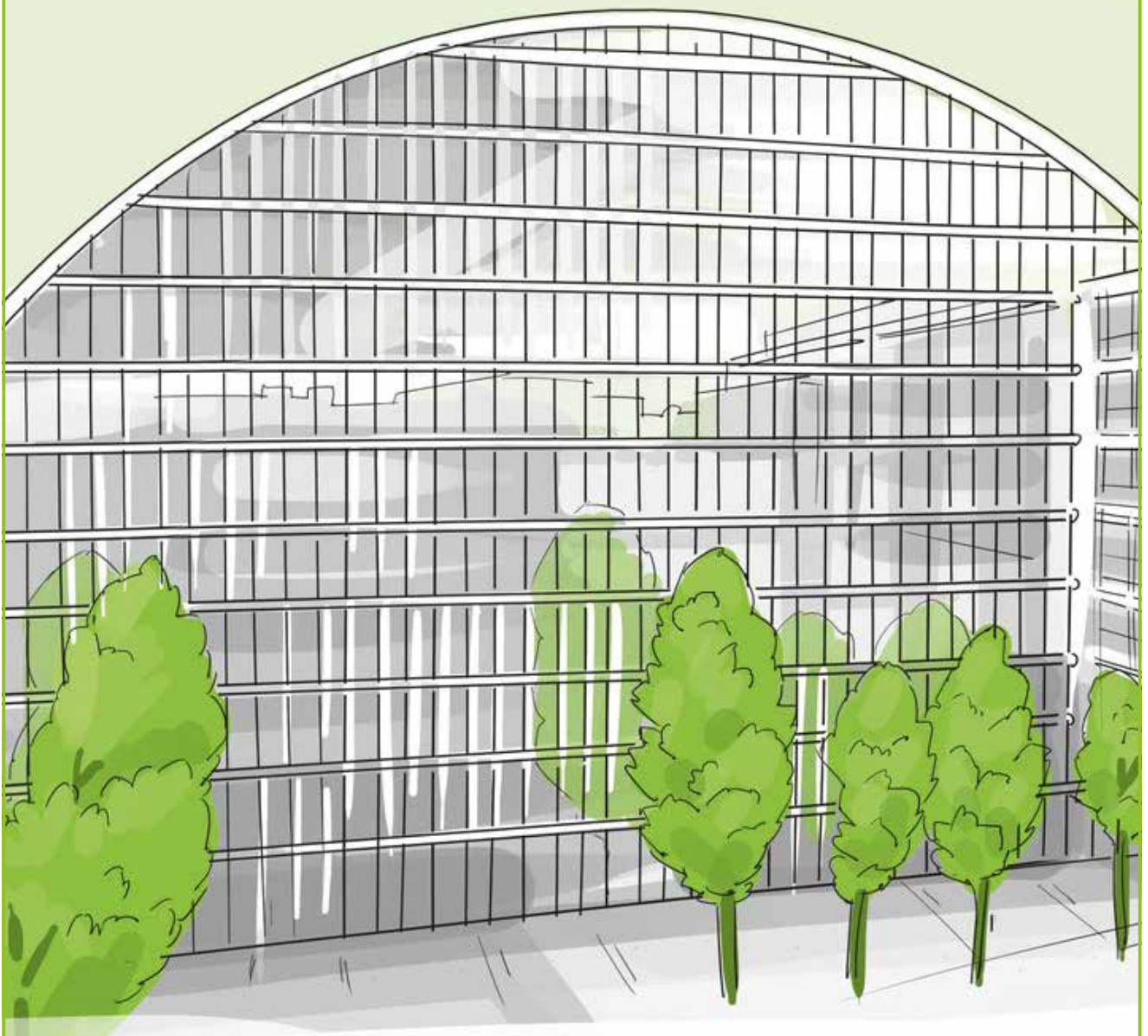


**pbb**

**DEUTSCHE  
PFANDBRIEFBANK**

# Corporate Report 2021/22

Deutsche Pfandbriefbank AG



# pbb in Numbers

## Number of Staff



**828**

€ **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.

## Office Locations



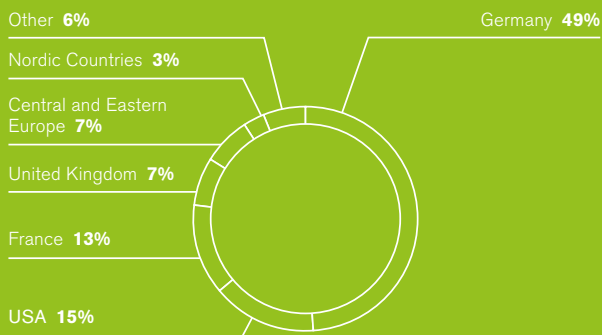
**10**

€ **27.0** billion

### Outstanding Pfandbriefe

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

## New Commercial Real Estate Finance Business



€ **9.0** billion

### New Commercial Real Estate Finance business

Despite maintaining a very selective approach with strict risk parameters for new business, pbb generated a Commercial Real Estate Finance volume of €9.0 billion\* in 2021, significantly above the previous year's level of €7.3 billion.

## Our Commercial Real Estate Finance portfolio is put together as follows



\* Including extensions of more than 1 year.  
All figures as at 31 December 2021, 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 cooperation with other financing partners, pbb is able to realise both complex financing as well as international transactions.

## Contents

|           |  |           |                             |
|-----------|--|-----------|-----------------------------|
| <b>02</b> | Introduction                             | <b>18</b> | Top news 2021               |
| <b>04</b> | Transformation with a future             | <b>20</b> | Report                      |
| <b>08</b> | Wohnpark St. Marien residential property | <b>20</b> | Business model and strategy |
| <b>10</b> | Former headquarters of Commerzbank       | <b>24</b> | pbb as an employer          |
| <b>12</b> | Die Macherei properties                  | <b>28</b> | Sustainability at pbb       |
| <b>14</b> | Typical for pbb – selected transactions  | <b>32</b> | Financial Year 2021         |
|           |  | <b>35</b> | Imprint                     |

# Introduction from the Management Board

## Dear readers,

It is with great pleasure that we present pbb's third Corporate Report to you today; this time around with a focus on transformational real estate, thereby addressing an issue that will continue to gain importance within discussions about the sustainability of the real estate industry. One of the projects we are presenting in this context touches upon another exciting sustainability topic: the former Postscheckamt Berlin West is being revived in Berlin-Kreuzberg, and one of the two new buildings surrounding the former post office giro institution is being erected using hybrid-timber construction.

Our industry, however, is not only undergoing a transformation towards more sustainability; it is also grappling with discontinuity – something quite unknown in the more recent past. The COVID-19 pandemic since 2020 has led to a marked change in how we perceive real estate types and markets. Whilst the economy and real estate markets subsequently posted a significant recovery from the pandemic impact during the course of 2021, the war in Ukraine is now not only slashing our hopes of further normalisation, but probably also destroying an entire country and the European Peace Order.

Human suffering resulting from the war makes all other aspects seem small in comparison. Nevertheless, we must address the potential economic consequences for the real estate industry: weaker economic growth and continuously rising inflation are likely, and significant implications for monetary policy and interest rates are probable. Considering the asset class's relative value stability, we do however still believe that demand for high-quality real estate will remain stable.

We will continue to develop pbb in spite of increased uncertainties and have established clearly-defined targets. By expanding our US activities in our core business and leveraging product innovations, we intend to continue to grow organically and extend more green loans. We will also consistently advance our Bank's digitalisation to enhance efficiency and create value for our clients by offering the best possible service. While we view 2022 as a year of investment, we want to implement these growth initiatives to sustainably strengthen pbb's earnings base in the years ahead.

We hope you will enjoy reading this brand-new edition of our corporate report.

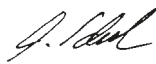
Yours sincerely,



Andreas Arndt



Thomas Köntgen



Andreas Schenk



Marcus Schulte



» We want to bring new products to the market, expand our US activities and extend more green loans. «

**Andreas Arndt**  
Chairman of the Management Board and Chief Financial Officer

» With investment markets recovering, we have significantly increased new business volume in 2021 – thereby continuing our strategy to focus on core properties and acknowledging some uncertainty regarding future demand for rental space. «

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



» We focus on properties in good locations with stable cash flows and low re-letting risks. We also pay attention to professional investors with crisis management experience. «

**Andreas Schenk**  
Member of the Management Board, Chief Risk Officer

» Supporting the change in the real estate sector towards more sustainability is a commitment to society and, at the same time, offers us business opportunities. «

**Marcus Schulte**  
Member of the Management Board, Treasurer



# Transformation with a future

A new life for old walls



Redesign existing buildings on a grand scale to give them new purpose – the idea is anything but new. However, in the face of today's – and tomorrow's – challenges, this approach is currently experiencing a strong resurgence. What makes transformational real estate so exciting and attractive?

Those who know the area rub their eyes in disbelief at Mariendorfer Weg in Berlin's Neukölln district: the listed façade of the former maternity and women's hospital is gleaming with new splendour. Where once the sick were treated and new citizens were brought into the world, many people have now found a modern home. This looked very different just a few years ago. From 2005 onwards, the hospital complex stood empty; since then, the once-magnificent buildings from 1914 have visibly fallen into disrepair.

#### From "lost place" to lively quarter

In 2019, the large-scale project "Wohnpark St Marien" began the revitalisation of a rather attractive location. The listed buildings of the hospital complex, as well as the former administration building, have been extensively refurbished and converted into housing space. The former director's villa today hosts a child-care facility. To the north of the historical part, new residential buildings have been constructed, including student apartments. And that is how a "lost place" was turned into a lively quarter near the city centre.

#### Before-and-after effect

If a property has been vacant for a long time and fallen into disrepair, it needs a good deal of imagination and strong belief to see the potential for an architectural fresh start.



Wohnpark St Marien is a prime example of a successful building transformation – and it is only one of many exciting concepts in the German capital, as demonstrated by our project selection. The trend towards converting existing buildings, currently a defining characteristic of the real estate sector, is very much in evidence in Berlin.

### Latest standards behind traditional façades

The concept of transformational real estate is clearly demonstrated by Wohnpark St Marien. The idea behind this is to open up existing real estate for one or

often several new types of use through a more or less comprehensive functional and structural redesign as an alternative to demolition and new construction.

The buildings which can be considered for this purpose are diverse and range from warehouses to industrial buildings and former railway stations. Together they serve as a basis for creating modern, high-quality and sustainable living and working environments, while at the same time conserving the charm of traditional façades and architectural styles.

» **Successfully transformed buildings are innovative flagship projects – they stand out in their urban environment as well as in the real estate portfolio.**





### Several megatrends simultaneously addressed

This development is driven by various economic, ecological and social as well as regulatory issues. Megatrends such as urbanisation and mobility, new work and sustainability are of particular importance in this context. Many eligible properties are located in an environment that has always been urban – they therefore have good accessibility, which caters to future mobility needs.

Inner cities, in particular, face special challenges anyway. E-commerce – and more recently, the COVID-19 pandemic – have together stressed the need for city centres (and, with them, traditional retail and office concepts) to reinvent themselves and open up to a wider range of uses. In this way, a crisis might become an opportunity for the revival of prime locations.

### Environmental balance – often better than new buildings

A change is unfolding in terms of sustainability and in view of increasing requirements for ESG criteria. While new buildings were previously perceived as the natural first choice in terms of energy efficiency, the holistic approach to real estate can lead to a different assessment. If, in addition to the energy consumption during the life cycle of the property, the embodied energy required for its construction is also taken into account, transformational real estate can have a better environmental balance overall. If the rising costs of building materials are considered as well, the reuse of existing buildings often also scores in economic terms.

### Old buildings – a bag full of surprises

In an ESG-oriented investment profile, there are therefore good arguments for transformational real estate. However, there are some special risks, too. Old buildings that have often been vacant for years or even decades might reveal certain surprises – with significant financial impact – when they are converted. Before the start of a project, all the alternatives should therefore be weighed up very thoroughly: tear down and reconstruct or convert and redesign? In addition, all relevant stakeholders should be involved at an early stage in order to ensure the social acceptance of the project. But courage and effort can pay off: successfully transformed buildings are innovative flagship projects – they stand out in their urban environment as well as in the real estate portfolio.

### Successful transformation

A successful transformation breathes new life into the property and creates space for people to work and live.



## Wohnpark St Marien residential property

### Transformation

Conversion of listed hospital buildings into apartments, complemented by newly-built apartments, student apartments, along with a childcare and family centre

### Location

Mariendorfer Weg, Berlin-Neukölln

### Completion (scheduled)

- 2022
- Two-thirds of the housing units were completed in 2021

### Financing details

- €140 million investment loan, incl. KfW funds
- pbb acted as Mandated Lead Arranger

### Property data

- Creation of housing with around 600 apartments
- Daycare centre with 80 places in the former director's villa
- Four multi-dwelling units with twelve apartments each
- New construction with 130 student apartments and a family centre on the ground floor
- Underground car park with 475 parking spaces, about 50 of them with charging stations for e-vehicles
- Green roof
- Watering system for garden and outdoor facilities

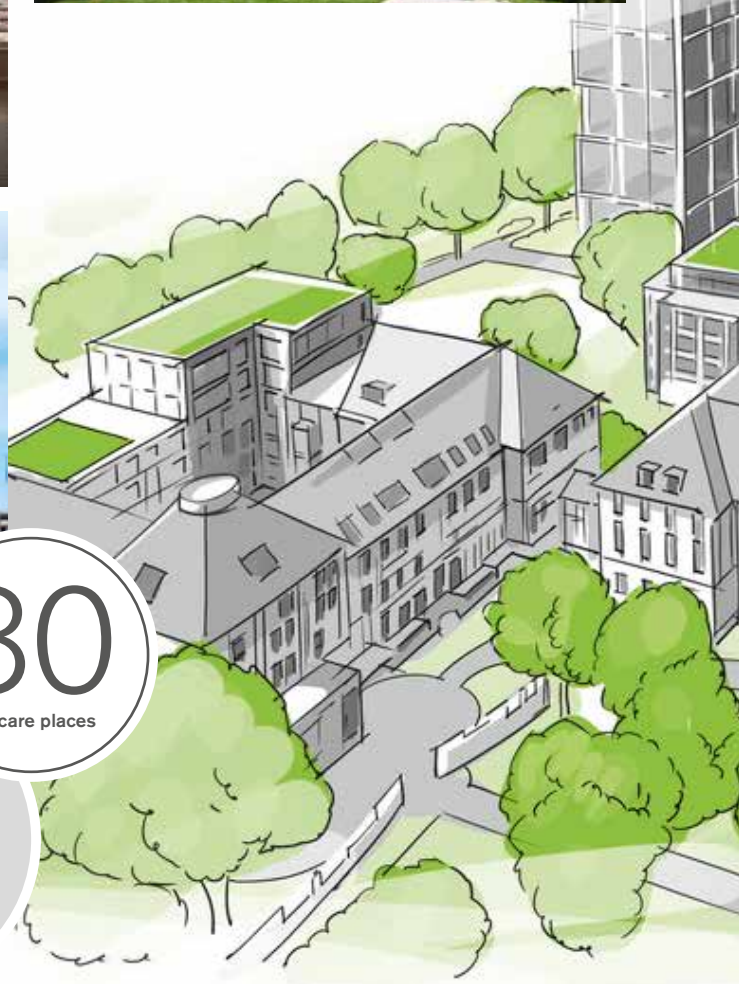


### Popular quarter

A former hospital site on Mariendorfer Weg in Berlin-Neukölln has evolved into a prime address, attractive for singles, families and students alike.

80  
daycare places

New  
construction  
130  
student  
apartments



# Operation Hospital

## Conversion successful

From eyesore to shining light of the neighbourhood: the former maternity and women's hospital in Berlin-Neukölln is experiencing a renaissance as an attractive place to live. Here, old and new buildings of different types blend into a harmonious setting.

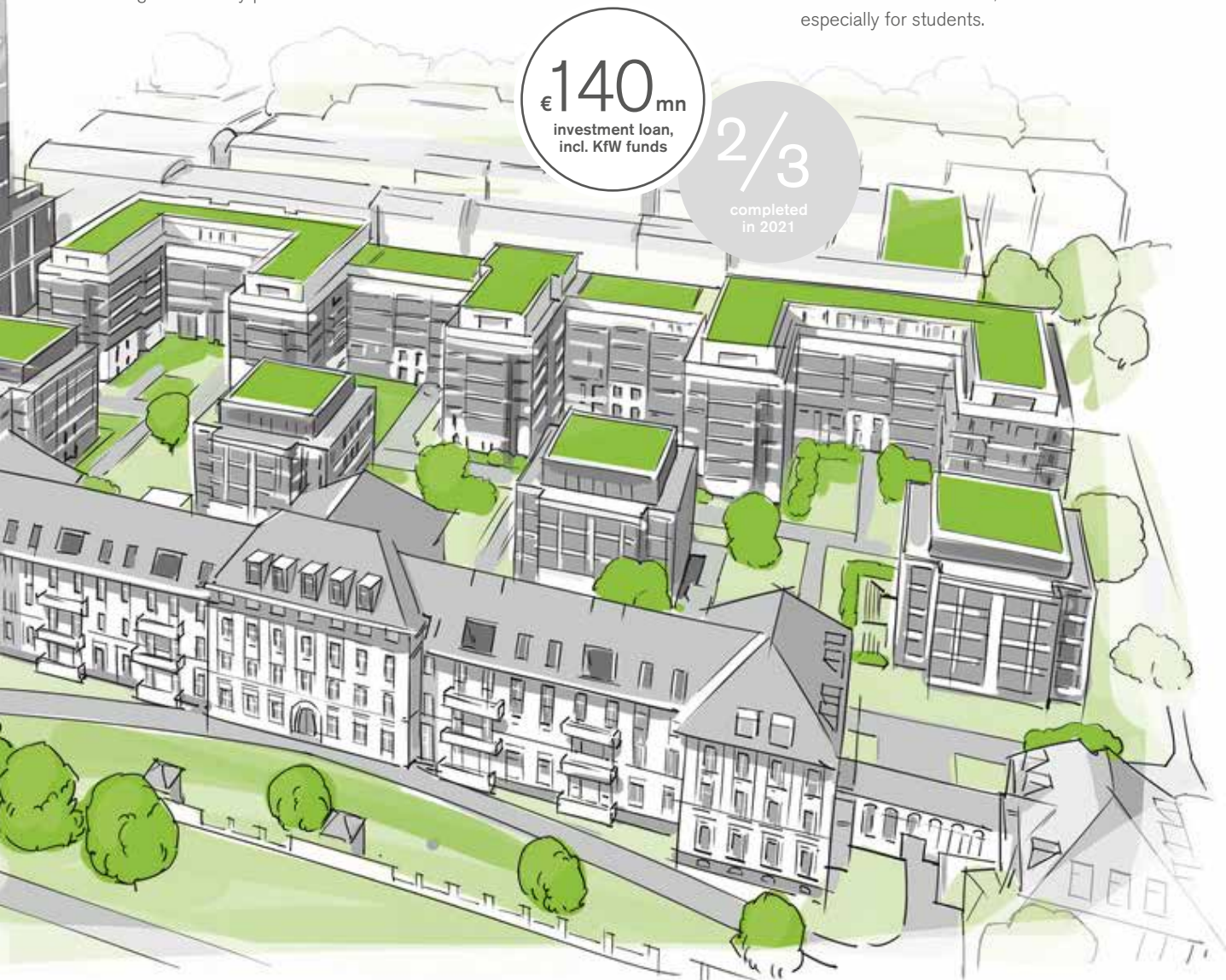
**B**roken windows, graffiti everywhere, and collapsed roof sections: until just a few years ago, the grounds of the former women's sanatorium with nurses' residence on Mariendorfer Weg in Berlin-Neukölln were in very poor condition. A large-scale project – co-financed as a green loan by pbb – has woken the

historic buildings from their deep sleep, breathing new life into the listed façades through renovation and conversion.

Several new buildings will be added to the site behind the historic ensemble, creating around 600 apartments. The family-friendly neighbourhood also comprises a childcare facility with 80 places. A newly-built residence, consisting of small apartments and benefiting from common and recreational areas, has been built especially for students.

€140<sup>mn</sup>  
investment loan,  
incl. KfW funds

2/3  
completed  
in 2021



# Safe successfully opened

With its austere 1950s architecture, the buildings on the former Commerzbank site on Potsdamer Strasse in Berlin-Schöneberg seemed locked, almost like a safe. After the extensive makeover with structural adjustments and the construction of a new building with a modern design bearing the sonorous name “Wirtschaftswunder” (“economic miracle”), the building complex now appears more open and luminous.

**A** new era of use has begun for the former headquarters of Commerzbank. While the façades of the two existing buildings have largely been preserved, the interior definitely heralds the arrival of the 21st century. Together with the harmoniously integrated new building, a vital mix of offices, gastronomy and shops has been created, whilst quiet inner courtyards and roof terraces offer a retreat from the hustle and bustle.

With its mixture of old and modern, the three buildings integrate perfectly into the booming and creative Berlin-Schöneberg district. Tenants for the total of 27,000 sqm of office space have already been found, including Sony Music.

pbb is financing the project with the amount of €138 million.

3,000<sup>sqm</sup>  
retail, food outlets  
and restaurants





#### Wonderful view

The new architectural concept for the former Commerzbank site offers an open spatial design and a series of roof terraces provide panoramic views of Berlin.



## Former headquarters of Commerzbank

#### Transformation

Refurbishment and modernisation of old bank premises and new construction of an office building

#### Location

Potsdamer Strasse/Bülowstrasse, Berlin-Schöneberg

#### Completion

2021

#### Financing details

- Builder: Aermont Capital
- Developer: Pecan Development

#### Property data

- 27,000 sqm of office space
- 3,000 sqm for retail, food outlets and restaurants



2021  
completed

Around  
**27** k/sqm  
office space



# A modern interpretation of architectural history

On a large construction site in Berlin-Kreuzberg, we can witness the revival of an architectural classic: the former Postscheckamt Berlin West is being transformed into the quarter “Die Macherei Berlin-Kreuzberg” with the visionary tower “M50 – The Design Tower” Exceptional concepts also characterise the two neighbouring buildings.

At 90 metres, the historic late-1960s office tower is one of the tallest buildings in Berlin, and its striking façade of aluminium and glass is yet another reason why this building is one of the capital’s landmarks. Preserving this visual appearance is a major factor in the current environmentally and resource-friendly redevelopment.

The innovative mixed-use concept of high-quality offices, complemented by restaurants and shops, comprises three buildings. The former Postscheckamt tower is framed by two interesting new buildings: to its right, the “M40 – The Holz-Carré” is being built using hybrid-timber construction. On the left, we have the climate-neutral

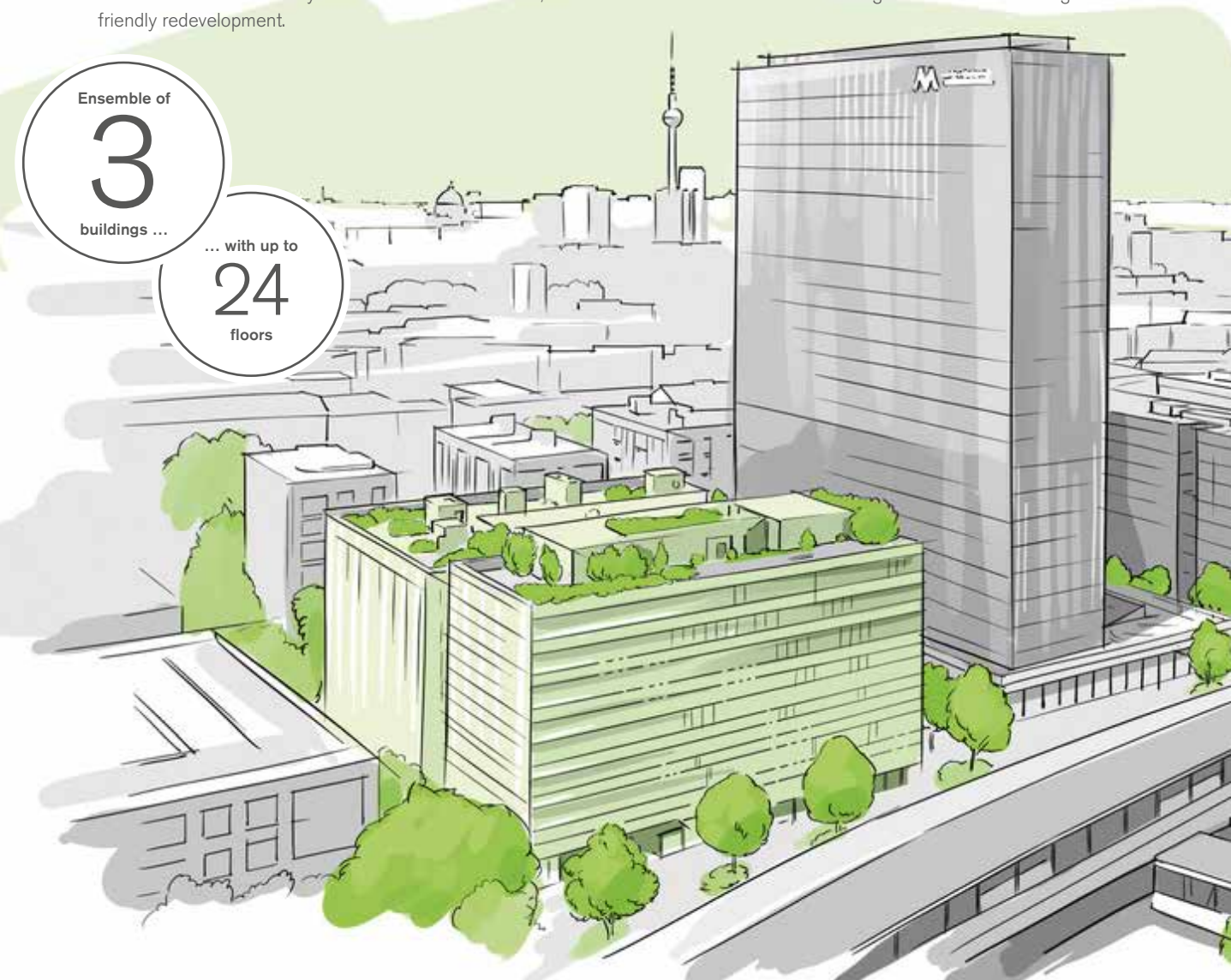
“M60 – The Zero CO<sub>2</sub> building”, which, thanks to cutting-edge photovoltaic technology, is the first completely climate-neutral office building of this size in Germany.

pbb has provided approximately €68 million as part of the financing, with Bayern LB taking the role of lead manager.

Ensemble of  
**3**  
buildings ...

... with up to

**24**  
floors



**Innovative trio**

In Berlin-Kreuzberg, pbb is financing the renovation of the former postal giro office (Postscheckamt) and the construction of the M60 – The Zero-CO<sub>2</sub> Building



M60 – The Zero-

CO<sub>2</sub>-  
Building90 m  
height

## Die Macherei Berlin-Kreuzberg

**Transformation**

Revitalisation of the former Postscheckamt Berlin West, complemented by two new buildings with high ecological standards

**Location**

Berlin-Kreuzberg

**Completion (scheduled)**

2023/24

**Financing details**

- Consortium Deal, with lead management by Bayern LB
- pbb providing approximately €68 million

**Property data**

- An ensemble of three buildings:
  - M50 – The Design-Tower: ecological revitalisation of a 90-metre office tower (30,500 sqm gross floor space over 24 floors)
  - M60 – The Zero-CO<sub>2</sub> Building: the first climate-neutral office building of its size in Germany (8,200 sqm gross floor space over eight floors)
  - M40 – The Holz-Carré: flexible office and commercial hybrid-timber construction (27,800 sqm gross floor space over eight floors)
- Mixed use: office, retail, restaurants and fitness
- High sustainability standards, thanks to cutting-edge photovoltaic technology, a carbon-neutral biogas co-generation unit, smart building technology, etc.

# Typical for pbb

Property highlights in major European cities: pbb supports investors in Europe and the US with financing for challenging projects. Below you will find a selection of noteworthy transactions for our clients.

## Denisstrasse Lichthöfe, Munich

### **A remarkable roof**

The Lichthöfe project is an office complex on Munich's Denisstrasse, which stands out on account of its saw-tooth roof – a series of glass ridges, which flood the buildings with light – and is a true eye-catcher. The complex, located on a 2,500 sqm site, consists of four building structures with three verdant inner courtyards and will be completed by 2023. It offers an ideal working environment for the future tenant – a renowned international technology company.

### **Home game**

As an institution based near Munich, pbb is providing a €83 million loan to MünchenBau Bauträger GmbH to fund this architecturally distinctive office complex situated in a central location near Munich's central railway station. MünchenBau has been active as a property developer in the Bavarian capital for over forty years and is a major local market participant.

» Office building complex







» Mixed use property:  
working – living – shopping

## The Dock In, Prague

### **On the waterfront**

Living and working with a view of the Vltava river and private docks, surrounded by lush greenery and only ten minutes away from Prague's city centre – The Dock In offers all this. Development of the five-building complex in one of Prague's prime locations began in 2013 and meets high quality and sustainability standards. The new quarter consists of office and retail spaces, along with more than 400 apartments. Many international companies have already moved into the four completed buildings as tenants.

### **Working together**

pbb and Helaba have jointly provided a €130 million investment loan to Crestyl Group for refinancing of the Dock In Office Park. Acting as joint lead arrangers, the two financial institutions provided an equal share of the funding. In addition, pbb acted as facility agent and security agent for the transaction. For Czech real estate developer Crestyl, this has been the largest transaction with a syndicate of foreign banks to date.





## ABC-Bogen, Hamburg

### **The Hanseatic “Lemon Slice”**

Just over twenty years old and already an architectural classic in Hamburg’s city centre, this office complex designed by Hadi Teherani consists of a front building with a distinctive wavy façade and a semicircular rear. Due to its prominent shape – with a continuous glass façade – locals call the light-flooded office building “the Lemon”.

### **Prime location investment**

For the acquisition of the office building, pbb has provided a loan of around €80 million to Institutional Investment Partners GmbH, a real estate company. The property, which offers around 15,000 sqm of offices and 140 underground car parking spaces in an outstanding city-centre location, is let to a major international internet company.

» Office buildings





## Ballet, Paris

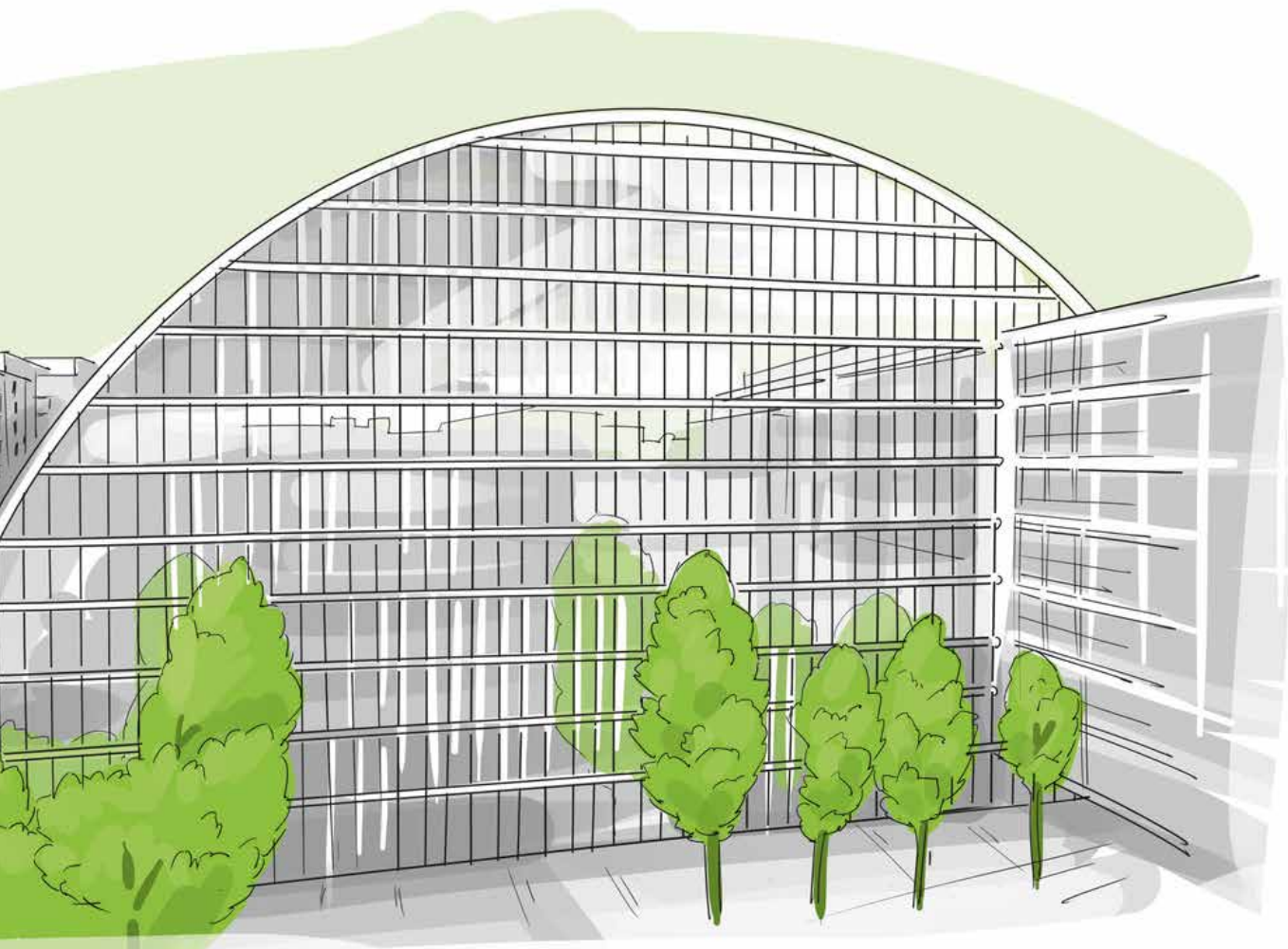
### **Classic beauty**

Ornamental elements and decorations on the façade give a hint of the late 19th century in which the “Ballet” was built. The magnificent seven-storey building is located in the centre of Paris, near the opera house, and is currently undergoing extensive renovation. The building comprises almost 10,000 square metres of rental space. Once the renovations have been completed in 2024, it will continue to be used as a mixed-use property: there will be retail space on the ground floor and offices on the floors above.

### **Green soul**

pbb’s acquisition and development financing has a volume of €173 million. After the refurbishment, the “Ballet” will not only shine in new splendour, but will also meet very high sustainability standards. Various certifications such as WELL V2 excellent, BREEAM RFO 2015 excellent and the WiredScore Gold label are being sought.

» **Mixed use property:**  
**retail – office**



# Top news 2021

Awards, cooperation, ESG, green lending:  
What were the topics and events that drove pbb?  
A brief foray through the year 2021.

## January

### **pbb and CDC cooperate at CAPVERIANT**

Joining forces to make public investment markets more efficient: With the French state financial institution Caisse des Dépôts (CDC), pbb has found a strong partner for its fintech CAPVERIANT, which operates a platform for municipal financing. The joint venture is a strong signal for our pan-European approach and our business in France, where CDC is very well connected with public sector clients via its Banque des Territoires segment.

## June

### **pbb launches comprehensive ESG programme**

Aligning business activities to ecological, social and governance (ESG) criteria is becoming increasingly important in the financial sector, as financial institutions provide the funds to combat climate change and its consequences. pbb has therefore launched a targeted ESG programme, which bundles all activities and places ESG requirements at the centre of what we do.

Our approach includes the systematic expansion of pbb's activities in the field of green finance, i.e. the issuance of green bonds and green loans. We will continue to reduce the environmental footprint in our daily operations and strengthen our efforts regarding social aspects and good corporate governance. In addition, we are expediting the active management of ESG risks.



06  
21

## October

### Green lending: a contribution to sustainable real estate

An important measure in the context of our ESG programme (see June) is to support our clients when they invest in sustainable real estate. To this end, we have broadened our product range to offer green loans, which are granted for the purchase or development of commercial properties that meet strict environmental criteria, and for investments that make properties more sustainable.

To measure this, we have developed an independent scoring model. pbb has been funding part of its lending business with green bonds since the first quarter of 2021. As one of the leading real estate finance providers, we would like to contribute towards achieving a more climate-efficient real estate sector and reaching the EU climate targets.

10  
21



## October

### Triple award winner

The CEE Investment Awards, hosted by EuropaProperty in Poland, saw pbb – as in 2020 – once again named Bank of the Year. The renowned award recognised pbb's achievements as a leading financial services provider in the real estate market, with key transactions in Central and Eastern Europe.

pbb's Corporate Report 2020/2021 received several commendations: At the ARC Awards, the biggest international competition for annual reporting, pbb won four awards, including a Grand Award in the category "Best of Interior Design, Banks National".

In July, our Pfandbrief issues had already received an Award of Excellence from The Covered Bond Report industry magazine. The jury, made up of representatives from international investment banks, particularly honoured the pound sterling Pfandbrief linked to the new SONIA reference interest rate. In autumn 2020, we were the first bank from continental Europe to issue a covered bond with this reference interest rate.

### Working at pbb

Everything that (potential) applicants should know, can be found on our new online career website.

## July

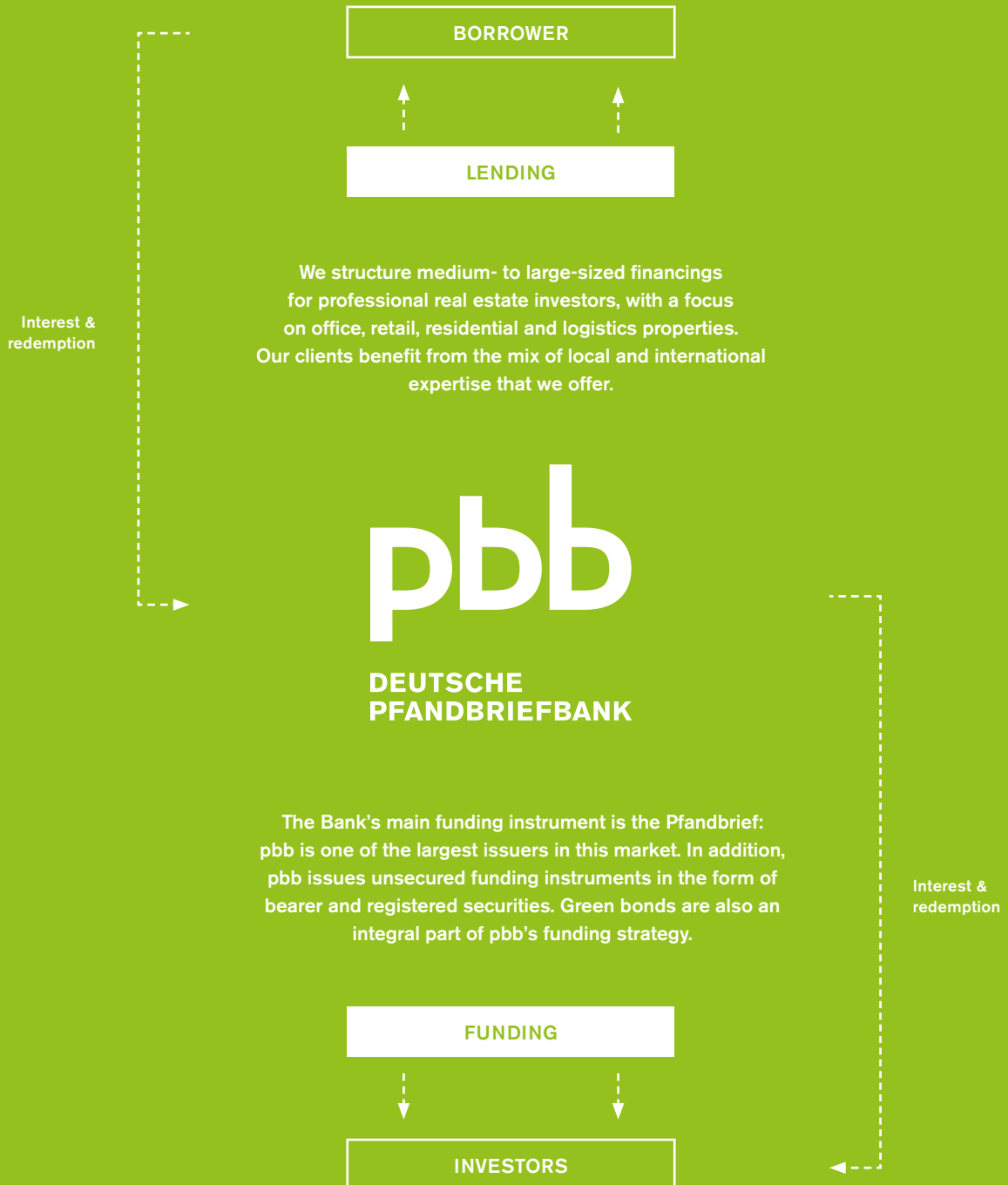
### Attracting experts – with a new career site

A new design for pbb's career website: With the fresh look, but especially with the restructured content, pbb intends to attract young professionals. The site therefore provides information on the different entry opportunities as well as interesting facts about pbb's activities and services for all career levels. Aside from current job vacancies, we also publish the dates of career fairs in which we are participating, where we can provide information personally about pbb as an employer.

07



# Business model of pbb Group



# Business model and strategy

pbb is a leading specialist bank for commercial real estate finance in Europe and the US. 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. Our commercial real estate finance segment is supplemented by lending to the public sector on project financings for the provision and improvement of public infrastructure.

## Commercial real estate finance

### Focus areas

- 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

## Strong player with a big network

In commercial real estate finance, 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 (near Frankfurt). 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, certain 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 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 that lead to 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. The COVID-19 pandemic presented us with some particular challenges.

### Wide product range

pbb primarily 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 very good locations.

Here, green lending is becoming increasingly important. Firstly, we provide standard investment loans and development financings for green real estate. In addition, we want to extend loans with slightly higher loan-to-value ratios, which, given the sustainability of green real estate projects, are expected to have higher value stability and therefore proportionally lower risks. Moreover, we plan to finance our clients' investments in the sustainability of real estate held in our credit portfolio. All in all, pbb is aiming for green assets to account for a share of around 30% of our entire commercial real estate finance portfolio by 2024/25.

### Office locations

as at 31 December 2021





## A conservative approach to risk management

pbb's credit portfolio is characterised by a conservative risk profile. As a result, the Bank sees itself well positioned – even against the backdrop of current crises.

Credit risk at a single-transaction level 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 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 insufficient, 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: improving client interfaces, enhancing the efficiency of internal processes, and opening up new sources of income.

At the end of the first quarter 2021, we introduced our Customer Portal as a digital interface with our clients. It increases the transparency in the credit process for our clients and simplifies document management in particular. We are consistently developing this portal, adding markets, products and functionality.

As a logical next step, we are now working on the digitalisation of our client and credit process. We are aiming for a modular system with a consistent workflow that is efficient and improves transparency, not least for our clients. We also cooperate with fintechs and proptechs in this context.

Platforms are business models that connect market players. Our subsidiary CAPVERIANT, in which the French state financial institution Caisse des Dépôts (CDC) has been holding a minority stake since 2021, digitalises the market for public financing in Europe, bringing borrower and lender together.

As a matter of course, we are also very closely monitoring the topic of credit platforms for commercial real estate finance. To date, we have not seen any shift in the business with professional real estate investors to platforms. This is probably due to structural reasons: standardisation is low, and the number of transactions comparatively low, too – both of these contradict the economics of a platform.

As one of the leading providers of commercial real estate finance, we want to support digital developments and not leave them to others. We are therefore consistently forging ahead with digitalisation and have already put key building blocks in place for a platform option, with our Client Portal, the digital credit process and our CAPVERIANT platform for municipal financing.

# pbb as an employer



# 828\*

employees end of 2021



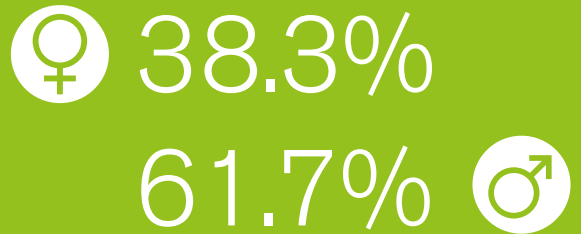
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Trainees/Students/  
Internships

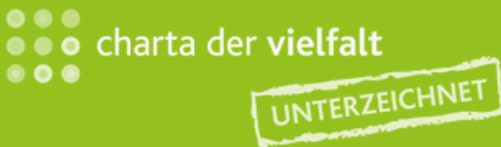
People from 35 nations work at pbb



Gender quota as of 31 December 2021



Signatory to the Diversity Charter since 2010



Awarded the Fair Company Seal



Fair Company is the largest employer initiative for fair internships.

# 881

employee training activities in 2021



# 3,266

employee training days in 2021

\* Excluding Members of the Management Board, interns and working students.

# Together we are strong

The year 2021 was the second year marked by the COVID-19 pandemic. Once again, pbb demonstrated that it can rely on its powerful team, who have demonstrated resilience, loyalty and reliability even in difficult times. Increasingly digitalised processes and hybrid work are becoming the new normal, and we are continuing on this path in order to get fit for the future and remain attractive for senior and young professionals alike.

During the ongoing COVID-19 pandemic, pbb has grown with its challenges: just like all other companies, pbb has had to react to changed conditions and developments again and again. And just like in 2020, we were successful in doing so in 2021, too – notably thanks to our employees' openness and willingness to act flexibly and responsibly.

This allowed us to consistently act as a strong team and further optimise our working environment: in many areas, the pandemic has only accelerated what was planned or already in the process of being implemented anyway. In particular, the digitalisation of our processes is not only a crucial factor for competitiveness and for interaction with our clients, but also internally – for working together and for our attractiveness as an employer.

## Shaping an inspiring working environment

New Work, a global megatrend that is increasingly dominating the world of work, has also found its way into pbb. Work structures are changing sustainably, for example, by focusing on individual potential and personal development as well as with regard to reconciling work and private life. In this context, more flexible arrangements such as remote working play an important role. Even before the pandemic, it was becoming increasingly evident that, in future, the geographical location will no longer be decisive and work will more than ever be defined by content and quality.

The possibility to work from home (and also from other places) however does not mean the end of office life. On the contrary: in the last months, many employees have missed personal interaction with their colleagues and all the related benefits. In 2021, employees were gradually able to return to our modern headquarters on Business Campus Garching, into which pbb had moved in 2019, and the majority of our staff took the opportunity to do so.



### Employees as the key to digital transformation

Going forward, pbb is striving to connect the best of both worlds: productive personal cooperation on site, supplemented, if required, by the benefits of hybrid work. The last two years have impressively demonstrated that we are able to manage this combination.

Our staff and executives represent an important pillar in pbb's digital transformation, which is why we promote an agile learning and working culture as well as the digital skills of our team. This involves models for effective project work as well as the reasonable use of tools and programmes. We subsidise headsets, screens, keyboards and other equipment so that our employees enjoy ideal working conditions in their home office as well.

### Creating a feeling of unity

However social aspects are not to be underestimated: in a hybrid working environment, creating a feeling of unity and maintaining a corporate identity is a particular challenge. To overcome this, we offer online employee events on a regular basis to allow for a personal exchange at both team and Group level.

We have also extended our (online) childcare offer and introduced a family service, making it easier to reconcile work and private life. Moreover, additional health training has been on offer, e.g. for mental health and care for the elderly.

### Attracting young professionals

We are convinced that all these are important strategic changes in pbb's human resources development. Only those employers who are today preparing for the requirements and expectations of future professionals will survive on the labour market of tomorrow. To stay on top of market trends, we participate in all career fairs relevant to us; we also cooperate with selected universities to raise interest in our trainee programmes – or a job at pbb – among as many talented graduates as possible.



In 2021, we further intensified our efforts to attract young professionals to our company. Even during the COVID-19 pandemic, we assumed social responsibility and continued to give university students their first opportunity to gain professional experience, through internships or work-study activities. We also revised our careers website to make it easier for potential applicants to find us online. Aside from current job vacancies, visitors to the careers site can find information about what defines pbb as an employer.

### Convincing performances

We live diversity – and are proud of it: we greatly value our colleagues' diverse characters and expertise. We want to give our staff as much autonomy and responsibility as possible, and combine this with a comprehensive qualification programme in order to create the ideal conditions for professional and personal development. For us, fair remuneration and comprehensive social benefits are ways to show our employees how much we appreciate them. We stand for strong values, which are reflected in high quality and completed projects.



# Sustainability at pbb



Annual General Meetings, Annual Press and Analysts' Conferences, as well as other events, are conducted in a climate-neutral manner.

Emissions resulting from the use of company cars or in connection with business trips are also rendered climate-neutral.



## ESG ratings – PRIME from ISS oekom

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 include independent assessments in their investment decisions.



# 100%

Carbon-neutral power supply at all German pbb locations

## WE SUPPORT



### UN Global Compact

pbb joined the UN Global Compact (UNGC) in 2022 and committed to the ten principles of the UNGC, which are derived from the 17 SDGs.



Around

€ **2** billion

Green Bonds issued



Over

€ **800** million

green loans

# Environment and society

Sustainability means taking responsibility. At pbb, this happens on many levels: we use resources responsibly, incorporate environmental, social and good corporate governance factors into our decisions, and are committed to making a positive contribution to society. We are gradually increasing measures and initiatives to reflect our sustainability strategy.

## Sustainability as a global responsibility

Initially a guiding principle for the use of resources, sustainability today is a normative term, putting economic, ecological and social goals on an equal footing. The framework is set by the United Nations. On the one hand, their Sustainable Development Goals (SDGs) provide political targets to secure a sustainable development. On the other, the principles set out in the UN Global Compact assist companies in acting responsibly and advancing innovative solutions to reach the Sustainable Development Goals.

Out of a total of 17 interlinked SDGs, pbb has identified four goals where the Bank can make a strong positive contribution. These are Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, and Sustainable Cities and Communities.

pbb signed up to the UN Global Compact at the beginning of 2022 and committed itself to 10 universal principles in the areas of human rights, labour, environmental protection and anti-corruption.

pbb also has made an explicit commitment to the Paris Climate Agreement and the sustainable finance targets set by both the EU and the German government. Sustainable Finance – in other words, sustainability in the financial system – refers to the inclusion of environmental, social and corporate governance aspects (ESG) in the decisions of financial players. It focuses on mitigating climate change and adapting to its consequences as well as adequately considering sustainability risks.

In this context, pbb Group has made ESG an integral component of both its business and risk strategy. In the 2021 financial year, a comprehensive ESG programme was launched, and sustainable finance was defined as a central pillar of pbb's holistic ESG strategy. The goal is to support the transformation of the real estate industry to achieve the general objective of climate neutrality by 2050.

## The four SDGs that pbb Group has prioritised

|  |   |
|--|---|
|  <p>5 GENDER EQUALITY</p>                         | <p><b>Gender equality</b></p> <p>In a code of conduct, pbb has made a commitment to respect all people regardless of age, gender, race, social background, abilities, sexual orientation or religion. For this purpose, the Bank creates an increased awareness for equal opportunities and gender equality across all levels.</p>                      |
|  <p>8 DECENT WORK AND ECONOMIC GROWTH</p>         | <p><b>Decent work and economic growth</b></p> <p>pbb's business model relies on employees with a high level of technical knowledge and expertise. Therefore, the target is to attract, retain and long-term development of qualified employees. The Code of Conduct and the Human Rights Guidelines form the basis for humane working conditions.</p>   |
|  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> | <p><b>Industry, innovation and infrastructure</b></p> <p>By financing commercial real estate and public infrastructure, pbb contributes strongly and positively to the development of a reliable and sustainable infrastructure.</p>  |
|  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>     | <p><b>Sustainable cities and communities</b></p> <p>As one of Europe's leading specialist banks for real estate finance and public investment finance, pbb contributes to the creation of sustainable cities and communities. Accordingly, pbb participates in various working groups, for example, in the development of sustainability standards.</p> |

## pbb as a provider of finance for the transformation process

pbb supports its clients as an active partner, assisting them with financing the acquisition of green properties and green developments, but also transformation projects such as refurbishment schemes and work to improve the energy efficiency of existing buildings.

In 2021, the Green Loan Framework was introduced as a key measure for the financing of green buildings. It is based on two elements: an independent scoring model and the EU Taxonomy. The pbb scoring model allows for the assessment of real estate using specific criteria; from a defined score upwards, real estate qualifies for green lending. As an alternative, pbb grants green loans to buildings compliant with the EU Taxonomy.

pbb's scoring model takes into account three dimensions: the energy efficiency of a building, building certifications, and further sustainability factors. The latter include factors such as soil surface sealing or the availability of, and distance to, the public transportation network, as well as the use of recycled materials for construction or the type of heating and use of green electricity. pbb is aiming to systematically increase the share of green financing in its lending portfolio to around 30% by 2024/2025.

On the liabilities side, pbb Group also obtains funding through green bonds, helping it to respond to investors' growing demand for green investments. With an issue volume of currently €1.75 billion, green bonds are an integral part of pbb's funding strategy. The goal is to increase the share of the funding volume attributable to green bonds in tandem with the relevant asset volume.

## Ecological footprint

It is also, however, important to steadily and sustainably reduce pbb's environmental footprint, i.e. CO<sub>2</sub> emissions which result from the Bank's business processes. According to the Greenhouse Gas Protocol, all company-related greenhouse gas emissions as well as upstream and downstream company processes are divided into three categories – Scopes 1, 2 and 3. 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. Even though the focus is on avoidance and reduction, some emissions will be incurred that cannot be avoided. These have, in part, been made climate-neutral through the purchase of environmental certificates.

| Ecological footprint of pbb |  | 2021                 | 2020                 |  |
|-----------------------------|--|----------------------|----------------------|--|
|                             |  | in t CO <sub>2</sub> | in t CO <sub>2</sub> |  |
| Scope 1                     | Company cars <sup>1</sup>  | 383                  | 387                  | Climate-neutral via emissions certificate                                      |
| Scope 2                     | Indirect emissions from electricity purchased                                      | 0                    | 0                    | Green electricity  |
|                             | Indirect emissions from excess electricity purchased                               | 7                    | 7                    | Partially Green electricity/partially climate neutral via emission certificate |
| Scope 3                     | Consumer goods office <sup>2</sup>   | 63                   | 8                    | Climate-neutral with emissions certificate                                     |
|                             | Business travel  | 3                    | 153                  | Climate-neutral with emissions certificate                                     |
|                             | Events (Annual Press Briefing, Analyst Conference, virtual Annual General Meeting) | 9                    | 2                    | Climate-neutral with emissions certificate                                     |
|                             |  | <b>468</b>           | <b>557</b>           |  |

<sup>1</sup> Calculation using contractually agreed annual mileage.

<sup>2</sup> Paper only; calculation according to <https://papiernetz.de/informationen/nachhaltigkeitsrechner/>.



Material reference points for reducing emissions are especially the buildings used by pbb, the organisation of workflows, the use of data centres and the mobility of pbb's employees.

### 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. In 2021, pbb also supported flood victims in the Ahr Valley.

Many of our employees volunteer for charitable organisations, and we support this commitment by donating to the respective organisations or projects. 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. Furthermore, employee-initiated fundraising campaigns take place on a regular basis (e.g. donating old mobile phones and glasses).



# Financial Year 2021

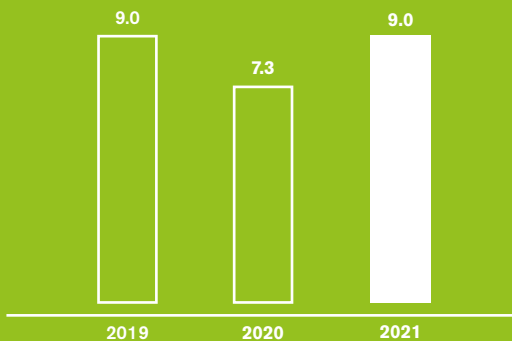
CET1 ratio

# 17.1%

Cost-income ratio

# 40.4%

New business REF



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

Profit before taxes

# €242 million

# €494 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.

# €81 million

**Risk provisioning**

Income from the lending business is offset by risk costs.

# €219 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 2021)

|                      |                           |                       |   |
|----------------------|---------------------------|-----------------------|---|
| Mortgage Pfandbriefe | Public sector Pfandbriefe | Unsecured bond issues | Deposits at pbb direkt<br>(as at year-end 2021) |
| €3.2 billion         | €0.0 billion              | €1.9 billion          | €3.2 billion                                    |

# Strong results in 2021 and growth initiatives

The year 2021 was influenced by the COVID-19 pandemic, but clear signs of recovery could be seen as it progressed, which is also reflected by pbb's very good results. Hopes for further normalisation have been dashed by the war in Ukraine, bringing immense human suffering and causing high uncertainty about future economic development. 2022 will be a transitioning year for pbb on its way to a sustainably strengthened earnings base.

## Results – what the figures tell us

The global economy grew by just short of 6% in 2021, more than making up for the preceding slump resulting from the pandemic in most countries. Demand for real estate as an asset class – and especially for prime or core properties – saw a similar recovery, while significant differences between property types persisted. Demand focused on office properties, but investors also centred their attention on logistics real estate, residential real estate, and retail real estate with a local supply function. For types such as shopping centres and hotels, demand was very subdued.

In general, the year 2021 was marked by a recovery in new business, especially with regard to prime locations and property types with stable values, upon which pbb's risk-conservative approach is focused. As a result, new business grew significantly by around

20% compared to the previous year to reach €9 billion in 2021. The quality remained at a high level, albeit with slightly lower gross margins.

Thanks to higher income from the lending business, lower negative effects on net income from risk provisioning and a recovery in the valuation result, pbb's profit before taxes rose by 60% to €242 million in 2021.

### Income from the lending business

Interest and commissions are pbb's most important income items. Since 2017, we have continuously increased the aggregate of net interest income and net fee and commission income, reaching a new record in 2021 at €502 million, driven by interest rate benefits from the ECB's refinancing facilities on the one hand and interest rate floors in the lending business and a slightly larger loan portfolio on the other. ►

## 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. Commissions as well as are almost fully booked 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 early termination 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.

Early termination fees increased as well. Although roughly half of the revenues resulted from only three repayments, net income from realisations more than tripled to €81 million. Early repayments were impacted by the high demand for core properties. The appreciation in value makes it attractive to dispose of these properties, even if early termination fees have to be paid. Due to its conservative risk strategy, pbb's loan portfolio includes exactly those property types that are currently particularly sought after.

### Loss allowance

Loss allowance is a net position, in which additions and reversals are offset. Expenses declined by around one-third to €81 million in 2021, which includes a so-called management overlay. Overall positive macroeconomic expectations should have led to a reversal of model-based impairments; from the Management Board's perspective, however, the underlying assumptions and modelling did not fully cover a scenario characterised by particularly high uncertainty, which is why the reversal was offset.

### General and administrative expenses

In 2021, general and administrative expenses rose slightly to €219 million. Most of the €15 million increase was due to one-off provisions related to restructuring measures in the personnel expenses item. Other administrative expenses rose slightly, due to costs associated with strategic projects and digitalisation projects.

Thanks to the good result, the cost/income ratio was further reduced to 40%, with which pbb remains below the sector average.

## Growth initiatives for 2022 and beyond

pbb intends to implement growth initiatives in the coming years, to foster organic growth and sustainably strengthen the Bank's earnings base. To this end, it intends to expand the volume of green loans for which it expects increasing demand. Other growth is expected from new products, with which pbb intends to strategically expand its range of services that currently focuses on senior lending, to include non-senior lending. Last but not least, pbb is looking to expand its business in the United States.

### 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%.

### Basic information

| 31 December 2021          |  |
|---------------------------|--|
| WKN                       | 801900                                   |
| ISIN                      | DE0008019001                             |
| Class of shares           | Ordinary bearer shares with no par value |
| Number of ordinary shares | 134,475,308                              |
| Ticker symbol             | 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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**Deutsche Pfandbriefbank AG**

Parkring 28  
85748 Garching  
Germany

T +49 (0)89 2880-0  
F +49 (0)89 2880-10319  
info@pfandbriefbank.com  
www.pfandbriefbank.com