

**QUALITY**®  
made by **AAREAL**

2016

Regulatory Disclosure Report  
for H1 2016 of Aareal Bank Group

**Aareal**

# Regulatory Disclosure Report for H1 2016

## Preface

Aareal Bank Group provides its half-yearly Regulatory Disclosure Report as at the reporting date of 30 June 2016 pursuant to the Guidelines EBA/GL/2014/14, as published by the European Banking Authority (EBA) on 23 December 2014.

With total assets of € 50,925 million, Aareal Bank Group is obliged to disclose the following information on a semi-annual basis:

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

Aareal Bank complies with the requirements of parts 2 and 3 of Regulation 575/2013/EU (Capital Requirements Regulation – “CRR”) at a Group level, due to the fact that Aareal Bank Group has elected to use the waiver option provided by section 2a (1) sentence 1 of the KWG (in conjunction with Article 7 (3) of the CRR), whereby the reports for financial holding companies or banking groups may be prepared on a consolidated basis. Aareal Bank AG, whose registered office is in Wiesbaden, Germany, is the parent institution of the Group.

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

## Regulatory Capital Structure and Capital Ratios

	30 Jun 2016
€ mn	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,322
Regulatory adjustments	-86
<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,236</b>
Additional Tier 1 (AT1) capital before regulatory adjustments	722
Regulatory adjustments	-196
<b>Additional Tier 1 (AT1) capital</b>	<b>526</b>
<b>Tier 1 capital (T1)</b>	<b>2,762</b>
Tier 2 (T2) capital before regulatory adjustments	1,125
Regulatory adjustments	-8
<b>Tier 2 capital (T2)</b>	<b>1,117</b>
<b>Total capital (TC)</b>	<b>3,879</b>
%	
Common Equity Tier 1 ratio (CET1 ratio)	13.71
Tier 1 ratio (T1 ratio)	16.94
Total capital ratio (TC ratio)	23.79

## Regulatory Capital Requirements

	Risk-weighted items (RWA)	Regulatory capital requirements
€ mn		
<b>IRBA exposure classes</b>	<b>10,733</b>	<b>859</b>
Institutions	547	44
Corporates	8,696	696
Equity investments	1,170	94
of which: listed	0	0
of which: private equity items in properly diversified portfolios	–	–
of which: other equity investments	1,170	94
Securitisations	20	1
Other non-credit obligation assets	300	24
<b>CRSA exposure classes</b>	<b>3,425</b>	<b>274</b>
Central governments or central banks	15	1
Regional governments and similar entities	568	46
Other public-sector entities	6	1
Multilateral development banks	–	–
International organisations	–	–
Institutions	102	8
Covered bonds	–	–
Corporates	980	78
Retail business	212	17
Exposures secured by mortgages on immovable property	1,354	108
Undertakings for Collective Investment (UCI)	4	0
Equity investments	–	–
Securitisations	60	5
Other exposures	0	0
Exposures in default	124	10
Exposures associated with particularly high risk	–	–
Exposures to institutions and corporates with a short-term credit assessment	–	–
<b>Risk exposure from contributions to a CCP default fund</b>	<b>2</b>	<b>0</b>
<b>Delivery and settlement risk</b>	<b>–</b>	<b>–</b>
<b>Market risk positions</b>	<b>156</b>	<b>12</b>
Foreign currency	156	12
Commodities	–	–
Related to interest rates and equity prices	–	–
Other	–	–
<b>Operational Risks</b>	<b>1,681</b>	<b>135</b>
Standardised approach	1,624	130
Basic indicator approach	57	5
<b>Risk exposure from credit valuation adjustments (CVAs)</b>	<b>311</b>	<b>25</b>
<b>Total</b>	<b>16,308</b>	<b>1,305</b>

## Breakdown of IRBA Exposure Amounts

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

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

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

IRBA exposure class	Total amount of undrawn loan commitments		Exposure amounts				Average LGD		Average PD		Average RW	
	Corpo-rates	of which: SME	Exposure at Default	of which: undrawn loan commitments	Corpo-rates	of which: SME	Corpo-rates	of which: SME	Corpo-rates	of which: SME	Corpo-rates	of which: SME
	€ mn		€ mn		€ mn		%		%		%	
EL class 1	4	4	2,356	1,381	4	4	0.43	0.21	0.42	0.43	0.24	0.25
EL class 2	292	75	6,895	4,541	299	77	0.68	0.59	1.00	1.05	1.04	0.81
EL class 3	88	6	1,267	694	90	6	1.53	1.44	0.79	0.90	2.80	2.11
EL class 4	89	65	2,597	1,693	91	66	2.53	2.42	1.27	1.35	3.96	3.21
EL class 5	7	5	756	261	7	5	5.32	4.20	1.01	1.23	10.21	5.97
EL class 6	16	11	1,966	1,159	17	12	6.30	5.57	0.98	1.04	12.22	9.51
EL class 7	22	5	669	383	22	5	6.79	5.99	1.34	1.45	13.53	11.10
EL class 8	98	11	1,684	1,013	45	11	12.34	11.71	1.36	1.52	24.40	20.01
EL class 9	74	26	946	349	57	26	11.50	16.92	1.91	1.23	25.43	27.12
EL class 10	148	20	2,779	1,732	77	18	17.26	18.10	1.63	1.59	39.17	37.35
EL class 11	36	28	723	655	29	25	22.23	18.07	2.00	2.13	51.22	41.84
EL class 12	57	8	895	500	22	1	19.81	21.90	2.86	3.10	53.36	49.99
EL class 13	75	14	830	665	24	5	30.06	30.86	3.42	3.08	68.84	67.42
EL class 14	117	67	1,401	1,313	78	44	36.16	35.66	4.16	4.27	97.91	94.62
EL class 15	10	6	253	252	3	2	46.42	46.21	4.90	4.91	120.17	119.74
EL class 16	16	14	738	512	15	15	40.38	39.77	7.25	6.99	135.11	125.91
EL class 17	1	0	50	50	0	0	49.51	49.46	8.00	8.00	155.96	155.77
EL class 18	2	0	63	53	1	0	64.75	63.75	8.34	8.01	215.61	202.54
EL class 19	-	-	-	-	-	-	-	-	-	-	-	-
EL class 20	1	-	0	-	0	-	131.99	-	30.00	-	773.56	-
Default	-	-	1,756	1,466	-	-	22.35	21.38	100.00	100.00	88.36	91.03
<b>Total</b>	<b>1,153</b>	<b>365</b>	<b>28,624</b>	<b>18,672</b>	<b>881</b>	<b>322</b>	<b>10.89</b>	<b>12.12</b>	<b>7.69</b>	<b>9.53</b>	<b>28.72</b>	<b>31.62</b>

	Total amount of undrawn loan commitments	Exposure amounts		Average LGD	Average PD	Average RW
	Institutions	Exposure at Default	of which: undrawn loan commitments			
	€ mn	€ mn	€ mn	%	%	%
<b>IRBA exposure class</b>						
EL class 1	–	1,699	–	29.53	0.13	0.12
EL class 2	–	635	–	21.52	0.10	4.73
EL class 3	–	256	–	21.22	0.12	11.80
EL class 4	–	695	–	30.67	0.09	21.32
EL class 5	–	127	–	20.19	0.19	23.56
EL class 6	–	242	–	35.60	0.14	44.00
EL class 7	–	87	–	30.15	0.27	41.96
EL class 8	–	190	–	32.22	0.28	58.39
EL class 9	–	9	–	40.42	0.34	80.90
EL class 10	0	20	0	43.43	0.44	103.91
EL class 11	–	–	–	–	–	–
EL class 12	–	–	–	–	–	–
EL class 13	–	–	–	–	–	–
EL class 14	–	–	–	–	–	–
EL class 15	–	–	–	–	–	–
EL class 16	–	–	–	–	–	–
EL class 17	–	–	–	–	–	–
EL class 18	–	–	–	–	–	–
EL class 19	–	–	–	–	–	–
EL class 20	–	4	–	99.97	30.00	662.92
Default	–	–	–	–	–	–
<b>Total</b>	<b>0</b>	<b>3,964</b>	<b>0</b>	<b>28.28</b>	<b>0.16</b>	<b>13.79</b>

## Leverage Ratio

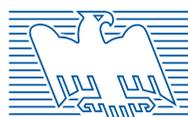
The (phased-in) Leverage Ratio is calculated taking into account the regulatory scope of consolidation, based on the Delegated Regulation (EU) 2015/62.

	30 Jun 2016
€ mn	
Tier 1 capital	2,762
Aggregate risk exposure	48,901
Leverage Ratio	5.65 %

**Aareal Bank AG**  
Investor Relations  
Paulinenstrasse 15  
65189 Wiesbaden, Germany

Phone: +49 611 348 3009  
Fax: +49 611 348 2637  
[www.aareal-bank.com](http://www.aareal-bank.com)

08/2016



**Aareal Bank  
Group**