

Marija Korsch, Klaus Novatius, Richard Peters, Thomas Hawel, Jana Brendel, Petra Heinemann-Specht, Christof von Dryander, Jan Lehmann, Sylvia Seignette, Elisabeth Stheeman, Dietrich Voigtländer, Prof. Dr. Hermann Wagner
Aareal Bank AG ("Aareal")
Paulinenstraße 15
65189 Wiesbaden

London, 30th March 2021

Dear Ladies and Gentlemen of the Aareal Supervisory Board,

Petrus Advisers have been major shareholders of Aareal Bank AG ("Aareal") since 2019. As of 30th March 2021, we have reported a 9.8% stake in Aareal. Until November 2020, we have been working intensively and constructively with Aareal and in particular with the Management Board. After publicly backing Mr Merkens' decision to bring expensive private equity capital on board at Aareon, since February 2020, we have identified the lack of a sustainable strategy for the banking part of Aareal (i.e. Aareal without Aareon AG, here "Aareal Bank") as a major problem and existential threat to Aareal Bank. We subsequently worked intensively with Aareal's Management Board to find solutions to this problem and to thus enable a sustainable future for Aareal Bank. Our definition of sustainable economic success is a minimum return of 8-10% after-tax on Aareal Bank's invested equity.

For a long time, we have endured hesitant action on the part of the Management Board and the Supervisory Board, but especially by the Chairwoman. It has become increasingly clear to us that Aareal's management is neither willing to nor capable of designing and implementing urgently needed strategic measures to secure the group's future and sustainable success. In our view, the results of the strategic review presented on 24th February 2021 – and which we had initiated a full year ago – will not address the crucial goal of ensuring that Aareal Bank's cost of capital can be earned on a sustainable basis. Instead, the bank relies on regulatory support in the form of significantly reduced capital requirements, combined with a significant distribution of equity funds to shareholders. We have repeatedly argued that such an approach cannot be sustainable and have instead called for more self-sufficient measures, which must, in particular, include the issue of excessive costs, the low proportion of RWA light income at Aareal Bank as well as the development of ESG-driven lending business. Otherwise, we see a high risk that Aareal Bank will lose its right to exist in the medium term.

Demand for replacement of members of the Supervisory Board of Aareal Bank AG

Both the Supervisory Board and Management Board have failed in many of the areas addressed above. We therefore demand a replacement of three members of the Supervisory Board, including a replacement of the Chairwoman, with new, unbiased, and competent candidates in order to finally meet the profile requirements of a Supervisory Board that is fit for the challenges that lie ahead for the bank.

We therefore request that you, Ms Korsch, Mr von Dryander and Mr Voigtländer resign per the end of Aareal's upcoming Annual General Meeting on 18th May 2021. Furthermore, we request that Aareal's Supervisory Board nominate the following independent candidates as substitute members to replace the resigning members (CVs attached)¹:

- Heinz Laber
- Marion Khüny
- Thomas Hürlimann

We request that the Supervisory Board designate Mr Heinz Laber as Chairman of the Supervisory Board and that he also assumes the chairmanship of the Executive and Nomination Committee and the Remuneration Control

¹ We have selected the candidates through transparent process run by a reputable headhunting firm.

Committee. Marion Khüny shall be a member of the Executive and Nomination Committee, the Risk Committee, the Remuneration Control Committee and the Technology and Innovation Committee. Thomas Hürlimann shall assume the chairmanship of the Technology and Innovation Committee and shall also be elected as a member of the Executive and Nomination Committee, the Risk Committee, the Compensation Control Committee, and the Audit Committee.

Demand for strengthening the Supervisory Board of Aareon AG

We further demand that Stefanie Witte (CV attached) be admitted to the Supervisory Board as well as to all relevant advisory boards of Aareon AG within the next 10 days.

CEO Succession

As we had suspected, Mr Merkens does not seem to be able to perform his duties as CEO. In our letter of 24th November 2020 to Ms Korsch and Mr Heß, we had demanded that an external replacement be urgently considered. Instead of carefully preparing this important decision, Aareal has apparently waited until after the expiry of the originally communicated 3-4 months of sick leave before now starting to screen the market for candidates in a panicked and uncoordinated manner. We demand an orderly and, above all, transparent process with the help of a headhunting company to be coordinated with us and with the close involvement of Heinz Laber, Marion Khüny and Thomas Hürlimann.

We ask you for a decision on our demands by CoB Monday 5th April 2021. We will treat this letter confidentially, as our letter of 6th November 2020.

Sincerely,



Klaus Umek
Managing Partner



Till Hufnagel
Partner

Annex:

CV Heinz Laber
CV Marion Khüny
CV Thomas Hürlimann
CV Stefanie Witte