

4th supplement dated 23 December 2021 (the "**4th Supplement**") to the base prospectus dated 8 June 2021 (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 4th Supplement. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this 4th 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 4th 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**").

The amendments included in this 4th Supplement shall only apply to final terms, the date of which fall on or after the date of approval of this 4th Supplement.

This 4th Supplement supplements and updates the Prospectus as supplemented by the 1st Supplement to the Prospectus dated 24 June 2021 (the "**1st Supplement**"), the 2nd Supplement to the Prospectus dated 16 August 2021 (the "**2nd Supplement**") and the 3rd Supplement to the Prospectus dated 17 September 2021 (the "**3rd Supplement**") and is to be read in conjunction therewith.

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

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SUPPLEMENTAL INFORMATION

The amendments set out below shall be made to the Prospectus:

1. Changes relating to the section "Risk Factors"

The paragraphs under the heading "**Risks specific for Structured Property Financing, including risks relating to Covid-19/Coronavirus**" on pages 8 and 9 of the Prospectus shall be deleted in their entirety and replaced by the following:

"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. Given the events surrounding the Covid-19 pandemic, the risk lies, in particular, in the length of the economic recovery phase. Recovery is likely to be gradual and, in those regions hit hardest by the pandemic, it will take a long time. An ongoing Covid-19 pandemic due to high rates of new infections, viral mutations, vaccine hesitancy or lack of vaccine success could slow or halt the recovery of the global economy. Extension or reintroduction of infection control measures could have adverse consequences on demand and the services sector in particular.

Rising national debt, as a result of massive fiscal support provided, but also as a consequence of the previous year's economic slump, is also a risk. While central banks continue to provide favourable refinancing conditions, an end to bond buying programmes and a monetary policy response to higher inflation could increase risk premiums for highly indebted sovereigns. Also, non-financial corporate debt has expanded in many advanced economies, mainly due to an increase in bond issuance. An ongoing pandemic or other risks could be a reason for downgrading the rating of these bonds. In particular, ending special regulations and state aid poses a risk of higher insolvency rates for non-financial companies.

The political shift away from European cohesion poses a threat not only to the EU, but also to Europe. Nationalism among Central and Eastern European governments and the uncertainties surrounding the possible succession of the autonomous community of Catalonia from Spain must be mentioned in this context. The Covid-19 pandemic 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 at play and the negative impact of the Covid-19 pandemic.

Despite some easing, 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 and political conflicts are likely to have a significant impact on markets and their participants.

Rising global demand from the conversion of pent-up savings into consumption, higher investment spending and supply chain disruptions have already accelerated the rise in price levels. If this increased demand continues to meet capacity constraints, some goods and services may continue to see further price increases, contributing to rising inflation and persistently higher inflation expectations.

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 for commercial property resulting from the economic development and the Covid-19 pandemic. The economic recovery will be decisive for the development of commercial property, especially given that some regions and property types have been more severely affected by the pandemic than others. This also applies to possible new infection control measures, which are likely to have different impacts depending on the country and property type. A potential renewed tightening of contact bans, travel restrictions and business closures of a temporary nature could have a significant negative impact on cash flows, especially for hotel and retail properties. 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 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. Although loan-to-value ratios across various regions for the financing of commercial properties remained largely stable and only rose slightly in some markets in the first three quarters of 2021, changes in the market environment could increase pressure on margins 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 that are particularly in demand and the uncertainty regarding the economic development following the Covid-19 pandemic 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.

Besides the clients' individual situation, different property types and property locations are affected differently by governments restrictions and support, which is crucial for the segment structured real estate finance. The Bank supports individual solutions for clients which are affected by Covid-19 specific restrictions and economic developments. This could e.g. be waiving individual contractual elements like deferral of interest or amortisation payments or provision of liquidity facilities.

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 with a view to the Covid-19 pandemic and its effects as there has been no comparable event in the near past and there is no data or empirical evidence."

2. Changes relating to the section "Aareal Bank AG"

- a. The paragraphs under the heading "**Outlook for the year 2021**" on pages 343 of the Prospectus shall be deleted in their entirety and replaced by the following:

"The increase in economic activity during the first three quarters of the year support the assumption that the global economy will continue to recover in 2021. It is further expected that the recovery continues to be largely gradual and regionally different. However, pre-crisis levels will not be reached everywhere by the end of the year. For the rest of the year, we expect inflation to stay elevated.

Gross domestic product in the euro zone is expected to increase in 2021. This is based on the development in the first three quarters, which is expected to continue moderately in the fourth quarter as private consumption is assumed to return to pre-pandemic patterns. However, in some countries a decrease of gross domestic product in the fourth quarter is likely as the number of Covid-19 cases increases, partial lockdown measures take place and supply chains are still disrupted. The funds from the EU's recovery plan (NGEU) provide economic support especially on the investment side for the rest of the year and beyond. Given that the respective member states have formulated different support packages, the recovery will be heterogeneous.

With gross domestic product forecast to grow in 2021, the UK's economy is expected to recover. This is mainly driven by households spending their excess savings and business investments.

We expect a strong positive economic growth for the US in 2021, especially due to a large fiscal support, recovering employment, and private consumption. Although the economy of Canada declined in the second quarter, we expect solid expansion for the full year 2021.

Even though China's economy has been impacted over the year by its Zero Covid approach, the Evergrande crisis and energy shortages, we expect China's economy to further expand in 2021, albeit at a slower pace than previously expected.

Based on consumption and a positive trend on the labour market, Australia's economy is expected to expand in 2021.

Due to the uncertainty, especially regarding the impact of the Covid-19 pandemic on the economy, we expect to see strongly expansionary monetary and fiscal policy measures and continued low interest rates in 2021, but rising to a slow extent. Starting next year, we expect a gradual tightening of monetary policy in the USA and the UK, while monetary policy in Europe should remain more expansionary. However, the persistent low interest rate environment might impair the effect of central banks' traditional policy.

Demand for commercial properties will vary, depending on the region and property type. This is an area in which developments surrounding the Covid-19 pandemic and the form of economic recovery will be decisive, especially given that some regions and types of property were and still are more severely affected by the Covid-19 pandemic than others.

It is expected that various factors will have an impact on how commercial property values develop this year and beyond. While historically low interest rates support property values, political uncertainty, economic downturns or restraint among investors can have an adverse impact on property values. With regard to commercial property, we expect stable to rising average market values in 2021. With a view to retail properties, we expect the situation to ease more slowly, as the structural change in buying behaviour is having a dampening effect on the outlook of value-driving rental revenues, depending on location and segment. Also depending on location and segment, we see hotel properties recovering over the coming years. We expect a similar development for student housing activities, where demand by international students should recover. We expect the values of office properties to rise slower compared to the previous year, due to the Covid-19 pandemic. Logistics properties continue to be assessed positively, as we expect the trend of rising market values of these properties to prevail. Individual properties may generally deviate from this estimate, depending on the different regional economic impacts of the Covid-19 pandemic."

- b. Under the heading "**Recent Developments**" on page 343 of the Prospectus, the following text shall be added after the last paragraph:

"The Green Finance Framework has been published and is available on the website of the Issuer (www.aareal-bank.com).

On 23 November 2021, Aareal Bank signed an investment agreement (the "**Investment Agreement**") with an entity to be named Atlantic BidCo GmbH, the "Bidder", held indirectly by financial investors Advent International Corporation and Centerbridge Partners, L.P., as well as co-investors, setting out the requirements for, and conditions of, a voluntary public tender offer ("**Takeover Offer**") by the Bidder to the shareholders of Aareal Bank AG for the acquisition of all outstanding shares against a cash consideration of € 29.00 per share. The price includes a premium of around 35 per cent on the volume-weighted average XETRA price of the Aareal Bank share over the last three months prior to (but excluding) 7 October 2021, when talks with the financial investors on the acquisition of a potential majority interest were made public by Aareal Bank. The Investment Agreement is based on the prerequisite that until closing there will be no distribution in cash or in kind on its shares by Aareal

Bank. In the Investment Agreement, the parties agreed to use all efforts legally available and reasonably practical to ensure that no such distribution occurs. Alongside other customary terms and conditions, the offer is conditional upon a minimum acceptance level of 70 per cent, and will be subject to merger control clearances and other regulatory requirements. On 17 December 2021, following approval by the BaFin, the Bidder published the offer document relating to the Takeover Offer (the “**Offer Document**”). According to the Offer Document, the acceptance period (subject to an extension) is scheduled to end on 19 January 2022 and the additional acceptance period pursuant to Section 16 para. 2 of the German Securities and Takeover Act (“**WpÜG**”) will presumably commence on 25 January 2022 and end on 7 February 2022. Pursuant to section 21 para. 1 WpÜG, the Bidder may change the Takeover Offer, amongst others, by increasing the consideration or by waiving certain conditions. In case such a change of the Takeover Offer is published within the last two weeks of the offer period, the acceptance period is extended by two weeks. In the Investment Agreement, the Bidder commits to support Aareal Bank AG's strategic ambitions to strengthen its position as a leading international provider of property financings, as well as software, digital solutions and payments services - based on its "Aareal Next Level" strategy and associated, publicly-announced goals, as well as to expedite growth in all of Aareal Bank Group's segments, set to be financed henceforth through retained profits. The Bidder has also committed to continue Aareal Bank Group in its current structure. The Bidder further undertook in the Investment Agreement not to cause Aareal Bank AG to conclude a domination and/or profit and loss transfer agreement with the Bidder or any affiliated company to the Bidder.

Should the Takeover Offer be successful, the following is expected to occur after the consummation of the Takeover Offer:

- The parties to the Investment Agreement agreed to enter into a relationship agreement following the consummation of the Takeover Offer which sets forth additional aspects of the future governance and the relationship between Aareal Bank AG and the Bidder (the “**Relationship Agreement**”). It is intended that, in accordance with the provisions of the Relationship Agreement, Aareal Bank AG shall establish an advisory board (*Beirat*) on the basis of Section 13 para. 2 of the articles of association of Aareal Bank AG which will include representatives of the Bidder and independent industry experts. The Bidder shall provide sector expertise and advice to Aareal Bank AG through the advisory board, thus contributing to achieving the objectives pursued by the parties with the planned acquisition of the shares in Aareal Bank by the Bidder in accordance with the Takeover Offer.
- Following the settlement of the Takeover Offer, or at any future date, the Bidder intends, subject to market conditions and only insofar as economically reasonable at the relevant time, to assess the effectuation of a withdrawal of the admission to trading of the Aareal Shares on the regulated market (“**Delisting**”). Pursuant to the Investment Agreement, the management board of Aareal Bank AG will support the Bidder (subject to its fiduciary duties under German law) if and once the Bidder has decided to initiate such measure. A Delisting would, *inter alia*, terminate the comprehensive capital markets oriented reporting obligations of Aareal Bank AG.
- If, following the settlement of the Takeover Offer, or at any future date, the Bidder holds a number of shares in Aareal Bank that a shareholder of a stock corporation must hold in order to demand a transfer of the shares of the outside shareholders to the principal shareholder in exchange for a fair cash compensation (“**Squeeze-out**”), the Bidder intends, subject to market conditions and only insofar as it is economically reasonable, to assess the effectuation of a Squeeze-out. The implementation of a Squeeze-out of the minority shareholders would result in a Delisting.
- Furthermore, the Bidder and Atlantic Lux HoldCo S.à r.l. consider to assess the change of the legal form of the Bidder, in particular a form change into a limited partnership.
- As agreed in the Investment Agreement, the Bidder has no intention to sell its shareholding in Aareal Bank AG without the prior consent of Aareal Bank AG, such consent not to be unreasonably withheld, for a period of three (3) years after the consummation of the Takeover Offer.

The Management Board and Supervisory Board of Aareal Bank AG support the Takeover Offer and will issue a joint reasoned statement (confirming that (i) they consider the offer price to be fair and adequate, (ii) they recommend and support the Takeover Offer, (iii) they recommend all shareholders

to accept the Takeover Offer, and (iv) its members intend to accept the Takeover Offer) which is mandatory under applicable law.

Apart from being required under applicable law to issue a reasoned statement of the Management Board and the Supervisory Board as described above, Aareal Bank is not involved in the Takeover Offer. The terms of the Takeover Offer are determined by the Bidder and are subject to change at the discretion of the Bidder. Aareal Bank is not in a position to change, or to prevent changes by the Bidder to, any terms of the Takeover Offer, including, but not limited to, the offer price, the minimum acceptance threshold and the acceptance period. The Bank cannot predict and has no control over the outcome of the Takeover Offer.

Against the background of the intended offer and in accordance with the Investment Agreement signed, the Management Board, with the consent of the Supervisory Board, withdrew agenda item no. 1 for the Extraordinary General Meeting convened for 9 December 2021, which was intended to resolve on the further distribution of profits for the 2020 financial year of € 1.10 per share.

Further, on 23 November 2021, the Chairman of the Supervisory Board of Aareal Bank AG, Marija Korsch, notified the Management Board that following major decisions on the Bank's future in recent days and weeks she has resigned with immediate effect from the office of Chairman of the Supervisory Board, which she has held since 2013.

The Supervisory Board elected Professor Dr Hermann Wagner, who has been a member of the Supervisory Board of Aareal Bank AG since 2015 and chairs the Audit Committee, to succeed Ms Korsch as Chairman.

On 9 December 2021, the Extraordinary General Meeting of Aareal Bank AG has approved the removal with immediate effect of Supervisory Board members Marija Korsch, Christof von Dryander and Dietrich Voigtländer, as proposed by one shareholder. Aareal Bank AG will now seek the appointment of Supervisory Board members by the court, in order to restore the Supervisory Board's composition in line with the requirements set out in the Articles of Association."

- c. On page 347 of the Prospectus, the table under the heading "**Regulatory Indicators**" shall be deleted in its entirety and replaced by the following:

	30 September 2021	31 December 2020
Regulatory Indicators¹⁾		
Risk-weighted assets (€ mn)	10,803	12,138
Common Equity Tier 1 ratio (CET1 ratio) (%)	21.5	18.8
Tier 1 ratio (T1 ratio) (%)	24.2	21.3
Total capital ratio (TC ratio) (%)	28.1	28.0

1) 31 December 2020: less an originally proposed dividend payout of € 1.50 per share in 2021 and incorporating the pro-rata accrual of net interest payable on the AT1 bond. The 2021 dividend payment of € 1.50 for 2020 was planned to be made in two steps. In compliance with the requirements published by the European Central Bank (ECB) on 15 December 2020, the distributable amount was calculated at € 0.40 per share. A proposal on the allocation of profits was approved at the ordinary Annual General Meeting in May 2021. On 2 November 2021, an Extraordinary General Meeting was convened for 9 December 2021, to decide on the intended remaining payout of € 1.10 per share, amending as planned the resolution of the Annual General Meeting of 18 May 2021 on the appropriation of profits. However, against the background of the intended tender offer announced on 23 November 2021 and in accordance with the investment agreement signed with the bidder of the tender offer, the Management Board has decided, with the consent of the Supervisory Board, to withdraw agenda item no. 1 for the Extraordinary General Meeting convened for 9 December 2021, which was intended to resolve on the further distribution of profits for the 2020 financial year of € 1.10 per share. For more information regarding the tender offer see "Recent Developments".

30 September 2021: less the originally planned remaining proposed dividend distribution of € 1.10 per share in 2021 and inclusive of the interim profits for 2021 less any pro rata dividends in accordance with the dividend policy and pro rata accrual of the net interest on the AT1 bond. The SREP recommendations concerning the NPL inventory and the ECB's NPL guidelines for exposures newly classified as NPLs were taken into account. The CET1 ratio as shown in the regulatory report as at 30 September 2021 was 20.6 %, reflecting the fact that as at that date Aareal Bank had not submitted an application for inclusion of profits to the ECB."

- d. Under the heading "**Financial Information concerning Aareal Bank Group's Assets and Liabilities, Financial Liabilities, Financial Position and Profits and Losses**" the last paragraph on page 347 of the Prospectus shall be deleted in its entirety and replaced by the following:

"The unaudited consolidated interim financial information as at 31 March 2021, the unaudited consolidated interim financial statement as at 30 June 2021 and the unaudited consolidated interim financial information as at 30 September 2021 of Aareal Bank were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU."

- e. The statement under the heading "**No Significant Change in the Financial Position or Financial Performance**" on page 349 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 30 September 2021, noting that significant uncertainties with respect to the impact of the Covid-19 pandemic still 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 COVID-19/Coronavirus"."

3. Changes relating to the section "General Information"

The following list shall be inserted under the heading "**Documents incorporated by reference**" on page 366 of the Prospectus before the paragraph beginning with "*Any information not incorporated by reference into this Prospectus...*":

"11) Unaudited consolidated interim financial information as at and for the nine months ended 30 September 2021:	Extracted from the Aareal Bank Group – Interim Report as at 30 September 2021:
– Financial Performance	– page 4 and 5
– Financial Position – Assets	– page 6 and 7
– Financial Position – Equity and Liabilities	– page 7 and 8
– Segment Results	– page 10

https://www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/IR/Finanzberichte/2021/20210930_zb_en.pdf

GENERAL PROVISIONS

Save as disclosed on pages 1 to 7 of this 4th Supplement, there has been no other significant new factor, material mistake or material inaccuracy since the publication of the Prospectus.

To the extent that there is any inconsistency between (a) any statement in this 4th Supplement and (b) any other statement in or incorporated by reference into the Prospectus, the statement referred to in (a) will prevail.

Any information not incorporated by reference into this 4th Supplement but contained in the Aareal Bank Group – Interim Financial Information Q3 as at 30 September 2021 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 4th 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 4th Supplement.

This 4th Supplement and the document incorporated by reference in the Prospectus (as listed in number **3. Changes relating to the section "GENERAL INFORMATION"** above) are also available on the website of the Luxembourg Stock Exchange (www.bourse.lu). Copies of this 4th Supplement and the document 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, Germany.