

pbb

**DEUTSCHE
PFANDBRIEFBANK**

Corporate Report 2020 / 21

Deutsche Pfandbriefbank AG



pbb in Numbers

Number of staff



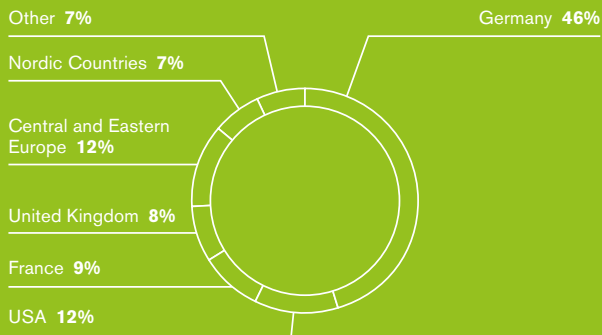
823

Office Locations



10

New Commercial Real Estate Finance Business



€ **32.8** billion

Loan portfolio

The strategic portfolios in our Commercial Real Estate Finance business and Public Investment Finance business have a financing volume of €32.8 billion.

€ **25.3** billion

Outstanding Pfandbriefe

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

€ **7.3** billion*

New Commercial Real Estate Finance Business

pbb was especially selective by new business in 2020 due to the COVID19 pandemic. With additional, stricter parameters, commercial real estate financing reached a volume of €7.3 bn (2019: €9.0 bn) with a significant increase in gross margins with an average of 180 basis points.

Our Commercial Real Estate Finance Portfolio is put together as follows



48%

Office buildings



18%

Residential real estate



15%

Retail



12%

Logistics/storage



5%

Hotels



4%

Mixed use/
other properties

* including extensions by more than 1 year
All figures as at 31 December 2020, 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 from the Management Board

Ladies and Gentlemen,

We received extremely positive feedback for our first corporate report last year, which encouraged us to produce a new edition for 2021. This report covers the previous and the current financial year, and thus follows on from the first report in terms of content. We have kept the same user-friendly format, lighter-style text, graphics and dashboards to provide a clearer overview.

The world has changed over the past twelve months as a result of the COVID-19 pandemic, and in some areas this change will be permanent. This of course also applies to the real estate sector. The impact of the pandemic on the global economy has triggered a real estate crisis. This development is in part reflected in real estate valuations and changes to risk assessments. It is also evident in the pandemic's acceleration of structural changes and the emergence of new challenges. These can be seen, for example, in 'brick-and-mortar' retail, which is coming under even more pressure from online retailing, and in the declining demand for office space in the service sector due to increased working from home.

The changed situation on the real estate markets also affects pbb as a specialist financing provider for investments in commercial real estate in Europe and the US. At present, pbb is benefiting especially from its conservative lending approach and a correspondingly risk-conservative credit portfolio in its main property types: office, residential, retail and logistics. Our main focus is on real estate in prime locations, with stable cash flows, good tenants, and low re-letting risks. Furthermore, we rely on professional investors with experience of crises, and we ensure that loan agreements have low loan-to-value ratios and solid covenant structures. It is part of our business discipline to say "no" to transactions that do not meet our requirements – as was the case even before the COVID-19 pandemic. We remain cautious, yet very confident and forward-looking.

We have chosen the topic of green buildings as the focus of this corporate report. Sustainable commercial real estate is a major macroeconomic and social challenge, and we are committed to making our own contribution. We have started to finance our lending business with green bonds, and in doing so we have also met increasing demand for these types of products on the capital market. In parallel, we are working on green loans for our clients' investments in highly sustainable real estate.

We hope you will enjoy reading our corporate report.

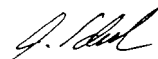
Kindest regards,



Andreas Arndt



Thomas Köntgen



Andreas Schenk



Marcus Schulte



» We are committed to expanding our core business in Commercial Real Estate Finance, enhancing pbb's sustainability and driving forward digitalisation. «

Andreas Arndt
Chairman of the Management Board and Chief Financial Officer

» We are a reliable and, in a positive sense, a predictable financing partner for our clients in Germany, Europe and the USA. «

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



» In this pandemic-related challenging market environment, the management of the credit portfolio and the selection of new business are extremely important issues. «

Andreas Schenk
Member of the Management Board, Chief Risk Officer

» Issuing green bonds is an essential part of our approach to integrating sustainability aspects into pbb's business model. «

Marcus Schulte
Member of the Management Board, Treasurer





The Green Wave

All signals are green: sustainability is playing an increasingly important role in real estate. Whether it be property owners, investors or tenants, all are showing an increasing interest in the environment, climate protection and the efficiency of buildings. This green building trend is inspiring architects and city planners to create innovative designs that bring nature to urban areas. Sustainability is even becoming an indispensable criterion for financing.

The Bosco Verticale is an architectural highlight that can be admired in the centre of Milan. The “vertical forest” certainly lives up to its name: the façades of both high-rise blocks are covered by enough trees to make up a one-hectare forest. In Frankfurt, 195,000 plants adorn the almost 200-metre high EDEN Tower in one of Europe’s highest vertical gardens. And in one of Munich’s quarters “the Werksviertel”, sheep have found a green home on a building’s rooftop.

Ecological, efficient, and smart

Yet a building does not have to be this spectacularly designed to be green. Instead, the entire life cycle of the building needs to be taken into consideration, starting with the project development phase and construction right through the running of the building and even its demolition. A sustainable building sets itself apart in each phase by conserving as many resources as possible.

» **The proportion of green buildings is steadily growing. It is rare for properties at top locations to be built or renovated without a sustainability certificate.**

These spectacular designs, taking things to the extreme, symbolise a change of direction: nature is taking urban spaces back – not just as trees lining the pavements, but as natural elements of structures on roofs, in courtyards and on walls. Together, the “urban ecosystem” and the increased number of green public spaces work to counteract paved areas and provide many benefits: plants improve the quality of air, they provide shade and cool, they offer sound-proofing and they are both aesthetically pleasing and good for the soul.

The focus is on the running of the building and here especially its energy efficiency. However, there are many other criteria that play a role. A building that does not require additional surfaces to be sealed during its construction fares better than a new construction on the proverbial green field. The availability of public transport and proximity to daily amenities are just as relevant as the type of heating and the electricity used or the impact of aspects such as green spaces or green roofs on the biodiversity of the site.

The proportion of green buildings is steadily growing. It is rare for properties at top locations to be built or renovated without a sustainability certificate.

Urban Green

It takes various factors to make a building a green building: a green area visible from the outside and the energy value inside the building, such as an efficient energy supply.

Sustainable finance

The trend towards sustainable buildings is driven by many things, not least politics. The Paris Climate Conference at the end of 2015 laid down the global goal of limiting global warming to below 2 degrees Celsius and pursuing efforts to limit it to 1.5 degrees Celsius. At the end of 2019, the European Commission presented the European Green Deal, a growth strategy that aims to make Europe the first climate-neutral continent by 2050. In this context, the concept of sustainable finance is becoming more and more important. Financial players should be taking factors such as the environment, social affairs and corporate governance into account when making decisions and playing their part in steering private investments – in this context, that is to say non-public investments – in climate-neutral economies.

This increasingly concerns the investment decisions of property investors in valuing the sustainability of the buildings in their portfolios. As a consequence, the share of the investment volume accounted for by green buildings in Germany, for example, is growing. For instance, the transaction volume in the case of individual deals with certified green buildings in 2019 amounted to around €11.6 billion – ten times more than in 2009.

Green finance at pbb

pbb is also addressing the issue of how environmental, social and corporate governance concerns can be suitably taken into account in lending and funding. In 2020, we created a framework for issuing green bonds. The first was issued in the first quarter of 2021.

We have also started to build up a database that will allow us to grant green loans in the future.

» In 2020, we created a framework for issuing green bonds.



Value for all

Sustainable buildings create value at many levels: for the climate, for the owner, for investors and for the people that live and work in the building – and sometimes even for the animal tenants.

Key certifications for green buildings

BREEAM – Building Research Establishment Environmental Assessment Method

DGNB – Deutsche Gesellschaft für Nachhaltiges Bauen e.V. (The German Sustainable Building Council)

LEED – Leadership in Energy and Environmental Design administered by The U.S. Green Building Council

WELL – Building Standard administered by The International Well Building Institute (IWBI)



Rated “Excellent”

Warsaw is one of Europe’s booming cities. As the economy grows, so too does the skyline. The Warsaw Spire financed by pbb is particularly striking. The highest office building in Poland has received awards for both architecture and environmental standards.

The Warsaw Spire, completed in 2016 in the fast growing office property market in Poland’s capital, was financed by pbb. It is the 220-metre high focal point of a three-part tower complex. Both neighbouring buildings stretch 55 metres into the sky. But it is the unusual silhouette that catches the eye: the oval building has a glass façade which is open at the front, resembling a fitted coat. The Warsaw Spire has already won numerous architecture prizes, including the renowned MIPIM Award.

consumption, construction materials used, use of space and the level of pollutant emissions. A green oasis of trees, over 14,000 plants, and the surrounding water areas offer everyone using or visiting the building a pleasant area in which to relax.

» **Green solutions and technologies have been implemented in the project, for an optimal energy use in running the building.**

Green on the inside and out

The inside is equally impressive: green solutions and technologies such as those for energy-efficient operation were implemented as part of the project. The BREEAM sustainability certificate awarded with the second-highest “Excellent” rating is evidence of this: The Warsaw Spire scores highly in areas such as energy consumption, infrastructure, water

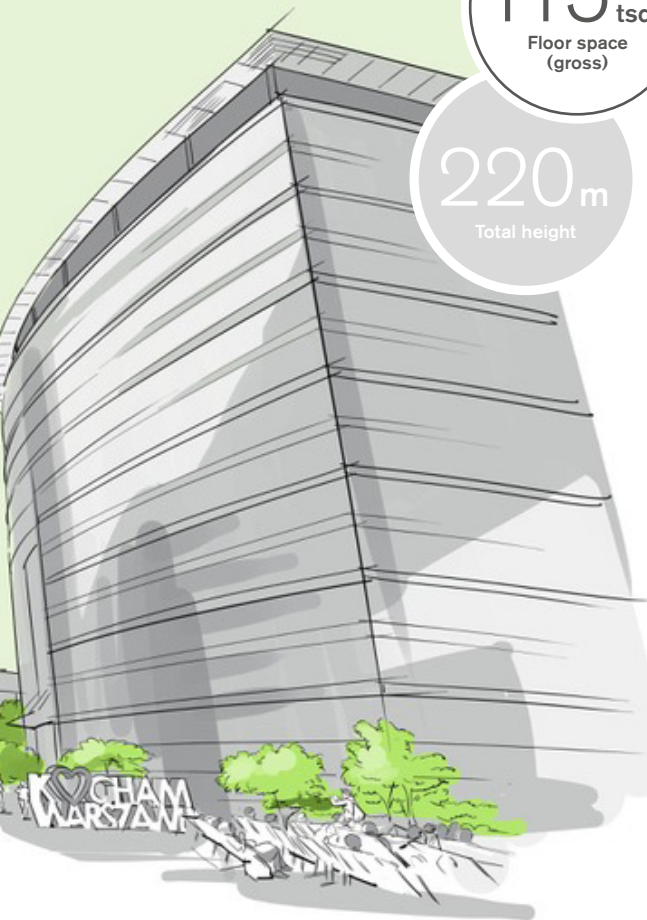
3

part office tower complex

€ 230 mn
Total deal volume



Modern Eyecatcher
 Floor to ceiling design:
 The futuristic feeling created by the
 office tower's façade is continued
 upon entering Warsaw's Spire.



approximately
115 tsqm
 Floor space
 (gross)

220m
 Total height

The Warsaw Spire

Building type

Three-part office tower complex

Location

District of Wola, west of the centre of the Polish capital Warsaw

Year of construction

2016

Financing details

- Deal volume €230 million
- pbb as Joint Lead Arranger
- Client Immofinanz AG

Property data

- Total height 220 m
- 49 floors
- Floor space (gross) 115,000 sqm
- Unusually "shaped" glass façade open to one side
- Office, retail and service use

Green building criteria

- Certification: BREEAM – Excellent
- Energy-efficient operation
- Patio with green space
- Excellent links to public transportation

The Smart Tower

As of 2023, the EDGE East Side Berlin tower is set to meet the highest environmental, technology and modern workplace standards. pbb is part of the financing syndicate behind Berlin's beacon project.

The term "beacon project" is one that can be taken quite literally here: at 140 metres, the high-rise office in a central location is one of the highest towers in Berlin. Its striking façade which resembles stairs will be able to be seen from afar. And the building is not just special from an architectural point of view, but also with regard to its sustainability aspects as well: the recycling of the products used has been taken into account in construction and the materials used are free from volatile organic compounds.

Combining design, technology and sustainability

Smart technologies and intelligent energy management ensure a first-class sustainability footprint and will enable the building to run efficiently. The DGNB has already awarded "Platinum"

pre-certification for this. The certification in line with the WELL Standard awarded by the International Well Building Institute recognises the qualities of the building in terms of health and well-being. The creation of green areas is just one of the measures aimed at obtaining Gold certification for EDGE East Side Berlin.

» The building is not just special from an architectural point of view, but also with regard to its sustainability aspects as well.



Art in construction

The work on the platform and on part of the façade received an award as a two-part, open "Kunst am Bau" (Art in construction) Competition following an application and selection process.



EDGE East Side Berlin

Building type

Office tower

Location

Warschauer Strasse station in the Friedrichshain-Kreuzberg district of Berlin

Year of construction

Completion scheduled for 2023

Financing

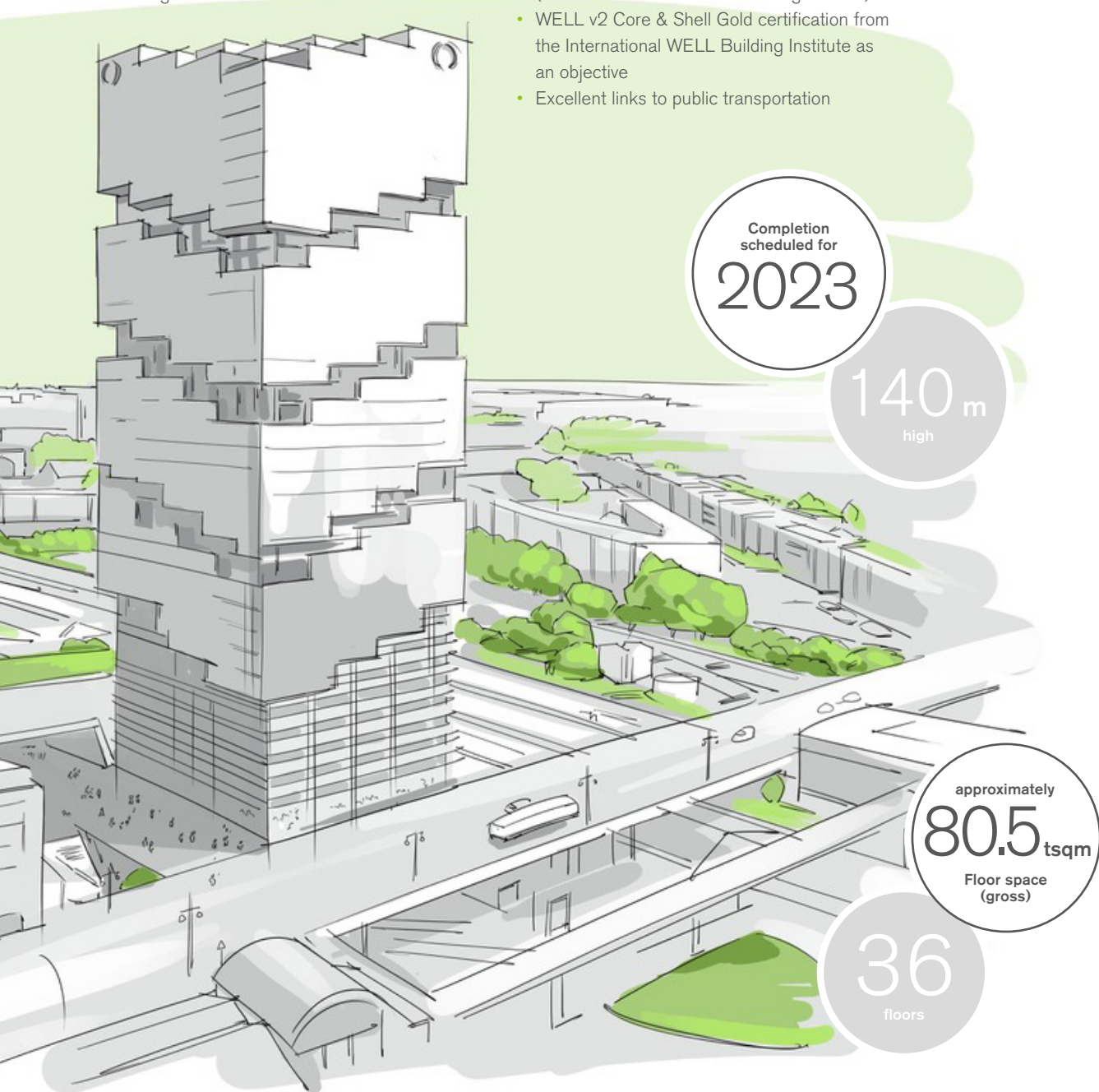
- pbb appointed Lead Arranger and Facility Agent
- Closing November 2019

Property data

- 36 floors
- 140 metres high
- Floor space 80,500 sqm
- Offices and other commercial use
- Unusual façade resembling stairs

Green building criteria

- Use of healthy, reusable construction material
- Intelligent technologies for energy-efficient operation
- Platinum pre-certification from the DGNB (The German Sustainable Building Council)
- WELL v2 Core & Shell Gold certification from the International WELL Building Institute as an objective
- Excellent links to public transportation



Completion scheduled for
2023

140 m
high

approximately
80.5 tsqm
Floor space (gross)

36
floors

New curves in the district

Environmental and social sustainability were key factors in the construction of this innovative office complex in Vienna. This commitment was rewarded with a platinum certification, which is the highest accolade in the DGNB system.

» The open and curved architecture of the office building, with barrier-free access throughout, is eye-catching.

A feel-good location for people and bees

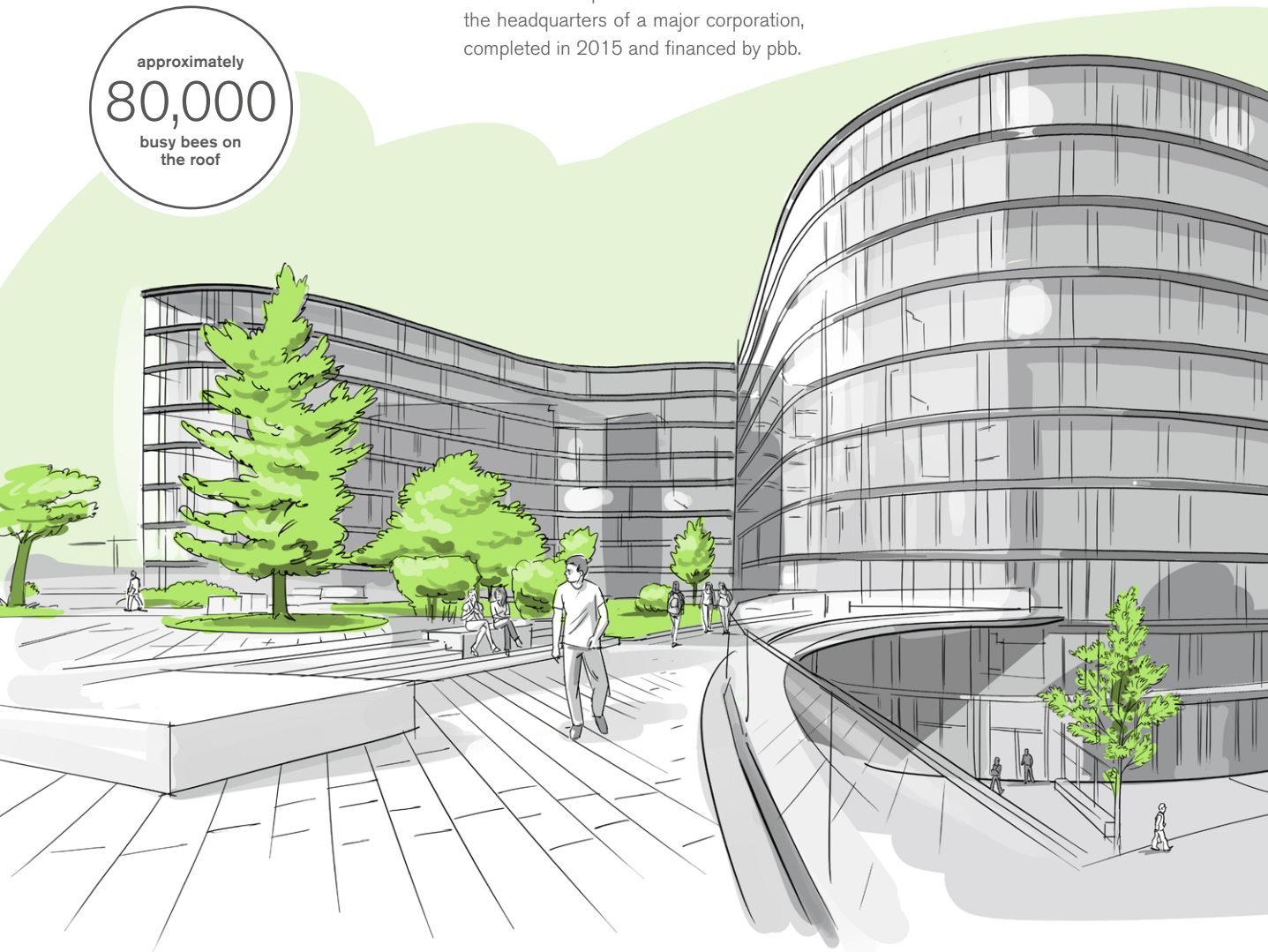
Quartier Belvedere" is a new district that is emerging just a stone's throw away from the Vienna city centre with a lively mix of offices, shops, bars and restaurants as well as cultural and educational establishments and leisure facilities. This outstanding location with ideal transportation links is home to the headquarters of a major corporation, completed in 2015 and financed by pbb.

Thanks to the open and curved architecture, it is hard to miss the office building which has completely barrier-free access. Along with design and cost-effectiveness, the development also focused on sustainability aspects such as excellent energy efficiency and the creation of green

approximately

80,000

busy bees on
the roof



approximately
165 tsqm
 Floor space
 (gross)

ERSTE Campus, Vienna

Building type

Office building

Location

"Quartier Belvedere" near Vienna city centre

Year of construction

2015

Property data

- Gross floor space 165,000 sqm
- Three-part complex with an open, curved architectural design
- Office space with publicly accessible food court

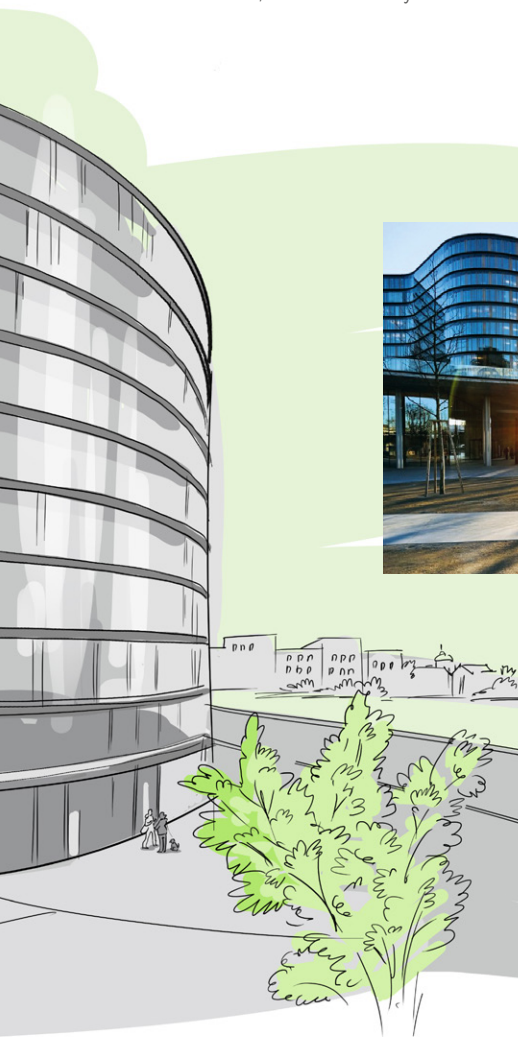
3 part
 complex
 Year of
 construction
2015

spaces. As part of the building certification under the DGNB system, the ÖGNI (Austrian Sustainable Building Council) awarded the platinum certificate. The property also carries the Austrian Green Location eco-label.

And it is not only people that feel at home in the office building with a publicly accessible gastronomy on the ground floor: there are two beehives on the roof that host around 80,000 of the busy insects.

Green building criteria

- Platinum certification awarded by the Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (ÖGNI – Austrian Sustainable Building Council), certified by the DGNB system
- Awarded the Austrian "Green Location" eco-label
- Green spaces and green roof with beehives
- Photovoltaic system on the roof
- Low energy consumption
- Excellent public transportation links



Cool glass appearance with a soul of green

The building of the ERSTE Campus in the Belvedere quarter in Vienna offers both an urban and at the same time sustainable working environment.

In the midst of things

You cannot get much more central: the office and business premises financed by pbb are located at Augustusplatz, putting them right in the heart of Leipzig. The building at number 11 has recently been refurbished and its energy efficiency improved.

The building financed by pbb is located in a unique position – on the Augustusplatz at the heart of the cultural metropolis, Leipzig – the city of books. With 40,000 square meters, Augustusplatz in Leipzig is one of the largest town squares in Germany. Anyone who stands and looks around will see buildings from all the centuries since the square was built in 1785 – the Grimmaische Straße, the new university building and the opera, to name but a few.

The glass and natural stone building with house number 11 was first constructed in 2009 with a high level of energy efficiency and is in excellent condition. Gastronomy and retail areas are situated on the lower two floors with businesses which have been consistently and successfully managed for years. A medical centre and an ophthalmic practice are on the second and third floors. The arbutus suites on the top floors offer a modern and exclusive concept for accommodation for business travel and tourists.

» **The glass and natural stone building was first constructed in 2009 with a high level of energy efficiency and is in excellent condition.**

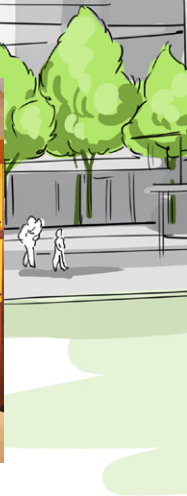
Additional advantages of the versatile building concept are the low energy consumption and the favourable location with respect to transport.

Stylish accommodation

The guests of the hotel apartments at Augustusplatz 1 enjoy the finest of views. The floors below are used for offices and gastronomy.

Year of construction
2009

Top
location



Augustusplatz, Leipzig

Building type

Mixed use

Location

Augustusplatz in Leipzig city centre

Year of construction

2009

Financing details

€7.7 million

Property data

- 8 floors
- Around 2,750 sqm usable space
- Used for retail, food services, offices and tourist apartment rentals

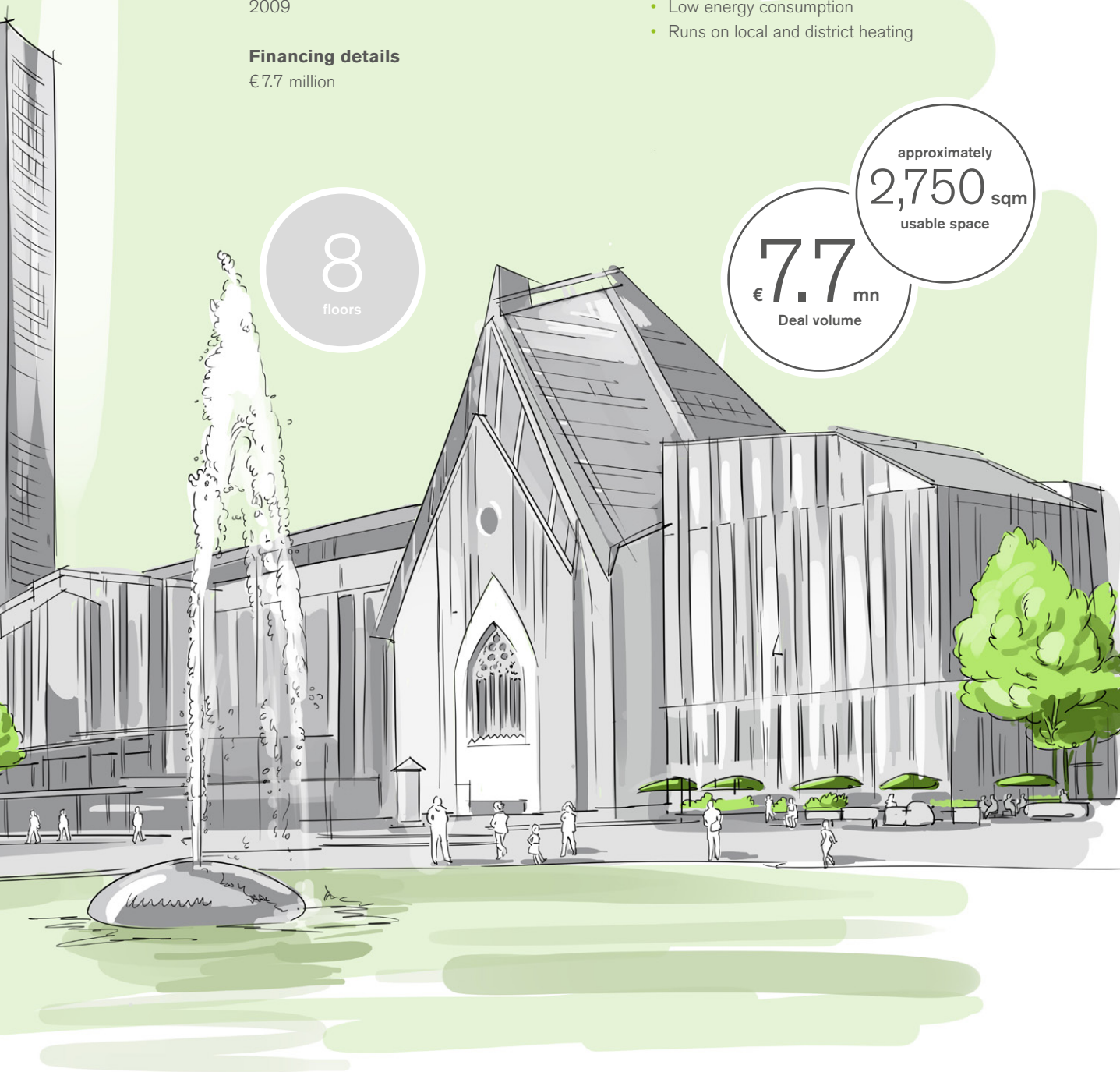
Green building criteria

- Low energy consumption
- Runs on local and district heating

8
floors

€ 7.7 mn
Deal volume

approximately
2,750 sqm
usable space



Typical for pbb

pbb supports real estate investors in Europe and the US with financing for challenging projects. On the next four pages you will find a selection of international transactions that demonstrate the financing skills we provide for our clients.

FOUR PARX MACH 2, Hamburg



The property

The Hamburg-Wilhelmsburg industrial area is home to FOUR PARX MACH 2, the first two-storey logistics property in Germany. The Four Parx project comprises more than 100,000 square metres of flexible floorspace on two levels, plus offices. HGVs can access the upper level directly via ramps. The concept addresses the current market challenges, such as shortage of space and rising land prices. What is more, the hall is built on a former manufacturing site. Thanks to this so-called brownfield strategy, further soil surface sealing was avoided.

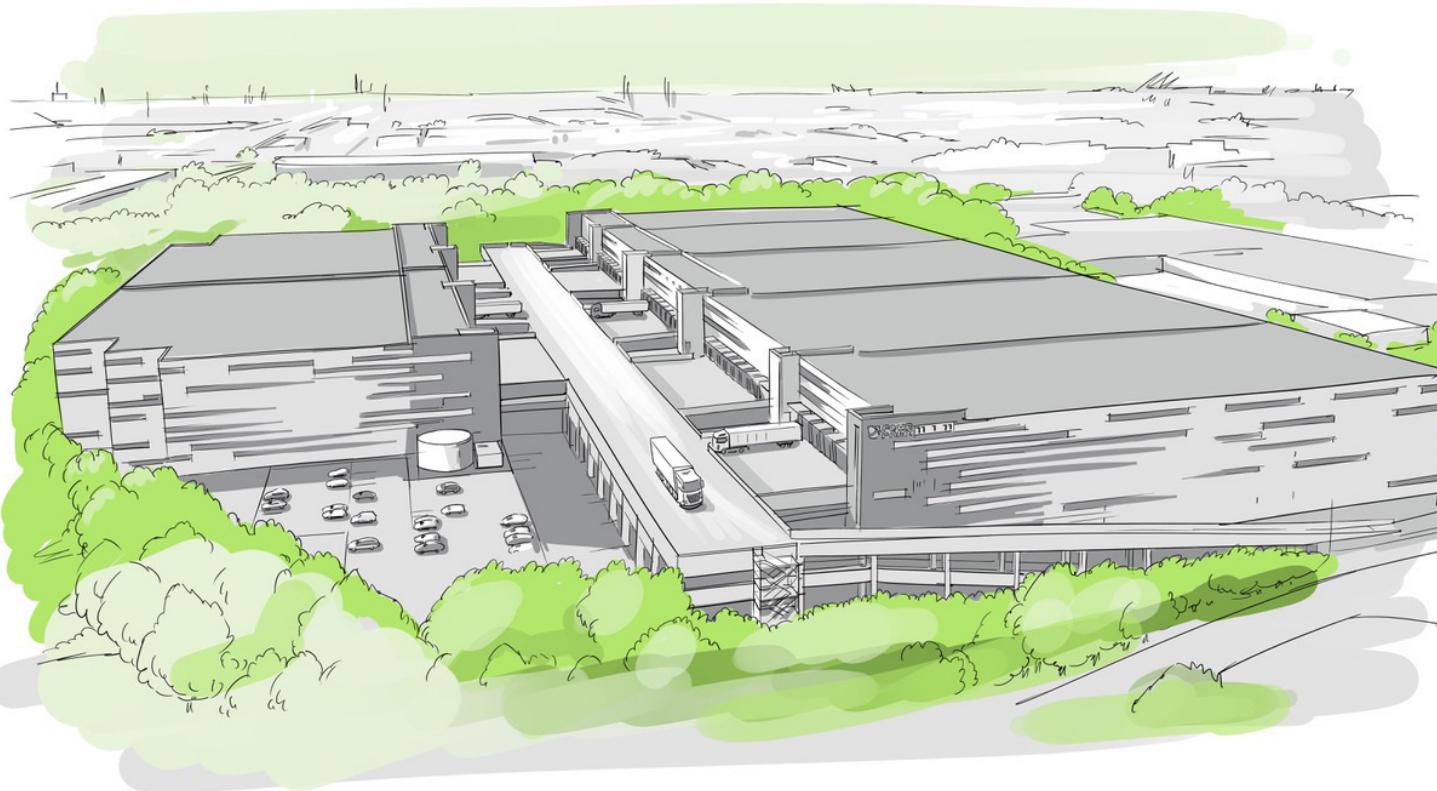
The financing

Megatrends such as e-commerce and supply chain management have transformed logistics properties, making them a sought-after asset class for investors. Portfolios that are diversified across multiple properties and countries are particularly attractive, but at the same time

the structuring is complex. Four Parx Hamburg belongs to a portfolio of the largest European logistics investor, AEW LOGISTIS, and is made up of 41 properties in Germany, the Netherlands, Poland and the Czech Republic. pbb has provided financing with an amount of €150 million.

» *As an experienced specialised financier with substantial expertise in logistics properties, we are exactly the right partner for large-volume and legally complex cross-border transactions such as this one.* «

Mark Pohl, Director Origination International Clients Head of the expert team logistics at pbb



Solar Carve Tower, New York



The property

Solar Carve Tower, completed in May 2019, is a ten-storey office building with retail space – in a top location: the coveted Meatpacking District in Manhattan. The tower offers an open view of the Hudson River and is adjacent to the High Line, a former elevated rail line that has been transformed at great expense into an urban park and one of the Big Apple's most popular attractions. Office space amounts to a total of 14,000 square metres with a ceiling height of nearly five metres.

The financing

For the refinancing and completion of the Solar Carve Tower, pbb provided property investors Aurora Capital Associates and William Gottlieb Real Estate with a loan in the amount of US\$150 million.

» *The building combines an excellent location in the heart of Manhattan with stunning architecture and a highly sustainable building concept. With this mix, another attractive property is added to our financing portfolio.* «

David McNeill, Head of RE Finance USA at pbb





Futurama Business Park, Prague

The property

The Futurama Business Park consists of six separate office buildings, connected by a walkway and surrounded by lawns and bodies of water. The complex was built in three stages between 2009 and 2017 and was the first building in the Czech Republic to be awarded the "Outstanding" rating by the BREEAM international sustainability certificate. The total area of more than 47,000 square metres is let to a variety of renowned and international companies.

The financing

To refinance the prime-location Futurama Business Park in Prague, pbb and Helaba have jointly provided the real estate

investment company Caerus Investment Management (Caerus IM) with a loan facility in the amount of €107.5 million.

» In this transaction, pbb not only acted as a lender and joint lead arranger, but also manages the collateral and administers the loan. «

Dieter Knittel, Head of Real Estate Finance CEE

Look 21, Stuttgart



The property

In 2020, the urban building complex Look 21 was completed. Consisting of two modern office buildings and a residential estate, it is located very close to Stuttgart's central railway station. The new construction is characterised by its futuristic architecture and a green courtyard. The office space is completely let to an established company under a long-term contract.

The financing

For the financing of one of the three buildings of Look21, pbb has provided a real estate company, which is active in

the whole of Germany, with a long-term investment loan of approximately €57 million.

» *Look 21 is an attractive property for our portfolio. In addition to the excellent office location with optimal transport connections, the property also convinces with its letting conditions. The average remaining term of the leases of 12 years promises a long rent retention – an important value-enhancing factor for a property.* «

Peter Miller, Head of Real Estate Finance Germany Region Mitte



Top News 2020/21

What has been going on at pbb in recent months?
Here is a small selection of the key news and events:

April 2020

Photo art at pbb

Architecture and Munich from unusual perspectives: pbb has close ties to both – and they have been on display at our company headquarters in Garching since April 2020. Until the end of 2021, our building will be home to an exhibition featuring Munich photographer Rainer Viertlböck's photo art. A total of almost 70 photographs, a number of which in large format, show off the buildings designed by star architect Helmut Jahn, who designed the Meseturm Frankfurt, the Highlight Towers in Munich and the Sony Center in Berlin, amongst other world renowned buildings. A second exhibition shows a special side to the city of Munich.



May 2020

Virtual Annual General Meeting

The coronavirus pandemic means that events in person are restricted during the 'AGM season'. For this reason, the German government allows virtual annual general meetings without the physical presence of shareholders or their authorised representatives. Out of consideration for the health of its shareholders and employees, pbb also decided to hold its Annual General Meeting on 28 May 2020 as a virtual event. The Annual General Meeting in 2021 was also be held in this form.

Shareholders participate via the internet. They are able to follow the Annual General Meeting live and can participate online in absentee voting, grant proxies and issue instructions or ask for responses to their questions.

March 2021

pbb's Client Portal online

pbb's Client Portal is online! The portal digitalises the customer interface in commercial real estate finance, for both new financing and existing loans. For clients, this means significantly higher transparency, efficient workflows and modern document management in line with the highest-level data protection standards.

The Client Portal is another milestone in pbb's large-scale digitalisation initiative which seeks to further expand the portal and add functionality.



September 2020

First SONIA-based Pfandbrief

SONIA stands for Sterling Overnight Index Average and is the name for the new reference interest rate set to replace the LIBOR. The GBP500 million Mortgage Pfandbrief successfully issued in September 2020 is linked to this reference rate. pbb was the first bank in continental Europe to use SONIA for a covered bond.

For pbb, the placement of the Mortgage Pfandbrief also marked the reopening of the capital markets for Mortgage Pfandbriefe denominated in pound sterling. This was the first time a Pfandbrief of this kind was issued, following the interruption of issuance activity as a result of the coronavirus pandemic since March 2020.

January 2021

Green bond in benchmark format

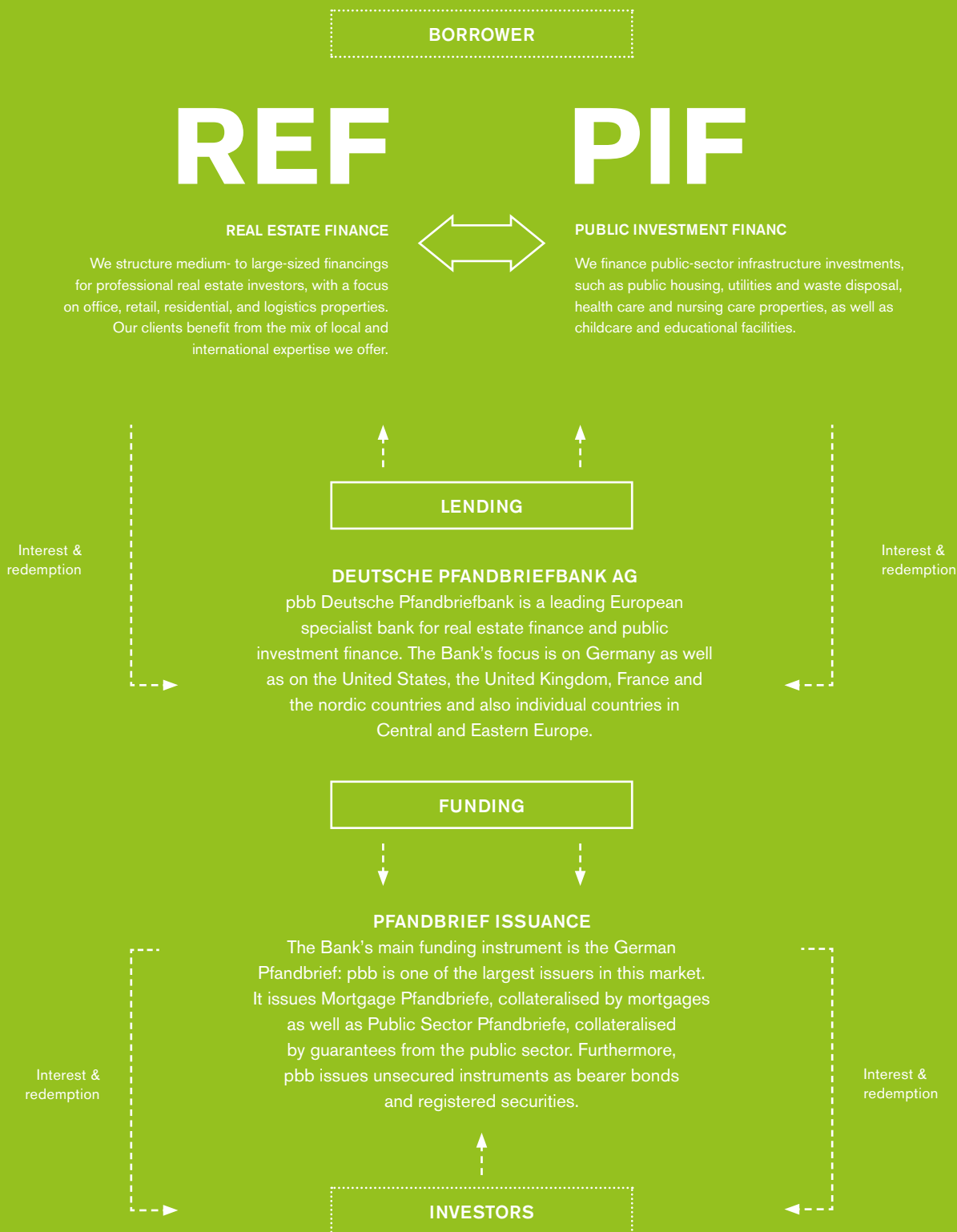
pbb successfully issued its first green bond on the market as an uncovered bond with a benchmark issue volume of €500 million. The five-year bond carries a coupon of 0.10 percent. The issue was very well received by a steadily growing number of sustainability investors: the order book totalled €1.3 billion, with almost 150 investors. The bond was also well accepted amongst international investors with them accounting for slightly more than 50 percent.

October 2020

pbb named Bank of the Year

The 10th CEE Investment Awards held by EuropaProperty in Poland saw pbb named as Bank of the Year. The annual awards are considered one of the most important real estate events in Central and Eastern Europe. As a result of the coronavirus pandemic, the event was held online and streamed live. The award recognised pbb's achievements as a leading financial services provider in the real estate market, with key transactions in Central and Eastern Europe.

Business model pbb Group



Business model and strategy

pbb's main pillars are the financing of commercial real estate and public investment projects, with the Commercial Real Estate Finance business segment representing the Bank's principal activity. In this business segment pbb aims 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 loans to the real estate sector and supporting the public sector by financing projects 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 big network – pbb's role

In the lending business, we either act as 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 underwriters, initially being the sole provider of financings and then selling parts of these loans to interested partners in the context of syndications.

Locations and core markets in Europe and the US

The Bank's headquarters are located in Garching near Munich. In addition, pbb Group has offices at four locations across Germany – in Berlin, Hamburg, Dusseldorf, and Eschborn. Outside Germany, we maintain offices in London, Madrid, Paris, Stockholm, and New York City.

Our core markets in Europe are Germany, France, the United Kingdom, the Nordic countries and selected Central and Eastern European countries, Spain and the Benelux countries. In the US, we cover selected metropolitan areas, primarily on the East Coast and the 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. We need to keep an eye on all of this 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 regularly.

Changes driven by global megatrends, such as digitalisation, demographic change or e-commerce, happen at a slower pace, but are sustainable as a result. For us, that means remaining flexible and developing future-proof solutions together with our clients.

Office Locations

as of 31 December 2020



A Conservative Approach to Risk Management

pbb's credit portfolio has always been characterised by a conservative risk profile. pbb provides senior loans in transactions with high equity commitments 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 properties and investors – best locations and clients with experience of a crisis are those who survive in difficult markets. Furthermore, 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 fail to 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 in the equity 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

Our digitalisation activities centre upon three strategic thrusts that we back with specific projects: (i) improving client interfaces – our pbb client portal; (ii) enhancing the efficiency of internal processes – our digital client and credit process; and (iii) opening up new sources of income – for example through our CAPVERIANT credit platform.

The client portal increases the transparency in the credit process for our clients, and simplifies document management in particular. Technically, the portal was launched at the end of 2020. It went live as scheduled, at the end of the first quarter of 2021. We are now working on processing more and more of our business through the portal.

As a logical next step, we are turning to the digitalisation of our client and credit processes. We are in a good position to further digitalise our credit process. But we want more: numerous tasks are routine tasks and, for the most part, are done manually. This offers potential for many digital solutions. We are joining forces with fintech and proptech companies, where it makes sense. We aim for a modular system with a consistent workflow that is efficient and improves transparency, not least for our clients.

In addition to customer interfaces and more efficient processes, we are also working on developing platforms. Platforms are business models that connect market players. CAPVERIANT digitalises the market for public financing in Europe, bringing borrower and lender together. We have entered into a strategic cooperation with the French state financial institution Caisse des Dépôts et Consignations (CDC). Our aim is to push market penetration in France and to support further growth. However, pbb will remain CAPVERIANT's majority shareholder.

All components – the client portal, the digital credit process and CAPVERIANT – are building blocks for a potential platform for Commercial Real Estate Finance.

pbb as an employer



823*

Employees end of 2020



31

Trainees / Students / Internships

People from 39 nations work at pbb



39



Gender quota as of 31.12.2020



38.4%

61.6%



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.

834

Employee training activities in 2020



2,662

Employee training days in 2020

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

A strong team

In its role as an attractive and modern employer, pbb has a lot to offer at every career stage. During the COVID-19 pandemic, once again we have impressively demonstrated that teamwork and flexibility are among our key strengths: we are pulling together as a team to overcome the challenges facing us. In 2020, the professional and personal development of all colleagues continued to be a high priority.

Huge commitment during the COVID-19 pandemic

In the summer of 2019, we moved our headquarters to Business Campus Garching, enabling us to work together in a modern and sustainable working environment. Then, like all companies, the COVID-19 pandemic presented us with some particular challenges.

Our response to it has been swift and effective. As a result, almost all our colleagues were able to do their jobs from home with flexible working hours, while home office equipment was subsidised. Colleagues were able to share their experiences with each other as part of a new training programme on working remotely. We have also worked hard at strengthening cohesion and facilitating exchange. Since the health of our employees is very important to us, infection control precautions are in place at the Bank's premises.

Personality, expertise and challenge

As a company with highly specialised products and services, pbb requires a team with specialist skills. Experts committed to achieving the highest quality results share their expertise and so contribute to pbb's success. It's all about working together to achieve the best possible results.

Cooperation at pbb is based on trust and cohesion. Honesty, integrity and trust are key to our working environment. Freedom and responsibility allow a person to grow as an individual.

Comprehensive benefits

Among the cornerstones that make pbb an attractive employer are its fair remuneration and comprehensive social benefits. Reconciling family and working life is given high priority at pbb, and we promote this through flexible working hours, subsidies for childcare, parent-child offices, and a range of other benefits.

Enhancing skills through ongoing training

We greatly value the diversity of our colleagues' characters and personalities. Everyone brings their own unique skills, knowledge and expertise to the table. We are committed to promoting and building on these. We offer a comprehensive range of training programmes that provide the basis for professional and personal development. Again in 2020, our broad range of further training and development initiatives were very well received. A new addition to the programme was "pbb Racing" – a 22-part training course that takes staff through the key business processes and provides insights into the various areas of the Bank.

Opportunities for new talent

Highly trained professionals and new talent secure pbb's future. We have various entry routes here at pbb, including: internships, working student roles as well as trainee programmes and programmes for young professionals. We actively seek to establish contacts directly with universities, and we are working closely with them to further strengthen partnerships. We deliver guest lectures, run projects and participate in joint ventures at the universities. We are also active at trade fairs, which in 2020 were exclusively digital.

Our new application management system simplifies and speeds up the application and recruitment process. We attach great importance when joining pbb on providing our employees with a good onboarding experience, much of which took place digitally in 2020. More experienced employees are also available to support and mentor new team members.

Sustainability at pbb



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

In 2020, emissions arising from the use of company cars or business travel have also been offset to ensure they are climate neutral.

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, this happens on many levels: we use resources responsibly, incorporate environmental, social and governance factors into our decisions, and are committed to making a positive contribution to our communities in social projects. We are gradually increasing measures and initiatives to reflect our sustainability strategy.

Sustainability strategy based on the UN SDGs

pbb aligns its sustainability strategy with the United Nations Sustainable Development Goals (SDGs), promoting sustainable development at an economic, social and environmental level. Out of a total of 17 interlinked SDGs, and in line with standard practice, pbb's CSR Committee has identified a set of targets where pbb can make a strong positive contribution. These four goals are: Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8) Industry, Innovation and Infrastructure (SDG 9) and Sustainable Cities and Communities (SDG 11).

As a specialist bank for Real Estate Finance and Public Investment Finance, pbb has a particular role to play in making cities more inclusive, safe, resilient and sustainable in line with SDG 11. 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 also 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 a guiding principle at pbb. We employ people from many countries, have offices in six countries across two continents, and work with clients from all over the world.

Our social engagement takes place on many levels. 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.

Another focus is on community engagement. For example, pbb provides financial support to the St Nikolaus children's hospice in Bavaria's Allgäu region, and sponsors projects at the Company's various locations in Germany, as well as supporting our employees in their own personal voluntary commitment to charitable organisations. We have also launched a corporate volunteering programme in partnership with the Dominik Brunner Haus der Johanniter in Munich, which provides individual support for socially disadvantaged children. As a result of the constraints imposed on the volunteer programme due to the COVID-19 pandemic, we committed funds to purchase laptops for children and young people in 2020. Furthermore, employee-initiated campaigns take place on a regular basis (e.g. mobile phone and old glasses donation service).

Climate protection in everyday working life

pbb aims to avoid environmental impacts where possible, reduce them where not, and partially offset them by purchasing CO₂ emissions reduction certificates. We have therefore expanded our recording of relevant emissions data and are now measuring our ecological footprint, which includes all company-related greenhouse gas emissions as well as upstream and downstream company processes. According to the Greenhouse Gas Protocol, they are divided into three categories: Scope 1 includes all emissions from the activities of an organisation's own combustion facilities, and Scope 2 includes emissions from the generation of purchased energy (e.g. electricity). Scope 3 includes indirect greenhouse gas emissions as a result of business travel, for example.

We want to permanently reduce our ecological footprint. Even though the focus is on avoidance and reduction, some emissions will be incurred which cannot be avoided. These have in part been made climate neutral through the purchase of environmental certificates. pbb started this initiative in 2018 with its Annual General Meeting, and extended it to include both its Annual Press Conference and the Analysts' Conference in 2019. In 2020, emissions resulting from the use of company cars and those related to business trips were also made climate neutral.

Ecological footprint of pbb¹

Scope		in t CO ₂	
Scope 1	Company cars ²	387	Climate neutral via emissions certificate
Scope 2	Indirect emissions from electricity purchased	0	Green electricity
Scope 3	Consumer goods office ³	8	
	Business travel	153	Climate neutral with emissions certificate
	Events Annual Press Briefing, Analyst Conference, virtual Annual General Meeting)	2	Climate neutral with emissions certificate
		550	

¹ Only office locations in Germany

² Calculation using contractually agreed annual mileage

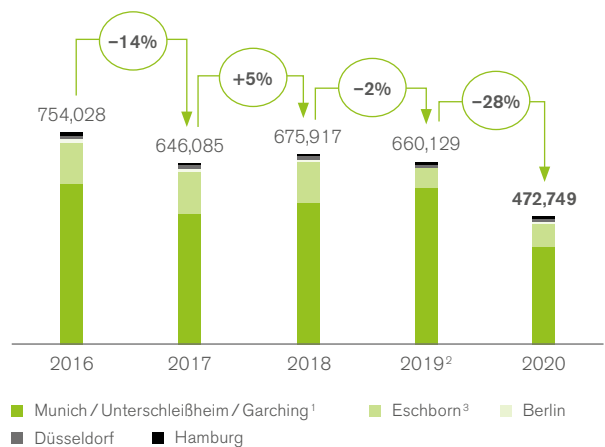
³ Paper only; Calculation according to <https://papiernetz.de/informationen/nachhaltigkeitsrechner/>.

Electricity, gas, steam and air conditioning supply

The electricity and heat required for our headquarters 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 measures, we have successfully reduced electricity consumption at pbb's locations by almost 30 percent over the past five years.

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

³ Electricity consumption in Eschborn 2020 calculated in part

Mobility

Thanks to its excellent public transport links, the location of Business Campus Garching and the company's headquarters makes using public transport an attractive option for employees. Car sharing and carpooling are also available. At the headquarters, employees can charge their e-bikes and electric cars. Tailored video conferencing technology and suitably equipped conference rooms provide for a comprehensive use these communication facilities.

The new ESG programme

The concept of sustainability is increasingly being replaced by a concrete, measurable approach: the contribution of companies and their performance with regard to the environment (Environmental), social affairs (Social) and responsible corporate management (Governance) – in short ESG. Among other things, the financial sector has a role to play in providing funds to mitigate climate change and adapt to its consequences, and in directing private investment toward climate-neutral economies.

pbb wants to make a positive contribution here. With this in mind, we have bundled our existing activities and set up a comprehensive ESG programme.

Among other things, we will continue to systematically expand our “green finance” activities by complementing our existing green bond products for bond investors with green loan products for our borrowers. We are also increasing the active management of risks arising from environmental change.

Building on our existing activities, we are also increasing our activities both to further reduce pbb's environmental footprint and to develop pbb with regard to ESG factors of social and responsible corporate governance.



Financial Year 2020

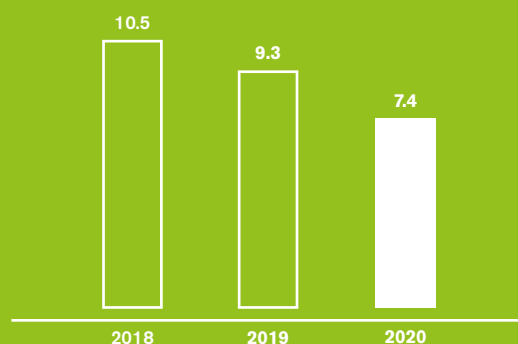
CET1 ratio

16.1%

Cost-income ratio

42.2%

New Business



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

Profit before taxes

€ **154** million

€ **479** 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.

€ **126** million

Risk Provisioning

Income from the lending business is offset by risk costs.

€ **204** 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 2020)

Mortgage Pfandbriefe	Public Sector Pfandbriefe	unsecured bond issues	deposits at pbb direkt (as at year-end 2020)
€ 1.8 billion	€ 0.1 billion	€ 1.8 billion	€ 3.2 billion

Financials: a good set of results in difficult times

The whole world was impacted by the COVID-19 pandemic in 2020: the real estate sector – and pbb – were no exceptions. In this challenging environment, pbb not only generated a solid operating performance and again increased its net interest and commission income whilst keeping its cost base stable. It also recognised extensive loss allowance for potential future credit risks and still posted a good set of results.

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 largely 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, pbb generates income from prepayment fees for loans that are repaid before maturity. This income

mostly offsets lost interest income as well as funding losses incurred due to early repayment. Other operating income and expenses result mainly from valuation changes.

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

Results – what the figures tell us

Since the beginning of 2020 the COVID-19 pandemic has gripped the world, with far-reaching negative consequences for overall economic development and the real estate markets. Transaction volumes on the real estate markets were down significantly for the most part and real estate values came under pressure, although a few sub-markets and segments remained stable. Retail and hotel properties were hit especially hard; and office properties are also being increasingly scrutinized.

pbb is active in all of these segments but, in this challenging environment, is benefiting from its consistently risk-conservative approach to lending. Despite the numerous uncertainties facing us, pbb's operating performance was once again convincing; despite extensive provisions for potential credit risks and posted an overall good set of results, with pre-tax profit of €154 million.

Net interest income

The aggregate of net interest and commission income is pbb's most important earnings item. Since 2017, we have continuously increased income from this position, reaching a new record in 2020, at €485 million. The increase in net interest income in 2020 was largely attributable to lower funding costs. The positive effects have once again more than offset some contrary developments: as pbb's non-strategic Value Portfolio is being run down, interest-bearing assets are declining in this segment and, due to the low level of interest rates, income from the investment of equity is lower.

Loss allowance

Loss allowance is a net position, in which additions and reversals are offset. While loss allowance in recent years was in the low double-digit millions at most, the level increased from the fourth quarter 2019 onwards. In 2019, the higher additions were down to the increased likelihood of an overall economic and sector-specific downturn until the end of the year. Then in 2020, the pandemic led to an increase in loss allowance of two and a half times, to €126 million.

The greater part of this was down to model-based provisions, that is, stage 1 and 2 provisions, recognised under IFRS 9 for financings that do not have any evidence of credit impairment. In addition, provisions were increased for credit-impaired UK retail properties (stage 3) as a result of a further decline in property valuations.

Administrative expenses

In recent years, general and administrative expenses were in the range of €200 million, insofar as they were not impacted by one-off effects. In 2020, general and administrative expenses rose slightly to €204 million, as expected. Strict cost management and efficiency gains offset increased expenses for regulatory requirements as well as investments in strategic initiatives. pbb's cost-income ratio is below the sector average.

Business segments

Segment reporting clearly shows the significance of the Commercial Real Estate Finance business (REF) for pbb, in comparison to Public Investment Finance (PIF). It is of note, however, that pbb follows different approaches in these two strategic business lines: whilst the Bank aims to further expand its real estate financing business, it aims to keep the loan portfolio in its PIF segment at a stable level. As a result, Commercial Real Estate Finance accounted for almost 100 percent of new business and more than 70 percent of pre-tax profit in 2020.

pbb share

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 2020

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
Stock segment	Regulated market, Prime Standard
Index	SDAX (since 22 June 2020)
Initial listing	16 July 2015

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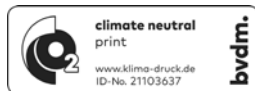
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