

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 amended on 7 February 2017 as well as based on the future wording, as amended on 16 December 2019, which has not yet been published in the German Federal Gazette) during the 2019 financial year, 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 (brokered 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. Furthermore, statutory provisions provide for a limitation of the variable remuneration of banks to 100% of the fixed remuneration according to section 25a (5) sentence 1 of the German Banking Act (Kreditwesengesetz – “KWG”). The Annual General Meeting did not resolve to increase the limitation to 200% of the fixed remuneration, as permitted under section 25a (5) sentence 5 of the KWG.

Regarding section G.1 of the GCGC, to the extent that company pension schemes shall be considered in the total threshold value of annual remuneration, pbb hereby makes the following statement:

The defined benefit pension commitments granted by pbb for individual Management Board members amount to a pension of 5.2% of the basic annual remuneration for each completed year of service, subject to a cap of between 50% and 60% (depending on the respective Management Board member) of the last basic annual remuneration. By definition, defined benefit pension commitments are not based on fixed annual contributions, but are recognized based on service costs – which might fluctuate considerably, in particular amidst the changing interest rate environment. Against this background, defined benefit pension commitments are not considered part of the total threshold value of annual remuneration within the meaning of section G.1 of the GCGC. The same applies to defined contribution pension commitments made by pbb to avoid an unequal treatment between beneficiaries of defined benefit and defined contribution pension plans.

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, given that portions of the granted 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 at pbb 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 GCGC requirements 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 for Management Board members amounts to 40% of their 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 Management Board members 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, 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 half of the variable remuneration of pbb's Management Board members is share-based, which is less than the larger part.

Munich, February 27 2020

The Management Board

The Supervisory Board