

Corporate Report 2019/20

Deutsche Pfandbriefbank AG

pbb

DEUTSCHE
PFANDBRIEFBANK



pbb in Numbers

Number of Staff



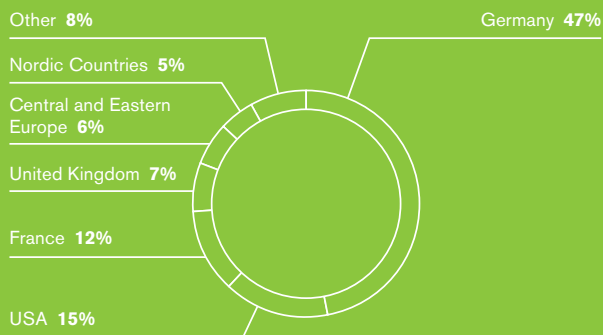
797

Office Locations



10

New Commercial Real Estate Finance Business



€ 33.4 billion

Loan Portfolio

The strategic portfolios in our Commercial Real Estate Finance business and Public Investment Finance business have a financing volume of €33.4 billion.

€ 27.4 billion

Outstanding Pfandbriefe

Pfandbriefe are pbb's primary funding instrument – the Bank ranks among the largest issuers.

€ 9.0 billion*

New Commercial Real Estate Finance Business

In 2019, new business in Commercial Real Estate Finance comprised 155 transactions; with a volume of €9.0 billion, this was in line with our guidance and only slightly down on the previous year (2018: €9.5 billion*).

Our Commercial Real Estate Finance Portfolio is put together as follows



46%

Office buildings



19%

Residential real estate



16%

Retail



10%

Logistics/storage



5%

Hotels



4%

Mixed use/
other properties

* including extensions by more than 1 year
All figures as at 31 December 2019, IFRS, consolidated

Portrait

» pbb Deutsche Pfandbriefbank is a specialist lender for commercial real estate finance and public investment finance in Europe and the United States of America.

It is a major issuer of Pfandbriefe, also making it an important player in the European covered bond markets. pbb shares are listed on the Frankfurt Stock Exchange.

In its core markets, pbb offers its clients a strong local presence with expertise across all aspects of the financing process.

As a result of its expertise in structuring loans, its cross-border approach and co-operation with other financing partners, pbb is able to realise both complex financing as well as international transactions.

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Introduction

Dear Reader,

We are pleased to present the first Corporate Report of pbb Deutsche Pfandbriefbank. We have used a handy format, together with briefer and less formal language, charts and dashboards to give you a compact and better overview of our company. The Corporate Report is to be a separate product alongside our Annual Report, which we have tailored even more precisely to meet the needs of the financial markets.

» An experienced team supports professional real estate investors with financing solutions tailored to meet their requirements.

pbb is one of the few listed banks in Germany. Our business is centred around commercial real estate finance. We concentrate on selected segments in what is a very large global market. An experienced team of around 800 colleagues support professional real estate investors and developers, offering tailor-made financing solutions for the most challenging transactions in the large European markets as well as in selected United States sub-markets. We finance almost exclusively office, residential, retail and logistics real estate, along with business hotels. The pbb name, says what we do: We are one of the biggest issuers on the Pfandbrief market and in this way fund our lending business. Pfandbriefe are the second-largest market for fixed-income securities in Germany, and are also of interest to both national and international investors.

» As one of the leading real estate banks, pbb finances developing inner-city districts that integrate living, working, culture and entertainment.

We have chosen the trend towards integrated city-centre districts as a focal point of this corporate report. In the past, living, working and culture/entertainment were found in different locations. Today, modern city planning increasingly combines them with one another, frequently locating them together on former industrial sites within the city and incorporating large areas of green space in the layout of the site. As one of the leading real estate banks, it goes without saying that we finance the development of such city quarters, as examples from Frankfurt, London, Manchester and Munich show. We will also present other interesting transactions in this report.



Marcus Schulte
Member of the
Management Board,
Treasurer

Thomas Köntgen
Deputy CEO,
Real Estate Finance and
Public Investment Finance

Andreas Arndt
CEO and
Chief Financial Officer

Andreas Schenk
Member of the
Management Board,
Chief Risk Officer

You will also find out more about pbb as an employer for a diverse team of real estate specialists and experts who hold various other roles in the banking business. Another chapter is dedicated to the topic of the environment and society. Finally, we will explain how pbb earns its money and how this is reflected in the income statement.

At the time of publishing this corporate report, the real estate markets worldwide are in the midst of a crisis due to the effects of the COVID-19 pandemic. pbb cannot escape this market development. However, it has significant capital buffers and is not only sufficiently supplied with liquidity, but is also very well positioned in terms of funding. For this reason, we can and will continue to support our customers in transactions and take advantage of business opportunities that now arise.

We hope you will enjoy reading our Corporate Report.

Yours sincerely,

Andreas Arndt

Thomas Köntgen

Andreas Schenk

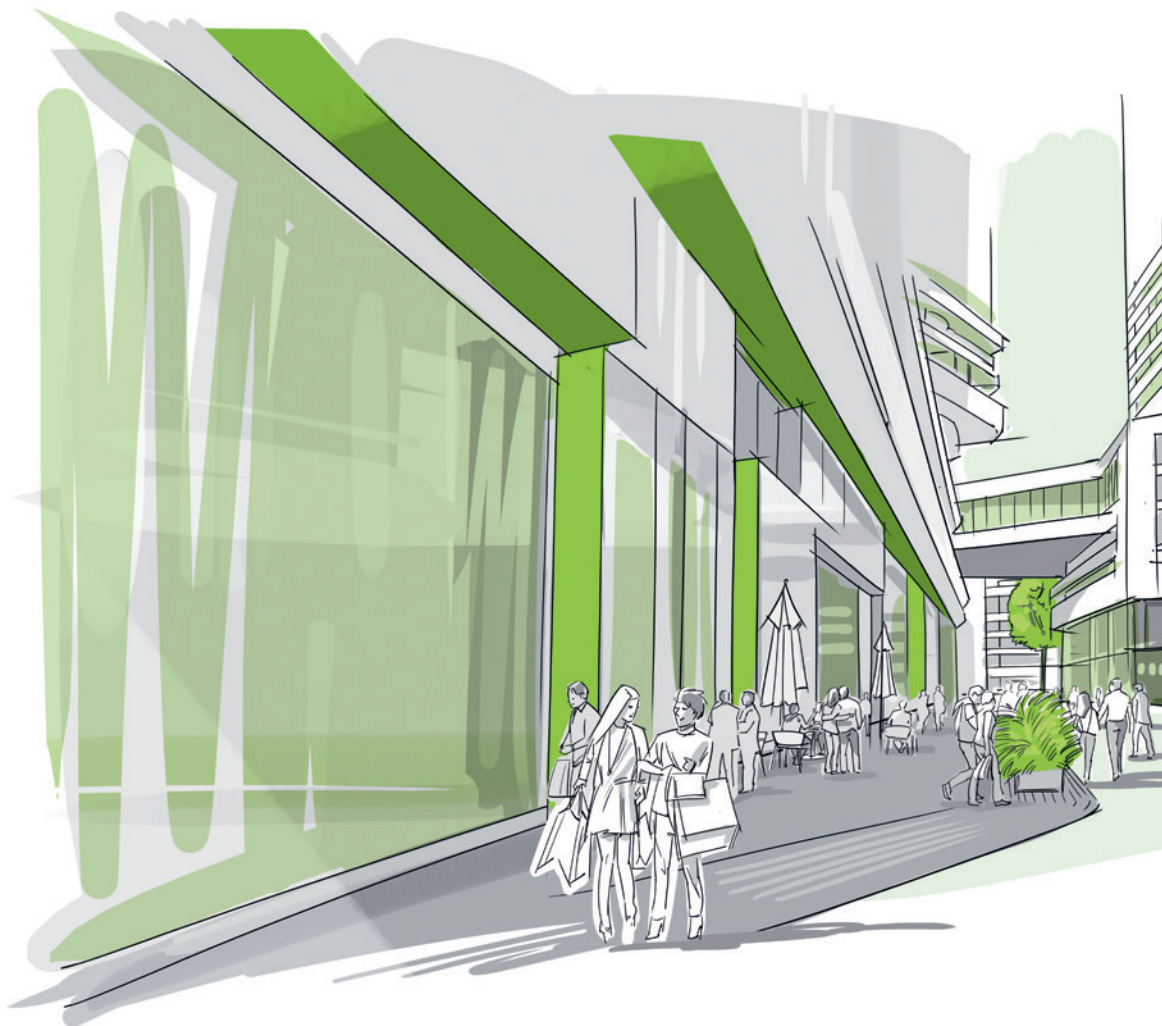
Marcus Schulte

City Quarters

for new urban living

Going shopping in the city or in an out of town shopping centre, working in the business district and commuting outside the city to a residential area in the evening. What remains the norm in many places today, is increasingly changing – instead of “separate worlds” a fusion of these worlds can be observed. Behind this are the changing ideas and demands of people living

in cities, particularly young people. Short journeys are of central importance: Changing between the most important areas of life – work, living and leisure – should be as quick and fluid as possible. Innovative urban development concepts take these expectations into account and implement them in a smart, creative manner and in high-quality architecture.



One location, many uses: Concepts of modern city-quarters combine living and working, action and relaxation. In an increasing number of cities and metropolises, quarters are being developed which reflect a new, dynamic lifestyle. pbb is involved in a number of exciting projects, including projects in Germany and the United Kingdom.

Megatrends optimally combined

This usually involves bundling several social megatrends – in particular flexibility, mobility, sustainability and networking – in one place. Futuristic office space then provides space for agile working environments. Intelligent living concepts make urban life attractive for both singles and families. A wide range of shopping and nightlife opportunities provide variety, as do

the diverse culinary delights which are on offer. Generous public areas allow for relaxation in the hustle and bustle of the city. A further plus point is the good connection to the city's hotspots as well as transport hubs such as the airport and railway station – accessible with a wide range of mobility options.

In addition to the residents, the metropolises themselves also benefit from this: In many cases, former industrial sites experience a considerable revival through the development of new quarters, which enhances the cityscape and quality of life at the same time.

pbb involved in numerous projects

As a major real estate lender, we not only observe important market developments such as urban quarter solutions, but we also finance them. Although, at around 85 percent, investments in existing properties continue to be predominant at pbb, development financing represents an important addition to our loan portfolio.

We are involved in numerous urban development projects as a financier and thus contribute to the sustainable design of urban life. The following pages present a selection from Germany and Great Britain.

Everything nearby

City quarters with integrative concepts are an interesting real estate segment for pbb and its clients.



The Fantastic Four

Outstanding in more ways than one: The four towers of the skyscraper quarter FOUR will add an unmistakable accent to the Frankfurt skyline. With more than 20 financiers – including pbb, the complexity of the financing for this mega-project can almost not be beaten.

Four superlative skyscrapers – each one individually financed. For the property development company Groß & Partner, the funding for this project was a challenge like none before: With a volume of over €1 billion, FOUR is not only one of the largest real estate financing projects in Germany, but the sum has also been provided by a total of over 20 financing partners in various structures.

The focus for us is the third tower in the ensemble. A 120 meter high tower on the Junghofstraße: This is being financed by pbb as lead bank together with BayernLB.

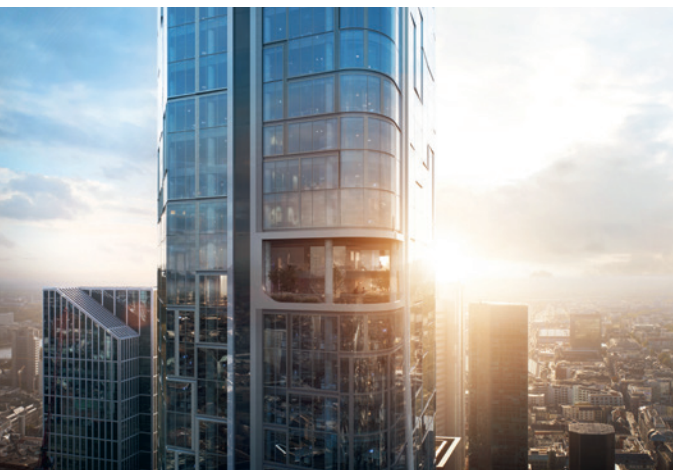
When completed, the skyscraper will unite residential apartments, a hotel and both retail and gastronomy.

FOUR is being created with the ambitious aim of changing the face of the city through its unique architecture. The quarter is to form a new urban centre that combines various functions and types of use. The towers will be a mix of hotels,

serviced apartments, flats and offices – complemented by high-quality gastronomy, retail and green islands.

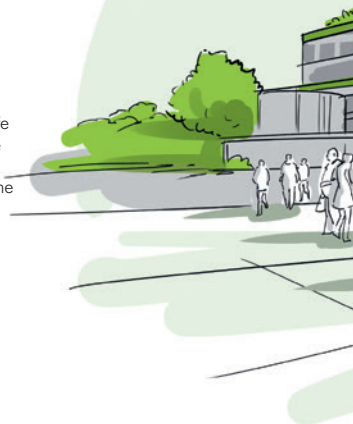
The location, in the middle of the central business district in Frankfurt, could not be better for the future residents, office workers and business people at FOUR. All the diversity of urban life is just a few steps or even just a lift ride away.

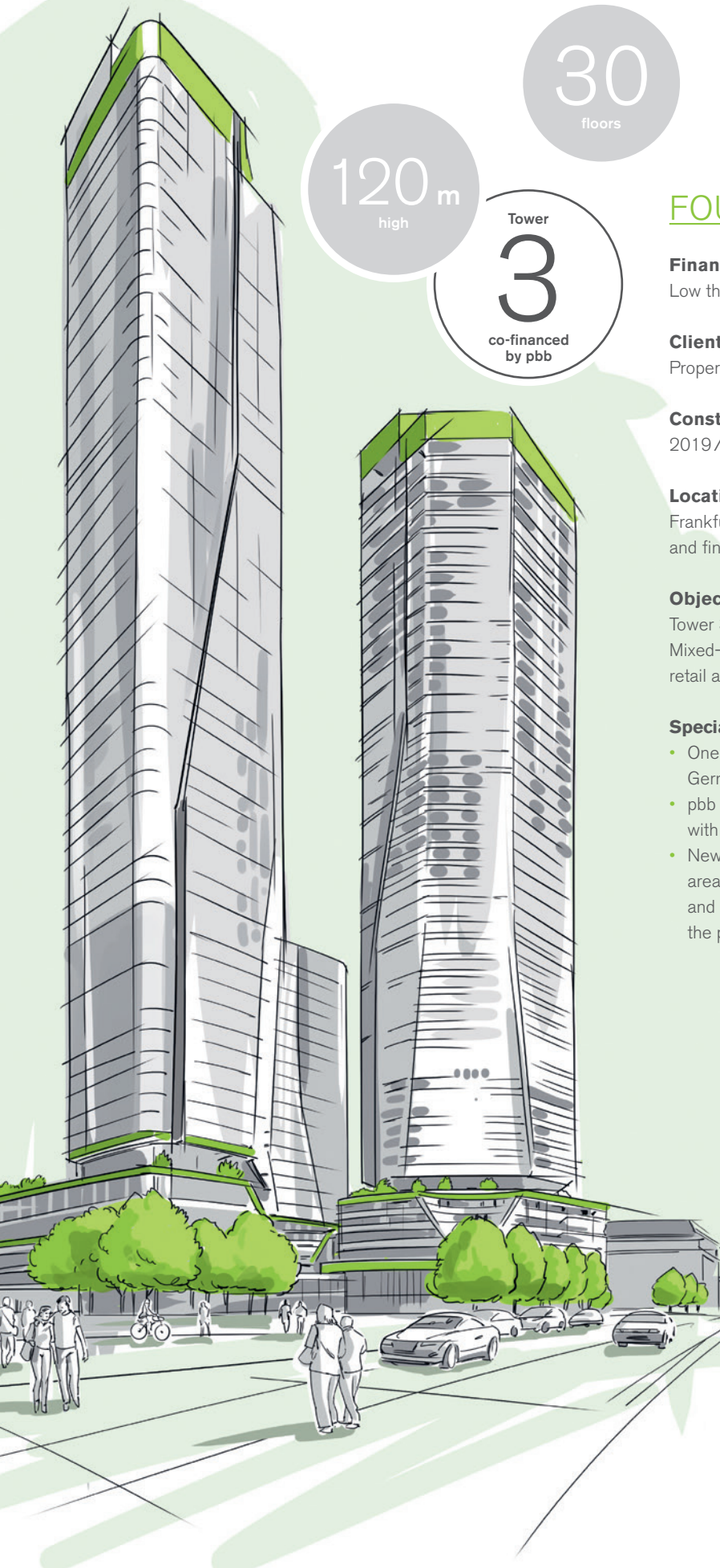
» **FOUR is being created with the ambitious aim of changing the face of the city through its unique architecture.**



The new middle

Whoever lives, works and enjoys life in this high-rise ensemble near the financial quarter has the best view – and is part of the Frankfurt skyline themselves.





30

floors

120 m
high

Tower

3

co-financed
by pbb

FOUR in Frankfurt

Financing Amount

Low three digit million amount (for Tower 3)

Client

Property Developer Groß & Partner

Construction Begin / Planned Completion

2019 / Completion in 2024

Location

Frankfurter city centre, near the main train station and financial district

Object Data

Tower 3: 120 meters high, 30 floors

Mixed-use: Residential apartments, hotel as well as retail and restaurant space

Special Project Features

- One of the largest real estate finance projects in Germany: Investment volume of over €1 billion
- pbb Lead Bank for financing of Tower 3 together with BayernLB
- New impulse for the financial district: A central area of Frankfurt's city centre will be upgraded and a previously inaccessible area opened up to the public.

approximately

213_{tsqm}floor space
above groundconstruction
started in

2019

over € 1 bn
total
volume

Welcome to the Post-Modern

Things are changing in the North West of London – and so is the “Post Building”: the former post office building has been extensively refurbished to create an innovative location for working, living and going out. pbb provided the financing.

Since 2019, “The Post Building” – previously a sorting centre for post – shines with a new brightness. The financing for the refurbishment, with a total volume of GBP 230 million was arranged jointly by pbb and BNP Paribas for the real estate companies Oxford Properties and Brockton Capital – both long standing clients of pbb.

Work on this prestigious project began at the end of 2015. A multi-functional building was constructed according to the plans of a renowned London architectural firm. With a total of approximately 30,000 square meters, it offers exceptionally designed offices, apartments and roof gardens as well as retail and restaurant space at street level.

» From 2015 a multi-functional building was constructed according to the plans of a renowned London architectural firm.

The “Post-Building” is located in the triangle of Museum Street, High Holborn and New Oxford Street – and so in a good inner-city location in London. The public space and surroundings are currently being further upgraded with extensive investments. This is particularly interesting for commuters, as the nearby Tottenham Court Road station has been redesigned and connected to the Cross-rail network. In the future, this railway line will relieve the heavily frequented London Underground.



London's Calling

Exceptional architecture, generous room concepts, high ceilings, green roofs: The London Post Building has completed the transformation to an innovative quarter.



The Post Building in London

Loan Amount

€286 million

Clients

Oxford Properties and Brockton Capital

Construction Begin / Completion

2015 / 2019

Location

Northwest London inner-city (Holborn)

Object Data

- Total space approx. 30,000 sqm
- Mixed-use: Offices, apartments, retail and restaurant space

Special Project Features

- Refurbishment of an existing building: The old postal building was turned into a versatile building with many uses.
- Investments of around GBP 40 million in the public space in the direct surroundings are further improving the location.

modern
mixed-
use

€ 286 mn
loan amount

The All-Inclusive-Concept

Nine kilometres to the west of Munich's city centre and near to the Nymphenburg Palace Park, a new quarter is being created on the Paul-Gerhardt-Allee. pbb is financing the construction of new, high quality residential apartments for two development companies.

This quarter belongs to the "Zentrale Bahnflächen" (The Central Railways Area) – one of the most important urban development projects in Munich. Currently, the last part of the area is being realized on the Paul-Gerhardt-Allee: Following completion of the construction, approximately 5,500 people will be living and about 800 working on an area of 33 hectares, previously used for trade and industry.

The trend to multifunctional use is also reflected in the concept for this quarter: In addition to approximately 2,400 apartments, a primary school with sports hall and child day care centres are being built. Furthermore, large, public green areas, a community centre and shops are also planned and will benefit the residential areas around the new quarter. The former production hall, and listed building, of a factory for agricultural machinery and equipment on the site will be preserved and converted into a trend-sports facility. In line with today's mobility needs, an extensive network of footpaths and cycle paths connects the quarter to the Pasing

» The trend to multifunctional use is reflected in the concept for this quarter.

S-Bahn train station and the Nymphenburg Palace Park.

As part of this quarter's development, pbb is financing projects for two property developers: PANDION AG and DEMOS Wohnbau GmbH. The total financing volume amounts to around €205 million. One- to four-room condominiums with high-quality furnishings will be built under green roofs. A highlight will be the view into the inner courtyard, which will be designed as a private park landscape for the residents.



From industry to lifestyle location

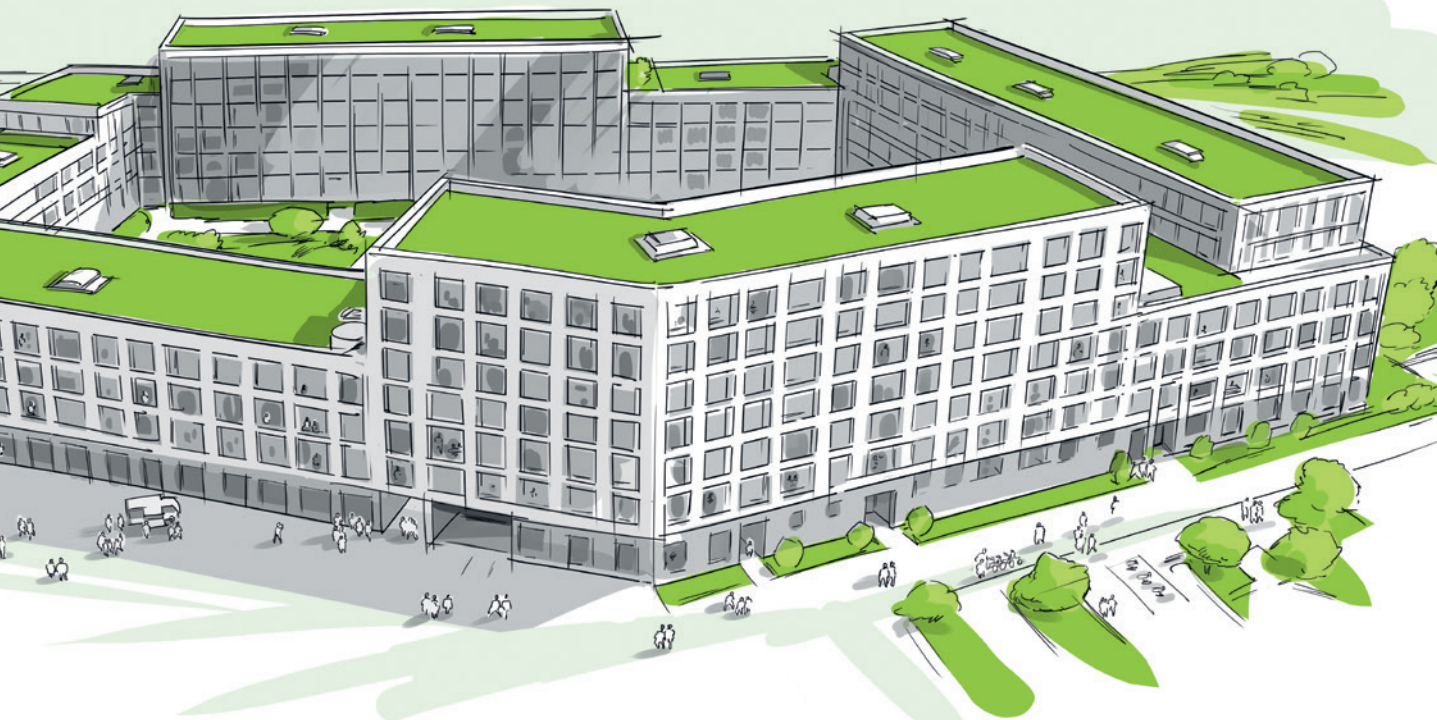
Munich needs apartments: A great deal of living space – and even more quality of life - is being created in this diverse, family-friendly quarter.

€ 205_{mn}
Loan Amount

approximately
400
apartments

1
object

2
property
developers



City Quarter on the Paul-Gerhardt Allee in Munich

Loan amount

PANDION AG
€73.8 million

DEMOS Wohnbau GmbH
€131 million

Client

PANDION AG
DEMOS Wohnbau GmbH

Construction Begin / Planned Completion

November 2019 / November 2021

Location

Pasing, 9 km west of Munich's city centre

Object Data

PANDION PENTA II

- 147 apartments with 11,352 sqm living space and 153 underground car park spaces

DEMOS PRISMA PASING

- 252 apartments with 15,967 sqm living space

Special Project Features

- Important investment in the creation of living space on the Munich real estate market which shows an extremely high demand
- Modern city quarter concept which unites all life's needs in one location near the inner city
- Financing for two property developer in one object

Reaching for the sky

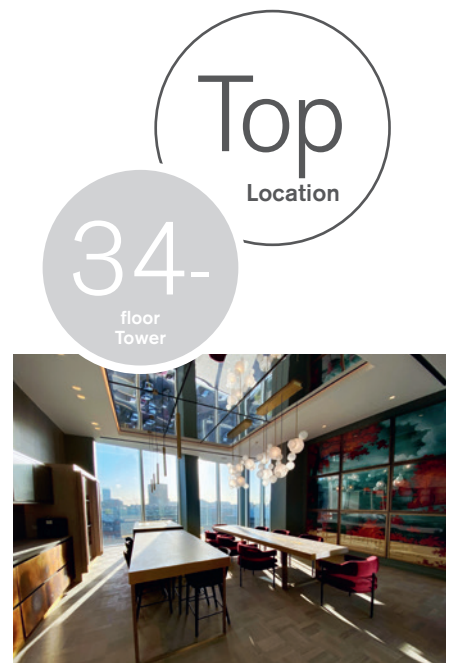
Historical meets modern: A city quarter, NOMA, is growing in the heart of Manchester which combines 100 year old architecture with innovative new constructions. pbb is financing the large rental complex Angel Gardens – with private rental schemes being one of the emerging segments on the British real estate market.

With a credit volume to the amount of €97 million, pbb is financing the construction of a residential complex, "Angel Gardens", consisting of 466 rental apartments – this is considered one of the biggest loans for a private residential rental building in Great Britain.

The development of large scale private rentals schemes is still a relatively new concept for the UK. Renting so far played a subordinate role in the country with a high home ownership rate. But there is movement in the market: the government is promoting the construction of rental housing in the major cities due to the growing demand for housing. The attractiveness for investors is growing due to larger developers, some of whom have thousands of residential units. Private rental housing is currently one of the fastest growing market segments in the UK.

The residential complex, Angel Gardens, is being built on a 20-hectare development area – popular because of its central location and a lively mix of commercial and residential properties, leisure and cultural facilities. A 34-storey tower forms the core of the development. This largest residential tower built outside London since the financial crisis is being realised by the real estate investment company Apache Capital Partners and the British company Moda Living.

In addition to very well equipped apartments, tenants can expect extras such as concierge service, a number of additional facilities (e.g. lounges, library and media room), a gym and a sports court on the roof.



» **Private rental schemes is currently one of the fastest growing market segments in the UK.**



Modern landmark

The tower of the Angel Gardens real estate project now shapes the silhouette of Manchester in the north-west of England.



Angel Gardens in Manchester

Financing Amount

€97 million

Client

Apache Capital Partners
Moda Living

Construction Begin / Planned Completion

2017 / in phases between 2019 and 2020

Location

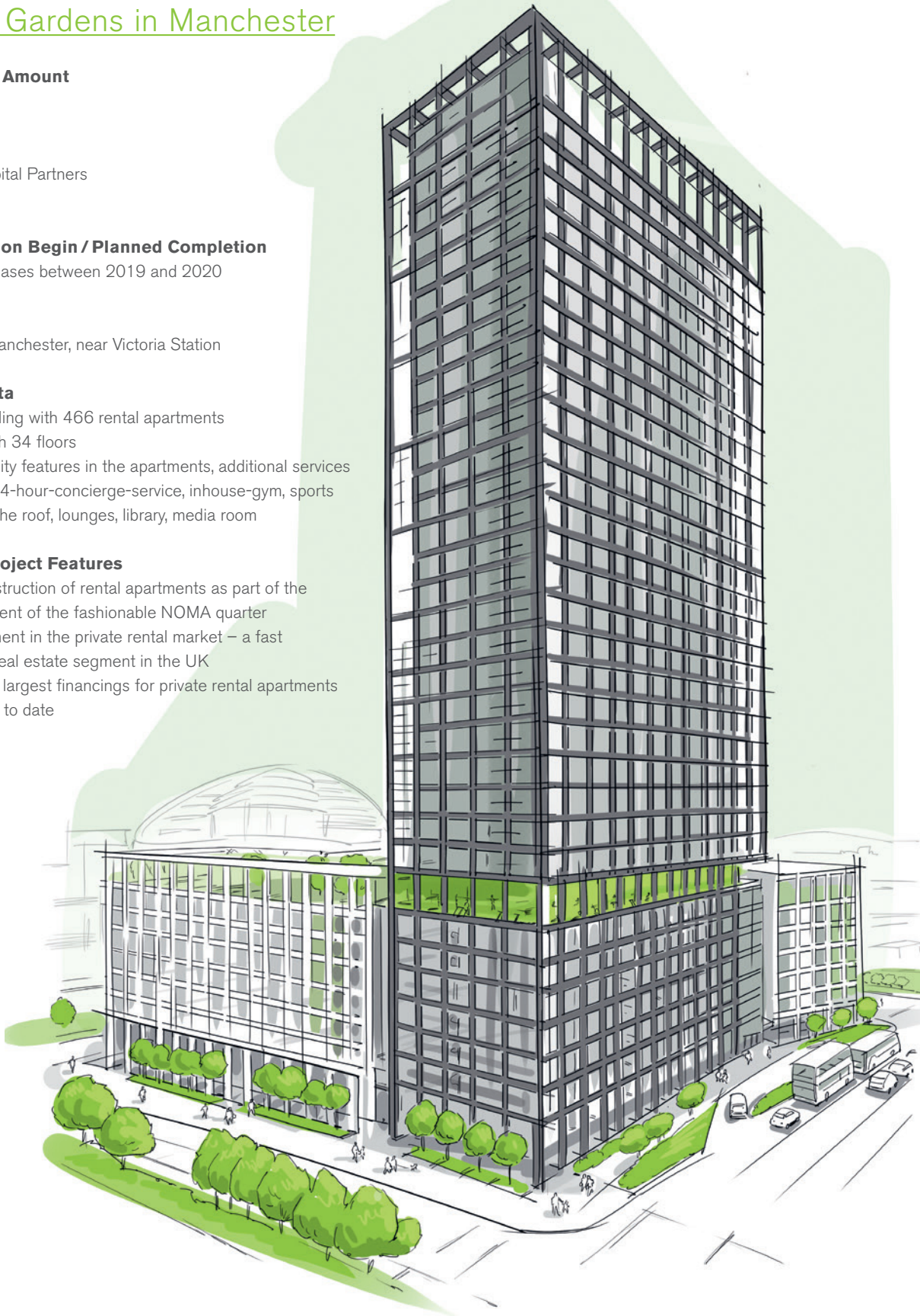
Inner-city Manchester, near Victoria Station

Object Data

- New building with 466 rental apartments
- Tower with 34 floors
- High-quality features in the apartments, additional services such as 24-hour-concierge-service, inhouse-gym, sports court on the roof, lounges, library, media room

Special Project Features

- New construction of rental apartments as part of the development of the fashionable NOMA quarter
- Development in the private rental market – a fast growing real estate segment in the UK
- On of the largest financings for private rental apartments in the UK to date



Typical for pbb: Transactions with value for our clients

With many years of experience and our extensive expertise, we are able to provide support for our clients in transactions worldwide. The properties we finance are as diverse as our clients.

Office and Retail Property in New York, USA



Project

The striking New York tower 589 Fifth Avenue was constructed in the 1950s and completely refurbished in 2016.

Use and Special Features

The 17-storey property in midtown Manhattan is used for retail and offices. The main area of the building is made up of office space with various tenants. 35 percent of the overall area, approximately 17,000 square metres, is used for the Flagship store of a well-known international textile chain.

Financing

When our client GLL Real Estate Partners acquired this prestigious building in 2019, we provided the finance, through a senior loan with a five-year term. pbb also acted as the agent, Bayern LB as co-underwriter.





Logistics Park in Poeldijk, Netherlands



Project

Fresh hotspot in the Netherlands: During 2019, pbb provided acquisition financing for the logistics park for fruit and vegetables ABC Westland, which was built in Poeldijk, southwest of The Hague. Around 65 tenants focused on the produce of fresh fruit and vegetables are located on the almost 300,000 square meter site. A total of twelve storage units, two office buildings and parking spaces have been built.

Use and Special Features

The modern logistics park is home to the entire supply chain for the food and agricultural sector – producer, grading, storage, cold storage / ripening, packaging, transport and retail / wholesale – and is open around the clock. The roof areas are used intelligently: Over 18,000 solar panels which are installed here ensure that energy is produced in an efficient and environmentally friendly way.

Financing

For the acquisition of the logistics park, pbb has provided its client, Hines Global Income Trust, with a loan of €75 million with a five-year term.

Key

topics for 2019

What changed at pbb in 2019?
Here are a few of our key events:

February

Senior preferred bond issued

2019 opened with the launch of two new and successful pbb issues: a Mortgage Pfandbrief was issued at the end of January, followed by an unsecured senior preferred bond at the beginning of February. Demand from investors significantly surpassed supply: almost 200 investors – most of them outside Germany – accounted for an order book volume of almost €2 billion. Senior preferred bonds are a relatively new product that enable lower funding costs compared to senior non-preferred bonds.



May

Award successfully defended

pbb was awarded "Lender of the Year" for the second year running at the 16th CEE Quality Awards Gala held in Warsaw in May 2019. The CEE Quality Award has established itself as being the most prestigious award for the real estate industry in Central and Eastern Europe.

The CEE Lender of the Year award, recognises the pbb's achievements as a leading financial services provider in the real estate market and its success in securing major transactions in the region. Some 900 decision-makers from over 50 countries attended the awards ceremony in Warsaw.



July

Moved to new corporate headquarters

At the end of July 2019, pbb moved to its new corporate headquarters. The building, located at the Business Campus Garching, north of Munich, is now home to around 550 employees who were previously based in Unterschleissheim.

This new location offers many advantages for our employees: A modern architectural design makes for a very open, sociable working atmosphere, as well as offering greater flexibility and accessibility. The Business Campus also boasts excellent infrastructure, including easy access to the Munich underground transport network.



A good address

The new pbb headquarters is located at Parking in Garching.

June

Ideas for innovative business models developed

In order for a company to succeed, it needs to constantly update its business model and processes. To achieve this, pbb has launched the Business Model Innovation initiative, or BMI for short. This project involved 17 employees from different areas of the company, working on forward-looking business models.

In two phases, four project teams analysed market trends and client needs, developing ideas for business models. These were subsequently refined and discussed with pbb's Management Board. One innovation will be pursued. Based on existing data and knowledge, pbb intends to advise on the optimisation of tenant composition, particularly in the growing mixed-use segment.

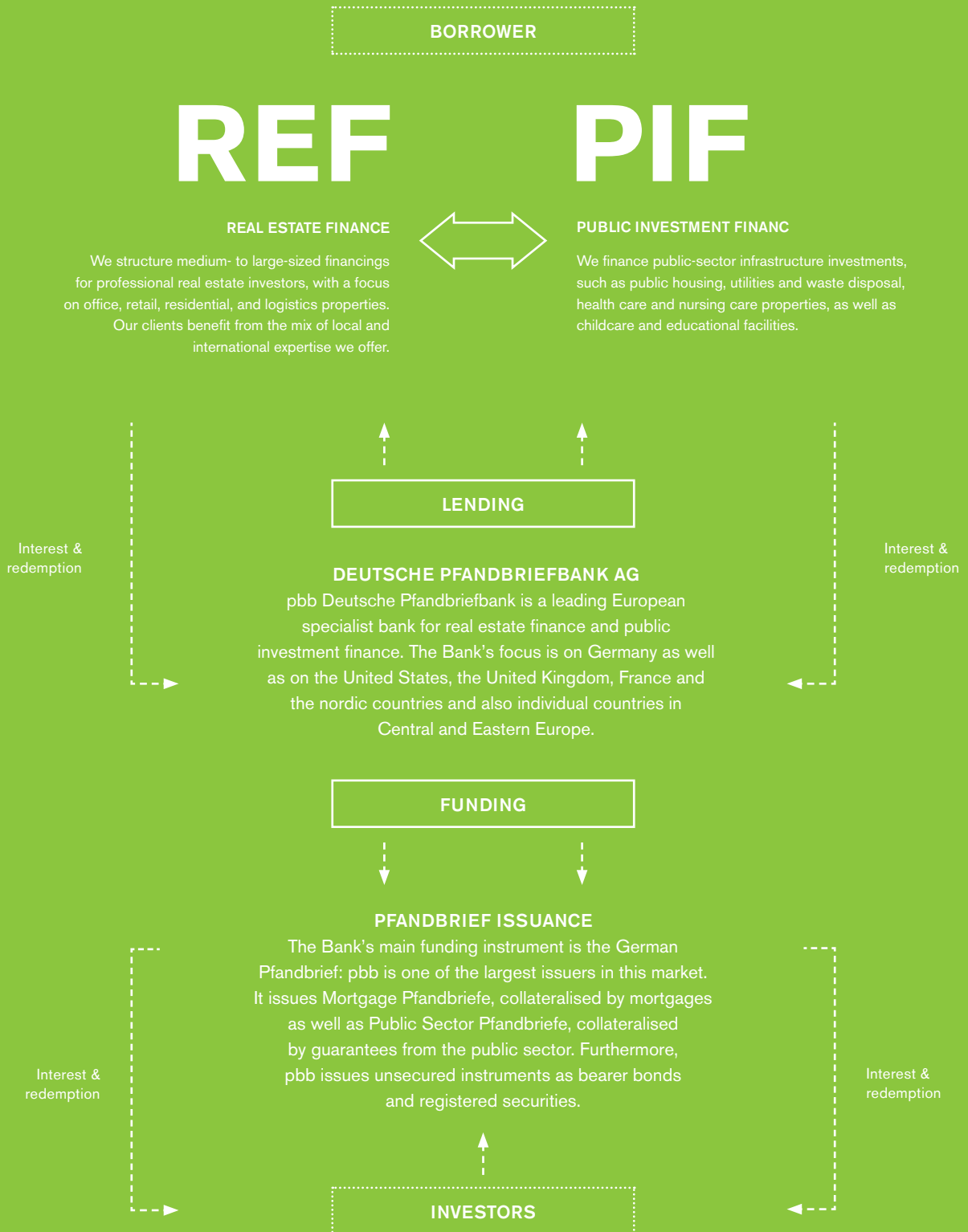
October

New York office opened

pbb has been active in the North American market since 2016, and has gradually expanded its activities there. Today, the New York office has nine employees who are responsible for new business in seven major US cities. They look after pbb's domestic and international clients.

The New York office has been operating at its new address since October. Its location at 330 Madison Avenue is in the heart of Manhattan – not far from the Public Library and Bryant Park.

Business model pbb Group



Business model and strategy

pbb's main pillars are the financing of commercial real estate and public infrastructure projects, with Commercial Real Estate Finance being the Bank's predominant activity. In this business segment, pbb intends to grow the loan portfolio, whereas it is not currently aiming for portfolio growth in the Public Investment Finance business. We conduct our business by combining proven qualities of foresight, consistency and risk awareness with a good measure of flexibility, dynamics and a willingness to embrace change.

Lending is pbb's core business: we play an important role in this area, supplying credit to the real estate sector and supporting the public sector with project financing for the provision and improvement of public infrastructure.

Commercial Real Estate Finance

Areas of focus

- Complex transactions with medium-sized to larger financing volumes
- Financing office buildings, properties for residential use, retail and logistics properties as well as business hotels

Clients / target groups

- Professional national and international real estate companies, institutional investors and real estate funds
- Medium-sized companies and clients with a regional focus on Germany

Public Investment Finance

Areas of focus

- Financing projects for the provision and improvement of public infrastructure
- Public / private partnerships and other structured transactions

Clients / target groups

- Regions, provinces, cities and municipalities as well as urban development companies
- Publicly-owned hospitals

Strong player with a large network

In the lending business, we either act as a sole lender or, particularly for large-volume transactions, cooperate with financing partners. In this context, we can resort to a wide network of banks and other partners, including insurance companies and private equity firms. In the syndicated business, when acting as lead manager (arranger), we often assume the complete coordination between the syndicate members and the borrower. Alternatively, in the role of agent, we deal with tasks in connection with the management of syndicated loans.

We also act as underwriter, initially being the sole provider of financings and then selling parts of these loans to interested partners in the context of syndications.

Core markets in Europe and the US

pbb's corporate headquarters are in Munich / Garching. In Germany, pbb also has offices in Berlin, Hamburg, Dusseldorf and Eschborn. Outside Germany, pbb serves clients from offices in London, Madrid, Paris, Stockholm and New York

In Europe, pbb's core markets are Germany, France, the United Kingdom, the nordic countries and selected countries in central and eastern Europe, Spain and Benelux. In the US, pbb covers the major hubs on the East and West coast.

Our target: a balanced portfolio

We are aiming for a market-driven and risk-conservative portfolio mix. Important influencing factors are economic, political and regional developments, as well as any amendments to the legal framework and the resulting changes on the markets for commercial real estate. All this must be continually taken into account so that we can manage our activities in new business and our existing portfolio, and adjust them if necessary. This is done in line with our risk strategy, which we review on a regular basis.

Changes that lead to global mega trends, such as digitalisation, demographic change or e-commerce, happen at a slower pace. For us, that means remaining flexible and developing future-orientated solutions together with our clients.

Sales locations

as of 31 December 2019



A Conservative Approach to Risk Management

pbb's credit book has always reflected a conservative risk profile. pbb provides senior loans in transactions with high equity commitments - from experienced and responsible real estate investors – and with robust collateral in the form of properties in good and very good locations. As a result, pbb is well-positioned, even taking into account a real estate crisis as a result of the COVID-19 pandemic.

The individual credit risk is mitigated by pbb's strict credit process which has a number of security mechanisms. This starts with the selection of the properties and investors – best locations and clients with experience of a crisis are those who survive in difficult markets. Furthermore, the net operating income from the property must clearly exceed the interest to be paid by the borrower. In addition, pbb requires clients to provide a significant level of equity which can compensate for market-related valuation changes on the properties against which pbb lends, thus keeping the collateral for the loan in place. If clients do not adhere to the contractually agreed requirements, they are usually required to provide additional liquidity or further equity. If, in exceptional circumstances, cash flows from a transaction are not sufficient, a temporary suspension or extension of repayments can be arranged to remedy or bridge the crisis situation without causing delays or defaults.

pbb combines this targeted selection of individual loans with a significant buffer with regard to its own level of equity which it is required to hold for the hedging of balance-sheet risks. In addition, there is also on-balance-sheet risk provisioning.

Strategic focus on digitalisation

With digital transformation we are pursuing three goals (i) further development of client interfaces, (ii) enhancing the efficiency of internal processes, and (iii) new products and business models. We are implementing initiatives on all aspects of digitalisation throughout the Group, a process managed by the Digitalisation division established in 2018.

CAPVERIANT platform business model

Platforms are business models that specialise in connecting market players – they bring together supply and demand on an electronic infrastructure in such a way that both sides of a market can operate freely. They originate in areas where supply and demand tend to be fragmented and lack transparency. Platforms initially focused on business relationships between companies and private individuals (B2C), but today the focus is turning towards business relationships between companies (B2B).

The market for public sector finance is well established but tends to be organised locally. This makes it difficult for investors in particular to access the market. In 2018, pbb launched its municipal financing platform CAPVERIANT. CAPVERIANT is a wholly-owned subsidiary of pbb, and is positioned as a fintech within the Bank.

The platform digitalises the market for public financing in Europe, bringing together borrowers and lenders: public sector entities have the opportunity to present their projects to potential financing partners. In return, institutional investors can submit loan offers. The platform currently covers the German and French markets, with other markets set to follow.

CAPVERIANT represents the first step taken by pbb to establish new business models using digitalisation – however, its significance for pbb goes beyond that. The insights and experience gained are highly valuable for pbb's future digital initiatives. CAPVERIANT therefore continues to play an important role as part of our digitalisation strategy.

pbb as an employer



797*

Employees end of 2019



32

Trainees / Students / Internships

People from 31 nations work at pbb



31



Gender quota as of 31.12.2019



38.5%

61.5%



Signatory to the Diversity Charter since 2010



charta der vielfalt

UNTERZEICHNET

Awarded the Fair Company Seal



Fair Company is the largest employer initiative for fair internships.

1,142

Employee training activities in 2019



2,973

Employee training days in 2019

* excluding Members of the Management Board, interns and working students

Employees and Personnel Development

pbb is a modern employer which has a great deal to offer its employees in every phase of their careers. Trainees and young professionals receive a solid training, interesting jobs and secure job prospects. All employees have a wide range of opportunities for both professional and personal development. All this with fair remuneration and attractive social benefits.

Personality, expertise and challenges

A company with specialised products and services needs a team with specific skills. At the same time, each person is set apart by their own individual knowledge and experience. At pbb, everyone contributes their expertise and thus adds to the company's success. We employ experts with high standards for results of the highest quality.

We value the diversity of personalities and characters of our employees. All of them influence pbb's culture: It is all about our goals and about working together to make the best possible. Freedom and personal responsibility support the personal development of each individual.

Co-operation at pbb is based on trust and team spirit. Honesty, compassion and authenticity as well as self-confidence in one's own abilities shape the way we work with each other. This makes pbb an employer which offers security and stability.

Opportunities for young talent

There are many ways in which young people can come to pbb: internships, working as a student and programmes for trainees or Young Professionals. The number of young people who get to know pbb and our work in this way is continually growing.

When starting at pbb, we place an emphasis on a good "onboarding". Welcome Days, which take place throughout the year, give new team members a general overview of the organisation and processes within pbb. In addition, experienced colleagues are available as sponsors to offer advice and support.

More training, not standing still

Comprehensive training programmes offer all members of staff a basis on which to further their knowledge of their chosen area, their careers and also of course their personal development. We offer a wide range of internal seminars and qualification measures which we are continually expanding. Our focus is also on management training of our own employees. In 2019, members of staff took part on a total of 2,973 training days as part of 1,142 training initiatives.

Sustainability at pbb



2019

Online survey on sustainability conducted among all stakeholders



Annual General Meeting, annual media- and analysts' briefing, as well as other events, are conducted in a climate neutral manner.

100%



Carbon-neutral power supply at all German pbb locations



PRIME

at oekom

CSR ratings

Proven performance in the area of corporate and social responsibility plays an increasingly important role in today's investment decisions. Institutional investors in particular are increasingly including independent assessments in their investment decisions.

5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Alignment of our sustainability strategy with the UN's Sustainable Development Goals (SDGs)

Environment and Society

Sustainability means taking responsibility. At pbb, we do this on many levels – from our core principles of good corporate governance, granting loans and managing resources, right up to social commitment. We are gradually increasing measures and initiatives to reflect our sustainability strategy.

Where does pbb stand on the topic of sustainability? This is a question we are keen to address not just from an internal perspective, but also by talking to our stakeholders. In 2019, we launched an online survey with the aim of identifying areas where we could further enhance our efforts in terms of sustainability, and which of these aspects is considered particularly important.

A total of 246 people and institutions took part in the survey. We are incorporating the results into our sustainability strategy, which defines how we can combine sustainability with commercial success. pbb's CSR Committee – made up of representatives from various business areas within the company – ensures that this strategy translates into measurable goals and objectives.

SDGs – the basis of our sustainability strategy

In 2018, the CSR Committee decided to align and optimise pbb's sustainability strategy with the United Nations' Sustainable Development Goals (SDGs). There are 17 defined goals in total, all of which serve to promote sustainable development at an economic, social and environmental level. We identified four targets that are particularly relevant for pbb. In addition to ensuring decent work and management practices geared towards gender equality and economic growth (SDGs 5 and 8), the principal goals for pbb are SDG 9, "Industry, innovation and infrastructure" and SDG 11, "Sustainable cities and communities".

In its role as a specialist bank for real estate finance and public investment finance, pbb plays its part in creating sustainable cities and communities. In doing this, we are helping to promote urban living spaces that provide both a sustainable infrastructure and a high standard of living. Our involvement in various working groups, for instance, means that we are actively involved in the development of sustainability standards in order to conserve natural resources and reduce our ecological footprint over the long term.

Social responsibility

Diversity is very much one of pbb's guiding principles – whether it be in the way we work together at our local offices and with our clients worldwide, how we select our real estate projects across the globe, or through our commitment to social responsibility.

Two non-profit foundations bearing our name focus on providing support for cultural and scientific projects: the pbb Stiftung Deutsche Pfandbriefbank and the pbb Stiftung für Kunst und Wissenschaft.

pbb also attaches great importance to community involvement, and supports the St Nikolaus Children's Hospice in Bavaria's Allgäu region. We also sponsor projects at pbb's various locations in Germany, as well as supporting our employees in their own personal, voluntary commitment to charitable organisations. Since 2016, pbb has been providing individual support to socially disadvantaged children through its corporate volunteering programme in partnership with the Dominik-Brunner Haus der Johanner, in Munich.

Climate protection in everyday working life

We are turning our attention increasingly to sustainability, not only in the properties we finance, but also in the buildings we use ourselves at pbb. In particular, the recent move to new corporate headquarters in Garching has extended our ability to act in an environmentally friendly manner.

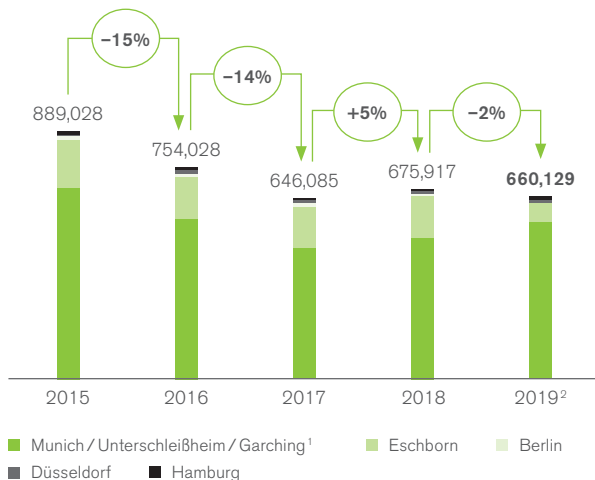
Energy supply

- The electricity and heat required for our office building in Garching is generated from renewable energy sources: heat is generated from geothermal energy whilst a photovoltaic system generates electricity.
- Since 2011, pbb's entire power consumption across its German locations has been met from renewable energy sources.

Thanks to our various energy efficiency initiatives, we have successfully reduced electricity consumption at pbb locations by more than 25 percent since 2015.

Power consumption

in kWh



¹ Unterschleißheim (January 2019 – August 2019), Garching (July 2019 – December 2019)

² Estimated power consumption 2019 in Berlin, Düsseldorf and Hamburg, December 2019 in Eschborn

Mobility

- The excellent public transport links at the new head office location make using public transport an attractive option for our employees. Car sharing and carpooling are also available.
- There is an e-bike charging station in our bike storage facility.
- Our travel policy aims to make an active contribution to environmental protection. By using individual video conferencing technology and equipping our conference rooms for this purpose, we aim to further reduce the volume of business travel.

Organisation

- Work processes at pbb are designed in principle to be as paper-free as possible. A range of electronic devices are therefore used to replace paper-based processes as much as is practical.
- Climate-neutral events are also increasingly becoming the norm. pbb started this initiative in 2018 with its Annual General Meeting, and extended it to include both its annual media briefing and the Analysts' Conference in 2019.

Sustainability in real estate finance

Financing using green bonds

Green bonds represent a key milestone in our commitment to focusing the Bank's core business on sustainable real estate finance: going forward, we intend to use our own sustainable debt issues to fund the lending business and offer sustainable products to bond investors. This will enable us to meet the requirements of a wide range of stakeholder groups in terms of sustainable finance, as the financial industry's contribution to achieving the Paris Agreement climate targets.

Promoting high standards of lending

Many of the projects we finance have direct, sustainable and positive effects on both the environment and society – for instance, investments in social housing, public administration buildings and renewable energy. We are committed to maintaining our high standards in lending, both for commercial real estate investments and for public sector infrastructure projects. We do this not just for economic or financial benefits, but also for environmental reasons. Using clearly defined processes, we carefully monitor and evaluate the projects, paying particular attention to the technology and materials being used, for example.



Financial Year 2019

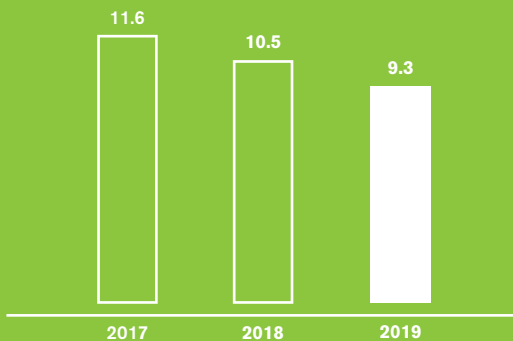
CET1 ratio

15.9%

Cost-income ratio

43.5%

New Business



In €bn (new commitments, with extensions >1 year)

Profit before taxes

€ **216** million

€ **458** million

Net Interest Income

Net interest income is pbb's most important earnings item. Income from the lending business is offset by expenses for funding.

€ **49** million

Risk Provisioning

Income from the lending business is offset by risk costs.

€ **202** million

General and Administrative Expenses

At approximately 60% of the total, personnel expenses are the largest item. Non-personnel expenses comprise operating and IT expenses, as well as project and consulting expenses.



Our funding mix (new issuance in 2019)

Mortgage Pfandbriefe	Public Sector Pfandbriefe	unsecured bond issues	deposits at pbb direkt (as at year-end 2019)
€ 2.9 billion	€ 0.3 billion	€ 3.6 billion	€ 2.8 billion

Financials: positive results

The economic environment: challenging, due to the high level of competition and current uncertainties surrounding the impact of the coronavirus on economies in general, and on real estate markets in particular. pbb: good lending business with stable margins, high funding volumes for Pfandbriefe and unsecured bond issues, and a strong result in 2019, continuing the success of previous years.

This is how pbb generates income

In its operative business, pbb generates interest income from the lending business which is offset by interest expenses for the funding of loans granted. The net interest income item in the income statement shows the net result of this equation. Furthermore, pbb generates commissions, booked to a large extent under the net interest income item due to their predominantly interest-like nature; thus, net fee and commission income is usually very low. In addition, the Bank generates income from prepayment fees for loans that are repaid before

maturity. This income offsets lost interest income as well as funding losses incurred due to early repayment. Other operating income results mainly from valuation changes.

The principal expense items are provisions recognised for potential loan defaults, personnel and non-personnel expenses along with other. Other significant expenses arise from the amortisation of tangible and intangible assets, and bank levies.

Results – what the figures tell us

Over the past decade and until the end of 2019, real estate markets remained in good shape overall – despite individual markets and sub-markets performing more poorly in recent times and very low yields for investors due to high valuations. At the same time, strong competition amongst lenders has shaped the credit markets for years, with banks and other lenders playing their part in contributing to this situation. The markets for public investment finance, on the other hand, were characterised by cautious investments from the public sector and weaker margins. The corona pandemic will impact markets, although the extent of this impact cannot yet be estimated.

pbb continued to expand its credit portfolio in recent years by generating positive new business volumes, which in turn (at relatively stable margins) resulted in higher interest income from the operating business. At the same time, interest expenses fell. In the 2019 financial year, net interest income (pbb's most important earnings item) rose to an all-time high of €458 million; commissions contributed another €6 million. Operating income also benefited from an increase in early prepayment fees.

Loss allowance

Loss allowance is a net position, in which additions and reversals are offset. In previous years, additions were mostly only marginally higher than reversals; as a result, loss allowance was in the low double-digit millions at most, despite a credit portfolio exceeding €45 billion. Net income from risk provisioning of €49 million for the full year 2019 was above the level of previous years, mainly due to the higher probability of a macroeconomic and sector-specific downturn.

Administrative expenses

In recent years, general and administrative expenses have ranged just below €200 million, insofar as they were not impacted by one-off effects. In 2019, general and administrative expenses rose slightly to €202 million. This was partly due to investments in regulatory-driven projects, but also to investments in pbb's future and in measures aimed at improving the Bank's efficiency.

Pre-tax profit

Over the past three years, pbb's pre-tax profits have remained relatively stable at just above €200 million. In 2019 (€216 million), the Bank generated the second-highest reading after 2016. However, due to a significant positive non-recurring effect the 2016 result was not representative.

Segment reporting clearly shows the significance of the Commercial Real Estate Finance business (REF) for pbb, in comparison to Public Investment Finance (PIF). pbb follows different approaches in these two strategic business lines: whilst the Bank aims to further expand its real estate financing business, it has recently rescaled its PIF segment and aims to keep that loan portfolio at a stable level. As a result, Commercial Real Estate Finance accounted for approximately 97 percent of new business and approximately 85 percent of pre-tax profit in 2019.

pbb shares

Deutsche Pfandbriefbank AG shares are listed in the Prime Standard of the Frankfurt Stock Exchange (FWB), and included in the SDAX® index. Thus, pbb shares belong to the 70 largest companies – below the constituents of the DAX® and MDAX® – within the Prime Standard of the FWB, when measured by market capitalisation and order book turnover.

A total of 134,475,308 ordinary shares have been issued. The free float is 100 percent.

Basic information

31 December 2019

WKN	801900
ISIN	DE0008019001
Class of shares	Ordinary bearer shares with no par value
Number of ordinary shares	134,475,308
Exchange mnemonic	PBB
Stock exchange	Xetra, Frankfurt
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Index	MDAX® (since 21 September 2015)
Initial listing	16 July 2015

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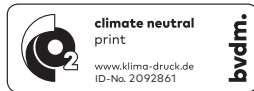
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