on residential immovable property – IPRE	–	–	–	–	4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**4**	4
9,3	Secured by mortgages on commercial immovable property – non-IPRE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	–	–	–	–	–	**0**	0
9.3.1	without loan splitting	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	–	–	–	–	–	–	–	–	–	**0**	0
9.3.2	with loan splitting (collateralised exposures)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
9.3.3	with loan splitting (uncollateralised)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
9,4	Secured by mortgages on commercial immovable property – IPRE	–	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	–	–	–	3	–	–	–	–	–	**5**	2
9,5	Acquisition, development and construction (ADC)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
10	Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–	–	2	–	–	–	–	–	**2**	2
EU 10a	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
EU 10b	Collective investment undertakings (CIU)	15	–	–	–	–	28	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	–	–	1	–	**49**	5
EU 10c	Other items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
EU 11c	**Total**	**6,836**	**0**	**–**	**2,563**	**506**	**28**	**–**	**–**	**–**	**103**	**2**	**–**	**–**	**–**	**–**	**139**	**–**	**–**	**–**	**7**	**244**	**–**	**–**	**1**	**15**	**10,445**	**523**

Environmental, Social and Governance Risk

In the following chapters, Aareal Bank discloses the information on environmental, social and governance risks required by Article 449a of the Capital Requirements Regulation (CRR). The more detailed requirements are based on Article 22 of Commission Implementing Regulation (EU) 2024/3172. This sets out both the qualitative requirements for the three risk dimensions and a total of 10 tables for disclosing quantitative information on climate risks, initial publication of which has been staggered. In compliance with the recommendation published by the EBA in its no-action letter of 6 August 2025, Aareal Bank has suspended disclosure of ESG tables 6 to 10 and column c of ESG table 1 during the revision of the disclosure requirements pursuant to Article 449a of the CRR.

Qualitative information on ESG risks

ESG risks are defined as events or circumstances related to environmental (E), social (S) or governance (G) matters, the occurrence of which could adversely impact the Bank's assets, liabilities, financial position and financial performance, or its reputation. We identified the following ESG risk factors as being relevant: physical climate risks and climate transition risks, environmental resources, data protection and information security, and changes in market behaviour. These impact our credit risk, business risk, liquidity risk, reputational risk and operational risk. In addition, ESG risks were considered to be material for pension risk.

Business strategy and processes

The topic of ESG is considered to be not only a risk but also an opportunity. Environmental, social and governance aspects are core elements of the Group's business strategy, underscoring the importance of sustainable development.

Aareal Bank Group plays an important part in supporting the transformation of the economy, both in the financial sector and in the property industry. Banks play a key role in promoting and implementing sustainable development by providing financing and through their associated steering function. In addition, the property industry represents a significant lever for achieving the climate goals set out in the Paris Agreement, since the building sector accounts for a significant proportion of global energy consumption and resulting greenhouse gas emissions.

Aareal Bank Group accompanies and supports the sustainable transformation of the economy and society by adopting a systematic approach to sustainability. Taking a strategic approach to sustainability, we want to do our bit to help meet the international climate protection goals such as those set out in the Paris Agreement on Climate Change and the United Nations' Sustainable Development Goals (SDGs). Another focal point is the establishment of ESG principles as a permanent part of our decision-making processes.

As a provider of finance for commercial property, Aareal Bank Group recognises its responsibility for, and the importance of the commercial real estate sector to, meeting international climate action goals. This, coupled with the need to meet current regulatory requirements, was the motivation for its resolution of a climate transition plan in 2025. The plan contains short-, medium- and long-term decarbonisation targets that form part of a defined carbon reduction pathway. The medium-term target set for the loan portfolio was to reduce the financed properties' emissions intensity by approximately 40 % in the period up to 2030 (compared to the defined base year of 2023). This corresponds to a target emissions intensity of approximately 33 kg CO_2e/m^2. The long-term target for 2050 is for an emissions intensity corridor of between approximately 1 kg CO_2e/m^2 and approximately 6 kg CO_2e/m^2.

ESG criteria play an increasingly important role in lending, in attracting funding, in the investment portfolio, and in the digital product portfolio. Above and beyond this, Aareal Bank considers taking ESG risks into account to be a fundamental precondition for long-term business success. In this context, we use compliance with the ESG criteria that have been classified as relevant to our business as a tool for assessing properties' sustainable intrinsic value. The Bank incorporates ESG criteria in its investment portfolio both out of ethical conviction and from a risk perspective, so as to avoid potential losses in value. At the same time, enhancing transparency for the properties we finance with respect to ESG aspects during property valuations allows us to create a basis for providing additional support for international climate protection efforts. In addition, our funding activities and securities business can have an active impact on the market.

We are already helping transition to a lower-emissions economy today with each energy-efficient property and each refurbishment project that we finance.

During the period under review, Aareal Bank further advanced its ESG target agenda and updated its medium-term ESG targets for the core business with a horizon until 2026. It continued to pursue its existing targets and is either on track to reach them or has already done so. What is more, it will continue to gradually expand its ESG-compliant business in the coming years. In 2025, Aareal Bank exceeded its target volume of € 1.5 billion in additional green loans under its 2023 Green Finance Framework. Green loans of approximately € 5.1 billion had been entered into as of the 31 December 2025 reporting date, increasing the total volume of green loans to € 11.3 billion. It should be noted that changes to the portfolio volume can also result from existing clients issuing required undertakings and related certificates for the first time, or from other financings losing their status as green instruments. Green loans meet the minimum requirements set out in the "Aareal Green Finance Framework" and the client undertakes to meet these requirements throughout the term of the loan. The criteria for classification as a green building comprise the EU Taxonomy criteria, an above-average sustainability rating by recognised rating agencies or compliance with energy efficiency criteria. Aareal Bank is aiming to achieve a green loan volume in the range of € 7-8 billion, and for green loans to account for one-third of its new business, by 2027. As regards the equity and liabilities side of its balance sheet, the Bank has set itself the goal of further improving its green funding base by effectively deploying the funds in its green asset pool for green funding activities. € 487.6 million of green European commercial paper (ECP) had been placed as at the 31 December 2025 reporting date. In addition, € 1,015 million from the issuance of two green benchmarks from 2022 and 2024 of € 500 million each and € 15 million from green private placements were outstanding.

Aareal Bank Group's membership of, and active participation in, the Commercial Real Estate and Mortgages subgroup of the D/A/CH/LI region of the PCAF (Partnership for Carbon Accounting Financials) network allowed it to work together with other financial and banking market participants to continue driving forward use of the PCAF standard in practice. As regards the informative value of its climate performance information, Aareal Bank AG published another report on financed carbon emissions in its Commercial Real Estate Financing portfolio in accordance with the PCAF standard in reporting year 2025. As was the case in the previous year, this created a high degree of climate transparency in the portfolio and made an important contribution to the goal of achieving a large measure of transparency.

In addition, Aareal Bank again prepared a Green Bond Allocation & Impact Report, which also contains the methodology used to calculate carbon avoidance, together with an external service provider. The report makes it possible to provide investors in green funding products not only with information about the products' composition but also with specific information about energy savings and carbon avoidance.

Conserving resources is environmental protection and part of our corporate philosophy. Continuously cutting energy usage and avoiding carbon emissions also play an important role in our internal planning and optimisation measures. Unavoidable emissions for 2024 were offset, and offsetting of the corresponding emissions for the 2025 financial year was planned and budgeted, so as to reach the ultimate goal of achieving climate neutrality in operations by avoidance, reduction and finally offsetting, as set out in our business strategy.

The products and services in our Banking & Digital Solutions segment raise our clients' environmental awareness and offer digital solutions that actively and measurably help cut energy usage and carbon emissions, and hence reduce negative environmental impacts, for example through more efficient, paper-light processes and less kilometres travelled.

Integration of sustainability in the organisational structure

An overarching governance model was implemented to ensure end-to-end management of all sustainability aspects, covering both the Sales units and Credit Management divisions and individual corporate functions.

As a matter of principle, the Management Board is responsible for including sustainability risks in the business and risk strategy and for risk governance. The internal supervisory bodies that monitor risks (e.g. the Supervisory Board and its Risk Committee) play a central role in ensuring that sustainability risks are adequately taken into account at the Company.

The full Management Board and the Supervisory Board address the strategic positioning on ESG issues, the incorporation of ESG into processes and structures, and the Group-wide management of sustainability activities in the course of the regular Management Board and Supervisory Board meetings.

Aareal Bank Group's sustainability management activities are directed by Aareal Bank AG. The Group Sustainability Officer is responsible for centrally coordinating sustainability management activities, and reports directly to the Chairman of Aareal Bank AG's Management Board, who has overall responsibility for Aareal Bank Group's sustainability strategy. ESG-related topics and questions are also addressed and discussed ad hoc as an integral part of Management Board and Supervisory Board meetings.

The ESG & Innovation organisational unit serves as the central contact point for internal and external stakeholders when it comes to Group-wide sustainability activities, and ensures that Aareal Bank Group's sustainability credentials are presented transparently outside the Group in its reporting for clients, investors and other stakeholder groups. ESG & Innovation also represents Aareal Bank Group in expert committees and working groups. The unit is assigned to the Strategy & Corporate Development division, reflecting the increasing strategic importance of ESG to Aareal Bank Group's sustainable corporate success. It is assisted in its work by experts from a number of other departments within Aareal Bank AG. Group-wide sustainability activities are coordinated by the ESG Expert Committee, which meets roughly every month under the leadership of ESG & Innovation.

ESG risk governance, which forms part of the overarching governance model, is integrated with Aareal Bank's existing risk governance. The identification, assessment, management and monitoring of ESG risks is appropriately implemented and organised across the risk management cycle as part of the Three Lines of Defence (3LoD) model. This governance framework ensures that the issues are included in the relevant committee structures and that risk-relevant ESG aspects are embedded in the organisation. Aareal Bank's business/sales units (as the first LoD) are responsible for identifying and managing ESG risks, taking into account the requirements specified by the second LoD.

As the second, central line of defence, the Compliance and Non Financial Risk division and the Risk Controlling division ensure that ESG risks are taken into account appropriately and integrated throughout the risk management cycle. This comprises specifying methods for identifying and assessing ESG risks and including them in risk reporting. ESG risks are included in risk management using the existing risk types. The second LoD is also represented by a compliance function, which assumes a control function in relation to ESG risks with regard to compliance with material legal and internal regulations.

AUDIT (Internal Audit) acts as the third LoD, ensuring an independent and objective review of the risk management framework. This includes a review of the adequacy and effectiveness of ESG risk management arrangements, the specific implementation of the risk strategy and risk appetite related to ESG risks, and internal policies, procedures and responsibilities for ESG risks.

As an integral part of internal reporting, ESG risks are presented and monitored transparently on a continuous basis. The main topics covered apart from the results of the stress test analyses are an explanation of portfolio transparency (green buildings) and the use of proceeds review for the green bonds that have been issued, plus the operational risks associated with ESG issues.

Since all material ESG risks can be allocated to financial and non-financial risks, we refer to the chapters of this Disclosure Report detailing the management of the risk types concerned with respect to the reporting lines and reporting frequency of ESG risks.

Management of ESG risks

The topic of sustainability in its various facets is considered a relevant driver with a significant influence on the Bank's overall risk profile.

The individual sustainability risks and factors impact existing financial and non-financial risk types and are managed as an integral part of these. The relevant ESG risks are quantified using a variety of scenarios in the stress test calculation. The key foundations for managing ESG risks are the Minimum Requirements for Risk Management, the EBA Guidelines on the management of ESG risks, and the supervisory expectations set out in the ECB Guide on climate-related and environmental risks and the EBA Guidelines on loan origination and monitoring.

A structured identification and inventory of ESG risks is performed as part of the regular risk inventory so as to develop an understanding of sustainability risks, including physical climate risks and climate transition risks, and their characteristics and possible impacts on the Bank's business and risk situation, A structured process is used to assess the impact of potential ESG factors on Aareal Bank. These factors are not confined to climate-related risks alone, but also encompass environmental risks and the social and governance areas. The Risk Management Committee (RiskMCo), the Management Board and the Supervisory Board (Risk Committee) are involved in the risk inventory process.

The impact of the ESG risk factors on Aareal Bank is determined for the short-term (up to 1 year), medium-term (1-5 years) and long-term (› 5 years) perspectives.

No ESG factors were identified in 2025 as being relevant for the short-term horizon. This is because only minor changes in the planned provisions for regulatory purposes and the business opportunities relating to ESG are expected. Physical climate risks and climate transition risks, environmental resources, data protection and information security, and changes in market behaviour were identified as being ESG-relevant in the medium to long term.

After the relevant ESG factors were identified, a structured assessment of the effect of these risk factors on the financial and non-financial risk types via the various transmission channels is performed.

The risk types classified as ESG-relevant during the risk identification process serve as the basis for assessment and – where possible – measurement within the risk type, as well as for adequate qualitative and quantitative management, monitoring and limit setting. Risk indicators and limits for climate and environmental risks have been implemented for this. At the same time, the management and monitoring of ESG risks is being continuously progressed and refined.

With regard to financial risk and, within this, in relation to credit risk in particular, acute and chronic physical risks and transition risks relating to the transition to a lower-carbon and more sustainable economy exhibit relevant impact correlations. The main transmission channel for the environmental and climate factors are the collateralised properties in the loan exposures. These are exposed to physical climate and environmental risks due to their location. Extreme weather events can damage buildings and hence negatively impact their market value. In addition, they can lead to damage to buildings' surroundings and hence substantially impair their use, resulting in loss of rental income or lost cash flows in the wider sense of the word. Buildings account for a large proportion of global energy consumption and resulting greenhouse gas emissions. Consequently, they are particularly affected by increases in carbon prices and by refurbishment costs. Future carbon costs and expenditure on energy efficiency improvements could negatively impact market values and hence affect credit risk profiles for financing.

In addition, we assess the impact of macroeconomic changes in climate scenarios on the market values of the collateralised properties. Data from a third-party supplier are used to develop the macroeconomic inputs.

Similar interdependencies also exist in relation to properties that we own ourselves, the risks for which are included in the property risk category. In contrast to credit risk, however, changes in the value of these properties impact the balance sheet directly.

In the case of liquidity risk, transitional measures or physical events can lead to outflows of capital. Potential mechanisms are e.g. liquidity outflows due to housing associations having to rebuild or restore properties in an area that has been hit by a natural disaster. In addition, liquidity outflows are possible as a result of an increase in the number of energy efficiency improvement projects performed.

In terms of market risk, repeated assessments performed when adding assets during the risk inventory process yielded no relevant interdependencies with ESG factors.

Strategy risks and business risks are impacted by regulatory developments and market changes resulting from ESG factors. More specifically, regulatory changes relating to the usability of properties with poor energy efficiency could impact the Bank's strategy.

ESG factors can influence the assessment of the investment portfolio with respect to pension risk. The inventory identified that the majority of the funds in investment portfolios fall within the scope of Article 6 of the SFDR, i. e. they are not sustainably oriented; as a result, the ESG risk for these funds is considered to be relevant.

Operational risks are particularly closely related to data protection and information security, a governance factor. For example, they can impact legal risks in the form of fines, penalties or other sanctions imposed by public authorities in connection with violations of statutory and regulatory data protection requirements. In addition, data protection and information security has been a growing factor in ICT risk in recent years. ICT security risks may arise due to unauthorised access to ICT systems and data from within or outside the institution (such as through cyber attacks).

Reputational risks arising from changes in the rules and requirements relating to sustainability, or in the context of emerging operational risks, lead to costs being incurred for related communications measures to strengthen the Bank's brand value.

The relevant short-term ESG factors identified are linked in particular to Aareal Bank's planning horizon, average loan terms and the analysis of risk-bearing capacity, and are integrated in the ICAAP/limit system. Since institutions' climate-related and environmental risks are primarily expected to materialise in the medium to long term, the long-term perspective adopts a forward-looking approach and is particularly relevant for designing scenario and stress tests. The inclusion of ESG risks in the methodology for stress testing is part of the comprehensive monitoring and management of sustainability risks.

This means that Aareal Bank's risk management operations take ESG risk factors into account across the entire risk management cycle by identifying (inventory), assessing, measuring and managing risks and by including them in the ICAAP economic and normative perspectives. In addition to the key performance indicators specified in the business strategy, quantitative key risk indicators have been defined for ESG-relevant risk types, ensuring comprehensive, effective ESG risk management. These are measurable and, where appropriate, linked to risk limits, tolerances or thresholds.

ESG scoring model

Aareal Bank has worked together with CredaRate Solutions GmbH and other partner banks to develop and implement an ESG scoring model for assessing the risks to which loan receivables are exposed. This provides a score for each rateable property and corporate (company) that is then aggregated at partner level, and that reflects the environmental, social and governance dimensions of the risk and the impact. Scoring must be performed for the first time when the new business is originated and at least once a year thereafter, as in the case for credit quality assessment. This ensures that the portfolio is assessed on a regular basis. Going forward, the goal is to use ESG scoring as a risk/portfolio management tool when making lending decisions, and so to supplement the classic risk models with sustainability factors. The credit risk strategy sets out requirements for new business (initial lending/increases) that reflect the results of the ESG scoring process. The focus is on the environmental risk score at partner level.

Stricter lending criteria are applied to all scores in the two weakest categories, F and G. For example, potential insurance deductibles are taken into account when determining the loan-to-value (LtV) ratio and higher minimum debt service coverage ratios (DSCRs) are required in a standardised adverse scenario.

Inclusion of ESG components in the variable remuneration system

The variable remuneration for the Management Board also includes sustainability targets, which are based on a sustainability-related remuneration policy.

One of the Group targets in the remuneration systems is ESG-related, reflecting the growing importance of ESG/sustainability-related matters. The target setting system also provides for at least one ESG-related strategic target for the members of the Management Board. As a consequence, 10 % of the variable remuneration for Management Board members directly depends upon them achieving ESG-related targets.

In line with section 25d (7) sentence 2 (12) of the German Banking Act (Kreditwesengesetz – KWG), Aareal Bank AG's Supervisory Board has established a Remuneration Control Committee, which advises and supports the Supervisory Board in its tasks, which include appropriately structuring the remuneration systems for the Management Board and employees.

The remuneration systems and the underlying remuneration inputs for the Management Board and employees are reviewed for appropriateness at least once a year. The review is performed with the assistance of Human Resources & Communication, the Remuneration Officer and the control units.

Additional information on ESG target achievement and the inclusion of ESG components in the variable remuneration system are provided in the separate regulatory Remuneration Report pursuant to sections 16 and 27 (1) sentence 3 of the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsVergV) in conjunction with Article 450 of the Capital Requirements Regulation (CRR). This will be published at a later date on the same section of Aareal Bank AG's website as this Regulatory Disclosure Report.

Climate and environmental risks

Definition

Climate and environmental risks comprise all risks arising due to, caused by or exacerbated by climate change. They can be broken down into physical risks and transition risks in the context of both climate and environmental risks.

Physical climate risks are direct effects of climate change that are triggered by ongoing global warming and the increasing destruction of the environment. These climate change risks result directly from the consequences of changes in the climate such as a rise in global average temperatures, more frequent natural disasters and extreme weather events such as flooding, heat waves/droughts, storms and hail. Physical climate risks can also have indirect consequences (ranging from, for example, the collapse of supply chains and the abandonment of water-intensive business activities through to climate-related migration).

Climate transition risks are risks that institutions may incur as a direct or indirect consequence of the process of becoming a less carbon-intensive and more ecologically sustainable economy. They comprise changes in the political, legal and regulatory framework conditions and technological developments and/or a change in investor behaviour.

Environmental risks comprise all risks caused by the destruction of the environment (e.g. in the form of air and water pollution, the pollution of land surfaces, water stress, loss of biodiversity, deforestation and resource consumption) and can also be broken down into physical and environmental transition risks. Environmental transition risks, like climate transition risks, are adjustment processes that are triggered, for example, by policymakers, technology or market participants in order to counter the destruction of the environment.

Management of climate and environmental risks

In Structured Property Financing, credit risk is the main risk type associated with climate transition risks and physical climate risks. Aareal Bank measures these risks by performing a number of different annual ESG and climate stress tests to assess the impact of sustainability matters on the ICAAP's economic perspective. The ICAAP is the process used to implement the internal capital adequacy concept. It involves examining what impacts different scenarios have on the Bank's internal capital.

Aareal Bank AG takes the economic impact of climate-related and environmental risks into account in its economic management buffer. These are quantified on the basis of macroeconomic ESG scenarios. The scenarios cover both physical and transition risks, and are designed in such a way as to contain different proportions of these. The impacts of these scenarios are quantified and the scenario with the greatest total effects (combining both credit risk and property risk) is included in the management buffer. In addition, a business risk effect is modelled and a share corresponding to the Bank's materiality threshold is included for pension risk and funding risk.

The capital deduction determined for the ICAAP economic perspective (using the management buffer described above) is also taken into consideration via the ESG view when calculating the normative management buffer. This involves examining the potential impacts on regulatory capital of the economic ESG risk impacts mentioned above. The associated effect is then included as one of the inputs influencing the derivation of the normative management buffer.

ESG risks are included in the liquidity risk on the basis of an expert-based observation, analysis and assessment of ESG-specific scenarios. The analyses start with the ESG factors classified as relevant for liquidity risk: "physical climate risks", "climate transition risks – regulations", "climate transition risks – investor conduct" and "data protection". These factors were used as the basis for preparing scenarios analysing how they might impact liquidity risk. The analyses show that no additional liquidity buffers need to be maintained for ESG risks at present. The net cash outflows potentially resulting from ESG factors, or any potential reduction of liquidity buffers due to these factors, are already adequately taken into consideration either via the conservative methods in the risk model or in the stress tests used.

Risk inventory

Aareal Bank AG's risk inventory regularly (at least annually) identifies all relevant, material risk types as the basis for managing them. The sustainability risks (or ESG risks) are a sub-aspect of the familiar risk types and are compiled using a structured questionnaire. The following bodies are involved in the risk inventory process: the Risk Management Committee (RiskMCo), the Management Board and the Supervisory Board (Risk Committee). The result of the annual risk inventory prioritises the sustainability risks by identifying those ESG matters that are expected to have a material influence on Aareal Bank Group. These are integrated in the monitoring and management of the relevant financial and non-financial risks.

The results of the ESG risk inventory are presented to the Management Board and Supervisory Board once a year.

Stress testing

Prior to the stress test, a qualitative risk inventory is performed to analyse transition and physical factors, and their impact on the risks faced by the Bank. The upstream portion of the value chain and downstream parts above and beyond property finance did not fall within the scope of the climate stress test in the reporting year.

A new component that has been introduced is a stress test for macroeconomic factors. Oxford Economics, a third-party supplier, develops the macroeconomic factors, which are used to determine impacts on the market values via the market value forecast. All scenarios contain transition and physical components in different weightings. Orderly scenarios, disorderly scenarios and scenarios involving high levels of physical damage are covered.

The scope of the transition stress test covers both the properties in the commercial real estate financing portfolio and those owned by the Bank itself (property and credit risks). This allows the Bank to take into account both the perspective of its own business activities and in particular the part of the downstream value chain relating to the properties financed by the Bank. Future events such as higher carbon prices or energy efficiency improvements are included in the transition stress test. A transition stress value that includes potential transition scenarios, and especially an orderly early transition and a late, abrupt transition to a sustainable economy, is calculated for all properties. The carbon costs for the different scenarios are supplied by Oxford Economics. These costs are either sourced from the NGFS or are derived in a manner consistent with it. The carbon emission and energy consumption values form part of the CredaRate ESG score. The Bank's stress test uses the difference in the costs for the Delayed Transition and Net Zero scenarios to the Baseline scenario in its stress scenarios, on the assumption that the current carbon price (Baseline) is already factored in to the fair values. The conservative assumption made is that the carbon costs will be borne in their entirety by the owners. The scenarios considered assume that global warming will reach 1.5 degrees Celsius but that it will not exceed this figure, or will only do so to a limited extent. The transition scenarios take changes in carbon prices for the next 20 years plus energy efficiency improvements into account. These are considered to be given in the scenario and are reflected in the current fair value using a discounted cash flow method.

The physical stress test only takes acute scenarios with a time horizon of less than one year into account. It is assumed that the physical events concerned (such as flooding or a drought) occur. At the 2025 year-end, 13 acute and seven chronic physical risks were analysed and a stress test value calculated for the six acute risks of high concern. A risk value without protective measures or insurance and a risk value after insurance are determined when evaluating the results of the stress test. The physical events with the greatest potential impact that were identified were flooding, a storm event and a heavy precipitation event followed by flooding. The hazard for each building is determined using data supplied by a third-party provider and the impact on the property value is calculated using a loss function. The individual losses per property are then aggregated to produce clusters with a radius of 40 km. As far as possible, hazards from future scenarios with a higher physical risk are used in stress testing. A flat-rate deductible of 10 % is assumed in the case of insurance.

In another scenario, the Bank looks not only at the impact on capital in transition climate scenarios but also at the impact on liquidity. This is done by simulating cash outflows at housing associations due to the need for energy efficiency improvements. Conservative assumptions were adopted for the scenario. The ESG and climate scenarios look at the Bank's economic perspective and serve to preserve its capital in the long term.

In addition, the impacts on operational risk and reputational risk of the "Delayed Transition (Disorderly)" scenario are assessed.

The hypothetical "Societal Change" ESG scenario is based on the possibility of sustainability-related societal changes impacting the Bank's business environment, and focuses in particular on incorporating the impacts of societal changes on the world of work and travel behaviour, and on credit risk and operational risk, plus necessary investments and accompanying losses.

The result of the last stress test on 31 December 2025 shows that the risks can be covered by the management buffer. The scenario analyses are more extreme, with the uncertainty factors used comprising write-downs of building values due to carbon levies and potential energy efficiency improvements. The physical stress scenario – which includes the impacts of flood, storm and drought damage, along with heavy precipitation, hail and subsidence on the buildings (losses in fair value and/or rental income) as uncertainty factors – also shows that, given current assumptions, a physical scenario would have a moderate, though not negligible, overall impact. This is due to the fact that physical risks are managed using insurance. The more extreme scenario analyses show more pronounced impacts on the portfolio, but should also be seen as marginal cases with a low probability of occurrence.

The ICAAP management buffer comprises the macroeconomic contributions to climate risk made by the property risk and credit risk risk types, supplemented by amounts for business risk, funding risk and pension risk. The thinking behind the amount of the management buffer is that the stress scenarios include costs for climate-related transition risks and physical climate risks that have not yet been included in the risk parameters for individual exposures. The risk contributions for property risk are added together without taking diversification effects into account. Credit risk is based on the changes in the VaR[1)] in the scenarios compared to the basic scenario for all lending transactions. A separate contribution is determined for business risk, whereas additional lump sums in the amount of the materiality threshold are taken into account for pension risk and funding risk.

Data infrastructure

Aareal Bank has created a data infrastructure to capture information on energy efficiency, green building certificates and energy efficiency improvements in its systems. Once again, progress was made with data gathering, capture and validation for our global portfolio in the reporting period. The data enable us to calculate a number of sustainability-related KPIs for our lending business. In the future, we aim to go into greater detail and expand this to capture its carbon impact (Scope 3 emissions). We worked together with external property and data specialists to develop a calculation model for this that aims to use the available information to produce a robust, maximally comparable calculation of the carbon footprint of the buildings in the Bank's commercial property financing portfolio. This model serves as the basis for establishing a structured process for using heterogeneous data of varying quality to calculate financed carbon emissions. We finance properties of lasting value that live up to our strict quality requirements. When performing property valuations, we not only focus on the buildings' fair values but also determine the mortgage lending value and use a lifecycle analysis that includes environmental aspects such as the buildings' technical, functional and environmental quality as standard components. We also always take marketability and third-party usability into account when looking at sustainable property use. Comprehensive, full management and monitoring of ESG risks depends crucially both on the risk-type-specific treatment of ESG risks and on the development and implementation of Bank-wide indicators and KPIs for ESG aspects, in line with the prescribed business strategy.

Current and future investments to reach environmental objectives

Since 2021, the Bank has offered green loans (as defined in its Green Finance Framework – Lending). These are designed to support its clients in achieving their business goals and hence to promote the property industry's contribution to greater sustainability. We have defined environmental sustainability criteria for commercial property based on our valuation expertise, our many years of experience, our property market knowledge, and existing market standards such as the Loan Market Association's Green Loan Principles. These

[1)] Comprising expected losses (EL) and unexpected losses (UL) criteria form the basis for our Green Finance Framework – Lending. Qualification criteria for green loans include not only compliance with minimum energy efficiency standards and the existence of certain high-quality building certificates but also building requirements that meet the strict standards set out in the EU Taxonomy. This definition was developed together with internal experts with the goal of applying it around the world. A second-party opinion by Sustainalytics GmbH (Sustainalytics) reviewed the framework developed in this way for its ambition, market conformity and the suitability of the qualification criteria, and rated it as “credible and impactful”. This third-party certified model serves as the basis for extending green loans and hence is successively aligning the Bank’s credit portfolio with sustainability criteria. We also received a second party opinion from Sustainalytics for our green definition (an Aareal-specific definition of “green” for (a) buildings and (b) building energy efficiency improvements), underscoring Aareal Bank’s credible and robust approach to sustainability.

This green funding offering supplements our green lending activities, allowing ESG-conscious clients to be offered products in both the asset and the liability areas of the business during the reporting period. The suitability criteria for liability-side products and their classification as “green” have been designed in a similar way to the existing “Green Finance Framework – Lending”. The resulting “Green Finance Framework – Liabilities” was also subjected to a second party opinion review by Sustainalytics and was classified as “market-conforming, credible and impactful”. The green asset pool is managed by the Green Asset Pool Management Group.

An annual issuer-based ESG screening of the Bank’s Treasury portfolio is performed, allowing it to be analysed and assessed from an ESG perspective. Among other things, social criteria such as the freedom of the press and the Corruption Index are taken into account here.

Social risks

Definition

Social risks refer to issues such as occupational health and safety, employment law standards and working environment, diversity and social involvement. Social risks are also identified by negative effects on stakeholders of the company.

Social aspects include e.g. human rights abuses, income disparity and discrimination.

Management of social risks

Social risk factors are not expected to materially impact Aareal Bank’s financial and non-financial risk types in the short-, medium- or long-term time horizons. This assessment is regularly reviewed as part of the materiality assessment.

Aareal Bank AG’s Structured Property Financing segment primarily provides finance for completed buildings. The focus on hotels, alternative living (student housing, micro living, etc.), retail properties, logistics facilities, office buildings and residential property means that our portfolio does not contain any potentially controversial industrial plant or other properties that might be considered problematic. Aareal Bank Group has further reduced its risk by restricting certain business activities and does not actively do business in the following sectors: shell banks, correspondent banks, the nuclear industry, arms production, raw materials extraction, red light business/adult entertainment, drugs and cash payment services. Additional detailed rules have been set out as part of the anti-financial crime strategy. Consequently, many typical sector-specific social risks are relatively unimportant for us.

Other social aspects have been embedded as integral components of operational risk and are managed using the various tools used in operational risk control. In particular, human resources risk scenarios are used.

Strategy & Corporate Development directly incorporates ESG topics, and hence social matters as well, in its development and management of the business strategy, and the Management Board also includes them in its business decisions.

We take the following social aspects of properties into account during valuations performed in connection with lending decisions:

- Functional quality, e. g. ease of access and transportation links, building accessibility and barrier-free design;
- Life-cycle quality, e. g. as demonstrated by opportunities for the flexible use of properties, the ability to relet them, third-party usability and appropriate expenditure on value preservation measures.
- Sociocultural quality, e. g. high-quality architecture, the quality of town planning and potential tenants.

We consider respect for, and the observance of, human rights to be an inalienable part of our responsibility as a global enterprise. This is why we have undertaken not only to strictly comply with all applicable legal requirements but also to uphold human rights within our sphere of influence.

Breaches of human rights – including along our value chain – must be prevented above all for humanitarian reasons. Above and beyond this, though, any infringements could have far-reaching economic consequences for the Group. Reputational damage and financial penalties can lead to long-term risks for the company involved that should not be underestimated. Managing these risks comprehensively and responsibly is a particularly important task. This is why we have established guidelines and mandatory codes of conduct that apply throughout the Group, so as to uphold and strengthen human rights in our international business to the best of our ability.

Contractual rules relating to the Code of Conduct for Suppliers and Business Partners, which underscore the obligation to comply with certain standards, were introduced in Purchasing and Procurement in order to combat the risk of human rights violations among suppliers. The Code of Conduct is mandatory and forms the basis for the business relationships between Group companies and suppliers/service providers. It ensures on the one hand that the Bank's business partners respect human rights, while on the other it protects the Bank against potential risks arising from failures to comply with environmental or social standards in the supply chain that would reflect negatively on Aareal Bank Group.

New regulatory requirements that could lead to obligations for the Bank with respect to the observance of human rights in the Group are reviewed regularly for their relevance and for any need to take action. In addition, the Bank tracks new laws, identifying potential implications for Aareal Bank Group at an early stage.

At the level of the workforce, complying with the German General Equal Treatment Act (Allgemeines Gleichstellungsgesetz – AGG) and the ban on discrimination (e.g. treating staff differently on the basis of diversity aspects, or inappropriate or unfair remuneration) is a key issue. Unethical behaviour of this kind would damage teamwork and hence results, lead to inefficient working processes, demotivate talented employees and cause economic damage as a result.

Our Code of Conduct for employees summarises the values and convictions that make us – Aareal Bank Group – what we are. Its principles are designed to ensure a culture of integrity and mutual trust throughout the Group. In line with this, the Code of Conduct covers the topics of equal opportunities and diversity, fairness and protecting human rights, among other things. It is a matter of course for us that we respect and comply with the laws and regulations of the countries in which we operate and that we respect human rights, focusing in particular on the abolition of all forms of forced and child labour. The Management Board has expressly undertaken to respect human rights in this Code of Conduct, which applies to the entire Group, and to observe the principles of diversity and equal treatment. The Bank's reporting on its respect for human rights is used to inform the Management Board of the measures implemented, their effectiveness, any infringements and the actions taken to penalise them. The Code of Conduct is based on the requirements of the EBA Guidelines on internal governance and international industry standards such as the Universal Declaration of Human Rights, the conventions drawn up by the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the UN Global Compact's Ten Principles.

The non-financial reporting reports annually on employee-related and social matters, and on human rights observance, among other things. This also includes how social risks are dealt with in Aareal Bank Group's operating and business environment. In addition, relevant topics relating to social risks are regularly discussed at Management Board and top management level in a number of different bodies.

The workers' representative body responsible exercises its right of co-determination in the case of appointments at our German offices. We also report annually on the proportion of women in management positions and in the workforce throughout the world. We define "women in management" as all female non-pay scale employees at the Company who exercise a professional management role or who have the right to issue instructions to employees.

As part of the Bank's comprehensive sustainability risk monitoring and management activities, our stress test scenarios take not only climate and environmental risks but also changes in the world of work and in travel patterns into account. An analysis of social change performed in this context also focuses increasingly on social and governance risks, and assesses their impact on both financial and non-financial risks.

Governance risks

Definition

Governance risks are defined as the risks resulting from (un-)sustainable corporate governance. The focus here is on business ethics, on complying with data protection requirements and on an appropriate sustainability-related information policy and public relations.

Management of governance risks

The sustainable corporate governance factors mentioned can have a financial impact in the medium to long term, especially in relation to operational or reputational risks. Like social risks, these aspects are an integral part of the operational risk methodologies, with risk management mainly being centred on reputational, legal and ICT risks.

Other ways in which Aareal Bank Group manages its risks are by defining permissible transactions (e.g. by choosing not to do business with correspondent banks, specifying permissible sectors, etc.) and by not doing business in areas or sectors that are not permitted. Qualitative standards represent the operational guide rails for managing risks. When defining these qualitative guide rails, the Bank relies for guidance in particular on the Wolfsberg Questionnaire (the international correspondent bank standard), which is also disclosed to business partners. Aareal Bank Group has also restricted certain business activities in order to further reduce risks. For example, the Wolfsberg Questionnaire lists other transactions that are only permitted at the Bank following a case-by-case decision by the Management Board.

We expect our business partners to act in a similarly responsible manner with respect to governance risks. Increased caution is required in the case of business partners who are the subject of current proceedings for fraud, bribery, corruption, environmental crime, etc., and mandatory regular negative news screening is performed. In addition, business partners undertake to observe Aareal Bank Group's Code of Conduct. This mandatory policy forms the basis for the business relationships between Group companies and suppliers/service providers. It ensures on the one hand that our business partners respect human rights, while on the other it protects us against potential risks in the supply chain arising from failures to comply with environmental or social standards that would reflect negatively on Aareal Bank Group. New suppliers and service providers with an order volume in excess of € 100,000 are checked using commercial credit agency reports. Primary suppliers are examined regularly using a supplier evaluation system that assesses their reliability and compliance with the terms and conditions of their contracts, among other things. If functions (particularly material ones) are outsourced, the division performing the outsourcing must ensure the service provider's suitability using a selection and assessment procedure, and must review this regularly. Factors that must be examined during due diligence are defined in detail in Group-wide procedural guidelines. Additional requirements apply when outsourcing material functions.

At Group level, the Framework Directive on Preventing Corruption and the Procedural Guidelines on the Prevention of White-collar Crime serve as the basis for raising awareness among our employees and as the benchmark for acting correctly. They are supplemented by fraud prevention measures and by Aareal Bank AG's whistleblowing procedures, which serve to prevent corruption risks, and by a Conflict of Interest Policy that generally sets out how conflicts of interest are to be dealt with. The goal is to help avoid and manage any conflicts of interest as far as possible.

In addition, employees receive training on the Company's compliance and fraud prevention requirements and on the potential consequences of any breaches. More specifically, the training courses designed to raise employee awareness of compliance requirements comprise individual modules on general compliance requirements, on the Code of Conduct, on preventing money laundering and terrorist financing, and on preventing corruption and fraud. A confidential (and anonymous) whistle-blowing channel also exists that can be used to report suspected breaches of the rules, fraudulent behaviour or white-collar crime. This guarantees the employee reporting the issue confidentiality and protection. Employees can use this voluntary, confidential reporting system to raise concerns online or by phone – including anonymously, if desired.

Quantitative information on ESG risks

ESG table 1 below discloses the gross carrying amounts for the loans and advances, debt securities and equity instruments to non-financial corporations, broken down by the industries involved. It does not include financial assets belonging to the “held for trading” category. The contractually agreed maturities were used for the additional presentation of the exposures by their residual maturity.

The presentation by industry corresponds to the classification by NACE codes used in FINREP.

As the Group’s business is focused on commercial property financing, the real estate activities sector is by far the most relevant industry. We are exercising the option set out in Article 25(1) of Commission Implementing Regulation (EU) 2024/3172 and are only disclosing those industries relevant to us, while retaining the row numbers.

Column b comprises exposures to non-financial corporations that are excluded from the EU Paris-aligned Benchmarks pursuant to Article 12(1) points d) to g) and Article 12(2) of Commission Delegated Regulation (EU) 2020/1818 (“Minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks”). As at the reporting date, there were no exposures to companies that were classified, based on their sector codes, as “excluded from the EU Paris-aligned Benchmarks”.

Columns f to h are to be used to disclose information on risk provisions and provisions relating to non-performing and performing exposures.

Information on greenhouse gas emissions is disclosed in columns i to k. The Scope 1 and Scope 2 emissions financed by Aareal Bank and contained in the Bank’s commercial property finance portfolio are collected at the level of the counterparty concerned (in this context the financed building) using the global Partnership for Carbon Accounting Financials (PCAF) Standard. PCAF is a global initiative of financial institutions that work together to develop and implement a harmonised approach to assessing and disclosing the carbon emissions associated with loans and investments.

Under the PCAF Standard, financed carbon emissions are attributed to financial institutions on the basis of agreed, consistent carbon accounting rules. The Standard does this by requiring the carbon emissions associated with loans and investments to be accounted for and disclosed annually at a fixed point in time, in line with the financial accounting periods. By signing the PCAF Commitment Letter, Aareal Bank has voluntarily committed to account for and disclose the greenhouse gas emissions associated with its lending activities using the PCAF as a basis.

Collection of the carbon data disclosed in this report was already closely modelled on the requirements of the PCAF Standard. A significant proportion of the carbon data were provided by the counterparty (almost entirely in the form of European energy performance certificates); in addition, data gaps were closed in a fallback procedure by consulting science-based databases such as the PCAF European building emissions factor database and the U.S. Building Performance Database (BPD). Approximations were made with the help of a variety of building-specific specifications such as the asset class, geographical location and energy efficiency.

In 2025, Aareal Bank developed an internal model to determine its financed Scope 3 emissions in commercial property finance. This internal model permits its Scope 3 emissions to be calculated more comprehensively and realistically. The core approach adopted in the model is to equate the Scope 3 emissions for a specific building type with those for a sector that is as comparable as possible.

ESG table 1: Indicators of potential climate change transition risk:
Credit quality of exposures by sector, emissions and residual maturity

	Sector/subsector	a	b	c	d	e
		Gross carrying amount				
			of which: exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points d) to g) and Article 12(2) of Commission Delegated Regulation (EU) 2020/1818	of which: environmentally sustainable	of which: stage 2 exposures	of which: non-performing exposures
		€ mn	€ mn	€ mn	€ mn	€ mn
1	Exposures towards sectors that highly contribute to climate change	32,048	–	781	4,286	1,389
9	C – Manufacturing	–	–	–	–	–
30	C.30 – Manufacture of other transport equipment	–	–	–	–	–
39	E – Water supply; sewerage, waste management and remediation activities	1	–	–	–	–
40	F – Construction	40	–	–	–	40
41	F.41 – Construction of buildings	40	–	–	–	40
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–
45	H – Transportation and storage	–	–	–	–	–
49	H.52 – Warehousing and support activities for transportation	–	–	–	–	–
51	I – Accommodation and food service activities	1,362	–	–	199	47
52	L – Real estate activities	30,645	–	781	4,087	1,301
53	Exposure towards sectors other than those that highly contribute to climate change	85	–	2	46	–
54	K – Financial and insurance activities[1)]	–	–	–	–	–
55	Exposures to other sectors (NACE Codes J, M–U)	85	–	2	46	–
56	Total	32,133	–	782	4,332	1,389

[1)] Q&A 2022_6600 states that the EBA is of the opinion that row 54 also requires disclosure of exposures to financial counterparties from NACE sector K. In Aareal Bank's view, EBA Q&As serve to clarify questions of interpretation. It is our understanding that Commission Implementing Regulation (EU) 2022/2453 clearly states that only exposures to non-financial corporations are to be included in ESG table 1. Consequently, in the current case application of the EBA Q&A would lead to a failure to comply with the legal framework. Aareal Bank has addressed this inconsistency by not including financial corporations, given the unambiguous formulation contained in Commission Implementing Regulation (EU) 2022/2453. Examples of non-financial corporations belonging to sector K include investment companies that are also non-financial corporations. The Bank did not have any exposures to such counterparties in its portfolio as at 31 December 2025.

Sector/subsector	f	g	h	i	j
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty)	
		of which: stage 2 exposures	of which: non-performing exposures		of which: Scope 3 financed emissions
	€ mn	€ mn	€ mn	t CO_2e thousands	t CO_2e thousands
1 Exposures towards sectors that highly contribute to climate change	-418	-140	-290	7,507	6,908
9 C – Manufacturing	–	–	–	–	–
30 C.30 – Manufacture of other transport equipment	–	–	–	–	–
39 E – Water supply; sewerage, waste management and remediation activities	0	–	–	0	0
40 F – Construction	0	–	0	12	9
41 F.41 – Construction of buildings	0	–	0	12	9
44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–
45 H – Transportation and storage	–	–	–	–	–
49 H.52 – Warehousing and support activities for transportation	–	–	–	–	–
51 I – Accommodation and food service activities	-7	-1	-5	197	184
52 L – Real estate activities	-411	-139	-285	7,297	6,715
53 Exposure towards sectors other than those that highly contribute to climate change	-1	-1	–		
54 K – Financial and insurance activities[1]	–	–	–		
55 Exposures to other sectors (NACE Codes J, M–U)	-1	-1	–		
56 Total	-419	-141	-290	7,507	6,908

[1] Q&A 2022_6600 states that the EBA is of the opinion that row 54 also requires disclosure of exposures to financial counterparties from NACE sector K. In Aareal Bank's view, EBA Q&As serve to clarify questions of interpretation. It is our understanding that Commission Implementing Regulation (EU) 2022/2453 clearly states that only exposures to non-financial corporations are to be included in ESG table 1. Consequently, in the current case application of the EBA Q&A would lead to a failure to comply with the legal framework. Aareal Bank has addressed this inconsistency by not including financial corporations, given the unambiguous formulation contained in Commission Implementing Regulation (EU) 2022/2453. Examples of non-financial corporations belonging to sector K include investment companies that are also non-financial corporations. The Bank did not have any exposures to such counterparties in its portfolio as at 31 December 2025.

	Sector/subsector	k	l	m	n	o	p
		GHG emissions: gross carrying amount percentage of the portfolio derived from company-specific reporting	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Average maturity
		%	€ mn	€ mn	€ mn	€ mn	Years
1	Exposures towards sectors that highly contribute to climate change	5.59	30,245	1,606	105	92	3
9	C – Manufacturing	–	–	–	–	–	–
30	C.30 – Manufacture of other transport equipment	–	–	–	–	–	–
39	E – Water supply; sewerage, waste management and remediation activities	–	0	1	–	–	6
40	F – Construction	–	40	–	–	–	–
41	F.41 – Construction of buildings	–	40	–	–	–	–
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–
45	H – Transportation and storage	–	–	–	–	–	–
49	H.52 – Warehousing and support activities for transportation	–	–	–	–	–	–
51	I – Accommodation and food service activities	2.47	1,308	53	–	–	2
52	L – Real estate activities	5.73	28,897	1,551	105	92	3
53	Exposure towards sectors other than those that highly contribute to climate change		84	0	–	–	–
54	K – Financial and insurance activities[1]		–	–	–	–	–
55	Exposures to other sectors (NACE Codes J, M–U)		84	0	–	–	–
56	Total	5.59	30,330	1,606	105	92	3

[1] Q&A 2022_6600 states that the EBA is of the opinion that row 54 also requires disclosure of exposures to financial counterparties from NACE sector K. In Aareal Bank's view, EBA Q&As serve to clarify questions of interpretation. It is our understanding that Commission Implementing Regulation (EU) 2022/2453 clearly states that only exposures to non-financial corporations are to be included in ESG table 1. Consequently, in the current case application of the EBA Q&A would lead to a failure to comply with the legal framework. Aareal Bank has addressed this inconsistency by not including financial corporations, given the unambiguous formulation contained in Commission Implementing Regulation (EU) 2022/2453. Examples of non-financial corporations belonging to sector K include investment companies that are also non-financial corporations. The Bank did not have any exposures to such counterparties in its portfolio as at 31 December 2025.

ESG table 2 presents the gross carrying amount of loans collateralised by commercial and residential immovable property and the gross carrying amount of repossessed real estate collateral, broken down into fixed energy efficiency level categories (in kWh/m²) and by energy performance certificate (EPC) labels.

The gross carrying amount of loan finance with multiple real estate collaterals is broken down to the energy efficiency levels and EPC labels using the ratio of an individual property's mortgage lending value to the total mortgage lending value for all properties. In exceptional cases, the market price of a building is used as the starting point for the breakdown.

Column o is used to enter real estate loans for which the properties serving as collateral do not have an EPC label. Column p shows the proportion of the real estate loans without EPC labels disclosed in column o for which the Bank has estimated the energy performance score (EPS) for the real estate collateral. It should be noted here that, in line with EBA Q&A 2022_6625, the EPS is only considered to be "not estimated" in the case of properties for which an EPC label was available. Nevertheless, the Bank has EPCs or similar certificates for some of these properties that document the energy efficiency level in kWh/m² but to which no EPC labels have been assigned. This means that the proportion of exposures for which estimates rather than real data actually had to be used is smaller than the figure shown in column p. This procedure also applies to the exposures reported in rows 5 and 10.

The energy efficiency levels for the real estate collateral that were actually based on estimates were determined using the PCAF Standard. Estimates were based on the location and type of the financed properties. They were performed for all properties for which this is appropriate. This covers all property types with the exception of undeveloped land.

Since Aareal Bank generally pursues the strategy of preventing any further losses from loan exposures, the properties disclosed in rows 4 and 9 are in some cases being repositioned and upgraded, and may be held for several years.

ESG table 2: Indicators of potential climate change transition risk:
Loans collateralised by immovable property – Energy efficiency of the collateral

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount															
		Level of energy efficiency (EP score in kWh/m² of the collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			of which: 0 ≤ 100	of which: > 100 ≤ 200	of which: > 200 ≤ 300	of which: >300 ≤ 400	of which: > 400 ≤ 500	of which: > 500	A	B	C	D	E	F	G		of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated
€ mn																	%
1	**Total EU area**	**19,781**	**6,833**	**6,570**	**4,471**	**754**	**459**	**590**	**2,571**	**2,201**	**1,935**	**1,322**	**804**	**85**	**126**	**10,736**	**27.87**
2	of which: loans collateralised by commercial immovable property	18,355	6,185	5,946	4,420	754	459	590	2,294	2,110	1,771	1,288	778	78	123	9,913	27.00
3	of which: loans collateralised by residential immovable property	1,283	648	583	51	0	–	–	277	91	164	35	26	8	2	680	40.33
4	of which: collateral obtained by taking possession (residential and commercial immovable properties)	143	–	41	–	–	–	–	–	–	–	–	–	–	–	143	28.50
5	of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated	2,992	379	393	2,213	7	–	–								2,992	100.00
6	**Total non-EU area**	**14,328**	**1,393**	**3,225**	**4,890**	**2,131**	**878**	**1,810**	**727**	**2,240**	**948**	**236**	**290**	**–**	**136**	**9,752**	**76.64**
7	of which: loans collateralised by commercial immovable property	12,351	1,236	2,205	4,324	2,123	702	1,762	376	1,781	868	181	279	–	136	8,730	74.58
8	of which: loans collateralised by residential immovable property	1,551	157	868	294	9	175	48	351	459	79	55	10	–	–	597	90.05
9	of which: collateral obtained by taking possession (residential and commercial immovable properties)	426	–	153	273	–	–	–	–	–	–	–	–	–	–	426	100.00
10	of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated	7,474	175	1,529	3,819	1,488	–	463								7,474	100.00

ESG table 3 basically aims to give an overview of efforts to reduce greenhouse gas emissions in the building sector so as to reach the climate action goals set out in the Paris Agreement on climate change, taking into account the alignment metrics for the Net Zero Emissions by 2050 (NZE2050) scenario defined by the International Energy Agency (IEA). The focus is restricted to loans and advances, debt securities and equity instruments relating to non-financial corporations in the banking book.

Aareal Bank's portfolio does not contain any exposures to companies active in the sectors specified in rows 1 to 8 pursuant to Commission Implementing Regulation (EU) 2022/2453. Its business model means that the commercial property finance sector is decisive. In NACE Rev. 2.1, this is represented by sectors F, I, M, N and T, with NACE sector M being material, as it accounts for approximately 95 % of the gross carrying amount of the NACE sectors mentioned.

ESG table 3: Indicators of potential climate change transition risk: Alignment metrics

	a	b	c	d	e	f	g
	Sector	NACE sectors	Portfolio gross carrying amount	Alignment metric	Year of reference	Distance to IEA NZE2050[1)]	Target (year of reference + 3 years)
			€ mn	kg CO_2e/m^2		%	kg CO_2e/m^2
9	Commercial property finance	68	33,971	49.94	2025	167.05	38.87

1) PiT distance to 2030 NZE2050 scenario

Aareal Bank Group developed a climate transition plan in 2025. This contains short-, medium- and long-term decarbonisation targets for the financed emissions in the loan portfolio, which are arranged along defined, science-based decarbonisation pathways. The target metric used is the annual emissions intensity measured in kg CO_2e/m^2, which is also used for the alignment metric (column d). The gross carrying amount given in column c comprises all financed properties that are governed by Aareal Bank's defined decarbonisation pathways. The area-weighted emissions intensity for these properties in reference year 2025 (column e) was 49.94 kg CO_2e/m^2.

The medium-term target set for the loan portfolio was to reduce the financed properties' emissions intensity by approximately 40 % in the period up to 2030 (compared to the defined base year of 2023). This corresponds to a target emissions intensity of approximately 33 kg CO_2e/m^2. The long-term target for 2050 is for an emissions intensity corridor of between approximately 1 kg CO_2e/m^2 and approximately 6 kg CO_2e/m^2.

Aareal Bank's climate goals were derived from science-based data from the Carbon Risk Real Estate Monitor (CRREM), which provides climate scenarios for the property sector, and the Sectoral Decarbonization Approach (SDA) from the Science Based Targets Initiative (SBTi). Since the USA has left the Paris Agreement on climate change, the SDA was not used for this part of the portfolio. Instead, the definition of the decarbonisation pathway for the US portion of the loan portfolio is based on a scenario that is derived from the Stated Policies Scenario developed by the International Energy Agency (IEA).

Due to the use of the CRREM pathways for modelling the decarbonisation pathways and targets, the distance to the CRREM values for 2030 was determined in column f instead of the IEA NZE2050 decarbonisation pathway. Column g shows the target emissions intensity for Aareal Bank's loan portfolio for 2028 that was determined in accordance with the decarbonisation pathways.

ESG table 4 is used to disclose exposures to counterparties among the top 20 carbon-emitting companies in the world. The portfolio of loans and advances, debt securities and equity instruments was reviewed using current data from the Carbon Majors Database (Launch Report, April 2024).

At the reporting date under review, Aareal Bank's portfolio did not contain any exposures to counterparties among the top 20 carbon-emitting companies in the world.

ESG table 5 provides a summary of exposures subject to acute and chronic physical climate risks. Physical climate risks are considered to be acute if they arise as a result of extreme events such as drought, floods or storms. They are classified as chronic if they result from gradual changes (such as rising temperatures, rising sea levels, water stress, loss of biodiversity, changes in land use, habitat loss or resource scarcity).

For the sake of transparency, we have restricted our presentation of geographical areas impacted by physical climate risks due to climate change to a breakdown of exposures at the “EU” and “non-EU” levels.

In the case of the commercial real estate lending portfolio, the information on physical climate risks is supplied by an external data provider in the form of risk scores. These depict vulnerabilities to natural hazards using a vulnerability scale and also supply additional information from which vulnerabilities can be derived. Information about both current and future vulnerabilities associated with the location, among other things, is taken into account when determining the risk scores. A conservative methodology has been adopted to establish properties’ physical vulnerability that also includes risks that do not directly lead to damage to the building concerned (e.g. drought). The methodology used to establish physical vulnerability to natural hazards will be examined this year together with the external data provider and will then be adapted on the basis of the results of this investigation.

Column b contains the gross carrying amount of all exposures required to be included by Annex II of Commission Implementing Regulation (EU) 2022/2453, regardless of whether these are subject to physical climate risks or not. By contrast, the information on maturity buckets and risk provisions contained in the following columns is restricted to those exposures that are subject to acute and/or physical climate risk.

Whereas the exposures that have to be disclosed by sector of economic activity are restricted to exposures to non-financial corporations, the information given in rows 10 and 11 also includes loans to other counterparties that are collateralised by residential or commercial immovable property.

ESG table 5: Indicators of potential climate change physical risk: Exposures subject to physical risk (EU)

	a	b	c	d	e	f	g	h	i
	Geographical area subject to climate change physical risk acute and chronic events	Gross carrying amount							
			of which: exposures sensitive to impact from climate change physical events						
			Breakdown by maturity bucket						
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	≥ 20 years	Average maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events
	€ mn								
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	1	–	–	–	–	–	–	–
6	F – Construction	80	80	–	–	–	–	–	–
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–	–	–
8	H – Transportation and storage	–	–	–	–	–	–	–	–
9	L – Real estate activities	33,732	17,591	1,462	70	42	3	797	12,868

>

a Geographical area subject to climate change physical risk acute and chronic events	b Gross carrying amount	c of which: exposures sensitive to impact from climate change physical events Breakdown by maturity bucket ≤ 5 years	d > 5 years ≤ 10 years	e > 10 years ≤ 20 years	f ≥ 20 years	g Average maturity	h of which: exposures sensitive to impact from chronic climate change events	i of which: exposures sensitive to impact from acute climate change events
€ mn								
10 Loans collateralised by residential immovable property	2,478	752	40	66	42	6	–	455
11 Loans collateralised by commercial immovable property	34,751	18,328	1,523	4	1	3	859	13,097
12 Repossessed collaterals	143	–	–	–	41	–	–	–
13 Other relevant sectors	574	404	98	–	–	4	38	386

a Geographical area subject to climate change physical risk acute and chronic events	j Gross carrying amount of which: exposures sensitive to impact from climate change physical events of which: exposures sensitive to impact from chronic and acute climate change events	k of which: stage 2 exposures	l of which: non-performing exposures	m Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	n of which: stage 2 exposures	o of which: non-performing exposures
€ mn						
1 A – Agriculture, forestry and fishing	–	–	–	–	–	–
2 B – Mining and quarrying	–	–	–	–	–	–
3 C – Manufacturing	–	–	–	–	–	–
4 D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
5 E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–
6 F – Construction	80	–	80	-1	–	-1
7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–
8 H – Transportation and storage	–	–	–	–	–	–
9 L – Real estate activities	5,499	1,640	274	-89	-61	-48
10 Loans collateralised by residential immovable property	445	3	0	-1	0	0
11 Loans collateralised by commercial immovable property	5,900	1,676	369	-100	-61	-57
12 Repossessed collaterals	41	–	–	–	–	–
13 Other relevant sectors	78	–	–	0	–	–

ESG table 5: Indicators of potential climate change physical risk: Exposures subject to physical risk (non-EU)

	a	b	c	d	e	f	g	h	i
	Geographical area subject to climate change physical risk acute and chronic events	Gross carrying amount							
			of which: exposures sensitive to impact from climate change physical events						
			Breakdown by maturity bucket						
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	≥ 20 years	Average maturity	of which: exposures sensitive to impact from chronic climate change events	of which: exposures sensitive to impact from acute climate change events
€ mn									
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–	–	–
6	F – Construction	–	–	–	–	–	–	–	–
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–	–	–
8	H – Transportation and storage	–	–	–	–	–	–	–	–
9	L – Real estate activities	27,335	13,144	322	–	–	3	2,366	1,543
10	Loans collateralised by residential immovable property	3,103	742	21	–	–	1	129	158
11	Loans collateralised by commercial immovable property	26,662	13,615	300	–	–	3	2,331	1,446
12	Repossessed collaterals	426	–	–	–	426	–	–	–
13	Other relevant sectors	2,314	1,158	–	–	–	3	94	–

	a	j	k	l	m	n	o
	Geographical area subject to climate change physical risk acute and chronic events	Gross carrying amount					
		of which: exposures sensitive to impact from climate change physical events					
		of which: exposures sensitive to impact from chronic and acute climate change events	of which: stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	of which: stage 2 exposures	of which: non-performing exposures
€ mn							
1	A – Agriculture, forestry and fishing	–	–	–	–	–	–
2	B – Mining and quarrying	–	–	–	–	–	–
3	C – Manufacturing	–	–	–	–	–	–
4	D – Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
5	E – Water supply; sewerage, waste management and remediation activities	–	–	–	–	–	–
6	F – Construction	–	–	–	–	–	–

>

a	j	k	l	m	n	o
Geographical area subject to climate change physical risk acute and chronic events	Gross carrying amount					
	of which: exposures sensitive to impact from climate change physical events					
	of which: exposures sensitive to impact from chronic and acute climate change events	of which: stage 2 exposures	of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
					of which: stage 2 exposures	of which: non-performing exposures
€ mn						
7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles	–	–	–	–	–	–
8 H – Transportation and storage	–	–	–	–	–	–
9 L – Real estate activities	9,557	4,453	2,313	-655	-196	-513
10 Loans collateralised by residential immovable property	476	153	40	-1	0	–
11 Loans collateralised by commercial immovable property	10,139	4,698	2,362	-661	-198	-518
12 Repossessed collaterals	426	–	–	-40	–	–
13 Other relevant sectors	1,063	398	94	-13	-2	-10

Counterparty Credit Risk

Management of counterparty credit risk

Definition

Counterparty credit risk results from derivatives and securities financing transactions, the risk being that the transaction's counterparty defaults – in which case the transaction cannot be settled as intended.

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

The derivatives positions have substantially been entered into in order to hedge interest rate and currency risk exposure, and for funding purposes.

Risk measurement and monitoring

For information on risk measurement and monitoring of counterparty credit risk, please refer to the chapter "Management of credit risks" of this Regulatory Disclosure Report (pages 48 et seqq.).

Other qualitative disclosures on counterparty credit risk

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 in the trading business, an internal rating is prepared for all counterparties on a regular or event-driven basis. The internal rating constitutes a key indicator for determining counterparty-specific limits for the derivatives business.

Credit risk mitigation for trading activities

To reduce counterparty credit risk in Aareal Bank's trading business, the master agreements for financial derivatives transactions[1)] and master agreements for securities repurchase transactions (repos)[2)] used by the Bank provide for credit risk mitigation techniques, via mutual netting framework agreements ("contractual netting agreements").

The master agreements for financial derivatives transactions used by the Bank contain netting 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").

Generally speaking, all master agreements for financial derivatives transactions are based on the principle of a common agreement. This means that, in the event of a termination or counterparty default, the individual claims are netted and only this net amount can be claimed from 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 in question must recognise the concept of a common agreement, which protects the net amount of the claim from being seized by the insolvency administrator.

Above all, the close-out netting is subject to (international) legal risks. The Bank reviews these legal risks by referring to legal opinions regarding the validity and enforceability of contractual netting agreements in the case of a counterparty's insolvency. These legal opinions are evaluated based on various criteria such as product type, jurisdiction of the registered office and branch office of the counterparty, individual contract supplements and other criteria, and using a database specifically developed for this purpose. Hence, the Bank decides for each individual transaction whether close-out netting is viable, thus allowing set-off against other individual transactions covered by the relevant master agreement. The Bank uses eligible contractual netting agreements within the meaning of Article 296 of the CRR for all transactions with financial institutions. In many cases there are additional collateral agreements in place that further reduce the relevant credit risk.

Furthermore, counterparty credit risk is reduced by settling derivatives via central counterparties (CCPs). The Bank uses Eurex Clearing AG and LCH Limited for this purpose.

---

1) Below, this will refer to both the German Master Agreement on Financial Derivatives (Deutscher Rahmenvertrag für Finanztermingeschäfte – "DRV") and the master agreement issued by the International Swaps and Derivatives Association Inc. (ISDA) (the "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) Any comments below referring to the Master Agreement for Repurchase Transactions (Repos) also pertain to the master agreement issued by the International Capital Markets Association Inc. (ICMA) (the "Global Master Repurchase Agreement"). Both agreements are standardised agreements recommended by leading associations – among others, by the Association of German Banks (Bundesverband deutscher Banken – "BdB").

The Bank also enters into repo transactions both on a bilateral basis and via Eurex Clearing AG as a central counterparty. For repo transactions, payment or delivery netting is agreed upon on a single transaction level, depending on the counterparty. For this purpose, the Bank applies the Financial Collateral Comprehensive Method in accordance with chapter 4 (Articles 223 et seqq.) of the CRR.

In principle, master agreements for securities repurchase transactions (repos) also provide for close-out netting of all individual transactions that are covered by a contractual netting agreement. However, as far as repos are concerned, the Bank has not yet made use of the regulatory option to reduce the capital backing for all individual transactions that are covered by a contractual netting agreement.

The Bank uses an internal rating system to assess the credit quality of counterparties. Capital Markets Management is responsible for the daily valuation of the Bank's trades, including collateral accepted or pledged, using validated valuation procedures.

Collateral for financial derivatives is usually provided in cash. Securities repurchase agreements (repos) are usually collateralised through the exchange of securities.

Some collateral agreements provide for higher collateral levels if a contracting party's rating is significantly downgraded.

Loss allowance

No loss allowance was recognised for hedging derivatives, since these are recognised at fair value through profit or loss pursuant to IFRSs.

Correlation risk

Correlation risk is insignificant for Atlantic Group.

Impact of a rating downgrade on collateral to be furnished

In general, the collateral agreements concluded provide for rating-independent minimum transfer amounts. In individual cases, the collateral agreements the Bank has entered into 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

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

Quantitative disclosures on counterparty credit risk

Pursuant to Article 439 of the CRR, institutions shall disclose details on the methods of calculating the exposure value, and on the methods to include financial collateral for securities financing transactions (SFTs), as set out in table EU CCR1. However, this excludes trades concluded with a central counterparty (CCP) or CCP-related transactions, as well as capital requirements for credit valuation adjustment (CVA). These transactions are analysed in separate tables.

EU CCR1: Analysis of CCR exposures by approach

		a	b	c	d	e	f	g	h
€ mn		Replace-ment cost	Potential future exposure	Effective expected posi-tive exposure (EEPE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWAs
EU-1	EU – Original exposure method (for derivatives)	–	–		1.4	–	–	–	–
EU-2	EU – Simplified SA-CCR (for derivatives)	–	–		1.4	–	–	–	–
1	SA-CCR (for derivatives)	41	233		1.4	1,659	384	384	222
2	IMM (for derivatives and SFTs)			–	1.4	–	–	–	–
2a	of which: securities financing transactions netting sets			–		–	–	–	–
2b	of which: derivatives and long settlement transactions netting sets			–		–	–	–	–
2c	of which: from contractual cross-product netting sets			–		–	–	–	–
3	Financial collateral simple method (for SFTs)					–	–	–	–
4	Financial collateral comprehensive method (for SFTs)					1,216	230	230	92
5	VaR for SFTs					–	–	–	–
6	**Total**					**2,875**	**614**	**614**	**313**

Table EU CCR8 discloses the exposure value and risk-weighted exposure (RWA) for exposures to central counterparties. As at the reporting date, Eurex Clearing AG (in short: Eurex) and LCH Limited (which are both qualified counterparties) acted as central counter-parties to Aareal Bank. There were no exposures to non-qualified CCPs as at the reporting date of 31 December 2025. In accordance with Article 306 (2) of the CRR, for the purpose of solvency reporting, an exposure value of zero is assigned to initial margin pledged to Eurex and LCH Limited.

EU CCR8: Exposures to CCPs

		a	b
€ mn		EAD	RWAs
1	**Exposures to QCCPs (total)**		**3**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	392	0
3	(i) OTC derivatives	22	0
4	(ii) Exchange-traded derivatives	–	–
5	(iii) SFTs	370	0
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	108	
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	12	3
10	Unfunded default fund contributions	–	–

€ mn		a EAD	b RWAs
11	**Exposures to non-QCCPs (total)**		**–**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	–	–
13	(i) OTC derivatives	–	–
14	(ii) Exchange-traded derivatives	–	–
15	(iii) SFTs	–	–
16	(iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

Table EU CCR3 discloses the exposure amount after mitigating credit risk of all counterparty credit risk exposures to which the CRSA is applied, by analogy with table EU CR5 for each exposure class, and broken down according to risk weight pursuant to Article 114 et seqq. of the CRR.

EU CCR3: Credit Risk Standard Approach – CCR exposures by regulatory exposure class and risk weights

Exposure classes		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
€ mn		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Other	Total
1	Central governments or central banks	24	–	–	–	–	–	–	–	–	–	–	**24**
2	Regional governments or local authorities	–	–	–	–	–	–	–	–	–	–	–	**–**
3	Public-sector entities	–	–	–	–	–	–	–	–	–	–	–	**–**
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	**–**
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	**–**
6	Institutions	–	23	–	–	–	160	–	–	–	–	344	**528**
7	Corporates	–	–	–	–	–	3	–	1	–	–	–	**4**
8	Retail	–	–	–	–	–	–	–	–	–	–	–	**–**
9	Institutions and corporates with short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	**–**
10	Other items	–	–	–	–	–	–	–	–	–	–	–	**–**
11	**Total**	**24**	**23**	**–**	**–**	**–**	**163**	**–**	**1**	**–**	**–**	**344**	**555**

The following table EU CCR4 shows the derivative exposures exclusively treated in the A-IRBA – by analogy with the table EU CR6 within clearly-defined PD classes. The AIRBA exposures classified as specialised lending as at the reporting date do not comprise any derivative exposures.

Certain derivatives fulfil the conditions set out in Article 274 (5) of the CRR; as a result, they are shown with a zero risk exposure value.

The derivatives held by Aareal Bank Group, and entered into with internally rated property clients whose share in EaD after mitigating the credit risk of the entire A-IRBA client portfolio is below 1 %, are mainly used to hedge interest rate and currency risks. As the available collateral is fully considered within the scope of determining the LGD of the respective property financing, a default LGD of 90 % is used for calculating the expected loss.

EU CCR4: IRB approach – CCR exposures by exposure class and PD scale

A-IRBA exposure class	PD scale	a Exposure value	b Exposure-weighted average PD	c Number of obligors	d Exposure-weighted average LGD	e Exposure-weighted average maturity	f RWAs	g RWA density
		€ mn	%		%	Years	€ mn	%
Corporates – General	0.00 to < 0.15	–	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–	–
	0.25 to < 0.50	5	0.39	3	90.00	3.0	5	105.90
	0.50 to < 0.75	4	0.63	4	90.00	2.0	5	123.36
	0.75 to < 2.50	73	1.46	42	90.00	3.0	118	160.70
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.0 (Default)	–	–	–	–	–	–	–
	Subtotal	**82**	**1.35**	**49**	**90.00**	**3.0**	**128**	**155.59**
	Total	**82**	**1.35**	**49**	**90.00**	**3.0**	**128**	**155.59**

Pursuant to Article 439 lit. e) of the CRR, Atlantic Group is obliged to disclose information on collateral received or posted in table EU CCR5. For this purpose, this collateral must be broken down by type of financial instrument, and by segregated and non-segregated collateral. Collateral is deemed to be segregated if client assets are bankruptcy-remote as defined in Article 300 No. 1 of the CRR.

EU CCR5: Composition of collateral for CCR exposures

	Collateral type	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
€ mn									
1	Cash – domestic currency	–	476	0	880	–	–	–	–
2	Cash – other currencies	7	13	18	6	–	–	–	–
3	Domestic sovereign debt	–	–	–	–	–	–	–	29
4	Other sovereign debt	–	–	108	–	–	–	–	94
5	Government agency debt	–	–	–	–	–	–	–	95
6	Corporate bonds	–	–	–	–	–	–	–	–
7	Equity securities	–	–	–	–	–	–	–	–
8	Other collateral	–	–	–	–	–	–	–	1,368
9	**Total**	**7**	**489**	**126**	**886**	**–**	**–**	**–**	**1,586**

As we currently do not hold any credit derivatives, disclosure of the information required under Article 439 lit. j) of the CRR in table EU CCR6 is not included.

CVA Risk

The regulatory capital requirements for credit valuation adjustment (CVA) risks of OTC derivatives are calculated using a reduced basic approach under Article 384 (1) lit. b) of the CRR that does not include any hedges. These additional capital requirements are aimed at absorbing the risk of a negative change in the market value of OTC derivatives in the case of a decline in the counterparty's credit quality.

CVA risk is quantified on the basis of the exposure value of derivatives determined using the SA-CCR, excluding transactions mentioned in Article 382 (4). For example, the settlement of derivatives via central counterparties ("CCP clearing") and cash collateral agreements have a limiting effect on the exposure value.

CVA risk is of rather minor importance to Aareal Bank. As at 31 December 2025, CVA risk only accounted for 1.08 % of total own funds requirements (also see Table EU OV1, page 39).

As set out in the chapter "Management of market risk" (pages 129 et seqq.), CVA risk is understood to form part of market risk. Therefore, we refer to the statements contained therein regarding the measurement, monitoring and control of credit valuation adjustment risks.

The following table EU CVA1 shows own funds requirements for CVA risk as at 31 December 2025, as determined using the reduced basic approach.

EU CVA1: Credit valuation adjustment under the Reduced Basic Approach (R-BA)

€ mn		a Components of own funds requirements	b Own funds requirements
1	Aggregation of systematic components of CVA risk	32	
2	Aggregation of idiosyncratic components of CVA risk	8	
3	**Total**		**11**

Liquidity Risk

As a large subsidiary of Atlantic Group, Aareal Bank AG is not exempt from meeting liquidity requirements on a stand-alone basis under Article 8 of the CRR, and is obliged to disclose its liquidity requirements at single-entity level under Article 451a (2) and (3) of the CRR.

Management of liquidity risk

Definition

Liquidity risk in the narrower sense is defined as the risk that payment obligations cannot be met in full or on time. Liquidity risk management within Aareal Bank Group ensures that sufficient cash and cash equivalents are held to honour any payment obligations at any future point in time. The risk management processes have been designed to cover not only the liquidity risk in the narrower sense (insolvency risk), but also market liquidity risk and refinancing risk, including cost risk which is measured and limited accordingly as a component of the IRRBB. All elements have been integrated in an overarching ILAAP, which maps liquidity risks in both the normative and the economic perspective. Within the framework of Group planning, in addition to ICAAP risk parameters taken into account for capital planning purposes, ILAAP risk parameters for a three-year horizon are also considered.

Liquidity risk strategy

The objective of the liquidity risk strategy is to ensure the Bank's solvency at all times, even in the case of serious crisis events. The degree of crisis events to be covered is determined by Aareal Bank Group's[1)] risk appetite and reflected in the risk tolerances. In turn, these risk tolerances are reflected in limits (in particular, those applied within internal liquidity models), normative metrics and their projections, and in strategic planning.

The Bank's portfolio comprises a broad range of liquid and high-quality securities, ensuring the Bank's ability to generate large volumes of liquidity at short notice, and thus prevent liquidity shortages, even in a tight market environment or a crisis scenario.

Within the framework of the refinancing strategy, various money and capital market instruments are used to achieve a broadly-diversified range of funding vehicles. 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, bonds and Euro Commercial Paper (ECP). Depending on market conditions, the Bank places large-sized public issues or private placements. The targeted maturity of the refinancings is generally based on the maturity profiles of the credit portfolio. In addition, the Bank aims to achieve a balanced maturity structure of liabilities. In this context, the respective market conditions and investor demand are taken into account. In the Banking & Digital Solutions segment, the Bank also generates deposits from the housing industry, which represent a strategically important additional source of funding. Furthermore, it has recourse to institutional money market investor deposits and enters into repo transactions in the interbank market and on Eurex as well as into open market transactions with the ECB as required. To raise funds from retail deposits, Aareal Bank launched several cooperations in 2022 by way of a trust model. These cooperations included Raisin and Deutsche Bank.

Risk measurement and monitoring

Treasury is responsible for managing liquidity risks, and thus for the strategic and tactical management of liquidity risk within the framework of the defined limits and directions, whilst Risk Controlling ensures the continuous monitoring, including a daily liquidity report submitted to Treasury, and a contribution to the monthly risk report to Aareal Bank's entire Management Board. Aareal Bank generally aims to monitor liquidity risks across all of its entities using standardised methods and procedures. This applies also if companies are taken over. The following tools are used for this purpose:

Cash flow forecast

We have developed a cash flow forecast that provides information on our liquidity risk. This forecast report maps the cash flows of all balance sheet items and derivatives on a daily basis over a ten-year horizon. This liquidity risk information helps to assess the Bank's short-term liquidity position, broken down by currency or product. Strategic liquidity is taken into account using this ten-year cash flow profile. We use statistical modelling to incorporate the expected cash flow profile of products without a fixed contractual lifetime.

Liquidity run-off profile

The appropriateness of the Bank's liquidity from an economic perspective is assessed using a liquidity run-off profile (liquidity risk model). Here, the aggregate of all conservatively expected cash inflows and outflows over a three-month period is compared with the liquidity stock. This liquidity stock comprises all assets that can be liquidated at very short notice. The difference between the two figures (in absolute terms) indicates excess liquidity, once all claims assumed in the run-off profile have been fulfilled through the liquidity stock. There were no liquidity shortages throughout the period under review.

[1)] The business purpose of Atlantic Lux HoldCo S.à r.l. and Atlantic BidCo GmbH is generally limited to holding and managing the Aareal Bank investment. As a consequence, no additional liquidity risk is taken at the level of the two companies. Aareal Bank AG's liquidity risk strategy is also the Group liquidity risk strategy.

Time to illiquidity

To safeguard adequate liquidity beyond the three-month horizon covered by the liquidity run-off profile, we use the concept of "time to illiquidity" ("TtI") as a parameter. For this purpose, a liquidity run-off profile was developed which compares liquidity requirements occurring with the liquidity stock, for a one-year period. Time to illiquidity ("TtI") denotes the remaining period (expressed in days) during which Aareal Bank Group can be regarded as sufficiently liquid, even under adverse conditions. In other words, liquidity requirements (including security add-on for adverse future events) do not exceed the liquidity stock. The calculations are based on contractual cash flows and the short-term risk assessment methodology (liquidity run-off profile), as well as the portfolio development within the current plan scenario.

Funding profile

Diversifying the Bank's funding profile by type of investor and by product is another key aspect of our approach to liquidity risk management. Core sources of funding such as customer deposits and funds invested by institutional clients – alongside covered and uncovered bond issues – make up the foundation of our liability profile.

Generally, in addition to deposits from housing industry clients and institutional investors and also including retail deposits, Aareal Bank also uses interbank and repo transactions for short-term refinancing, the latter being used primarily to manage liquidity and cash positions.

Aareal Bank Group is solidly funded, which is underscored by its major share of long-term funding. This encompasses registered and bearer Pfandbriefe, promissory note loans, medium-term notes, other bonds and subordinated capital. As they legally qualify as debt securities, ECP are included as well, even though they usually have a term of less than one year. Subordinated capital includes subordinated liabilities and the Additional Tier 1 (AT1) bond.

Concentration limits

As well as measuring the risk indicators themselves, we monitor concentrations of liquid assets and of funding sources, determining the percentage share of the ten largest counterparties and/or positions relative to the total portfolio.

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

LCR forecast

We have developed the LCR forecast as a measurement tool designed to ensure that we maintain compliance with the regulatory Liquidity Coverage Ratio (LCR). A preview of the Liquidity Coverage Ratio is calculated over a horizon of up to three years, determining the ratio of highly liquid assets to cumulative net cash outflows for various end-of-month dates – allowing us to identify any potential liquidity shortfalls or reserves.

NSFR forecast

A forecast of the net stable funding ratio is another cornerstone of our liquidity management. It is calculated over a horizon of up to three years. This measurement tool allows us to forecast the regulatory Net Stable Funding Ratio for future dates, thus identifying any potential liquidity shortfalls or reserves in terms of the NSFR at an early stage.

Long-term liquidity run-off profile

The long-term liquidity run-off profile (Long Term LAB) provides a forecast of the economic perspective and determines the likely liquidity run-off profile (liquidity risk model) over a period of up to three years. This liquidity run-off profile compares the expected liquidity requirements and available liquidity for different scenarios at various points in time in the future. In this way, any potential liquidity shortfalls or liquidity reserves arising in the future are identified with regard to the liquidity run-off profile.

Stress testing

We also employ stress tests and scenario analyses to assess the impact of sudden stress events on the Bank's liquidity situation. The various standardised scenarios used – which include historic, idiosyncratic, market-wide and combined scenarios – are evaluated on the basis of the liquidity run-off profile. The results of the listed stress analyses are reported to the Management Board on a quarterly basis.

We generally consider the withdrawal of deposits from the housing industry as the most significant scenario. Even in this stress scenario, liquidity is sufficient to cover the expected liquidity needs under stress conditions.

Liquidity emergency plan

Aareal Bank AG's liquidity emergency plan describes the governance regulations, internal provisions as well as roles in the wake of a liquidity crisis, and reflects the Bank's liquidity-specific risk profile. In addition, the plan defines qualitative and quantitative early warning indicators and the measures to remedy liquidity bottlenecks under stress conditions. This ensures that material potential disruptions of the Bank's funding capacity can be addressed in a timely and appropriate manner.

Hedging and mitigating risks

Implementing the forward-looking management tools (liquidity run-off forecast, LCR and NSFR forecast) mitigates the risk of potentially exceeding the thresholds for the defined economic and normative ILAAP management indicators as determined in the Risk Appetite Framework.

Liquidity Coverage Ratio

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

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

The following table is based on the requirements set out in Annex XIV of Commission Implementing Regulation (EU) 2024/3172 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.

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

EU LIQ1: Quantitative information on LCR (Atlantic Group)

	Scope of consolidation	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
EU 1a	Quarter ending on	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					7,572	7,711	7,624	7,401
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which:	6,829	6,764	6,707	6,661	434	415	391	369
3	Stable deposits	5,685	5,780	5,948	6,121	284	289	297	306
4	Less stable deposits	1,112	948	719	496	150	126	94	63
5	Unsecured wholesale funding	6,707	6,656	6,612	6,595	2,655	2,639	2,658	2,653
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,507	3,475	3,404	3,392	823	816	798	794
7	Non-operational deposits (all counterparties)	2,890	2,856	2,874	2,911	1,521	1,499	1,526	1,567
8	Unsecured debt	310	324	334	291	310	324	334	291
9	Secured wholesale funding					7	8	9	16
10	Additional requirements	1,450	1,535	1,665	1,760	517	590	684	765
11	Outflows related to derivative exposures and other collateral requirements	378	473	569	655	339	432	527	617
12	Outflows related to loss of funding on debt products	63	49	43	30	63	49	43	30
13	Credit and liquidity facilities	1,010	1,012	1,052	1,075	116	110	114	118
14	Other contractual funding obligations	137	141	179	184	106	112	153	159
15	Other contingent funding obligations	1,222	1,300	1,235	1,181	209	180	163	157
16	**Total cash outflows**					**3,927**	**3,945**	**4,059**	**4,119**
	Cash inflows								
17	Secured lending (e. g. reverse repos)	0	–	–	–	0	–	–	–
18	Inflows from fully performing exposures	677	762	1,055	1,191	494	548	710	794
19	Other cash inflows	177	181	233	239	177	181	233	239
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**	**854**	**943**	**1,288**	**1,430**	**671**	**729**	**943**	**1,032**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90 % cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75 % cap	854	943	1,288	1,430	671	729	943	1,032
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,572**	**7,711**	**7,624**	**7,401**
22	**Total net cash outflows**					**3,256**	**3,216**	**3,116**	**3,087**
23	**Liquidity Coverage Ratio (%)**					**233.70**	**240.61**	**245.70**	**241.46**

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

Scope of consolidation		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
€ mn									
EU 1a	Quarter ending on	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					7,572	7,711	7,625	7,402
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which:	6,829	6,764	6,707	6,661	434	415	391	369
3	Stable deposits	5,685	5,780	5,948	6,121	284	289	297	306
4	Less stable deposits	1,112	948	719	496	150	126	94	63
5	Unsecured wholesale funding	6,929	6,864	6,837	6,854	2,866	2,834	2,867	2,892
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,507	3,475	3,404	3,392	823	816	798	794
7	Non-operational deposits (all counterparties)	3,112	3,064	3,099	3,171	1,733	1,695	1,735	1,806
8	Unsecured debt	310	324	334	291	310	324	334	291
9	Secured wholesale funding					7	8	9	16
10	Additional requirements	1,533	1,619	1,745	1,874	737	834	929	1,037
11	Outflows related to derivative exposures and other collateral requirements	380	476	572	657	341	434	529	619
12	Outflows related to loss of funding on debt products	63	49	43	30	63	49	43	30
13	Credit and liquidity facilities	1,090	1,094	1,131	1,186	333	351	357	388
14	Other contractual funding obligations	135	138	174	176	106	112	153	159
15	Other contingent funding obligations	1,190	1,255	1,197	1,137	205	175	159	152
16	**Total cash outflows**					**4,355**	**4,380**	**4,509**	**4,625**
	Cash inflows								
17	Secured lending (e. g. reverse repos)	0	–	–	–	0	–	–	–
18	Inflows from fully performing exposures	584	640	902	1,017	410	439	577	643
19	Other cash inflows	179	183	235	240	179	183	235	240
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**	**763**	**824**	**1,137**	**1,257**	**589**	**622**	**812**	**883**
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90 % cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75 % cap	763	824	1,137	1,257	589	622	812	883
						Total adjusted value			
EU-21	**Liquidity buffer**					**7,572**	**7,711**	**7,625**	**7,402**
22	**Total net cash outflows**					**3,766**	**3,758**	**3,697**	**3,743**
23	**Liquidity Coverage Ratio (%)**					**201.67**	**205.46**	**206.43**	**198.95**

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. 90 % of the Treasury portfolio fulfils the criteria for inclusion as high-quality liquid assets (HQLAs); 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

Aareal Bank AG's LCR, as reported to the supervisory authorities, decreased compared to 30 September 2025 (233.13 %), reaching 168.24 % as at the reporting date. This development was due to the € 1,791 million decline in HQLA and a simultaneous € 259 million increase in net cash outflows.

The decline in HQLA was due in particular to the disbursement of new loans.

The quarter-on-quarter increase in net cash outflows was mainly due to higher financial institution deposits.

Since the disclosure of key LCR parameters is based on the weighted and unweighted averages of the past 12 reporting dates of the respective quarter, the drivers outlined above do not have the same effect upon quarter-on-quarter changes as shown in table EU LIQ 1.

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 foreign currency foreign currency exposure in their portfolios. As at the reporting date of 31 December 2025, Atlantic Group's largest foreign currency portfolio in GBP amounts to 1.48 % of total liabilities. At Aareal Bank AG, the largest foreign currency portfolio is the USD portfolio, accounting for 2.15 %. 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 € 278 million for both Atlantic Group and Aareal Bank AG.

Net Stable Funding Ratio

As opposed to the LCR, the focus of the NSFR – to be disclosed as at the reporting date – is exclusively on holdings of assets and liabilities as well as on off-balance sheet items (contingent liabilities). The fundamental idea of the NSFR is that the repayment structure of an institution's asset and liability items should largely correspond to each other so that the institution is able to refinance less liquid asset items using the respective non-current liabilities, even under stress conditions.

To calculate the NSFR, the available stable funding (ASF) is set in relation to the required stable funding (RSF). [im Zieltext löschen]

In addition to liquid assets, the LCR only includes items that are due within 30 days, while the NSFR comprises all of the institution's balance sheet holdings according to their remaining term. In contrast to the LCR, which is based on the market values of liquid assets and cash flows from all asset and liability items, the NSFR calculation uses the balance sheet as a reference and is therefore generally based on the carrying amounts.

In accordance with Article 451a (3) lit. a) of the CRR, the quarter-end figures shall be published for each quarter of the relevant disclosure period. As a large institution, Atlantic Group is required to disclose NSFR information on a semi-annual basis. Based on the EBA Q&A 2025_7533 published at the end of October 2025, the figures for the current reporting date and for the three previous quarters of the calendar year will be disclosed for the first time.

The following table EU LIQ2 generally discloses the carrying amount as the unweighted value by residual maturity (columns a to d). However, derivatives at fair value are excluded from this. The weighted value of stable funding disclosed in column e is the product of the unweighted value and the factors defined in the CRR for individual asset and liability items.

The available stable funding items disclosed in column a ("no maturity") are either unlimited or have no maturity specifications.

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 31 December 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**3,472**	**5**	**1**	**711**	**4,184**
2	Own funds	3,472	5	1	652	4,125
3	Other capital instruments		–	–	59	59
4	**Retail deposits**		**7,014**	**4**	**0**	**6,608**
5	Stable deposits		5,826	1	0	5,535
6	Less stable deposits		1,189	3	–	1,073
7	**Wholesale funding**		**11,714**	**2,282**	**18,992**	**23,604**
8	Operational deposits		3,574	–	–	1,787
9	Other wholesale funding		8,140	2,282	18,992	21,817
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**3**	**425**	**48**	**83**	**106**
12	NSFR derivative liabilities	3				
13	All other liabilities and capital instruments not included in the above categories		425	48	83	106
14	**Total available stable funding (ASF)**					**34,502**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**522**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**23**	**1,051**	**15,939**	**14,462**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**1,919**	**2,157**	**12,877**	**12,751**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		309	56	756	815
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,606	1,901	11,057	11,841
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		3	49	663	952
22	Performing residential mortgages, of which:		4	200	952	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3	31	718	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		–	–	111	95
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,449**	**18**	**2,112**	**2,497**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	122	104
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		908			45
31	All other assets not included in the above categories		541	18	1,990	2,348
32	**Off-balance sheet items**		**78**	**42**	**1,680**	**129**
33	**Total RSF**					**30,360**
34	**Net Stable Funding Ratio (%)**					**113.64**

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 30 September 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**3,448**	**1**	**8**	**673**	**4,120**
2	Own funds	3,448	1	8	620	4,068
3	Other capital instruments		–	–	52	52
4	**Retail deposits**		**6,968**	**4**	**0**	**6,565**
5	Stable deposits		5,804	1	0	5,514
6	Less stable deposits		1,164	3	–	1,051
7	**Wholesale funding**		**10,949**	**3,312**	**19,313**	**24,665**
8	Operational deposits		3,419	–	–	1,710
9	Other wholesale funding		7,530	3,312	19,313	22,955
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**–**	**387**	**41**	**95**	**116**
12	NSFR derivative liabilities	–				
13	All other liabilities and capital instruments not included in the above categories		387	41	95	116
14	**Total available stable funding (ASF)**					**35,466**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**539**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**129**	**255**	**15,915**	**13,854**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**1,403**	**2,605**	**12,168**	**12,172**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		203	49	471	516
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,181	2,305	10,888	11,562
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		51	26	587	807
22	Performing residential mortgages, of which:		20	251	698	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		18	86	498	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		–	–	111	94
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,451**	**211**	**2,074**	**2,659**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	116	98
29	NSFR derivative assets		19			19
30	NSFR derivative liabilities before deduction of variation margin posted		836			42
31	All other assets not included in the above categories		597	211	1,958	2,501
32	**Off-balance sheet items**		**177**	**78**	**1,943**	**160**
33	**Total RSF**					**29,385**
34	**Net Stable Funding Ratio (%)**					**120.69**

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 30 June 2025

€ mn		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**3,461**	**1**	**12**	**714**	**4,175**
2	Own funds	3,461	1	12	666	4,127
3	Other capital instruments		–	–	48	48
4	**Retail deposits**		**6,832**	**0**	**1**	**6,434**
5	Stable deposits		5,695	0	0	5,411
6	Less stable deposits		1,137	–	0	1,024
7	**Wholesale funding**		**10,410**	**3,553**	**19,625**	**24,902**
8	Operational deposits		3,547	–	–	251
9	Other wholesale funding		6,863	3,553	19,625	24,650
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**–**	**480**	**10**	**107**	**112**
12	NSFR derivative liabilities	–				
13	All other liabilities and capital instruments not included in the above categories		480	10	107	112
14	**Total available stable funding (ASF)**					**35,623**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**518**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**26**	**254**	**15,451**	**13,371**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**2,484**	**2,000**	**11,877**	**12,149**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		268	170	418	530
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2,140	1,825	10,846	11,511
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		5	47	568	717
22	Performing residential mortgages, of which:		77	5	487	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		67	3	423	–
24	Other loans and securities that are not in default and do not qualify as HQLA, ncluding exchange-traded equities and trade finance on-balance sheet products		–	–	127	108
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,619**	**79**	**1,929**	**2,570**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	114	97
29	NSFR derivative assets		16			16
30	NSFR derivative liabilities before deduction of variation margin posted		901			45
31	All other assets not included in the above categories		702	79	1,815	2,412
32	**Off-balance sheet items**		**395**	**84**	**1,907**	**274**
33	**Total RSF**					**28,882**
34	**Net Stable Funding Ratio (%)**					**123.34**

EU LIQ2: Net Stable Funding Ratio of Atlantic Group as at 31 March 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**3,347**	**1**	**3**	**780**	**4,127**
2	Own funds	3,347	1	3	697	4,044
3	Other capital instruments		–	–	83	83
4	**Retail deposits**		**6,681**	**1**	**0**	**6,294**
5	Stable deposits		5,602	0	0	5,323
6	Less stable deposits		1,079	0	0	971
7	**Wholesale funding**		**10,372**	**2,397**	**19,352**	**23,995**
8	Operational deposits		3,649	–	–	272
9	Other wholesale funding		6,723	2,397	19,352	23,723
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**37**	**427**	**11**	**476**	**481**
12	NSFR derivative liabilities	37				
13	All other liabilities and capital instruments not included in the above categories		427	11	476	481
14	**Total available stable funding (ASF)**					**34,897**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**482**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**20**	**751**	**15,377**	**13,726**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**2.174**	**1.505**	**12.931**	**12.663**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		201	45	409	451
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,910	1,438	11,899	12,103
21	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		51	8	599	742
22	Performing residential mortgages, of which:		64	22	497	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		53	21	423	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		–	–	126	108
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,769**	**55**	**2,104**	**2,583**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	132	112
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1,184			59
31	All other assets not included in the above categories		585	55	1,972	2,411
32	**Off-balance sheet items**		**102**	**54**	**2,030**	**239**
33	**Total RSF**					**29,693**
34	**Net Stable Funding Ratio (%)**					**117.53**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 31 December 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,736**	**4**	**1**	**728**	**3,465**
2	Own funds	2,736	4	1	650	3,387
3	Other capital instruments		–	–	78	78
4	**Retail deposits**		**7,014**	**4**	**0**	**6,608**
5	Stable deposits		5,826	1	0	5,535
6	Less stable deposits		1,189	3	–	1,073
7	**Wholesale funding**		**12,480**	**2,419**	**24,496**	**29,199**
8	Operational deposits		3,574	–	–	1,787
9	Other wholesale funding		8,906	2,419	24,496	27,412
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**1**	**2,014**	**11**	**113**	**118**
12	NSFR derivative liabilities	1				
13	All other liabilities and capital instruments not included in the above categories		2,014	11	113	118
14	**Total available stable funding (ASF)**					**39,390**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**530**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**31**	**1,006**	**15,995**	**14,478**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**1,789**	**2,084**	**18,712**	**18,190**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		232	93	3,401	3,470
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,473	1,685	9,369	10,219
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		3	49	610	982
22	Performing residential mortgages, of which:		4	231	910	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3	131	740	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		80	75	5,031	4,500
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,289**	**16**	**2,607**	**2,864**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	111	95
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		908			45
31	All other assets not included in the above categories		381	16	2,495	2,724
32	**Off-balance sheet items**		**156**	**41**	**1,619**	**114**
33	**Total RSF**					**36,175**
34	**Net Stable Funding Ratio (%)**					**108.89**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 30 September 2025

€ mn		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,615**	**1**	**7**	**678**	**3,293**
2	Own funds	2,615	1	7	601	3,216
3	Other capital instruments		–	–	77	77
4	**Retail deposits**		**6,968**	**4**	**0**	**6,565**
5	Stable deposits		5,804	1	0	5,515
6	Less stable deposits		1,164	3	–	1,051
7	**Wholesale funding**		**11,288**	**3,526**	**24,728**	**30,202**
8	Operational deposits		3,419	–	–	1,710
9	Other wholesale funding		7,868	3,526	24,728	28,492
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**–**	**2,164**	**19**	**112**	**122**
12	NSFR derivative liabilities	–				
13	All other liabilities and capital instruments not included in the above categories		2,164	19	112	122
14	**Total available stable funding (ASF)**					**40,182**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**544**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**137**	**206**	**15,961**	**13,858**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**1,320**	**2,473**	**18,106**	**17,794**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		113	49	2,995	3,031
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,176	2,097	9,190	9,868
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		51	26	539	782
22	Performing residential mortgages, of which:		22	251	491	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		20	224	399	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		10	75	5,430	4,896
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,476**	**82**	**2,179**	**2,693**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	104	88
29	NSFR derivative assets		25			25
30	NSFR derivative liabilities before deduction of variation margin posted		836			42
31	All other assets not included in the above categories		615	82	2,075	2,539
32	**Off-balance sheet items**		**315**	**46**	**1,840**	**133**
33	**Total RSF**					**35,024**
34	**Net Stable Funding Ratio (%)**					**114.73**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 30 June 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,254**	**1**	**11**	**726**	**2,980**
2	Own funds	2,254	1	11	651	2,905
3	Other capital instruments		–	–	75	75
4	**Retail deposits**		**6,832**	**0**	**1**	**6,434**
5	Stable deposits		5,695	0	0	5,411
6	Less stable deposits		1,137	–	0	1,024
7	**Wholesale funding**		**10,652**	**3,619**	**25,098**	**30,422**
8	Operational deposits		3,547	–	–	251
9	Other wholesale funding		7,105	3,619	25,098	30,171
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**–**	**2,340**	**128**	**121**	**185**
12	NSFR derivative liabilities	–				
13	All other liabilities and capital instruments not included in the above categories		2,340	128	121	185
14	**Total available stable funding (ASF)**					**40,021**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**521**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**38**	**209**	**15,478**	**13,366**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**2,244**	**1,843**	**17,909**	**17,757**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0 % haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		190	169	2,903	3,007
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,947	1,659	9,176	9,806
21	with a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk		5	48	522	590
22	Performing residential mortgages, of which:		48	5	335	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		37	3	297	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		59	10	5,495	4,945
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,523**	**131**	**2,134**	**2,765**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	103	87
29	NSFR derivative assets		24			24
30	NSFR derivative liabilities before deduction of variation margin posted		903			45
31	All other assets not included in the above categories		596	131	2,032	2,608
32	**Off-balance sheet items**		**495**	**79**	**1,786**	**223**
33	**Total RSF**					**34,632**
34	**Net Stable Funding Ratio (%)**					**115.56**

EU LIQ2: Net Stable Funding Ratio of Aareal Bank AG as at 31 March 2025

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
€ mn		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**2,331**	**1**	**3**	**787**	**3,118**
2	Own funds	2,331	1	3	689	3,021
3	Other capital instruments		–	–	98	98
4	**Retail deposits**		**6,681**	**1**	**0**	**6,295**
5	Stable deposits		5,602	0	0	5,323
6	Less stable deposits		1,079	0	0	972
7	**Wholesale funding**		**10,818**	**2,437**	**23,977**	**28,653**
8	Operational deposits		3,648	–	–	272
9	Other wholesale funding		7,169	2,437	23,977	28,382
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities**	**40**	**2,260**	**16**	**477**	**484**
12	NSFR derivative liabilities	40				
13	All other liabilities and capital instruments not included in the above categories		2,260	16	477	484
14	**Total available stable funding (ASF)**					**38,551**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**487**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**33**	**702**	**15,447**	**13,755**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities**		**1,947**	**1,445**	**18,058**	**17,560**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		105	44	3,101	3,133
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,751	1,369	10,055	10,338
21	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		51	8	533	509
22	Performing residential mortgages, of which:		31	22	338	–
23	with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3	18	171	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		59	10	4,565	4,089
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets**	**–**	**1,612**	**153**	**2,040**	**2,515**
27	Physically traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	121	103
29	NSFR derivative assets		–			–
30	NSFR derivative liabilities before deduction of variation margin posted		1,186			59
31	All other assets not included in the above categories		426	153	1,919	2,353
32	**Off-balance sheet items**		**390**	**75**	**1,843**	**186**
33	**Total RSF**					**34,504**
34	**Net Stable Funding Ratio (%)**					**111.73**

Operational Risk

Management of operational risk

Definition

Article 4 No. 52 of the CRR defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; this includes legal risk, modelling risks or information and communication technology (ICT) risks, but not strategic or reputational risks. To the extent that they are caused by operational risks, ESG risk factors as well as reputational risks are also taken into consideration within this type of risk.

Risk strategy

Targets

Aareal Bank aims to maintain an appropriate risk profile, meaning that operational risk must not jeopardise the Bank's risk-bearing capacity while risks and risk concentrations are to be minimised within this framework, taking economic aspects into account.

Promoting the risk culture is another objective. Dealing with identified risks and risk events in an open and constructive manner is a key aspect in this context that provides the foundation for actively countering risks, achieving a risk-reducing effect (or limiting damages) at an early stage.

Structure and organisation

Aareal Bank's Management Board is responsible for managing operational risks. It defines the framework conditions for appropriate control and active management of these risks.

The Supervisory Board is regularly informed about the contents and results of OR control measures in the course of the overall bank risk reporting, so as to be able to appropriately exercise its function as the highest supervisory body.

To facilitate a holistic risk management of operational risk, Aareal Bank has implemented a governance structure that puts the "three lines of defence" concept into operational practice. Given that the management approach is essentially organised in a decentralised manner, located in the various divisions or subsidiaries, there is a distinct emphasis on a strong first line of defence, which is responsible for managing risks (including operative implementation of risk mitigation measures) on a case-by-case basis. For information on the responsibilities in connection with operational risks on organisational unit level, we refer to the overview in the chapter "Risk management – scope of application and areas of responsibility" in this Regulatory Disclosure Report (page 10).

The centralised OpRisk Controlling department, which is part of the Compliance and Non-Financial Risks division (CN), defines risk management methods and guidelines, and monitors the first-line activities as an independent second line of defence. In this context, the general second line of defence is supplemented by various specialised monitoring and/or specialist functions having special expertise concerning specific NFR risks.

Internal Audit forms the third line of defence.

Risk management

Specific decisions regarding avoidance, mitigation, acceptance or transfer (e.g. by way of insurance) of individual risks and risk concentrations take into account the objectives described. Deciding factors for the related decisions are both the economic reasonableness of the decisions and Aareal Bank's risk appetite.

Process-inherent risks are addressed through the internal control system (ICS). The design of the Group-wide ICS emphasises mitigating material process-inherent risks through appropriate and effective key controls which are compiled for Aareal Bank in a dedicated inventory.

Compliance and Non-Financial Risks is also responsible for monitoring and managing risks resulting from the failure to identify or to comply with legal and/or regulatory obligations, as well as risks related to financial crime. The Group-wide objective of the compliance management system is to mitigate liability risks in the form of potential fines and penalties for the Bank or its subsidiaries and their board members. In addition, Aareal Bank's positive reputation as a group of companies with integrity vis-à-vis external stakeholders such as business partners, counterparties and investors is to be maintained and further strengthened. The Anti-Financial Crime strategy serves to manage risks related to money laundering, terrorist financing, sanction breaches and fraud in a professional and conscious manner. It encompasses applicable qualitative standards (for example, listing business areas and sectors not served) and quantitative key risk indicators (such as thresholds for high-risk clients and politically exposed persons) for the purpose of risk monitoring. The Code of Conduct is an essential part of Aareal Bank's risk culture: it is inspired by international conventions and guidelines as the Universal Declaration of Human Rights, the International Labour Organisation (ILO) conventions and the United Nations Global Compact. For the Bank, compliance with applicable regulatory and legal requirements is a matter of course. In particular, the Bank pursues a zero-tolerance policy with regard to bribery and corruption, as well as money laundering, terrorist financing or sanctions violations.

In order to mitigate legal risks, Aareal Bank's central Legal department and decentralised legal units monitor any litigation the Bank is involved in (whether in or out of court), deal with any legal issues of fundamental importance and provide legal advice on day-to-day business. Legal compiles all information concerning any legal disputes at Group level, whether in or out of court. The Bank's decentralised operating legal entities, as well as the legal departments of individual Group entities, submit quarterly reports on legal risks identified to Aareal Bank's Legal department. Where particular risks have occurred, such reports are submitted on an event-driven basis. When required, Aareal Bank's legal department discusses and coordinates any concrete measures with the reporting unit. The Legal department reports to the Management Board, on (at least) a quarterly basis, as well as on an event-driven basis. Tax risks including related legal risks are monitored and managed separately by Aareal Bank's tax department. The tax compliance management system actively reduces the risk related to tax law compliance and fraud cases, for example by setting standardised work instructions and controls, both within the tax department and in interfaces with other divisions.

The management of risks for the purposes of operational resilience is bundled in a separate unit in the CN division; this is backed up by a dedicated operational resilience (DOR) strategy. Bank-wide requirements have been defined (and various measures initiated) for mitigating information security risk and sustainably achieving the level of security aimed for. This includes, in particular, raising the awareness of employees and external staff through regular training courses and the continuous exchange of information on cyber threats via established communication channels with relevant institutions such as the ECB, BaFin and BSI. To manage third-party risks, the Bank has implemented a separate third-party risk management (TPRM) strategy. The responsible organisational units regularly assess the performance of external service providers based on defined criteria; results and any measures derived therefrom are consolidated and reported to management. In order to reduce concentration risks, the Bank pursues a multi-provider strategy whereby critical services are distributed among several providers wherever possible. At the same time, consolidation potential among service providers is to be leveraged, maintaining a balance between cost optimisation and risk mitigation. For significant outsourcing relationships, exit strategies are regularly updated to ensure service delivery in the event of a provider change or failure (e.g. by using an alternative provider or taking over duties in-house). For critically important functions, these are tested and supplemented by emergency exercises for IT and BCM-relevant services. In order to reduce business continuity risk, a structured emergency organisation is established as part of business continuity management. Comprehensive emergency and crisis plans have been established for time-critical business processes; these plans are tested regularly and continuously developed. Upon occurrence of an event, business activities are managed along these defined schedules to ensure that critical functions are upheld.

Risk measurement and monitoring

The Bank currently uses the following risk control tools to manage operational risks:

- Self-assessments: analysing these can make management aware of any potential risks within the organisational structure;
- Risk inventories and subsequent risk assessments that include systematically identifying and compiling all relevant risks periodically and subjecting them to a qualitative and quantitative assessment, also taking risk concentrations into account;
- A loss database in which relevant risk events incurred are reported and can then be monitored until they are officially closed;
- (Risk) indicators for all risk levels that show current threat potential using a defined "traffic light" system;

- Stress tests based on hypothetical as well as historical scenarios and sensitivity analyses of risk inventory data, carried out in order to gain indicators for developments which may potentially threaten the Bank's continued existence;
- The measurement of risks (within the framework of the risk-bearing capacity) is based on the regulatory standardised management approach (SMA) of Pillar I.

The controlling tools described above are used to prepare the regular risk reporting to the Bank's senior management. Taken together, these tools for managing operational risks form an integrated control circuit that allows risks to be identified, evaluated, managed and controlled.

Management-relevant information and information on compliance with strategic specifications is submitted to the Management Board and/or its committees as well as the supervisory bodies of Aareal Bank as part of regular risk reporting. Different reports are prepared and made available to the various recipient groups in accordance with OpRisk relevance. Aareal Bank's monthly Risk Report is the key report provided.

Regulatory assessment

Own funds requirements for operational risk are determined using the Standardised Measurement Approach (SMA) that was introduced by supervisors in 2025. The business indicator component (BIC) required for this purpose is determined in accordance with Art. 313 et seqq. of the CRR. The components are determined on the basis of the FinRep data, with the mapping specified by supervisors.

The following table provides an overview of the annual net losses from operational risks incurred over the past ten financial years. These net losses are calculated based on the provisions stipulated in Article 316 of the CRR in conjunction with Article 318 of the CRR.

EU OR1: Operational risk losses

		a	b	c	d	e	f	g	h	i	j	k
		31 Dec 2025	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	Ten-year average
	Using € 20,000 threshold											
1	Total amount of operational risk losses net of recoveries (no exclusions) (€ mn)	**2**	2	0	1	17	-1	3	0	1	10	3
2	Total amount of operational risk losses	**8**	4	4	4	7	4	7	8	6	11	6
3	Total amount of excluded operational risk losses (€ mn)	**–**	–	–	–	–	–	–	–	–	–	–
4	Total number of excluded operational risk events	**–**	–	–	–	–	–	–	–	–	–	–
5	Total amount of operational risk losses net of recoveries and net of excluded losses (€ mn)	**2**	2	0	1	17	-1	3	0	1	10	3
	Using € 100,000 threshold											
6	Total amount of operational risk losses net of recoveries (no exclusions) (€ mn)	**2**	2	0	1	17	-1	3	0	1	10	3
7	Total amount of operational risk losses	**3**	2	1	3	5	3	4	3	1	5	3
8	Total amount of excluded operational risk losses (€ mn)	**–**	–	–	–	–	–	–	–	–	–	–
9	Total number of excluded operational risk events	**–**	–	–	–	–	–	–	–	–	–	–
10	Total amount of operational risk losses net of recoveries and net of excluded losses (€ mn)	**2**	2	0	1	17	-1	3	0	1	10	3
	Details of operational risk capital calculation											
11	Not applicable											
12	Not applicable											
13	Not applicable											

In accordance with Art. 446 of the CRR, table EU OR2 outlines the composition of the business indicator, including its individual subcomponents that provide the calculation basis for the business indicator component.

EU OR2: Business indicator, components and subcomponents

	Business indicator and its subcomponents	a	b	c	d
		31 Dec 2025	31 Dec 2024	31 Dec 2023	Average value
€ mn					
1	**Interest, lease and dividend component (ILDC)**				**994**
EU 1	**ILDC related to the individual institution / consolidated Group (excluding entities considered by Article 314 (3))**				**994**
1a	Interest and lease income	**2,174**	2,682	2,494	2,450
1b	Interest and lease expense	**1,248**	1,630	1,488	1,456
1c	Total assets / asset component	**46,105**	46,756	45,288	46,050
1d	Dividend income / dividend component	**0**	0	0	0
2	**Services component (SC)**				**145**
2a	Fee and commission income	**44**	37	40	40
2b	Fee and commission expense	**87**	78	67	77
2c	Other operating income	**41**	101	60	67
2d	Other operating expense	**11**	22	14	16
3	**Financial component (FC)**				**85**
3a	Net profit or loss applicable to trading book (TB)	**12**	-39	-65	39
3b	Net profit or loss applicable to banking book (BB)	**22**	33	83	46
EU 3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting approach
4	**Business indicator (BI)**				**1,225**
5	**Business indicator component (BIC)**				**154**

		a
€ mn		
6a	BI gross of excluded divested activities	1,921
6b	Reduction in BI due to excluded divested activities	–
EU 6c	Impact in BI of mergers / acquisitions	–

In accordance with Art. 46 of the CRR, table EU OR3 outlines the own funds requirements for operational risks as determined at the reporting date and the resulting risk-weighted exposure amounts.

EU OR3: Operational risk own funds requirements and risk exposure amounts

		a
€ mn		
1	Business indicator component (BIC)	154
EU 1	Alternative Standardised Approach (ASA) Own Funds Requirements (OROF) under Article 314 (4)	–
2	Not applicable	
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	154
4	Operational risk exposure amounts (REA)	1,921

Risk from Securitisation Exposures

In the following chapters, Aareal Bank discloses information on securitisation exposure risks as required under Article 449 of the CRR. The more detailed requirements are based on Article 15 of Commission Implementing Regulation (EU) 2024/3172.

Qualitative information on securitisation exposure risks

Targets, roles and scope of securitisations

Aareal Bank successfully implemented its first securitisation transaction – a Significant Risk Transfer (SRT) – in October 2025. The purely synthetic non-STS transaction[1)] relates to a diversified portfolio of non-impaired European commercial property loans totalling € 2.0 billion, which constitutes a cross-section of the Bank's loan book. A defined portion of the credit risk was transferred as part of a structured two-tranche solution using a credit-linked note and an unsecured financial guarantee, resulting in a significant reduction in risk-weighted assets and the release of regulatory CET1 capital. The transaction met with strong market demand from institutional investors and was significantly oversubscribed, demonstrating the high quality of the reference portfolio and the confidence in Aareal Bank's business model and risk management. Overall, the SRT transaction has strengthened the Bank's capital efficiency and, by releasing equity, has expanded the Bank's financial scope for originating attractive new business.

The Bank has qualified only commercial property loans as eligible exposures for securitisation transactions, thereby complying with the ban on re-securitisation stipulated in Article 8 of Regulation (EU) 2017/2402 (the "Securitisation Regulation").

Securitisation special purpose entities that can be allocated to one of the categories mentioned in Article 449 lit. d) of the CRR were not involved in the implementation of the securitisation transaction.

Aareal Bank did not provide any implicit support pursuant to Article 250 (1) of the CRR in its role as originator.

The requirement directed at creating transparency on intra-group links for securitisations, stipulated in Article 449 lit. f) of the CRR, does not apply to us because no affiliated legal entities such as subsidiaries had invested in the securitisation.

Risk transfer policy

Aareal Bank complies with the requirement of retaining "a material net economic interest in the securitisation of not less than 5 %" pursuant to risk retention as laid out in Article 6 (1) of the Securitisation Regulation (in conjunction with Article 6 (3) lit. a) of Delegated Regulation (EU) 2023/2175).

Aareal Bank can apply a "replenishment measure" to include new credit claims and/or increase the reference obligation nominal amount (RONA) within the contractually or regulatorily permissible range.

The Bank has established an SRT management infrastructure and a reporting infrastructure to monitor and manage the referenced portfolio, including the specific RONA, to ensure that the risk retention requirement is adhered to at all times.

Types of risk resulting from securitisation activities

All securitisation transactions are generally subjected to an internal approval and monitoring process which ensures that risks are identified and managed before and after the contract is concluded.

---

1) In contrast to simple, transparent and standardised (STS) transactions, non-STS securitisations do not meet the requirements laid out in Article 18 of Regulation (EU) 2017/2402.

The securitisation exposure held by Aareal Bank in its role as originator refers only to the senior tranche – the tranche with the lowest default risk. All securitisation exposures undergo the same risk assessment and risk management process. As Aareal Bank did not implement its debut SRT transaction as an STS transaction, the risk types incurred are not differentiated as to STS and non-STS. Risks are structured and managed in line with Aareal Bank's general internal risk and governance standards and the applicable regulatory requirements.

The counterparty credit risk of the underlying commercial property loans, which determines the value as well as the income and loss development of the securitised receivables portfolio, is a central element of the implemented securitisation transaction. The transaction is also subject to further risks resulting from the specific securitisation structure and from the role, rights and behaviour of the parties involved in the transaction. Being the originator of the transaction, Aareal Bank concentrates on the counterparty credit risk for the unsecured financial guarantee and on operational risks linked to servicing the transaction and to transaction costs.

Potential market risks from the securitisation transaction are considered within the scope of general risk measurement and monitoring of market price risks (see the "Management of market risk" chapter, pages 129 et seqq.). There are no foreign exchange risks as the securitisation pool contains no loans denominated in foreign currencies.

These risks were identified when the securitisation transaction was set up, ensuring that they can be addressed and managed adequately in line with the Bank's risk policy and risk management goals.

Existing interest rate risk in the banking book (IRRBB) is treated in line with the general procedures and methods for measuring and monitoring interest rate risk. This means that they are integrated in the internal monitoring process.

The resulting interest and fee payments and any nominal payments from the synthetic securitisation are also taken into account for the purposes of internal liquidity risk.

Risks regarding exposures entered into regarding securitisation transactions initiated by third parties do not exist because Aareal Bank holds no stakes in securitisation or re-securitisation transactions initiated by third parties. Therefore, this kind of transaction does not involve any additional types of risk for the Bank.

Accounting standards

Credit risks are transferred synthetically from the securitised loan portfolio, via default guarantees taken up and the issue of a credit-linked note. The portfolio was hedged directly by Aareal Bank AG, without the involvement of a securitisation special purpose entity (SSPE). No further risks were transferred.

The derecognition requirements for the securitised portion of the respective loans are not met. Therefore, we continue to carry the loans at amortised cost in accordance with the existing IFRS 9 business model.

This means that loss allowance is fully expensed (also for the securitised portion of the loans) for Stage 1 (twelve-month expected credit loss, ECL), for Stage 2, i.e. exposures with a significant increase in credit risk (lifetime ECL), and for Stage 3, i.e. defaulted exposures (lifetime ECL). Pursuant to IAS 37, refund claims from the collateral owners' financial guarantees and the credit-linked note are capitalised and recognised in income in the amount of the securitised default risk. Where a credit event occurs, compensation payments from the financial guarantees and the reduced notional amount of the credit-linked note are recognised in income. The loss allowance initially recognised, the refund claims and the compensation payments are offset and disclosed in the "Loss allowance" income statement item.

The credit-linked note is recognised at amortised cost.

The premiums for the collateralisation of credit risk are recognised in commission expenses.

Method for calculating risk-weighted exposure amounts

Since securitisation is exclusively based on commercial property loans for which RWAs are determined using the IRB approaches, the risk-weighted exposure amounts of the securitisation exposures are calculated using the SEC-IRBA pursuant to Article 259 of the CRR.

Accordingly, the Bank does not use external credit ratings set by rating agencies (external credit assessment institutions, ECAIs) to determine the RWAs.

The Internal Assessment Approach stipulated in Article 265 of the CRR does not apply because the SRT does not qualify as an asset-backed commercial paper (ABCP) transaction.

Quantitative information on securitisation exposure risks

In accordance with Art. 449(j) of the CRR, the following table EU SEC1 outlines the exposure value of commercial property loans securitised under the SRT as at 31 December 2025.

EU SEC1: Securitisation exposures in the non-trading book

		a	b	c	d	e	f	g
		Institution acts as originator						
		Traditional				Synthetic		Sub-total
		STS		Nont-STS				
			of which: SRT		of which: SRT		of which: SRT	
€ mn								
1	**Total exposures**	**–**	**–**	**–**	**–**	**1,860**	**1,860**	**1,860**
2	**Retail (total)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
3	Residential mortgage	–	–	–	–	–	–	–
4	Credit card	–	–	–	–	–	–	–
5	Other retail exposures	–	–	–	–	–	–	–
6	Re-securitisation	–	–	–	–	–	–	–
7	**Wholesale (total)**	**–**	**–**	**–**	**–**	**1,860**	**1,860**	**1,860**
8	Loans to corporates	–	–	–	–	–	–	–
9	Commercial mortgage	–	–	–	–	1,860	1,860	1,860
10	Lease and receivables	–	–	–	–	–	–	–
11	Other wholesale	–	–	–	–	–	–	–
12	Re-securitisation	–	–	–	–	–	–	–

		h	i	j	k	l	m	n	o
		Institution acts as sponsor				Institution acts as investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS		
€ mn									
1	**Total exposures**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2	**Retail (total)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
3	Residential mortgage	–	–	–	–	–	–	–	–
4	Credit card	–	–	–	–	–	–	–	–
5	Other retail exposures	–	–	–	–	–	–	–	–
6	Re-securitisation	–	–	–	–	–	–	–	–
7	**Wholesale (total)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
8	Loans to corporates	–	–	–	–	–	–	–	–
9	Commercial mortgage	–	–	–	–	–	–	–	–
10	Lease and receivables	–	–	–	–	–	–	–	–
11	Other wholesale	–	–	–	–	–	–	–	–
12	Re-securitisation	–	–	–	–	–	–	–	–

In accordance with Art. 449(k)(i) of the CRR, table EU SEC3 represents securitisation positions held in the banking book. The disclosures to be broken down by type of securitised exposure relate to the exposure value, risk-weighted exposure amounts (RWAs) and own funds requirements in relation to the SEC-IRBA approach used to determine RWAs. The presentation of the exposure value in the lowest risk weight band (column a) affirms the quality of the securitised exposures.

EU SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
€ mn		≤ 20% RW	> 20 % to 50 % RW	> 50 % to 100 % RW	> 100 % to < 1.250 % RW	1.250% RW/ deductions	SEC-IRBA	SEC-ERBA	SEC-SA	1.250 % RW/ deductions
1	**Total exposures**	**1,860**	**–**	**–**	**–**	**–**	**1,860**	**–**	**–**	**–**
2	Traditional transactions	–	–	–	–	–	–	–	–	–
3	Securitisation	–	–	–	–	–	–	–	–	–
4	Retail	–	–	–	–	–	–	–	–	–
5	of which: STS	–	–	–	–	–	–	–	–	–
6	Wholesale	–	–	–	–	–	–	–	–	–
7	of which: STS	–	–	–	–	–	–	–	–	–
8	Re-securitisation	–	–	–	–	–	–	–	–	–
9	Synthetic transactions	1,860	–	–	–	–	1,860	–	–	–
10	Securitisation	1,860	–	–	–	–	1,860	–	–	–
11	Retail	–	–	–	–	–	–	–	–	–
12	Wholesale	1,860	–	–	–	–	1,860	–	–	–
13	Re-securitisation	–	–	–	–	–	–	–	–	–

		j	k	l	m	n	o	EU-p	EU-q
		RWAs (by regulatory approach)				Capital charge after cap			
€ mn		SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1.250 % RW/ deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1.250 % RW/ deductions
1	**Total exposures**	**279**	**–**	**–**	**–**	**22**	**–**	**–**	**–**
2	Traditional transactions	–	–	–	–	–	–	–	–
3	Securitisation	–	–	–	–	–	–	–	–
4	Retail	–	–	–	–	–	–	–	–
5	of which: STS	–	–	–	–	–	–	–	–
6	Wholesale	–	–	–	–	–	–	–	–
7	of which: STS	–	–	–	–	–	–	–	–
8	Re-securitisation	–	–	–	–	–	–	–	–
9	Synthetic transactions	279	–	–	–	22	–	–	–
10	Securitisation	279	–	–	–	22	–	–	–
11	Retail	–	–	–	–	–	–	–	–
12	Wholesale	279	–	–	–	22	–	–	–
13	Re-securitisation	–	–	–	–	–	–	–	–

In accordance with Art. 449(l) of the CRR, the following table EU SEC5 shows outstanding notional amounts for the securitised commercial property loans. Since the securitisation transaction references a portfolio of performing loans, no values are reported in column b. The low level of specific credit risk adjustments, as disclosed in column c accordance with Art. 110 of the CRR, reflects the high-quality securitisation portfolio.

EU SEC5: Exposures securitised by the institution – Exposures in default and specific credit risk adjustments

		a	b	c
		Exposures securitised by the institution – Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
€ mn			of which: defaulted	
1	**Total exposures**	**2,000**	**–**	**-3**
2	Retail (total)	–	–	–
3	Residential mortgage	–	–	–
4	Credit card	–	–	–
5	Other retail exposures	–	–	–
6	Re-securitisation	–	–	–
7	Wholesale (total)	2,000	–	-3
8	Loans to corporates	–	–	–
9	Commercial mortgage	2,000	–	-3
10	Lease and receivables	–	–	–
11	Other wholesale	–	–	–
12	Re-securitisation	–	–	–

Market Risk

Management of market risk

Definition

Aareal Bank broadly defines market risk as the threat of losses due to changes in market parameters. The term refers to market risks that are not assigned to the IRRBB. In particular, it also includes any type of spread risk exposure relating to instruments held in the banking book that are sensitive to changes in interest rates and not included in IRRBB or in credit risk.

For Aareal Bank, this includes:

- Risks resulting from fluctuations in spot foreign exchange (FX) rates (spot FX risk)
- Risks resulting from fluctuations in forward foreign exchange rates (forward FX risk)
- Risks from the regulatory review of the trading book (Financial Risk in the Trading Book – FRTB)

Since Aareal Bank did not pursue any trading book activities (as defined by the CRR) during the period under review, trading book risks had no relevance.

Commodities are irrelevant for the Bank's business. Currency risks are controlled through derivatives.

Additional elements of market risk are:

- Valuation risks due to changes in credit spreads (credit spread risk)
- Risks from fluctuations in the value of fund assets (fund risk)
- Risks from adjustments to the credit valuation of OTC derivatives (CVA risk)
- risks from changes in Aareal Bank's specific funding spreads (funding risk).

This means that credit spread risk in the banking book (CSRBB) is assigned to market risk. In addition, the sensitivities associated with the Bank's own benchmark issues regarding suitable Pfandbrief and senior unsecured spreads are incorporated in the risk indicators.

Market risk strategy

Aareal Bank's exposure to the capital market is based on a responsible and sustainable strategy. Identified risks are offset, for example, through hedging agreements.

Interest rate exposures from the current lending and funding business are typically hedged (if required) using interest rate derivatives. Generally, we use one-to-one hedges to meet IFRS hedge accounting criteria. Macro positions for which IFRS hedge accounting cannot be applied are monitored and controlled within the overall position.

The lending and refinancing business in foreign currencies is managed using money market transactions, FX swaps and cross-currency basis 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.

The Bank does 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. The Bank calculates the regulatory capital requirements for foreign currency risk based on the rights and obligations, cash on hand as well as investments in foreign currencies.

Risk measurement and monitoring

Risk Controlling informs the members of the Management Board responsible for Treasury and risk monitoring about the risk position and exposure to other market risks on a daily basis.

Risk management is performed within the Treasury division and monitored by the Risk Controlling division. Based on the daily risk report, all changes of the present value in all currencies are analysed on a daily basis; if necessary, risk-reducing measures are taken.

The Asset Liability Committee (ALCO) reports comprehensively on the Bank's position regarding the management of market and interest rate risks, as well as additional indicators, on a monthly basis.

The VaR concept has been broadly accepted as the predominant method for measuring economic market risk. VaR quantifies risk as the maximum loss that will occur within a certain period of time, and given a defined probability.

A variance-covariance approach (delta-normal method) is used to determine the aggregated VaR indicator for market risk. Calculated on a daily basis for the Group, the VaR figure factors in the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from a historical data pool maintained within the Bank, which covers at least 250 days. The loss potential is determined by applying a 99.9 % confidence interval.

Backtesting

The quality of forecasts made using statistical models is checked through a monthly backtesting process. This method is referred to as binomial test, whereby daily profits and losses from market fluctuations are compared with the upper projected loss limit (VaR) forecast on the previous day (known as “clean backtesting”). In line with the selected confidence interval of 99.9 %, only a small number of negative outliers are expected.

Regulatory assessment

With CRR III entering into force, a new framework for calculating regulatory capital requirements for market risk was introduced based on the Basel Committee’s Fundamental Review of the Trading Book (FRTB). However, the start date of the FRTB was postponed to 1 January 2027 by means of a delegated act.

In accordance with Article 16 (2) of Commission Implementing Regulation (EU) 2024/3172, the disclosure requirements under Article 445 of the CRR must be implemented until 31 December 2026, subject to Article 15 of Commission Implementing Regulation (EU) 2021/637.[1)]

As at 31 December 2025, only regulatory capital requirements for foreign currency and CVA risks[2)] were applicable within Atlantic Group.

The Bank employs only the standard regulatory procedure pursuant to Article 352 of the CRR when calculating regulatory capital requirements for foreign currency risk.

The table EU MR1 (Market risk under the standardised approach) is used to disclose RWAs for various market risk exposures pursuant to Article 92 (4) lit. b) of the CRR. As at 31 December 2025, only currency risk applies to the Bank. Since the sum total of the aggregate net foreign exchange position does not exceed the threshold of 2 % of own funds, the Bank has neither determined own funds requirements for foreign exchange risk, nor reported these to the supervisory authorities. Accordingly, the table mentioned above is not disclosed.

Interest Rate Risk in the Banking Book

Management of interest rate risk in the banking book

Definition

Interest rate risk in the banking book (IRRBB) is defined as the risk exposure of instruments held in the banking book which are sensitive to changes in interest rates, caused by yield curve shifts.

Specifically, for Aareal Bank this includes:

- risks arising from maturity transformation in the event of yield curve shifts (gap risk),
- risks from cash flows which are sensitive to interest rates, in terms of spreads to the general yield curve (basis risk); and
- risks from explicit and implied options (option risk).

Risks from changes in Aareal Bank’s specific funding spreads (funding risk) are accounted for as part of market risk.

[1)] Article 16 (2) of Implementing Regulation (EU) 2024/3172 was updated by Amending Regulation (EU) 2026/722, published on 26 March 2026, concerning the application period of Article 15 of Implementing Regulation (EU) 2021/637.

[2)] Article 445a of the CRR sets out the information to be disclosed by institutions subject to the regulatory capital requirements for CVA risk. Please refer to the “CVA Risk” chapter of this report.

Risk measurement and monitoring

Risk Controlling informs the members of the Management Board responsible for Treasury and risk monitoring about the risk position and the present-value exposure to interest rate risk in the banking book on a daily basis (the "economic value of equity" perspective).[1] This is supplemented on a monthly basis by an analysis of possible deviations of planned income in the event of adverse interest rate scenarios (the earnings perspective). The interest rate scenarios used for measuring potential plan deviations comprise interest rate shocks (both increases and reductions) and also time-based increases or reductions of the interest rate projection used to determine planned interest income.

The present value VaR concept has been broadly accepted as the predominant method for measuring economic interest rate risk in the banking book. VaR quantifies risk as the maximum loss that will occur within a certain period of time, and given a defined probability.

A variance-covariance approach (delta-normal method) is used throughout the Group to determine the VaR indicator. Calculated on a daily basis for the Group, the VaR figure factors in the correlation between individual risk types. Statistical parameters used in the VaR model are calculated directly from a 250-day historical data pool maintained within the Bank. The loss potential is determined applying a 99.9 % confidence interval under the economic perspective.

By their very nature, VaR calculations are based on various assumptions regarding the future development of the business and related cash flows. Key assumptions used include current account balances and deposits at notice, which are factored into calculations by applying a suitable replication portfolio for a period of up to ten years (2.1 years on average). Financial wholesale deposits are excluded from modelling as per the EBA guidelines on the management of interest rate risks of non-trading book activities (EBA/GL/2022/14).

Loans are taken into account using their fixed-interest period (for fixed-rate exposures) or their expected maturity (variable-rate exposures). Aareal Bank Group's consolidated equity is not factored in as a risk-mitigating item, which tends to overstate VaR.

In addition to this and in line with the previously mentioned EBA guidelines, the change in net interest income is determined in the relevant interest rate shock scenarios. Net interest income is the difference between interest income and interest expenses from all interest-bearing assets and liabilities of the banking book, including derivatives and off-balance sheet items in accordance with IFRSs. Unlike the present value approach, net interest income not only includes the earnings contributions of the modelled existing business as at the planning or forecast date, but, additionally, income and expenses from planned portfolio changes in a dynamic balance sheet view or from renewals of maturing transactions in a static view. Changes reflect the diverging developments of forward interest rates prior to and after an interest shock, together with the resulting modelled impact on client behaviour.

An additional instrument used to quantify interest rate risk exposure is the calculation of interest rate sensitivity, expressed by what is known as the "delta" parameter. The first step in determining this parameter is to calculate the present values of all asset and equity/liability items on the statement of financial position. Next, the interest rates of yield curves used for this calculation are subjected to a one basis point parallel shift up (a method known as the "key rate method"). Delta is the present value of the profit or loss resulting from this yield curve change.

Effect of hedging

Treasury manages the general interest rate risk as well as the tenor basis risk of the banking group in line with the principles of the IRRBB strategy within the framework of the limits set under the RAF and the approval powers defined in the Schedule of Powers (Kompetenzordnung) for Treasury. The focus is on linear risks, while optional risks are largely hedged.

[1] The responsibilities with respect to interest rate risks in the banking book on organisational unit level can be found in the overview on page 10.

Based on the daily risk report, all changes of the present value in all currencies are analysed by TR; if necessary, risk-reducing measures are taken. Structured and/or puttable financial instruments are hedged externally using interest rate derivatives. The same applies to fixed-income exposures which remain unhedged without any such intention within the framework of asset/liability macro exposures.

In the context of foreign currency transactions, IRRBB is hedged through interest rate swaps in the respective currency or through FX or cross-currency swaps, respectively.

The management of the interest risk exposure is effected by Treasury on the basis of the objective of a broad-based immunisation of the IFRS income statement over several reporting periods as well as the hedge of the Bank's economic value of equity (EVE). At Aareal Bank, fair value hedge accounting under IFRS 9 plays a major role in this context.

This procedure is complemented by selective macro management of interest rate risks, e.g. the management of deposit modelling within the context of the above-mentioned asset/liability macro exposure.

Regulatory assessment

The following table is based on the requirements set out in Article 19 of Commission Implementing Regulation (EU) 2024/3172. In accordance with these requirements, present value changes and net interest income are disclosed in this table in case of a change in the yield curves for the interest rate shock scenarios presented in EBA/GL/2022/14 (Guidelines on the management of interest rate risk and credit spread risk arising from non-trading book activities).

Table EU IRRBB1 includes information on interest rate risk in the banking book as reported to the supervisory authorities by Atlantic Group.

EU IRRBB1: Interest rate risk in the banking book

	Supervisory shock scenarios	a	b	c	d
		Changes of EVE		Changes of NII	
		31 Dec 2025	30 Jun 2025	31 Dec 2025	30 Jun 2025
	€ mn				
1	Parallel up	-50	-44	20	31
2	Parallel down	59	57	-68	-73
3	Steepener	5	-4		
4	Flattener	-19	-5		
5	Short rates up	-42	-27		
6	Short rates down	31	25		

The change in economic value of equity (EVE) corresponds to the present value change resulting from a change in interest rates in relation to all non-trading book positions sensitive to interest rates, assuming that these positions will expire at a later date.

The EVE scenario effects remain minor (< 2% Tier 1 capital) due to the successful EVE hedging.

The earnings risk is measured as part of regulatory reporting based on changes in net interest income over the next twelve months, resulting from a parallel shift of the yield curve in a constant balance sheet view. The behaviour of clients and competitors assumed in such a scenario is based on models reflecting an idealisation.

The key driver for the scenario effects under the NII perspective is the excess of floating-rate financial assets, which can largely be interpreted as an implicit investment of equity. The asymmetry of the reported changes in NII in the two scenarios results from regulatory requirements regarding the aggregation of currency-specific effects, according to which positive changes are only taken into account on a pro-rata basis.

The decrease in the sensitivity of net interest income to the two shock scenarios in the second half of 2025 is primarily due to the development of market parameters (EUR, USD, GBP).

Encumbered and Unencumbered Assets

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 transaction.

The following explanations are based on the requirements set out in Article 21 of Commission Implementing Regulation (EU) 2024/3172. Accordingly, quantitative information has to be disclosed generally as median values of the data reported to the supervisory authorities on a quarterly basis; these data are determined based on the IFRS accounting framework.

The scope of consolidation used for determining the asset encumbrance is not different from the scope of consolidation used for liquidity requirements.

As both total assets and the percentage-based asset encumbrance level as at 31 December 2025 were above the thresholds set out in point 6 of the Annex XXXVI of the Commission Implementing Regulation mentioned above, additional disclosures are made with respect of assets that, if unencumbered, would be eligible for a classification as assets of extremely high liquidity and credit quality (EHQLA) or assets of high liquidity and credit quality (HQLA).

EU AE1: Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which: notionally eligible unencumbered EHQLA and HQLA		of which: notionally eligible unencumbered EHQLA and HQLA
€ mn		010	030	040	050
010	**Assets of the reporting institution**	**22,270**	**1,657**		
030	Equity instruments	–	–	–	–
040	Debt securities	1,657	1,657	1,630	1,630
050	of which: covered bonds	148	148	148	148
060	of which: Securitisations	–	–	–	–
070	of which: issued by general governments	1,025	1,025	997	997
080	of which: issued by financial corporations	566	566	565	565
090	of which: issued by non-financial corporations	–	–	–	–
120	Other assets	20,687	–		

>

€ mn		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which: EHQLA and HQLA		of which: EHQLA and HQLA
		060	080	090	100
010	**Assets of the reporting institution**	**24,642**	**7,964**		
030	Equity instruments	112	–	112	–
040	Debt securities	6,614	6,614	6,572	6,572
050	of which: covered bonds	2,701	2,701	2,699	2,699
060	of which: Securitisations	–	–	–	–
070	of which: issued by general governments	2,433	2,433	2,384	2,384
080	of which: issued by financial corporations	4,291	4,285	4,280	4,274
090	of which: issued by non-financial corporations	–	–	–	–
120	Other assets	18,140	1,580		

EU AE2: Collateral received and own debt securities issued

€ mn		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbranc	
			of which: notionally eligible unencumbered EHQLA and HQLA		of which: EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	**–**	**–**	**4**	**4**
140	Loans on demand	–	–	–	–
150	Equity instruments	–	–	–	–
160	Debt securities	–	–	4	4
170	of which: covered bonds	–	–	–	–
180	of which: Securitisations	–	–	–	–
190	of which: issued by general governments	–	–	4	4
200	of which: issued by financial corporations	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–
230	Other collateral received	–	–	–	–
240	**Own debt securities issued other than own covered bonds or securitisations**	**176**	**–**	**621**	**–**
241	**Own covered bonds and securitisations issued and not yet pledged**			**2,684**	**–**
250	**Total collateral received and own debt securities issued**	**22,447**	**1,657**		

EU AE3: Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
€ mn			
010	**Carrying amount of selected financial liabilities**	**19,644**	**22,008**

Information on importance of encumbrance

Asset encumbrance is calculated as per Commission Implementing Regulation (EU) 2021/451.

Commercial property financing is a major element of Atlantic Group's business model. Accordingly, Pfandbriefe (German covered bonds) represent a significant portion in long-term funding and are therefore a major source of asset encumbrance.

In addition to Pfandbriefe (both bearer and registered securities), other significant sources of asset encumbrance include derivatives, the ECB's Targeted Longer-Term Refinancing Operations ("TLTRO") and securities repurchase agreements. Borrowings under the TLTRO increased by € 0.95 billion in the financial year 2025 to a current level of € 1.0 billion. With regard to commercial property financing and related refinancing, encumbrance within Atlantic Group is mainly concentrated on Aareal Bank AG.

As at 31 December 2025, the cover assets pools held for issuance of Aareal Bank's covered bonds accounted for encumbrance of assets in a total amount of € 17.7 billion. Own covered bonds retained amount to € 2.6 billion; these are offset by cover pool assets amounting to € 2.9 billion, which are to be regarded as encumbered.[1]

On a Group level, no structure of encumbrance between entities within Atlantic Group existed, due to consolidation. A significant over-collateralisation only applied to the cover assets pool. Besides compliance with statutory minimum excess cover requirements, the over-collateralisation of Mortgage Pfandbriefe also serves to satisfy the requirements of rating agency Moody's. Public-Sector Pfandbriefe are currently not subject to any rating.

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 Transactions, or the ISDA Master Agreement. 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.

As at 31 December 2025, other assets amounted to € 2.4 billion, € 1.3 billion of which are attributable to derivatives which are deemed encumbered under asset encumbrance criteria. Unencumbered other assets included € 1.1 billion in assets which cannot be encumbered within the scope of current business operations. This included € 0.1 billion in equity exposures and another € 0.02 billion in property and equipment. As at the reporting date, properties accounted for in accordance with IAS 2 amount to € 0.6 billion; tax reclaims and deferred tax assets amount to € 0.3 billion.

[1] Furthermore, Aareal Bank has held securitisations issued by itself since the fourth quarter of 2025. However, the median value to be applied for disclosure is € 0.

Remuneration

The qualitative and quantitative disclosure requirements in accordance with Article 450 of the CRR in conjunction with Section 16 of the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – "InstVergV") are met by Aareal Bank through a separate Remuneration Report which will be published at a later date on Aareal Bank AG's website in the same section as this Regulatory Disclosure Report.

Leverage Ratio

The Bank manages the risk of excessive leverage both on a quarterly basis, within the scope of forecasting own funds, and on a monthly basis, within the scope of internal risk reporting. After the end of each quarter, Tier 1 capital and total assets are calculated for the year-end dates of the current and the two following years, within the scope of forecasting own funds. In this context, the minimum 3 % Leverage Ratio, as set out in Article 92 (1) lit. d) of the CRR, must be complied with at any time. Furthermore, the Leverage Ratio is subjected to a wide range of stress scenarios in order to identify any potential critical developments at an early stage. Countermeasures to be taken where necessary – such as an immediate reduction in new business – are set out in the recovery measures. The information is then submitted to senior management.

The Leverage Ratio to be disclosed is determined, taking into account the regulatory scope of consolidation, based on the requirements set out in the CRR.

The following disclosure tables are based on the requirements set out in Commission Implementing Regulation (EU) 2024/3172 dated 29 November 2024.

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

€ mn		a Applicable amount
1	**Total assets as per published financial statements**	**46,891**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	84
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
4	Adjustment for temporary exemption of exposures to central banks (if applicable)	–
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with Article 429a (1) lit. i) of the CRR	–
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustments for derivative financial instruments	-839
9	Adjustment for securities financing transactions (SFTs)	113
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	416
11	Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	–
EU-11a	Adjustment for exposures exempted from the total exposure measure in accordance with Article 429a (1) lit. c) of the CRR	–
EU-11b	Adjustment for exposures exempted from the total exposure measure in accordance with Article 429a (1) lit. j) of the CRR	–
12	Other adjustments	-796
13	**Total exposure measure**	**45,869**

EU LR2: Leverage Ratio common disclosure

€ mn		a	b
		CRR leverage ratio exposures	
		31 Dec 2025	30 Jun 2025
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	45,935	46,309
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-900	-920
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
5	(General credit risk adjustments to on-balance sheet items)	–	–
6	(Asset amounts deducted in determining Tier 1 capital)	-144	-144
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**44,890**	**45,245**
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions under SA-CCR (i.e. net of eligible cash variation margin)	66	93
EU-8a	Derogation for derivatives: Replacement costs contributions under the simplified standardised approach	–	–
9	Add-on amounts for potential future exposure value associated with SA-CCR derivatives transactions	384	386
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	–	–
EU-9b	Exposure determined under Original Exposure Method	–	–
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	–
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	–	–
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	–	–
11	Adjusted effective notional amount of written credit derivatives	–	–
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
13	**Total derivatives exposures**	**450**	**478**
	SFT exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–	–
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
16	Counterparty credit risk exposure for SFT assets	113	103
EU-16a	Derogation for SFTs: Counterparty credit risk exposure pursuant to Article 429e (5) and Article 222 of the CRR	–	–
17	Agent transaction exposures	–	–
EU-17a	(Exempted CCP leg of client-cleared SFT exposures)	–	–
18	**Total SFT exposures**	**113**	**103**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	1,239	1,208
20	(Adjustments for conversion to credit equivalent amounts)	-823	-804
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	–	–
22	**Total other off-balance sheet exposures**	**416**	**404**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with Article 429a (1) lit. c) and ca) of the CRR)	–	–
EU-22b	(Exposures exempted in accordance with Article 429a (1) lit. j) of the CRR (on- and off-balance sheet))	–	–

>

		a	b
		CRR leverage ratio exposures	
€ mn		31 Dec 2025	30 Jun 2025
EU-22c	(Excluded exposures of public development banks (or units) – public-sector investments)	–	–
EU-22d	(Excluded exposures of public development banks (or units) – promotional loans)	–	–
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	–	–
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	–	–
EU-22g	(Excluded excess collateral deposited at triparty agents)	–	–
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with Article 429a (1) lit. o) of the CRR)	–	–
EU-22i	(Excluded CSD related services of designated institutions in accordance with Article 429a (1) lit. p) of the CRR)	–	–
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	–	–
EU-22k	(Excluded exposures to shareholders in accordance with Article 429a (1) lit. da) of the CRR)	–	–
EU-22l	(Exposures deducted in accordance with Article 429a (1) lit. q) of the CRR)	–	–
EU-22m	**Total exempted exposures**	**–**	**–**
	Tier 1 capital and total exposure measure		
23	Tier 1 capital	3,341	3,328
24	Total exposure measure	45,869	46,230
	Leverage Ratio		
25	Leverage Ratio (%)	7.28	7.20
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.28	7.20
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.28	7.20
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	–	–
EU-26b	of which: to be made up of CET1 capital	–	–
27	Leverage ratio buffer requirement (%)	–	–
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully implemented	Fully implemented
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	142	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	–	–
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	46,011	46,230
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	46,011	46,230
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.26%	7.20%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.26%	7.20%

EU LR3: Split-up of on-balance sheet exposures

€ mn		a CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**45.035**
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	45.035
EU-4	Exposures in the form of covered bonds	2.579
EU-5	Exposures treated as sovereigns	6.878
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	89
EU-7	Institutions	416
EU-8	Exposures secured by mortgages on immovable properties	30.086
EU-9	Retail exposures	1
EU-10	Corporates	346
EU-11	Exposures in default	1.256
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3.383

Imprint

Inhalt:
Aareal Bank AG
Layout:
S/COMPANY · Die Markenagentur GmbH

Aareal Bank AG
Regulatory Affairs
Paulinenstrasse 15 · 65189 Wiesbaden
Phone: +49 611 348 3009
Fax: +49 611 348 2637

www.aareal-bank.com

This report is also available in German language.

Aareal Bank Group

06/2026

Aareal

YOUR COMPETITIVE ADVANTAGE.