

## Remuneration Report 2016

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## Remuneration Report of Deutsche Pfandbriefbank AG 2016

in accordance with section 16 of the German Ordinance on Remuneration in Financial Institutions  
(Institutsvergütungsverordnung)

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### **1. Scope and Objective of the Remuneration Report**

This report is based on the disclosure requirements set forth in section 16 (1) of the German Ordinance on Remuneration in Financial Institutions (Institutsvergütungsverordnung - "InstVergV") dated 16 December 2013, as well as the requirements resulting from the German Banking Act (Kreditwesengesetz - "KWG"), the Capital Requirements Regulation (CRR), and the Remuneration Principles (Vergütungsgrundsätze) established by the German Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung - "FMSA"), as published in February 2012. The remuneration regulations established at the European level with the introduction of the Capital Requirements Directive IV (CRD IV) have been further specified by the guidelines on sound remuneration policies and disclosures, released by the European Banking Authority (EBA) and applicable as from 1 January 2017. However, transposition into German law is still pending.

This Remuneration Report refers to the remuneration of senior managers, senior staff and other employees of Deutsche Pfandbriefbank AG (hereinafter referred to as "pbb") and its subordinated companies (hereinafter referred to as "pbb Group") for the financial year 2016. Please refer to pbb Group's annual report for supplementary quantitative information regarding remuneration. The remuneration officer has reviewed and approved the appropriateness of the remuneration system. Furthermore, the remuneration officer was involved with the implementation processes of the remuneration systems.

### **2. Adjusted Remuneration System of pbb Group**

During 2015, pbb Group revised its remuneration system, introducing variable remuneration for senior managers (effective 1 January 2016) as well as for senior staff and other employees (effective 1 July 2016).

Until privatisation in July 2015, pbb was not authorised to pay variable remuneration components to senior managers, senior staff and other employees according to section 10 (2a) and (2b) of the German Financial Market Stabilisation Fund Act (Finanzmarktstabilisierungsfondsgesetz - "FMStFG"). Furthermore, total remuneration was limited to €500,000 per year. These rules, which apply to specific banks receiving governmental support in the aftermath of the financial crisis, are in conflict with the remuneration regulations usually applicable to banks in accordance with the InstVergV and section 92 et seq. of CRD-IV. Following pbb's privatisation and the associated lapse of the limitations of section 10 (2a) and (2b) of the FMStFG, an adjusted variable remuneration system was introduced at pbb Group.

The adjusted remuneration system of pbb Group was developed as a forward-looking system appropriate to the Group's current situation. Furthermore, it reflects market conditions and is based on performance-oriented elements, and complies with the applicable regulatory requirements, in particular the new, or amended, regulations resulting from CRD-IV, the KWG and the InstVergV, and - regarding the remuneration of Management Board members - the requirements as set out in the German Stock Corporation Act (Aktengesetz - "AktG") and the German Corporate Governance Kodex (DCGK), as well as the addressed need for action identified during the 2013 special inspection according to section 44 of the KWG. Moreover, the remuneration principles of the Financial Market Stabilisation Fund-FMS (as amended most recently in February 2012) were observed.

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To the extent possible and sensible, the previous remuneration system was preserved during the review; adjustments were made mainly for regulatory purposes, to reflect market standards, or to reduce the complexity of the remuneration system.

Within this context, pbb Group's objective was to implement the adjusted remuneration system for all domestic and international employees, senior staff and senior managers, in as uniform a manner as possible with regard to content, insofar as this was meaningful in terms of content, as well as being legally and regulatory permissible.

pbb Group was supported by external remuneration experts (hkp), and an external legal advisor (Gleiss Lutz), during the remuneration system review.

### 3. Remuneration Strategy

The remuneration system and the remuneration strategy of pbb Group are integral components of the business and risk strategy of pbb Group. The remuneration strategy sets out the framework for the performance and remuneration of Management Board members and employees within the pbb governance. The remuneration strategy was developed by Human Resources in close cooperation with the remuneration officer, and was coordinated with all major business divisions as part of the Group's business and risk strategy, in particular with Corporate Office Compliance, Finance, Legal, Risk Management & Control, CRM REF, CRM PIF, Treasury as well as Business Management. The revised remuneration strategy was adopted by pbb's Management Board in October 2016, and subsequently approved by the Supervisory Board. All employees of pbb Group have access to the remuneration strategy via the intranet. The remuneration strategy is subject to regular revision, and may be subject to extraordinary revision in case of amendments to the business and risk strategy.

It aims to guarantee a performance-oriented remuneration in line with the market - one that is geared to achieving the targets enshrined in the business and risk strategy. The objective of pbb Group's business and risk strategy is to increase Group profitability on a sustainable basis. In order to achieve this objective, the Bank aims to increase income by generating profitable new business in line with the strict risk policy.

Business management is targeting these objectives, with performance measurement at institutional level being one of its key elements. Referring to performance measurement at institutional level, particular attention is given to (key) performance indicators - as defined within the business and risk strategy as well as business planning - which particularly reflect the defined business and risk strategy, and fulfil all regulatory requirements regarding risk, capital and liquidity, and are transparent as well as comprehensible. The performance at institutional level, derived from the performance indicators in line with the business and risk strategy, forms the basis for the total variable remuneration available for disbursement at the pbb Group. Hence, variable remuneration of Management Board members and all other employees is directly linked to - and driven by - pbb Group's business and risk strategy. Moreover, this guarantees compatibility of the remuneration system with the Group's capital and liquidity planning, as stipulated in the applicable regulatory requirements. Performance measurement in connection with variable remuneration comprises two

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other performance levels: division performance and individual performance. Targets for these subsequent performance levels will be derived from pbb Group's business and risk strategy as well, and will be in line with overall performance measurement.

Besides the required compatibility with the Group's business and risk strategy, the remuneration strategy is also an integral part of the HR strategy. pbb's business model requires highly qualified employees, possessing expert knowledge. The key objective of pbb Group's HR strategy therefore is to attract, retain and develop - for the long run - highly qualified employees with expert knowledge, a high quality awareness, customer focus, leading competence at both divisional and project level, the willingness to be deployed flexibly, and a high degree of entrepreneurial thinking. Capable and dedicated employees are key to achieving the objective set in the business and risk strategy: that is, to increase income by generating profitable new business in line with the strict risk policy. Besides the Group's differentiated personnel planning, restructuring strategy and the diversified internal and external qualification programme, implementation of the Group's HR strategy is based on variable remuneration, featuring incentives for individual performance, and promoting cooperation between business divisions, departments and teams. With the variable remuneration components offered by pbb Group, employees have the chance to participate directly in pbb's success.

Implementation of regulatory requirements regarding remuneration systems of banks is another key element in pbb Group's remuneration strategy. After the lapse of the limitations of section 10 (2a) and (2b) of the FMStFG, the aim of the amendments made to the remuneration system was the implementation of the statutory principle of appropriateness of individual remuneration components regarding total amounts and structures, with the ultimate objective being the avoidance of disproportionately high risks. Total remuneration amounts, and individual remuneration components of employees and Management Board members, were subject to revision in order to establish an appropriate relation regarding function and performance as well as pbb Group's overall performance. Moreover, the appropriateness of the Group's remuneration system was reviewed by an independent external remuneration consultant, using external benchmarks to produce market comparisons of remuneration amounts and structures. In order to ensure the appropriateness of remuneration, pbb Group's remuneration system will be subject to regular reviews going forward, including market comparisons. Furthermore, the regulatory remuneration requirements, in particular in terms of variable remuneration components, were implemented into pbb Group's remuneration system. Compatibility of the remuneration system with the central regulatory requirements was approved by an independent external remuneration consultant and the auditor. pbb established dedicated processes to ensure that any future regulatory changes will be implemented in a timely manner.

#### **4. Principles and Composition of the Remuneration System for Senior Staff and Other Employees**

Total remuneration of senior staff and other employees for the 2016 financial year comprised the annual fixed salary, including a temporary functional allowance applicable to the first half of the year until introduction of variable remuneration (1 July 2016), and variable remuneration components, as well as social insurance and fringe benefits.

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### 4.1 Fixed Remuneration Components

All employees of pbb Group receive an annual fixed salary, which is reviewed - and adjusted if necessary - as part of an annual standard process. pbb Group uses functional and country-specific market comparisons for the determination of fixed salaries. In order to ensure the appropriateness and competitiveness of fixed salaries, and to ensure compliance with regulatory requirements, pbb Group receives support from independent external remuneration and legal advisors. Furthermore, all employees generally received a temporary functional allowance applicable to the first half of the year until introduction of the variable remuneration (1 July 2016), which was paid on a monthly basis together with basic remuneration.

pbb Group established a series of company pension schemes in order to provide retirement benefits to employees.

Taking various tax and social security aspects into account, pbb Group offers its employees social insurance and fringe benefits.

In the past, the appropriateness and competitiveness of pbb Group's company pension scheme arrangements, as well as social insurance and fringe benefits, were reviewed by an external remuneration consultant. According to the analysis of pbb Group's company pension schemes, and its social insurance and fringe benefits, all of the Group's arrangements established around the world are generally appropriate.

### 4.2 Variable Remuneration Components

Following pbb's privatisation and the associated lapse of the limitations of section 10 (2a) and (2b) of the FMStFG, an adjusted variable remuneration system was developed during 2015 for the senior staff and other employees, and variable remuneration was introduced with effect from 1 July 2016.

Variable remuneration is paid in cash. pbb Group introduced a share-based remuneration system with cash settlement, where the amount of the variable remuneration is influenced by the performance of the pbb share as part of the sustainability components.

The variable remuneration component is determined on the basis of an individual calculatory reference value, which reflects the amount of variable remuneration attributed to a performance level of 100% on all relevant performance levels. Variable remuneration may represent up to 40% of an employee's total remuneration, depending on the job and family status as well as the career ladder. However, as a basic principle, pbb Group ensures that the earned variable remuneration component never exceeds 150% of the respective individual calculatory reference value. pbb has not sought any resolution by the Annual General Meeting pursuant to section 25a (5) sentence 5 of the KWG; therefore, the variable remuneration for employees must not exceed 100% of their fixed remuneration.

#### 4.2.1 Variable Remuneration System

##### Requirements (section 7 of the InstVergV)

Granting of variable remuneration is subject to the prior determination of a total amount of the variable remuneration (taking into account the requirements of section 7 of the InstVergV). The total amount of variable remuneration is determined by the Supervisory Board at the end of each financial year, within the framework of a formal and transparent process.

In 2016, pbb Group used the Minimum Requirements for the Design of Recovery Plans (Mindestanforderungen an die Ausgestaltung von Sanierungsplänen - "MaSan") as indicators to verify the fulfilment of requirements according to section 7 of the InstVergV; in particular, the following KPI had to be met: CET 1 ratio, Own Funds ratio, Excess Cover Stressed RWA Going Concern, CTLP – 1 month (stress scenario). Provided all requirements were fulfilled and the Group disclosed (positive) net income in its IFRS financial statements, a total amount available for disbursement as variable remuneration at pbb was to be determined. As a rule, if a consolidated net loss was disclosed - in particular if such net loss translated into a depreciation of fixed assets - no total amount available for disbursement as variable remuneration at pbb was to be determined. Hence, no variable remuneration shall be granted in this scenario.

The total amount available for disbursement as variable remuneration at pbb is calculated as follows: the level of target achievement for the (adjusted) profit before tax, plus the level of target achievement for the risk-reward profile, determined as the ratio between net margin x average portfolio volume and risk-weighted assets. The two performance indicators are equally weighted. Consideration of net income as well as the risk-reward profile, which emphasises the profitability of the strategic portfolio and takes into account associated risk levels, reflects pbb Group's business plans and thus helps to establish the link to the strategy and management perspective, and the necessary risk adjustments. The risk-reward profile takes risk-weighted assets into consideration, which comprises the risks - and maturities - assumed by pbb; the Bank fulfils applicable regulatory requirements by applying a risk-sensitive measurement approach, including expected and unexpected risks and their respective maturities. Furthermore, certain modifiers may have an impact on overall target achievement at institutional level in 2016, including in particular general and administrative expenses, efficiency projects, and the total capital ratio. In order to improve the regulatory resilience of this key indicator test approach, additional conditions are included to reflect capital, liquidity and risk requirements; the fulfilment of these conditions is essential for the determination and disbursement of variable remuneration.

For the measurement of performance, the target achievement levels of 0% and 100% at pbb level are defined at first. The target achievement levels of between 20% and 100% are then derived on a linear basis (target achievement curve). The base value is set at a target achievement level of 20%: at this level, 20% of the variable remuneration pool may be disbursed, provided that pbb Group disclosed (positive) profit before tax in its IFRS financial statements, and the requirements for granting variable remuneration according to section 7 of the InstVergV were fulfilled. Maximum target achievement is set at 150% and corresponds to a payout factor of 150.



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### Performance Measurement

Allocation of variable remuneration is based on the achievement of qualitative and quantitative targets at both divisional and individual level - to the extent possible, reference shall be made to pbb Group's business and risk strategy; target achievement shall be determined for every division and every employee at pbb Group.

The qualitative and quantitative divisional targets are established on an annual basis and derived from the corporate targets and the business plans made for the respective financial year. The establishment of targets commences with the setting of overall corporate strategic priorities by the Management Board, in order to facilitate the management of divisional targets. In particular, qualitative divisional targets are established on this basis. In a second step, quantifiable targets are defined, which have to be related to key performance indicators, such as new business volume, new business margins, cost budgets, etc. Furthermore, the targets have to be closely connected with the corporate planning for the current - or future - financial year(s). Qualitative targets are to be based on quantifiable indicators as well, and the target level of 100% has to be defined. The link to the corporate business and risk strategy shall be reviewed and documented for every divisional target. This will ensure that the divisional targets were derived from - and synchronised with - the strategic targets according to pbb Group's business and risk planning. The Management Board of pbb adopts the divisional targets, which have to be provided to all employees of the respective division at the beginning of the year.

At the individual level, every employee is provided with an annual target agreement comprising quantitative and qualitative targets for the current financial year. Targets at the individual level shall also be derived from the indicators established at institutional and divisional level. In particular the quantitative and qualitative work targets of employees have to be in line with pbb Group's business and risk strategy, and shall be designed to support the targets derived from this strategy. The measurement of every target is based on indicators, allowing transparent performance assessments at the end of every financial year. This forms the basis for the allocation of variable remuneration components to individual employees.

Performance measurement takes place at the level of the institution, the organisational unit, and at an individual level (section 19 (1) of the InstVergV). Within pbb Group, the divisional level is considered the required organisational level.

Performance measurement for employees is based on a so-called pool system, which connects the three measurement levels by aggregating calculatory reference values for employees into a variable remuneration pool, the amount of which is linked to the institution's performance. This variable remuneration pool is then distributed among the divisions, with 50% being linked to the performance of the respective division, and 50% linked to the institution's performance. Divisional pools created in this manner are then distributed amongst employees in the division concerned, based on the personal performance contribution of each staff member. The share in the relevant divisional pool is allocated to each respective employee in the form of a calculatory Envisaged Personal Reward ("EPR") value. In principle, the calculatory EPR value allocated may range between a minimum of 0% and a maximum of 150% of the relevant personal calculatory reference value.



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### Disbursement Structure

As a significant institution according to section 17 of the InstVergV, pbb must in particular observe the requirements of section 20 of the InstVergV; regarding the disbursement structure, pbb distinguishes between employees who have a material influence on pbb's overall risk profile (so-called risk takers), and employees not considered risk takers (so-called non-risk takers) (see chapter 7.2 for further details on risk taker identification). If an employee becomes a risk taker in the course of a year, the relevant risk taker regulations apply to his/her variable remuneration earned during the entire financial year.

For non-risk takers, the EPR value corresponds to the variable remuneration, which is usually granted in cash at the end of the first half of the year subsequent to the year for which the variable remuneration is granted.

The disbursement structure for the variable remuneration of risk takers is subject to the following conditions (section 20 of the InstVergV):

The ERP value is broken down into a disbursement portion and a deferral portion.

The disbursement portion for employees amounts to 60% of the personal EPR value, and to 40% for 2<sup>nd</sup> level managers.

The deferral portion for employees amounts to 40% of the personal EPR value, and to 60% for 2<sup>nd</sup> level managers.

50% of the disbursement portion is paid out in cash when the conditions for disbursement have been met. The remaining 50% is disbursed after a retention period of one year, whereby the amount is adjusted in line with the sustainability component to be applied. Portions linked to the sustainability component are granted on the basis of the performance of the pbb share, meaning that risk takers participate financially in the price development of pbb shares. Deferral portions granted to employees are subject to a retention period of three years, while deferral portions granted to 2<sup>nd</sup> level managers are subject to a retention period of five years. The deferral portion is vested in line with current regulatory requirements (pro-rata vesting under a synchronised approach). The malus test, which may lead to a reduction of the deferral portion, is conducted during the retention period and considers ex-post negative performance contributions affecting the performance of the institution, the division, or the respective employee ("back-testing"). Negative performance contributions within the context of back-testing are detrimental deviations from the original assessment of target achievement regarding institutional, divisional, or individual targets. If pbb discovers negative performance contributions during back-testing, the deferred variable remuneration is reduced accordingly, or cancelled in full, depending on the weighting of the negative performance contributions discovered. Furthermore, pbb verifies if a risk taker has committed personal misconduct, in particular if he/she is responsible for considerable loss-making transactions, or has violated pbb's compliance regulations. In this case, the deferred variable remuneration is subject to re-determination and is usually cancelled in full. In addition, a review will be carried out regarding the fulfilment of the relevant financial disbursement requirements according to section 7 of the In-

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stVergV. Following this malus test, 50% of the relevant deferral portion is subject to an additional one-year retention; it is linked during this period to pbb's sustainable development, in line with the applicable sustainability component.

This disbursement structure, in line with regulatory requirements, will not apply where the EPR value determined for a given financial year is lower than a threshold defined by law (or by the German Federal Financial Supervisory Authority, Bundesanstalt für Finanzdienstleistungsaufsicht - "BaFin", or by another competent supervisory authority), below which such disbursement structure for risk takers is waived for reasons of proportionality (currently less than €50,000 p.a.).

### 4.2.2 Additional Regulations of the Adjusted Remuneration System

#### **Remuneration of Employees in Monitoring Units (section 9 of the InstVergV)**

Regarding the remuneration of employees working in monitoring units, emphasis is placed upon fixed remuneration. In order to avoid conflicts of interest, the amount of variable remuneration components for employees working in monitoring units is never based on the same remuneration parameters applicable in the organisational unit to be monitored.

#### **Hedging Ban (section 8 of the InstVergV)**

The risk-orientation inherent to employee remuneration must not be limited or overridden by hedging or other countermeasures, such as third-party contracts obliging the third party to make direct or indirect compensation payments to the employee in the event of a reduction of variable remuneration (insurance); this applies *mutatis mutandis* to derivatives designed to hedge share price losses of pbb financial instruments, or financial instruments based on pbb financial instruments, such as put options, warrants, certificates, or any other financial instrument with comparable characteristics.

pbb has established an appropriate compliance structure designed to prevent hedging or other countermeasures taken to limit or override risk-orientation. Moreover, the hedging ban is contractually regulated in collective bargaining agreements (applies exclusively to employees in Germany) and in individual employment agreements (applies to employees in Germany and abroad, as well as senior staff (second-level managers)). In order to ensure compliance with these regulations, Compliance will carry out reviews (at least spot checks) in line with pbb's risk profile, such as inspections of senior managers' custodial accounts. At significant institutions within the meaning of section 17 of the InstVergV (such as pbb), such reviews are carried out by the remuneration officer.

#### **Review of and Adjustments to the Remuneration Systems (section 12 of the InstVergV)**

In the case of any change to the business and risk strategy, the remuneration strategy and the structure of the remuneration systems will be reviewed and adjusted if necessary. In addition, pbb carries out reviews (and adjustments, if necessary) of its remuneration system and the respective parameters to ensure appropriateness at least once a year, with a particular view to their compatibility with Group strategies.

### **4.3 Individual Contract Non-Recurring Payments**

During the financial year 2016, no commitments to non-recurring payments were made. Furthermore, no payments were made in connection with non-recurring payment commitments made in the past.

### **5. Remuneration of the Management Board**

Please refer to pbb Group's 2016 annual report (p. 88 et seq.) for detailed information on the remuneration system and the remuneration for members of the Management Board.

### **6. Governance of remuneration systems**

pbb established a two-tier organisational and management structure in line with the AktG: it comprises the Supervisory Board as an independent supervisory body, and the Management Board, responsible for the management of the Bank. The Supervisory Board monitors, determines, and is responsible for the remuneration of the Management Board members, while the Management Board monitors, determines, and is responsible for the remuneration systems pertaining to senior staff and other employees of the pbb Group; in addition, the Management Board ratifies the amount and allocation of the remuneration granted. According to the Internal Rules of Procedure (Geschäftsordnung) of pbb's Supervisory Board, the remuneration systems for pbb Group employees are subject to approval from the Supervisory Board.

In line with the regulatory requirements as set by the KWG and the InstVergV, pbb's remuneration governance comprises the Remuneration Committee established by the Supervisory Board, and the remuneration officer appointed by the Management Board.

The Remuneration Committee supports the Supervisory Board in ensuring that the remuneration systems for senior managers have an appropriate structure, and prepares Supervisory Board resolutions on the remuneration of senior managers. This includes in particular the preparation of Supervisory Board resolutions regarding the determination of the total amount available for variable remuneration within the meaning of section 45 (2) sentence 1 no. 5a of the KWG in conjunction with section 7 of the InstVergV, as well as regarding the determination of appropriate remuneration parameters, performance contributions, performance and retention periods, the conditions for partial or full reduction of variable remuneration, and the regular - at least annual - review considering the appropriateness of the regulations established by the Supervisory Board.

Furthermore, the Remuneration Committee monitors the appropriate structure of the remuneration systems for employees, and in particular for the heads of Risk Controlling, and Compliance, and for employees with a significant influence on the Bank's overall risk profile. In this context, the Remuneration Committee assesses the effects of the remunerations systems on the Group's risk, capital, and liquidity management.

In addition, the Remuneration Committee supports the Supervisory Board in monitoring the proper inclusion of internal control instances and any other relevant areas in the structuring of remunera-

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tion systems. As part of its duties, the Remuneration Committee assesses the impact of remuneration systems on the Bank's risk, capital and liquidity situation; it also ensures that remuneration systems are in line with (i) the Bank's business strategy (which is geared towards the Bank's sustainable development) and the risk strategies derived from such strategy, as well as (ii) the remuneration strategies at institutional and Group level.

The Remuneration Committee consists of the Supervisory Board's Chairman and Deputy Chairperson as well as one shareholder and one employee representative. The Remuneration Committee convened four times during 2016.

pbb appointed two remuneration officers (with mutual representation rights) in order to ensure appropriate, sustained and effective monitoring of employee remuneration. The remuneration officers are responsible for the constant monitoring of the appropriateness of pbb's remuneration systems for employees. Therefore, they are involved with the rolling processes of the remuneration systems, both in terms of the conceptual and further redevelopment of such systems, as well as with regard to their current implementation. An institutional reporting channel was established for the remuneration officer to report directly - i.e. excluding any management involvement - to the chair of the Remuneration Committee. At least once per year, the remuneration officer produces a remuneration report containing an assessment of the appropriateness of the remuneration systems for employees (section 24 of the InstVergV).

## 7. Disclosure of Remuneration Data

The following disclosure of remuneration data follows the stipulations laid out in section 16 of the InstVergV in conjunction with article 450 of Regulation 575/2013/EU.

### 7.1 Quantitative Information on Remuneration, Broken Down by Business Divisions

Based on pbb Group's consolidated financial statements, and after the fulfilment of the requirements laid out in section 7 of the InstVergV was verified, the Management Board and the Supervisory Board determined the total amount available for disbursement as variable remuneration at pbb in 2016 to be €6.6 million (rounded).

According to article 450 (1) s. g of Regulation 575/2013/EU, quantitative information is disclosed on an aggregated basis, broken down by business divisions.

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### Disclosures in accordance with section 450 (1) sentence g of the CRR

	Members of the administrative or supervisory body (section 25d KWG)	Senior managers (section 25c KWG)	Corporate Functions <sup>1</sup>	Independent Control Functions <sup>2</sup>	Other <sup>3</sup>	Total pbb Group
Amount (€ mn)	Amount/Number	Amount/Number	Amount/Number	Amount/Number	Amount/Number	Amount/Number
Number of Supervisory Board members / senior managers	9	4	-	-	-	13
Number of employees (Full Time Equivalents - "FTE") <sup>4</sup>	-	-	185,3	341,6	336,1	863,0
Total remuneration for 2016 <sup>5</sup>	0,67	4,94	20,62	36,69	44,90	107,15
of which: total variable remuneration	-	0,99	1,10	1,87	2,71	6,67

<sup>1</sup> Communications, Human Resources, Information Technology, Legal

<sup>2</sup> Finance, Corporate Office/Compliance, Group Internal Audit, Risk Management & Control, CRM PIF, CRM REF, Projects Risk Management

<sup>3</sup> Portfolio Analysis, RE Finance Continental Europe West, RE Finance Germany, RE Finance International Clients, UK&CEE, Treasury, Operations, Property Analyses & Valuation, Loan Markets RE & Public Finance, PIF Platform, Public Investment Finance, Business Management REF / PIF

<sup>4</sup> Including fixed remuneration, fixed allowances (in particular functional allowances), variable remuneration, pension contributions as well as pension expenses within the scope of company

<sup>5</sup> Including all employees employed at pbb in 2016.

## 7.2 Quantitative Information on Remuneration, Broken Down by Senior Managers and Risk Takers

According to article 450 (1) s. h of Regulation 575/2013/EU, the following table provides quantitative information on the remuneration of senior managers and other employees whose actions have a material influence on the risk profile of the Bank (so-called risk takers).

According to section 18 (2) of the InstVergV, pbb is obliged to carry out an independent risk analysis in order to identify employees whose actions have a material influence on the risk profile of the Bank (so-called risk takers).

This risk analysis, as well as the process established to identify so-called risk taker functions within the Group, was defined in compliance with the EBA Regulatory Technical Standards (EBA/RTS/2013/11) from 16 December 2013. The EBA Regulatory Technical Standards mainly concern the following items:

- function of senior manager or other form of executive position
- loan granting competences
- voting rights in important committees, and
- remuneration of the employee.

Following the applicable criteria, a total of 78 risk takers were identified for 2016 (excluding the members of the Supervisory Board). This corresponds to 8% of the total headcount. In total, besides the members of the Management Board, a further 74 employees were identified as risk takers. The Management Board informed the Supervisory Board concerning the identified risk takers, while the details of the internal risk analysis were documented.

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	Members of the administrative or supervisory body (section 25d KWG)	Senior managers (section 25c KWG)	Corporate Functions <sup>1</sup>	Independent Control Functions <sup>2</sup>	Other <sup>3</sup>
Amount (€ mn)	Amount/Number	Amount/Number	Amount/Number	Amount/Number	Amount/Number
Number of risk takers per head count	9	4	4	41	29
Number of risk takers per FTE	-	-	4,0	39,9	28,8
Number of risk takers at the higher management level ("senior management")	-	-	4	8	7
<b>Fixed remuneration</b>	<b>0,67</b>	<b>3,95</b>	<b>1,17</b>	<b>6,76</b>	<b>8,10</b>
of which: in cash <sup>4</sup>	0,67	3,95	1,17	6,76	8,10
of which: fixed in shares or share-based instruments	-	-	-	-	-
of which: fixed in "other" financial instruments	-	-	-	-	-
<b>Total variable remuneration</b>	<b>-</b>	<b>0,99</b>	<b>0,11</b>	<b>0,60</b>	<b>0,88</b>
of which: in cash	-	0,50	0,11	0,60	0,80
of which: variable in shares or share-based instruments	-	0,50	-	-	0,08
of which: variable in "other" financial instruments	-	-	-	-	-
<b>Total amount of deferred variable remuneration for 2016</b>	<b>-</b>	<b>0,79</b>	<b>-</b>	<b>-</b>	<b>0,13</b>
of which: deferred variable remuneration in cash	-	0,30	-	-	0,05
of which: deferred variable remuneration in shares or share-based instruments	-	0,50	-	-	0,08
of which: deferred variable remuneration in "other" financial instruments	-	-	-	-	-
<b>Supplementary information</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Section 450 (1) sentence h (iii) of the CRR; aggregate amount of the outstanding variable remuneration from previous years</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which: earned in 2016	-	-	-	-	-
of which: not yet earned in 2016, i.e. deferred as at year-end 2016	-	-	-	-	-
<b>Section 450 (1) sentence h (iv) of the CRR; amount of deferred variable remuneration granted in 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
disbursed in 2016	-	-	-	-	-
<b>Section 450 (1) sentence h (iv) of the CRR; total amount of risk adjustment (pursuant to section 20 (5) of the InstVergV) applied to deferred variable remuneration in 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Number of beneficiaries of guaranteed variable remuneration (new sign-on payments)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total amount of guaranteed variable remuneration (new sign-on payments)	-	-	-	-	-
<b>Number of beneficiaries of severance payments in 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total amount of severance payments in 2016	-	-	-	-	-
Section 450 (1) sentence h (vi) of the CRR; highest severance payment disbursed to a single person in 2016	-	-	-	-	-
<b>Number of beneficiaries entitled to severance payments in 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
Total amount of severance payments in 2016	-	-	-	-	n/s <sup>5</sup>
Section 450 (1) sentence h (vi) of the CRR; highest severance payment granted to a single person in 2016	-	-	-	-	-
<b>Number of beneficiaries of discretionary retirement arrangements in 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total amount of discretionary retirement arrangements	-	-	-	-	-
<b>Total amount of variable remuneration with multi-year reference periods granted within the scope of remuneration programmes excluding annual renewal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Values in table are subject to rounding differences)

Communications, Human Resources, Information Technology, Legal  
Finance, Corporate Office/Compliance, Group Internal Audit, Risk Management & Control, CRM PIF, CRM REF, Projects Risk Management  
Portfolio Analysis, RE Finance Continental Europe West, RE Finance Germany, RE Finance International Clients, UK&CEE, Treasury, Operations, Property Analyses & Valuation,  
Loan Markets RE & Public Finance, PIF Platform, Public Investment Finance, Business Management REF / PIF  
Payments "in cash" include any form of fixed monetary disbursement (fixed remuneration, fixed allowances (in particular functional allowances)), but also pension contributions as well as pension expenses within the scope of company pension schemes and benefits in kind.  
Given that severance payments were granted in two cases only, the respective disbursement amounts are not disclosed due to confidentiality reasons.

## Remuneration Report 2016

**7.3 Number of Individuals with High Remuneration**

According to article 450 (1) s. i of Regulation 575/2013/EU, the following table provides details on the number of individuals being remunerated €1 million or more in the 2016 financial year. In this context, remuneration comprises pension expenses incurred as part of company pension schemes.

**Disclosures in accordance with section 450 (1) sentence i of the CRR**

Number of individuals being remunerated €1 million or more	
€1,000,000 to €1,500,000	3
€1,500,000 to €2,000,000	-
€2,000,000 to €2,500,000	-
€2,500,000 to €3,000,000	-
€3,000,000 to €3,500,000	-
€3,500,000 to €4,000,000	-
€4,000,000 to €4,500,000	-
> €5,000,000	-

Unterschleißheim, Germany, May 12, 2017

Deutsche Pfandbriefbank AG