

Green Bond Investor Update

January 2021



Disclaimer



- This presentation is not an offer or invitation to subscribe for or purchase any securities in any jurisdiction, including any jurisdiction of the United States. Securities may not be offered or sold in the United States absent registration or pursuant to an available exemption from registration under the U.S. Securities Act. Deutsche Pfandbriefbank AG (pbb) does not intend to conduct a public offering of securities in the United States.
- No warranty is given as to the accuracy or completeness of the information in this presentation. You must make your own independent investigation and appraisal of the business and financial condition of pbb and its direct and indirect subsidiaries and their securities. Nothing in this presentation shall form the basis of any contract or commitment whatsoever.
- This presentation may only be made available, distributed or passed on to persons in the United Kingdom in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply.
- This presentation may only be made available, distributed or passed on to persons in Australia who qualify as 'wholesale clients' as defined in section 761G of the Australian Corporations Act.
- This presentation is furnished to you solely for your information. You may not reproduce it or redistribute to any other person.
- This presentation contains forward-looking statements based on calculations, estimates and assumptions made by the company's top management and external advisors and are believed warranted. These statements may be identified by such words as 'may', 'plans', 'expects', 'believes' and similar expressions, or by their context and are made on the basis of current knowledge and assumptions. Various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include general economic conditions, the conditions of the financial markets in Germany, in Europe, in the United States and elsewhere, the performance of pbb's core markets and changes in laws and regulations. No obligation is assumed to update any forward-looking statements.
- By participating in this presentation or by accepting any copy of the slides presented, you agree to be bound by the noted limitations.

Business Model & Strategy

pbb is a leading commercial real estate lender with a complementary public investment finance business

USPs

- Specialised on-balance sheet lender with extensive placement capabilities
- Strong franchise with long-standing client relationships and local presence with 10 branches/rep offices in Europe and the US
- Conservative lending standards and focus on risk management
- Pfandbrief as main funding instrument

Key figures

(IFRS, 30/06/2020)

Total assets	€ 60.7 bn
Total equity	€ 3.2 bn
RWA	€ 17.4 bn
CET1 ratio ¹	15.8%
Leverage ratio ¹	5.1%
RoE after taxes	1.0%
FTE	763



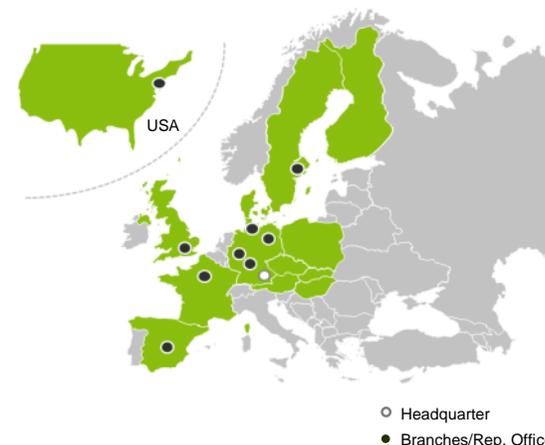
- Stable, well diversified funding base
 - Pfandbrief
 - Senior unsecured bonds
 - Retail deposits (online)
- Strong capital markets presence (benchmarks/private placements)

- Pfandbrief-eligible senior loans
- Structuring expertise for complex/large transactions
 - ~200 deals per year
 - Ø deal size € ~50 mn

Value Proposition for Debt Investors

- Considerable MREL buffer
- Strong capital base
- High quality cover pools
- High portfolio quality and risk standards
- Strong operating performance

Regional presence



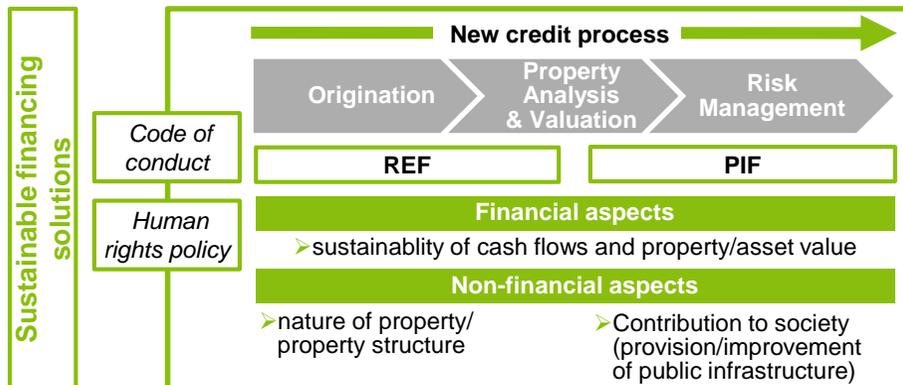
CSR Concept

CSR structurally anchored in pbb – ESG factors integrated into credit process/lending

- **General framework defined** by code of conduct and human rights policy, providing non-negotiable standards to comply with
- **CSR Committee implemented**
 - Board Member involvement and responsibility
 - Comprising representatives from all relevant business areas
 - Taking decisions on CSR strategy
- **Material topics and aspects** identified through **materiality analysis** for pbb, including stakeholder feedback
- **Non-financial report** published since 2017 according to CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz)
 - In line with best practice
 - Audited with limited assurance
- **Sustainable Finance**
 - Project to structurally integrate “Green Building” criteria into credit process/ lending initiated in 2019
 - Green Bond Framework in place
 - Current focus on development of Green Loan Framework
 - ESG risks structurally included in overall Risk Management landscape

Material topics and aspects

Topics	Aspects	Main targets
Corporate Governance	■ Compliance	<ul style="list-style-type: none"> ▪ Guarantee compliance with laws and regulations ▪ Avoid compliance related issues (e.g. money laundering, terrorist financing, corruption /bribery, data protection)
	■ Human rights	<ul style="list-style-type: none"> ▪ Respect and comply with human rights throughout the whole value chain
Employee matters	■ Remuneration and employee benefits	<ul style="list-style-type: none"> ▪ Guarantee a performance-related fair remuneration and employee benefits in line with the market
	■ Working environment	<ul style="list-style-type: none"> ▪ Provide an attractive, modern, secure and healthy workplace with fair working conditions, promotion of the reconciliation of work and private life, assurance of involvement and co-determination
	■ Training and continuing professional development	<ul style="list-style-type: none"> ▪ Highly qualified employees through continuous training /professional development, knowledge management and securing new talent/employer attractiveness
Environment	■ Mobility	<ul style="list-style-type: none"> ▪ Handle natural resources responsibly and make active contribution to climate protection by minimizing requirements for energy and raw materials, and to avoid environmental impacts – esp. with focus on travel and car policy
Industry-specific aspects	■ Client orientation	<ul style="list-style-type: none"> ▪ Client satisfaction /loyalty and best possible fulfilment of client need's
	■ Risk management	<ul style="list-style-type: none"> ▪ Minimize risks and loss potential
	■ Sustainable financing solutions	<ul style="list-style-type: none"> ▪ Sustainability of cash-flows and property structure to secure loan repayment/property value as well as to contribute to climate goals



Corporate Responsibility within pbb

Environment

Ressource
Management

Environment

Mobility

- In 2019, pbb Group relocated its headquarters from Unterschleissheim to Garching. The new office building is designed towards the responsible handling of limited resources: heat is obtained from geothermal energy and electricity is generated from photovoltaic systems.
- German locations have also been using power from renewable energy sources since 2015, respective power supply is carbon-neutral.
- Working processes are generally designed to be as paper-saving as possible; used paper is certified as eco-friendly.
- Annual General Meetings, the Annual Press Briefing and the Analyst Conferences are carried out in a carbon-neutral way.
- Electricity is saved by using energy-efficient office equipment.
- Headquarters well connected to public transportation system.

- Supporting the use of public transportation of employees by e.g. job tickets.
- Well-defined CO₂-emission standards regarding company cars including a promotion of hybrid cars.
- Car-sharing and car pool offers available at Business Campus.
- Promotion of e-mobility by offering charging stations for e-cars as well as for e-bikes.
- Travel policy with clear guidelines.
- Four SDGs were identified by pbb to be relevant for the increase of the Group's contribution to sustainability: gender equality; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities.



CR Rating		
imug	ISS ESG	MSCI
<p>In addition to the bank as such, the rating agency imug also rates pbb's debt instruments. The bank rating is "positive BB". pbb's public-sector Pfandbriefe are currently rated above average with a "very positive A". Mortgage Pfandbriefe are also rated positively at "positive BB".</p> <p>Top 3 „Stress Test Sustainability – How good are the 25 largest German banks?“ ¹</p>	<p>The rating agency ISS ESG currently rates pbb Group as "Prime". oekom awards the «Prime» status to companies that are among the leaders in their industry in the context of oekom's corporate ratings and that meet the industry-specific minimum requirements.</p>	<p>MSCI ESG Ratings aim to measure a company's resilience to long-term, financially relevant ESG risks.</p> <p>pbb rating of A is unchanged since 2013.</p>

¹ imug Impuls 2019 "Stresstest Nachhaltigkeit – Wie gut sind die 25 größten deutschen Banken?", 2 December 2019

Aligned with the 2018 Green Bond Principles and its four components

<p>1) Use of proceeds</p>	<p>Green Building Certification</p> <p>Eligible Green Real Estate Assets have to be certified against:</p> <ul style="list-style-type: none"> ▪ BREEAM: ≥ “Very Good” ▪ LEED: ≥ “Gold” ▪ DGNB: ≥ “Gold” ▪ HQE: ≥ “Very High” 	<p>Energy Efficiency Performance</p> <p>Eligible Green Real Estate Assets have to demonstrate a Final Energy Consumption:</p> <ul style="list-style-type: none"> ▪ Office, Hotel and Retail: < 160 kWh/m² p.a. ▪ Residential: < 100 kWh/m² p.a. ▪ Logistics: < 65 kWh/m² p.a. 	<p>Exclusion criteria</p> <ul style="list-style-type: none"> ▪ Building use: production of weapons, pesticides, nuclear energy, fossil fuels or pornography and sex work. ▪ Concentration of tenants with an unacceptable environmental impact. ▪ Substantial other negative impact on the environment (e.g. polluted areas, green field construction in protected areas).
<p>2) Process for Project Evaluation and Selection</p>	<ul style="list-style-type: none"> ▪ Green Bond Committee to manage the process for project evaluation and selection. ▪ Committee composed by representatives from the following business areas: <ul style="list-style-type: none"> – Communications – Property Analysis & Valuation – Portfolio Analysis – Treasury ▪ Committee responsible of: <ul style="list-style-type: none"> – Monitor the potential Eligible Green Loans against pbb’s standard credit process and the eligibility criteria – Allocate and Monitor the portfolio of Eligible Green Loans against the Green Bond funding – Coordinate reporting 		

<p>3) Management of Proceeds</p>	<ul style="list-style-type: none"> Management of the net proceeds on a portfolio basis. Eligible Green Loans already exists on pbb’s balance sheet at issuance of a Green Bond (not booked in a separate portfolio, but earmarked in the IT systems). Treasury business area will monitor that an amount at least equivalent to the net proceeds will be used to finance or refinance the portfolio of Eligible Green Loans and that the amount of such Eligible Green Loans within the portfolio is higher than the net proceeds of the outstanding Green Bonds issued. If outstanding Green Bonds exceed the Eligible Green Loans (e.g. due to unexpected prepayments), pbb shall invest in Green Bonds fulfilling the ICMA Green Bond Principles if feasible. 		
<p>4) Reporting</p>	<ul style="list-style-type: none"> Reporting starting approximately one year after the first issuance and annually thereafter. Publicly available on pbb’s website. 	<p>Allocation reporting</p> <ul style="list-style-type: none"> The total amount of outstanding Green Bonds issued. The total amount of Eligible Green Loans. Examples of assets financed or refinanced through the proceeds of the Green Bond. 	<p>Impact reporting</p> <p>Examples of output indicators:</p> <ul style="list-style-type: none"> Green Portfolio breakdown by year of construction / refurbishment (in %) Green Portfolio breakdown by EPC kWh / m² p.a. / Certification Type and Level <p>Examples of impact indicators:</p> <ul style="list-style-type: none"> Estimated ex-ante annual energy savings (in kWh / m² p.a.) Estimated annual reduced / avoided Green House Gas emissions (in tons of CO₂ equivalent)

External Review

Green Bond Second Party Opinion by Cicero Shades of Green

- CICERO Shades of Green provided the Second Party Opinion on pbb's Green Bond Framework and related policies.
- The Second Party Opinion document is available on pbb's website.
- CICERO Shades of Green will also provide an annual independent review of pbb's green bond reporting.



Deutsche Pfandbriefbank AG Green Bond Second Opinion

April 28, 2020

Deutsche Pfandbriefbank AG ("pbb") is a bank specialized in real estate and public investment finance. pbb has its headquarter in Garching, Germany and has additional offices in the United Kingdom, France, Sweden, Spain and the United States. The issuer is one of the largest issuers in the Pfandbriefe market with an outstanding volume of approx. EUR 30 billion. Around 50% of pbb's assets are located in Germany.

pbb's green bond framework lists only green buildings as an eligible project category in accordance to the Green Bond Principles. pbb informed us that approximately 80-85% of proceeds are expected to be allocated to refinancing of existing buildings and 15-20% will be used for financing of new loans for existing buildings mainly in Poland, Germany, France, UK, Netherlands and Austria that either meet a minimum certification of LEED Gold (or equivalent) or absolute minimum energy consumption thresholds defined by pbb's framework that applies to all jurisdictions of pbb's business activities. pbb excludes financing of outdated/inefficient heating systems, which excludes, e.g., oil based heating, but could include other fossil fuel heating such as natural gas based heating sources.

The issuer is in the process of rolling out a green loan system and to raise environmentally relevant data for all of its buildings. The issuer informed us that this framework provides a test case for the bank and that the framework is expected to be improved and tightened regarding its eligibility criteria over time. pbb will obtain an external review for its impact reporting.

pbb's framework does not exclude fossil fuel-based heating and could allow for financing or refinancing that reach minimum certification levels, but do not align with specific energy efficiency thresholds. In addition, pbb does not yet systematically assess climate related risks and has not yet implemented TCFD recommendations. It is the responsibility of the issuer and specifically pbb's green bond committee to ensure that green buildings exceed local regulations and ensure low-carbon impact and climate resilience of the buildings.

Based on the overall assessment of the project types that will be financed by the green bonds, governance and transparency considerations, pbb's green bond framework receives a CICERO Light Green shading and a governance score of Good. The framework would benefit from excluding fossil fuel based heat sources and adding additional requirements for eligible new loans such as low carbon transport access, higher certification levels, climate resilience as well as construction material considerations and construction emissions.

SHADES OF GREEN
Based on our review, we rate the pbb's green bond framework CICERO Light Green.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in pbb's framework to be Good.



GREEN BOND PRINCIPLES
Based on this review, this Framework is found in alignment with the principles.



SHADES OF GREEN

Based on our review, we rate the pbb's green bond framework **CICERO Light Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in pbb's framework to be **Good**.

GREEN BOND PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.



Preliminary Impact Reporting

Intended Layout



DEUTSCHE
PFANDBRIEFBANK

Carbon Impact Figures

Main building type	Carbon Emissions (kgCO ₂ /m ² /year)	Energy Demand Baseline (kWh/m ² /year)	Emission Factor (kgCO ₂ /kWh)	Carbon Emission Baseline (kgCO ₂ /m ² /year)	Carbon Savings (kgCO ₂ /m ² /year)	Total Carbon Savings (tCO ₂ /year)	Financed Carbon Savings (tCO ₂ /year)
Building 1	EPC	Local average	Local energy mix	EDB x EF	CEB - CE	CS x Area	TCS x pbb financing share
Total						XXX	XXX

pbb Green Bond Carbon Impact: ~13,000 tCO₂/year

Carbon impact assessment methodology

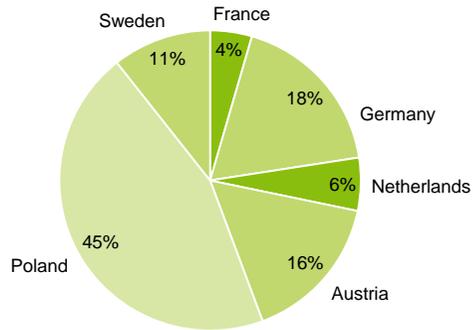
- pbb estimates the carbon impact of its Green Loan portfolio on a line by line basis
- pbb collects the carbon emission intensity for each building from its Green Certification reports or Energy Performance Certificates
- Green building certifications, the location and the type of use (residential/commercial) could be used as proxy to refine the collected data when necessary
- The baseline is the average energy by type of use in specific location from EU Entranze Project (<https://www.entranze.eu/>)
- Emission factors are derived from the energy mix consumed by buildings locally (source: local national statistics offices) and the carbon intensity of each energy type (source: IEA, <https://www.iea.org/> and AIB European Residual Mixes 2019, <https://www.aib-net.org/facts/european-residual-mix>, for electricity)

As of	Outstanding nominal amount in the potential Green Portfolio (€ mn)	No. of Green Buildings	Total floor area (m ²)	Carbon savings - pbb financing share (tCO ₂ /year)	Carbon savings - pbb financing share (tCO ₂ /€ 1mn)
15.01.2021	~604	17	~770,000	~13,000	~21

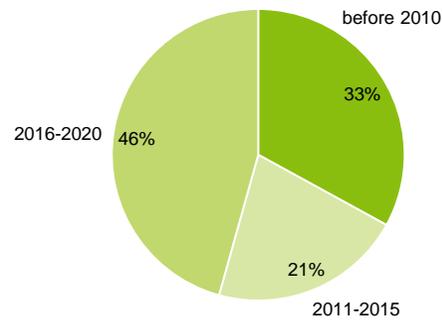
pbb's current Green portfolio

Seedportfolio as of 01/2021

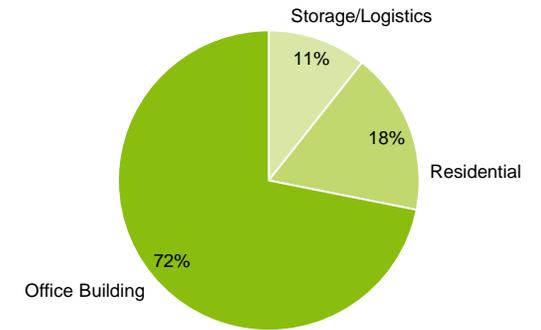
Breakdown by geographies (€ mn)



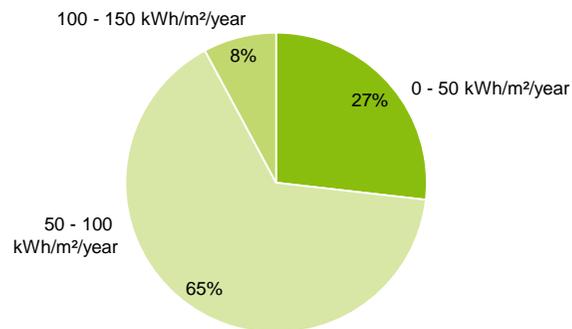
Breakdown by year of construction (€ mn)



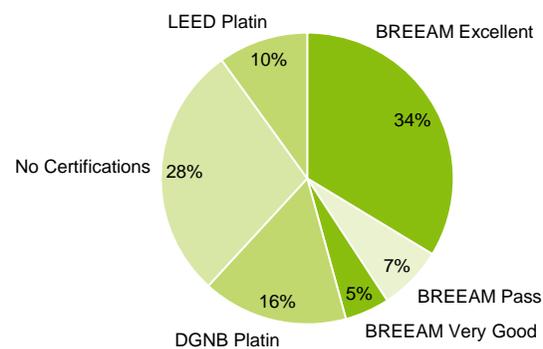
Breakdown by type of building use (€ mn)



Breakdown by final energy consumption (€ mn)



Breakdown by Green certifications (€ mn)



- **Seedportfolio** consisting of ~ € 604 mn.
- Portfolio will change over time
- Process for **recording the criteria** of the overall portfolio established:
 - Recording of all properties of the new business
 - Recording of the already existing portfolio as part of the regular monitoring process

Examples of Eligible Green Assets

Project name: West Gate

Location: Wrocław, Poland

Green Certification/EPC: BREEAM Excellent

Date of Construction: 2015

Total Asset Value: € 42,9 mn

pbb financing amount: € 10.5 mn



Short description:

The West Gate, completed in 2015, comprises of six over ground floors and two underground levels.¹ Hereby West Gate fully utilized the potential of certification, it combines excellent structural and material elements with sustainable and energy-efficient solutions.² It has been awarded with the highest BREEAM rating of “Excellent” and has a final energy demand of 36.3 kWh/m² per year.³

Key tenants: Nokia, Deichmann, Aviva and Enel-Med.⁴

Project name: Erste Campus Wien

Location: Wien, Austria

Green Certification/EPC: DGNB Platin

Date of Construction: 2015

Total Asset Value: € 446.1 mn

pbb financing amount: € 97.1 mn



Short description :

The complex has a usable floor space of approx. 119,000 m² and serves as the headquarters of ERSTE Group Bank AG.⁵ The Erste Campus was created in respect to economic aspects as well as aspects of environment and social sustainability.⁶ It has been awarded with the highest award, the DGNB platinum certificate and has an energy usage of 72.7 kWh/m² per year.⁷

¹ According to Monitoring L3 2018 ² Source: Echo Investment ³ Energy performance certificate ⁴ Source: Globalworth Poland ⁵ According to Market- & Mortgage lending valuation 2016 ⁶ Source: Erste Group ⁷ Energy performance certificate