2nd Supplement
to the Prospectus

2nd supplement dated 12 August 2024 (the "**2nd Supplement**") to the base prospectus dated 14 June 2024 (the "**Prospectus**") in relation to the

Aareal Bank AG

Federal Republic of Germany, Wiesbaden

Euro 25,000,000,000
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 2nd Supplement. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this 2nd 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 2nd 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 2nd Supplement supplements and updates the Prospectus as supplemented by the supplement to the Prospectus dated 4 July 2024 (the "**1st Supplement**") and is to be read in conjunction therewith.

This 2nd 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 authority in the Federal Republic of Germany with a certificate of approval attesting that this 2nd 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 2nd Supplement. This 2nd Supplement shall only be distributed in connection with the Prospectus as supplemented by the 1st Supplement.

CONTENTS

SUPPLEMENTAL INFORMATION

The purpose of this 2nd Supplement is, *inter alia*, to incorporate by reference the unaudited consolidated interim financial statements for the six months ended 30 June 2024. Accordingly, the amendments set out below shall be made to the Prospectus:

1. Changes relating to the section "RISK FACTORS"

a) The paragraph under the heading and the heading "**Risks relating to Aareal First Financial Software GmbH**" on page 7 of the Prospectus shall be deleted in their entirety and replaced by the following:

"**Risks relating to First Financial Software GmbH**

Regarding the shareholding in First Financial Software GmbH, Mainz, Germany, the main risk groups are management and organizational risks as well as operational risks regarding the further development and operation of systems, as well as market risks due to the close relationship with Aareal Bank as main customer of First Financial and the distribution in respect to banking products offered predominantly to customers by Aareal Bank."

b) The paragraphs under the heading "**Risks specific for Structured Property Financing, including risks relating to geopolitics and to monetary policy tightening**" on page 11 *et seq.* 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 in 2024. The Russian war of aggression in Ukraine, further geopolitical tensions, for example between Taiwan and China and in the Middle East following the Hamas attack on Israel, as well as terrorism pose significant risks for the global economy, which can have a negative impact via the channels of investor uncertainty, possible disruptions to supply chains or supply shortages for raw materials. The increased risk of cyberattacks and critical infrastructure sabotage must also be mentioned in this context. Increasing trade tensions between China and Western countries could also have a negative impact on global economic activity.

Although inflationary pressure has eased compared to the previous year, the still elevated level of core inflation indicates that companies are passing on higher prices to customers. Also, the deflation of energy price is diminishing in US and Eurozone. Given the still elevated inflation, which is sensitive to geopolitical shocks, central banks are likely to maintain their restrictive monetary policy for longer than expected at the beginning of the year, representing a considerable risk for financial and property markets. The consequences of an excessively long period of monetary tightening could be severe and lead to a rise in yields on the bond markets and negative corrections on the equity and property markets. Liquidity-limited refinancing markets could also exert considerable pressure on financial institutions and, in conjunction with uncertainties about economic momentum, restrict banks' lending activities. Furthermore, the ECB's decision to set the interest rate on minimum reserves at 0%, together with the increase in regulatory requirements, represents a burden on the profitability of banks. This would be exacerbated by the possibility of increasing the minimum reserve rates, which is being discussed in individual national central banks of the Euro system.

Upcoming US elections will affect the US economy beyond 2024 and are a major source of near-term uncertainty.

Another risk is that government debt and bond yields have substantially risen due to the massive fiscal support during the Covid-19 pandemic, but also as a result of the economic slowdown and the difficulties in reforms (e.g. in UK and Eurozone). With the expiration and the partial rollback of bond purchase programmes, and the continued tightening of monetary policy by central banks, there is a risk that risk premiums for highly indebted countries may rise again. Non-financial corporate debt has climbed to a high level in many advanced economies, mainly reflecting bond issuance. Reduced macro-economic activity or other risks could be a reason for downgrading the rating of these bonds.

The political shift away from European cohesion poses a significant long-term threat to the EU, but also to Europe as a whole. The lack of coordination and cooperation in the refugee crisis and the slowdown in economic growth have led, among other things, to a rise in populism and increased the electoral success of populist and in some cases EU-critical parties in several countries, including in the EU parliamentary elections. The reform backlog and structural economic problems in some eurozone countries represent further uncertainties, risks and negative factors. Although the EU investment package is aimed in particular at supporting these countries, there is a risk that the measures will not be fully sufficient to address structural problems.

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 Aareal 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. Against the backdrop of continued higher financing costs, the general conditions for the real estate markets remain challenging. There are several uncertainties and risks in the macroeconomic environment that could affect the market. For example, political and geopolitical uncertainties could affect the stability of the markets and lead to investor restraint. In addition, low transaction volumes make pricing on the market more difficult. A sluggish economy could dampen demand for commercial real estate, while restrictive lending standards and high borrowing costs make investments more difficult and hinder a timely recovery. The ongoing refinancing of fixed-rate loans means that the effective interest rate paid by the market will continue to rise on average in 2024. Especially with expiring fixed interest rate commitments or expiring hedging instruments, the capacity to service debt or the free cash flow for investors after debt service can be constrained. A default of tenants due to negative economic developments and the resulting lower demand for use can further exacerbate the issue.

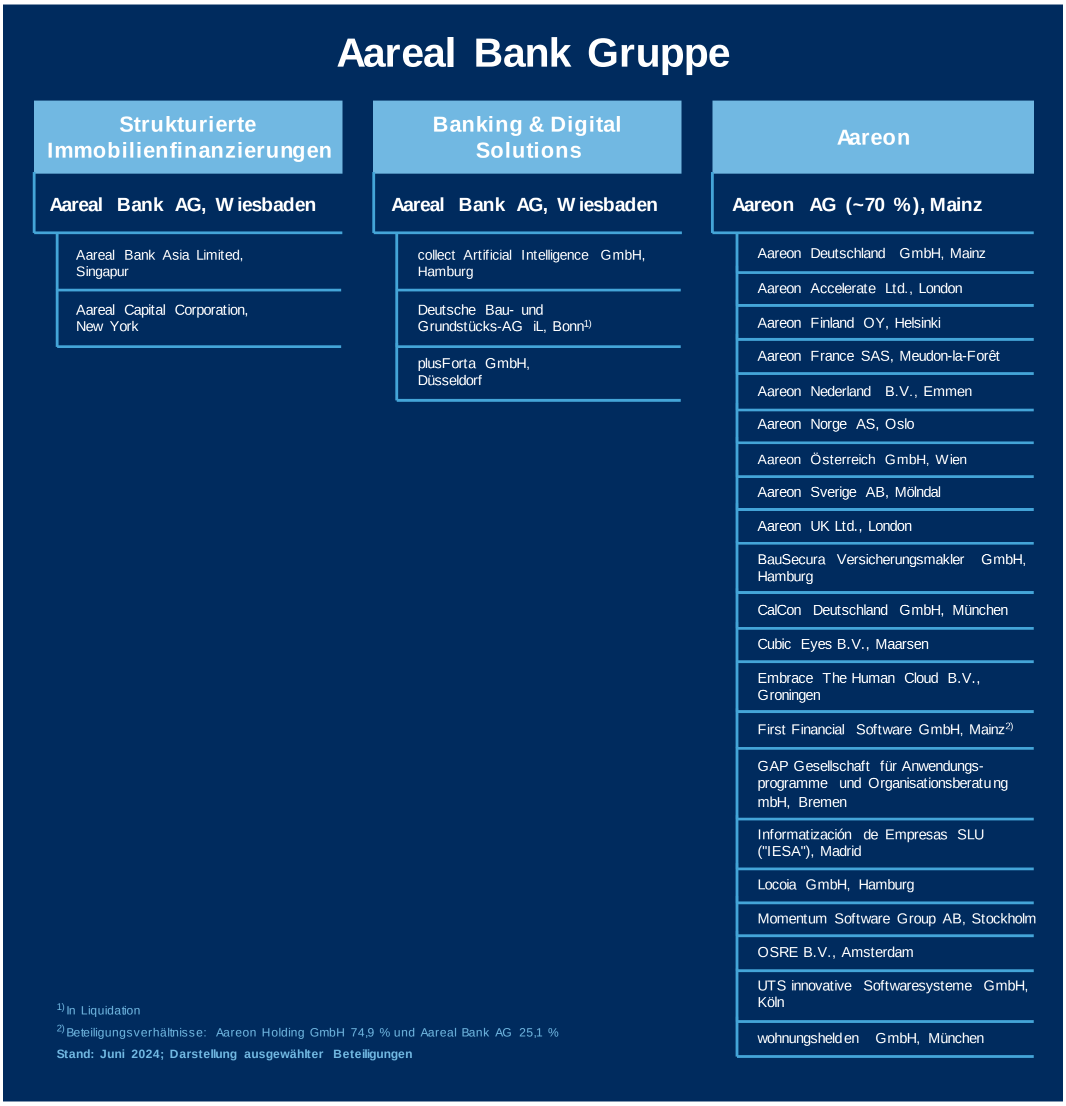
Should the trend towards increased remote working continue or even intensify, more and more companies may decide to rent less office space. The transition to such a new way of working could exert pressure on rental prices for office properties and on the demand for office space. It can be assumed that the impact varies depending on the market, the country, and a property's quality. On the other hand, communal and flexible working space will be increasingly sought after in a changing world of work, halting or even reversing the pre-pandemic trend of decreasing office space per employee. There is also the possibility that office properties that do not meet the changed tenant requirements may permanently leave the market, which could lead to a shortage of office supply and could counteract a decline in rent levels.

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, Aareal Bank anticipates that strong competitive pressure will persist, particularly in regions and for property types that have already experienced high demand in recent years. Higher financing costs and more restrictive lending standards should counteract an increase in loan-to-value ratios. Nevertheless, changes in the market environment could increase pressure on margins (gross as well as net) or lead to moderate increases 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 and reduced transaction volumes in this segment as well as the uncertainty regarding the further economic development could constrain financing opportunities. The developments in competition and economic development could adversely affect the profitability of Aareal 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."

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

a) The chart under the heading "**Organisational Structure**" on page 603 of the Prospectus shall be deleted in its entirety and replaced by the following:



b) The paragraphs under the heading "**Outlook for the year 2024**" on page 604 *et seq.* of the Prospectus shall be deleted in their entirety and replaced by the following:

"In the second half of 2024, global economic momentum is expected to be positive overall, with consumer spending being the driving force as higher real incomes are expected to support economic growth. Both headline and core inflation are expected to fall further, which will allow the major central banks to start or continue cutting interest rates later in the year. While lower inflation should support consumption, this could be offset by a slight rise in unemployment, which could slow the growth of real disposable household income and thus have a dampening effect on consumer spending. In general, the main central banks will maintain their restrictive monetary policy until the end of the year and only lower interest rates gradually and in a data-driven manner. The forecasts below are highly dependent on recent developments and may no longer be valid, especially in the event of unforeseen shocks.

The euro zone's real gross domestic product should see slightly stronger growth in 2024 than in the previous year, albeit at a low level given the multiple burdening factors. The economy is expected to gain further momentum in the second half of the year, supported by a decline in inflation, the continued easing of monetary policy and improved demand in industry. Private consumption should increase compared to the previous year due to rising real incomes, but a stronger recovery is only expected after further interest rate cuts by the ECB.

Positive real economic growth is also expected for the UK in the full year 2024, reaching a similarly level as in the euro zone. Driven by rising household incomes in real terms due to falling inflation, private consumption will play a central role in the recovery in the second half of the year, although the increase will be slowed by the effects of past interest rate hikes and tighter fiscal policy.

The US should see growth levels significantly ahead of the euro zone and the UK in 2024. For the second half of the year, it can be assumed that the economy will continue to grow at a moderate rate despite the delayed start of monetary easing. Similarly, no significant increase in layoffs or the unemployment rate is expected. The majority of households will benefit from an increase in real income, which will continue to support private consumption.

Aareal Bank expects positive real growth for Australia in 2024, albeit at a lower rate than in the previous year.

In the second half of 2024, central banks will continue to place their main priority on bringing inflation rates back to the target level on a sustainable basis. As inflation approaches its target, central banks will increasingly focus their attention on future economic conditions and adjust their monetary policy accordingly. However, Aareal Bank expects central banks to proceed with caution. The focus will be on carefully lowering key interest rates to less restrictive levels, while the reduction of central bank balance sheets will continue. Inflation rates in most economies are expected to further decline by the end of the year, albeit at a slower pace than 2023. However, the speed and trajectory of the decline will differ across countries, depending on how relevant individual supply and demand factors have been to the rise in inflation.

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 and reduce transaction volumes. However, Aareal 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 that elevated interest rates and financing costs compared with recent years will continue to weigh on the market values of commercial properties in 2024 and may lead to further downward pressure depending on property type and location. 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 private consumer spending to support the outlook for value-driving rental turnover. Although sales forecasts remain optimistic in most markets, risks remain. For example, the high level of interest rates combined with a slight slowdown in the labor markets could mean that private consumption may be disappointing. This in turn could have a negative impact on rental growth. Also depending on location and segment, Aareal Bank sees the recovery in hotel fundamentals largely achieved even if international tourism has not yet returned to pre-pandemic levels everywhere. The sector's fundamental data and income should remain sound in the near term. Unemployment continues to be low; however, the already significant rise in room rates should keep further sharp increases in hotel revenues in check. Increased operating and personnel costs continue to weigh on the free cash flow of hotels, although Aareal Bank does not see this as a fundamental threat to the hotel segment. On average, however, high interest rates should continue to have a negative impact on market value growth in the short term. Aareal Bank expects a positive development for co-living, i.e. shared housing for a limited period of time, and student housing, where demand from international students has already recovered significantly as a result of the return to face-to-face teaching. On the supply side, new construction is not keeping pace with the increase in student numbers at many university and college locations. For the current year, Aareal Bank again expects that the market values of office properties experience the strongest price pressure on average compared to other property types and that rental growth is also likely to slow down. This is caused by potential changes in space requirements and the increasing influence of sustainability standards. Aareal Bank expects properties that do not match corporate sustainability criteria or government climate targets to show a weaker development overall. A significant downside risk for this forecast lies in a sharper than expected decline in the market values of office properties. The market is undergoing a period of price discovery; the small number of transactions is complicating this process, though. If the number of office properties in serious distress increased strongly, yields would rise due to higher risk premiums, while market values would plummet. Logistics properties continue to be assessed positively, as structural driver of demand remain resulting in positive rental growth prospects in the near term. However, growth is expected to be more moderate than during the unusually strong increases of recent years. Individual properties may generally deviate from this estimate."

c) The paragraphs under the heading "**Management Board**" on page 606 *et seqq*. of the Prospectus shall be deleted in their entirety and replaced by the following:

"The Supervisory Board determines the number of members of the Management Board, which must comprise at least two members in accordance with the Articles of Association. It may designate one member as the chairman or speaker of the Management Board. Substitute Management Board members may be appointed.

Management Board members are appointed by the Supervisory Board for a maximum term of five years. Repeated appointments, in each case for a maximum of five years, are permitted.

In accordance with the Articles of Association, Aareal Bank is represented by two members of the Management Board acting jointly or by one Management Board member acting jointly with a commercial attorney in fact (*Prokurist*).

The Management Board currently comprises the following members:

Name:	Significant Principal Activities outside Aareal Bank:
Dr. Christian Ricken, Chairman of the Management Board	
Vereinigung Baden-Württembergische Wertpapierbörse e.V.	Chairman of the Executive Committee
EUWAX AG	Chairman of the Supervisory Board
Baden-Württembergische Wertpapierbörse	Chairman of the Exchange Council
Marc Heß, Member of the Management Board	
Aareon AG	Member of the Supervisory Board
Aareal Beteiligungen AG	Chairman of the Supervisory Board
Prüfungsverband deutscher Banken e.V.	Member of the Advisory Board
Nina Babic, Member of the Management Board	
Aareal Capital Corporation	Member of the Board of Directors
HypZert GmbH	Deputy Chairwoman of the Supervisory Board
Christof Winkelmann, Member of the Management Board	
Aareal Bank Asia Limited	Chairman of the Board of Directors
Aareal Capital Corporation	Chairman of the Board of Directors

"

d) On page 609 of the Prospectus, the table under the heading "**Regulatory Indicators**" shall be deleted in its entirety and replaced by the following:

"

	30 June 2024	31 December 2023	31 December 2022
Regulatory Indicators from continuing operations[1)]			
Basel IV			
Common Equity Tier 1 ratio (CET1 ratio) (%)	20.1	19.4	19.3

1) 31 December 2022: including originally proposed dividend of € 1.60 per share in 2022 and pro rata temporis accrual of interest on the AT1 bond, excluding profits for 2022 under commercial law.

31 December 2023: including profits for 2023 and pro rata temporis accrual of interest on the AT1 bond since no payout of profits for 2023 will be made in 2024.

Regulatory indicators as at 31 December 2022 and 2023 refer to the entire Aareal Bank Group including Aareon.

30 June 2024 (preliminary): including interim results for 2024 less a proposed dividend and including pro rata temporis accrual of net interest on the AT1 bond. 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 30 June, is expected to be 19.3 %.

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

Adjusted total risk exposure amount (in accordance with Article 3 CRR – RWAs), in accordance with currently applicable law (CRR II) and applying the partial regulation for the "output floor" in connection with commercial property lending and equity exposures, based on Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. 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)."

e) Under the heading "**Financial Information concerning Aareal Bank Group's Assets and Liabilities, Financial Liabilities, Financial Position and Profits and Losses**" the first paragraph on page 609 of the Prospectus shall be deleted in its entirety and replaced by the following:

"The unaudited consolidated interim financial information as at 31 March 2024 and the unaudited consolidated interim financial statements as at 30 June 2024 of Aareal Bank AG were prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("**IFRS**")."

f) The statement under the heading "**No Significant Change in the Financial Position or Financial Performance**" on page 610 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 and its subsidiaries since 30 June 2024, noting that significant uncertainties with respect to the impact of geopolitics 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 geopolitics and to monetary policy tightening"."

3. Changes relating to the section "GENERAL INFORMATION"

The following list shall be inserted under the heading "**Documents incorporated by reference**" on page 635 of the Prospectus before the paragraph beginning with "*Any information not incorporated by reference into this Prospectus…*":

"**12) Unaudited consolidated interim financial statements for the six months ended 30 June 2024:**	**Extracted from the Aareal Bank Group – Interim Financial Statements 1 January to 30 June 2024:**
– Statement of Comprehensive Income	– pages 36 to 37
– Statement of Financial Position	– page 38
– Statement of Changes in Equity	– page 39
– Statement of Cash Flows (condensed)	– page 40
– Notes (condensed)	– pages 41 to 58
– Review Report	– page 59

https://www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/IR/Finanzberichte/2024/20240630_zb_en.pdf"

GENERAL PROVISIONS

Save as disclosed on pages 1 to 7 of this 2nd 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 2nd 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 2nd Supplement but contained in the Aareal Bank Group – Interim Financial Information 1 January to 30 June 2024 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 2nd 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 2nd Supplement.

This 2nd Supplement and the document incorporated by reference in this Supplement 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 2nd 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.