

Green Bond Investor Update



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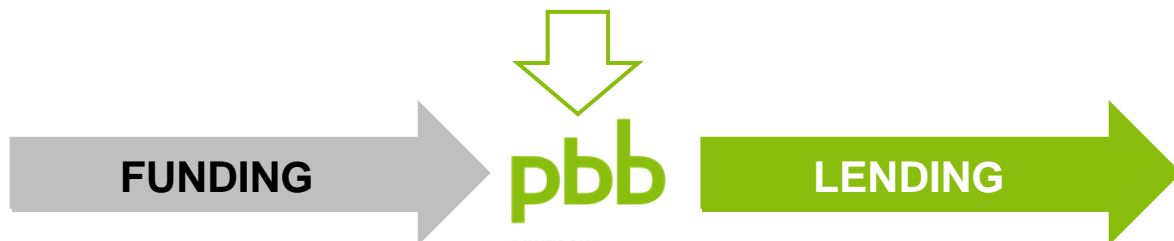
Business Model & Strategy

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



- 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

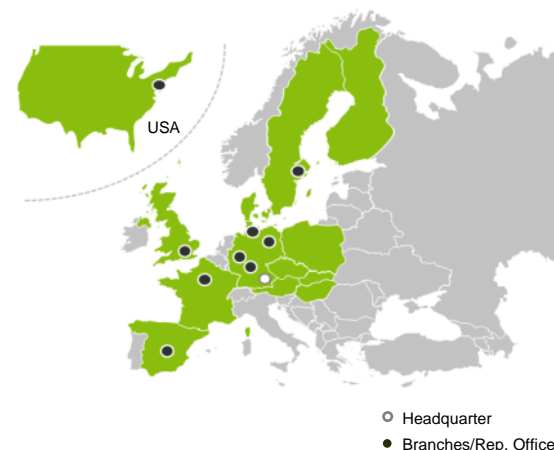
- Considerable MREL buffer
- Strong capital base
- High quality cover pools
- High portfolio quality and risk standards
- Strong operating performance

Key figures

(IFRS)

	31/12/19 ¹	31/03/20 ²
Total assets	€ 56.8 bn	€ 56.6 bn
Total equity	€ 3.2 bn	€ 3.2 bn
RWA	€ 17.7 bn	€ 17.3 bn
CET1 ratio	15.9%	16.3%
Leverage ratio	5.9%	5.6%
RoE before taxes	7.5%	0.3%
FTE	752	749

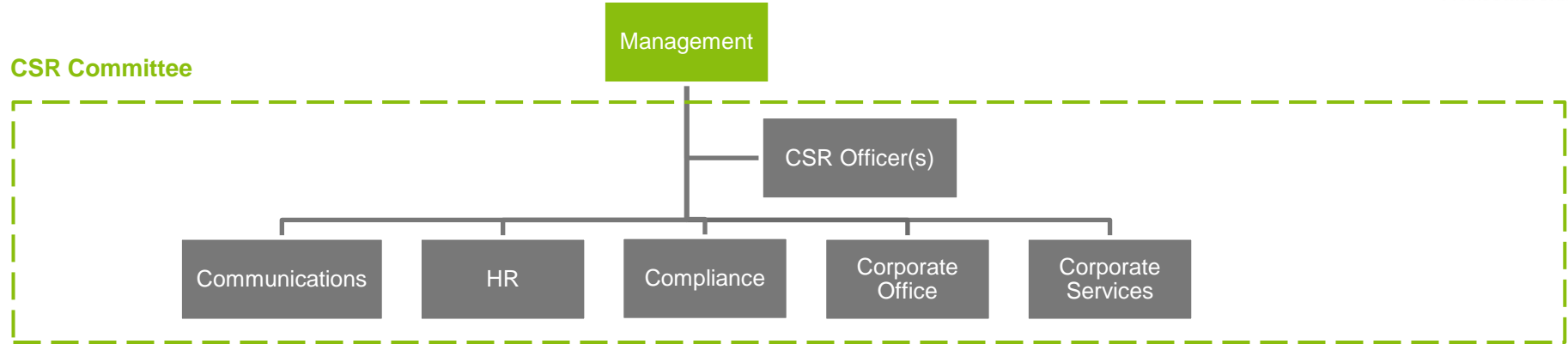
Regional presence



¹ Retrospectively adjusted; incl. full-year result 2019 ² Incl. € -45 mn COVID-19 pandemic related effects: € -13 mn credit spread driven valuation effects + € 32 mn model based risk provisioning (stage 1+2)

Corporate Responsibility within pbb

CSR Committee as an instrument to steer ESG issues



SOCIAL MATTERS

- **Social engagement** (e.g. donations and sponsoring)

EMPLOYEE MATTERS

- **Remuneration and employee benefits**
- **Work environment**
- **Training and professional development**
- **Employer attractiveness**
- **Diversity**
- **Equal opportunities**
- **Involvement and co-determination**

CORPORATE GOVERNANCE

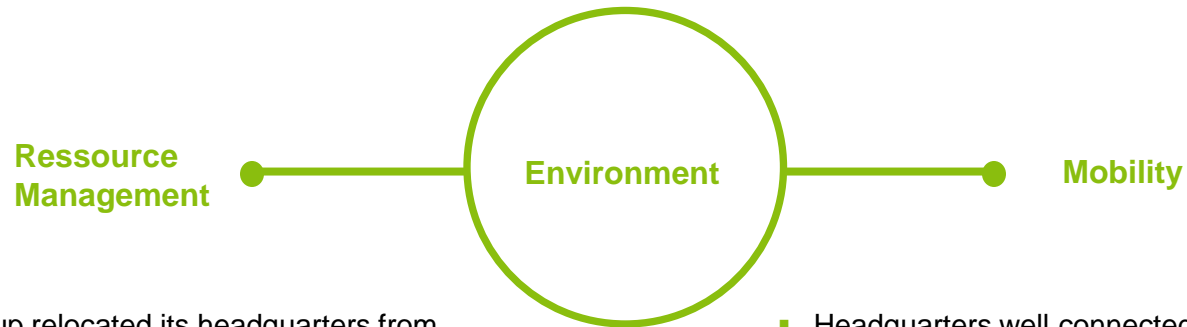
- **Compliance**
 - Preventing money laundering
 - Data security
 - Anti-corruption and bribery
 - Competition and antitrust legislation
 - Preventing terrorism financing
- **Human rights** (pbb and supply chain)

INDUSTRY SPECIFIC ASPECTS

- **Sustainable financing solutions**
- **Risk management** (e.g. climate risk)
- **Client orientation** (focus on clients, dialogue, complaints management)

ENVIRONMENT

- **Carbon footprint** (energy, green house gas)
- **Resource management**
- **Mobility** (business travel, company cars)



- 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.

CR Rating		
imug	ISS oekom	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 oekom 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 is unchanged at 'A, since 2014.</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 ▪ 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 Principals 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 style="text-align: center;">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 style="text-align: center;">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.

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.



CICERO
Shades of
Green

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.



CICERO
Light Green

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: ~18,000 tCO₂/year

Carbon impact assessment methodology

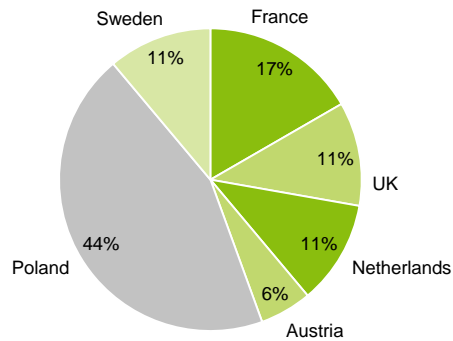
- pbb estimates the carbon impact of its Green Loan portfolio on a line by line basis
- pbb collects the carbon emission intensity for each building from its Green Certification reports or Energy Performance Certificates
- Green building certifications, the location and the type of use could be used as proxy to refine the collected data when necessary
- The baseline is the average energy demand for office buildings in specific location from EU Entranze Project (<https://www.entranze.eu/>)
- Emission factors are derived from the energy mix consumed by buildings locally (source: EU Entranze project, <https://www.entranze.eu/>) and the carbon intensity of each energy type (source: IEA, <https://www.iea.org/>)

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)
30.03.2020	654	18	563,091	18,018	~28

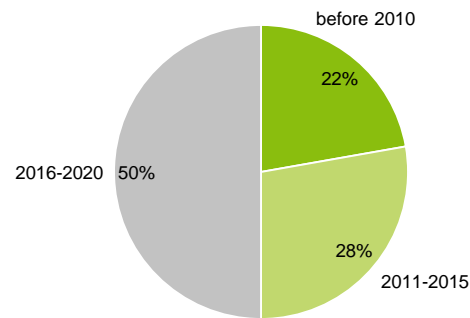
pbb's current Green portfolio

Seedportfolio as of 03/2020

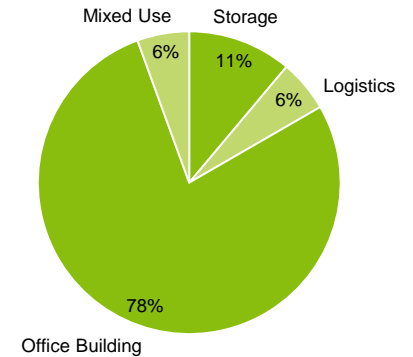
Breakdown by geographies



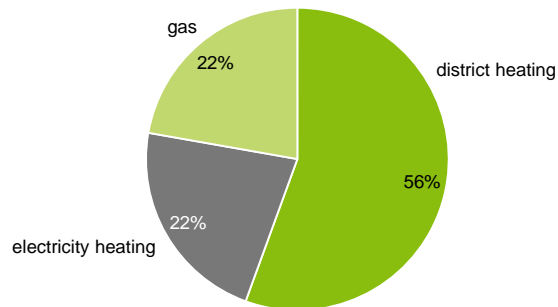
Breakdown by year of construction



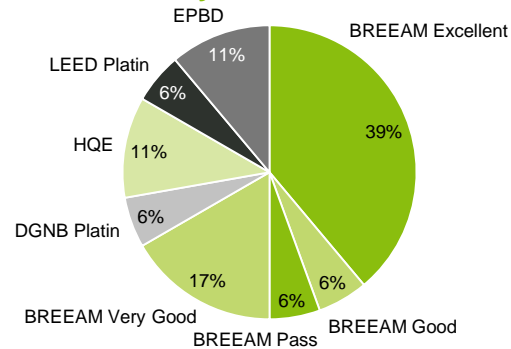
Breakdown by type of building use



Breakdown by heating system



Breakdown by Green certifications



- **Seedportfolio** consisting of already known "green" properties for which the criteria were recorded.
- Volume of ~ € 654 mn
- 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: € 28.2 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: € 100.1 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