

HERMANN J. MERKENS

Chairman of the Management Board
Aareal Bank AG

Paulinenstrasse 15
65189 Wiesbaden
Germany

Teleios Capital Partners LLC
Attn. Mr Adam Epstein
Baarerstrasse 12
6300 Zug
Switzerland

07/10/2019

Dear Mr Epstein,

Thank you for the letter sent to us on 26th September 2019, in which you informed us that Teleios as shareholder in Aareal Bank AG urges for a structured and independent review of all strategic alternatives for Aareon.

First of all, let me express that we welcome your investment commitment to Aareal Bank. Moreover, we appreciate your detailed views about how we could continue to create value for shareholders in the future. Since we introduced our "Aareal 2020" program in 2016, we are committed to developing the sustainable long-term growth potential of our group, especially of our Consulting / Services segment of which Aareon is the key pillar.

Accordingly, we held an investor seminar on 28th May 2019 to present Aareon and its future growth prospects beyond "Aareal 2020" in greater detail. While this resulted in significant progress with regard to the understanding of Aareon among investors and analysts, we are committed to continuing our efforts in this respect. Meanwhile, just as importantly, we keep on growing and investing into Aareon in order to achieve its full potential. At the same time, we pursue a multitude of initiatives to expand our footprint in our Structured Real Estate Financing business, which still offers many opportunities to create value, even in a difficult market environment.

Having said that, we take a broader perspective on the future of our Group and have already started the process of further developing our strategy beyond "Aareal 2020". The strategic review covers the whole Aareal Group, with Aareon being an integral part of it. It takes into account how to deal with the interdependencies among the different parts of the Group (such as overlap of client base and inter-group services), all relevant market developments (e.g. the disruptive mega trends digitisation and lower-for-longer interest rates) as well as the challenging regulatory environment. The latter does not only affect our financing business, but - via housing industry deposits - also the Consulting/ Services segment.

As a matter of course, we are assessing all relevant options within our Group wide strategic review. Due to the typical nature of such a process, we allocated necessary time and resources, especially in light of its implications not only for shareholder value, but also for customer relationships and employees as well as with regards to capital, liquidity, tax issues and – last but not least – possible regulatory constraints. We want to stress that no decision has been made yet and that we have no established preferences with regard to the outcome of the strategic review process.

In the course of this process, we look forward to continuing the dialogue with you and our other shareholders.

Yours sincerely,
gez. Hermann J. Merkens