Internal plan for the replacement of the interest rate used in the loan agreements of Aareal Bank AG – Italian Branch, pursuant to and for the purposes of Art. 118-bis of Legislative Decree no. 385 of 1993 (TUB – Consolidated Banking Act).

1. Introduction

On 1 January 2018, EU Regulation No. 1011/2016, also known as the "*Benchmark Regulation*" (the "**Benchmark Regulation**"), entered into force, in relation to reference rates used as benchmarks in financial agreements.

On 11 January 2024, the new Article 118-bis of the Consolidated Banking Act ("**TUB**") came into force, which establishes, among other things, that loan agreements linked to reference interest rates must contain appropriate so-called "*fallback*" clauses relating to such interest rates that allow the replacement of such rates, to be identified in the event of substantial changes or discontinuation of the reference interest rate applied to the individual loan agreement.

In order to comply with the regulatory provisions introduced by the Benchmark Regulation and Article 118-bis of the TUB, briefly referred to here, Aareal Bank AG – Italian Branch (the "**Bank**") has adopted an internal plan (the "**Replacement Plan**"), which regulates the activities that the Bank will carry out if the reference rate used in its product ceases to exist or undergoes substantial changes.

2. The Replacement Plan

It is noted that the Bank's core business is the provision of fixed and variable rate mortgage loans to professional customers and which are the subject of individual negotiation pursuant to and for the purposes of the "*Provisions on the transparency of banking and financial operations and services Fairness of relations between intermediaries and customers"* (as originally published by the Bank of Italy on 29 July 2009).

In the case of variable rate loans provided by the Bank, the interest payable under such loans is always linked to the Euro Interbank Offered Rate (Euribor) administered by the European Money Market Institute (EMMI).

That said, in the event of substantial changes or discontinuation of the **Euribor** as the reference interest rate used in loan agreements with customers, the Bank will apply, as a replacement interest rate the "*Risk Free Rate*" known as the compounded euro short-term rate average rate (**€STR Compounded**, an index administered by the European Central Bank), pursuant to the specific "*fallback*" clauses inserted in the various loan agreements.

Once this replacement interest rate has been defined, the Bank may assess the need to apply an adjustment spread to said interest rate (so-called "*Credit Adjustment Spread*"), which may have a positive, negative or zero value, aimed at minimizing, based on reasonably applicable financial principles and rules, any transfers of value in the transition from the original interest rate to the replacement interest rate, neutralizing, as far as possible, any negative economic impacts on any of the parties to the individual loan agreement.

In the event of the cessation of the Euribor, the Bank will in accordance with art. 118-bis, paragraph 3, of the TUB, and the aforementioned "*fallback*" clauses inserted in the various loan agreements, communicate to the customer within thirty days, in written form or by means of another durable medium previously accepted by the customer, the replacement interest rate including the applicable Credit Adjustment Spread (if any) indicated above. This change will be considered approved if the customer does not withdraw, without costs, from the relevant loan agreement within two months of receiving the communication. In the event of withdrawal, the customer has the right, at the time of liquidation of the relationship, to the application of the conditions previously applied, also with reference to the interest rate and taking into account, where necessary, the last available value of the original reference rate.

3. Updates to Customers

In compliance with art. 118-bis, paragraph 1, of the TUB, updates to this document (if any) are brought to the attention of customers who are party to a loan agreement at least once a year or at the first available opportunity, within the scope of periodic transparency communications.