5th Supplement
to the Prospectus

5th supplement dated 15 May 2023 (the "**5th Supplement**") to the base prospectus dated 8 June 2022 (the "**Prospectus**") in relation to the

Aareal Bank AG

Federal Republic of Germany, Wiesbaden

Euro 20,000,000,000
Debt Issuance Programme

(the "**Programme**")

Aareal Bank AG (the "**Issuer**") with its registered office in Wiesbaden, Federal Republic of Germany, is solely responsible for the information given in this 5th Supplement. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this 5th Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SUPPLEMENT TO THE PROSPECTUS

This 5th Supplement constitutes a supplement to the Prospectus for the purposes of Article 23 (1) of Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017, as amended (the "**Prospectus Regulation**").

This 5th Supplement supplements and updates the Prospectus as supplemented by the 1st supplement to the Prospectus dated 16 August 2022 (the "**1st Supplement**"), the 2nd supplement to the Prospectus dated 14 November 2022 (the "**2nd Supplement**"), the 3rd supplement to the Prospectus dated 6 March 2023 (the "**3rd Supplement**") and the 4th supplement to the Prospectus dated 3 April 2023 (the "**4th Supplement**") and is to be read in conjunction therewith.

This 5th Supplement has been approved by the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority for the purpose of the Prospectus Regulation.

The Issuer has requested the CSSF to provide the competent authoritity in the Federal Republic of Germany with a certificate of approval attesting that this 5th Supplement has been drawn up in accordance with the Prospectus Regulation ("**Notification**"). The Issuer may request the CSSF to provide competent authorities in additional host member states within the European Economic Area with a Notification.

Terms defined in the Prospectus have the same meaning when used in this 5th Supplement. This 5th Supplement shall only be distributed in connection with the Prospectus as supplemented by the 1st Supplement, the 2nd Supplement, the 3rd Supplement and the 4th Supplement.

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SUPPLEMENTAL INFORMATION

The purpose of this 5th Supplement is, *inter alia*, to incorporate by reference the unaudited consolidated interim financial information for the three months ended 31 March 2023. Accordingly, the amendments set out below shall be made to the Prospectus:

1. Changes relating to the section "RISK FACTORS"

The heading "**Risks specific for Structured Property Financing, including risks relating to Covid-19/Coronavirus and risks relating to the war in Ukraine**" and the paragraphs below on page 11 and 12 of the Prospectus shall be deleted in their entirety and replaced by the following:

"**Risks specific for Structured Property Financing, including risks relating to the war in Ukraine and to monetary policy tightening**

There are various risks and uncertainties regarding the macro-economic environment which have become relevant or could be relevant if they were to materialise to a considerable extent for the financial and capital markets as well as for the commercial real estate markets and thus negatively affect Aareal Bank's business:

The economy, financial markets and commercial property are all exposed to a number of different risks in 2023. The ongoing consequences of the Russian invasion of Ukraine and mutual sanctions between the Western countries and Russia are continuing to have a strong negative impact on many economies, which is likely to remain or potentially even intensify as long as the conflict carries on. The immediate economic consequences of this war include continued supply chain disruptions and higher commodity prices and increased risks of cyber-attacks, which, combined with elevated uncertainty and increasing risk aversion among market participants, pose a threat to economic growth. High inflation figures fueled by the war are still weighing on real incomes, which, combined with elevated production costs and price losses in financial markets, is a drag on aggregate demand. At the same time, it is most likely that even in the event of an end to the war, a complete normalisation of economic relations between Russia and the Western countries will not happen in the near future.

While energy and commodity prices were the key driver of inflation during the first half of 2022, price pressures subsequently became increasingly broad-based and in many economies lifted inflation to the highest rate in several decades. Although price pressure from energy has eased recently, the still high level of core inflation indicates that companies are passing on higher prices to customers. To the extent that demand continues to meet supply-side shortages, some goods and services may experience further price increases, contributing to high inflation figures and possibly persistently higher inflation expectations.

A monetary policy response to the high inflation figures that is either too soft or too late poses a considerable macroeconomic risk. Overall, the monetary policymakers face the difficult challenge of steering inflation rates from the current elevated level back toward the target value in the medium term without jeopardizing financial stability. Pronounced inflation rates can lead to overheating and even higher inflation rates if central banks fail to act appropriately. Such an environment can reduce investor confidence, increase uncertainty, leading to lower aggregate demand.

On the other hand, excessive monetary tightening by central banks poses a significant risk to financial and real estate markets. This risk could materialize through significant increases in key interest rates or faster-than-expected reductions in balance sheets. The impact of such tightening could be severe, leading to significant rises in yields on bond markets and further negative corrections in equity and property markets. The resulting illiquid refinancing markets, combined with significant unrealized losses on bond holdings, can put considerable pressure on financial institutions as can be seen in the example of the turmoil in the banking sector in 2023. Although there are limited signs of broader contagion at present, sudden and large deposit outflows and drying up liquidity due to a loss of confidence among market participants represent a credible downside risk for financial institutions.

Rising national debt, as a result of massive fiscal support provided, but also as a consequence of the slowdown in economic growth, is also a risk. With the expiry of the net bond purchase programs and the ongoing monetary tightening of central banks, risk premiums for highly indebted countries could rise further. Also, non-financial corporate debt has expanded in many advanced economies, mainly due to an increase in bond issuance. Reduced macroeconomic activity or other risks could be a reason for downgrading the rating of these bonds. A failure of US lawmakers to raise the US government debt ceiling on time and thereby causing a government shutdown could create additional disruptions in financial markets and lead to heightened economic uncertainty.

The global value creation and supply chains currently continue to face considerably disruptions, which therefore also represent a risk. If the existing capacity constraints persist or worsen, this will represent a significant risk factor curbing economic growth overall, but especially production in the manufacturing sector.

The political shift away from European cohesion poses a threat not only to the EU, but also to Europe. Particularly, nationalism among Central and Eastern European governments must be mentioned in this context. A lack of coordination and cooperation on the refugee crisis, slowdown in economic growth as well as recession concerns has also elevated the risk of a rise in populism in several countries. The reform backlog and structural economic problems in some euro zone countries present further risk factors. While the EU's recovery package specifically seeks to support these countries, there is still the risk that the measures in place will not be enough to fully address structural problems.

The risk of disruption to free trade is still present and could intensify again in the future. In addition, further geopolitical risks such as cyberattacks, terrorism, sabotage of critical infrastructure, and political as well as military conflicts are likely to have a significant impact on markets and their participants. The effects of possible decoupling (e.g., between China and the Western economies) could also have a negative impact on global growth prospects.

The efforts of many countries and companies to limit global warming require a profound transformation of the entire economy. At the same time, the macroeconomic impact of this transformation is uncertain and its effect depends on a variety of factors. Likewise, this transformation involves costs that are likely to burden both businesses and consumers. In this context, the decarbonization of the economy not only encompasses energy supply, but also requires significant changes in industry, transport, construction, and agriculture. In addition to the transition costs incurred in decarbonizing the global economy, the costs directly caused by climate change will also increase in the medium term. Extreme weather events, temperature fluctuations, and more frequent extreme heat events cause physical damage that will intensify over time. The extent to which these physical damages increase will depend on how well the global community succeeds in reducing greenhouse gas emissions.

The risks and adverse effects on the economic development including the financial and capital markets as well as on commercial property markets could have a material adverse effect on Aareal Bank's profitability. Profitability may also be adversely affected where the Bank decides to prolong loans rather than to insist on repayment in order to avoid defaults on repayment obligations.

There are several risks and uncertainties for commercial property. The increase in the cost of capital associated with rising interest rates can result in a lower valuation of commercial properties if the higher cost of capital is not offset by rent increases. This represents a particular risk for investors with variable interest payments or upcoming refinancing and is exacerbated by increasing loan-to-value ratios. In addition, further significant increases in interest rates, for example due to excessive monetary tightening by central banks or very high inflation rates in the medium term, could put pressure on rents and cash flows of commercial real estate due to a drop in overall economic growth.

Moreover, other uncertainty factors and risks in the macro-economic environment are also relevant for commercial property markets. Rising political uncertainty, economic downturns and investor reticence as a result of emerging risks can all have a negative impact. Although Covid-19 is now considered an endemic disease, high rates of new infections and hospitalizations continue to pose a risk to commercial properties. Uncertainty results in particular from potential new infection control measures, which are likely to have different impacts depending on the country and property type, albeit not at the same level as in the past. A renewed tightening of contact limitations, travel restrictions and business closures of a temporary nature could have a significant negative impact on cash flows, especially for hotel and retail properties. However, the risk is considered to be significantly lower than in previous years. It should be noted that other new, not yet known pandemics cannot be ruled out. If the trend toward greater use of working from home persists or even increases in the future, companies could decide to rent less office space.

The transition to such a form of working could then have a negative impact on rental prices and demand for space in office properties. It is likely that the impact would vary by market, country, and property quality.

Due to these factors, there is the risk that these developments could have negative effects not only on cash-flows but also on property values the Aareal Bank Group holds in its property financing portfolio and could also have an adverse effect on the amount of non-performing loans, the staging of loans, and on the allowances for credit losses of Aareal Bank Group.

With a view to the financing markets for commercial properties the Bank estimates that the competition will remain intensive, particularly in regions and for property types that have already experienced strong demand in the past two years. Although increased financing costs are likely to limit increases in loan-to-value ratios, changes in the market environment could increase pressure on margins (gross as well as net) or lead to lifts in loan-to-value ratios. As lenders are expected to prefer financing first-class properties in top locations, just like for investors, the shortage of properties in this segment and the uncertainty regarding the further economic development could limit financing opportunities. The developments in competition and economic development could have a negative impact on the profitability of the Bank and its risk position.

Deteriorating economic forecasts and prolonged recovery periods for defaulted loans must be seen as a risk which in general could lead to higher risk provisioning.

In general, it is to be noted that currently the uncertainty of estimations – regarding macroeconomics, markets and the effects on Aareal Bank – is much higher than usual."

2. Changes relating to the section "AAREAL BANK AG"

a) The sub-section "**Outlook for the year 2023**" on page 381 of the Prospectus shall be deleted in its entirety and replaced by the following:

"**Outlook for the year 2023**

After most developed economies recorded solid growth in 2022, economic activity in core markets is expected to either stall or contract in 2023. Various risk factors present significant downside risks for the economic prospects in 2023. The development of economic momentum will depend on the extent to which disruptions in global supply chains continue to diminish, thereby providing relief for the rise in price levels. Persistently high inflation rates are reducing the real incomes of private households and increasing the costs of companies, which is having a dampening effect on spending and production. Higher interest rates are also likely to weigh on overall demand. Demand for services, after growing strongly in 2022 and the removal of contact restrictions, should also weaken. As the economy weakens, unemployment rates are likely to rise again, but will remain at low levels.

The forecasts below are highly dependent on recent developments and may no longer be valid, especially in the event of unforeseen shocks.

Real gross domestic product in the Eurozone is expected to be only slighty positive in 2023. High energy costs, subdued demand, supply disruptions, and a restrictive monetary policy are expected to continue to weigh on the economic outlook of the Eurozone. Due to the difference in the dynamics of the economic sectors, nations with a large industrial sector such as Germany, are expected to achieve only weakly positive or even slightly negative growth and thus grow more weakly than the euro zone as a whole.

For the UK, economic stagnation is expected for 2023. Growth prospects in the United Kingdom are expected to be negatively affected by falling real incomes and a tightening of monetary policy. 2022 saw a short-lived soaring of yields of UK government bonds after the government of then-prime minister Liz Truss presented tax plans, which financial markets considered to be fiscally unsustainable. While the situation seems to be resolved by now, renewed episodes of financial volatility due to lack of confidence in the fiscal sustainability of the UK government budget cannot be fully excluded.

Aareal Bank also expects the US economy to also only expand slightly in 2023 with a mild recession in the second half of the year. The combination of the Fed's resolute policy tightening, the cooling of the global economy and falling corporate profits will increasingly cause economic growth to further lose momentum.

Aareal Bank expects China's growth to be stronger in 2023 than in 2022. While weak foreign demand and subdued real estate investments present ongoing burdens for economic activity, targeted economic policy easing, fiscal stimulus and the end of the Zero-Covid strategy are expected to lift the growth rate compared to 2022.

Against the backdrop of the high inflation rates and despite the increased risk of a recession, monetary policy is expected to stay restrictive in the coming months. Major central banks have reaffirmed their intention to focus their policy on price stability rather than stimulating the economy and the labour market. Some participants of financial markets, especially those with excessive leverage, might come increasingly under pressure given this restrictive monetary policy stance. This could potentially pose a threat to financial stability. In the case of the euro area interest rate developments in peripheral countries are likely to influence monetary policy and possible interventions. Banks are tightening their credit conditions for private as well as company loans which is expected to weight on the economic development in 2023.

Inflation rates are expected to decrease while staying above their target values in 2023. Base effects in energy and commodity prices are likely to contribute to a decrease in the inflation rates. However ongoing broad-based price pressures in goods and services will prevent inflation rates from falling back to target values.

Demand for commercial properties will vary, depending on the region and property type. It can be assumed that the high interest rate environment will continue to influence the investment decisions of buyers and sellers. Overall, various factors are expected to have an impact on the performance of commercial real estate in the year 2023. For example, increased political uncertainties, economic downturns or investor restraint could have a negative impact on real estate values. However, the Bank anticipates competition in the commercial property financing markets to remain, particularly in regions and for property types that were already in high demand over the past years.

It is expected that various factors will have an impact on how commercial property values develop this year and beyond. On average, Aareal Bank expects market values to undergo a correction in 2023. Rising financing costs are likely to weigh on market values in the medium term and could then lead to further downturn pressure. Looking forward, the pricing of properties will be influenced not only by the quality and location of the property, but also increasingly by compliance with sustainability criteria (ESG).

With a view to retail properties, Aareal Bank expects the structural change in shopping behaviour to have a dampening effect on the outlook of value-driving rental revenues, depending on location and segment. The current year is characterised by a cyclical headwind, as consumers reduce discretionary spending against the backdrop of high inflation figures. The slowdown in consumption is expected to weigh on rental growth before macroeconomic conditions again improve. Also depending on location and segment, Aareal Bank sees a continuing recovery in hotel fundamentals over the coming years, driven by increasing travel activity. Aareal Bank expects a similar development for student housing, where demand by international students should recover as a result of the return to face-to-face teaching. Aareal Bank expects the values of office properties to suffer a more pronounced decline compared to other object types on average, as office yields are starting to increase due to the challenging financial conditions and as rental growth is predicted to slow or to halt. This is due to potential changes in space requirements and the increasing influence of sustainability criteria. Aareal Bank expects properties that do not match corporate sustainability criteria or government climate targets to show a weaker development overall. Logistics properties continue to be assessed positively, as structural driver of demand remain resulting in positive rental growth prospects in the near term. Low availability is being supported by further demand from retailers and third-party logistics operators. However, rising yields on average will likely lead to a slightly declining market values in logistics sector in 2023. Individual properties may generally deviate from this estimate."

b) On page 386 of the Prospectus, the table under the heading "**Regulatory Indicators**" shall be deleted in its entirety and replaced by the following:

"

	31 March 2023	31 December 2022	31 December 2021
Regulatory Indicators[1)]			
Basel IV			
Common Equity Tier 1 ratio (CET1 ratio) (%)	19.4	19.3	18.2

1) 31 December 2021: excluding originally proposed dividend of € 1.60 per share in 2022 for the financial year 2021, including € 1.10 per share not distributed in 2021 as well as the pro rata temporis accrual of net interest on the AT1 bond.

31 December 2022: including originally proposed dividend of € 1.60 per share in 2022 and pro rata temporis accrual of net interest on the AT1 bond, excluding profits for 2022 under commercial law. There are no plans to distribute any dividends, in line with the strategy for 2023. The appropriation of profits is subject to approval by the Annual General Meeting. The CET1 ratio, determined as the higher of the amounts under Basel III and Basel IV (phase-in), as shown in Aareal Bank's regulatory report as at 31 March 2023, was 18.7 %, reflecting the fact that Aareal Bank had not submitted an application for inclusion of profits on that reporting date to the ECB.

The SREP recommendations concerning the NPL inventory and the ECB's NPL guidelines for the regulatory capital of NPLs and an additional voluntary and preventive capital deduction for regulatory uncertainties from ECB tests were taken into account.

Adjusted total risk exposure amount (as defined in Article 92 (3) CRR – RWAs), in accordance with applicable law as at 31 December 2022 (CRR II) and applying the partial regulation for the "output floor" in connection with commercial property lending and equity exposures, based on the European Commission's proposal dated 27 October 2021 for implementation of Basel IV. The adjusted risk-weighted exposure amount for commercial property lending and equity exposures is determined using the higher of (i) total RWAs calculated in accordance with CRR II currently in force, and (ii) the figure calculated in accordance with the revised CRSA (pursuant to CRR III), applying the transitional provisions for 2025 (50% output floor)."

c) Under the heading "**Financial Information concerning Aareal Bank Group's Assets and Liabilities, Financial Liabilities, Financial Position and Profits and Losses**" on page 387 of the Prospectus, the last three paragraphs shall be deleted in their entirety and replaced by the following:

"The unaudited consolidated interim financial information as at 31 March 2023 of Aareal Bank AG was prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

The consolidated financial statements of Aareal Bank AG as at and for the fiscal year ended 31 December 2021 and as at and for the fiscal year ended 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The date of the latest published audited financial information for Aareal Bank Group is 31 December 2022."

d) The statement under the heading "**No Significant Change in the Financial Position or Financial Performance**" on page 388 of the Prospectus shall be deleted in its entirety and replaced by the following:

> "There has been no significant change in the financial position or financial performance of Aareal Bank AG and its subsidiaries since 31 March 2023, noting that significant uncertainties with respect to the impact of the war in the Ukraine and risks relating to monetary policy tightening exist as described in "Risk Factors – A. Risk Factors relating to Aareal Bank AG – 3. Risks related to the Issuer's business activities and industry – Risks specific for Structured Property Financing, including risks relating to the war in Ukraine and to monetary policy tightening"."

3. Changes relating to the section "GENERAL INFORMATION"

Under the heading "**Documents incorporated by reference**", the following shall be inserted on page 408 of the Prospectus before the paragraph beginning with "*Any information not incorporated by reference into this Prospectus…*":

"**14) Unaudited consolidated interim financial information for the three months ended 31 March 2023:**	**Extracted from the Aareal Bank Group – Interim Financial Information 1 January to 31 March 2023:**
– Table under the heading Financial Performance	– pages 4 and 5
– Table under the heading Financial Position – Assets	– page 6
– Table under the heading Financial Position – Equity and Liabilities	– page 7
– Table under the heading Segment results	– page 8
https://www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/IR/Finanzberichte/2023/20230331_zb_en.pdf"	

GENERAL PROVISIONS

Save as disclosed on pages 1 to 6 of this 5th Supplement, there has been no other significant new factor, material mistake or material inaccuracy since the publication of the Prospectus, as supplemented by the 1st Supplement, the 2nd Supplement, the 3rd Supplement and the 4th Supplement.

To the extent that there is any inconsistency between (a) any statement in this 5th Supplement and (b) any other statement in or incorporated by reference into the Prospectus as supplemented by the 1st Supplement, the 2nd Supplement, the 3rd Supplement and the 4th Supplement, the statement referred to in (a) will prevail.

Any information not incorporated by reference into this 5th Supplement but contained in the Aareal Bank Group – Interim Financial Information 1 January to 31 March 2023 mentioned as source document in the cross reference list in number **3. Changes relating to the section "GENERAL INFORMATION"** above is either not relevant for the investor or covered in another part of the Prospectus as supplemented by this 5th Supplement.

To the extent permitted by the laws of any relevant jurisdiction neither the Arranger nor any Dealer accepts any responsibility for the accuracy and completeness of the information contained in the Prospectus, as supplemented by this 5th Supplement.

This 5th Supplement and the documents incorporated by reference in the Prospectus as listed in number **3. Changes relating to the section "GENERAL INFORMATION"** above are also available for viewing in electronic form on the website of the Luxembourg Stock Exchange (www.luxse.com) and on the website of the Issuer (www.aareal-bank.com). Copies of this 5th Supplement and the documents incorporated by reference in the Prospectus as listed in number **3. Changes relating to the section "GENERAL INFORMATION"** above may also be inspected and are available free of charge during normal business hours at the registered office of Aareal Bank AG at Paulinenstrasse 15, 65189 Wiesbaden, Federal Republic of Germany.