

## **Declaration of Compliance within the meaning of section 161 of the German Public Limited Companies Act (Aktiengesetz - "AktG")**

**As at December 2013**

**The Management Board and Supervisory Board of Aareal Bank AG declare, in accordance with section 161 of the AktG, that:**

Aareal Bank AG has fully complied with the recommendations of the Government Commission "German Corporate Governance Code" (as amended on 15 May 2012 – the "Code") since the last Declaration of Compliance was issued in March 2013.

Aareal Bank AG has complied, and will comply with the German Corporate Governance Code, as amended on 13 May 2013 and published in the German Federal Gazette on 10 June 2013, subject to the exceptions identified below.

In accordance with section 4.2.3 (2) sentence 6 of the Code, the amount of Management Board compensation shall be capped, both overall and for individual compensation components. The amounts of remuneration and bonuses paid to Management Board members are generally limited. Also, the number of shares awarded within the scope of specific remuneration components – share bonus and share deferrals – is limited. Given that the performance potential for such shares is theoretically unlimited, this rule does not comply with the Code recommendation, which provides for amounts to be capped. The chosen structure is based on the rationale that the Management Board should participate in the share price performance – whether positive or negative – in the same way as shareholders of Aareal Bank AG. Since the share bonus and share deferrals do not provide for any caps in terms of the amounts involved, by definition, the overall remuneration for Management Board members is not capped.

In accordance with section 4.2.5 (3) sentence 2 of the Code, the remuneration report for financial years commencing after 31 December 2013 shall disclose certain remuneration details, to be presented using the tables prescribed in the appendix to the Code. As an exchange-listed bank, Aareal Bank AG is already subject to numerous legal rules concerning Management Board remuneration and related disclosure. Aareal Bank reserves the right to conduct an in-depth review as to whether such additional information should be disclosed in the form of sample tables.

Pursuant to the German Act Implementing EU Directive 2013/36/EU (the "CRD IV Implementation Act"), the Nomination Committee of Aareal Bank AG's Supervisory Board is required to assume additional tasks which are not supposed to be prepared by shareholder representatives alone. Hence, the Nomination Committee is not composed exclusively of shareholder representatives, in contravention of the recommendation in section 5.3.3. of the Code. However, the Committee will ensure that the nomination of candidates for election by the Annual General Meeting will be determined exclusively by shareholder representatives on the Committee.

Wiesbaden, December 2013

### **The Management Board**

Dr Wolf Schumacher      Dagmar Knopek      Hermann J. Merkens      Thomas Ortmanns

### **For the Supervisory Board**

Marija G. Korsch

(Chairman)