

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE



**Aareal Bank
Group**

WE CREATE THE SPACE
FOR RESPONSIBILITY

Sustainability Report 2013



**Aareal Bank
Group**

ABOUT THIS REPORT

In this sustainability report, Aareal Bank Group has provided a description of its social and environmental performance for the second time. By doing so, we have delivered on our goal of creating transparency about the impact of our business activities on the natural and social environment. The report is aimed at our clients, shareholders, investors, employees, suppliers and the wider public.

The starting point of our activities is our first sustainability report, which was published in August 2013. In it, we set ourselves appropriate goals and documented existing programmes and initiatives. Every year, we report on the progress made towards these goals as part of our ongoing sustainability reporting process.

At the same time, we invite our stakeholder groups to engage in systematic dialogue with us, to help us better understand their expectations and to enhance our sustainability strategy.

Reporting period and scope

This report covers Aareal Bank Group's achievements in the area of sustainability in the 2013 financial year. Data or statements that refer only to individual companies in the Group are identified as such. Corealcredit Bank AG, which was acquired on 31 March 2014, is not included in this report. The figures presented relate to financial years 2011, 2012 and 2013.

Content of the report

This report is largely based on the third generation (3.0) guidelines on sustainability reporting issued by the Global Reporting Initiative (GRI). It also takes into account the GRI's Financial Services Sector Supplement. An overview of the GRI indicators and a reference to the relevant page in the sustainability report is provided on page 50 et seqq. We self-declared an Application Level of B according to the GRI G3 Guidelines. This has been checked and confirmed by the GRI.

Editorial note

The editorial deadline for this report was 30 April 2014. To improve readability, we have largely avoided writing out companies' full legal names. All figures and data have been compiled with the greatest care. To our knowledge, the information provided is correct. However, we cannot assume any liability for the accuracy and completeness of the disclosures.

Further information

Up-to-date information about sustainability at Aareal Bank Group is available on our website: www.aareal-bank.com/responsibility.

10 Sustainability Approach



Long-term success is central to Aareal Bank Group's corporate philosophy. And a responsible approach is a crucial requirement for doing business successfully in the future as well. This is why we have aligned our activities with our sustainability strategy since 2012.

20 Clients and Products



Aareal Bank Group's business model is divided into the Structured Property Financing and Consulting/Services segments – the two key pillars on which our success is built. We take a long-term approach to client relations and aim to provide sustainable solutions, ensuring we are well prepared for future megatrends.

28 Employees



A company's success is largely dependent on its employees. Aareal Bank Group's systematic employee development policy aims to enhance its employees' professional and personal skills. We also promote a positive work-life balance and offer a Company Health Management programme.

40 Environment



Aareal Bank Group aims to minimise the impact its business activities have on the environment: we take care to use consumables as efficiently as possible and to obtain resources from renewable or sustainable sources.

46 Society



Being a sustainable company also includes taking social responsibility. This is why Aareal Bank Group supports a large number of external educational and academic initiatives, as well as charitable and social organisations.

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INTRODUCTION



**Aareal Bank
Group**
Trusted since
90 years

Ladies and Gentlemen,

In the past year, we celebrated our 90th anniversary and also achieved very good results, despite a challenging environment. This confirms once again the soundness, stability and sustainability of our business model.

Our continuing economic success is proof that we are on the right track. Our aspiration to sustainability and our focus on the needs of clients, employees, shareholders, investors and society contribute substantially to this success. One year ago, we published our first sustainability report and since then we have launched many of the measures set out in our sustainability programme. This report documents the progress we have made in the various areas.

Our sustainability efforts are directed especially towards our employees – who are the basis for our business success. In the reporting period, we launched our Company Health Management initiative to promote health and fitness, and the programmes on offer have been taken up enthusiastically. Aareal Academy offers new seminars in this connection, to help specialist staff and managers cope with stress. Our multi-faceted, employee-friendly HR strategy has proved successful: in the reporting period, Aareal Bank was once again certified as a Top Employer. This reinforces us in our aim of continuing our targeted investment in our employees – because they are the people who turn our aspirations for a sustainable business into reality, day after day.

”Our **sustainability efforts**
are directed especially towards
our employees – who are the
basis for our **business success.**“

Dr Wolf Schumacher,
Chairman of the Management Board of Aareal Bank AG

We have also made further progress in our other sustainability management areas. For example, our environmental performance indicators have improved and will be even better from 2014 when we start to use green electricity.

Our successful commitment to social responsibility has continued. We support a large number of external educational and academic initiatives, as well as charitable and social organisations.

These positive developments have also been confirmed by third parties. For example, we again achieved substantial improvements in our sustainability ratings in the reporting period – another indication that we are on the right track.

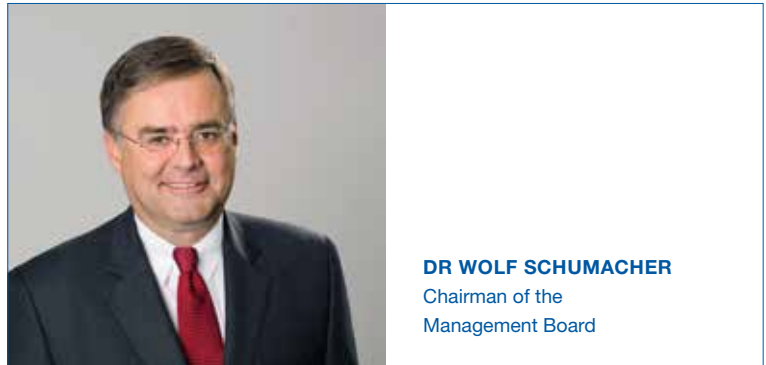
Of course, we continually set ourselves new sustainability targets and document them in our sustainability programme – because we want to keep on contributing to the full extent of our capabilities.

I hope you will find this report interesting reading.

With best wishes



Dr Wolf Schumacher



DR WOLF SCHUMACHER
Chairman of the
Management Board



Aareal Bank Group has participated in the United Nations Global Compact since 2012. By signing the UN Global Compact, Aareal Bank Group is committed to aligning its business processes with the ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption.

COMPANY PROFILE



With its head office in Wiesbaden, Aareal Bank Group is one of the leading international property specialists. With our two business segments Structured Property Financing and Consulting/Services we successfully accompany our clients as a financing partner, advisor and service provider.

Company Identity

Aareal Bank Group is an institution with a long history. Our clients have been at the centre of our business activities ever since the Bank was founded in 1923. From our beginnings as a financier of private residential construction in Germany, we have grown into an international partner for commercial property financing and an end-to-end service provider for the commercial property sector and the housing industry.

Aareal Bank's structure mirrors its positioning as a medium-sized enterprise, ensuring close cooperation, quick decisions and tailored solutions. This mid-sized structure also informs our judicious, risk-sensitive and prudent approach. This is why our clients have placed their trust in us for over 90 years.

Business Segments

Aareal Bank Group operates a solid, forward-looking business model. The Group's parent company is Aareal Bank AG, which is listed in Germany's MDAX index. Below this umbrella brand, the Group's companies are bundled into two segments – Structured Property Financing and Consulting/Services. These are the pillars of our success.

In the **Structured Property Financing** segment, we provide support for domestic and international clients investing in property. Our focus is on financing existing properties with an attractive risk-return profile, in particular office buildings, hotels and shopping centres, as well as logistics and residential properties. Our particular strength lies in our combination of local market expertise and sector-specific know-how. Our market experts are active in three continents and have a proven track record in assessing and valuing the location and quality of properties. This enables us to create tailored financial solutions for our clients. As an active issuer of Pfandbriefe and uncovered bank bonds, Aareal Bank has a sound, broad base for its refinancing requirements. Deposits by institutional investors are another key source of refinancing. These are largely independent of the capital markets and represent an important additional pillar in the Bank's long-term funding mix.

Total property financing volumes were € 24.7 billion as at 31 December 2013.¹⁾

¹⁾ Includes property financing volumes managed on behalf of Deutsche Pfandbriefbank AG in the amount of € 0.2 billion

The **Consulting/Services** segment offers comprehensive solutions for the housing and commercial property industries, as well as for the utilities and waste disposal markets. In addition to specialised banking services, these focus on processing automated mass payments and optimising higher-level processes. We also provide consulting, software and services in the area of IT-based business process optimisation for property companies and their clients and partners. We can draw on nearly 60 years of experience in this field. Our service portfolio is systematically focused on our clients' needs.

Locations

Over the years, our expertise has steadily become more international. We now operate in over 20 countries in line with our three-continent strategy.

Our Structured Property Financing segment is active in Europe, North America and Asia, while our Consulting/Services segment provides in-depth coverage in Europe.

Our workforce of around 2,400 employees is drawn from over 30 different countries. On the ground, day to day, they put into practice the factors that make our business successful – local market and property expertise, face-to-face client contact, in-depth analysis of their needs and client support, often spanning many years. At the same time, we continuously adjust our range of services to meet our clients' changing requirements. This is one of the reasons why our business model has proved to be crisis-proof in the recent past.



Aareal Bank, Real Estate Structured Finance: Brussels, Copenhagen, Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden |
Aareal Valuation GmbH: Wiesbaden | **Aareal Estate AG:** Wiesbaden

Aareal Bank, Housing Unit: Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Essen, Gorinchem, Hamburg, Hilversum, Hückelhoven, Karlskrona, Leipzig, Lund, Mainz, Meudon-la-Forêt, Mölndal, Munich, Nantes, Norrtälje, Orléans, Oslo, Piteå, Southampton, Stockholm, Stuttgart, Swansea, Toulouse |
Deutsche Bau- und Grundstücks-AG: Berlin, Bonn, Moscow, Munich |
Aareal First Financial Solutions AG: Mainz

Selected Key Figures

	1 Jan- 31 Dec 2013	1 Jan- 31 Dec 2012	Changes	
	€ mn	€ mn	€ mn	
Income statement				
Operating profit	198	176	22	
Consolidated profit	93	85	8	
Indicators				
Cost/income ratio (%) ¹⁾	38.5	40.9		
Earnings per share in (€)	1.95	1.75		
RoE before taxes (%)	8.0	7.2		
RoE after taxes (%)	5.2	4.8		

	31 Dec 2013	31 Dec 2012	Changes	
	€ mn	€ mn	€ mn	%
Portfolio data				
Property finance	24,550	23,304	1,246	5
of which: international	20,802	19,991	811	4
Equity ²⁾	2,450	2,317	133	6
Total assets ²⁾	42,981	45,750	-2,769	-6
Regulatory indicators³⁾				
Core tier 1 ratio pursuant to AIRBA ⁴⁾ (Basis: IAS/IFRS, Basel II) in %	15.0			
Tier 1 ratio pursuant to AIRBA ⁴⁾ (Basis: IAS/IFRS, Basel II) in %	20.8			
Total capital ratio pursuant to AIRBA ⁴⁾ (Basis: IAS/IFRS, Basel II) in %	24.5			

¹⁾ Structured Property Financing segment only.

²⁾ Comparative figures for 2012 were adjusted. Further information is included in the "Accounting policies" section of the notes to the consolidated financial statements.

³⁾ After confirmation of Aareal Bank AG's financial statements for 2013. The inclusion of retained earnings transferred as part of Aareal Bank AG's liable equity as at 31 December 2013 is subject to approval by the Annual General Meeting.

⁴⁾ Advanced Internal Ratings Based Approach.

3

continents on which we are active

2,400

employees from over
30 different countries

10 mn

residential units managed
by Aareon AG

€ 7.2 bn

in deposits from the housing industry

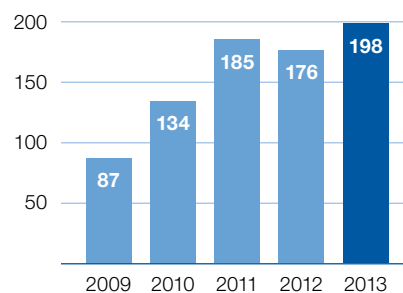
€ 24.7 bn

in property financing under
management

€ 43 bn

total assets

Consolidated operating profit (€ mn)



Ratings

	2013	2012
Fitch Ratings, London		
long-term	A-	A-
short-term	F1	F1
Fitch Pfandbrief ratings	AAA	AAA
oekom	prime	prime
Sustainalytics	57	57
CDP	81 B	67 D

SUSTAINABILITY APPROACH



Long-term success is central to Aareal Bank Group's corporate philosophy. And a responsible approach is a crucial requirement for doing business successfully in the future as well. This is why we have aligned our activities with our sustainability strategy since 2012. In this way, we aim to play our part in forward-looking economic and social development.

Sustainability at Aareal Bank

Stakeholders expect companies to make their social and ecological impact transparent. As a financial institution, we aim to be a trustworthy partner for our clients. We do this by taking responsibility and contributing to a sustainable society.

As a private bank, Aareal Bank Group finances properties and acts as an intermediary between investors and borrowers. Since the Group was founded over 90 years ago, we have aspired to the goal of doing business successfully over the long term and in line with ethical principles. We take numerous measures to achieve this, from interacting with business partners and shareholders through to safeguarding attractive jobs for our employees and discharging our social responsibility.

We published our first sustainability report in 2013. It was the result of a strategy process in which we analysed the courses of action open to us with respect to sustainability, and set ourselves goals for the coming years. We have established five areas in which we are aiming to position ourselves more strongly.

Sustainability Strategy

Aareal Bank Group's sustainability strategy is an integral part of its corporate strategy. It comprises the following areas:

Clients and products: To develop Aareal Bank Group's core business sustainably, the Group actively includes its business philosophy when discussing sustainability trends and developing sustainable solutions in the world of finance. As a partner to the property industry, we do business in a sustainable way that meets the requirements of the sector.

Employees: Aareal Bank Group's employees are the most important agents of the Company's sustainability strategy. By providing them with an attractive working environment with long-term prospects, we motivate and enable them to put sustainability into practice in their everyday work.

Shareholders: Aareal Bank Group regularly informs its shareholders about sustainability trends which are relevant to its business and about the measures it has taken. Our sustainability management activities meet the special requirements for information in this area. Our successful participation in ratings and rankings means this is also documented by third parties.

Environment: Aareal Bank Group takes ecological requirements into account in its daily business. We endeavour to improve the impact of our activities by reducing our ecological footprint. Besides using resources more sparingly, we achieve this through sustainable procurement.

Society: Above and beyond its direct business activities, Aareal Bank Group aims to make a contribution to improving the common good. We do so by providing money, materials and expertise for projects. Our focus here is on supporting education initiatives in the finance and property industry. We also provide targeted, long-term support for selected social projects.

Key issues

We identify key issues for our stakeholders by performing internal analyses. These are weighted according to their importance for stakeholders and Aareal Bank Group's success. They reveal that "integrity in doing business" and "transparency and reporting" are key sustainability issues. Other key issues are "employee development", "work-life balance" and "diversity and equal opportunities". These issues are assigned to areas of activity and specific measures are then developed and bundled in a sustainability programme. The areas of activity correspond to the individual chapters of this report.

Stakeholder dialogue

Aareal Bank Group's stakeholders are its clients, shareholders, investors, employees, suppliers and the wider public.

We regularly seek contact with our clients in individual discussions, at trade fairs, or at industry events. Sustainability is becoming an increasingly important issue for the property industry – from both an energy policy and a social perspective. Each year, the Aareon Congress and the Aareal Energy Forum offer two additional opportunities for us to systematically discuss environmental and social risks and opportunities with our clients.

"We make our business decisions by taking a **long view** and **respecting** the responsibility we have for future generations. We take into account the **economic, social** and **ecological impact** of what we do."

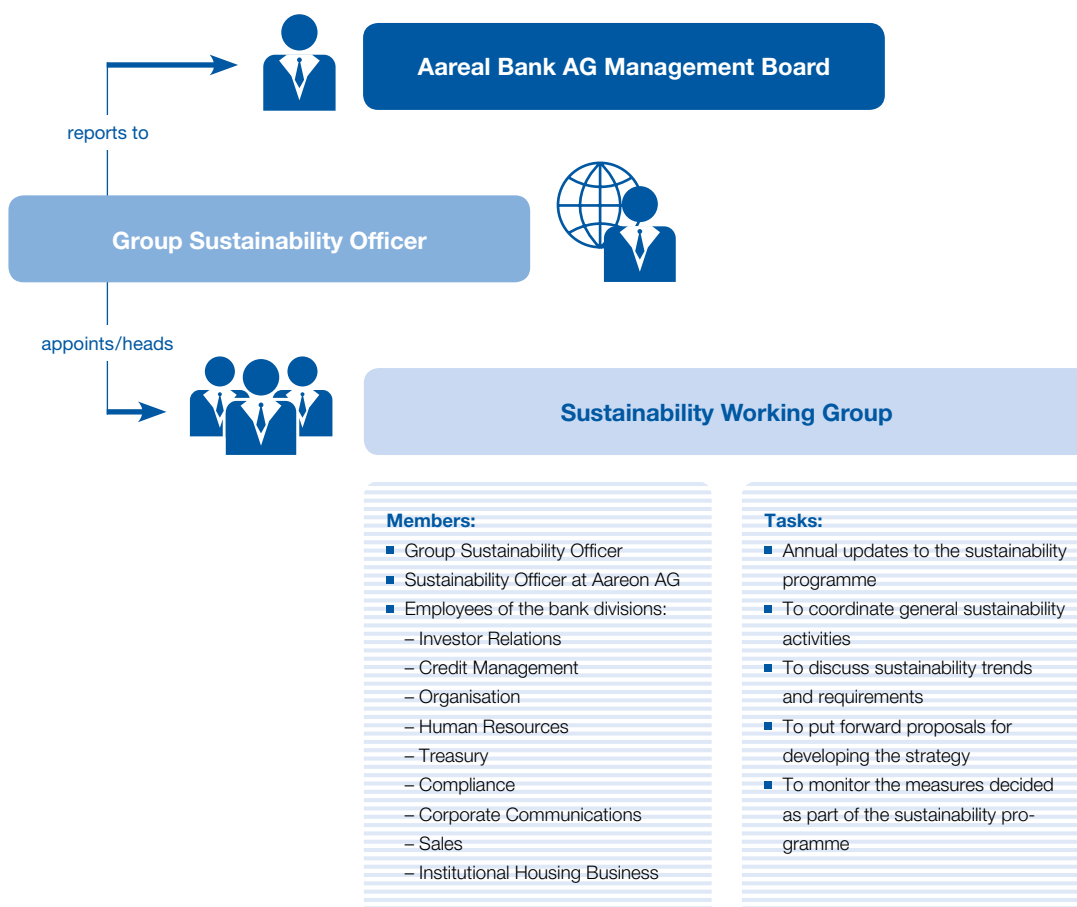
Henning Zander, Group Sustainability Officer of Aareal Bank AG

As a general principle, our shareholders can attend the Annual General Meeting and express their opinions on our sustainability activities and on all aspects of the Company. We meet investors' increased need for information about the Company's sustainability performance by participating in relevant ratings or investor meetings.

We provide our employees with regular information via the Intranet and via our staff magazine. Employee discussions and events, workshops on topics such as optimising the work-life balance and the Idea Box allow them to make contact with the management and influence organisational development.

Sustainability management

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to the Chairman of the Management Board. In this way, we can both underline the strategic importance of sustainability for our corporate philosophy and steer its practical implementation from the highest level. The Chairman of the Management Board puts the sustainability strategy and the corresponding annual programme to the Management Board for discussion and approval.



In managing and developing the strategy, he is supported by the Group Sustainability Officer, who organises the meetings of the Sustainability Working Group and acts as the point of contact for all divisions within the Company. He provides technical support in specific cases, monitors Aareal Bank Group's sustainability performance and puts forward proposals for continually updating the sustainability programme in consultation with the divisions concerned. As the point of contact for external stakeholders, he documents their concerns and informs them about activities. In addition, he is responsible for sustainability reporting and participation in the relevant ratings and rankings, and also informs the Management Board about external and internal developments to sustainability issues that are of importance to Aareal Bank Group.

The Sustainability Working Group serves as a platform for the Management Board to develop the sustainability programme: its members implement corresponding measures, analyse megatrends and assess opportunities and risks facing Aareal Bank Group. The Working Group also coordinates cross-divisional sustainability activities. It includes representatives of the Human Resources, Organisation, Corporate Communications, Investor Relations, Treasury, Compliance, Housing, Sales and Credit Management divisions, plus the sustainability officers at Aareal Bank Group and Aareon. The Working Group meets once a quarter and on an ad hoc basis in special cases, and is chaired by the Group Sustainability Officer. We have established a similar structure in our largest subsidiary, Aareon.

SUSTAINABILITY PROGRAMME

We aim to conduct our business activities in harmony with the environment and with society. To achieve this goal, Aareal Bank has set itself different goals under the headings of Sustainability, Clients and Products, Employees, Environment, and Society. The measures derived from these serve as a compass for successfully putting our corporate responsibility into practice.

The following sustainability programme forms the basis of our activities in the area of corporate responsibility. In the reporting period, individual measures have been adjusted and extended to take account of current developments at Aareal Bank.

We will continue to take forward a number of measures that we have marked as "ongoing", but will not include them in the sustainability programme's regular updates as we have already reached our targets for these measures. These relevant measures are marked with an asterisk * in the table.

Sustainability

Goal	Measure	Deadline	Status
To establish the operational conditions needed to implement the sustainability objectives	Include sustainability in strategic market monitoring with a view to identifying risks and opportunities, e.g. by updating the stakeholder analysis and materiality matrix	Ongoing*	Key topics have been confirmed
	Integrate sustainability into the Code of Conduct	2013	Code of Conduct has been modified and is available on the Internet
To increase transparency and ability to engage in dialogue	Participate in the Association of German Banks' working group on sustainability	Ongoing* as of 2013	Active participation in the working group
	Prepare sustainability reporting based on GRI G4	2015	New measure
To enhance external stakeholder dialogue	Expand the existing web pages devoted to social responsibility and sustainability issues	Ongoing*	Sustainability issues now grouped together under the heading of Responsibility
	Integrate sustainability issues into one-on-one discussions with stakeholders	Ongoing*	Sustainability issues have been integrated into discussions
	Work on rating inquiries, sustainability surveys and analyses	Ongoing*	Working with oekom, Sustainalytics, EIRIS/imug and CDP as well as with a variety of additional surveys
	Exchange information and views with advisory boards on sustainability issues	Ongoing*	Regular exchange of information and views with advisory boards
	Integrate sustainability issues into existing communications formats and media, incl. roadshow documents	Ongoing*	Information on ratings has been included in communications
To enhance internal stakeholder dialogue	Expand the existing Intranet pages devoted to social responsibility and sustainability issues	2013	Sustainability issues now grouped together under the heading of Responsibility
	Integrate sustainability issues into internal information events	Ongoing	Sustainability issues have been integrated into a number of different formats; integration into new employee onboarding and the trainee programme will be re-examined in 2014

Clients and Products

Goal	Measure	Deadline	Status
To ensure responsible lending	Take ESG ¹⁾ criteria into account during the lending process	Ongoing*	These are taken into account during property valuations
To measure sustainability performance in the securities portfolio	Analyse the securities portfolio annually from a sustainability perspective	First performed in 2012, ongoing thereafter*	Analyses carried out in 2012 and 2013; results were above average in both years; scheduled every two years in future
To ensure data security and data protection	Achieve certification of Aareon's information security management system in accordance with ISO/IEC 27001	2014	The "initial certification" project was launched in 2013
Further measures	Participate in the I-stay@home initiative and develop a portal	2015	This initiative is on schedule

¹⁾ Environmental, Social and Corporate Governance

Employees

Goal	Measure	Deadline	Status
To promote work-life balance	Increase range of flexible working models	Ongoing*	Teleworking application process simplified, high take-up of working time accounts
	Support employees who work part-time	Ongoing*	High part-time working level achieved
	Achieve recertification of Aareon by berufundfamilie gGmbH	2014	Documents submitted; recertification expected to take place in June 2014
To promote diversity and equal opportunities	Sign Diversity Charter ("Charta der Vielfalt")	2013	The Charter was signed in June 2013
	Enhance mentoring programme	2014	Currently being addressed
	Increase the proportion of women on the Supervisory Board to 30 %	2015	Marija G. Korsch has been a member of the Supervisory Board since 2012 and Chairman of the Supervisory Board since 2013
	Participate in the Anna+Cie programme which prepares female managers for top management positions	2014	New measure: a member of the Management Board will also act as a mentor
To enhance the human resources strategy, taking into account the ageing population	Conduct an age structure analysis	Ongoing from 2013	Initial analysis carried out in 2013, with a focus on examining and analysing succession planning
	Offer all age groups special training leading to qualifications	2014	All employees can take advantage of the wide range of training and CPD opportunities on offer
	Analyse implications of demographic change for the Company	Ongoing*	Is being taken into account in updates to the future human resources strategy
To recruit, foster and retain talent	Enhance and adapt recruitment strategy	2013	Initial analysis undertaken in 2013, implementation ongoing since then; the opportunities presented by social media channels are being used to attract interested candidates
	Enhance and adapt young talent programmes	2014	Currently being addressed
	Continue sponsoring bachelor's and master's theses	Ongoing	Measure is ongoing; for example, a master's thesis examining older employees' learning strategies was sponsored in 2013
	Expand programme of vocational traineeships at Aareon	2013	Positions have been filled
	Extend the Bank's programme of vocational traineeships	2014	New measure
	Support Sporthilfe's "Future Springboard" initiative by offering athletes short internships and the ability to take part in the mentoring programme	2014	New measure
To expand the Company Health Management programme	Introduce additional modules such as skin cancer screening, sports and recreational offerings and a range of lectures	2013	Various modules have been introduced and employees have taken them up enthusiastically
	Introduce a new, mandatory seminar on "healthy leadership" for all management staff	2013	Most managers have attended the seminar in 2013 and the rest will complete it in 2014
	Organise a seminar on stress management	2013	Offered for the first time in 2013; the event will be offered again in 2014
	Organise seminars on quitting smoking	2014	New measure
	Conduct an employee survey to identify and evaluate workplace stress at Aareon	2013	A survey was carried out that showed no critical levels at Aareon for any of the areas analysed
	Expand Aareon's Company Health Management programme to include new modules such as heart and back health checks	2014	New measure

Environment

Goal	Measure	Deadline	Status
To reduce resource consumption	Investigate certification, e.g. to ISO 14001, for the Wiesbaden site	2014	Investigations currently ongoing
	Implement energy-saving measures at the Wiesbaden site, such as using energy-saving lighting and highly efficient pumps, heat recovery and a building services automation system to monitor and optimise operations	Ongoing	Some aspects have already been implemented (for example, new pumps have been installed); further measures will be implemented successively
	Aareal Bank and Aareon to participate in the Wiesbaden and Mainz "Ökoprofit" initiatives	2014	New measure
	Renovate the conference area at the Wiesbaden site	2016	New measure
To reduce the environmental impact of business travel and trips	Introduce a CO ₂ limit when purchasing new company cars and an average CO ₂ limit for the fleet in Germany	2013	Implemented – Company Car Policy modified
	Investigate the use of electric vehicles at the Mainz site	2013	Investigation concluded: currently no plan to use electric vehicles because of their disproportionately high costs
	Adjust travel guidelines to include additional sustainability aspects	2014	New measure
To reduce CO₂ emissions	Sharply reduce CO ₂ emissions by purchasing 100% green energy for the Wiesbaden and Mainz sites and other locations in Germany	2014	Green energy in use since January 2014
Further measures	Increase coverage of energy consumption levels for reporting purposes	2014	Preparations are underway to include other sites and subsidiaries
	Consider social standards when selecting suppliers	2013	Completed; the supplier evaluation system has been revised and the revised questionnaire will be used for new suppliers and for the annual survey of current key suppliers
	Modernise the energy management system by introducing a new software application to measure electricity, heat, low temperatures and water consumption	2014	New measure
	Purchase building automation software	2014	New measure
	Carry out various renovation and modernisation measures at the Wiesbaden site	Ongoing	New measure

Society

Goal	Measure	Deadline	Status
To help tackle challenges facing society and openness for dialogue	Education and academic research <ul style="list-style-type: none"> Continue working to promote education and academic research, as well as the dialogue between research and practice in the property industry Sponsor the Institute for Banking History (Institut für bank-historische Forschung) 	Ongoing	Ongoing through support for various educational bodies
	Charitable and social organisations <ul style="list-style-type: none"> Sponsor the Zwerg Nase Foundation and continue foundation membership Donations 	Ongoing	Donations to non-profit and social organisations will continue
	Employee participation in the Common Purpose initiative	Ongoing	Employees regularly take part in the initiative

Defining the framework

Aareal Bank Group considers responsible, transparent management to be an expression of good business practice, and it is firmly anchored in the Management Board and Supervisory Board: as the parent company, Aareal Bank AG expressly supports the objectives of the German Corporate Governance Code.

Integrity and responsible conduct are mandatory for all Aareal Bank Group employees, regardless of their position. The Code of Conduct contains binding rules requiring all employees to act in a lawful and ethical manner towards clients, business partners and co-workers.

It is supplemented by detailed compliance guidelines aimed at preventing conflicts of interest, corruption, money laundering, fraud and data protection infringements. Compliance with the guidelines is checked on an annual basis by Internal Audit and external auditors.

Aareal Bank has implemented procedural guidelines aimed at preventing financial crime that require our employees to report incidents and guarantees their anonymity. No cases of corruption have come to light since the process was put in place. We published an anti-corruption guideline to counter cases of corruption and to systematically pursue them. The guideline is intended to serve as a foundation for protecting all employees and raising their awareness of the danger of corruption, as well as serving as a guide to correct conduct. Aareon will also publish an anti-corruption guideline in 2014.

Newly recruited Aareal Bank employees are informed about the Company's compliance and fraud prevention requirements in a classroom-based training course. Subsequent training is delivered using written information materials. In addition, employees must complete training programmes covering compliance, money laundering, other punishable offences and data protection. We also offer subject-specific classroom-based training. External staff is required to attend the training programme; the precise requirements vary depending on how long they are employed at Aareal Bank. Employees at international locations are trained by locally appointed compliance officers.

To us, sustainability also means addressing risks in a responsible and focused manner. For this reason, Aareal Bank Group has implemented professional risk management for all business decisions, which helps us to identify, measure, limit and manage risks and is continually fine-tuned.

Memberships

Aareal Bank Group signed up to the United Nations **Global Compact** in 2012. This means we have explicitly committed to its ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption. We have already incorporated these principles in our business processes for many years.

Aareal Bank Group is also a member of several industry associations such as the Association of German Banks (Bundesverband deutscher Banken – **BdB**) and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – **vdp**). It is represented on the management board of both associations. We are also a supporting member of the Federal Association of German Housing and Real Estate Enterprises (Bundesverband deutscher Wohnungsunternehmen e.V. – **GdW**) and numerous regional housing industry associations.

Aareal Bank Group's Sustainability Officer represents the Company, for example, in the working group of CSR and sustainability officers run by the German Property Federation (Zentraler Immobilienausschuss – **ZIA**), in the sustainability working group run by the BdB, and in the working group on sustainability run by the German Society of Property Researchers (Gesellschaft für immobilienwirtschaftliche Forschung – **gif**). We use these forums to promote sustainable practices throughout the industry. In 2012, we also became a member of the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten – **VfU**).

Aareon AG is a member of the Federal Association of Independent Property and Housing Enterprises (Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. – **BFW**), the umbrella association of German property managers **DDIV** (Dachverband Deutscher Immobilienverwalter e.V.) and other, regional property industry associations.

Ratings

The importance of ratings for assessing sustainable corporate business practices has grown enormously over the last ten years. When making investment decisions and entering into business relationships, investors and clients increasingly consider the sustainability performance of a company as well. Ratings play a central role in this: they make sustainable business conduct measurable and comparable.

- In 2013, Aareal Bank Group again gained Prime Status in the sustainability rating by the prominent rating agency **oekom research AG**. This status is awarded to companies which, according to the oekom corporate rating for social and environmental performance, rank among the leaders in their industry and meet the minimum industry-specific requirements. Our human resources policy contributes to this good result in particular: we achieved an excellent rating of B- in the area of employees.
- In the rating conducted by **Sustainalytics**, Aareal Bank Group scored 57 out of a possible 100 points – above the average for the rated companies.
- The assessment by rating agency **imug** also resulted in an above-average score overall. Our public-sector Pfandbriefe were rated "positive", while our mortgage Pfandbriefe and unsecured bonds were rated "neutral". They are therefore suitable as investments from a sustainability perspective.
- In 2012, Aareal Bank Group participated in the **CDP** for the first time, and immediately scored 67 out of a possible 100 points on the "disclosure score". This led to us being awarded the prize for the best German newcomer of 2012 and clearly exceeded the average score of the companies rated. Aareal Bank Group improved on this result in 2013, with a score of 81B. The CDP illustrates a company's transparency and performance with respect to issues regarding climate change.



CLIENTS AND PRODUCTS



Aareal Bank Group's business model is divided into the Structured Property Financing and Consulting/Services segments – the two key pillars on which our success is built. We take a long-term approach to client relations and aim to provide sustainable solutions, ensuring we are well prepared for future megatrends.

The property industry and global megatrends

Regardless of the current uncertainties on the markets, megatrends will change the property markets in the coming decades. The property industry and commercial property financing will benefit from several global megatrends. These not only bring with them significant potential for value appreciation, but are also generating sustained high investment volumes on the property markets – and hence a substantial need for financing as well.

Demographic change

The heterogeneous developments in population structures in the various regions of the world will have a strong impact on demand for working and living spaces and will significantly alter requirements in relation to building functionality in particular.

Many developed, western societies are being confronted with ageing populations as a result of this demographic change. As a consequence, demand for properties is increasing, due in particular to the growth in one- and two-person households. The need to raise the retirement age in most industrialised nations also means that demand for high-quality commercial properties will continue to rise – in order to make age-friendly working possible, for example.

By contrast, strong population growth is expected in many newly industrialising countries, which will also lead to increased demand for living and working spaces. Both of these trends offer the property industry huge opportunities.

Globalisation

Open markets around the world increase competition between regions. They make it easier for market players to operate across national borders and hence to create strategically diversified portfolios. Comprehensive knowledge of the relevant local and regional property markets enhances success in the property business.

Structural change

Many newly industrialising countries are in the midst of a structural shift from manufacturing- to services-based economies, while the developed economies are evolving into information- and knowledge-driven economies. New ways of working are placing completely new demands on how workplaces are designed. The long-term transformation of these societies is fundamentally changing the way properties are used and fuelling the need to invest in a very wide range of commercial properties.

Urbanisation

Rural regions are experiencing massive population declines, while more and more people are moving into cities. The rapid growth of major cities such as Shanghai is not only attributable to general population growth – it is primarily to the result of migration. The consequences of this trend towards urbanisation will have a corresponding effect on the property markets. The main results are the need to optimise the use of floor space and avoiding further urban sprawl.

Modern buildings

If a property is to satisfy its users over the long term, it must reflect future trends today. Sellers of office properties, for example, must already factor in rising energy prices and the growing consciousness of environmental and climate protection, as well as the changes in the working world. Discerning tenants not only expect green buildings, however; good public transport connections are also a priority for them. The reason: 30 % of a service company's CO₂ emissions are attributable to its employees' daily commute between home and the workplace. Easy accessibility via public transport gives employers the opportunity to reduce their ecological footprint.

All in all, properties that do not meet sustainability criteria are likely to face increasing marketing problems in future. A property in an unfavourable location with outdated technical and structural features will have enormous problems during the search for tenants and investors, or will be faced with considerable discounts.

Digitisation

Digitisation has experienced an enormous boost in recent years: well over 90 % of the world's technological information capacity is now digital. Twenty years ago, this figure was a mere 3 %. The Internet, smartphones and tablets have significantly changed the way people communicate.

In the housing industry, the digitisation of communication is having a considerable impact on the implementation of a tenant-oriented strategy. Tenants' experiences with other sectors such as retail or banking are rapidly raising their expectations of services that housing companies must provide via the Internet, and their accessibility. What they want is an offer that is systematically focused on clients' individual needs. This significantly affects processes in housing companies and requires client relations to be systematically structured.

As part of this digitised communication, mobile services enable even more flexible and productive work. The housing industry can make significant cost savings by using integrated mobile solutions. For example, the on-site processes performed when a flat is accepted can be further simplified.

The property industry – and hence Aareal Bank Group – will benefit from these trends, and with its solid business model, the Group is prepared for them. Our motto – Local expertise meets global excellence – means that we are close to clients and are familiar with the relevant markets. We finance high-quality commercial properties, including green buildings, for example. These are characterised by extremely high, sustainable usability and hence also by above-average property values.

The issue of digitisation is a key focus for Aareon, whose response to this trend includes a broad range of mobile services.

Responsible credit business

The financial market was dominated by great uncertainty for many years. Aareal Bank Group's successful business model has allowed it to perform extremely well in this market environment. Adequate, sustainable risk management and risk control are the core elements of this success. We have benefited from our sound, sustainable lending policy, our pronounced market and client proximity, forward-looking refinancing policy and healthy balance sheet structure.

Aareal Bank Group provides support for clients investing in property in Europe, North America and Asia. This three-continent strategy allows us to diversify our property financing portfolio across different regions and opens up cross-border and cross-regional business opportunities. At the same time, diversifying our risk in this way reduces our dependence on individual markets. Equally, the wide range of different property types that we finance – including office buildings, retail properties, hotels, and logistics and residential properties – helps keep our portfolio balanced. In the area of commercial property financing, we primarily concentrate on investment financing, i.e. financing completed buildings. The properties are usually secured by senior liens, can serve as cover assets and have moderate loan-to-value ratios. Our small NPL portfolio also demonstrates the quality of our credit business.

Sustainability as a criterion for financing

The assessment of the basic business environment in countries in which we are or aim to become active considers economic aspects such as changes in gross domestic product, the unemployment rate and interest rate trends. In addition, we look at legal certainty, market transparency and levels of corruption in the country concerned.

We take the following sustainability criteria into account during property valuations in connection with lending decisions:

- **Economic quality**, e.g. the property's location and rental status, the ability to meet tenant requirements, the flexibility of the building's structures and the economic efficiency of the floor plans
- **Technical quality**, e.g. issues relating to the building's construction, the materials used, fire protection, insulation and soundproofing, fittings and fixtures and the quality of the interior spaces (measured in terms of their thermal, acoustic and visual comfort)
- **Functional quality**, e.g. transportation links, general accessibility and barrier-free access
- **Life-cycle quality**, e.g. demonstrated by opportunities for flexible use, the ability to re-let properties, third-party usability and appropriate expenditure on value preservation measures
- **Sociocultural quality**, e.g. high-quality architecture and town planning
- **Ecological quality**, e.g. as expressed by environmental liability and contamination audits.

Regular impairment tests, which are performed on the basis of appraisals, provide information on changes to these criteria.

Financing future-proof properties: the "Belair" property has BREEAM certification

Aareal Bank provided € 152 million in financing for the acquisition of the "Belair" complex of office and administrative buildings in Brussels. Core renovation of this 11-storey office complex was completed in December 2013. The building has received green building certification under the BREEAM standard with a "very good" rating. Aareal Bank acted as arranger, syndicate leader and lender in the transaction.

BREEAM[®]

The BRE Environmental Assessment Method (BREEAM) sustainability standard is the leading and most widely used method of certifying buildings.



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Sound, broad refinancing base

Aareal Bank Group has a sound, broad base for its refinancing requirements. We are an active issuer of Pfandbriefe, which make up a significant share of our long-term funding.

Pfandbrief issuance is governed by the German Pfandbrief Act (Pfandbriefgesetz – PfandBG), whose strict provisions focus in particular on investor protection.

Pfandbriefe are a particularly sound investment with a proven market infrastructure – something that also applies in uncertain times. Their excellent credit ratings and stable returns are valued by investors in Germany and abroad.

The AAA rating for Aareal Bank's Pfandbriefe confirm the quality of its cover assets pool. The geographical distribution of the cover assets pool also demonstrates the diversification strategy used in commercial property financing. Aareal Bank's mortgage Pfandbrief is one of the world's most highly diversified covered bonds.

Deposits by institutional investors and by the housing industry are another source of refinancing. These are largely independent of the capital markets and represent an important additional pillar in the Bank's long-term funding mix. The volume of deposits by the housing industry has continually increased in the past years – proof of our clients' trust.

Sustainability of the securities portfolio

Due to the persistently volatile market environment, and in order to comply with future regulatory requirements, Aareal Bank holds a liquidity reserve in the form of a high-quality securities portfolio. It comprises four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABSs). Around 98 % of the portfolio has an investment grade rating.

We conducted a sustainability analysis of Aareal Bank Group's securities portfolio for the first time in 2012, and will repeat this regularly to ensure continuous improvement. The independent rating agency oekom research came to the conclusion that the issuers listed in our Treasury portfolio achieve best-in-class status on average. Exclusion criteria set by us were also considered in the analysis. The overall score of the portfolio improved in the reporting period compared with the previous year's analysis.

Services for the property industry

Today, mobility and mobile information systems are inextricably linked. People who are on the move a lot want access to all relevant information – especially in the housing industry.

Aareal Bank Group offers the commercial property and housing industries innovative, environmentally friendly solutions with optimised processes. They are intended to digitise our clients' property management to the extent permitted by law and technology. This applies both to the payment transaction processing performed by Aareal Bank and to Aareon's ERP products.

Aareal Bank's products

BK 01 is the leading system for processing mass payments in the housing industry. In the period under review, the Bank processed payment flows for more than 5.5 million homes and commercial units and around two million power supply contracts, involving a total of over 100 million payment transactions per year. The system provides electronic account information that can be automatically read into the ERP systems. The system's automated downstream processes make a significant contribution to speeding up workflows and reducing administrative costs.

BK 01 immoconnect creates a special, exclusive data interface between the ERP systems of housing and energy companies. This interface optimises data interchange for invoicing service charges and operating expenses between these companies and the associated payment transactions for advance installments and final payments.

The new **BK 01 billing and data calculation system** product enables energy and waste disposal companies to automatically supply their clients, particularly those from the housing and property industries, with electronic data from these areas and hence also to save paper.

Aareon's products

With its country-specific ERP solutions, Aareon has a sophisticated offering that meets the most diverse client requirements and is supplemented by integrated services such as an online service portal, CRM solutions and document management systems. In Germany, Aareon offers the new product generation: **Wodis Sigma**, **SAP solutions** and the proven **ASP solution GES**.

The **Mareon service portal** links housing companies, services that provide meter readings for heating, and tradesmen. This allows ongoing maintenance of properties, for example, to be handled more easily, reducing administrative costs and accelerating workflows on all sides.

The same principles also apply to **Aareon's invoicing service**: this enables systematic, fully integrated automation of the invoicing process, offering end-to-end standardisation and saving both time and money, not to mention lots of paper.

With the introduction of **Aareon's CRM portal**, clients can use personalised access data to view and manage information. Individual housing companies can customise the system's functions.

Thanks to **1st Touch**, the British market leader for mobile solutions in the housing industry, users in Germany can benefit from Aareon Group's internationalisation. The 1st Touch products are the ideal supplement to Aareon's product portfolio. However, "Mobility" is not a product, but simply a new form of mobile access to Aareon solutions. By using mobile devices, processes that were previously performed manually can now also be digitally based, eliminating many paper-based tasks.

Long-term client relationships and satisfied clients

Client dialogue plays a central role for Aareal Bank Group and its daily business. Forums such as our client advisory boards plus continuous dialogue ensure the Company knows what its clients want. They are the most important starting point for enhancing our portfolio of products and services. We also pay particular regard to property industry and IT trends.

Our direct, long-term relationships with our clients are a key feature of our **commercial property financing**. One factor contributing to client satisfaction is our local knowledge and the expertise of our sector specialists in the fields of logistics, shopping centre and hotel financing. This means that we understand our clients and speak their language.

In the area of **refinancing**, too, we have long-term, close client relationships. The Treasury division looks after a broad client base of fixed-income investors. These are investors who invest in capital market products, allowing us to refinance our portfolio of property loans. Our clients especially value our employees' many years of capital market experience and the high level of continuity in their contacts with the Bank. Fixed-income investors are often served by the same experts for many years.

Aareal Bank has been the lead bank for the **housing industry** for more than 50 years. We have developed an in-depth understanding of the specific challenges in the sector and have created instruments that improve business efficiency in the commercial property and housing industries. Client satisfaction with Aareal Bank's Institutional Housing Unit is discussed regularly at three levels:

- by the Bank's Housing Advisory Council, an advisory body comprising key industry players drawn from our clients,
- in the day-to-day interactions between our clients and the sales unit contacts assigned to them, and
- by integrating clients in the development of new products or components using a standardised test phase that is explicitly designed to optimise their first-time operation.

Aareon has been conducting client surveys for over ten years. We aim to systematically implement improvements based on this client survey. The results have been constant for many years, which is why we have conducted the survey every two years since 2012.

Our last survey in 2012 reported high client acceptance of the survey, with a response rate of more than 40 %. What is more, approximately 87 % of these clients submitted personal replies. Overall satisfaction in particular improved significantly year-on-year, as did the results for loyalty (94 %) and client satisfaction with their points of contact (98 %).

We will conduct the next client survey in 2014. In addition, Aareon maintains close dialogue with clients via topic-based and regional advisory boards in particular.

Data security and data protection

Safeguarding our clients' privacy is extremely important to the companies of Aareal Bank Group. We observe banking secrecy and comply with the provisions of the German Data Protection Act (Bundesdatenschutzgesetz – BDSG) as well as the data protection regulations of the countries in which we are active. We only collect, process and use personal data with the consent of the data subject or in those cases allowed by law.

Employees are taught about data protection issues in training sessions. A data protection officer who is not subject to the instructions of, but is appointed by, the Management Board ensures compliance with data protection provisions and monitors employees' obligation to maintain data secrecy together with the Human Resources division.

Large volumes of end-customer information are processed by Aareon in particular. As a result, data security and data protection have a high priority for us. Since 2010, Aareon has regularly undergone voluntary data protection audits in accordance with section 9a of the BDSG.

Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (**DQS GmbH**) again confirmed Aareon's high level of data protection in 2013. Aareon, including its German subsidiaries, was awarded the DQS data protection seal of approval (DQS-Gütesiegel-Datenschutz) for the fourth time.



There were no reportable data losses or data protection infringements in the period under review.

Data in Aareon's cloud is stored exclusively in Germany in data centres that are fully operated by the company itself. The data centres are linked by a dedicated, encrypted fibre optic network. Aareon's customers access their data at Aareon using dedicated WAN connections or encrypted VPN connections. Multi-layer firewalls prevent data stored in Aareon's cloud from being accessed over the Internet. Aareon's data centre operations are regularly certified in accordance with IDW PS951.

In 2013, Aareon launched the "ISO/IEC 27001 – initial certification" project. This aims to further enhance Aareon's high standard of information security management and have this checked by an external auditor, so that it can be certified in accordance with ISO/IEC 27001 in mid-2014.

Quality management

As a company that acts sustainably, the concept of quality is firmly anchored in Aareon's corporate conduct and culture. In line with this, the company's quality management system is regularly reviewed and certified.

Aareon's quality management system has been successfully recertified by **DQS GmbH**. In an extensive audit, DQS checked the use of the process-oriented quality management system in line with the ISO 9001:2008 framework in the areas of software development, launches and operation for all IT-based processes related to the property industry, as well as for the consulting and services provided over the entire life cycle of Aareon's products. As in the past, the certification is valid for three years.

EMPLOYEES



A company's success is largely dependent on its employees. Aareal Bank Group's systematic employee development policy aims to enhance its employees' professional and personal skills. We also promote a positive work-life balance and offer a Company Health Management programme – a concept for which we have already received a number of awards.

Aareal Bank Group: an attractive employer

We aim to provide our employees with an attractive and safe working environment, and we have succeeded: for the sixth time in a row, Aareal Bank was recognised as a **"Top Employer"** in Germany by the Corporate Research Foundation.

In 2011, Aareon received an audit certificate from **berufundfamilie gGmbH**, valid for three years, for its family-friendly corporate policies. In the reporting period, Aareon prepared for recertification, which is planned for 2014.

In addition, Germany's Federal Ministry for Family Affairs named Aareon Germany's most family-friendly company in the SME category in its **"Erfolgsfaktor Familie"** ("Success Factor Family") competition in 2012. The next competition will be held in 2015.

Employee structure

Aareal Bank Group employed 2,375 people as at the end of 2013, of whom 908 are employed at Aareal Bank and its sales subsidiaries in New York and Singapore. The Aareon subgroup employed 1,258 people as at the reporting date of 31 December 2013. Aareal Bank Group's largest location is Germany, with 1,755 employees. Of its 620 employees in other countries, 583 are attributable to European countries, in particular France, the Netherlands and the UK. The increase in people employed abroad is linked to the Group's internationalisation, especially at Aareon.

Employee-initiated staff turnover was a mere 2.5 % in 2013. This and the average length of service at Aareal Bank – 13.3 years – attest to our employees' attachment to the Company. The average age of our employees is 44.7. Approximately 18.4 % of staff works part-time, reflecting a slight year-on-year increase in the proportion of part-time employees. The proportion of employees with fixed-term contracts throughout the Group was 5.1 %, up slightly year-on-year.





Employee structure in comparison

	31 Dec 2013			31 Dec 2012			31 Dec 2011		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Number of employees	2,375	908	1,258	2,289	906	1,168	2,353	987	1,129
of whom outside Germany	620	126	483	536	123	404	541	156	374
of whom female	927	420	406	893	406	383	934	442	368
Staff turnover	2.5 %	1.4 %	2.9 %	3.1 %	2.9 %	3.3 %	3.5 %	2.9 %	4.4 %
Percentage of part-time employees	18.4 %	19.3 %	16.9 %	18.0 %	18.4 %	17.0 %	18.1 %	17.9 %	18.0 %
Full-time employees	1,937	733	1,045	1,878	739	973	1,926	810	928
Number of female part-time employees	344	152	150	335	144	146	348	154	147
Number of male part-time employees	94	23	63	76	23	49	79	23	54

Bank = Aareal Bank AG including foreign branches and foreign subsidiaries in New York, Singapore and Prague (until 30 June 2012)

Aareon = all units in Germany and abroad including subsidiaries

Group = Bank, Aareon and other subsidiaries such as BauGrund, Valuation, Estate and First Financial

Co-determination

Aareal Bank Group complies with the statutory requirements of the countries in which it operates. This applies in particular to labour law and employee co-determination rights. Employee representatives are regularly informed of current developments. In addition, all locations participate in annual works council meetings and employee events.

Aareal Bank's General Works Council comprises Works Council members from our Wiesbaden, Berlin, Hamburg, Leipzig and Stuttgart establishment. Employees at other German locations are represented by the Works Council in Wiesbaden. In the Group as a whole, 83 % of employees are covered by collective agreements.

The subgroup headed by Aareon has a similar co-determination/employee representation structure. The General Works Councils of Aareal Bank and Aareon Deutschland GmbH each appoint an Economic Committee. Aareal Bank and Aareon Deutschland have a co-determined Supervisory Board in accordance with the Drittelbeteiligungsgesetz (One-Third Participation Act). Two Aareon employees are also appointed to Aareal Bank's Supervisory Board.

A joint Group Works Council comprising representatives of the Bank and of five German subsidiaries addresses issues that affect the entire Group.

Continuing professional development (CPD)

Aareal Bank Group invests in its employees' continuing professional development on an ongoing basis. The measures taken focus on sustainably enhancing specialist, entrepreneurial and communications skills. Since an international orientation plays a significant role for Aareal Bank Group, we are expanding our training courses designed to develop and improve our employees' language and intercultural skills.

Hours of CPD per employee category

	2013			2012			2011		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Senior management staff	21.0	27.3	21.9	27.8	26.6	28.7	22.8	31.3	19.0
Management staff	33.8	47.0	23.4	31.5	38.5	25.3	27.0	31.4	23.9
Specialist staff	24.8	24.9	27.1	27.7	27.9	28.1	31.5	32.7	32.7

Aareal Bank employees both in Germany and at international locations can participate in CPD measures. Overall, the Bank invested in an average of 3.5 days of training and CPD per employee in 2012 and 2013, for a total of approximately 3,185 participant days. At the level of the management staff, around 70 % analysed their own leadership role and their responsibility for the Company's success in management training sessions in 2013.

All employees discuss their individual development and agree concrete development measures with their supervisor as part of their annual Structured Appraisal and Target-Setting Dialogue. This Dialogue is the Bank's main employee development tool and is used for both employee development planning and performance management.

The Office Congress held in the reporting period was the first Group-wide event besides the Annual Management Meeting. In it, more than 40 Aareal Bank Group employees discussed the wide variety of different requirements placed on secretarial services.

A good 4,100 participant days' training were held at Aareon in 2013. This corresponds to an average of approximately 3.3 days per employee. Aareon also conducts employee appraisals each year to discuss individual development planning and qualification measures.

The Aareal Academy

The Bank's internal and external training and CPD measures are consolidated under the umbrella of the Aareal Academy. This internal corporate university provides management, qualification and training programmes for employees at all Aareal Bank locations. It encompasses a wide variety of in-house and external seminars, language and IT courses, on-the-job qualifications and individual development planning.

**Aareal Academy
Corporate University**

Measures and programmes for management staff

Measures and programmes for employees and experts

Collaboration with universities

Integration programmes for new employees, trainees and interns

Fostering young talent

Attracting and growing young talent is a key aspect of our human resources work. The specialist knowledge required in our areas of business means that it is essential to invest continuously and systematically in training young talent.

We have offered a customised graduate trainee programme since 2000, with a wide range of opportunities for development within Aareal Bank.

	31 Dec 2013			31 Dec 2012			31 Dec 2011		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Graduate trainees	10	4	6	8	5	2	11	6	5
Vocational trainees	31	1	28	39	2	33	34	1	28

Aareal Bank offers and supports a large number of measures designed to ensure regular contact with potential young talent.

- **Internships** at Aareal Bank give university and high school students the opportunity to gain a first impression of working life and find out about the Group's divisions. The Bank reorganised its remuneration system for interns in 2013 and simplified the processes related to high school student placements.

- Aareal Bank offers **internships for young people with disabilities** as part of the inclusive training programmes offered by Deutsche Angestellten-Akademie (DAA) for vocational trainees or career changers.
- Aareal Bank continues to provide the Wiesbaden Chamber of Industry and Commerce with **guest speakers** for workshops and events aimed at school students.
- A **Boys' and Girls' Day 2013: Future Prospects for Boys and Girls** was held for the first time at our Wiesbaden head office in the reporting period. The initiative, which is sponsored by the Federal Ministry of Education and Research, aims to assist school students in making career choices.
- Aareon again took part in the **Girls' Day** in the reporting period. In addition, it organised another **Aareon kids & friends Science Camp** on the topic of "data flows on the Internet". Aareon also plans to offer an **Aareon IT Award** for high school graduates in 2014.

Fair remuneration systems

At Aareal Bank Group, salaries are set in compliance with overarching remuneration policies, which are available online.

Aareal Bank employees in Germany are paid in accordance with collective wage agreements or general works agreements. At Aareon, remuneration is governed by general works agreements.

The remuneration system for the members of the Management Board of Aareal Bank Group was reviewed and modified with effect from 1 January 2012 against the background of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) and the German Ordinance on Remuneration in Financial Institutions (Instituts-Vergütungsverordnung – InstitutsVergV). The remuneration system comprises non-performance-related and performance-related components. The performance-based bonus reflects the extent to which the Management Board member concerned has met the targets set by the Supervisory Board. We ensure long-term performance by anchoring multi-year goals in the contracts for our Management Board members. These goals are linked to the success of the Company and also include sustainability management aspects.

Amendments to the German Banking Act (Kreditwesengesetz – KWG) and the InstitutsVergV have also resulted in the following requirements regarding the structure of remuneration systems:

- We will have to lower the maximum variable remuneration for individual employees, as this may only exceed the fixed salary in exceptional cases and with the approval of the Annual General Meeting.
- We expect the number of people defined as risk takers, i.e. employees who have a material influence on the Bank's risk profile, to increase as this is being called at European level. This will increase the number of employees whose remuneration must meet specific regulatory requirements. These include the rule that 50 % of the variable remuneration must be oriented towards the Company's long-term success and also that at least 50% of the variable remuneration will be retained and subject to a penalty arrangement.

Aareon's remuneration system is based on developments in the IT industry in Germany. The underlying salary bands are reviewed for market comparability together with an external remuneration specialist and are adapted every three years. The next review is scheduled for 2014.

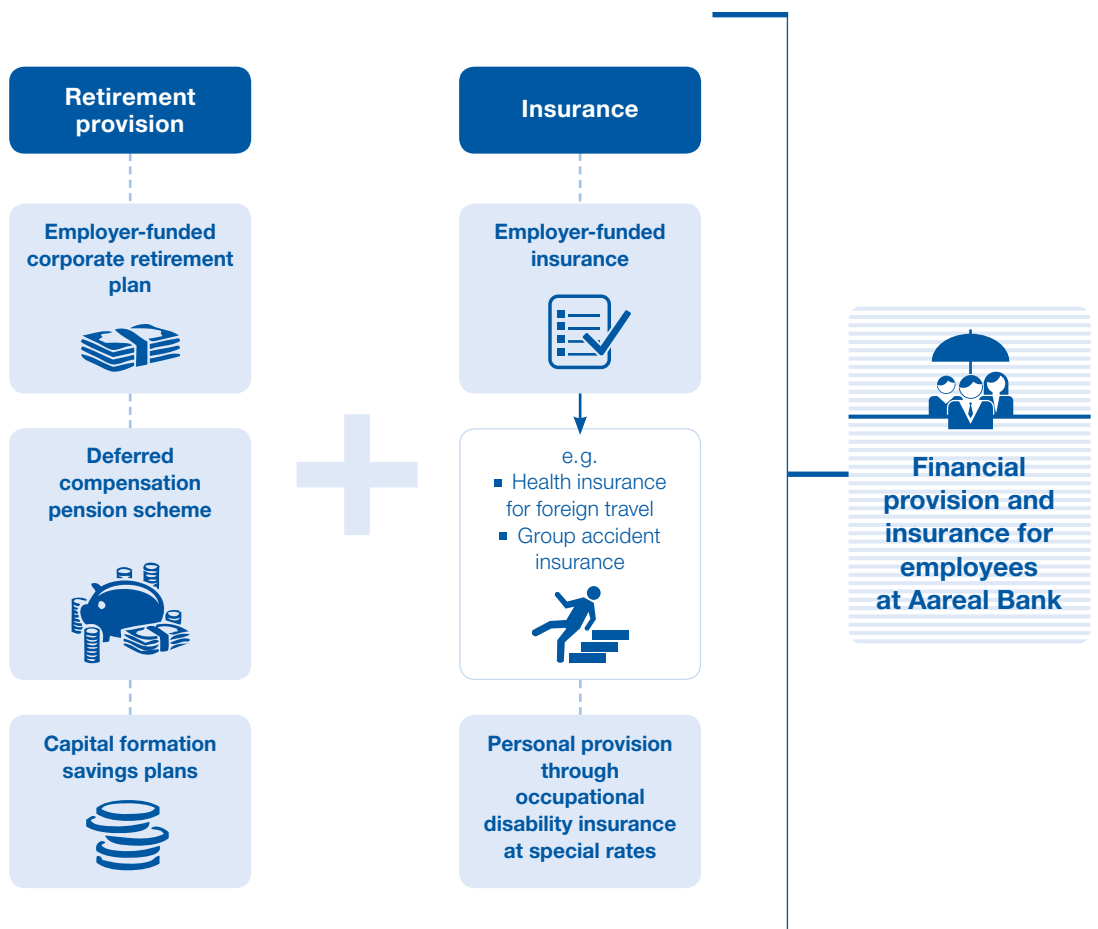
Retirement provision and insurance

Aareal Bank offers its employees an employer-funded corporate retirement plan. Employees can also make additional pension contributions using a deferred compensation model. They can also use capital formation contributions paid by the Bank to further improve their pensions.

Aareon also offers its employees comparable deferred compensation models for occupational pension provision and organises information events at various locations.

In addition, Aareal Bank offers its employees a variety of insurance policies. These include employer-funded health insurance for foreign travel and the option to take out occupational disability insurance at special rates.

We provide our employees throughout Germany with group accident insurance cover to insure them against the long-term consequences of accidents, including disability, partial disability and death. In 2013, Aareal Bank Group decided to extend its insurance to cover employees outside work as well.



Equal treatment

For Aareal Bank Group, treating men and women in the Company equally is extremely important. This applies both to staff appointment decisions and to continuing professional development and remuneration. All job openings below executive level are advertised as a matter of principle so that all employees, regardless of gender, can apply for them. Equally, we do not distinguish on the basis of gender when it comes to pay – besides individual performance; we only take into account factors such as qualifications, professional experience and education.

The employee representative bodies regularly verify that positions are filled on the basis of applicants' qualifications in the course of exercising their co-determination rights. The same also applies to appointments at the level of the Management Board and senior executives – the primary considerations when selecting suitable candidates are their qualifications and international experience.

As required by the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG), Aareal Bank and Aareon have AGG officers in Germany and AGG courses are also held for all employees. The employee handbook in the USA contains anti-harassment policies to avoid harassment in the workplace.

The Aareon 2.n project is designed to anchor equal opportunities in the Company. In a figurative sense, the "2" stands for a new generation of companies that are addressing demographic change and hence the competition for management and specialist staff. The "n" stands for "nachhaltig" – or "sustainable".

In a qualitative survey in 2013, 59 % of employees reported that they experienced equal opportunities at Aareon. Aareon aims to encourage this further using measures that it also adopted in 2013, such as communication training sessions for women and men and lectures such as "Living life to the full – strategies for men to navigate work, fatherhood and relationships".

Diversity

We are convinced that diversity enriches our corporate culture and that it is a long-term success factor. Mutual esteem and respect for individual differences are the basis of our daily work together. This is why the Management Board has made an express commitment to diversity in Aareal Bank Group. We have also clearly stated our position on diversity in our Code of Conduct:

"In Aareal Bank Group, we respect all persons regardless of their ethnic origin, religion, ideology, disabilities, sexual identity, gender, or age. We respect their dignity, rights and privacy. We strive for an awareness and understanding of the beliefs and needs of others."

In order to give the issue of diversity even more prominence, Aareal Bank signed the **Diversity Charter ("Charta der Vielfalt")** in 2013. We have published additional information on Aareal Bank Group's diversity principles on the Internet and on our Intranet.



Aareal Bank Group has an international focus: we currently employ people from more than 30 different countries. At Aareal Bank's international locations, we ensure that most positions are filled with local citizens.

Since 2012, employees from a variety of Aareon areas and projects have been given intercultural training. The objective is to improve intercultural skills and make international cooperation easier. Around 100 Aareon employees in Germany and abroad took part in intercultural training in the reporting period. Their feedback was consistently positive.

The proportion of Aareal Bank employees in Germany with a severe disability – as far as is known – was 3.3 %. Since this percentage was below the statutory minimum, corresponding settlement payments were made, or were reduced by commissioning work from workplaces for people with disabilities. This group of employees is represented in the Group's German companies by disability officers.

In the reporting period, 39.0 % of Aareal Bank Group's employees were female. The percentage of women in management positions was 25.4 % at Aareal Bank and 21.9 % at Aareon (including middle management).

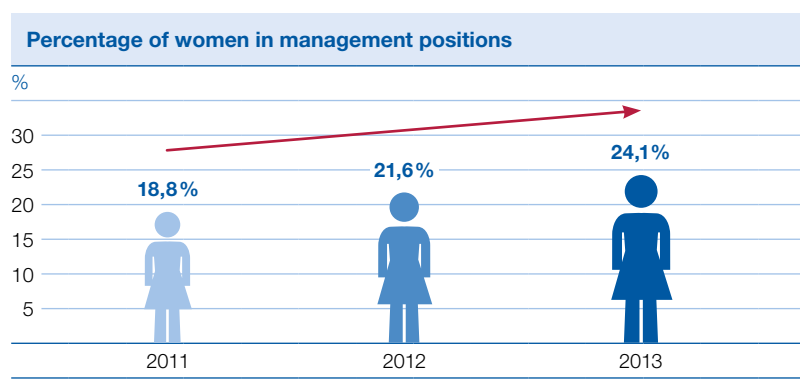
Proportion development of women in management positions

	31 Dec 2013			31 Dec 2012			31 Dec 2011		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Percentage of women in management positions	24.1 %	25.4 %	21.9 %	21.6 %	26.0 %	20.4 %	18.8 %	22.3 %	17.4 %

In May 2013, Marija G. Korsch succeeded Hans W. Reich as Chairman of the Supervisory Board of Aareal Bank. The Supervisory Board is aiming for at least 30 % of its members to be women, in line with the recommendations of the German Corporate Governance Code. However, this objective can only be taken into account at the earliest at the next ordinary Supervisory Board elections in 2015.

The Supervisory Board appointed Dagmar Knopek as a regular member of the Management Board of Aareal Bank effective 1 June 2013.

For the first time, Aareal Academy offered seminars especially for women in 2013, working together with partner firms to do so. In addition, the Bank has participated in the Anna+Cie programme since 2013, which prepares female managers for top management positions.



Study on equal pay for men and women

In the year under review, Aareal Bank took part in the remuneration study on equal pay at work ("Lohnleichheit im Betrieb" or Logib-D) – and performed relatively well: the adjusted gender pay gap was 2.0 % at Aareal Bank, which is very low for the market. In most companies, the adjusted gender pay gap is between 4 % and 8 %. The study, which is sponsored by the Federal Ministry for Family Affairs, was conducted in spring 2013. Participating companies are allowed to use the label "Logib-D geprüft" (Logib-D tested).



Work-life balance

In Aareal Bank Group, supporting employees in achieving a work-life balance is a high priority. Employees can take advantage of a broad range of support services. Besides flexible working models, part-time positions and the implementation and use of long-term working time accounts, these include the possibility of positions incorporating home working, if the workplace permits this.

In particular, we support our employees during emergency situations relating to child care or dependents who require care. In this way, and with the help of additional measures, we aim to help our employees achieve a better work-life balance.

- **Parent-child rooms**, which can be used during short-term emergency child care situations, are available to employees of Aareal Bank and Aareon.
- Aareal Bank cooperates with a **child care centre** in Wiesbaden and with the City of Wiesbaden with respect to the latter's **holiday programme**. These partnerships allow us to secure child care places and school holiday care for our employees' children.
- Since May 2013, Aareal Bank has been a **corporate member of Biberbau e.V.**, an official project of the UN Decade of Education for Sustainable Development (2005-2014). Thanks to our corporate membership, employees' children can take advantage of special educational and leisure activities.
- Since February 2014, our employees have been able to look free of charge for suitable **private child care** with the help of our new cooperation partner **famPLUS**.
- In the area of work and care, Aareal Bank offers its employees the opportunity to use the **advice and support services** provided by our cooperation partner **VivaSenia** free of charge, and to take statutory **family care leave** if a family member starts needing care.
- Aareon employees can take leave for a period of up to six weeks or temporarily reduce their working hours in the event of **special family commitments**. The details are agreed with employees individually.
- Every year, Aareon reserves **crèche and kindergarten places** at a nearby day care centre in Mainz. The latter are free of charge for employees' children. School-age children can take part in the **Aareon holiday programme**, which has a new theme each year.

- Above and beyond these services, Aareon cooperates with family services provider **ElternService AWO**, which provides support and advice to employees on **child care** and **if a family member starts needing care**.

Health management

Aareal Bank's Company Health Management programme (known by its German initials, BGM) helps its employees to stay healthy. We developed the BGM in 2012 with the help of a consulting firm and with the involvement of our employees. It covers the areas of information and a hotline service, prevention, movement, nutrition, relaxation and training.

The **health care portal** operated by the occupational medicine service BAD informs our employees about health-related topics. Our employees can also exchange experiences and make suggestions via a **discussion forum** on the Intranet. In May, Aareal Bank invited guests to the first **BGM talk** in Wiesbaden entitled "10,000 steps a day – exercise opportunities in your daily routine", at which every participant received a personal pedometer. All our other employees also received a pedometer.

The BGM also includes the **Employee Assistant Programme** – a hotline to help employees deal with crises at work and at home. The service is available 24 hours a day, 365 days a year.

The new twelve-week **running course** was so popular in the reporting period that Aareal Bank has set up two running groups with over 30 participants. The offer of **free skin cancer screenings** in Wiesbaden was also very well received, with 220 Aareal Bank employees taking part. In response to numerous requests by employees, **massages** have also been offered at the Wiesbaden location since 2013.

Under the umbrella of the Aareal Academy, the first of the new **stress management seminars** was held in 2013, which focuses on preventing stress-related illness. The **"Healthy leadership" seminar** designed especially for managers was also launched. Aareal Bank is planning to supplement the BGM offering in 2014 with **seminars on giving up smoking**.

Employee satisfaction in the Aareon Group in the reporting period was at its highest level since the survey began in 2002. As part of the BGM, Aareon also conducted a questionnaire on psychological stress factors. The result: Aareon did not receive critical scores in any of the areas and categories analysed.

Occupational safety

At Aareal Bank Group, the occupational safety organisation is the responsibility of the Management Board, which has implemented this via an integrated management system that complies with the statutory regulations. The aim is to further reduce the number of accidents by providing safety instructions and increasing employee awareness, as well as by various audits by external supervisory authorities. Every Aareal Bank Group subsidiary is therefore obliged to issue guidelines for its location in the form of an occupational health and safety manual.

The accident rate for Aareal Bank in Germany decreased year-on-year. The sickness rate remains at a low level. Aareal Bank employees are sick for an average of 8.4 days a year. No occupational illnesses were reported in the reporting period. Likewise, there were no work-related deaths.

Occupational safety figures

	2013		2012		2011	
	Bank	Aareon	Bank	Aareon	Bank	Aareon
Workplace accidents/ commuting accidents	8	9	15	10	13	6
Accident rate	1.0 %	0.7 %	1.9 %	0.9 %	1.6 %	0.5 %
Sickness rate	3.7 %	4.4 %	3.5 %	4.5 %	3.5 %	4.7 %

Accident rate for Aareal Bank relates to Germany; accident rate for Aareon includes international locations; sickness rate for both Aareal Bank and Aareon relates to Germany.

The sickness rate for Aareal Bank does not include any employees on extended sick leave in 2011 and 2012. Employees on extended sick leave have been included in the figure from 2013. The comparable rate for 2013 excluding employees on extended sick leave would be 3.2 %; this means that the sickness rate would be better than in the previous years.

ENVIRONMENT

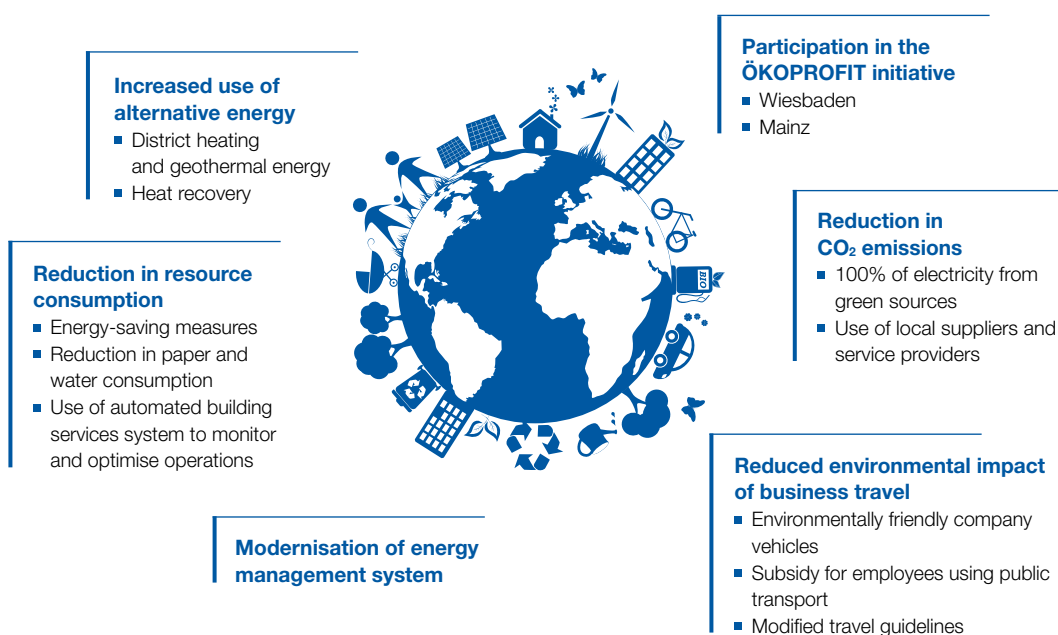


Aareal Bank Group aims to minimise the impact its business activities have on the environment: we take care to use consumables as efficiently as possible and to obtain resources from renewable or sustainable sources. We also expect our suppliers to comply with established environmental standards.

Environmental management

Avoiding environmental impacts while making sparing use of resources is a guiding principle at Aareal Bank Group. With our active environmental management system, we aim to meet the requirements of environmentally responsible banking and to minimise the impact of our business activities. Making sparing use of resources in the Bank's internal operations is the top priority. This depends in particular on employee awareness of the issue. Aareal Bank also considers cutting energy consumption, reducing CO₂ emissions, increasing energy efficiency and raising the percentage of renewable energy in its supply mix as other key measures for reducing environmental impacts. Sourcing green energy to supply our main sites in Wiesbaden and Mainz, as well as other locations in Germany starting in 2014, is crucial for this.

Aareal Bank Group's key suppliers are also required to comply at a minimum with statutory guidelines. In addition, the Group's guideline on supplier management governs other standards, criteria and assessment parameters in Aareal Bank Group's overarching supplier management system. We regularly evaluate whether suppliers are complying with the criteria they have to meet.



Measuring environmental impacts

We systematically capture and analyse our consumption data in order to minimise the impact our business activities have on the environment, a process that involves different environmental aspects taking into account and documenting our activities. To do this, Aareal Bank Group draws up plans on a rolling basis for servicing, maintaining and modernising our sites.



Participation in the Ökoprofit initiative

In 2013, Aareal Bank took part for the first time in the Ökoprofit initiative, which promotes environmental protection at organisations, with the aim of continuing to make its bank operations as environmentally compatible as possible. Participating companies are required to save energy, conserve resources and cut costs as a means of protecting the environment. Companies that meet these goals are presented with the "Ökoprofit-Betrieb" award, which we expect to receive in 2014.

The Environmental Office in Wiesbaden, the capital of the German state of Hesse, has been using the Ökoprofit collaborative project since 2000, for environmental optimisation at companies, making an important contribution to environmental and climate protection together with businesses.

Aareon also registered for the 2014 Ökoprofit project with the City of Mainz in the reporting period.

Use of resources



Paper is the largest consumable product by volume used at Aareal Bank Group. The Company only uses paper certified by the internationally recognised Forest Stewardship Council (**FSC**) or the Programme for the Endorsement of Forest Certification Schemes (**PEFC**) to print its brochures. Aareal Bank Group's key office materials and printing suppliers are FSC-certified or have an environmental management system certified to ISO 14001.



Between 2012 and 2013, the **amount of paper** used for internal office purposes by Aareal Bank and Aareon in Germany rose from 30 to 32 tonnes. This equates to approximately 20 kilogrammes of paper per employee. We optimise corporate workflows and save paper using modern IT solutions such as automated and largely paperless travel expense management, as well as invoice verification and generation. Since 2012, we have been using 75 g/m² copier paper, which is produced using less wood than the 80 g/m² paper previously purchased. In addition, we use paper carrying either the PEFC certificate for sustainable forestry management or the EU Ecolabel ("**Eco Flower**"), the highest certification category for non-recycled copy paper in our copiers.

Water consumption at Aareal Bank and Aareon has remained almost unchanged in recent years. The increase in 2013 can be traced to the various measures performed in the grounds. In order to reduce consumption permanently in future, a rainwater harvesting system is scheduled to be constructed in 2015.

We have used this resource sparingly for many years and intend to track and implement any sensible means of further reducing consumption in future, too.

	2013		2012		2011	
	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany
Paper used for internal office purposes (t)	23	10	20	10	21	13
Paper used per employee (kg/employee)	28	13	25	13	25	17
Printouts for/by clients (t)	24	103	24	89	24	96
Water consumption (m ³)	16,186	4,887	13,835	5,153	14,582	5,322

In the reporting period, a total of 157 tonnes of **waste** were produced, roughly the same amount as in the previous year. Total waste in Wiesbaden was reduced in 2013. The significant increase in the percentage of recycling waste here was also encouraging and is the result of improved sorting.

Waste paper is recycled. The relevant amount in 2013 was 75 tonnes or approximately 49 % of total waste, up year-on-year.

Energy efficiency

Aareal Bank Group aims to cut its **electricity consumption** further and is also making an energy mix with a high percentage of green energy a priority, so as to ensure it is sourcing its energy requirements as efficiently and environmentally compatibly as possible.

Between 2012 and 2013, electricity consumption at the Wiesbaden site and Aareon increased slightly from 7,683 to 8,041 gigawatt hours. The renovation of the data centre in Wiesbaden in 2011 continues to have a positive effect on the Group's energy consumption today: by using highly efficient technologies and integrating "free cooling", we were able to cut the centre's energy consumption for the same load in 2012 by around 40 %.

	2013		2012		2011	
	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany
Indirect Energy consumption (GJ)	18,234	10,715	16,931	10,725	19,147	16,926
District heating (GJ)	12,886	2,633	11,019	2,670	11,192	2,320
Direct Gas (GJ)	0	2,074	0	1,708	0	2,145
Heating oil (GJ)	72	18	72	72	72	2,124

Around 44 % of Aareal Bank's energy mix to date comes from renewable energy. We will switch our main sites in Wiesbaden and Mainz to green power starting in January 2014, generating annual savings of approximately 3,000 tonnes of CO₂ emissions.

The Wiesbaden site has used district heating for heating and hot water for several years now. Some of the energy used to supply hot water is generated by a solar thermal system. In addition, the following factors reduce the amount of energy required at the Wiesbaden site: highly efficient pumps for heating and cool-

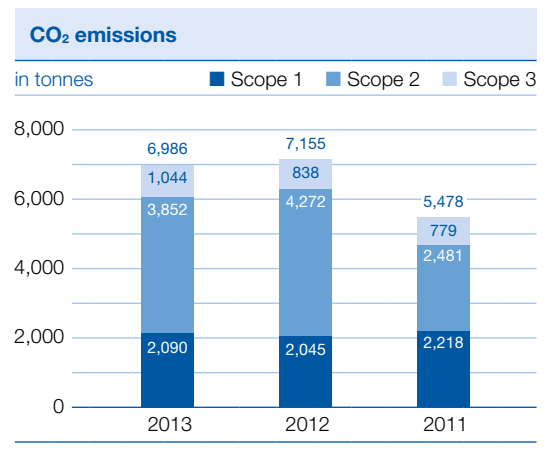
ing distribution, heat recovery in ventilation and air-conditioning systems, and a building services automation system to monitor and optimise operations.

The head office of Aareon and First Financial in Mainz, which has been occupied since 2012, is heated and cooled using geothermal energy and waste heat from the data centre. The consumption of heating oil was also cut dramatically in 2013 as a result of the relocation and the consequent switch to district heating.

CO₂ emissions

We record greenhouse gas emissions using the Greenhouse Gas (GHG) Protocol – an internationally recognised standard that sets out the framework for reporting greenhouse gas emissions. Emissions are measured using three "scopes". Scope 1 governs direct emissions produced on a company's premises. Scope 2 governs emissions attributable to indirect energy consumed. Scope 3 governs emissions produced by services performed by third parties and by services purchased.

Scope 1 emissions from direct energy consumption in buildings (gas and heating oil)¹⁾ and from Aareal Bank and Aareon company cars (diesel) totalled 2,090 tonnes of CO₂ in 2013. Emissions from indirect energy consumed such as electricity and district heating (**Scope 2**) amounted to 3,852 tonnes. CO₂ emissions of 1,044 tonnes were recorded for business trips made by rental car, flown, or taken by train (**Scope 3**).



Mobility

Aareal Bank Group has a set of **travel guidelines** that are binding on all German sites. These require our employees to check before every business trip whether they actually need to travel and to consider alternative means of communication. In recent years, Aareal Bank Group has invested in modern conference call and video conference technology at its sites to provide such alternatives. By systematically using this technology, we aim to help cut business travel efficiently going forward.

For business trips that are nevertheless necessary, air travel should only be given preference over other means of transport if it significantly reduces the journey time. In addition, the cost of travel compared with other means of transport should only be marginally higher, or should only increase by a reasonable amount given all the circumstances. Rental cars are also chosen with an eye toward both economic efficiency and cost awareness.

¹⁾ Emission calculations for Aareal Bank only take into account its largest site in Wiesbaden; Aareon's calculations take into account its German locations.

Aareal Bank Group also believes that choosing environmentally friendly company cars is important: in line with its **company car policy**, new vehicles purchased must always comply with the strictest EU emission standard in force, depending on the manufacturer and model concerned. In addition, we updated our company car policy in the reporting period by introducing a CO₂ limit for purchases of new company cars and an average CO₂ limit for the fleet in Germany.

Aareal Bank Group also incentivises its employees to choose environmentally friendly vehicles under the company car guidelines. For example, the employees' own monthly contribution increases by € 4.00 for each 0.1 litre increase in consumption, regardless of the monthly lease payment, if fuel consumption exceeds the figures set out in the EU directives. By implementing this rule, we aim to make all company car drivers aware of their environmental impact, thereby reducing unnecessary fuel consumption.

For employees who prefer to use public transport to get to and from work, Aareal Bank makes a contribution to their annual season tickets.

Sustainable procurement

In its procurement activities, Aareal Bank Group gives preference to local suppliers and service providers, ensuring short routes and reducing CO₂ emissions. Naturally, we also expect our suppliers to comply at a minimum with statutory guidelines. The contract templates used for suppliers and service providers specifically oblige them to comply with the regulations and standards.

We conduct in-house evaluations to determine whether suppliers are in compliance with these requirements. In 2013, we revised the questionnaire for supplier evaluations in order to focus more on social standards when selecting our suppliers in future. This revised questionnaire will be used for new suppliers and for the annual survey of current key suppliers.

The questionnaire is part of the **Group's guideline on supplier management**, which define the standards, criteria and assessment parameters used in Aareal Bank Group's overarching supplier management system. Besides compliance with all the necessary environmental requirements, the guidelines also consider other key points, such as the supplier's market position, the quality of the goods and services, prices and delivery performance, the quality of commercial procedures, and adherence to deadlines and volume targets. Individual aspects are assessed on a regular basis by the responsible units in each case (the purchasing organisations and the divisions).

Aareal Bank Group deliberately imposes high quality requirements on its authorised suppliers. The intention in continually updating the supplier guidelines is to constantly raise the bar for these requirements. On the other hand, in our working relationships with our suppliers, it is important for us that they have introduced and implemented extensive occupational health and safety standards. In 2014, we are also planning regular supplier audits with our key suppliers to be in an even better position to check compliance with these measures.

SOCIETY



Being a sustainable company also includes taking social responsibility. This is why Aareal Bank Group supports a large number of external educational and academic initiatives, as well as charitable and social organisations. In addition to donations and sponsorship, we encourage our employees to become involved, as well as facilitating knowledge transfer between business and society.

Education and academic research

Aareal Bank Group sponsors educational and academic organisations and initiatives whose interests overlap with its areas of business. The Group sees itself not only as a sponsor, but also as a partner in cooperative activities. For Aareal Bank, this means supporting the next generation of professionals, promoting research projects and creating international links between academic research and teaching.

- Aareal Bank has endowed a professorial chair at the **Real Estate Management Institute (REMI)**, part of the EBS Universität für Wirtschaft und Recht in Wiesbaden.
- Aareal Bank Group sponsors the prestigious **"Aareal Award of Excellence in Real Estate Research"** at REMI. With the Aareal Award, Aareal Bank and EBS REMI have honoured outstanding academic research in real estate economics every year since 2008. In the period since then, the prize has become a prestigious, internationally recognised award.
- Moreover, our employees are involved as speakers, and sit on examination boards and other committees, for **EBS** and other higher education institutions in the region, such as the **Frankfurt School of Finance**, the **Rhein-Main University of Applied Sciences** and the **University of Applied Sciences Mainz**.



"With our involvement, we aim to **promote research and create international links** between **academic research and teaching**. Connecting **academic expertise and business practice** is a key aspect of this. Our exchanges with the academic world help us to identify **optimal solutions** for financing, consulting and service issues in the **commercial and housing property industry**."

Dagmar Knopek, Member of the Management Board of Aareal Bank AG

- Aareal Bank and Aareon also provide the **Leipzig University of Cooperative Education** and the **Südwestdeutsche Fachakademie der Immobilienwirtschaft e.V.** with guest lecturers and speakers.
- Aareal Bank sponsors a prize for pioneering theses relating to the housing and property industry at the **EBZ Business School (Europäisches Bildungszentrum der Wohnungs- und Immobilienwirtschaft)** in Bochum.
- The Bank also co-sponsors the **Institute for Banking History (IBF – Institut für bankhistorische Forschung)** in Frankfurt am Main. Through this involvement, we aim to help make historical experiences in the financial sector accessible for modern-day practice. The IBF has promoted academic research into banking and financial history since 1969. With its wide range of publications and regular events, the IBF informs the wider public about the historic roots of the banking industry.

Aareon's activities in the field of education and academic research focus on promoting young talent and on property industry competitions.

- Aareon has been a sponsor of the Institute for IT in the Property Industry (**Immobilienwirtschaftliche Institut für Informationstechnologie**) for the past four years. This is an independent platform for information technology research projects.
- The **Aareon IT Prize** for information technology is awarded twice a year at the **Hochschule für Wirtschaft und Umwelt Nürtingen-Geislingen (HfWU)**.
- The company also sponsors the **DW Die Wohnungswirtschaft – Zukunftspreis der Immobilienwirtschaft** and the **"Property Manager of the Year" innovation prize**.
- For the past ten years, the **"Lerninsel" programme** has been equipping promising vocational trainees with the skills to become tomorrow's leaders in the property industry. This joint initiative by Aareon and the Verband norddeutscher Wohnungsunternehmen e.V. (VNW) as well as other associations organises intensive training courses every summer.

Charitable and social organisations

Aareal Bank Group sponsors charitable and social organisations and is involved in a large number of foundations.



- We have been supporting the **Zwerg Nase-Stiftung** in Wiesbaden as a foundation member and sponsor for many years. Our annual Christmas donation and the money raised from our corporate gifts tombola also go to the Zwerg Nase house. Our employees also raised a further donation of € 5,000 by taking part in the summer party quiz and an online quiz during the reporting period. The Zwerg Nase foundation aims to provide simple, unbureaucratic help to parents with disabled children.
- Aareal Bank Group also supports **Fit for Family Care gGmbH**, a non-profit organisation for child care and youth services in Wiesbaden. Among other things, Aareal Bank employees read a story to a kindergarten group every Wednesday.

- Since April 2013, Aareal Bank has also been involved in **Deutsche Sporthilfe's "Future Springboard" Initiative**, offering short internships of between four and six weeks to athletes and sporting professionals whose sporting careers are coming to an end and who need to master the transition to new careers.
- Managers and specialist staff from the Company take part every two years in **Common Purpose**. In this regional training programme, managers from business, charitable organisations and the public sector work together in small groups over the course of a year on issues affecting their area.

As part of Aareal Bank Group, Aareon also considers social commitment to be an important feature of its corporate culture. This is why Aareon has supported several organisations over many years that aim to ease life for people in challenging circumstances.

- Since 1997, Aareon has supported **Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen (DESWOS)** in Cologne, as a member and as a donor. In the year under review, the donation to DESWOS once again benefited their project in Nicaragua. Through it, Aareon supports small farmers in Nicaragua in safeguarding the environment they live in. DESWOS works to combat homelessness and poverty in developing countries. The foundation is supported by the associations making up the GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen and their members.
- **Pfarrer-Landvogt-Hilfe e.V.** is a group that offers help, advice and care to homeless people. Aareon supports the project by covering the costs of a part time social worker.
- **Mainzer Hospizgesellschaft** also receives an annual donation from Aareon. The company's contribution helps the Mainz hospice to keep its hospice and palliative counselling service for outpatients running. Paid and volunteer hospice staff supports the dying and their families at home free of charge during one of the most difficult times imaginable.
- Aareon has also been a sponsor of the **Kinderhospizverein Olpe**, a children's hospice, for four years.



I-stay@home

Aareon has been a partner in the I-stay@home initiative for many years. This project offers IT-based solutions that enable people to remain independent in their own homes for as long as possible. It addresses both individuals and housing organisations, as well as entire towns and municipalities.

The I-stay@home initiative is a project involving 15 European companies that is sponsored by the European Union. It aims to find suitable solutions to future challenges in connection with the demographic trend in Europe. The project focuses in particular on safety, health and energy consumption.

The installation of the test products in the pilot apartments is a milestone. Each housing association installed the selected products in twenty pilot dwellings for tenants to try out for at least a year from February 2014 onwards. The products primarily offer greater comfort and safety in the home – for example, a cooker that switches off automatically when not in use, audible alarm signals to draw attention to water leaks, or a single unit that can control electric lighting in different rooms or switch off energy-consuming devices when they are not being used. The first version of the I-stay@home IT platform will also be available alongside these support devices in the apartments concerned and participants will subject them to rigorous testing. The idea is to link this platform as closely as possible with existing IT devices, to make it easier for older people and people with disabilities to operate. The platform itself offers additional communication and service functions.



GRI Index

Global Compact Principles	GRI Index	Application level	Page
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	1.2 Description of key impacts, risks, and opportunities.	f	3, 11f., 14ff., 21ff.
2. Organisational Profile			
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	2.3 Business Segments and operational structure of the organisation.	f	7f.; AR 203-205
	2.4 Location of organisation's headquarters.	f	Wiesbaden, Germany
	2.5 Number/names of countries where the organisation operates.	f	8
	2.6 Nature of ownership and legal form.	f	7; AR 20
	2.7 Markets served.	f	7f.
	2.8 Scale of the reporting organisation.	f	8f.; AR 96, 98
	2.9 Significant changes during the reporting period regarding corporate structure or ownership.	f	2; AR 110
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3. Report Parameters			
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	3.6 Boundary of the report.	f	2; AR 203-205
	3.7 Description of specific limitations on the scope or boundary of the report.	f	2
	3.8 Basis for reporting on joint ventures etc.	f	2
	3.9 Data measurement techniques and bases of calculations.	f	2
	3.10 Re-statements/changes in the presentation of information in comparison to earlier reports.	f	None
	3.11 Changes from previous reporting periods in the scope, or measurement methods applied in the report.	f	39
	3.12 GRI Content Index	f	50-53
	3.13 External assurance for the report.	f	None
4. Governance, Commitments, and Engagement			
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	4.2 Independence of the Chairman of the Supervisory Board.	f	AR 208ff., 216
	4.3 For organisations that have a unitary board structure: independent and/or non-executive members of the highest governance body.	n.r.	Not relevant as Aareal Bank has a Supervisory Board
	4.4 Mechanisms for shareholders and employees to provide recommendations or direction to Management Board/Supervisory Board.	f	13; AR 221
	4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's achievement of sustainability targets.	f	33f.; AR 184ff.
	4.6 Avoiding conflicts of interest.	f	18; AR 218f.; Code of Conduct
1-10	4.7 Expertise of the members of the governance bodies with regard to sustainability.	f	13f.
1-10	4.8 Mission statement, corporate values and codes of conduct.	f	18; Code of Conduct
	4.9 Procedures of the Management/Supervisory Board for monitoring the organization's economic, environmental and social opportunities and risks.	f	13f.; AR 55ff.
	4.10 Processes for evaluating the performance of the Management Board.	f	AR 184ff., 229
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GRI Index

Global Compact Principles	GRI Index	Application level	Page
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	4.13 Memberships in associations and/or advocacy groups.	f	19
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	FS6 Percentage of the portfolio for business segments by region, size and by sector.	f	9; AR 47, 181f.
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1-10	FS11 Percentage of assets subject to positive and negative environmental or social screening.	f	24
1-10	FS12 Voting policies applied to environmental or social issues in case of share ownership.	n.r.	
1, 6, 7	Management Approach – Economic Performance Indicators	f	7f., 11, 46
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7	EC2 Financial implications for the organisation's activities due to climate change.	p	19
1, 6	EC3 Defined benefit plan obligations.	f	34, AR 140f.
	EC4 Significant financial assistance received from government.	f	None
1, 6	EC5 Range of ratios of standard entry level wage compared to local minimum wage.	n.r.	
	EC6 Spending on locally-based suppliers.	p	45
6	EC7 Local hiring of senior management members.	p	36
	EC8 Infrastructure investments and services provided primarily for public benefit.	f	47f.
	EC 9 Significant indirect economic impacts.	n.d.	
7-9	Management Approach – Environmental Performance Indicators	f	17, 23ff., 41f.
8, 9	EN1 Materials used by weight or volume.	f	42f.
8, 9	EN2 Percentage of materials used that are recycled input materials.	f	42f.
8	EN3 Direct energy consumption.	f	43
8	EN4 Indirect energy consumption.	f	43
7	EN5 Energy saved due to conservation and efficiency improvements.	f	43f.
9	EN6 Initiatives to provide more energy-efficient products and services.	n.d.	
8	EN7 Initiatives to reduce indirect energy.	f	43f.
8	EN8 Total water withdrawal by source.	f	42f. (tap water only)
8	EN9 Water sources significantly affected by withdrawal of water.	f	None
8	EN10 Recycled and reused water.	n.r.	
8	EN11 Land in, or adjacent to, protected areas.	f	None
8	EN12 Impacts on biodiversity in protected.	f	None
8	EN13 Habitats protected or restored.	n.r.	
8	EN14 Strategies, current actions, and future plans for protecting biodiversity.	n.r.	
8	EN15 Endangered species by level of extinction risk.	n.r.	
8, 9	EN16 Direct and indirect greenhouse gas emissions.	f	44

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8	EN17 Other indirect greenhouse gas emissions.	f	44f.
7-9	EN18 Initiatives to reduce greenhouse gas emissions.	p	43f.
8	EN19 Emissions of ozone-depleting substances.	n.r.	
8	EN20 NOx, SOx, and other significant air emissions.	n.r.	
8	EN21 Total water discharge by quality and destination.	n.d.	
8	EN22 Total weight of waste by type and disposal method.	f	43
8	EN23 Spilling of harmful substances.	n.r.	
	EN24 Transport of hazardous waste by weight.	n.r.	
	EN25 Water bodies and related habitats significantly affected by discharges of water.	n.r.	
7-9	EN26 Initiatives to mitigate environmental impacts of products and services.	f	23ff.
	EN27 Percentage of products whose packaging materials were re-used.	n.r.	
	EN28 Fines for non-compliance with environmental laws and regulations.	f	None
8	EN29 Environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	f	44f.
7, 8	EN30 Environmental protection expenditures and investments.	n.d.	
1, 3, 6	Management Approach – Work Environment and Working Conditions	f	16f., 28ff., 35
	LA1 Information on total workforce.	f	29f.
6	LA2 Employee turnover.	p	29f.
	LA3 Benefits provided to permanent staff.	f	34
1, 3	LA4 Employees covered by collective bargaining agreements.	f	30
1, 3	LA5 Minimum notice period(s) regarding significant operational changes.	f	30f.
	LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	n.d.	
1	LA7 Rates of lost days, injury, and number of work-related fatalities.	f	39
	LA8 Preventive healthcare programmes, advisory services.	f	38
	LA9 Health and safety topics covered in formal agreements with trade unions.	n.d.	
	LA10 Average hours of training by employee category.	f	31
	LA11 Programmes for skills management and lifelong learning.	f	31f., AR 147
	LA12 Percentage of employees receiving regular performance and career development reviews.	f	31
1, 6	LA13 Workforce structure/diversity in the organisation's management.	p	29f., 36f.
1, 6	LA14 Remuneration by gender and employee category.	f	35, 37
1-6	Management Approach – Human Rights	f	17, 30, 35, 41
1-6	HR1 Investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening.	n.r.	
1-6	HR2 Human rights screening of suppliers.	p	41, 45
1-6	HR3 Training on policies and procedures concerning aspects of human rights.	p	35
1, 2, 6	HR4 Incidents of discrimination and corrective actions taken.	f	None
1-3	HR5 Right to exercise freedom of association and collective bargaining.	f	30f., 45
1, 2, 5	HR6 Principles and measures taken with regard to child labour.	n.r.	
1, 2, 4	HR7 Principles and measures to eliminate forced labour.	f	45
1, 2	HR8 Training of security concerning aspects of human rights.	n.r.	
	HR9 Incidents of violations involving rights of indigenous people and actions taken.	n.r.	
10	Management Approach – Society	f	18f., 46
	SO1 Programmes and procedures assessing and regulating the impact of operations on local communities.	p	12

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	FS13 Access points in low-populated or economically disadvantaged.	n.r.	
	FS14 Initiatives to improve access to financial services for disadvantaged people.	n.r.	
10	SO2 Analysis of risks of corruption.	f	All units
10	SO3 Anti-corruption training.	f	18
10	SO4 Actions taken to prevent corruption.	f	18
1-10	SO5 Public policy positions and participation in lobbying.	n.d.	
	SO6 Total value of contributions to political parties, politicians, etc.	f	None, Code of Conduct
	SO7 Legal actions for anti-competitive behaviour, and their outcomes.	f	None
	SO8 Sanctions for non-compliance with laws and regulations.	f	AR 72, 147f.
1, 8	Management Approach – Product Responsibility (including FS15)	f	18, 23f., 27
1, 8	PR1 Life cycle stages in which health and safety impacts of products and services are assessed.	n.r.	
	PR2 Incidents of non-compliance with health and safety regulations.	n.r.	
8	PR3 Product and service labelling.	n.r.	
	PR4 Incidents of non-compliance with regulations concerning product and service information and labelling.	n.r.	
	PR5 Practices related to customer satisfaction.	f	26
	FS16 Initiatives to enhance financial literacy by target group.	n.d.	
	PR6 Programmes for adherence to laws, standards, and voluntary codes related to marketing communications.	n.r.	
	PR7 Incidents of non-compliance with regulations concerning marketing communications.	f	None
	PR8 Total number of substantiated complaints data protection.	f	27
	PR9 Fines for non-compliance with laws and regulations concerning the provision and use of products and services.	f	None

AR = Annual Report 2013; Code of Conduct = www.aareal-bank.com/en/footermenu/code-of-conduct/; n.d. = no data;
n.r. = not relevant to our business; p = partial; f = full

We have self-declared our reporting to be Application Level B according to the GRI G3 Guidelines. This has been checked by the GRI and confirmed.



Statement GRI Application Level Check

GRI hereby states that **Aareal Bank Group** has presented its report "Sustainability Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 April 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

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about sustainability at
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available here**

Imprint

Responsible for the content:

Aareal Bank AG · Henning Zander · Group Sustainability Officer
Paulinenstrasse 15 · 65189 Wiesbaden, Germany
Phone: +49 611 348 2009 · E-mail: sustainability@aareal-bank.com

The report has been prepared in cooperation with
akzente kommunikation und beratung gmbh, Munich, Germany

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Aareal Bank AG
Paulinenstrasse 15
65189 Wiesbaden, Germany
E-mail: sustainability@aareal-bank.com

www.aareal-bank.com

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**Aareal Bank
Group**