

Declaration
of Compliance with the German Corporate Governance Code
pursuant to section 161 of the AktG

Since 16 July 2015, Deutsche Pfandbriefbank AG (“pbb”) shares have been listed on the Frankfurt Stock Exchange. Since that date, pbb has been subject to disclosure requirements pursuant to section 161 of the AktG. All declarations of compliance are available on the company’s website: www.pfandbriefbank.com/en/investors/mandatory-publications.html.

The most recent Declaration of Compliance issued by the Management Board and the Supervisory Board was dated 27 February 2020.

Pursuant to section 161 (1) sentence 1 of the AktG, the Management Board and the Supervisory Board of pbb shall declare, on an annual basis, that the Company has complied with, and continues to comply with, the recommendations of the Government Commission “German Corporate Governance Code”, or which recommendations have not been (or are not being) complied with, stating reasons for any non-compliance (the concept of “comply or explain”).

Accordingly, the Management Board and the Supervisory Board of pbb declare that pbb complied with the recommendations of the Government Commission “German Corporate Governance Code” (as validly amended on 16 December 2019), and continues to do so with the following exceptions:

Recommendation C.10 The Chairman of the Supervisory Board and Chairman of the Remuneration Committee, Dr Günther Bräunig, was elected as a member of pbb’s Supervisory Board following the proposal of the Federal Republic of Germany in 2009, which at that time indirectly held almost 100% of pbb shares. Therefore, as a precaution, Dr Günther Bräunig is not considered independent from the Company, although the Federal Republic of Germany already reduced its indirect shareholding in pbb (held through the Financial Market Stabilisation Fund - FMS) to only 3.5% in 2018.

Recommendations G.1 and G.2 The service contracts entered into with each member of the Management Board comprise a total threshold value of annual remuneration. The total threshold value of annual remuneration comprises the basic annual remuneration, the variable remuneration and fringe benefits up until 31 December 2020. The rationale for section G.1 of the GCGC states that company pension schemes are also to be included in the total threshold value of annual remuneration. As a result,

it is intended to adjust the individual threshold values with effect from 1 January 2021 and to include from this point in time onwards the service costs associated with the company pension schemes for defined benefit pension commitments and the annual pension contribution for defined contribution commitments.

Recommendation G.10 Referring to section G.10 of the GCGC, which stipulates that granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years, pbb hereby deviates from this rule. Portions of the deferred variable remuneration might be accessible before that period. However, the following consideration should be taken into account in this context:

The intention of the rules laid out in the GCGC, i.e. granting variable remuneration over a multiple-year period on a sustainable basis, is considered by applying compulsory performance measurement and disbursement regulations pursuant to the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – “InstVergV”), which ultimately go far beyond the GCGC recommendations in terms of granting remuneration on a long-term basis.

Firstly, target achievement at institutional level, which is the dedicating factor for the variable remuneration of Management Board members, depends on the company performance over three consecutive financial years.

Secondly, pbb’s disbursement structure provides for the variable remuneration to be divided into a disbursement portion and a deferral portion. The disbursement amount amounts to 40% of the variable remuneration, with the deferral portion amounting to 60%.

50% of the disbursement amount is paid out in cash when the conditions for disbursement have been met. The remaining 50% is disbursed after a retention period of one year, after the amount was adjusted in line with the performance of the pbb share (sustainability component).

The deferral period for the deferral portion is five years. In the five years following establishment of the variable remuneration, the Supervisory Board takes a resolution, every year, regarding the granting of one fifth of the deferral portion as part of an ex-post variable remuneration review (ex-post risk adjustment). The beneficiary may not claim the relevant remuneration component until the end of each deferral period. As soon as the beneficiaries have the right to claim a deferred remuneration component, half of the respective deferral portion is paid out in cash. The remaining half is retained for another year, and is adjusted again in line with the performance of the pbb share (sustainability component).

Effective 1 January 2018, the conditions to apply clawback options for variable remuneration already paid out was contractually agreed upon with all Management Board members.

Furthermore, the recommendation in section G.10 of the GCGC stipulates that the long-term variable remuneration amounts of Management Board members shall be largely invested in company shares by the respective Management Board member, or shall be granted as share-based remuneration. Given that these stipulations no longer exclusively refer to long-term variable remuneration amounts, pbb hereby deviates from the recommendation because only half of the variable remuneration is share-based, which is less than the larger part.

Munich, February 26 2021

The Management Board

The Supervisory Board