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2015

Regulatory Disclosure Report
for H1 2015 of Aareal Bank Group



**Aareal Bank
Group**

Regulatory Disclosure Report for H1 2015

Preface

Aareal Bank Group provides its Regulatory Disclosure Report for H1 2015 as at the reporting date of 30 June 2015 for the first time pursuant to the Guidelines EBA/GL/2014/14, as published by the European Banking Authority (EBA) on 23 December 2014.

With total assets of € 55.497 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 Group is subject to disclosure pursuant to sections 10 and 10a of the German Banking Act (Kreditwesengesetz – “KWG”) in the 2015 financial year. This is due to the fact that Aareal Bank Group has elected to use the waiver option provided by section 2a of the KWG in conjunction with Article 7 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.

Westdeutsche ImmobilienBank AG (WestImmo), which was acquired on 31 May 2015, has been fully consolidated for regulatory purposes as at the reporting date for the first time.

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 2015
€ mn	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,249
Regulatory adjustments	-37
Common Equity Tier 1 (CET1) capital	2,212
Additional Tier 1 (AT1) capital before regulatory adjustments	722
Regulatory adjustments	-143
Additional Tier 1 (AT1) capital	579
Tier 1 capital (T1)	2,791
Tier 2 (T2) capital before regulatory adjustments	1,132
Regulatory adjustments	-18
Tier 2 capital (T2)	1,114
Total capital (TC)	3,905
%	
Common Equity Tier 1 ratio (CET1 ratio)	12.49
Tier 1 ratio (T1 ratio)	15.75
Total capital ratio (TC ratio)	22.04

Regulatory Capital Requirements

	Risk-weighted items (RWA)	Regulatory capital requirements
€ mn		
IRBA exposure classes	12,760	1,021
Institutions	569	46
Corporates	10,402	832
Equity investments	1,214	97
of which: listed	0	0
of which: private equity items in properly diversified portfolios	–	–
of which: other equity investments	1,214	97
Securitisations	21	2
Other non-credit obligation assets	554	44
CRSA exposure classes	2,863	229
Central governments or central banks	14	1
Regional governments and similar entities	647	52
Other public-sector entities	21	2
Multilateral development banks	–	–
International organisations	–	–
Institutions	281	23
Covered bonds	24	2
Corporates	380	30
Retail business	53	4
Exposures secured by mortgages on immovable property	1,268	101
Undertakings for Collective Investment (UCI)	4	0
Equity investments	–	–
Securitisations	72	6
Other exposures	0	0
Exposures in default	99	8
Exposures associated with particularly high risk	–	–
Exposures to institutions and corporates with a short-term credit assessment	–	–
Risk exposure from contributions to a CCP default fund	0	0
Delivery and settlement risk	–	–
Market risk positions	178	14
Foreign currency	178	14
Commodities	–	–
Related to interest rates and equity prices	–	–
Other	–	–
Operational Risks	1,575	126
Standardised approach	1,494	120
Basic indicator approach	81	6
Risk exposure from credit valuation adjustments (CVAs)	341	27
Total	17,717	1,417

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 (LGD) 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 in EaD (less than 1.07 %).

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

IRBA exposure class	Total amount undrawn loan commitments		Exposure amounts				Average LGD		Average PD		Average RW	
	Corpo-rates	of which: SME	Corpo-rates	of which: SME	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	88	50	3,600	834	90	51	0.18	0.18	0.52	0.62	0.23	0.25
EL class 2	292	145	9,699	5,679	257	149	0.87	0.49	1.03	1.19	1.06	0.75
EL class 3	82	6	1,402	438	84	6	3.87	1.80	1.21	0.94	3.05	2.13
EL class 4	27	7	3,819	1,729	28	7	8.15	1.88	1.01	1.38	6.62	2.97
EL class 5	13	13	653	226	14	14	20.43	2.63	0.75	1.94	13.30	4.54
EL class 6	55	2	2,219	1,214	56	2	8.86	3.60	1.31	1.65	12.24	6.98
EL class 7	36	36	1,066	595	36	36	15.83	5.00	1.45	1.82	17.81	10.01
EL class 8	9	2	1,202	600	5	0	17.35	9.22	1.80	1.95	22.16	16.59
EL class 9	15	2	726	530	5	0	17.51	13.08	1.21	1.35	30.74	21.97
EL class 10	122	13	843	487	17	2	21.25	16.69	1.89	1.92	40.89	32.70
EL class 11	98	62	1,408	1,096	74	51	25.27	24.36	1.77	1.87	51.81	46.21
EL class 12	62	25	620	337	22	13	24.79	15.20	3.38	4.71	60.09	34.25
EL class 13	126	32	1,463	533	51	5	33.03	30.89	2.77	3.00	80.82	70.73
EL class 14	85	27	745	582	43	11	31.69	29.33	4.16	4.41	85.00	74.22
EL class 15	30	15	461	382	4	2	49.86	45.97	3.93	4.15	131.04	117.48
EL class 16	17	13	861	719	9	8	36.13	37.80	8.21	7.14	129.22	127.67
EL class 17	1	1	65	6	0	0	49.30	54.66	8.27	7.89	211.13	171.52
EL class 18	2	2	151	136	2	2	43.91	41.13	18.92	19.92	191.63	176.81
EL class 19	1	1	34	0	0	0	42.85	174.32	39.94	8.02	234.41	673.53
EL class 20	-	-	24	-	-	-	65.75	-	40.00	-	376.29	-
Default	11	-	1,620	1,102	11	-	27.73	25.78	100.00	100.00	175.10	190.75
Total	1,171	454	32,681	17,225	807	360	11.68	10.45	6.59	8.35	30.16	33.59

	Total amount undrawn loan commitments	Exposure amounts		Average LGD	Average PD	Average RW
	Institutions	Exposure at Default	of which: undrawn loan commitments			
	€ mn	€ mn	€ mn	%	%	%
IRBA exposure class						
EL class 1	–	1,900	–	28.15	0.10	0.00
EL class 2	–	751	–	16.94	0.09	6.12
EL class 3	–	45	–	25.63	0.15	8.09
EL class 4	–	1,148	–	29.28	0.06	9.58
EL class 5	–	525	–	28.73	0.11	27.27
EL class 6	–	373	–	29.15	0.18	36.05
EL class 7	–	24	–	44.41	0.15	62.79
EL class 8	–	195	–	36.75	0.33	47.35
EL class 9	–	0	–	45.48	0.34	120.42
EL class 10	0	1	0	40.27	0.47	119.28
EL class 11	–	–	–	–	–	–
EL class 12	–	–	–	–	–	–
EL class 13	–	–	–	–	–	–
EL class 14	–	–	–	–	–	–
EL class 15	–	–	–	–	–	–
EL class 16	–	2	–	11.25	30.00	77.69
EL class 17	–	–	–	–	–	–
EL class 18	–	–	–	–	–	–
EL class 19	–	–	–	–	–	–
EL class 20	–	3	–	99.99	30.00	650.06
Default	–	–	–	–	–	–
Total	0	4,968	0	27.29	0.13	11.45

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 2015
€ mn	
Tier 1 capital	2,791
Aggregate risk exposure	54,902
Leverage Ratio	5.08 %

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